

**Hackensack University Health Network
Governance Policy Manual**

Joint Venture

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General

Policy:

This Joint Venture Policy of Hackensack University Health Network and its Subsidiaries (the "Corporation") will provide guidance as to participation of the Medical Center, directly or through any of its tax-exempt controlled entities in a Joint Venture or similar arrangement. . This Joint Venture Policy requires that the Corporation evaluate its participation in joint venture arrangements under Federal tax law and take steps to safeguard the Corporation's exempt status with respect to such arrangements. 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 in this policy.

Administration:

The Executive Vice President, Chief Legal Council and the Chief Compliance Officer are responsible for the administration, maintenance and subsequent revisions of this policy.

Purpose:

Joint Ventures or Similar Arrangements With Taxable Entities

For the purpose of this policy, Joint Venture means any joint ownership or contractual arrangement with any for-profit or private interest (including, without limitation, any physician(s) on the medical staff of any the Corporations) through which there is an agreement to jointly undertake a specific charitable or business enterprise.

NOTE: *Joint undertakings between the Corporation and one or more other IRC Section 501(c)(3) organizations are outside the scope of this policy.*

Procedure

A venture or arrangement is disregarded if it meets both of the following conditions:

- 95% or more of the venture's or arrangement's income for its tax year ending within the Corporation'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
- The primary purpose of the Corporation's contribution to, or investment or participation in, the venture or arrangement is the production of income or appreciation of property.

Safeguards to ensure exempt status protection

Before making any decision to participate in a Joint Venture, the Corporation will ensure that the Joint Venture furthers the Corporation's

exempt purposes and will negotiate at arm's length contractual and other terms of participation that safeguard the Corporation's exemption from federal income tax.

Such terms shall be in writing in the operating agreement of the Joint Venture and shall include the following minimum requirements:

- With respect to any whole joint venture (that is, a joint venture in which the Corporation contributes substantially all of its assets to the enterprise), the Corporation's control over the Joint Venture through fifty-one percent (51%) or more of the voting rights and/or veto power;
- With respect to any ancillary joint venture (that is, a joint venture to which a portion of the Corporation's resources are contributed), the Corporation would, at a 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 the Corporation's capital contributions;
- A requirement that any subsequent contract with the Corporation's partner in the Joint Venture be negotiated at arm's length and for fair market value;
- A requirement that the Joint Venture give priority to the Corporation's tax exempt purposes over maximization of profit for the participants of the Joint Venture; And
- A prohibition on activities that would jeopardize the Corporation's tax-exempt status.

Where there is any question as to whether a particular Joint Venture may pose a risk to Corporation's tax-exempt status, a decision to enter into such Joint Venture will be made only in consultation with legal and/or tax counsel. The Corporation will delineate responsibility for administrative coverage at all times. The Corporation entity will not make any loan to any Joint Venture or to any other participant in any Joint Venture without the prior approval of the Board. Any provision of services to any Joint Venture covered by this Policy by the Corporation will be at fair market value, except as otherwise determined by the Board based on a review of the totality of the facts and circumstances.

Prohibited Activities

The operating agreement or similar documents of any Joint Ventures in which the Corporation participates will include an express prohibition on Joint Venture participation in political campaign activities and political campaign contributions, including contributions to any political action committee ("**PAC**").

Required Approvals

If a proposed Joint Venture will involve any of the following: (i) participation by physicians on the medical staff of any the Corporation; (ii) assets of the Corporation in excess of \$250,000; or (iii) the ownership or

operation of any hospital; such Joint Venture will require prior approval by both the governing body of the Corporation proposing such Joint Venture and the Corporation's Board.

Charitable Purposes and Effect

It is the policy of the Corporation that appropriate provisions be included in the terms of any Joint Venture arrangement covered by this policy that are sufficient to protect the tax-exempt status of the Corporation participating in the Joint Venture.

All Joint Venture operating agreements or similar documents will contain a binding statement of charitable purpose of the Joint Venture that ensures, and explains how participation in the Joint Venture furthers the tax-exempt purposes of the participating Corporation.

All patient care Joint Ventures in which the Corporation participates will have a written charity care policy that is either (i) the same as the policy of such the Corporation as now in effect or subsequently modified, or (ii) has been approved by the Board.

All Joint Venture operating agreements or similar documents will contain clear, binding provisions sufficient to ensure that charitable purposes are furthered by Joint Venture activities and that the Corporation participating does not cede control of Joint Venture activities to for-profit interests.

Charitable Participation

The Corporation may participate in a Joint Venture that furthers charitable purposes, if either:

- The Corporation at all times maintains majority voting control, or
- The Corporation at all times maintains fifty percent (50%) voting control and the Joint Venture operating agreement or similar documents contain adequate reserved powers to establish that the Corporation does not cede control of Joint Venture activities to for-profit interests.

Legal Approval

The Compliance Officer along with counsel will review the terms of the agreement to assure consistency with this policy. Monitoring of any joint venture will be included in the scope of the Compliance Program. Where there is any question as to whether a particular Joint Venture may pose a risk to Medical Center's tax-exempt status, a decision to enter into such Joint Venture will be made only in consultation with legal and/or tax counsel. Hackensack University Medical Center will delineate responsibility for administrative coverage at all times.

NOTE: THIS WRITTEN JOINT VENTURE POLICY WAS ADOPTED BY THE CORPORATION IN 2010. PRIOR TO THE ADOPTION OF A FORMAL WRITTEN POLICY, THE ORGANIZATION HAS ALWAYS

UTILIZED DUE DILIGENCE AND CERTAIN PROCEDURES TO ENSURE THAT ITS PARTICIPATION IN A JOINT VENTURE WITH A TAXABLE ENTITY DOES NOT JEOPARDIZE TAX EXEMPT STATUS OR IMPAIR ANY OF ITS ASSETS. THESE SAFEGUARDS INCLUDE, BUT ARE NOT LIMITED TO, ASSISTANCE AND ADVICE FROM EXTERNAL LEGAL COUNSEL AND PROFESSIONAL TAX ADVISORS WITH EXPERTISE IN HEALTHCARE AND NOT-FOR-PROFIT TAXATION. IN ADDITION, THE JOINT VENTURES BETWEEN THE ORGANIZATION AND ANY TAXABLE ENTITIES ARE RELATIVELY SMALL IN SIZE AND SCOPE WHEN COMPARED TO THE OVERALL BUSINESS ACTIVITIES AND OPERATIONS OF THE CORPORATION.