

REVISED

04/03/06

**UNIVERSITY OF VIRGINIA
BOARD OF VISITORS
MEETING OF THE
FINANCE COMMITTEE
APRIL 6, 2006**

FINANCE COMMITTEE

Thursday, April 6, 2006

2:00 - 3:30 p.m.

Dining Rooms 2 & 3, Abbott Center
The Darden School

Committee Members:

W. Heywood Fralin, Chair

A. Macdonald Caputo

Alan A. Diamonstein

Georgia Willis Fauber

Mark J. Kington

Warren M. Thompson

John O. Wynne

Thomas F. Farrell, II, Ex Officio

AGENDA

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IV. EXECUTIVE SESSION

- Consideration and discussion with legal counsel gift development charges and donor communications in connection with our Capital Campaign planning, and as permitted by Section 2.2-3711 A. 7 and 8 of the Code of Virginia.

UNIVERSITY OF VIRGINIA
BOARD OF VISITORS CONSENT AGENDA

I.A. FACULTY AND STAFF HOUSING RATES, 2006-2007: Approves rates for faculty and staff residences for 2006-2007.

The University operates ninety-two faculty and staff housing units, including individual houses, cottages, Lawn Pavilions, townhouses, and apartments. State policy requires that rents charged by the University for faculty and staff housing reflect the market rate for similarly sized and equipped properties.

University faculty and staff housing rates are proposed to increase by an average of 3.48 percent from the 2005-2006 rates. The increase is due to both an increase in operating costs and adjustments to reflect market rates.

Blandy Farm operates two faculty and staff housing units. Both properties are utilized, and rent is charged in accordance with the terms of the employment agreements of the residents of the properties.

ACTION REQUIRED: Approval by the Finance Committee and by the Board of Visitors

APPROVAL OF PROPOSED INCREASE IN FACULTY AND STAFF HOUSING RATES FOR 2006-2007

RESOLVED that the faculty and staff housing rates are approved as indicated, effective July 1, 2006. The Executive Vice President and Chief Operating Officer is authorized to increase the rates to market level when a property is vacated.

ACADEMIC DIVISION

<u>Properties</u>	<u>Utilities Furnished</u>	<u>Rents 2005-06 Per Month</u>	<u>Amount of Increase</u>	<u>Percent of Increase</u>	<u>Prop. Rents 2006-07 Per Month</u>	<u>Utilities Paid By Occupant</u>
<u>Piedmont Estates</u>						
1 Bedroom Apt. (7)(F)	WS,E,G,C,T	\$609	\$26	4.27%	\$635	
2 Bedroom Apt. (16)(UF)	WS,E,G,C,T	\$741	\$31	4.18%	\$772	
Houses (3BR) (16)(UF)	WS,C,T	\$1,080	\$33	3.06%	\$1,113	E, G
Townhouses (3BR)(5)(UF)	WS,C,T	\$1,080	\$0		\$1,080	E, G
Farmhouse Apt. 1 (1BR)(F)	WS,E,G,C,T,AC	\$680	\$29	4.26%	\$709	

<u>Properties</u>	<u>Utilities Furnished</u>	<u>Rents 2005-06 Per Month</u>	<u>Amount of Increase</u>	<u>Percent of Increase</u>	<u>Prop. Rents 2006-07 Per Month</u>	<u>Utilities Paid By Occupant</u>
Farmhouse Apt. 2 (3 BR)(UF)	WS,E,G,C,T	\$692	\$29	4.19%	\$721	
Farmhouse Apt. 3 (1 BR)(F)	WS,E,G,C,T,AC	\$680	\$29	4.26%	\$709	
Farmhouse Apt. 4 (2 BR)(F)	WS,E,G,C,T,AC	\$760	\$32	4.21%	\$792	
<u>Sundry</u>						
Vyssotsky Cottage (3BR)(UF)	WS,T, AC	\$862	\$38	4.41%	\$900	E,G
McGuffey Cottage (Eff)(UF)	WS,E,V,T,AC,D	\$539	\$9	1.67%	\$548	
Upper Mews (1BR)(F)	WS,E,HP,C,T,AC,D	\$730	\$13	1.78%	\$743	
Lower Mews (1BR)(F)	WS,E,HP,C,T,AC,D	\$636	\$27	4.25%	\$663	
Monroe Hill Range (1BR)(UF)	WS,E,HVAC,T,V,D,C	\$811	\$31	3.82%	\$842	
Brown College Apts. (2BR)(UF)	WS,E,HVAC,T,V,D,C	\$715	\$8	1.12%	\$723	
Hereford Coll. Apts. (2BR)(UF)	WS,E,HVAC,T,V,D,C	\$828	\$8	0.97%	\$836	
Hereford Coll.Princ.Res. (3BR)(UF)	WS,E,HVAC,T,V,D,C	\$1,030	\$19	1.84%	\$1,049	
102 Cresap Fac. Apt. (1BR)(F)	WS,E,G,T,HVAC,V,D,C	\$769	\$25	3.25%	\$794	
Hedge House (2BR)(F)	WS,C,T,AC	\$799	\$33	4.13%	\$832	E,G
Orchard House (5RMS)(F)	WS,E,G,C,T,AC	\$378	\$20	5.29%	\$398	
118 Oakhurst, Upper (2BR)(UF)	WS,G,C, AC	\$703	\$30	4.27%	\$733	E,T
118 Oakhurst, Lower (2BR)(UF)	WS,G,C,AC	\$703	\$30	4.27%	\$733	E,T
409 Valley Road, (2BR)(F)	WS,E,G,C,AC	\$998	\$45	4.51%	\$1,043	T
411 Valley Road, (2BR)(F)	WS,E,G,C,AC	\$998	\$45	4.51%	\$1,043	T
503 Valley Road, (1BR)(UF)	C	\$563	\$24	4.26%	\$587	WS,E,G,T
424 MLLH, (1BR)(UF)	WS,E,G,C,HVAC,V,D	\$742	\$26	3.50%	\$768	
423 MLLH, (2BR)(UF)	WS,E,G,C,HVAC,V,D	\$858	\$30	3.50%	\$888	
004 Lewis, (1BR)(UF)	WS,E,G,C,HVAC,V,D	\$742	\$26	3.50%	\$768	
<u>Birdwood Properties</u>						
Cottage (1BR)(UF)	WS,C,T	\$568	\$23	4.05%	\$591	E
Garage Apt.(2BR)(UF)	WS,C,T	\$826	\$37	4.48%	\$863	E,G
Cash House (3BR)(UF)	WS,C,T,AC	\$1,061	\$45	4.24%	\$1,106	E,G
Middleton House (4BR)(UF)	WS,C,T,AC	\$1,241	\$52	4.19%	\$1,293	E,G

<u>Properties</u>	<u>Utilities Furnished</u>	<u>Rents 2005-06 Per Month</u>	<u>Amount of Increase</u>	<u>Percent of Increase</u>	<u>Prop. Rents 2006-07 Per Month</u>	<u>Utilities Paid By Occupant</u>
<u>E & G Properties</u>						
Montebello (3BR/Garage)	WS,E,G,AC	\$784	\$31	3.95%	\$815	C,T
Big Morea (4BR)	WS,E,G,AC,T	\$1,090	\$40	3.67%	\$1,130	C
Little Morea (2BR)	WS,E,G,AC,T	\$834	\$31	3.72%	\$865	C
Sunnyside (4BR)	WS,E,O,AC	\$1,699	\$53	3.12%	\$1,752	C
Monroe Hill House (4BR)	WS,E,HVAC,T,V,D	\$1,009	\$38	3.77%	\$1,047	C
Pavilion I (5BR)	WS,E,HVAC,T,V	\$921	\$35	3.80%	\$956	C
Pavilion II (5BR)	WS,E,HP,T,V	\$686	\$28	4.08%	\$714	C
Pavilion III (5BR)	WS,E,HVAC,T,V	\$921	\$35	3.80%	\$956	C
Pavilion IV (5BR)	WS,E,HP,T,V	\$686	\$28	4.08%	\$714	C
Pavilion V (5BR)	WS,E,HVAC,T,V	\$921	\$35	3.80%	\$956	C
Pavilion VI (5BR)	WS,E,HVAC,T,V	\$921	\$35	3.80%	\$956	C
Pavilion VIII Upper (3BR)	WS,E,HVAC,T,V	\$600	\$26	4.33%	\$626	C
Pavilion VIII Lower (1BR)	WS,E,HVAC,T,V	\$313	\$13	4.15%	\$326	C
Pavilion IX (5BR)	WS,E,HVAC,T,V	\$921	\$35	3.80%	\$956	C
Pavilion X (5BR)	WS,E,HP,T,V	\$686	\$28	4.08%	\$714	C
<u>Blandy Farm</u>						
Curator's House	WS	\$0	\$0	0.00%	\$0	E,O
Green Farm House	WS	\$65	\$0	0.00%	\$65	E,O
<u>Notes:</u>						
<ul style="list-style-type: none"> - <i>Italicized 2005-06 rents</i> indicate that a \$20 credit was granted for non-availability of high-speed data service. - In total six properties (five Piedmont Townhouses and the Monroe Hill Range) were brought to market this budget year. - The (F) designates properties that are furnished. The (UF) designates properties that are unfurnished. - Utility abbreviations are as follows: WS (water, sewer), E (electric), G (gas), O (oil), HP (heating plant), HVAC (heating, ventilating, and air conditioning), AC (window air conditioning), C (cable TV), V (voice), T (trash), and D (data). 						

I.B. SCHOOL OF MEDICINE QUASI-ENDOWMENT: Approves the establishment of the Mellon Prostate Cancer Research Fund, a quasi-endowment in the School of Medicine, Mellon Prostate Cancer Institute.

In June 1996, the Board of Visitors authorized the Executive Vice President and Chief Operating Officer to approve individual quasi-endowment transactions, including establishments and divestments, of less than \$2 million. Individual quasi-endowment transactions of \$2 million or more require the approval of the Board of Visitors.

