

May 25, 2004

MEMORANDUM

TO: The Finance Committee:

Thomas A. Saunders, III, Chair
Thomas F. Farrell, II
W. Heywood Fralin
Mark J. Kington
Warren M. Thompson
Georgia M. Willis
John O. Wynne
Gordon F. Rainey, Jr., Ex Officio

and

The Remaining Members of the Board:

William G. Crutchfield, Jr. Lewis F. Payne
Susan Y. Dorsey Don R. Pippin
G. Slaughter Fitz-Hugh, Jr. Terence P. Ross
Glynn D. Key E. Darracott Vaughan, Jr., M.D.
James W. Head

FROM: Alexander G. Gilliam, Jr.

SUBJECT: Minutes of the Finance Committee Meeting on May 25,
2004

The Finance Committee of the Board of Visitors of the University of Virginia met, in Open Session, at 10:30 a.m., Tuesday, May 25, 2004, in the Kaleidoscope Center at Newcomb Hall; Thomas A. Saunders, III, Chair, presided. W. Heywood Fralin, Mark J. Kington, John O. Wynne, Thomas F. Farrell, II, Vice Rector, and Gordon F. Rainey, Jr., Rector, were present.

Ms. Susan Y. Dorsey and Terence P. Ross were present as well.

Also present were Leonard W. Sandridge, Alexander G. Gilliam, Jr., Ms. Colette Sheehy, Ms. Melody Bianchetto, R. Edward Howell, Alton Martin, Larry Fitzgerald, Ms. Yvonne Hubbard, and Ms. Jeanne Flippo Bailes.

The Chair opened the meeting and announced the dates for meetings of the Committee for the remainder of 2004 and for 2005: Friday, September 10, at 2:00 p.m.; Saturday, November 6, (time to be determined); Thursday, January 13, 2005, (time to be determined); Thursday, March 24, (time to be determined) and Wednesday, May 25, (time to be determined).

He then asked Mr. Sandridge, Executive Vice President and Chief Operating Officer, to present the Agenda. The first item, Mr. Sandridge explained, was a Consent Agenda item, an intent-to-issue bonds resolution. He said all capital projects in the first biennium of the 2004-2010 Six Year Capital Outlay Plan, along with any projects approved under Capital Budget Amendments, requiring debt financing have been put together in a proposed resolution. The resolution does not authorize the University to issue long-term bonds for these projects (the Board of Visitors would be asked to approve each separate bond issue), but it authorizes intent to issue and will allow the University to provide short-term financing.

The Committee adopted the following resolution and recommended it to the full Board for approval:

APPROVAL OF INTENT TO ISSUE BONDS FOR CAPITAL PROJECTS

WHEREAS, the University intends to undertake the following capital projects with bond financing as a funding source:

1. Advanced Research and Technology Building (acquisition)
2. Alderman Road Housing, Phase I
3. Main Heating Plant Modification
4. Hospital Expansion (supplement)
5. MR-6
6. Performing Arts Center
7. Rouss Hall Renovation and Addition
8. Wise Residence Hall II
9. Children's Medical Center; and

WHEREAS, the United States Department of the Treasury has promulgated final regulations in Section 1.150-2 of the Treasury Regulations governing when the allocation of bond proceeds to reimburse expenditures previously made by a borrower shall be treated as an expenditure of the bond proceeds; and

WHEREAS, the Regulations require a declaration of official intent by a borrower to provide evidence that the borrower intended to reimburse such expenditures with proceeds of its bonds; and

WHEREAS, the Board of Visitors of the University of Virginia desires to make such a declaration of official intent as required by the Regulations; and

WHEREAS, the University may be required to provide short-term financing to the projects prior to issuing long-term debt in order to implement an efficient and timely construction schedule; and

WHEREAS, the University has funding mechanisms to accommodate short-term financing needs, defined as a period of less than sixty months; and

WHEREAS, the authority for the University to enter into financing arrangements exceeding sixty months in maturity for the projects listed is not included in this resolution; and

WHEREAS, if the University arranges short-term financing for a particular project, and if the project is not ultimately completed, or if the project utilizes funding sources other than bonds, then the appropriate school or unit remains responsible for refunding the short-term obligation;

RESOLVED that, pursuant to the terms of the Treasury Regulations, the University of Virginia declares its intent to reimburse expenditures in accordance with the following:

1. The University reasonably expects to reimburse expenditures from the issuance of tax-exempt bonds to be issued by the University incurred for the projects;

