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## MISCELLANEOUS POLICIES

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- 3001 Authority to Bind the University
- 3002 Rental of University-Owned Property/Facility for Commercial or Private Use
- 3003 External Activities
- 3004 Approval Process for Joint Ventures with Taxable Entities

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## 3001 AUTHORITY TO BIND THE UNIVERSITY

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Effective: December 1986

Revised:

Last Reviewed: April 2018

Responsible Office: Comptroller

Approval: Trustees

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### PURPOSE

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To minimize the legal and practical complications for the University resulting from individuals without proper authority proceeding on behalf of the University.

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### POLICY

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1. Only Officers of the Corporation, or those individuals possessing specific authority from the President in the form of a letter of delegation or from the Trustees in the form of a resolution may bind the University. The action taken by any officer shall be consistent with the authority of that office as set forth in the Statutes of the Trustees of the University of Pennsylvania.
2. The Statutory Officers are the President, the Provost, the Vice Presidents, the Secretary, the Treasurer, the Comptroller and the General Counsel. With the consent of the President and subject to the policies of the University, Officers may appoint associates and assistants and assign them such duties as they deem appropriate.

## **3002 RENTAL OF LEASED PROPERTY/FACILITY FOR COMMERCIAL OR PRIVATE USE**

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Effective: December 1986

Revised: December 2008

Last Reviewed: April 2018

Resp. Office: Facilities and Real Estate Services (FRES)

Approval: Facilities and Real Estate Services (FRES)

### **PURPOSE**

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The rental of leased property is intended to support the University's mission of instruction, research and public service. In certain cases, the University leases owned property to third parties for other legitimate and legal purposes.

### **POLICY**

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1. The Trustees have delegated authority to certain University officers to lease, operate and manage University-owned real estate.
2. All leases or letters of agreements for rental of leased property must be executed by the Vice President of Facilities and Real Estate Services (FRES) department.
3. Leases for certain properties, as designated by the Executive Vice President (EVP).
4. Rental/lease charges will be in accordance with market rates unless approved by the Vice President of Finance.
5. The FRES department is responsible for the relationship with outside managers acting as agent in the rental of University-owned property.
6. The FRES department is responsible for the general management of University-owned property (excluding the residential system) leased directly to third parties, and the collection of related rental income.
7. Business administrators responsible for the rental of University facilities for occasional use must follow leasing procedures distributed by the FRES department.
8. The Comptroller's Office is responsible for ensuring that the rental of real property for purposes other than in support of the University's mission to outside third parties for private and commercial use is included as Unrelated Business Taxable income

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## 3003 EXTERNAL ACTIVITIES

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Effective: September 1990  
Revised: May 2010  
Last Reviewed: April 2018  
Resp. Office: VP for Finance  
Approval: President

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### PURPOSE

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To ensure that external activities undertaken by University schools, departments and centers are consistent with the University's mission of instruction, research and public service and that such activities comply with the University's financial policies.

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### DEFINITION

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"External activities" are any ventures in which the University, in conjunction with an external entity, commits resources and/or permits the use of its name. Excluded from this definition are (a) standard agreements for research sponsored by associations, corporations, foundations, or governmental entities; (b) routine vendor contracts for the purchase, lease or rental of goods or services; and (c) agreements for commercial development of University technology, including those which provide the acceptance by the University of equity in an external entity which has been negotiated and approved in accordance with the University's Patent Policy, and policies and procedures of the Center for Technology Transfer. The formation of a new legal entity, e.g., a partnership or corporation, and/or the delivery of services by the University at sites other than traditional campus locations, are always external activities within the context of this policy. External Activities of the University of Pennsylvania Health System ("UPHS") must be reviewed under the UPHS External Activities/Business Plan Policy and then submitted for approval at Step 5 of this policy.

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### POLICY

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1. Acceptance of any external activity must be consistent with Policy No. 3001, Authority to Bind the University.
2. Prior to entering into any external activity, a statement which outlines the nature of the activity and how it relates to the program or mission of the school/center must be prepared and submitted to the dean/director of the school/center for review and authorization to proceed with the proposal.

