

UNIVERSITY OF HOUSTON SYSTEM
ADMINISTRATIVE MEMORANDUM

SECTION: Fiscal Affairs

NUMBER: 03.A.33

AREA: General

SUBJECT: Sponsorships and Business Partnerships

1. PURPOSE

The System recognizes the desire and interest of external constituent groups, businesses and/or individuals that offer engaging and affiliated opportunities that connect and support Universities services, activities and initiatives through a formal and structured sponsorship and business partnership program. While such support can be valuable as a public institution, the System must take into consideration legal, financial, and reputational factors before the System, its universities, or any of their colleges, departments or divisions, enter into third party business partnerships or Sponsorships. This policy serves to create a formal and aligned approach throughout the System to ensure compliance with applicable law and the System's mission and policies.

2. POLICY

2.1 This policy contains the System's requirements and procedures to identify and evaluate potential Sponsorship partnership opportunities with external third parties and sets forth the process to efficiently and effectively manage the terms and conditions defined in such agreements. .

2.2 The Senior Vice Chancellor for Finance and Administration is responsible for overseeing the planning and execution of Sponsorship opportunities; and working collaboratively with other System/University stakeholders to provide a process for considering Sponsorship activities, managing the solicitation of Sponsorship opportunities, developing and maintaining asset pricing and valuation inventory tracking reports of System/University assets and benefits, and monitoring the Sponsorship relationship.

2.3 The Senior Vice Chancellor for Finance and Administration shall appoint a Sponsorship Advisory Committee to review proposed Sponsorship opportunities, advise on issues related to Sponsorship, communicate broadly back to System/University units, and approve and monitor Sponsorship policy.

3. DEFINITIONS

3.1 *Acknowledgment* means the recognition of Sponsorship support. Typical acknowledgments may include logo placement and/or sponsor contact information

in the materials associated with a System/University event or activity being underwritten or supported by the sponsor. An Acknowledgment is not and may not contain Advertising and/or Endorsement of the Sponsor. The overall effect and purpose of an Acknowledgment is identification of the Sponsor rather than the promotion of the Sponsor's products, services or facilities.

- 3.2 *Advertising* refers to any communication, however published or displayed, that promotes or markets any trade or business, or any service, facility or product. Advertising includes, but is not limited to, messages containing qualitative or comparative language (“the best widget in Texas”), price information or other indications of savings or value associated with a product or service, an Endorsement (“University’s preferred widget”), calls to action (“buy now”), or any inducement to purchase, sell or use the Sponsor’s company’s service, facility or product.
- 3.3 *Cause Marketing* refers to events or promotions where a third party provides a gift to the System/University based on a certain amount or percentage of purchases during a certain period of time. Cause Marketing is a form of Sponsorship and requires a separate agreement regardless of amount. The System/University may not advertise or promote the event, nor endorse the third party Sponsor.
- 3.4 *Endorsement* is any statement by the System/University or someone speaking on its behalf that could reasonably be understood as expressing a preference for the Sponsor’s goods and services or that the quality of the Sponsor’s goods and services are superior.
- 3.5 *Return Benefits* are any item or service that UH System or its universities provides to a Sponsor in exchange for providing the Sponsorship. Return Benefits include all items provided to the Sponsor, no matter how de minimis (e.g., event tickets, food and beverages, t-shirts, mugs, or access to university services, i.e. meeting rooms, job boards, etc.). Substantial Return Benefits include, but are not limited to, Endorsements, conferral of official or exclusive status; provision of lists of members or segments of the System/University community, including alumni (other than those available through the Texas Public Information Act); as well as any artificial intelligence or access to data analytics from the System/University community, including alumni.
- 3.6 *Sponsorship* means financial and/or in-kind support provided by an external person or entity (*Sponsor*) to the System, its universities, colleges, departments, centers, administrative units, or organizations for programs, events, activities, publications, and the like, in exchange for an Acknowledgment of the Sponsorship as set forth in a Sponsorship Agreement between the System or any of its universities and the Sponsor. Sponsorships differ from general gift support which is provided without expectation of tangible Return Benefits.