2. This resolution is a declaration of official intent under Section 1.150-2 of the Regulations;

3. The maximum principal amount of bonds expected to be issued for the purpose of reimbursing expenditures relating to these projects is as follows:

a. Acquisition of the Advanced Research and Technology Building -- \$15.0 million

b. Construction and replacement of Alderman Road Housing (Phase I) -- \$22.5 million

c. Renovations to the Main Heating Plant -- \$19.8 million

d. Construction of Hospital Expansion (Supplement) -- \$31.6 million

- e. Construction of MR-6 -- \$41.5 million
 - f. Construction of the Performing Arts Center -- \$13.2 million
 - g. Renovation and construction of Rouss Hall/Commerce School Project -- \$33.0 million
 - h. Construction of a new residence hall at The University of Virginia's College at Wise -- \$6.4 million
5. Construction of a new Children's Medical Center -- \$11.0 million; and

RESOLVED FURTHER that these enumerated projects are separate enterprises independent of one another, and that the authorization for funding relates to each individually; and

RESOLVED FURTHER that funds may be borrowed for the projects on a short-term basis, but only if the following conditions are met:

1. The Board of Visitors approves the current resolution;
2. The Commonwealth of Virginia specifically authorizes the use of debt financing for the enumerated projects;
3. A comprehensive and detailed financial plan for the school/unit project is submitted;
4. Short-term financing shall not exceed sixty months in maturity.
5. The school or unit remains responsible for any debt obligation incurred regardless of the status of the capital project or whether or not a bond issuance actually occurs.

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Mr. Sandridge, assisted by Ms. Sheehy, Vice President for Management and Budget, Ms. Bianchetto, Director of the Budget, Mr. Howell, Vice President and Chief Executive Officer for the Medical Center, and Mr. Fitzgerald, Director of Finance for the Medical Center, presented the proposed operating budgets, 2004-2005, for the Academic Division, The University of Virginia's College at Wise, and the Medical Center.

Mr. Sandridge emphasized that the proposed budgets being presented to the Committee are operating budgets, not capital budgets, and that the Medical Center Operating Board approved the Medical Center's budget at its meeting on May 3rd, (see Minutes of

the meeting of the Medical Center Operating Board, May 3, 2004). His presentation, he said, should offer no surprises - the budgets he proposed were simply a culmination of work done at earlier meetings this year of the Committee and of the Board of Visitors. Ms. Sheehy described the Board's role in the development of the budget and Ms. Bianchetto noted changes that have been made in the way the budget is presented.

The proposed 2004-2005 budget amounts to \$1,732.1 billion, an increase of 7.5% over last year. This total includes \$990.3 million for the Academic Division, a 6.5% increase; \$720.1 million for the Medical Center - an 8.8% increase; and \$21.7 million - an increase of 7.1% - for The University of Virginia's College at Wise. For the three budgets combined, state funds amount to 8.1% of the total. Patient revenues account for 41.5% of all revenues, grants and contracts 16.9%, and tuition and fees 15.1%. Income from the Endowment and gifts amounted to 7.6% of total revenues and income from auxiliary enterprises 9%.

In the Academic Division, 27.1% of the budgeted \$989.6 million of expenditures will go for research and public service, 25.2% for instruction, 10.3% for academic support and 9.3% for financial aid. The Commonwealth, Mr. Sandridge and Ms. Sheehy noted, has designated \$2.5 million for salary and benefit increases; the University's share for support of these increases is \$3.38 million.

For The University of Virginia's College at Wise, 50.6% of revenues would come from General Fund appropriations from the Commonwealth, 25.3% from auxiliary enterprises and 20.4% from tuition and fees. By far the greater portion - 69.6% - of the College's expenditures would go to "Educational and General."

As for the Medical Center, \$326 million of the budgeted \$720 million will go for salaries and benefits and \$138 million for medical supplies. The cost of the latter has increased regularly over the last few years.

The Committee congratulated Mr. Howell on the Medical Center's good operating margin, present and projected, and asked questions about the shortage of nurses, and expressed concern that the favorable financial figures might have been achieved at the expense of nursing care. While there is still a shortage of nurses, Mr. Howell described the recent successful efforts to alleviate the situation and produced statistics which showed that among a grouping of *U.S. News & World Report* "Honor Roll Hospitals," the Medical Center's "RNs-to-bed ratio" was second best, exceeded only by that at the Duke University Medical Center.

Mr. Ross suggested that hospital rates are below market level and should be raised.

There was discussion of the problems of deferred maintenance, and Mr. Wynne asked for a sheet of figures on deferred maintenance to be prepared for the next Board of Visitors meeting.

Increases in faculty compensation in the last fiscal year have caused the University to move up six places (from 30th to 24th) in average faculty salary among its AAU peers. More rises in faculty salaries in the 2004-2005 budget should raise the University's ranking. These rises would add 2% on top of the state's 3% raise.

Mr. Sandridge then reviewed the history of the John Lee Pratt bequest which established the Pratt Fund in 1976. The Board must approve annual allocations from the Pratt Fund to the School of Medicine and to the Departments of Biology, Chemistry, Mathematics and Physics.

