

VII. STANDING COMMITTEES

B. Finance, Audit, and Facilities Committee

Formation of a Washington Nonprofit Corporation to Conduct Operations in Foreign CountriesRECOMMENDED ACTION:

It is the recommendation of the administration and the Finance, Audit, and Facilities Committee that the Board of Regents:

- 1) Authorize the incorporation of a nonprofit corporation in the State of Washington through which the University of Washington can conduct operations in foreign countries.
- 2) Delegate to the President of the University the exercise of all membership rights in the nonprofit corporation, and the authority to take all actions and execute any documents necessary to establish the nonprofit corporation.

BACKGROUND:

The University of Washington has a growing number of operations in foreign countries where it must open bank accounts, lease space and hire local employees. To conduct such business, the laws of most foreign countries require the University to “register” itself. In such cases, the University’s preferred approach is to register using its legal status in the State of Washington. For example, The University recently registered itself in Tanzania on this basis. In some countries, however, this has not been possible due to the University’s status as a governmental entity.

An example should help to illustrate the problem. The University is the recipient of a 5 year/\$125 million federal grant to provide HIV-AIDS education and training in countries around the globe, including several African countries, India, and possibly China. The University carries this work out through the I-TECH program (International Training & Education Center on HIV-AIDS) in the Department of Global Health. The University has been unable to register itself to support I-TECH operations in Mozambique and Ethiopia because of its governmental status, and I-TECH may face similar obstacles in Namibia, and India and China.

After considering several potential avenues, the administration is recommending that the University form a nonprofit corporation in the State of Washington which can be registered in a foreign country. The approach is expected to work in Mozambique and China, and may work elsewhere. Other major research

universities, such as Harvard and Columbia, conduct foreign operations through separate entities in a similar manner when necessary.

The University would fully control this nonprofit, carrying out its foreign operations via a subcontract with the nonprofit. Similar to the UW Foundation, most administrative work of the nonprofit would be performed by UW employees; the expenses incurred by the nonprofit, which the UW will reimburse, would be largely limited to expenses which the University could not expend directly under laws in foreign countries.

The University would be the sole member of the nonprofit corporation with all of its activities subject to the ultimate control of the Board of Regents. It is intended that the directors of the nonprofit corporation be the UW President, UW Provost, and the Treasurer of the Board of Regents. Similarly, it is intended that the key officers of the entity will be the UW Provost (President), the UW Vice Provost for Research (Vice President), the Treasurer of the Board of Regents (Treasurer), and the UW Controller (Secretary).

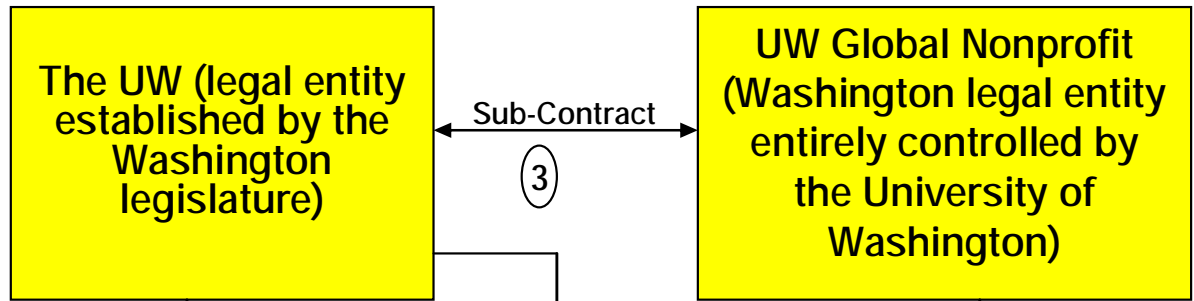
The administration is working with the Attorney General's Office, and will work with foreign lawyers retained by the Attorney General's Office, to ensure legal compliance as the University forms the nonprofit corporation and obtains legal registration for it in foreign countries.

CONCLUSION:

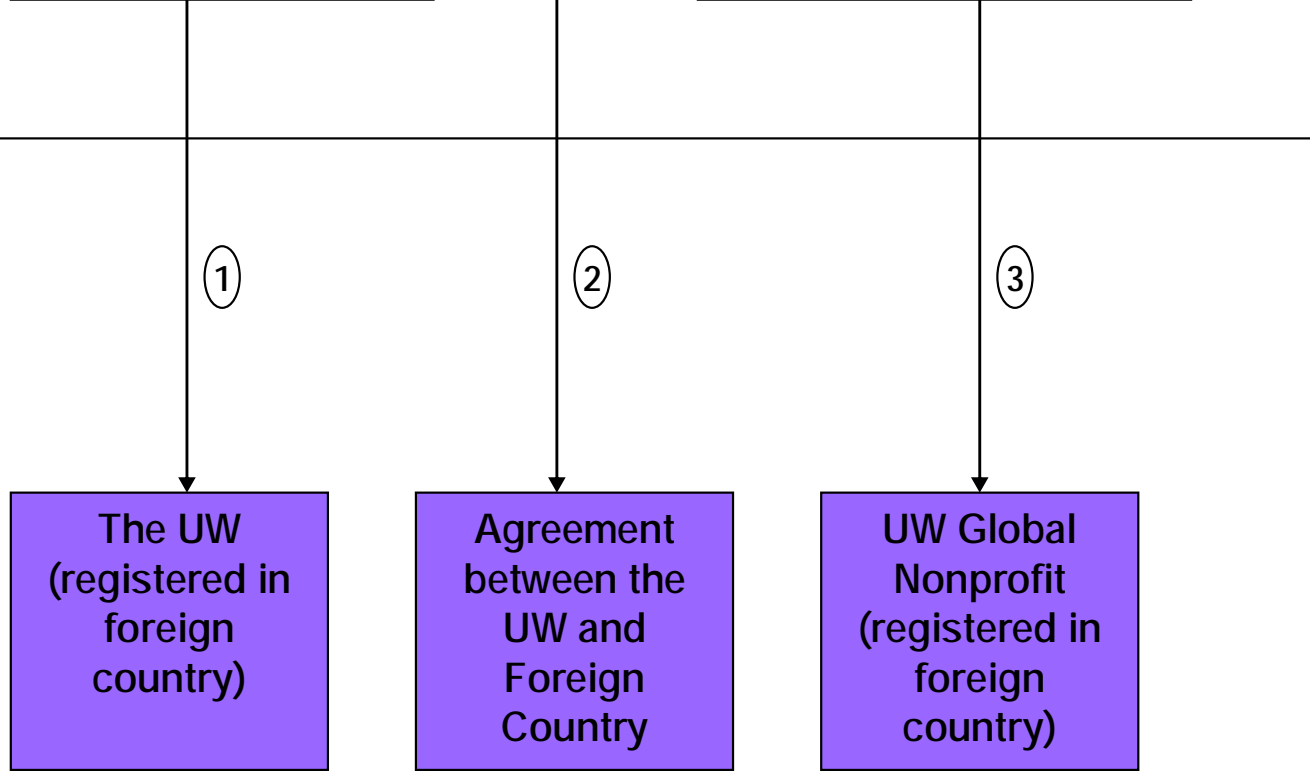
The proposal described above has been reviewed and approved by the President, Provost, Executive Vice President, Vice Provost for Research, Vice President for Financial Management and other University administrators.

UW OPTIONS FOR REGISTERING IN FOREIGN COUNTRIES

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- ① Preferred approach, but UW not able to register in some foreign countries.
- ② Possible approach, but time consuming.
- ③ Possible approach that will help solve at least 1, and possibly several, currently urgent situations.