

**Resolution for Authority to Loan Funds to the New University-Related Corporation**

**FINANCE AND RESOURCE MANAGEMENT COMMITTEE**

**October 17, 2022**

Background:

Virginia Tech's strategic priorities include advancing regional, national, and global impact through the preparation of graduates to contribute and lead in a complex world by offering person-centered and purpose-driven student experiences designed to education the whole person. One milestone is to ensure 50% of academic degrees have a required experiential learning component by 2026-2027. Study Abroad is one type of experiential learning and provides students educational opportunities abroad that result in progress toward an academic degree at Virginia Tech.

At its November 2022 meeting, the university requested Board of Visitors authorization, at the President's discretion, to establish a Swiss Corporation, VT Swiss SA, as a university-related corporation and the affiliation thereof with the University. The primary purpose of the new affiliated corporation is to perform management services in support of fulfilling Virginia Tech's mission in offering experiential learning opportunities for undergraduate and graduate students engaged in semester and summer programs at the Steger Center for International Scholarship (Center).

The university frequently makes "internal loans" to operating units within the university to support start-up or operational costs related to the units or specific initiatives. The university has earlier provided such loans to outside related organizations VTT, LLC to support its tire and automotive research activities, Virginia Tech Applied Research Corporation to provide start-up financing for working capital and AET, LLC to provide working capital for external research grants requiring presence outside the United States and third-party employers of record.

Section 23-1.1010 of the Restructuring Act titled "Covered institutions; operational authority; creation of entities and participation in joint ventures" provides the Board of Visitors authority to approve loans or obligate university funds to or on behalf of its affiliated organizations or joint venture activities. The referenced language under section 23-1.1010 providing this authority to the Board of Visitors is displayed in Attachment A. Further, the university believes this action is an appropriate step for supporting the university's study abroad program at the Center.

Therefore, the university requests authorization to provide advance working capital up to a maximum of USD 250,000 to newly affiliated Swiss Corporation, VT Swiss SA, to provide initial capitalization of CHF100,000 and continued authorization to provide working capital loan(s) of up to three months expenditures to finance operations at the Center.

The basic conditions and requirements for the loan(s) would include:

- the loan(s) will be made in accordance with established university procedures for authorizing internal loans to operating units;
- the loan(s) will not carry an interest rate;

- the loan(s) will be for initial capitalization requirements of the new entity and up to three months of planned operating expenses;
- the repayment on the university's loan(s) will occur no later than at the conclusion of the Management Services Agreement for operation of the Center;
- the university departments requiring third party administration are responsible for repayment if at the end of the Management Services Agreement with the affiliated entity costs are disallowed or funds unrecoverable; and
- the loan(s) would be underwritten by the university's research overhead funds, a nongeneral fund revenue source.

The Vice President for Finance, in coordination with the Vice President for Outreach and International Affairs, will be responsible for finalizing these terms, authorizing specific advances, and may alter the terms as needed in the future to achieve the objectives. The Office of Vice President for Outreach and International Affairs will oversee the financial performance of the Center, review documentation of ongoing operating expenditures, adjust the working capital loan(s) to minimize the funds advanced, and ensure repayment of the working capital advance(s) prior to termination of the agreement.

**RESOLUTION FOR AUTHORITY TO LOAN FUNDS TO  
THE NEW UNIVERSITY-RELATED CORPORATION**

**WHEREAS**, the university's strategic plan envisions experiential learning opportunities such as study abroad; and

**WHEREAS**, the university operates the Steger Center for International Scholarship located in Riva San Vitale in Southern Switzerland as the university's European center and base for study abroad programs and support of its research and scholarship symposia in the region and in Europe; and

**WHEREAS**, the university requested Board of Visitors authorization, at the President's discretion, at its November 2022 meeting to support the establishment of a university-related Swiss Corporation, VT Swiss SA, and the affiliation thereof with the university to perform management services in support of fulfilling of Virginia Tech's mission at the Center; and

**WHEREAS**, the university desires to advance working capital to establish a university-related Swiss Corporation, VT Swiss SA, to manage facilities and operations at the Center; and

**WHEREAS**, under section 23-1.1010 of Restructured Higher Education Financial and Administrative Operations Act of the Code of Virginia the Board of Visitors has the authority to authorize such transactions,

**NOW, THEREFORE BE IT RESOLVED**, that the Board of Visitors authorizes, at the President's discretion, the negotiation and execution of service agreements and promissory notes or loan agreements from the university to a university-related Swiss Corporation, VT Swiss SA, for cumulative advances up to \$250,000 to provide initial capitalization and working capital loan(s) of up to three months expenditures to finance operations at the Center to be repaid without interest at the conclusion of the need for management services at the Center; and

**FURTHER RESOLVED**, the Vice President of Finance, in coordination with the Vice President for Outreach and International Affairs, is authorized to structure the loan including repayment terms, and to execute the loan transactions to a university-related Swiss Corporation, VT Swiss SA, contingent upon the need for capitalization and advance working capital.

**RECOMMENDATION:**

That the resolution authorizing the university to loan working capital up to \$250,000 to a university-related Swiss Corporation, VT Swiss SA, be approved.

November 14, 2022

ATTACHMENT A

**Resolution for Authority to Loan Funds to the New University-Related Corporation**

Excerpt of Restructured Higher Education Financial and Administrative Operations Act

**§ 23.1-1010. Covered institutions; operational authority; creation of entities and participation in joint ventures.**

Each covered institution may:

1. Create or assist in the creation of; own in whole or in part or otherwise control; participate in or with any entities, public or private; and purchase, receive, subscribe for, own, hold, vote, use, employ, sell, mortgage, lend, pledge, or otherwise acquire or dispose of any (i) shares or obligations of, or other interests in, any entity organized for any purpose within or outside the Commonwealth and (ii) obligations of any person or corporation. No part of the assets or net earnings of such institution shall inure to the benefit of, or be distributable to, any private individual except that reasonable compensation may be paid for services rendered to or for such institution in furtherance of its public purposes and benefits may be conferred that are in conformity with its public purposes.
2. Participate in joint ventures with individuals, corporations, governmental bodies or agencies, partnerships, associations, insurers, or other entities to facilitate any activities or programs consistent with its public purposes and the intent of this article.
3. Create or continue the existence of one or more nonprofit entities for the purpose of soliciting, accepting, managing, and administering grants and gifts and bequests, including endowment gifts and bequests and gifts and bequests in trust.
4. In carrying out any activities authorized by this article, provide appropriate assistance, including (i) making loans from its funds, other than general fund appropriations or proceeds of bonds issued under Article X, Section 9 (a), 9 (b), or 9 (c) of the Constitution of Virginia or under Article X, Section 9 (d) of the Constitution of Virginia if such issuance is supported by general funds and (ii) providing the time of its employees to corporations, partnerships, associations, joint ventures, or other entities whether such entities are owned or controlled in whole or in part or directly or indirectly by such institution.