On motion, the Committee adopted resolutions approving the 2004-2005 operating budgets for the Academic Division, for The University of Virginia's College at Wise, and for the Medical Center, and recommended them to the full Board of Visitors for approval. The Committee also adopted a resolution approving the Pratt Fund distribution for 2004-2005 and recommended it to the full Board.

APPROVAL OF THE 2004-2005 OPERATING BUDGET FOR THE ACADEMIC DIVISION

RESOLVED that the 2004-2005 Operating Budget for the Academic Division is approved, as recommended by the President and the Chief Financial Officer; and

RESOLVED FURTHER that for determining market levels for the faculty compensation plan previously adopted by the Board of Visitors, compensation ranking of 15th-19th among AAU institutions be established as the target ranking to be achieved by the University by 2006-2007.

APPROVAL OF THE 2004-2005 OPERATING BUDGET FOR THE UNIVERSITY OF VIRGINIA'S COLLEGE AT WISE

RESOLVED that the 2004-2005 Operating Budget for The University of Virginia's College at Wise is approved, as recommended by the President and the Chief Financial Officer.

APPROVAL OF THE 2004-2005 OPERATING AND CAPITAL BUDGET FOR THE UNIVERSITY OF VIRGINIA MEDICAL CENTER

RESOLVED that the 2004-2005 Operating and Capital Budget for the University of Virginia Medical Center is approved, as recommended by the President, the Chief Financial Officer, and the Medical Center Operating Board.

APPROVAL OF PRATT FUND DISTRIBUTION FOR 2004-2005

RESOLVED that the budget for the expenditure of funds from the Estate of John Lee Pratt be approved to supplement appropriations made by the Commonwealth of Virginia for the School of Medicine and Departments of Biology, Chemistry, Mathematics, and Physics in the College of Arts and Sciences. The normal allocations, not to exceed \$2.6 million for 2004-2005, are suggested by the department chairs and recommended by the dean of each school. The special distributions are not to exceed \$663,183 for 2004-2005. To the extent the annual income from the endowment is not adequate to meet the recommended distribution, the principal of the endowment will be disinvested to provide funds for the approved budgets.

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Mr. Sandridge then asked for a resolution approving University of Virginia Foundation comfort letters, which the Foundation must have to receive favorable borrowing terms from lenders.

On motion, the Committee adopted the following resolution approving the necessary comfort letters and recommended it to the full Board for approval:

APPROVAL TO ISSUE COMFORT LETTERS FOR THE UNIVERSITY OF VIRGINIA FOUNDATION

WHEREAS, the University of Virginia requested that the University of Virginia Foundation repay \$18 million in non-interest bearing debt, and the Foundation has repaid the University the full amount of the debt; and

WHEREAS, the Foundation has borrowed on its line of credit from external lenders in order to repay this amount to the University, and now must find a more permanent solution to placing the debt before the expiration of this line of credit extension on June 30, 2004; and

WHEREAS, banks have offered favorable borrowing options with a comfort letter from the University that does not establish any University exposure to the bank, or guarantee the borrower's obligations to the bank or the borrower's liquidity; and

WHEREAS, the resolution approved by the Board of Visitors at the January 2001, meeting pertaining to comfort letters does not allow the University to sign a comfort letter for a credit facility that extends over more than two years;

RESOLVED, the January 2001, resolution entitled "University of Virginia Real Estate Foundation Properties" is hereby rescinded; and

RESOLVED FURTHER, that the Executive Vice President and Chief Operating Officer is authorized to enter into comfort letters and other related documents reviewed by the General Counsel for compliance with state laws restricting assumption of debt and lending of state credit, provided such comfort letters and related documents are limited to a duration of not more than five years with respect to private financing secured by the University of Virginia Foundation and provided further the terms thereof do not bind nor legally obligate the University to assume, guarantee or pay the financial indebtedness of the Foundation.

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Mr. Sandridge gave a brief report on the Endowment, as well as a report on actions taken the Board of the University of Virginia Investment Management Company (UVIMCO) at its meeting on May 19th. Those actions, which do not require the approval of the Finance Committee or the Board of Visitors, are listed as follows as a matter of record:

Confirmation of Commitment to Golden Gate Capital Investment Fund II, L.P. and II-A, L.P.

The Commitment of \$30 million in Golden Gate Capital Investment Fund II, L.P. and Golden Gate Capital Investment Fund II-A, L.P., is confirmed.

CONFIRMATION OF COMMITMENT TO H.I.G. BAYSIDE OPPORTUNITY FUND, L.P.

The commitment of \$25 million to H.I.G. Bayside Opportunity Fund, L.P. is confirmed.