- 3.6.1 For tax law reasons, Sponsorships are divided into two categories: Qualified Sponsorships and Non-Qualified Sponsorships.
- a. *Qualified Sponsorships* are those for which the support given to the System/University by the Sponsor is not taxable income to the System/University under the Unrelated Business Income Tax (UBIT) provisions of the Internal Revenue Code. In general, this means that in order to be a Qualified Sponsorship there can be no arrangement or expectation that the Sponsor will receive any substantial Return Benefits (e.g., Advertising or Endorsement) other than an Acknowledgement by the System/University.
 - b. *Non-Qualified Sponsorships* are those for which the support received from a Sponsor is considered income to the System/University under the UBIT provisions because the Sponsor is receiving substantial Return Benefits in exchange for the Sponsor's support.

4. SUPPORT INFORMATION

- 4.1 The System generally permits universities, colleges, departments, units, and university sponsored student organizations to accept Qualified Sponsorships for events, programs, publications, or other activities created in accordance with the specific requirements and procedures of this Policy. Potential Sponsors may be evaluated on a range of criteria, which may include but is not limited to the potential Sponsor's ethical, environmental, corporate, and social responsibility, its local, national, and global position, its brand reputation and values, its public perception of such, its historic performance upholding these standards, and its history with the System/University, and the value of the Sponsorship. The System/University reserves the right to select or reject potential Sponsors based on their alignment with the System/University's mission and core values. The Sponsorship Advisory Committee will review, research, and recommend potential Sponsors for appropriate alignment. Final decisions will be made by the Senior Vice Chancellor for Finance and Administration.
- 4.2 **Unacceptable Sponsorships.** The System/University has the right to and will refuse Sponsorship from unacceptable sources, or with an unacceptable message, products or services. For example, a Sponsorship is unacceptable that (1) is inconsistent with the System/University's mission or in conflict with System/University policies; (2) adversely affects the System/University's reputation; (3) contains an unacceptable risk of liability; (4) appears to create an endorsement by the System/University of a particular company, product, political candidate or position regarding public policies; (5) is considered to contain obscene, indecent or profane material; (6) ridicules, exploits or demeans persons on the basis of their age, color, creed, disability, national origin, race, religion, sex or sexual orientation; (7) promotes or appears to promote tobacco products, weapons, gambling, the adult entertainment

industry, and/or products or practices prohibited by law. Sponsorships involving alcohol products must follow System/University policies and other guidelines.

- 4.3 In addition to the foregoing, the System also reserves the right to refuse to approve any Sponsorship that is in conflict with another existing Sponsorship or with the System's existing contractual obligations, or that has potential adverse tax implications for the System or its universities based on UBIT as well as impacting facilities financed with tax-exempt bonds.
- 4.4 The following categories are not considered Sponsorships as defined in this Policy:
 - a. Sponsorships involving athletic properties that are governed by sports marketing contracts between the System/University and its third-party marketing agency for multi-media rights and licensing services.
 - b. Gifts solicited by University Advancement where the donor voluntarily provides external support without any requirement of economic or other tangible benefit in return and therefore do not fall with the definition of Sponsorship.
 - c. Sponsored research and sponsored academic projects.
 - d. Sponsorships for unaffiliated student organizations.

5. PROCEDURES

5.1 System or University-Wide Sponsorships

- 5.1.1 The Chancellor may designate select Sponsorship categories as exclusive System-wide categories, allowing for exclusive relationships across all areas of the System.
- 5.1.2 Individual System universities or University units may petition the Senior Vice Chancellor for Finance and Administration to "opt out" of participating in a specific category or program, with a final decision to be made by the Chancellor. Under this provision, Sponsorship would not include System-wide "exclusivity" rights and will define specific "carve-out" language regarding those said sponsor rights.
- 5.1.3 Regardless of participation, no University, campus, school, college, department, academic or administrative unit, University Sponsored Student Organization, or other official University organizations may enter into their own Sponsorship agreement in a category declared a System-wide category without written approval by the Senior Vice Chancellor for Finance and Administration.

