



## Forming a University-Related Subsidiary or Affiliate or Acquiring a Controlling Interest in a Separate Entity

---

### POLICY STATEMENT

Cornell University will form a university-related subsidiary or affiliate, or acquire a controlling interest in a separate entity, only if there is compelling legal and/or business justification.

◆ **Note:** On occasion, the Office of University Investments or the Office of Trusts, Estates, and Gift Planning may acquire controlling interests through the investment of endowment assets or the acceptance of gifts. Such decisions are subject to the oversight of the Investment Committee of the Board of Trustees and University Policy 3.1, Accepting University Gifts, respectively, and are not governed by this policy. The risks associated with acquiring a controlling interest will be taken into account in making these acquisition decisions.

---

### REASON FOR POLICY

The university exercises responsible stewardship over the university's tangible and intangible assets (including use of the university's name), manage risk exposure, and facilitate compliance and manage costs associated with reporting and other legal requirements. Toward that end, the university imposes controls on the formation of university-related subsidiaries or affiliates and the acquisition of controlling interests in separate entities.

---

### ENTITIES AFFECTED BY THIS POLICY

- All units of the university

---

### WHO SHOULD READ THIS POLICY

- Any person or unit wishing to form a university-related subsidiary or affiliate, or acquire a controlling interest in a separate entity.

---

### MOST CURRENT VERSION OF THIS POLICY

- [www.dfa.cornell.edu/policy/policies/forming-university-related-subsidiary-or-affiliate-or-acquiring-controlling-interest](http://www.dfa.cornell.edu/policy/policies/forming-university-related-subsidiary-or-affiliate-or-acquiring-controlling-interest)

Cornell Policy Library  
Volume: 4, Governance/Legal  
Responsible Executive:  
Secretary of the Corporation  
Responsible Office: University  
Counsel/Executive Vice  
President and CFO  
Originally Issued: September  
2000  
Last Full Review: October 9,  
2018  
Last Updated: October 9, 2018

## POLICY 4.11

# Forming a University-Related Subsidiary or Affiliate or Acquiring a Controlling Interest in a Separate Entity

---

## CONTENTS

---

|  |          |
|--|----------|
| <b>Policy Statement</b>                    | <b>1</b> |
| <b>Reason for Policy</b>                   | <b>1</b> |
| <b>Entities Affected by this Policy</b>    | <b>1</b> |
| <b>Who Should Read this Policy</b>         | <b>1</b> |
| <b>Most Current Version of this Policy</b> | <b>1</b> |
| <b>Related Resources</b>                   | <b>3</b> |
| <b>Contacts</b>                            | <b>3</b> |
| <b>Definitions</b>                         | <b>3</b> |
| <b>Responsibilities</b>                    | <b>4</b> |
| <b>Procedures</b>                          | <b>5</b> |

---

## POLICY 4.11

# Forming a University-Related Subsidiary or Affiliate or Acquiring a Controlling Interest in a Separate Entity

---

## RELATED RESOURCES

---

### University Policies and Information Applicable to All Units of the University

[University Policy 1.7, Financial Conflict of Interest Related to Research](#)

[University Policy 3.1, Accepting University Gifts](#)

[University Policy 3.6, Financial Irregularities, Reporting and Investigation](#)

[University Policy 4.2, Transaction Authority and Payment Approval](#)

[University Policy 4.6, Standards of Ethical Conduct](#)

[University Policy 4.10, Use of Cornell's Name, Logos, Trademarks, and Insignias](#)

[University Policy 4.14, Conflicts of Interest and Commitment \(Excluding Financial Conflict of Interest Related to Research\)](#)

---

## CONTACTS

Direct any general questions about this policy to your college or unit administrative office. If you have questions about specific issues, contact the following offices.

| Subject                                 | Contact                      | Telephone      |
|---|------------------------------|----------------|
| Policy Clarification and Interpretation | Secretary of the Corporation | (607) 255-5124 |
| Approval                                | Secretary of the Corporation | (607) 255-5124 |

## DEFINITIONS

These definitions apply to terms as they are used in this policy.