The Board adopted the following resolutions:

INVESTMENT IN CHILDREN'S INVESTMENT FUND

RESOLVED that an additional investment of up to \$50 million in the Children's Investment Fund is authorized.

RETENTION OF KPMG AS AUDITORS

RESOLVED that the firm KPMG be retained as auditors for the new University of Virginia Investment Management Company which will come into being on July 1, 2004.

UVIMCO RESOLUTION ON ORGANIZATIONAL DOCUMENTS

WHEREAS, the UVIMCO Board approves in concept the organizational documents for the separate corporate entity to be formed as of July 1, 2004, or later ("New UVIMCO"), including Articles of Incorporation, Bylaws, Conflict of Interests Policy, and standard form Management/Deposit Agreement; and

WHEREAS, the UVIMCO Board approves in concept a 401(k) plan for employees of New UVIMCO;

RESOLVED that the Chair of the UVIMCO Board is authorized to take the following actions:

1. Adopt all appropriate existing policies and procedures of UVIMCO as the policies and procedures of the separate corporate entity to be formed as of July 1, 2004, or later ("New UVIMCO").
2. Take any and all actions that may be deemed necessary or appropriate to adopt, execute and/or file with the appropriate authorities, the organizational documents for New UVIMCO, including but not limited to the Articles of Incorporation, Bylaws, Conflict of Interest Policy, and standard form Management/Deposit Agreement.
3. Take any and all actions that may be deemed necessary or appropriate to effectuate a 401(k) plan for employees of New UVIMCO, and any and all other appropriate benefit plans.

(The documents are appended to these Minutes as an Attachment).

UVIMCO VALUATION POLICY

RESOLVED that the UVIMCO valuation policy, enumerated as follows, is approved:

UNIVERSITY OF VIRGINIA INVESTMENT MANAGEMENT COMPANY VALUATION
POLICY

1. Publicly Traded Securities

1.1. Exchange listed securities

1.1.1. Value using last reported sale price of security as of valuation date.

1.2. Over the counter securities

1.2.1. Value using the mean of the bid and asked of security as of valuation date.

1.3. Publicly registered investment company shares / open ended mutual fund shares

1.3.1. Value using published net asset value as of valuation date.

1.4. Independent third party source will be used.

1.4.1. Will obtain third party pricing source through Custodian.

2. Private Placement Securities

2.1 Includes domestic and foreign limited partnerships, corporations and other fund structures not publicly registered.

2.2 General Procedures

2.2.1 Value using Best Available Valuation Data received, adjusting for subsequent cash flows and currency exchange, if applicable. Best Available Valuation Data relates to the latest available manager financial statements and/or manager representations at the time valuations are being determined. Cash flow adjustments are determined from subsequent additional investment or fund distributions.

2.2.2 Unrealized capital gain or loss adjustments will be considered when amounts are material and estimable through available documented information.

2.3 Special Procedures

2.3.1 Additional valuation adjustments may be considered on individual investments when transactions are made which directly relate to the investments being valued. Additional valuation adjustments require approval from the UVIMCO Board.

Mr. Wynne, the Chair of the UVIMCO Board, reported that the search for a new Chief Investment Officer continues, as well as the search for new members of the UVIMCO Board.

Mr. Sandridge then reported on the progress of implementing Access, the student financial aid program adopted by the Board of Visitors in February. The Chair suggested that a packet of information be prepared on financial aid at the University in comparison to financial aid programs offered by other institutions in the country.

On the following motion, the Committee went into Executive Session at 1:00 p.m.:

That the Finance Committee of the Board of Visitors of the University of Virginia go into Executive Session to discuss a business development opportunity of the Medical Center that will involve negotiations for forming a joint venture for the delivery of health care, where disclosure at this time would adversely affect the competitive position of the Medical Center; as provided for in Section 2.2-3711 (A) (8) and (23) of the Code of Virginia.

After adopting the following resolution certifying that its Executive Session discussions had been conducted according to the conditions set forth in the Virginia Freedom of Information Act, the Committee resumed in Open Session at 1:10 p.m.:

That we vote on and record our certification that, to the best of each Board member's knowledge, only public business matters lawfully exempted from open meeting requirements and which were identified in the motion(s) authorizing the closed session, were heard, discussed or considered in closed session.

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The Committee adopted the following resolution and recommended it to the full Board for approval:

ACQUISITION OF ASSETS OF LYNCHBURG NEPHROLOGY DIALYSIS, INC.

