Loyola University of Chicago
Joint Venture Policy

Date Issued: June 2009

PURPOSE

This policy requires that Loyola University of Chicago evaluate its participation in joint venture arrangements with taxable entities under federal tax law and take steps to safeguard its exempt status with respect to such arrangements.

WHO SHOULD KNOW THIS POLICY

- President
- Provost
- Vice Presidents
- Deans
- Directors
- General Counsel and Finance Personnel

CONTACTS

For questions regarding this policy, please contact the Controller's Office at 5-8706

SCOPE

This policy applies to any joint venture or similar arrangement between Loyola University of Chicago and one or more taxable entities. 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 below:

**Joint ventures or similar arrangements with taxable entities.** 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 the Loyola University of Chicago 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 Loyola University of Chicago’s tax year (ending June 30) 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

b) The primary purpose of the Loyola University of Chicago’s contribution to, or investment or participation in, the venture or arrangement is the production of income or appreciation of property.
POLICY

Prior to entering into a joint venture or similar arrangement within the scope of this policy, Loyola University of Chicago will negotiate with and require of other members of the joint venture such terms and safeguards as may be adequate to ensure that its exempt status is protected. Examples of safeguards follow:

1. Loyola University of Chicago’s control over the venture or arrangement sufficient to ensure that it furthers the exempt purpose of Loyola University of Chicago
2. Requirements that the venture or arrangement gives priority to exempt purposes over maximizing profits for the other participants
3. That the venture or arrangement not engage in activities that would jeopardize Loyola University of Chicago’s exemption
4. That all contracts entered into with Loyola University of Chicago be on terms that are arm’s length or more favorable to Loyola University of Chicago
5. The share of authority, control, revenues, profits, gains, expenses, risk and losses that is allocated to the proprietary member in the venture or arrangement shall be proportional to the contributions made by that proprietary member to the venture or arrangement, so that neither Loyola University of Chicago nor the venture or arrangement confers or provides an impermissible private benefit. In particular, the proprietary member shall be paid no more than reasonable compensation or fair market value that is proportional to its contributions.

All joint venture written operating agreements or similar documents will contain a provision sufficient to ensure that it will operate in furtherance of Loyola’s exempt purposes and Loyola does not cede control of the venture to for-profit activities.

Required Approvals:

All joint ventures or similar arrangements within the scope of this policy will be subject to the following approvals as detailed below:

1. All contracts must be reviewed and approved by the appropriate Vice President/Provost of the division entering into the contract
2. The Finance Department must review and approve the financial terms of the contract
3. The Office of the General Counsel must review and approve the legal terms of the contract
4. The Insurance Department must review and approve the insurance terms of the contract
5. The President must approve the contract
6. Any contract requiring a financial commitment in excess of $3,000,000 will require approval by the Board of Trustees

A routing form detailing these approvals is attached and must be completed prior to submitting the contract for approval to the President.