The Mellon Prostate Cancer Institute of the School of Medicine requests the establishment of the Mellon Prostate Cancer Research Fund, a quasi-endowment to be funded with \$8 million. The funds to establish the quasi-endowment are part of the Paul Mellon bequest received in August 2000 to fund the Institute. The intention is to leave the funds invested for three to five years and to use the income generated from this new quasi-endowment to support the Institute.

ACTION REQUIRED: Approval by the Finance Committee and by the Board of Visitors

APPROVAL TO ESTABLISH THE MELLON PROSTATE CANCER RESEARCH FUND WITH AN INVESTMENT OF \$8 MILLION

WHEREAS, the Mellon Prostate Cancer Research Institute of the School of Medicine requests the establishment of a quasi-endowment fund for the benefit of the Mellon Prostate Cancer Research Institute; and

WHEREAS, the quasi-endowment will be funded with money received from the bequest of Paul Mellon;

RESOLVED that the establishment of the Mellon Prostate Cancer Research Fund, a quasi-endowment fund in the initial amount of \$8 million, is approved.

UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: April 6, 2006

COMMITTEE: Finance

AGENDA ITEM: II.A. Contract Rates for Dining Services,
2006-2007

BACKGROUND: The University of Virginia provides a variety of contract meal plans for students, ranging from unlimited dining to a \$200 dining spending account. Revenues received from contract dining, retail operations, vending, concessions, and catering must cover all operating costs, including food, labor, capital, and indirect costs. The University contracts with ARAMARK for dining services. The College at Wise contracts with Chartwells for these services.

DISCUSSION: Proposed University meal plan rate increases for 2006-2007 range from 4.7 percent to 5.7 percent, with an average increase of 5.2 percent. The proposed increase in the rate is necessary to cover increases in salaries and the utility and facility maintenance costs associated with the new Observatory Hill dining hall. Additionally, utilities are projected to increase by six percent in 2006-2007, which follows an additional \$460,000 (42 percent increase) in the 2005-2006 budget for utilities due to the addition of the new Observatory Hill dining hall. There is also a 4.8 percent increase in food inflation and menu change costs. In 2005-2006, approximately 8,360 University students purchased contract meal plans.

The College at Wise meal plans are proposed to increase by 5.0 percent to reflect increases in operating costs. The University's College at Wise serves approximately 570 students on contract meal plans.

ACTION REQUIRED: Approval by the Finance Committee and by the Board of Visitors

APPROVAL OF PROPOSED CONTRACT RATES FOR DINING SERVICES FOR
2006-2007 FOR THE ACADEMIC DIVISION AND THE UNIVERSITY OF
VIRGINIA'S COLLEGE AT WISE

RESOLVED that the student contract rates for dining services are approved as shown below, effective beginning with the 2006-2007 Session:

ACADEMIC DIVISION

	Actual 2005-2006	Amount of Increase	Percent Increase	Proposed 2006-2007
<u>Regular Meal Plans (1,2)</u>				
Unlimited Entry w/ \$150 Plus Dollars	\$3,100	\$170	5.5%	\$3,270
15 Meals per week w/ \$400 Plus Dollars	3,100	170	5.5%	3,270
13 Meals per week w/ \$500 Plus Dollars	3,100	170	5.5%	3,270
10 Meals per week (first year) w/ \$820 Plus Dollars	3,100	170	5.5%	3,270
10 Meals per week (upperclass) w/ \$350 Plus Dollars	2,640	160	6.1%	2,800
100 Meals per semester w/ \$350 Plus Dollars	1,770	90	5.1%	1,860
80 Meals per semester w/ \$350 Plus Dollars	1,540	80	5.2%	1,620
50 Meals per semester w/ \$390 Plus Dollars	1,170	60	5.1%	1,230
<u>Residential College/Language House Meal Plans (1,2,3)</u>				
Unlimited Entry w/ \$150 Plus Dollars	\$3,210	\$170	5.3%	\$3,380
15 Meals per week w/ \$400 Plus Dollars	3,210	170	5.3%	3,380
13 Meals per week w/ \$500 Plus Dollars	3,210	170	5.3%	3,380
10 Meals per week (first year) w/ \$820 Plus Dollars	3,210	170	5.3%	3,380
10 Meals per week (upperclass) w/ \$350 Plus Dollars	2,760	150	5.4%	2,910
100 Meals per semester w/ \$350 Plus Dollars	1,880	90	4.8%	1,970
80 Meals per semester w/ \$350 Plus Dollars	1,650	80	4.8%	1,730
50 Meals per semester w/ \$390 Plus Dollars	1,280	60	4.7%	1,340
<u>Athletic Meal Plans</u>				
Unlimited Entry w/ \$150 Plus Dollars	\$3,210	\$170	5.3%	\$3,380
15 Meals per week w/ \$400 Plus Dollars	3,210	170	5.3%	3,380
13 Meals per week w/ \$500 Plus Dollars	3,210	170	5.3%	3,380
10 Meals per week (first year) w/ \$820 Plus Dollars	3,210	170	5.3%	3,380
10 Meals per week (upperclass) w/ \$350 Plus Dollars	2,760	150	5.4%	2,910
100 Meals per semester w/ \$350 Plus Dollars	1,880	90	4.8%	1,970
80 Meals per semester w/ \$350 Plus Dollars	1,650	80	4.8%	1,730
<u>Other</u>				
Law School Dining Spending Account (4)	\$200	\$0		\$200

- (1) Plus Dollars are credited to a student's identification card and may be used in the same manner as cash at any board dining hall and/or retail operation.
- (2) First-year students are required to purchase a 13-, 15-, or unlimited-meal plan during their first semester. During their second semester, they may switch to a 10-meal plan with \$820 Plus Dollars.
- (3) Some residential colleges and language houses have a dining requirement as part of their program.
- (4) Law School students are allowed to deposit a minimum \$200 per academic year into a dining spending account.

THE UNIVERSITY OF VIRGINIA'S COLLEGE AT WISE

	<u>Actual</u> <u>2005-2006</u>	<u>Amount of</u> <u>Increase</u>	<u>Percent</u> <u>Increase</u>	<u>Proposed</u> <u>2006-2007</u>
19 Meal Plan	\$2,712	\$136	5.0%	\$2,848
12 Meal Plan	2,438	122	5.0%	2,560

UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: April 6, 2006

COMMITTEE: Finance

AGENDA ITEM: II.B. Arena Short-Term Financing

BACKGROUND: The Board has approved a budget for the construction of the John Paul Jones Arena at \$129.8 million, with \$75 million being financed with long-term bonds. At its September 2005 meeting, the Board approved the issuance of up to \$20 million in short-term loans for the purpose of providing funding for the Arena in anticipation of pledged gift receipts.

DISCUSSION: Current cash flow projections show the Arena project may require in excess of \$20 million of short-term loans to provide interim financing in anticipation of pledged gift receipts. We anticipate the short-term loan requirements to be no more than \$25 million, in aggregate, for a term of no longer than four years. As a result, it is necessary to increase by \$5 million the amount of short-term financing authorization for this purpose.

The source of the short-term funds will be at the discretion of the Vice President and Chief Financial Officer. At this point, potential sources of funding include commercial paper borrowings and the University's Current Funds, including its Capital Funding Program.

ACTION REQUIRED: Approval by the Finance Committee and by the Board of Visitors

APPROVAL OF AN INCREASE IN THE AMOUNT OF SHORT-TERM LOANS FOR THE CONSTRUCTION OF THE JOHN PAUL JONES ARENA

WHEREAS, the Board of Visitors has approved a short-term loan, or loans, of up to \$20 million for a term of up to four years to provide short-term financing for the John Paul Jones Arena Project in anticipation of pledged gift receipts; and

WHEREAS, an increase of \$5 million in short-term loans is required to provide sufficient short-term financing for a similar term for the John Paul Jones Arena Project in anticipation of pledged gift receipts;

RESOLVED that the Board of Visitors approves a \$5 million increase in the amount of a short-term loan, or loans, totaling no more than \$25 million in aggregate, for a term of up to four years for the purpose of providing short-term financing for the John Paul Jones Arena Project, to be used in anticipation of pledged gift receipts associated with this project.

UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: April 6, 2006

COMMITTEE: Finance

AGENDA ITEM: II.C. Debt Policy and Interest Rate Risk
Management Policy

BACKGROUND: In 2002, the University launched a Debt Portfolio Management Program to provide external financing for its capital projects, and in January 2003, first reported to the Board on its informal debt policy. Bonds were issued in connection with this program in March 2003 and July 2005. In April 2004, the Board approved a policy to limit variable-rate debt to no more than 40 percent of total debt financing.

At the Finance Committee's January meeting, the University reviewed its draft debt policy and discussed its draft interest rate risk management policy with the Committee to solicit comments and suggestions.

DISCUSSION: After incorporating comments from the Finance Committee and other parties, the University is presenting final drafts of its Debt and Interest Rate Risk Management Policies for the Board's approval.

The debt policy formalizes the debt management process currently in place at the University. The University manages its debt portfolio with an aim to meet the following goals: maintain adequate access to the financial markets, manage the University's credit rating, optimize the University's debt mix, and manage the University's debt maturity profile to meet liquidity objectives.

The interest rate risk management policy is designed to help the University realize the lowest possible cost for debt financing, manage interest rate volatility, and/or match the cash flows from assets and liabilities. From time to time, certain derivatives (e.g., swaps, options, or interest rate locks) may be used in order to achieve asset and liability portfolio management objectives. Under certain circumstances, derivatives create an efficient way to lower financing costs and/or achieve a desired portfolio mix of fixed- and floating-rate debt. Derivatives are viewed as an alternative in helping the University more effectively meet its asset and liability

management objectives.

ACTION REQUIRED: Approval by the Finance Committee and by the Board of Visitors

APPROVAL OF THE UNIVERSITY'S DEBT POLICY AND INTEREST RATE RISK MANAGEMENT POLICY

WHEREAS, the University employs a Debt Portfolio Management Program to provide external financing for its capital projects; and

WHEREAS, the Board has approved a policy to limit variable-rate debt to no more than 40 percent of the University's total debt financing;

RESOLVED that the Board of Visitors approves the University's Debt Policy, enumerated in Attachment A; and

RESOLVED FURTHER that the Board of Visitors approves the University's Interest Rate Risk Management Policy, enumerated in Attachment B.

