



Wake Forest University Joint Venture Policy

Purpose

The objective of this policy is to protect the University's tax-exempt status in situations in which it may enter into a joint venture with one or more parties that are not exempt from federal income taxation. This policy provides guidelines to consider when making decisions about whether the University will enter into a joint venture, and, if such an arrangement is entered into, how it may be structured to protect the University's tax-exempt status.

What is a Joint Venture?

For purposes of this policy, a joint venture is any joint ownership or contractual arrangement between the University and one or more parties that are not exempt from federal income taxation, through which there is an agreement to jointly undertake a specific business enterprise, investment, or exempt-purpose activity. A joint venture does not include arrangements intended primarily to result in the production of income or the appreciation of property, if substantially all of the income generated by the arrangement consists of investment income, such as dividends, interest, annuities, royalties, rents, and capital gains.

Policy

When the University is contemplating entering into a joint venture with one or more parties that are not exempt from federal income taxation, the University will consider the implications such a venture could have on its tax-exempt status, and will undertake to negotiate terms and safeguards to protect that status. Any contracts entered into shall be negotiated at arm's length, or on terms that are even more favorable to the University.

Depending on the circumstances, the University may include some or all of the following safeguards in a joint venture arrangement to protect its tax-exempt status:

- Control over the joint venture sufficient to ensure the joint venture furthers the University's tax-exempt purposes.
- Requiring that the joint venture give priority to tax-exempt purposes over maximizing profits to those participants in the venture who are not exempt from federal income taxation.
- Prohibiting the joint venture from engaging in activities that would jeopardize the University's tax-exempt status.