3. Upon written approval at the school/center level, the dean/director will submit the proposal, together with a business plan and proposed financing arrangements to the University Executive Vice President and the Provost for consideration.
4. After consideration and endorsement by the University Executive Vice President and the Provost, the Offices of the Comptroller, (including the Corporate Tax Department), Risk Management, the Treasurer and the General Counsel will review the proposal. Use of the University of Pennsylvania name must be reviewed by the Office of the Secretary, in accordance with the policy established by that office. Depending on the type of activity, additional reviews by other offices may be required.
5. The University Executive Vice President, Health System Executive Vice President, and the Provost will bring proposals they endorse to the President, who must approve all external activities before they may be implemented. Trustee approval will be sought as appropriate.
6. Upon approval by the President, the University Executive Vice President will submit the activity to the Office of the General Counsel for review and determination of documentation requirements.
7. The dean/director is responsible for ensuring that the approved activity is conducted in accordance with the approved business plan and any agreements, contracts, etc. Any subsequent proposed change that affects the scope of the approved activity requires the approval of the President.
8. Prior to initiation of the activity, the Comptroller, in consultation with the Associate Vice President of Audit, Compliance and Privacy, will review the proposed system of internal controls and accounting procedures to ensure their adequacy.
9. The Office of the Provost is responsible for maintaining a central file of all external activities.
10. The school/center sponsoring the approved external activity is responsible for the activity's net fiscal operations, including (a) reviewing activities for tax compliance; (b) overseeing the preparation of required financial reports, and (c) reviewing and approving such reports, as required. In order to fulfill these responsibilities, the school/center may consult with the Comptroller's Office when necessary.

## 3004 APPROVAL PROCESS FOR JOINT VENTURES WITH TAXABLE ENTITIES

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Effective: June 2009

Last Revised:

Last Reviewed: April 2018

Responsible Office: Office of General Counsel

Approval: Office of General Counsel

### PURPOSE

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This policy establishes procedures for the authorization and approval of joint ventures between the University of Pennsylvania including its exempt affiliated entities, and unrelated taxable entities. The purpose of this policy is to manage and monitor joint venture activities to safeguard the tax exempt status of the University and its exempt affiliated entities. Reference to “University” below shall be read to include the affiliated exempt entities of the University, as appropriate.

### DEFINITION

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For purposes of this policy, Joint Venture means any joint ownership or contractual arrangement through which there is an agreement that the University, either directly or indirectly, will jointly undertake a specific business enterprise, investment, or exempt-purpose activity with an unrelated taxable third party or entity. For purposes of this policy, the term Joint Venture does not include a venture or arrangement where (1) 95% or more of the venture’s or arrangement’s income for its tax year ending with or within the University’s tax year is described in sections 512(b)(1)-(5) of the Internal Revenue Code (which include generally dividends, interest, royalties, certain rents, capital gains and losses), and (2) the primary purpose of the University’s contribution to, or investment or participation in, the venture or arrangement is the production of income or appreciation of property.

### POLICY

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All proposed Joint Venture documents, including amendments and renewals, must be reviewed by the Office of the General Counsel prior to and during negotiations, and approved by the Vice President-Finance, to assure that the University’s tax exempt status is protected.

In the negotiation and review of proposed Joint Ventures and Joint Venture documents, the University will evaluate participation in such Joint Ventures under applicable Federal tax law and take steps to safeguard the exempt status of the University with respect to such Joint Ventures. The University will negotiate in its Joint Ventures such terms and safeguards adequate to ensure the University’s tax exempt status is protected. Such safeguards may include:

- assuring that the Joint Ventures further the charitable exempt purposes of the University;
- providing that the University has sufficient control over the Joint Ventures to ensure that the Joint Ventures at all times are operated and managed in a manner that furthers the exempt purposes of the University;
- requiring that the Joint Venture give priority to exempt purposes over maximizing profits for other participants;
- assuring that the Joint Ventures not cause the University to act other than exclusively in furtherance of its tax exempt purposes or adversely affect its tax exempt status;
- assuring that the Joint Ventures do not directly or indirectly engage in any activities that would jeopardize the University's exemption (such as political intervention or substantial lobbying); and
- requiring that sufficient operating controls be implemented at the Joint Ventures to assure all contracts and transactions involving the University and the Joint Ventures are at arms-length or more favorable to the University.

Senior administration for the University in consultation with the Office of General Counsel will determine whether approval is also needed by an entity board or committee of a board.