Attachment A

Debt Policy



University of Virginia
Debt Policy

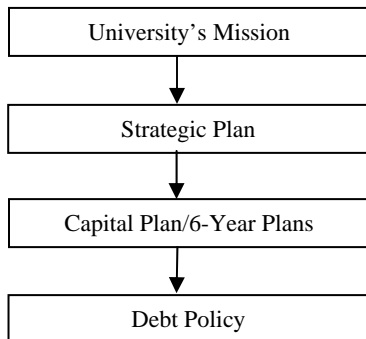
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- VII. Strategic Debt Allocation
- VIII. Central Loan Program Management
- IX. Approval Process

I. Overview

Purpose

- 1. Articulate the role of the University's Debt Policy within the strategic planning process.



Overview

In support of its mission, the University of Virginia maintains a long-term strategic plan. The strategic plan establishes University-wide priorities as well as University-wide and divisional programmatic objectives. The University develops a capital plan to support these priorities and objectives.

The University's use of debt plays a critical role in ensuring adequate funding for the capital plan as well as providing a cost-effective source of funding for other purposes. By linking the objectives of its Debt Policy to its strategic objectives, the University ultimately increases the likelihood of achieving its mission.

The Debt Policy is intended to be a “living” document that will evolve over time to meet the changing needs of the University.

II. Scope and Objectives

Purpose

1. Define what activities are subject to the policy.
2. Define the objectives for the Debt Policy.
3. Establish debt management goals.

Scope

The Debt Policy covers all forms of debt including long-term, short-term, fixed-rate, and variable-rate debt. It also covers other forms of financing including both on-balance sheet and off-balance sheet structures, such as leases, and other structured products used with the intent of funding capital projects.

The use of derivatives is considered when managing the debt portfolio and structuring transactions. Conditions guiding the use of derivatives are addressed in a separate Interest Rate Risk Management Policy.

Objectives

The objectives of this policy are to:

- (i) Outline the University’s philosophy on debt
- (ii) Establish a control framework for approving and managing debt
- (iii) Define reporting guidelines
- (iv) Establish debt management guidelines

The Debt Policy formalizes the link between the University’s Strategic Plan and the issuance of debt. Debt is a limited resource that must be managed strategically in order to best support University priorities.

The policy establishes a control framework to ensure that appropriate discipline is in place regarding capital rationing, reporting requirements, debt portfolio composition, debt servicing, and debt authorization. It establishes guidelines to ensure that existing and proposed debt issues are consistent with financial resources to maintain an optimal amount of leverage, a strong financial profile, and a strategically optimal credit rating.

Under this policy, debt is being managed to achieve the following goals:

- (i) Maintaining access to financial markets: capital, money, and bank markets.
- (ii) Managing the University’s credit rating to meet its strategic objectives while maintaining the highest acceptable creditworthiness and most favorable relative cost of capital and borrowing terms;
- (iii) Optimizing the University’s debt mix (i.e., short-term and long-term, fixed-rate and floating-rate, traditional and synthetic) for the University’s debt portfolio;
- (iv) Managing the structure and maturity profile of debt to meet liquidity objectives and make funds available to support future capital projects and strategic initiatives;
- (v) Coordinating debt management decisions with asset management decisions to optimize overall funding and portfolio management strategies.

The University may use debt to accomplish critical priorities by more prudently using debt financing to accelerate the initiation or completion of certain projects, where appropriate. As part of its review of each project, the University evaluates all funding sources to determine the optimal funding structure to achieve the lowest cost of capital.

III. Oversight

Purpose

1. Provide mechanism for Board of Visitors oversight and review on periodic basis.
2. Provide management flexibility to make ongoing financing decisions within the framework of the Policy.

The Office of the Vice President and Chief Financial Officer (“VP & CFO”) is responsible for implementing this policy and for all debt financing activities of the University. The policy and any subsequent, material changes to the policy are approved by the University’s Board of Visitors (“BOV”). The approved policy provides the framework under which debt management decisions are made.

The exposure limits listed in the policy are monitored on a regular basis by the Office of the VP & CFO. The office of the VP & CFO reports regularly to the Executive Vice President & Chief Operating Officer (“EVP & COO”) and the BOV on the University’s debt position and plans.

IV. Debt Affordability and Capacity

Purpose

1. Monitor debt affordability and capacity through the use of four key ratios:
 - a. Debt Burden Percentage
 - b. Debt Service Coverage Ratio
 - c. Viability Ratio
 - d. Debt Capitalization Percentage

2. Clearly communicate with key parties the University's debt management philosophy and ongoing assessment of debt capacity and affordability.

In assessing its current debt levels, and when planning for additional debt, the University takes into account both its debt affordability and debt capacity. Debt affordability focuses on the University's ability to service its debt through its operating budget and identified revenue streams and is driven by strength in income and cash flows. Debt capacity focuses on the University's financial leverage in terms of debt funding as a percentage of the University's total capital.

The University considers many factors in assessing its debt affordability and debt capacity including its strategic plan, market position, alternative sources of funding, and relationship with the Commonwealth. The University uses four key ratios to provide a quantitative assessment of debt affordability and debt capacity.

Debt Affordability Measures

Debt Burden Percentage

This ratio measures the University's debt service burden as a percentage of total university expenses. The target for this ratio is intended to maintain the University's long-term operating flexibility to finance existing requirements and new initiatives.

$$\frac{\text{ANNUAL DEBT SERVICE}}{\text{TOTAL OPERATING EXPENSES}} < 5\%$$

The measure is based on aggregate operating expenses as opposed to operating revenues because expenses typically are more stable (e.g., revenues may be subject to one-time operating gifts, investment return fluctuations, variability of Commonwealth funding, etc.) and better reflect the operating base of the University. This ratio is adjusted to reflect any non-amortizing or non-traditional debt structures that could result in significant single year fluctuations including the effect of debt refundings.

Debt Service Coverage Ratio

This ratio measures the University's ability to cover debt service requirements with revenues available for operations. The target established is intended to ensure that operating revenues are sufficient to meet debt

service requirements and that debt service does not consume too large a portion of income.

$$\frac{\text{OPERATING GAIN/(LOSS)} \\ + \text{NON-OPERATING REVENUE} \\ + \text{DEPRECIATION}}{\text{ANNUAL DEBT SERVICE}} > 3x$$

This ratio is adjusted to reflect any non-amortizing or non-traditional debt structures that could result in significant single year fluctuations including the effect of debt refundings.

Debt Capacity Measures

Viability Ratio

This ratio indicates one of the most basic determinants of financial health by measuring the availability of liquid and expendable net assets to aggregate debt. The ratio measures the medium- to long-term health of the University's balance sheet and debt capacity and is a critical consideration of universities with the highest credit quality.

Many factors influence the viability ratio, affecting both the assets (e.g., investment performance, philanthropy) and liabilities (e.g., timing of bond issues), and therefore the ratio is best examined in the context of changing market conditions so that it accurately reflects relative financial strength.

$$\frac{\text{UNRESTRICTED NET ASSETS} \\ + \text{RESTRICTED EXPENDABLE NET ASSETS}}{\text{AGGREGATE DEBT}} > 2.5x$$

Debt Capitalization Percentage

This ratio measures what percentage of University capital comes from debt. A university that relies too heavily on debt capital may risk being over-leveraged and potentially reduce its access to capital markets. Conversely, a university that does not strategically utilize debt as a source of capital may not be optimizing its funding mix, thereby sacrificing access to low-cost funding to invest in mission objectives.

$$\frac{\text{AGGREGATE DEBT}}{\text{TOTAL NET ASSETS} + \text{AGGREGATE DEBT}} \leq 20\%$$

Use of Ratios in Managing University Credit Ratings

Both the Viability and Debt Capitalization Ratios include any component unit (University-related Foundation) balances as disclosed in the University's financial statements.

The ratios and limits are not intended to track a specific rating, but rather to help the University maintain a competitive financial profile, funding for facilities needs and reserves, and compliance with Commonwealth debt service to budget guidelines.

The Debt Policy is shared with external credit analysts and other parties in order to provide them with background on the University's philosophy on debt and management's assessment of debt capacity and affordability.

V. Financing Sources

Purpose

1. Review all potential funding sources for projects.
2. Maximize tax-exempt, University-issued debt.
3. Utilize Commercial Paper program to provide for:
 - a. bridge funding
 - b. continual access to capital
 - c. short-term funding on a taxable or tax-exempt basis.
4. Manage derivative products for hedging interest rate exposure.
5. Consider alternative financing sources.

The University recognizes that numerous types of financing structures and funding sources are available, each with specific benefits, risks, and costs. All potential funding sources are reviewed by management within the context of the Debt Policy and the overall portfolio to ensure that any financial product or structure is consistent with the University's objectives. Regardless of the financing structure(s) being utilized, a due diligence review must be performed for each transaction, including (i) a quantification of potential risks and benefits, and (ii) an analysis of the impact on University creditworthiness and debt affordability and capacity.

Tax-Exempt Debt

The University recognizes that tax-exempt debt is a significant component of the University's capitalization due in part to its substantial cost benefits; therefore, tax-exempt debt is managed as a portfolio of obligations designed to meet long-term financial objectives rather than as a series of discrete financings tied to specific projects. The University manages the debt portfolio to maximize its utilization of tax-exempt debt relative to taxable debt whenever possible. In all circumstances, however, individual projects continue to be identified and tracked to ensure compliance with all tax and reimbursement regulations.

For tax-exempt debt, the University considers maximizing the external maturity of any tax-exempt bond issuance, subject to prevailing market conditions and opportunities and other considerations, including applicable regulations.

Taxable Debt

In instances where certain of the University's capital projects do not qualify for tax-exempt debt, the use of taxable debt may be considered. The taxable debt market offers certain advantages in terms of liquidity and marketing efficiency; such advantages will be considered when evaluating the costs and benefits of a taxable debt issuance.

