# National Association of Residential Property Managers

# Joint Venture Policy

February 3, 2009

This *Joint Venture Policy* requires that NARPM® evaluate its participation in joint venture arrangements under Federal tax law and take steps to safeguard the NARPM® exempt status with respect to such arrangements. It applies to any joint ownership or contractual arrangement through which there is an agreement to jointly undertake a specific business enterprise, investment, or exempt-purpose activity as further defined in this policy.

For purposes of this policy, a joint venture or similar arrangement (or a "venture or arrangement") means any joint ownership or contractual arrangement through which there is an agreement to jointly undertake a specific business enterprise, investment, or exempt-purpose activity without regard to: (1) whether NARPM® controls the venture or arrangement; (2) the legal structure of the venture or arrangement; or (3) whether the venture or arrangement is taxed as a partnership or as an association or corporation for federal income tax purposes.

A venture or arrangement is disregarded if it meets both of the following conditions:
(a) 95% or more of the venture's or arrangement's income for its tax year ending within the NARPM® tax year is excluded from unrelated business income taxation [including but not limited to: (i) dividends, interest, and annuities; (iii) royalties; (iii) rent from real property and incidental related personal property except to the extent of debt-financing; and (iv) gains or losses from the sale of property]; and
(b) the primary purpose of the contribution to, or investment or participation in, the venture or arrangement by NARPM® is the production of income or appreciation of property.

NARPM® will: (a) negotiate in its transactions and arrangements with other members of the venture or arrangement such terms and safeguards adequate to ensure that the NARPM® exempt status is protected; and (b) take steps to safeguard the NARPM® exempt status with respect to the venture or arrangement. Some examples of safeguards include:
(i) control over the venture or arrangement sufficient to ensure that it furthers the exempt purpose of NARPM®;
(ii) requirements that the venture or arrangement gives priority to exempt purposes over maximizing profits for the other participants;
(iii) that the venture or arrangement not engage in activities that would jeopardize NARPM® exemption; and
(iv) that all contracts entered into with NARPM® be on terms that are arm's length or more favorable to NARPM®.