WHEREAS, the Finance Committee finds it to be in the best interest of the University of Virginia and its Medical Center to acquire the assets of Lynchburg Nephrology Dialysis, Inc., and to establish outpatient dialysis facilities in Lynchburg and Amherst;

RESOLVED that the Vice President and Chief Executive Officer of the Medical Center be authorized to negotiate the purchase of the assets of Lynchburg Nephrology Dialysis, Inc., to establish outpatient dialysis facilities and to lease or acquire real estate, as he deems necessary or appropriate, and to recommend such transactions to the Executive Vice President and Chief Operating Officer of the University for approval; and

RESOLVED FURTHER that the Executive Vice President and Chief Operating Officer of the University be authorized, with the concurrence of the Chair of the Medical Center Operating Board and the Chair of the Finance Committee, to approve and execute contracts and other documents, and to take such other actions as he deems necessary and appropriate to consummate the foregoing.

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On further motion, the Committee adjourned at 1:15 p.m.

AGG:lah

These minutes have been posted to the University of Virginia's Board of Visitors website.

<http://www.virginia.edu/bov/financeminutes.html>

University of Virginia Investment Management Company
Articles of Incorporation

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1. Name. The name of the corporation is the University of Virginia Investment Management Company (hereafter "Company").

2. Purpose. The Company is a non-profit, non-stock corporation organized under Virginia law for exclusively charitable and educational purposes and more specifically to provide investment and investment management and related services to the University of Virginia ("University"), and/or to the private and independent foundations and other entities affiliated with the University operating in support of its mission. In furtherance thereof, the Company may receive, hold, distribute, manage, supervise, oversee and invest endowment, and other funds of the University of Virginia and/or of the aforesaid private foundations and other entities operating in support of the University's mission.

In aid of such purpose(s), the Company is empowered and authorized to undertake any and all lawful activity permitted of non-stock corporations under the laws of the Commonwealth of Virginia, provided, the Company may not undertake or financially support activity prohibited by the Internal Revenue Code with respect to its tax-exempt status, including that no substantial part of its activities shall consist of attempting to influence legislation and the Company shall not participate in, or intervene in (including the publishing or distribution of statements) any political campaign on behalf of or in opposition to any candidate for public office. No part of the net earnings of the Company shall be paid to or inure to the benefit of any director or officer of the Company or any other individual, other than reasonable compensation as may be authorized by the Board of Directors to officers and employees for personal services rendered.

3. Power. The Company shall have all powers necessary or convenient to effect any or all of the purposes for which the Company is organized, including all specific powers of a nonstock corporation set forth in the Virginia Nonstock Corporation Act, as it exists on the date hereof or may hereafter be amended.

4. No Members. The Company shall have no members.

5. Board of Directors. The initial Board of Directors shall consist of eleven directors, three of whom shall be appointed by the Board of Visitors of the University of Virginia upon the recommendation of the Rector and one appointed by the University of Virginia President, with the balance (initially, seven directors) appointed by the Board of Directors; provided the initial appointments of the said seven directors shall be made by the initial Board of Directors composed of the four directors appointed by the Board of Visitors and the President of the University of Virginia. The number of directors may be increased or decreased as set forth in the Bylaws of the Company. Provided that there shall not be less than (9) or more than (13) directors. At all times, the number of directors appointed by the Board of Visitors of the University of Virginia and the University of Virginia President shall constitute less than one-half of the total number of directors.

Terms of appointment are for three years except initial appointments may be staggered to such lesser period as the appointing authority may designate, and except the appointee of the President of the University of Virginia shall serve a term of one year or less but without limit on reappointment. No director appointed by the Board of Directors or the Board of Visitors of the University of Virginia may serve more than three successive three-year terms; however, in the event the Board of Directors appoints a director to also serve in the dual role of chief executive or chief investment officer for the Company, with approval of the Board of Directors, the director serving in such dual capacity is eligible to serve on the Board of Directors for an additional period beyond three successive terms, such additional period not to exceed the duration of such dual service. Appointments to fill vacancies shall be made by the appointing authority for the unexpired term, with eligibility for reappointment by the Board of Visitors of the University of Virginia or the Board of Directors to no more than three successive three-year terms (subject to extension in the event of dual service as above provided.). The appointing authority shall have the right to remove its appointee to the Board of Directors at any time with or without cause unless the appointment explicitly provides to the contrary.

Directors shall serve without salary or other compensation in connection with services provided in such capacity, except for reimbursement of authorized expenses incurred on behalf of the Company or compensation as may be approved by the Board of Directors in connection with service to the Company as its chief executive officer or other corporate officer.

6. Corporate Officers. The corporate officers shall be established and appointed by the Board of Directors for such terms and conditions as it may approve, provided, there shall be a presiding Chair elected by the Board of Directors from among its membership. The initial or first Chair shall however be appointed by the Board of Visitors of the University of Virginia for a term not to exceed two years with succeeding Chairs elected by the Board of Directors from among its membership to a term of two years. No Chair may serve more than three successive two year terms or serve beyond his or her membership on the Board of Directors. The Chair is empowered to preside at meetings of the Board of Directors, and perform such other duties as the Board of Directors may authorize from time to time and as set forth in its Bylaws.