Commercial Paper

Commercial paper provides the University with interim financing for projects in anticipation of philanthropy or planned issuance of long-term debt. The use of commercial paper also provides greater flexibility on the timing and structuring of individual bond transactions. This flexibility also makes commercial paper appropriate for financing equipment and short-term operating needs. The University recognizes that the amount of commercial paper is limited by the Debt Policy ratios, the University's variable-rate debt allocation limit, and the University's available liquidity support.

University-issued vs. State-issued debt

In determining the most cost effective means of issuing debt, the University evaluates the merits of issuing debt directly vs. issuing debt through the State (e.g., under Article X, Section 9 of the State Constitution) or a State-issuing entity (e.g., The Virginia College Building Authority.)

On a regular basis, the University performs a cost-benefit analysis between these two options and takes into consideration the comparative funding costs, flexibility in market timing, and bond ratings of each alternative. The University also takes into consideration the future administrative flexibility of each issue such as the ability to call and/or refund issues at a later date, as well as the administrative flexibility to structure and manage the debt in a manner that the University believes to be appropriate.

Derivative Products

Management recognizes that derivative products may enable more opportunistic and flexible management of the debt portfolio. Derivative products, including interest rate swaps and locks, may be employed primarily to manage or hedge the University's interest rate exposure. The University utilizes a framework to evaluate potential derivative instruments by considering (i) its current variable-rate debt allocation, (ii) existing market and interest rate conditions, (iii) the impact on future financing flexibility, and (iv) the compensation for assuming risks or the costs for eliminating certain risks and exposure. Risks include, but are not limited to, tax risk, interest rate risk, liquidity risk, counterparty credit risk, basis risk, and any other potential risks either imposed or removed through the execution of any transaction.

The University analyzes and quantifies the cost/benefit of any derivative instrument relative to achieving desirable long-term capital structure objectives. Under no circumstances will a derivative transaction be utilized that is not understood fully by management or that imposes inappropriate risk on the University. In addition, management discloses the impact of any derivative product on the University's financial statements per GASB requirements and includes their effects in calculating the Debt Policy ratios.

Other Financing Sources

Given limited debt capacity and substantial capital needs, opportunities for alternative and non-traditional transaction structures may be considered, including off-balance sheet financings. The University recognizes these types of transactions often can be more expensive than traditional University debt structures; therefore, the benefits of any potential transaction must outweigh any potential costs.

All structures can be considered only when the economic benefit and the likely impact on the University's debt capacity and credit have been determined. Specifically, for any third-party or developer-based financing, management ensures the full credit impact of the structure is evaluated and quantified.

VI. Portfolio Management of Debt

Purpose

1. Permit decisions regarding debt issuance and structure to be made on a portfolio basis, rather than on a per-project basis.
2. Manage variable-rate exposure of the debt portfolio.
 - a. Limit variable-rate exposure.
 - b. Manage the overall liquidity requirements associated with outstanding debt.
 - c. Target overall variable-rate debt exposure.
3. Evaluate exposure to other financing vehicles and third parties on a portfolio-wide basis.

The University considers its debt portfolio holistically; that is, it optimizes the portfolio of debt for the entire University rather than on a project-by-project basis while taking into account the University's cash and investment portfolio. Therefore, management makes decisions regarding project prioritization, debt portfolio optimization, and financing structures within the context of the overall needs and circumstances of the University.

Variable-Rate Debt

The University recognizes that a degree of exposure to variable interest rates within the University's debt portfolio is desirable in order to:

- (i) Take advantage of repayment/restructuring flexibility;
- (ii) Benefit from historically lower average interest costs;
- (iii) Provide a "match" between debt service requirements and the projected cash flows from the University's assets; and,
- (iv) Diversify its pool of potential investors.

Management monitors overall interest rate exposure, analyzes and quantifies potential risks, including interest rate, liquidity, and rollover risks, and coordinates appropriate fixed/variable allocation strategies. The portfolio allocation to variable-rate debt may be managed or adjusted through (i) the issuance or redemption of debt in the conventional debt market (e.g., new issues and refundings) and (ii) the use of interest rate derivative products including swaps.

The amount of variable-rate debt outstanding (adjusted for any derivatives) shall not exceed 40 percent of the University's outstanding debt. This limit is based on the University's desire to (i) limit annual variances in its interest payments, (ii) provide sufficient structuring flexibility to management, (iii) keep the University's variable-rate allocation within acceptable external parameters, and (iv) utilize variable-rate debt (including

derivatives) to optimize debt portfolio allocation and minimize costs.

$$\frac{\text{VARIABLE-RATE DEBT (INCLUDING SYNTHETIC)}}{\text{TOTAL DEBT OUTSTANDING}} \leq 40\%$$

Refinancing Outstanding Debt

The University monitors its debt portfolio on a continual basis to assure portfolio management objectives are being met and to identify opportunities to lower its cost of funding, primarily through refinancing outstanding debt.

The University monitors the prices and yields of its outstanding debt and attempts to identify potential refunding candidates by examining refunding rates and calculating the net present value of any refunding savings after taking into account all transaction costs. The University may choose to pursue refundings for economic and/or legal reasons.

Liquidity Requirements

The University's portfolio of variable-rate debt and commercial paper require liquidity support in the event of the bonds or paper being put back to the University by investors. Generally, the University can purchase liquidity support externally from a bank in the form of a standby bond purchase agreement or line of credit. In addition, the University can also use its own capital in lieu of or to supplement external facilities. Alternatively, it can utilize variable-rate structures that do not require liquidity support (e.g., auction-rate products).

Just as the University manages its debt on a portfolio basis, it also manages its liquidity needs by considering its entire asset and debt portfolio, rather than solely on an issue-specific basis. This approach permits institution-wide evaluation of desired liquidity requirements and exposure, minimizes administrative burden, and reduces total liquidity costs.

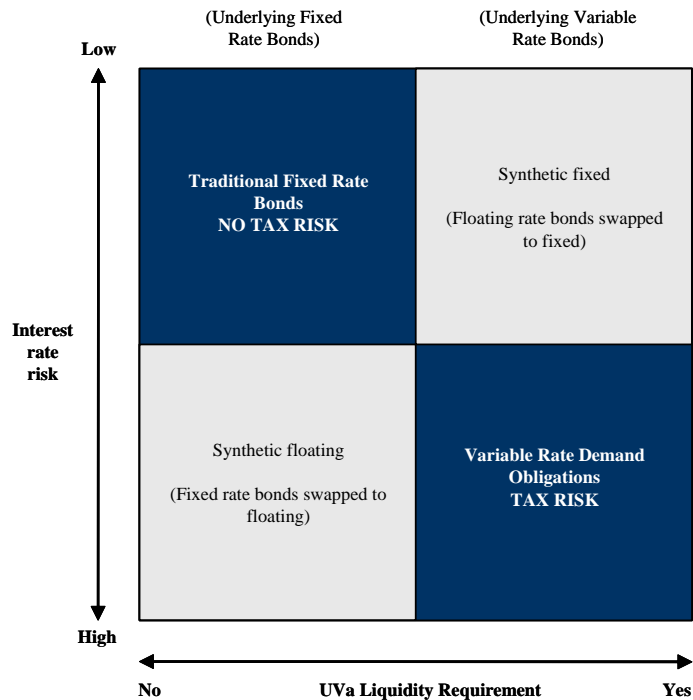
A balanced approach is used to provide liquidity support to enhance credit for variable-rate debt through a combination of external bank liquidity, self-liquidity, auction market, or derivative structures. Using a variety of approaches limits dependence on an individual type or source of credit; it also allows for exposure to different types of investors. The University must balance liquidity

requirements with its investment objectives and its cost and renewal risk of third-party liquidity providers.

Further, a portfolio-approach to liquidity can enhance investment flexibility, reduce administrative requirements, lower total interest costs, and reduce the need for external bank liquidity.

Overall Exposure

The University recognizes that it may be exposed to interest rate, third-party credit, and other potential risks in areas other than direct University debt (e.g., off-balance sheet transactions, counterparty exposure in the investment portfolio, etc.) and, therefore, exposures are considered on a comprehensive University-wide basis.



VII. Strategic Debt Allocation

Purpose

1. Recognize that resources are limited.
2. Augment existing capital allocation and prioritization process.
3. Provide priority to mission critical projects with identified

Recognizing that financial resources are not sufficient to fund all capital projects, management must allocate debt strategically, continuing to explore alternate sources of funding for projects. External support, philanthropy, and direct Commonwealth investment remain critical to the University’s facilities investment plan.

Management allocates the use of debt financing internally within the University to reflect the prioritization of debt resources among all uses, including

repayment source.

plant and equipment financing, academic projects, and projects with trans-institutional impact. Generally, the University favors debt financing for those projects critical to the attainment of its strategic goals and those projects with identified revenue streams for the repayment of debt service and incremental operating costs. Federal research projects receive priority consideration for external debt financing because the University receives partial reimbursement of operating expenses (including the interest component of applicable external debt service) of research facilities. Patient care investments that have acceptable financial and programmatic returns also receive priority.

Each capital project is analyzed at its inception to ensure that capital is used in the most effective manner and in the best interests of the University. There is an initial institutional review of each project, prior to its inclusion in the state's six-year plan, to determine if debt leveraging would be desirable even if not requested by the project sponsor. As part of this initial institutional review, the University also will assess, based on the project's business plan, the sufficiency of revenues to support any internal loans. If the University determines that collateral is necessary, it may require the entity to segregate unrestricted funds for this purpose.

VIII. Central Loan Program Management

Purpose

1. Establish policies for loans to Divisions/Schools.
2. De-link external debt structure from internal debt structures of individual borrowers.
3. Establish single interest rate for all borrowers that reflects University's overall cost of capital.

Each division is responsible for the repayment of all funds borrowed from the central loan program, plus interest and certain fees established in the University's internal lending policies, regardless of the internal or external source of funds.

Loan structures with standard financial terms are offered to divisional borrowers. The University may provide for flexible financing terms in order to accommodate individual divisions if it is determined to be in the University's best interest. The Office of the VP & CFO clearly articulates the policies and procedures for the assumption and repayment of debt to all borrowers. The Director of Treasury Operations is the University's loan officer for divisional borrowers.

