



## **Joint Venture Policy**

Adopted February 12, 2016

### **Article 1: Purpose**

The purpose of this Joint Venture Policy is to give guidance and counsel to those individuals within the American Institute of Architects, Cleveland Chapter (AIA CLE) concerned with any joint ownership or contractual arrangement through which there is an agreement to jointly undertake a specific business enterprise, investment, or exempt-purpose activity. This policy requires that AIA CLE evaluate its participate in joint venture arrangements in compliance with Internal Revenue Service guidelines under Federal tax law and take steps to safeguard AIA CLE's exempt status with respect to such arrangements.

### **Article 2: Activities Subject to this Policy**

This policy applies to any joint ownership or contractual arrangement undertaken through a limited liability company, partnership, or other entity through which there is an agreement to jointly undertake a business venture, investment, joint ownership of any asset, or exempt-purpose activity as further defined in this policy.

### **Article 3: Approval and Management of Joint Activities**

Before making any decisions to participate in a joint venture, AIA CLE will: (a) negotiate in its transactions and arrangements with other members of the venture or arrangement such terms and safeguards adequate to ensure that AIA CLE's tax-exempt status is protected; and (b) take steps to safeguard AIA CLE's tax-exemption from federal income tax with respect to the venture or arrangement. Terms shall be in writing in the operating agreement of the joint venture and shall include the following minimum requirements:

#### **A. Safeguards to Ensure Exempt Status Protection**

1. Some examples of safeguards include:
  - a. Control over the venture or arrangement sufficient to ensure that it furthers the tax-exempt purpose of the organization;
  - b. Requirements that the venture or arrangement gives priority to exempt purposes over maximizing profits for the other participants;



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- c. that the venture or arrangement not engage in activities that would jeopardize AIA CLE's tax-exemption; and (iv) that all contracts entered into with the organization be on terms that are arm's length or more favorable to AIA CLE.
2. With respect to any whole joint venture (this is, a joint venture in which AIA CLE contributes substantially *all* of its assets to the enterprise), AIA CLE's control over the joint venture through fifty-one percent (51%) or more of the voting rights and/or veto power.
3. With respect to any ancillary joint venture (this is, a joint venture to which a portion of AIA CLE's resources are contributed), AIA CLE would, at minimum maintain sole control over the tax-exempt aspects of the joint venture and would have voting and ownership interests in the joint venture that are consistent with AIA CLE's capital contributions.

## **B. Disregarded Conditions**

1. A venture or arrangement is disregarded if it meets both of the following conditions: 95% or more of the venture's income for its tax year ending within AIA CLE's tax year is excluded from unrelated business income taxation [including but not limited to: (i) dividends, interest, and annuities; (ii) 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
2. The primary purposes of AIA CLE's contribution to, or investment or participation in, the venture or arrangement is the production of income or appreciation of property.
3. Where there is any question as to whether a particular joint venture may pose a risk to AIA CLE's tax-exempt status, a decision to enter into such joint venture will be made only in consultation with legal and/or tax counsel.