

JOINT VENTURE POLICY PROCEDURES

The university utilizes several strategies to advance its educational mission. These include collaborations, partnerships, joint ventures, and similar arrangements with other nonprofit organizations or with for-profit entities; the formation of special purpose nonprofit or for-profit entities; and investment in existing nonprofit or for-profit entities.

University administrators should consult with the Office of the Vice President and General Counsel (OGC) for a determination of which arrangements are covered and which are excluded under the [Joint Venture Policy](#). The information that follows is included to provide guidance on the factors that will be addressed in such a determination and to assist administrators in identifying situations in which OGC should be consulted.

1. Covered Arrangements

These procedures apply to transactions with for-profit entities in which the parties have, as one of the objectives, the sharing of risk and reward. This includes, for example, any joint ownership or contractual arrangement with a for-profit entity through which there is an agreement to jointly undertake a specific business enterprise. Examples of such transactions include arrangements involving the university and:

- a for-profit pharmaceutical company to develop a potential therapy for a particular disease;
- a for-profit software company to develop new distance learning tools; and
- a for-profit test preparation firm to develop a new tool for preparation for various standardized tests.

2. Excluded Arrangements

Examples of arrangements that are not “covered arrangements” are contracts with for-profit entities for the provision of goods or services made pursuant to the university’s normal procurement process, such as contracts for the provision of food services, bookstore services, mail services, and vending services intended primarily for the university community.

3. Guidelines for Covered Arrangements with For-Profit Entities

All proposed joint ventures, investments, and similar arrangements with for-profit entities that are “covered arrangements” under Section 1 must be reviewed for potential conflicts of interest in accordance with the applicable university conflict of interest policies. In addition, the arrangement must be on arm’s length terms or on more favorable terms to the university than would be available through an arm’s length transaction (taking into account any mission-related benefits).

The applicability of the following additional guidelines is based on the purpose of the

arrangement.

- If the purpose of the arrangement is to further the university's mission, the documents governing the arrangement must include, as appropriate, provisions that:
 - delineate the mission-related purpose of the arrangement;
 - give the university (alone or in conjunction with one or more nonprofit partners) control over the mission-related aspects of the arrangement;
 - emphasize the priority of nonprofit purposes over for-profit objectives in the event of inconsistency;
 - limit or restrict the non-exempt activities of the arrangement;
 - consider the financial exposure to the university and take steps to address or limit that exposure; and
 - allow the university to exit the arrangement in the event of a material deviation from the intended mission-related purposes.

- If the purpose of the arrangement is to engage in an unrelated business activity and the form of the arrangement is a pass-through entity such as a partnership, or limited liability company:
 - the arrangement must be no more than an ancillary part of the university's overall activities;
 - the university's financial interest in the arrangement must be reasonable in relation to its contribution and that of others;
 - the governing documents must provide for rights and obligations of the university that are reasonable in relation to its contribution and that of others; and
 - the terms of the documents must address or limit the university's financial exposure attributable to the arrangement.

These guidelines should be applied in a flexible manner. There is no "one size fits all" for such transactions. It is anticipated that each transaction will include provisions protective of the university's interest appropriate under the circumstances.

4. Approval Process

Joint ventures, partnerships, and similar arrangements with for-profit entities that may be covered under this policy are subject to the following approval process.

- the Vice President and General Counsel (VPGC) must review and approve such arrangements for compliance with this policy and with statutes and regulations governing the university's tax-exempt status under Section 501(c)(3); and
- the Executive Vice President, Chief Financial Officer and Treasurer (EVP/CFO) must review and approve such arrangements.

The VPGC or EVP/CFO may consult with other university departments, or the Board of Trustees or one or more committees or members thereof, regarding such arrangements as may be appropriate depending on the size of the transaction, its impact on the university, and other relevant factors.

Related Documents

[Institutional Conflict of Interest Policy](#)

[Policy on Outside Interests, Relationships, and Professional Activities](#)

[Trustee Conflict of Interest Policy](#)

[Joint Venture Policy](#)