De-linking External and Internal Debt Structures

The University has adopted a central loan program under which it provides funding for projects across schools and

divisions (including the Health System) under the guidance of the VP & CFO. In this regard, the University has established a pool of financing resources, including debt, for a central source of capital.

The benefits of this program include:

- (i) Enabling the structuring of transactions in the best economic interests of the University that otherwise wouldn't be possible on a project-specific basis;
- (ii) Providing continual access to capital for borrowers and permitting the University to fund capital needs on a portfolio basis rather than on a project-specific basis;
- (iii) Funding specific projects with predictable financial terms;
- (iv) Achieving the lowest average internal borrowing costs while minimizing volatility in interest rates;
- (v) Permitting prepayment of internal loans at any time without penalty; and
- (vi) Achieving equity for borrowers through a blended rate.

The central loan program can access funds from a variety of sources to originate loans to divisions. The University manages its funding sources on a portfolio basis, and therefore payments from divisions are not tied directly to a particular source of funds. (Note: Due to federal tax and reimbursement requirements, actual debt service for certain projects still must be tracked.)

Blended Interest Rate

The University charges a blended interest rate to its divisions based on its cost of funding. In some instances, at the discretion of the VP & CFO, the type and useful life of the project may affect the appropriate term and interest rate of any loan.

This blended interest rate may change periodically to reflect changes in the University’s average aggregate expected long-term cost of borrowing. The blended interest rate may also include a reserve for interest rate stabilization purposes.

In addition to charging borrowers interest, the central loan program collects amounts to pay for costs of administering the debt portfolio. These costs are clearly articulated to divisions, and are passed on to borrowers in the form of a rate surcharge and an upfront fee for loan origination. These charges may be reviewed and adjusted from time to time.

IX. Approval Process

Purpose

1. Articulate approval authority.

All debt issued by the University must be authorized through a BOV resolution. If tax-exempt bonds are to be issued, the BOV also approves an Intent to Issue Resolution. Additionally, the BOV establishes financing parameters for each debt issuance.

The University issues debt, in its own behalf, under Chapter 3 of Title 23 of the Virginia Code or non-State Tax Supported Debt under the State’s Restructured Higher Education Financial and Administrative Operations Act of 2005, Chapter 4.10 of Title 23 (the “Restructuring Act”). For debt issued under Chapter 3 of Title 23, the University complies with all statutory requirements for State and BOV approval. For debt issued under the Restructuring Act, the University complies with all statutory and regulatory requirements including notifying the State Treasurer of each such bond issuance. For debt issued under the Restructuring Act, the BOV delegates the authority to approve the pricing of such debt to the VP & CFO with the Chair of the Finance Committee or such other BOV member as may be designated by the Rector. Such pricing must be within the financing parameters established for the debt by the BOV (or the Executive Committee as authorized by Virginia Code § 23-75.)

When the University participates in bond programs that are administered by the State, including State tax-supported debt, such bonds are issued by the State Treasurer, who also possesses the authority to price such bonds.

Attachment B

Interest Rate Risk Management Policy



University of Virginia
Interest Rate Risk Management Policy

Table of Contents

- I. Overview
- II. Scope and Objectives
- III. Oversight
- IV. Derivative Use Guidelines
- V. Allowable Derivative Instruments
- VI. Policy Controls
- Appendix A – Operating Controls
- Appendix B – Exposure Controls

I. Overview

Purpose

- 1. Provide background on the purpose of derivatives.

Overview

The University maintains a Debt Policy which provides guidelines on the authorization and management of debt. The University manages its debt portfolio on a consolidated basis and makes debt management decisions to achieve the lowest cost of debt capital and maximize its portfolio objectives. The use of derivatives can play a key role in managing the University’s debt portfolio.

In certain circumstances, derivatives are an effective way for the University to adjust its mix of fixed- and floating-rate debt and manage interest rate exposures. Derivatives may also be an effective way to manage liquidity risks. The University’s philosophy is to use derivatives strategically to achieve asset and liability portfolio objectives and hedge existing exposures. Derivatives will

not be used to create leverage or to speculate on the movement of interest rates.

II. Scope and Objectives

Purpose

1. Define what activities are subject to the policy.
2. Define the objectives of the Interest Rate Risk Management Policy.
3. Establish interest rate risk management goals.

Scope

The Interest Rate Risk Management Policy applies to any derivatives used for the purpose of hedging interest rate exposures. This policy does not apply to derivatives used by the University of Virginia Investment Management Company in its management of the University's endowment and assets or any University-related foundations.

Additionally, any decisions made regarding the use of derivatives must take into consideration the resulting impact under the University's Debt Policy.

Objectives

This policy is intended to:

- (i) Outline the University's philosophy on derivatives
- (ii) Provide guidelines on the use of derivatives
- (iii) Identify approved derivative instruments
- (iv) Establish a control framework related to the use of derivatives

The University views derivatives as a tool to achieve its asset and liability management objectives. As a result, it is the University's philosophy to use derivatives strategically in support of this cause. It is also the University's philosophy to not use derivatives to create leverage or speculate on interest rate movements. The University recognizes that the prudent and selective use of derivatives may help it to lower its cost of debt capital and manage its interest rate exposure.

This policy provides guidelines on the use of derivatives including the circumstances under which they may be used and the factors that are considered in deciding whether to use them. Derivatives may be used to achieve the following objectives:

- (i) Reduce the cost for debt financing when compared to conventional debt structures
- (ii) Manage interest rate volatility
- (iii) Manage fixed- and variable-rate debt mix
- (iv) Help match the cash flows from assets with those from liabilities
- (v) Hedge future debt issues or synthetically advance refund bonds

The policy also outlines a control framework to ensure that an appropriate discipline is in place regarding the use of derivatives. Controls exist to address both operational risks and exposure risks.

III. Oversight

Purpose

1. Provide mechanism for Board of Visitors oversight and review on periodic basis.
2. Provide management flexibility to make ongoing financing decisions within the framework of the Policy.

The Office of the Vice President & Chief Financial Officer (“VP & CFO”) is responsible for implementing this policy and for all interest rate risk management activities of the University. The policy and any subsequent material changes to the policy are approved by the University’s Board of Visitors (“BOV”).

The Office of the VP & CFO provides oversight and monitors all derivative transactions and, at least annually, reports to the Executive Vice President & Chief Operating Officer and the BOV on the University’s outstanding derivatives.

IV. Derivative Use Guidelines

Purpose

1. Explain the objective of interest rate risk management and provide guidelines on the use of derivatives.

The University may use derivatives to achieve the lowest possible cost of debt funding, manage its exposure to interest rate volatility, and/or match the timing and nature of cash flows associated with its assets and liabilities. The University may accomplish this by hedging the interest rate volatility of projected debt issuances or by using derivatives to adjust its exposure to floating interest rates.

To determine its portfolio exposure, the University looks at the composition of its outstanding **assets** and liabilities (adjusted for any hedges) and the change in this composition over a predetermined planning horizon. Taking into account the potential for future uncertainty, the University determines what, if any, action should be

taken to keep its portfolio exposure at desirable levels over this period.

In determining when to hedge, the University monitors its interest rate exposure, the capital markets, and its future funding and liquidity requirements. Special attention is paid to the relative level of interest rates, the shape of the yield curve, and signals of interest rate increases or decreases from the Federal Reserve.

The University analyzes and quantifies the cost/benefit of any derivative instrument relative to achieving desirable long-term capital structure objectives. Before entering into a derivative, the University evaluates its risks including, but not limited to: tax risk, interest rate risk, liquidity risk, credit risk, basis risk, rollover risk, termination risk, counterparty risk, and amortization risk. The University also evaluates the impact the hedge will have on its debt portfolio at the inception of the hedge and over the planning period.

When evaluating its hedging options, the University generally prefers the lowest cost, most liquid, and most flexible hedging strategy available. In instances where no hedging strategy meets all these needs, the University prioritizes these requirements to decide on an optimal strategy.

At their inception, derivatives are chosen to closely match the exposures being hedged. As time passes, the University's debt management objectives may change, and any decisions will be made with the best information available at that time regardless of hedges that may be in place. For instance, the University may use derivatives to hedge future interest rates associated with a fixed-rate bond issuance. If at the time of issuance it is deemed more beneficial to issue floating-rate bonds, then the University will not let its past hedging decisions constrain its current bond issuance decisions.

In addition, management discloses the impact of all derivatives on the University's financial statements per GASB requirements and includes their effects in calculating the Debt Policy ratios.

V. Allowable Derivative Instruments

Purpose

1. List and define the derivatives that may be used for interest rate hedging.

The University recognizes that there are numerous derivatives of varying degrees of complexity. The University attempts to avoid structural complexity in its use of derivatives and believes the following instruments, used alone or in combination with each other, allow for sufficient flexibility to help the University meet its interest rate risk management objectives.

Interest Rate Swaps – Swaps are contracts to exchange payments based on different interest rate indices, generally with one such index based on interest rates that are fixed at a specific rate for the term of the contract and the other based on interest rates that are to be adjusted from time to time throughout the term of the contract. The University may utilize these contracts to change its mix of fixed rates and floating rates. They may also be used as a means to hedge future financings.

Interest Rate Call or Put Options – An option gives the holder a right, but not an obligation, to buy or sell a security at or by a specified date(s) at an agreed upon price in exchange for the payment of a premium. Interest rate options, typically in the form of interest rate caps or floors, are designed to provide protection against interest rates being above a certain cap rate or below a certain floor rate. Options may be used when the purchaser faces an asymmetrical risk profile, for instance, the risk that interest rates may rise prior to a new debt issuance. Options to enter into swaps, or swaptions, give the buyer the right to enter into a swap as a fixed-rate or floating-rate payer depending on the buyer's interest rate exposure.

The University will not sell options, except to the extent they are sold to better hedge an underlying exposure that contains an offsetting option position. For example, a bond with a call option held by the University may be hedged better by entering into a derivative with an offsetting sold call option.

Interest Rate Locks – A rate lock is a forward contract that represents a sale of a specific benchmark security (e.g., U.S. Treasuries, LIBOR, or tax-exempt indices) or other appropriate benchmark security at an agreed price or interest rate. The University may utilize these contracts to help lock in a future financing rate.