|                             |   |
|-----------------------------|---|
| <b>Affiliate</b>            | A corporation or other legal entity that directly or indirectly controls or is under the control of another (e.g., two companies related as parent and subsidiary).   |
| <b>Controlling Interest</b> | An ownership interest in an entity, held by an individual or group, that is sufficient to prevail in any formal action of the entity.   |
| <b>Parent</b>               | An entity that controls another, smaller entity by owning an amount of voting shares sufficient to influence or elect its board of directors. The smaller entity is considered a subsidiary of the parent entity.   |
| <b>Separate Entity</b>      | An entity, other than a natural person, that has sufficient existence in the eyes of the law that it can sue or be sued and make legally binding decisions through its agents. This includes corporations, limited liability companies, partnerships, and joint ventures. |
| <b>Subsidiary</b>           | A corporation or other legal entity owned or controlled by another entity (called the "parent").  |

## POLICY 4.11

# Forming a University-Related Subsidiary or Affiliate or Acquiring a Controlling Interest in a Separate Entity

---

## RESPONSIBILITIES

---

The major responsibilities each party has in connection with this policy are as follows:

|   |  |
|---|--|
| <b>Board of Trustees</b>                                    | Grant final approval for the formation of the university-related subsidiary or affiliate or the acquisition of a majority or controlling interest in a separate entity that uses the Cornell name and/or university resources.   |
| <b>Executive Vice President and Chief Financial Officer</b> | With university counsel, examine proposals for university-related subsidiaries and affiliates, and transactions whereby Cornell will or is expected to obtain a majority or controlling interest in a separate entity, and make recommendations to the provosts and president.                   |
| <b>President</b>  | With the provosts, grant final approval for the formation of a university-related subsidiary or affiliate, or the acquisition of a majority or controlling interest in a separate entity that does not use the Cornell name and/or university resources.   |
| <b>Provosts</b>   | With the president, grant final approval for the formation of a university-related subsidiary or affiliate, or the acquisition of a majority or controlling interest in a separate entity that does not use the Cornell name and/or university resources.  |
| <b>Secretary of the Corporation</b>                         | When the formation of a university-related subsidiary or affiliate, or the acquisition of a majority or controlling interest in a separate entity uses the Cornell name and/or university resources, bring these matters to the Board of Trustees, for final approval.                           |
| <b>Units</b>  | Submit to university counsel and the executive vice president and CFO any proposals to form a university-related subsidiary or affiliate, or other transaction whereby Cornell will or is expected to obtain a controlling interest in a separate entity   |
| <b>University Counsel</b>                                   | With the executive vice president and CFO, examine proposals for university-related subsidiaries and affiliates, and transactions whereby Cornell will or is expected to obtain a majority or controlling interest in a separate entity, and make recommendations to the provosts and president. |

## POLICY 4.11

# Forming a University-Related Subsidiary or Affiliate or Acquiring a Controlling Interest in a Separate Entity

---

## PROCEDURES

---

The following procedures are mandatory:

1. University counsel and the executive vice president and CFO will examine any proposal to form a university-related subsidiary or affiliate, or other transaction whereby Cornell will or is expected to obtain a controlling interest in a separate entity.

◆**Note:** This policy covers acquisitions obtained by gift or donation, as well as transactions through which Cornell is expected to obtain control of an entity over the course of multiple years.

2. These executive offices will make recommendations to the provosts and the president as to whether compelling business and/or legal reasons support forming the university-related subsidiary or affiliate or acquiring a controlling interest in the separate entity.
  - In cases where the Cornell name or resources are not used, the president and provosts will approve or deny the formation or other transaction. The decision of the president and provosts is final.
  - In cases where the formation of the university-related subsidiary or affiliate, or the acquisition of a controlling interest in a separate entity uses the Cornell name and/or university resources, the secretary of the corporation will bring the matter to the Board of Trustees, which must grant final approval. Resources include, but are not limited to, faculty or staff time, cash, and real, personal, or intangible property.

◆**Note:** The use of university resources in support of legally independent entities is governed also by other university policies, including University Policy 4.14, Conflicts of Interest and Commitment (Excluding Financial Conflict of Interest Related to Research); University Policy 1.7, Financial Conflict of Interest Related to Research; University Policy 3.6, Financial Irregularities; University Policy 4.2, Transaction Authority and Payment Approval; and University Policy 4.6., Standards of Ethical Conduct.

◆**Note:** The use of the Cornell name by organizations is governed by University Policy 4.10, Use of Cornell's Name, Logos, Trademarks, and Insignias.