- 5.1.4 Sponsorship revenue for System/University-wide Sponsorships will be distributed according to a specific distribution model approved by the Senior Vice Chancellor for Finance and Administration based on the defined System/University rate card and inventory assets established by the Sponsorship Advisory Committee with approval of the Senior Vice Chancellor for Finance and Administration.
- 5.1.4 A university, campus, school, college, department, academic or administrative unit, University Sponsored Student Organization, or other official University organization may enter into Sponsorships for singular activities or events in accordance with this Policy, as long as the Sponsorship is not a designated System or University-wide category or conflicts with any other Sponsorship or exclusivity arrangement.

5.2 Process for Creating a Qualified Sponsorship

- 5.2.1 The procedures and the type of documentation and/or approvals required may vary based on the nature of the Acknowledgment and/or any Return Benefits, the business of the Sponsor (e.g., an alcohol company or distributor) and certain aspects of the arrangement (e.g., Sponsor’s request to use System/University trademarks or for an “official” designation).
- 5.2.2 Those wishing to propose a Qualified Sponsorship should complete and submit the Sponsorship Acknowledgement Form to the Sponsorship Advisory Committee not less than fifteen (15) working days prior to the event or activity being sponsored. If a Qualified Sponsorship Opportunity is for a longer term or for multiple events, the Sponsorship Acknowledgement Form shall be submitted to the Sponsorship Advisory Committee not less than forty-five (45) calendar days prior to the event or proposed effective date of any agreement. All Sponsorship Acknowledgements and Agreements shall, at a minimum, identify the Sponsor, and shall specify: (i) the financial or In-kind Support to be provided to the System/University; (ii) any Return Benefits to be received by the Sponsor; and (iii) the form, content, and placement of the Acknowledgement.
 - a. For proposed Qualified Sponsorships for which the financial or in-kind support received by the System/University is valued at less than \$15,000, depending on the nature of the Sponsor, upon approval of the Sponsorship Advisory Committee, it may be sufficient to provide the Sponsor with a letter summarizing the nature and duration of the Sponsorship and the specifics of any Acknowledgment, incorporating or attaching the standard approved form Sponsorship terms and conditions In other cases, such as Cause Marketing, a formal written agreement outlining the specifics of the arrangement and

any special terms and conditions in addition to the standard Sponsorship terms and conditions will be required.

- b. Proposed Qualified Sponsorships for which the financial or in-kind support is valued at \$15,000 or more must be reviewed and approved through a formal term sheet sent and approved by the Sponsorship Advisory Committee and the Senior Vice Chancellor for Finance and Administration. Qualified Sponsorships involving academic units or programs must also be approved by the Provost (or designee).

5.2.3 Permitted Content in Acknowledgements.

- a. Acknowledgements may list the Sponsors name, trade name, locations, contact information (phone, email, website URL), a value neutral description of the Sponsor's products or services along with identification of Sponsor as a sponsor of the program or activity. If the Sponsorship and/or Acknowledgement are web-based, links to Sponsor's web sites should be to the Sponsor's home web page. System/University and unit-specific policies regarding appropriate use of information technology resources may also apply to web Sponsorships and Acknowledgments. All Acknowledgments must be secondary and subordinate to the name, marks and other representations of the System/University, college, department, unit, program or event to which the Sponsorship relates and must be approved by the Vice Chancellor for Marketing and Communications.
- b. Acknowledgements shall **not** contain any of the following:
 - i. Qualitative Language (“the most vibrant display you’ll find”)
 - ii. Comparative Language (“best quality in town”)
 - iii. Call to Action (“go to Widgets Are Us”)
 - iv. Inducement (“Don’t miss out”)
 - v. Endorsements/Exclusivity (“the official widget of UH” or “the exclusive widget provider of UH”)