Before entering into a derivative transaction, the University first gains a full understanding of the transaction and performs appropriate due diligence, such as (i) a quantification of potential risks and benefits, and (ii) an analysis of the impact on University's debt portfolio.

VI. Policy Controls

Purpose

1. To identify operating controls related to trading, authorizing, confirming, and accounting for transactions.
2. To identify exposure controls in place to keep the University from being overexposed to certain market risks.

The University has established both operating and exposure controls to address program risks.

Operating Controls

When utilizing derivatives, it is important for operating controls to be in place to provide for adequate segregation of duties and management oversight. The University has controls addressing trade initiation, approval, confirmation, and accounting.

Appendix A to this policy lists the individuals who may enter into derivatives on behalf of the University. These individuals may not approve their own transactions, unless explicitly stated in Appendix A. Initiators may not confirm transactions with counterparties and may not enter the accounting related to a trade. These controls are in place to assure trades are fully disclosed, accounted for, and approved by appropriate parties.

Appendix A also contains a list of individuals with authority to approve transactions. In all instances, unless provided for in Appendix A, an approver may not also be the initiator for a specific transaction. Confirmations serve the purpose of confirming the details of a trade as understood by the University and its counterparty. Trade confirmations are done by an individual who does not have authority to either initiate or approve transactions.

Transactions are recorded for accounting purposes by an individual who is neither the initiator nor approver. This segregation helps to assure that trades are accounted for correctly and are recorded and valued correctly on an ongoing basis.

Exposure Controls

The University manages its derivatives exposure by looking at its derivatives portfolio independently and also in the context of its overall asset and liability portfolios. Prior to entering into a derivative transaction, the

University will examine the impact of such trade independently and on the asset and liability portfolios as a whole.

Appendix B to the policy establishes limits related to counterparty credit ratings, and the maximum allowable percentage of floating rate debt.

Exposure controls are in place to limit the University's exposure to the various market risks associated with derivatives.

OPERATING CONTROLS

Authorized Initiators – The individuals holding the following positions are hereby authorized to execute and terminate interest rate derivative transactions in behalf of the University:

- Executive Vice President and Chief Operating Officer
- Vice President and Chief Financial Officer
- Director of Treasury Operations

Authorized Approvers – The individuals holding the following positions are hereby authorized to approve all interest rate derivative transactions on behalf of the University:

- Executive Vice President and Chief Operating Officer
- Vice President and Chief Financial Officer

In all instances, one person may not act as both authorized initiator and authorized approver for the same transaction.

EXPOSURE CONTROLS

Maximum Percentage of Floating Rate Debt – The University’s outstanding debt portfolio will have no more than 40 percent of the principal amount in floating rate debt, as described in its Debt Policy. This percentage is calculated to factor in the effects of interest rate derivatives.

Counterparty Credit Exposure – All derivative counterparties will be rated A3 or better by Moody’s and A- or better by Standard & Poor’s. The maximum allowable credit exposure, determined by the net mark-to-market of all trades with a single counterparty, will be \$25 million for counterparties rated Aa2/AA or better and \$10 million for counterparties rated less than Aa2/AA.

The University may take steps to reduce its exposure to a counterparty by either (i) requiring the counterparty to post collateral in the full amount of the exposure (all the while abiding by the terms of any Credit Support Annex between the University and the counterparty), (ii) terminating all or a portion of its outstanding contract(s) with the counterparty, or (iii) requiring the counterparty to obtain swap insurance or provide another form of third-party security agreeable to the University.

In determining counterparty credit exposure, the University will also consider the counterparty’s credit exposure to other University related organizations (e.g., University of Virginia Investment Management Company.)

UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: April 6, 2006

COMMITTEE: Finance

AGENDA ITEM: II.D. Capital and Operating Reserves Policy

BACKGROUND: The University of Virginia has a wide range of complex operations and technically advanced building systems. Increasingly, the responsibility for providing adequate operating reserves and funding the long-term care of these facilities rests with the University rather than the state. New restructuring legislation places the responsibility for the institution's financial health with the Board of Visitors.

At the institutional level, the University's cash and short-term investment balances of approximately \$388 million and unrestricted quasi-endowment of \$645 million provide operating reserves that are adequate to support the Academic Division's annual operating expenses, excluding depreciation expense, of \$1 billion. Within the institution, there are entities with specific operating and capital reserve requirements.

During its meeting on January 19, the Finance Committee reviewed existing operating and capital reserve policies and discussed the need for a new central policy that is appropriate for a university of our size and complexity. Input from that meeting was used to develop the capital and operating reserve policy proposed below.

DISCUSSION: Within the University, some units operate on a financially self-supporting basis, e.g., the Medical Center; auxiliary units such as Housing, Athletics, the Bookstore, and Parking & Transportation; the Law School; and the Darden School. These entities are expected to maintain independent reserves for capital renewal and replacement as well as operations. The University is now prepared to establish these default target reserve requirements: a) operating reserves equivalent to three months of operating expenses and (b) annual capital expenditures or contributions to capital reserves of at least 1.5 percent of replacement value of buildings and equipment. The exact percentage should be based on the capital requirements unique to the program. For example, equipment intensive operations normally would have a higher percentage. Clearly, all operating units will not be able to meet these expectations immediately.

Reserve objectives other than the general policy should be applied in other cases, when approved in advance by the Executive Vice President and Chief Operating Officer. However, the general expectation sets a benchmark against which we can measure progress and assess best practices.

The University manages several institution-wide programs that have established reserves based on different analyses specific to each program. These include self-insurance programs (including the UVa Health Plan) and our capital funding program, which is an integral part of the University's debt management program. The University also maintains central reserves for operations (including utilities and financial aid) and for maintenance and repairs (including the state funded maintenance reserve program) for academic activities other than those for which individual enterprise-based reserve expectations apply. The Board recently addressed physical plant conditions by establishing a maintenance reserve policy and approving the funding of a ten-year program to reduce deferred maintenance to an appropriate level. These institution-wide programs will continue to have unique reserve requirements that best meet the individual programs needs.

Because of the decentralized nature of the University, deans and department chairs hold discretionary funds that serve as reserves. To date, no policy on reserves held by schools exists. There may be opportunities to move schools other than Law and Darden to a degree of financial self-sufficiency that will allow them to establish operating reserves, thereby distributing financial risk across the institution instead of focusing it at the institutional level. In the absence of specific unit-based reserves, the institutional/central reserves will be maintained to protect the operating and capital requirements of the University.

ACTION REQUIRED: Approval by the Finance Committee and by the Board of Visitors

APPROVAL OF THE UNIVERSITY'S CAPITAL AND OPERATING RESERVES POLICY

WHEREAS, the University currently has a variety of capital and operating reserve policies that differ among individual departments and schools; and

WHEREAS, it is reasonable to believe that the overall financial strength of the University can be enhanced by more

formalized operating and capital reserve policies, especially for some of the University's business operations; and

WHEREAS, the University wishes to ensure, from a stewardship standpoint, that there is not a large deferred maintenance requirement for the institution and that the operations for each program are financially able to withstand a significant downturn in the generation of revenues;

RESOLVED that the Board of Visitors approves the University's Capital and Operating Reserves Policy as follows: Financially self-sufficient programs will have these reserve requirements: (a) operating reserves equivalent to three months of operating expenses and (b) annual capital expenditures or contributions to capital reserves of at least 1.5 percent of replacement value of buildings and equipment. The exact percentage should be based on the capital requirements unique to the program. The Executive Vice President and Chief Operating Officer may approve alternative reserve policies where appropriate; and

RESOLVED FURTHER that institution-wide programs, such as self-insurance programs and the capital funding program, will continue to have unique reserve requirements that best meet the individual program's needs.

UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: April 6, 2006

COMMITTEE: Finance

AGENDA ITEM: III.A. Vice President's Remarks

ACTION REQUIRED: None

DISCUSSION: The Executive Vice President and Chief Operating Officer will report on 1) progress toward the 2005-2006 goals and work plan for the Finance Committee and 2) the funding of the University's development operations. Item "2" is part of the review of financial polices and practices called for by the 2005-2006 Finance Committee work plan.

The assessment of the funding of development operations is a key element of and closely related to the charge given to the External Affairs Committee by the Rector to examine the relationship of the University to its related foundations. The specific purpose of the Finance Committee session will be to assess the need and identify resources to fund adequately central development operations for the next several years. The presentation will include a discussion of the options available to the Board for addressing the funding requirements. This item will provide background information for the discussion that will be held in executive session on April 7 pertaining to fundraising matters.

UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: April 6, 2006

COMMITTEE: Finance

AGENDA ITEM: III.B. Development of Tuition and Required Fees, 2006-2007

ACTION REQUIRED: None

BACKGROUND: At its April meeting, the Board of Visitors normally sets tuition and fees for the following year for the Academic Division and the University of Virginia's College at Wise.

DISCUSSION: As of the date that we are mailing these materials in advance of the April 6 meeting of the Finance Committee, the General Assembly has not acted to approve a state budget for 2006-2008. The Governor has called the General Assembly into special session on March 27 to continue the work on the budget. After consulting the Rector and Chair of the Finance Committee, we have determined that we should defer Board of Visitors action on the tuition and required fees for the Academic Division and the University of Virginia's College at Wise for the 2006-2007 academic year and summer session 2007 until a state budget is approved. Plans for considering the tuition and fee increases at a subsequent date will be discussed during the meetings on April 6-7.

UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: April 6, 2006

COMMITTEE: Finance

AGENDA ITEM: III.C. Endowment Report - Market Value
and Performance as of December 31, 2005

ACTION REQUIRED: None

BACKGROUND: The University of Virginia Investment Management Company (UVIMCO) provides investment management to the Rector and Visitors of the University of Virginia and its related Foundations. Assets deposited in UVIMCO are held in the custody and control of UVIMCO in behalf of the University and Foundations within a long-term co-mingled investment Pool.