7. Standing Committee. The Board of Directors may form such committees as it may require from time to time, with such powers and responsibilities and composition as prescribed by the Board of Directors in its Bylaws. Each standing committee shall include one or more individuals appointed to the Board of Directors by the Board of Visitors of the University of Virginia and/or the University President.

8. Registered Agent/Office: The registered agent and business address of the registered office of the Company is Richard C. Maxwell (Va. State Bar member and a resident of the Commonwealth of Virginia), 10 South Jefferson Street, Suite 1400, Roanoke, Virginia 24011.

9. Dissolution. In the event of dissolution or liquidation of the Company, none of the property of the Company or any proceeds thereof shall be distributed to or divided among the officers or directors of the Company or other person, other than payment of reasonable compensation to officers and employees for services properly rendered and authorized. Any funds, assets or other property held or managed for the University or its account shall be returned

to the University or assigned to a tax-exempt and non-profit organization approved in writing by the University. Funds or other property held or managed for the account of a University-related foundation or entity shall likewise be returned to the foundation or assigned to a tax-exempt and non-profit organization approved in writing by the foundation or entity. Any other assets shall be assigned or transferred to a tax-exempt and non-profit organization approved by the University, except as applicable law may require otherwise.

10. Indemnification. In addition to such authority as may exist under the laws of Virginia, and to the extent permitted by such laws, the Company shall reimburse its directors and officers for reasonable defense and attorney expenses and for civil liability (other than punitive damages) if made a defendant to any civil or criminal proceeding (other than proceedings instituted by the Company) solely as a result of acts or omissions taken in good faith for and with the belief that such actions were in the Company's best interests, unless the Board of Directors determines or a court of competent jurisdiction finds willful misconduct, gross negligence, a violation of applicable law or Company policy, or obtaining any benefit in violation of law or policy. The Company is additionally authorized to procure and contract for private insurance and indemnity, insuring itself and its officers, directors and employees with defense and liability coverage in connection with service for the Company.

(b) The Board of Directors may authorize advance payment of reasonable expenses incurred by any director who is made a party to a proceeding as described above in advance of final disposition of the proceeding if the director furnishes: (i) a written statement certifying and warranting his or her good faith belief that he or she has met the standard of conduct described above; and (ii) a written and unconditional promise to repay the advance if it is ultimately determined that he or she did not meet such standard of conduct, and (iii) providing the Board of Directors with such other assurance or undertaking as it may reasonably require under the circumstances.

(c) In addition, to the full extent, if any, that the Virginia Nonstock Corporation Act, as it exists on the date hereof or may hereafter be amended, permits the limitation

or elimination of the liability of directors, a Director of the Company shall not be liable to the Company for monetary damages arising out of a single transaction occurrence or course of conduct in excess of \$1.00.

11. Amendments. Amendment, modification or repeal of these Articles shall be made only upon approval of at least three-fourths of the Board of Directors.

12. Bylaws. The Board of Directors may make and amend bylaws, not inconsistent with the Articles of Incorporation, for the managing and regulating of the business of the Company

Incorporator

By: _____

University of Virginia Investment Management Company

Bylaws

Article I.

Board of Directors

1. Company Board of Directors. The Company shall be governed and managed by a Board of Directors. The initial number of directors is eleven (11). The number of directors may be increased or decreased by amendment to the Bylaws, provided that the number of directors shall not be less than nine (9) or more than thirteen (13). In the event of a reduction in the number of directors, the directors at the time of such reduction shall continue to serve as directors until their terms as originally established expire. All corporate power shall be exercised by or under the authority of the Board of Directors, subject to any limitation contained in the Articles of Incorporation or these Bylaws. The appointing authority shall have the right to remove its appointee to the Board of Directors at any time with or without cause unless the appointment explicitly provides to the contrary. The directors shall serve in such capacity without salary or other compensation, other than reimbursement of authorized expenses incurred on behalf of the Company or compensation as may be approved by the Board of Directors in connection with service to the Company as its chief executive officer or other corporate office. A director may resign at any time by delivering written notice to the Board of Directors, its chairman or the secretary. A resignation is effective when the notice is delivered unless the notice specifies a later effective date.

2. Vacancies in Office. A vacancy as a result of the removal, disability, death or resignation of a director shall be filled for the unexpired term. Such vacancy shall be filled by the University Rector with respect to his/her appointments, the University President with respect to his/her appointment, and the Board of Directors with respect to its appointees.

