Strategic Alliance Policy

PURPOSE: Strategic alliances can be an effective way to conserve resources and advance United Through Reading's mission. However, collaborations/alliances may involve risk; which must be carefully evaluated against our goals and mission to protect UTR and ensure the integrity of our program. This policy provides the principles for the risk analysis in the consideration, negotiation and decision on Strategic Alliances. It establishes policy guidelines and protocol for prudent and timely organizational decision-making.

DEFINITIONS: To better define the organizational relationships that United Through Reading (UTR) might choose to enter into, the following spectrum of collaboration is provided, adapted from *Meeting the Collaboration Challenge* from the Drucker Foundation:

Philanthropic: Relationship between UTR and its donors, who provide tangible resources (such as money or goods) in exchange for intangible benefits (such as enhanced reputation or fulfillment of the desire to help others). These interactions and activities will be overseen by the CEO. Strategic value is determined by considering the resources we gain that they can use to achieve our mission and the opportunities our allies gain to support their communities and meet their philanthropic objectives.

Transactional: Relationship consisting of exchanges of resources through specific activities, such as event sponsorship, licensing, service contracts, volunteer programs, and cause-related marketing. In comparison with the philanthropic stage, the level of interaction usually intensifies, relationship management becomes more complex, and a broader sense of partnership may develop. Transactional relationships will typically be managed by the CEO with the input of appropriate Board Committees.

Integrative: Relationships characterized by joint activities or ventures that are perceived as having major strategic value by both UTR and the organization or business. These partnerships usually reflect strong understanding of each other's values, engage top leadership and program staff as well as appropriate board committees. In this stage, a formal MOU should be developed to handle management requirements

To qualify as an UTR Strategic Alliance, the proposed alliance must include:

1. Objectives which are designed to increase the capacity and extend and/or broaden the activities of UTR;

2. Goals mutually beneficial to the parties (win/win);

3. Measurable benefits to UTR/beneficiaries/nonprofit sector/community;

4. Details on the responsibilities, contributions and accountability of each member;

5. Evidence that work to be undertaken by the alliance is within the realm of UTR core competencies to allow UTR to maintain appropriate levels of quality control and ensure deliverables;

6. A pre-defined period of time during which the activities of the alliance will be accomplished;

7. A list of benefits, which may take various forms, such as shared income and/or costs, services in-kind, and others;

8. The possibility for a preferential agreement offering exclusivity, preferred provider/supplier status or other benefits;

9. The alliance's planned activities must expand one or more of the capabilities or core competencies of the members, of which the following are examples: the geographic reach of the members, the range of products, programs, resources, events, or services offered by the members, and the beneficiary groups served by the members.

POLICY: United Through Reading may only enter into Strategic Alliances, involving businesses (nonprofit/for-profit/public sector), resources, products, and services that are consistent with the mission, vision, values, principles, standards and guidelines of UTR. Upon review, the Board of Trustees may prohibit UTR from entering into alliances with specific types of organizations engaged in activities judged to be harmful or contrary to the health or welfare of UTR beneficiaries or otherwise in conflict with UTR's mission or values.

POLICY IMPLEMENTATION GUIDELINES: The following guidelines shall be utilized for the consideration of all proposed Strategic Alliances. The following procedure consists of a tiered hierarchy of three decision-making levels. The creation of the tiered hierarchy is meant to ensure that significant Strategic Alliances are considered by the Board of Trustees prior to being entered into, while less significant Strategic Alliances may be entered into without the approval of the Board of Trustees.

TIER 1: Chief Executive Officer (CEO) may approve Strategic Alliances which:

1. Do not involve the development of any products or resources to be provided or sold to the general public or UTRs clients; and

2. Do not pose a risk of unfavorable media attention or political risk; and

3. Do not exceed the UTR Strategic Plan and/or vision; and;

4. Do not extend for more than one year; and

5. Does not cause UTR to incur unrelated business income tax under Internal Revenue Code section 511 et seq.; and

6. Do not impose annual costs to UTR in excess of $5000 that are not covered by a pre-approved grant or contribution. [

TIER 2: Strategic Planning Committee may approve Strategic Alliances which:

1. Are not approved at by the CEO at the Tier I level, but are recommended for Strategic Planning Committee (SPC) consideration, and;

2. Do not pose a risk of unfavorable media attention, financial impact or political risk; and

3. Do not exceed the UTR Strategic Plan and/or mission and vision; and

4. Do not cause UTR to incur unrelated business income tax under Internal Revenue Code section 511 et seq; and

5. Do not impose annual costs to UTR in excess of $10,000 that are not covered by a pre-approved grant or contribution; and

6. Do not extend for more than one year.

TIER 3: Board of Trustees must review and reject or approve proposed strategic alliances which meet the following criteria:

1. Any Strategic Alliance which carries the risk of unfavorable media attention, financial impact, or controversy on UTR; and

2. Any Strategic Alliance involving costs to UTR in excess of $10,000; and

3. Any Strategic Alliance with duration in excess of 3 years.
   a. Any multi-year alliance requires an annual review by UTR. Such alliances may be terminated by either party within 30 days following written notification. Termination of a strategic alliance must be approved by the Board of Trustees.

Prior to being presented to the Board of Trustees, any Strategic Alliance requiring Board approval must, first, be reviewed by the SPC. The SPC may approve or reject a proposed alliance based upon its review as guided by UTR policies and procedures. The SPC will advise the Board of Trustees of its decision.

PROCEDURES: Consideration and analysis of all proposed Strategic Alliances shall proceed as follows:

1. Upon receipt of a proposed Strategic Alliance, the CEO may reject such Strategic Alliance without the need for extensive research.

2. Prior to the acceptance of any Strategic Alliance within the authority of the CEO or passing a proposed Strategic Alliance on for consideration by the Strategic Planning Committee, the CEO shall perform the following due diligence procedures:
   a. Assess Fit
   b. Assess for any conflict with UTR's vision, mission, core values and core competencies3.Assess the financial risks:
   c. Predict revenues which are expected from the alliance; and
   d. Estimate the cost to UTR of providing the services required in the alliance agreement (including both direct and indirect costs). The cost calculation shall not be reduced by anticipated revenues from alliance activities. This calculation shall be used for the cost calculations required in Tiers 2 and 3 above; and
   e. Consider any potential tax or legal consequences; and
   f. Consider any exposure/liability issues for UTR in the alliance; and
   g. Determine if the cost incurred is within the Operating Budget.
   h. Assess any political risks.
   i. Assess any media-related risks.
   j. Assess the attributes of the other member(s).
   k. Determine if the individual representing the other organization has the authority to negotiate and/or sign the agreement; and
   l. Evaluate the reputation and financial stability of the potential member(s); and
   m. Evaluate the other individual's or organization's capacity to deliver on commitments as agreed to in the proposed alliance (this might include consideration of the member's infrastructure, technology, staffing, etc.), and
   n. Identify any issues that have a bearing on UTR's reputation in the community.

The results of the due diligence period shall be documented by the CEO and a copy shall be forwarded to the SPC.

Prior to forwarding any proposed Strategic Alliance to the SPC, the CEO shall prepare and provide to the committee a written report including the CEO's recommendations and the results of the above listed due diligence procedures.

Any proposed Strategic Alliance which must be reviewed by the Board of Trustees shall first be reviewed by the SPC in accordance with the procedures above.

Prior to consideration of a proposed Strategic Alliance by the Board of Trustees, the Board of Trustees shall be provided with the CEO's written report to the SPC (including the written results of the due diligence procedures) and a written report by the Strategic

Committee containing its recommendations. The CEO shall maintain a current list of all Strategic Alliances and inform the SPC of any changes.

AGREEMENTS: The following should be taken into consideration whenever UTR enters into a Strategic Alliance agreement:

1. UTR should obtain an indemnification agreement from the other members of the alliance protecting UTR from the actions of the other members.

2. Strategic Alliance agreements should be drafted to ensure that the alliance is not deemed to constitute a partnership under California law, to the extent possible. If classification of the alliance as other than a partnership is not possible under the circumstances, a detailed assessment should be made of any and all risks of such partnership to UTR, including all risks incurred due to the unforeseeable activities of the other members of the alliance.