5.3 Process for Creating A Non-Qualified Sponsorship

- 5.3.1 If a Sponsorship arrangement does not specifically meet the criteria to be considered a Qualified Sponsorship (such as where the potential Sponsor obtains Return Benefits in addition to Acknowledgments, possibly with

UBIT tax implications, or when purchasing rules are impacted), the business terms and conditions of the arrangement need to be reviewed with the Sponsorship Advisory Committee and approved by the Senior Vice Chancellor for Finance and Administration, before being accepted or any Acknowledgment provided. Pre-approval by the Provost (or designee) is also required when the Sponsorship involves academic units or programs,

5.3.2 Those wishing to propose a Non-Qualified Sponsorship should complete and submit the Sponsorship Acknowledgement Form and a formal term sheet to the Sponsorship Advisory Committee not less than forty five (45) calendar days prior to the event or activity being sponsored or the proposed effective date of any agreement. If a Non-Qualified Sponsorship Opportunity is for a longer term or for multiple events, the Sponsorship Acknowledgement Form shall be submitted to the Sponsorship Advisory Committee not less than forty-five (45) calendar days prior to the event or proposed effective date of any agreement.

5.3.3 Endorsements

Endorsements of a Sponsor, its products, business or services in any form, express or implied, by the System/University or anyone acting on its behalf are prohibited. Prohibited endorsements include the use of qualitative or comparative language, calls to action, and inducements as set forth in Section 5.2.3. Factual statements that the System/University is a user or purchaser of a product or program are permitted if true and accurate and approved by the Senior Vice Chancellor for Administration and Finance (or their designee).

5.3.4 Naming an “Official” Sponsor or Conferring Exclusivity

- a. Exclusivity in any category shall not be granted to Sponsors by Universities, colleges, departments, academic and administrative units, and student government and University Sponsored Organizations or other official University organizations, except with explicit written approval by the Chancellor.
- b. The System/University will permit use of the “official” designation or grant exclusivity in a Sponsorship arrangement only when:
 - i. The “official” designation is used in connection with a vendor or sponsor of the System/university that is or has been under contract to manage a System/university activity such as the official athletic footwear and apparel sponsor, where that relationship has been satisfactory;

- ii. The Sponsor’s products or services are actually sold at a campus venue or used by the System/University in connection with an activity or event;
 - iii. The “official” designation extends only to the university, campus, college, unit or activity with which the business, product or service relates, and not to the System/University as a whole.
 - iv. The rationale for permitting the “official” designation, and the method for determining the value of the designation, is clear from the documentation on file to support how the business, product or service was selected. In terms of selecting the Sponsor, use of a competitive solicitation process is preferred, although another process for selecting the Sponsor, such as the “best judgment” purchasing standard, may also be acceptable; and
- c. The Sponsor’s promotional or marketing activities in connection with the “official” designation do not indicate an Endorsement of or preference by the System/University for the Sponsor’s business, product or service, and any Acknowledgment by the System, school, college, department or unit meets the requirements of this Policy.

5.3.5 Naming an “official” campus partner.

The Chancellor may confer “official” status or grant “exclusivity” on an external partner as part of a Sponsorship arrangement with the System or University that is not restricted to specific events or activities.