3. Meetings. The Board of Directors shall meet at least quarterly. The regular quarterly meetings shall be scheduled, within or without the Commonwealth, as the Chair shall designate or approve. The Chair is further empowered and responsible for approving the meeting agenda for all regular or special meetings of the Board of Directors. Special meetings may be called as needed by the Chair, or upon written call of a majority of the directors.

Notice thereof may be provided by personal delivery, or by mailing or faxing to the business or home address on record with the Company, or any other method permitted by law. Notice may also be sent electronically to such address designated by a director, which shall be deemed made on the date of transmission from the Company. Notice of the meeting location and time, and the agenda, shall be provided at least twenty four (24) hours in advance of the meeting; except where greater notice is required in the articles or bylaws or by applicable law as, for example, with respect to proposed revisions to the articles or bylaws. Notice may be waived in writing by a director which waiver shall be included in the minutes,

however, attendance at or participation in a meeting waives any omission or defect in notification unless the director promptly upon arrival objects to the meeting and does not thereafter vote. The meeting agenda may be added or changed with approval of two-thirds of the directors participating at the meeting, provided a quorum exists.

The Chair shall preside at meetings of the Board of Directors. A director designated by the Chair shall preside in the Chair's absence.

4. Quorum. A quorum for the conduct of business by the Board of Directors shall consist of a majority of the directors. An affirmative vote of a majority participating in the meeting is necessary to authorize any resolution, action or decision of the Board of Directors.

5. Participation in Meeting. Any or all directors may participate in any meeting by, or conduct the meeting through the use of, any means of communication by which all directors participating may simultaneously hear each other during the meeting. A director participating in a meeting by this means is deemed to be present at the meeting.

6. Action by Unanimous Consent. Any action permitted to be taken at a meeting of the directors may be taken without a meeting if the action is taken by all of the directors. The action shall be evidenced by one or more written consents stating the action taken and signed by each director either before or after the action taken.

Article 2. Board Committees

1. Committees. The Board of Directors may establish committees from time to time as it may require. There shall however be the following four standing committees: an Executive Committee, a Nominating Committee, an Investment and Finance Committee, and an Audit Committee. The Chair of the Board of Directors shall be an ex-officio member of each standing committee. Each standing committee shall consist of at least three members of the Board of Directors who shall be appointed by the Chair (or, in the case of the Executive Committee, elected by a majority of the members of the Board of Directors), and who shall serve for terms of up to three years as designated by the Chair (or, in the case of the Executive Committee, as designated by a majority of the members of the Board of Directors). The Chair may designate the presiding officer for each committee, and shall have the power to fill any vacancy. All standing committees shall include one or more of the directors appointed by the University Rector or President. A quorum for the conduct of committee business shall require a majority of the appointed membership. Advance notice of scheduled meetings shall be provided to committee members as in the case of meetings of the Board of Directors.

2. Executive Committee. In addition to any duty or matter that may be assigned to it by the Board of Directors, the Executive Committee shall be and is fully empowered to act on behalf of the Board of Directors between meetings, authorized to take such action or actions as it may approve or direct on behalf of the Board of Directors except only with respect to the following matters. Without approval of the Board of Directors, the Executive Committee shall have no authority to approve any amendment or other change to the Articles of Incorporation or the Bylaws, or authorize the merger, consolidation, dissolution, reorganization or liquidation of the Company, or authorize the sale, exchange, encumbrance, mortgage, or pledge of the Company or its assets other than in connection with investments in the ordinary course of business or to appoint or remove any individual to/from the Board of Directors, or to hire or terminate the employment of any chief executive officer or chief operating or investment officer of the Company, or to amend the terms of any client agreement for investment management services as may be reached with the University or affiliated entities, or to change the investment standards and policies approved by the Board of Directors. Any action taken by the Executive Committee shall be reported to the Board of Directors at its next regular or special meeting.

3. Finance Committee. In addition to any duty or other matter that may be assigned to it by the Board of Directors, the Finance Committee shall be responsible for preparing, reviewing and recommending to the Board of Directors an annual budget for the Company and for reviewing and recommending to the Board of Directors compensation to be paid by the Company to its officers and employees.

4. Audit Committee. In addition to any duty or other matter that may be assigned to it by the Board of Directors, the Audit Committee shall be responsible for managing, overseeing and directing the Company's proper and complete financial accounting, reporting and audit of transactions and operations, and is empowered to engage accountants and auditors for such purpose. The Audit Committee is further responsible on behalf of the Board of Directors for adopting, revising, monitoring, training and enforcing compliance with the Company's conflicts of interests policy, which shall be applicable to and govern the directors, officers and employees of the Company. The conflicts policy is, and shall at all times remain, a material condition to appointment to office or any agreement of employment, incorporated by reference. The Audit Committee shall be responsible for ensuring appropriate circulation of the policy among Company directors, officers and employees, and shall annually certify in writing the Company's compliance with the policy to the Board of Directors and to the University (as may be provided in the investment management contract with the University). Notwithstanding anything as may be to the contrary, the Audit Committee membership shall be comprised of directors who, in the judgment of the Board of Directors, are free of business or personal relationship or interest that may reasonably be anticipated to interfere with the exercise of independent judgment on behalf of the Company in discharging its powers, purposes and responsibility as stated in the Articles of Incorporation and in any client agreement providing for investment management services. The Audit Committee shall report its actions to the Board of Directors at its next regular or special meeting.