UVIMCO's primary objective in managing the Pool is to maximize long-term real return commensurate with the risk tolerance of the University. To achieve this objective, UVIMCO actively manages the Pool in an attempt to achieve returns that consistently exceed the returns on a passively managed benchmark with similar asset allocation and risk. Recognizing that the University must attract outstanding students, faculty, and staff and provide to them appropriate resources, UVIMCO attempts to manage Pool assets to provide long-term real returns that compare favorably with the returns of endowments of other outstanding schools. UVIMCO does not set spending rates. UVIMCO communicates the Pool's risk and return estimates to the University and Foundations for their consideration in setting spending rates.

DISCUSSION:

PERFORMANCE

Calendar Year 2005

The UVIMCO Long-Term Pool provided a 15 percent return for the 2005 calendar year, exceeding the 14 percent target benchmark return and far exceeding the five percent return of a traditional 65 percent/35 percent blend of the Russell 3000 and Lehman Aggregate domestic equity and bond market indices. The year's return was led by the Pool's 23 percent return for public equities and 20 percent return for private equities. The

healthy return of 12 percent for the Pool's large allocation to hedge funds outpaced domestic public market indices but trailed the Pool's equity allocations and the policy portfolio benchmark. The Pool's 28 percent return for real assets contributed only modestly because of the small allocation. Fixed income provided a three percent return for the year. Value added relative to the target benchmark for the year of one percent was a function of the positive contributions from our overweight position in emerging market equity, our underweight position in fixed income, and strong manager selection in developed market equities and hedge funds. These positive contributions were partially offset by the negative impact of an underweight to real assets and lagging manager performance in both private equity and real assets.

Quarter Ended December 2005

Over the most recent quarter, the Pool's return of 3.4 percent matched the target benchmark return and exceeded the 1.5 percent return of the 65 percent/35 percent blend of the Russell 3000 and Lehman Aggregate indices. Consistent with the full calendar year, emerging market equity provided the quarter's strongest returns, while hedge funds and private equity exceeded the domestic equity market but trailed the Pool's target benchmark return.

Peer Comparison for Fiscal Year Ended June 2005

Because peer data for fiscal year-end becomes available at the end of the calendar year, we provide a discussion of UVIMCO's fiscal year-end returns compared to peers in this calendar year-end report. For the most recent fiscal year and all multi-year periods, UVIMCO's returns exceeded the median of the Russell Mellon universe of institutional trusts and our peer group - the Cambridge universe of endowments with assets greater than \$1 billion.

Returns for Periods Ending June 30, 2005

	<i>1-Year</i>	<i>3-Years</i>	<i>5-Years</i>	<i>10-Years</i>
UVIMCO Long-Term Pool	14.3	12.0	7.5	14.2
Russell 3000 US Equity Index	8.1	9.5	(1.4)	10.1
Lehman Aggregate Bond Index	6.8	5.8	7.4	6.8
65% Russel 3000 / 35% Leh. Agg.	7.6	8.2	1.7	8.9
Russell Mellon All Trusts	9.5	9.7	3.6	9.5
Russell Mellon All Trusts Top Quartile	11.1	10.8	4.9	10.1
Cambridge Endowments > \$1Billion	13.6	11.7	5.5	11.9
Cambridge End. > \$1B Top Quartile	17.7	12.7	6.8	14.3

Consistent with our defensive posture towards equity market exposure and low portfolio volatility over recent years, investment return exceeded the top quartile of the Cambridge universe of endowments with assets greater than \$1 billion over the five-year period during which the US equity market provided a negative return. Over the other time periods, during which the equity market provided stronger returns, our return fell short of the top quartile of large endowments.

US Equity

For calendar year 2005, the Pool's US equity portfolio returned ten percent versus 6.1 percent on the Russell 3000 as a result of strong stock selection by a large holding in a concentrated manager with a global opportunity set. For the quarter, our US equity portfolio was up two percent, matching the return of the Russell 3000 benchmark.

Developed International Equity

For the calendar year, our non-US developed portfolio was up 37 percent versus 15 percent on the MSCI World ex-US Index. As with the US equity allocation, the relative performance resulted from strong stock selection by a large holding in a concentrated manager with a global opportunity set. For the quarter, the non-US developed equity portfolio returned 5.8 percent versus four percent on the MSCI World ex-USA Index with the positive margin attributable to the same manager.

Emerging Market Equity

For the calendar year, our emerging markets portfolio returned 30.9 percent, a strong return in absolute terms but poor relative to the 34.5 percent return on the MSCI Emerging Markets

Index. The poor relative performance is attributed to an overweight allocation to Emerging Asia, which lagged other regions over the year. Our Emerging Market portfolio returned seven percent for the quarter, essentially matching the 7.2 percent return on the MSCI Emerging Markets Index.

Hedge Funds

Our hedge fund portfolio returned 11.8 percent for the year versus an 8.4 percent return on the blended Tremont index. As was the pattern for the quarter, our global macro managers were the best performing group, up 16.4 percent for the year, followed by the 13.7 percent return on the long/short equity portfolio. These two groups account for almost 90 percent of the portfolio. Our smaller allocations to equity market neutral, fixed income arbitrage, event driven and distressed strategies have been generally disappointing.

Private Equity

Our internal rate of return for private equity was 1.8 percent for the venture portfolio and 27.9 percent for buyouts, bringing the combined portfolio return to 20.4 percent for the 12 months ended September 30, 2005. The Cambridge venture benchmark returned 12.7 percent and 35.8 percent for buyouts over the same time period. Google heavily impacted the venture benchmark, and the strong buyout benchmark return for the past 12 months is largely attributable to a favorable financing environment and multiple expansion driven by strong flows into the asset class. In addition, among the best performing funds for 2005 were mega buyout funds and larger late-stage venture funds whose valuations are more influenced by these environmental factors than the early-stage venture and small- and mid- market buyouts in which we focus our portfolio. Our growing private equity portfolio may also suffer more of a J-curve effect than the Cambridge indices.

Real Assets

Our internal rate of return for real assets was 17 percent for the real estate portfolio and 40.7 percent for resources, bringing the combined portfolio return to 28 percent for the 12 months ended September 30, 2005. The Cambridge real estate benchmark returned 30.2 percent and 81.1 percent for resources over the same time period. We had a nearly five-year pause in real estate investing from early 1998 to late 2002, a time period which included many of the best vintage years for real

estate funds. Our resources portfolio was only developed as of the end of FY05; it is still small and growing and will be impacted by the J-curve over the short-term.

Fixed Income and Cash

Our fixed income portfolio and cash positions returned three percent for the year, approximately matching the return on market indices. The returns for both our portfolio and the market approximately matched market yields as short-term interest rates rose during the year as had been priced into the yield curve, and long-term interest rates remained stable.

OUTLOOK & STRATEGY

Economics

After several years of strong growth, the US economy is operating near capacity, and future growth is limited by resource constraints. Energy supplies provide the most visible of these constraints. Perhaps equally important, with an unemployment rate now below five percent, the US is also approaching its skilled labor capacity. The inflationary impact of full employment is muted in this cycle by the increasing globalization of the labor market, which keeps wages, particularly in the low-skill tradable goods sector, under downward pressure. While inflation does not appear an immediate threat, we should expect that slowing employment growth, higher energy costs, and the end of the interest-rate driven appreciation of residential real estate will slow growth of US consumption - the dominant component of US GDP growth. Counterbalancing the likely slow-down in US consumption, business investment should pick up in response to higher capacity utilization and slowing productivity growth. Liquid corporate balance sheets along with strong operating cash flow provide ample funds for business investment. Thus, the consensus forecast is for an orderly adjustment from consumption-led growth to investment-led growth, facilitated by flexible markets and global diversification. US growth is forecast to stabilize at its three percent potential from the four percent rate of recent years. Despite this benign base-case scenario, unsustainable fiscal policy and the collapse of the US savings rate/growth of the current account deficit point towards likely sources for future macro economic instability.

Equity Markets

Because corporate profits as a proportion of GDP are at peak levels, corporate earnings seem unsustainably high, and US equity market prices seem vulnerable. With leading technology stocks missing fourth quarterly earnings expectations, the peak of the current profit cycle may have arrived. In response to elevated risks and lower than historical average expected returns, we will likely maintain our very low allocation of only ten percent to long-only US public equities. Outside of the US, stocks in emerging markets continue to seem more attractive than those in developed markets. Non-US developed equity markets are priced similarly to the US market once allowances are made for differences in industry composition and company level return on equity. In contrast, emerging equity markets continue to offer opportunities. Despite the remarkable returns for emerging markets over the past three years, improvement in fundamentals has kept pace with prices. At the company level, valuations remain lower than developed markets because recent year's returns have been driven by revenue and earnings growth rather than expansion of P/E multiples. At the country level, widespread structural reforms and current account surpluses in Asia and in oil and gas exporting countries suggest much reduced sovereign risk. We are therefore likely to maintain our focus in emerging markets.

Real Assets

Real estate capitalization rates remain at all-time lows as cheap financing and momentum investing have driven up prices. Experienced investors have been using this opportunity to sell real estate and timber at what they perceive as extraordinarily high prices. High oil and gas prices even for distant forward dates have driven up the price of oil and gas reserves. Our allocation to real assets is therefore targeted toward active managers whose investment process is less dependent upon market price appreciation or who hedge underlying commodity price risks. In real estate, our investment activity is concentrated on value added managers who build rather than buy cash flow streams and so produce returns that are only incidentally exposed to market prices. In resources, our recent investments have been in private equity funds organized to develop reserves and infrastructure while hedging much of the commodity price risk.

Interest Rates

As a result of higher cash rates set by the Fed, low long-term real interest rates caused by the Asian savings glut, and contained inflation expectations, the US yield curve has recently inverted. If long-term interest rates were not already at unusually low levels, we would interpret this inversion as signaling the end of the tightening cycle and as predicting a future decline of bond yields. With today's low bond yields muting the effect of higher cash rates, the Fed may need to keep tightening its monetary policy.