5.4 The Sponsorship Advisory Committee

5.4.1 The Senior Vice Chancellor for Administration and Finance will appoint the members of the Sponsorship Advisory Committee. The members of the Sponsorship Advisory Committee shall include the following representatives:

- a. Vice Chancellor for Advancement or designee;
- b. Vice Chancellor of Marketing & Communications or designee;
- c. Vice Chancellor for Athletics or designee;
- d. Vice Chancellor for Student Affairs and Enrollment Services or designee;
- e. Senior Vice Chancellor for Academic Affairs or designee;
- f. Vice Chancellor for Legal Affairs or designee;
- g. Associate Vice Chancellor overseeing Auxiliary Services;

- h. Representative of each component university as appointed by the component university's Vice President for Administration and Finance; and
 - i. Other System employees appointed by the Senior Vice Chancellor for Administration and Finance.
- 5.4.2 The Sponsorship Advisory Committee will review and make recommendations on all submissions for Qualified Sponsorship approval and all potentially Non-Qualified Sponsorships. The Sponsorship Advisory Committee shall review Sponsorship submissions for approval recommendations, and approve and monitor this Sponsorship Policy. The Senior Vice Chancellor for Administration and Finance may also appoint one or more specific work groups or task forces to provide advice or subject matter experts on matters pertaining to particular Sponsorship opportunities.
- 5.4.3 The Senior Vice Chancellor for Administration and Finance will appoint the Chair of the Sponsorship Advisory Committee. The Chair shall be responsible for preparing a written memo outlining the details of the proposed Sponsorship and providing the information to the Committee. The Committee shall then meet as quickly as possible by telephone, electronically, or in person to review the submission and determine whether additional information is necessary. The Sponsorship Advisory Committee will consult with the System's internal resources, as necessary, in reviewing particular Sponsorships as set out below:
- a. System Treasurer
 - b. Tax Director
 - c. Procurement
 - d. Risk Management
 - e. Facilities Planning and Construction
 - f. Intellectual Property
 - g. Division of Research

In reviewing proposed Sponsorships, the Committee will consider the factors set forth in Section 4 above. The Committee's final recommendation for acceptance on a majority quorum vote of the Committee will be documented.

- 5.4.4. The Chair of the Sponsorship Advisory Committee shall submit all recommendations in writing to the Senior Vice Chancellor for Administration and Finance who shall notify the Chancellor as necessary. The Chancellor or its designee shall report its decisions on Sponsorship to the System Board of Regents as required or as requested by the Board and notify the Committee on the final approval or denial of the proposed Sponsorship. The Chair of the Sponsorship Advisory Committee shall maintain a record of Sponsorships considered by the Committee, including

a document outlining its review and recommendation for acceptance or decline.

5.5. Role of Purchasing

5.5.1 When a Sponsor provides a Gift-in-Kind of goods or services to the System/University that would ordinarily be obtained through the purchasing system, providing tangible Return Benefits to the Sponsor has the potential to be seen as circumventing purchasing requirements. If the Return Benefits provided to a Sponsor are valued at \$15,000 or less, the transaction is exempt from purchasing requirements. If the Return Benefits to the Sponsor are valued at more than \$15,000, and the value of the Return Benefits provided to the Sponsor is 10% or less of the value of the goods or services provided by the Sponsor, the transaction will still qualify as a Sponsorship and not a purchase. If the Return Benefits to the Sponsor are valued at more than \$15,000 and exceed 10% of the value of the goods or services provided by the Sponsor, then the System purchasing rules apply to the transaction.

5.5.2 Although the System/University may use the purchasing process to seek potential Sponsors for specific System/University categories, events, or programs, solicitations for Sponsorships may not be combined with the purchasing or procurement process for goods and services. Doing so hinders the System/University's ability to evaluate the cost of such goods and services, and further can be viewed as a quid pro quo for selecting certain vendors.

5.10 Use of System/University Trademarks.

The existence of a Sponsorship does not entitle the Sponsor to utilize System/University trademarks. All permitted uses of System/University trademarks by a Sponsor must be set forth in the Sponsorship Agreement and each specific use must be reviewed and approved in writing and in advance by the Vice Chancellor for Marketing and Communications.

6. REVIEW AND RESPONSIBILITY

Responsible Party: Senior Vice Chancellor for Finance and Administration

Review: Every two years

7. APPROVAL

Approved: _____
Senior Vice Chancellor for Finance and Administration

Chancellor

Date: _____