5. Nominations Committee. The Nominations Committee shall be responsible for evaluating and recommending candidates for appointment to the Board of Directors and such other duties as the Board of Directors may authorize. Notwithstanding anything as may be to the contrary in these Bylaws, the Nominations Committee shall consist of three members appointed from the Board of Directors to terms not exceeding three years; one being the appointee of the University President, one being an appointee of the University Rector and the other designated by the Chair from among the existing membership on the Board of Directors. Vacancies shall be filled by the appointing authority.

Article 3. Officers

1. Officers. The officers of the Company shall include a Chair of the Board of Directors, a Chief Executive Officer, a Secretary, and such other officers as the Board of Directors may authorize.

2. Chair. The Chair shall be elected by the Board of Directors from among its membership for a term of two years, provided the first or initial Chair shall be selected by the University Rector from the University of Virginia's Board of Visitors for a term not to exceed two years. Vacancies in office of the Chair shall be filled by the Board of Directors from among its membership for the remaining term, except a vacancy during the term of the initial Chair shall be filled by the University Rector. No Chair may serve more than three successive two year terms or serve beyond his or her membership on the Board of Directors. The Chair shall preside at all meetings of the Board of Directors, and appoint the committee membership as stated in these bylaws. In the event the Chair is unable to attend or otherwise unavailable, the Chair may designate a substitute presiding officer from among the Board of Directors to act on his or her behalf. Should the Chair be unable or unavailable to designate a substitute, or should the Chair's designee not appear at any scheduled meeting, the Board of Directors may elect an interim chair *pro tempore* to preside at its meeting.

3. Chief Executive Officer. The Chief Executive Officer shall be the chief executive officer of the Company and shall have general supervision of the business of the Company, the responsibility to implement the policies of the Board and to administer the Company in all its activities and departments, subject, however, to the control of the Board, the Executive Committee and the Chair of the Board of Directors. In general, the Chief Executive Officer shall perform all duties incident to such office and such other duties as may from time to time be assigned to him by the Board, the Executive Committee, or the Chair of the Board of Directors.

4. Secretary. The Secretary shall serve for such term as the Board of Directors shall approve, and shall be responsible for attending all meetings of the Board of Directors and its committees, for preparing and maintaining minutes of meetings, and keeping in good order a complete and accurate inventory of books, records and

policies of the Company, including resolutions and other actions of the Board of Directors and its committees, giving notice as required in these bylaws or as may be required by law, and serving as the custodian of the corporate seal with authority to affix the seal to any document or other paper on behalf of the Company, to certify authenticity of Company books and records and other papers and documents, and such additional authority and duties as may be assigned by the Board of Directors or reasonably incident to said office. The Secretary may sub-delegate the above responsibility as may be necessary in order to properly discharge the duties of office, with prior written approval of the Chair who shall notify the Board of Directors thereof, provided the Secretary shall remain ultimately responsible for the proper performance of his or her designee. In the event the Secretary is unavailable to attend any meeting of the Board or of its committees and fails to delegate responsibility, the Board or committee may designate a secretary *pro tempore* with responsibility to prepare minutes and such other duties as may be required or assigned in keeping with said office. Notwithstanding anything as may be to the contrary above, the Board of Directors, and its committees within the scope of their authority, at all times have and reserve the power to designate in writing any director, officer or employee of the Company with authority to execute any agreement, document or other paper on behalf of the Company, including affixing the Company seal thereto.

**Article 4.
Conflict of Interest Transaction**

In any transaction with the Company in which a director has a direct or indirect personal interest, as those terms are defined in the Virginia Nonstock Corporation Act at the time of such transaction, such director shall advise the other directors of the direct or indirect personal interest and abstain from voting on such transaction.

**Article 5.
Miscellaneous**

1. Amendments. The bylaws may be amended or repealed, or new bylaws adopted, at any regular or special meeting of the Board of Directors upon majority vote; provided each member of the Board is given advance notice of the proposal at least 30 calendar days prior to the meeting when such matter shall be voted upon and such 30 days advance notice is also provided in writing to the University's Executive Vice-President and Chief Operating Officer.

2. Fiscal Year. The fiscal of the Company shall be July 1 to June 30.