The history of interest rates demonstrates that inverted yield curves rarely persist; either short rates decline or long-term rates rise above short rates. Either way, short-term bonds provide better duration adjusted returns than long-term bonds. For this reason, we will likely keep our holdings concentrated in short-term maturities even as we contemplate extending the duration of the fixed income portfolio in response to now higher short-term interest rates and the coming end to this tightening cycle. Credit spreads remain narrow compared to historical averages in recognition of generally healthy corporate balance sheets, low market volatility, and the risk diversifying effects of credit derivatives. This very combination of low spreads and heightened leverage through new derivative structures portends a future liquidity crisis when investors' appetite for risk moderates. Our portfolio remains defensively postured towards credit.



Investment Report
December 31, 2005
UVIMCO Long-Term Pool

Investment Activity

	Month	Fiscal Year To Date 2006
Beginning Investment	\$2,797,928,305.36	\$2,593,960,626.07
Beginning Shares	783,013.44	772,783.89
NAV Per Share at Beginning of Period	\$3,573.28	\$3,356.64
+ Contributions	\$33,934,181.33	\$72,319,375.02
- Redemptions	(\$571,993.36)	(\$10,026,075.33)
+ Investment Return	\$59,836,417.02	\$234,872,984.59
Ending Investment	\$2,891,126,910.36	\$2,891,126,910.36
Ending Shares	793,482.14	793,482.14
NAV Per Share at End of Period	\$3,643.59	\$3,643.59

Position Summary

	Portfolio	Target	Difference
Public Equity	24.9%	25.0%	-0.1%
Hedge Funds	49.8%	45.0%	4.8%
Private Equity	12.5%	15.0%	-2.5%
Real Assets	2.8%	5.0%	-2.2%
Fixed Income	5.7%	10.0%	-4.3%
Cash	4.3%	0.0%	4.3%
Total	100.0%	100.0%	0.0%

Performance Summary

	Portfolio	Benchmark	Difference
Month Return	2.0%	3.2%	-1.2%
3-Month Return	3.4%	3.4%	0.0%
Calendar Year-to-Date Return	14.8%	13.7%	1.1%
Fiscal Year-to-Date Return	9.0%	10.0%	-1.0%
1-Year Return	14.8%	13.7%	1.1%
3-Year Return	14.7%	15.7%	-1.0%
5-Year Return	8.3%	6.3%	2.1%
10-Year Return	14.4%	9.3%	5.1%
Fiscal Year 2005 Return	14.3%	12.6%	1.6%
Fiscal Year 2004 Return	12.7%	15.2%	-2.5%
Fiscal Year 2003 Return	9.2%	4.2%	4.9%

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Investment Report
December 31, 2005
UVIMCO Long-Term Pool

Position Analysis

	Actual Pool ⁽¹⁾		Investment Policy			Relative To Target
	\$ millions	%	Min	Target	Max	
Public Equity	719	24.9%	20%	25%	30%	-0.1%
U.S.	260	9.0%	5%	10%	20%	-1.0%
Non-U.S. Developed	159	5.5%	5%	10%	20%	-4.5%
Emerging	300	10.4%	0%	5%	10%	5.4%
Hedge Funds	1,442	49.8%	30%	45%	60%	4.8%
Equity L/S	1,126	38.9%	10%	--	45%	--
Equity MN	115	4.0%	0%	--	30%	--
Fix. Inc. Arbitrage	15	0.5%	0%	--	15%	--
Global Macro	120	4.2%	0%	--	15%	--
Event-Driven	33	1.1%	0%	--	15%	--
Distressed	33	1.1%	0%	--	15%	--
Private Equity	361	12.5%	10%	15%	25%	-2.5%
Venture	79	2.7%	0%	3%	10%	-0.3%
Buyouts	282	9.8%	5%	12%	20%	-2.2%
Real Assets	80	2.8%	5%	5%	20%	-2.2%
Real Estate	35	1.2%	0%	3%	20%	-1.8%
Resources	45	1.6%	0%	2%	10%	-0.4%
Fixed Income	165	5.7%	5%	10%	30%	-4.3%
Investment Grade	154	5.3%	5%	8%	20%	-2.7%
High Yield	12	0.4%	0%	2%	10%	-1.6%
Cash⁽²⁾	125	4.3%	0.0%	0.0%	10.0%	4.3%
Total Pool	2,894	100.0%	100.0%	100.0%	100.0%	0.0%

Risk Analysis (Standard Deviation Estimates)

Market Exposure	8.4%	8.9%		
Active Management	1.4%	0.8%		
Total	8.5%	6.0%	9.0%	12.0%
				2.0% ⁽³⁾

⁽¹⁾ Actual Pool allocations account for securities transactions and manager cash flows using trade or valuation dates. Contributions and redemptions from the Pool are shown in the month following valuation date.

⁽²⁾ Cash is reported as the Long-Term Pool's cash reserve net of proceeds from securities sold under agreement to repurchase.

⁽³⁾ Relative to target risk is the estimated standard deviation of the difference in returns between the Pool and the Target Benchmark, also referred to as tracking error.

Investment Report
December 31, 2005
UVIMCO Long-Term Pool

Investment Performance

	Current				Annualized			
	MO	3MO	CYTD	FYTD	1 YR	3 YR	5 YR	10 YR
TOTAL FUND	2.0	3.4	14.8	9.0	14.8	14.7	8.3	14.4
<i>Target Benchmark</i>	3.2	3.4	13.7	10.0	13.7	15.7	6.3	9.3
<i>65% Russell 3000 / 35% Lehman Agg.</i>	0.4	1.5	4.9	4.0	4.9	11.6	3.4	8.5
Public Equity	4.1	4.9	23.1	15.9	23.1	30.3	11.8	12.6
U.S.	0.6	2.0	10.0	7.0	10.0	20.6	6.4	10.5
<i>Russell 3000</i>	0.1	2.0	6.1	6.1	6.1	15.9	1.6	9.2
Non-U.S. Developed	6.3	5.8	37.0	17.1	37.0	--	--	--
<i>MSCI World Ex-USA</i>	4.6	4.0	15.0	15.4	15.0	24.8	5.3	6.6
Emerging	6.0	7.0	30.9	23.7	30.9	37.9	25.5	11.6
<i>MSCI Emerging Markets</i>	5.9	7.2	34.5	26.6	34.5	38.4	19.4	7.0
Hedge Funds	2.0	2.9	11.8	6.9	11.8	12.5	9.8	12.8
Equity Long/Short	2.2	3.4	13.7	8.0	13.7	12.6	10.0	13.9
Equity Market Neutral	(0.1)	0.0	--	0.5	--	--	--	--
Fixed Income Arbitrage	0.5	1.9	(4.2)	3.4	(4.2)	2.5	--	--
Global Macro	4.3	6.9	16.4	14.5	16.4	13.6	--	--
Event-Driven	(0.5)	(6.7)	(6.1)	(7.3)	(6.1)	1.0	2.0	6.5
Distressed	0.2	0.3	5.6	1.2	5.6	22.1	--	--
<i>60% Tremont HF / 40% Tremont L/S</i>	2.1	2.0	8.4	7.2	8.4	11.6	7.3	12.0
Private Equity (IRR¹)	--	2.9	20.4	8.7	20.4	16.0	(5.2)	55.5
Venture Capital	--	1.7	1.8	2.8	1.8	(7.4)	(22.2)	89.1
<i>Cambridge U.S. Venture Capital</i>	--	5.0	12.7	7.2	12.7	4.0	(13.7)	41.7
Buyouts	--	3.3	27.9	10.7	27.9	27.7	7.1	16.4
<i>Cambridge U.S. Private Equity</i>	--	6.7	35.8	16.2	35.8	22.0	6.9	13.3
Real Assets (IRR¹)	--	3.3	28.0	7.1	28.0	23.3	11.2	12.4
Real Estate	--	1.1	17.0	3.4	17.0	10.6	2.3	10.9
<i>Cambridge Real Estate</i>	--	8.8	30.2	17.1	30.2	17.4	13.6	13.2
Resources	--	5.9	40.7	11.2	40.7	38.9	22.8	--
<i>Cambridge Resources</i>	--	9.7	81.1	30.3	81.1	38.7	24.2	18.5
Fixed Income	0.4	(0.1)	2.9	0.9	2.9	5.1	7.4	7.0
Investment Grade	0.5	0.5	2.9	1.4	2.9	5.7	7.7	7.8
<i>Lehman U.S. Aggregate</i>	1.0	0.6	2.4	(0.1)	2.4	3.6	5.9	6.2
High Yield	--	(7.2)	(0.6)	(5.6)	(0.6)	(0.2)	3.4	2.1
<i>Lehman U.S. Corp. High Yield</i>	0.9	0.7	2.7	1.6	2.7	13.8	8.9	6.5
Cash (Net of Repo)	0.4	1.1	3.1	1.9	3.1	--	--	--
<i>Repo</i> ⁽²⁾	0.4	1.0	3.3	1.9	3.3	1.9	2.3	3.8

⁽¹⁾ Internal rate of return reported quarterly, on a one-quarter lag. No return is reported for periods within quarter-end dates

⁽²⁾ Monthly returns prior to 8/31/2005 are approximated by Federal Funds Rate.

UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: April 6, 2006

COMMITTEE: Finance

AGENDA ITEM: III.D. General Assembly Report

ACTION REQUIRED: None

The General Assembly concluded its 2006 Session on March 11 without reaching agreement on the budget. The Governor has called the two chambers of the General Assembly into special session on March 27 to conclude their work on the budget. The Governor will have until April 10 to approve, amend or veto legislation, including budget actions in the Appropriations Act.

At the Finance Committee meeting, the Vice President for Management and Budget will provide the Board with an overview of recent actions regarding the General Assembly and the 2006-2008 Appropriations Act.

MISCELLANEOUS FINANCIAL REPORTS
Finance Committee
University of Virginia

April 6, 2006

UNIVERSITY OF VIRGINIA ACADEMIC DIVISION

FINANCIAL REPORT

ACCOUNTS AND LOANS RECEIVABLE AS OF DECEMBER 31, 2005

Summary of Accounts Receivable:

The University's Academic Division's total accounts receivable as of December 31, 2005, were \$70,800,000 as compared to \$23,900,000 at September 30, 2005. The major sources of receivables at December 31, 2005, were student receivables of \$58,500,000 and sponsored programs of \$8,000,000.

The past-due receivables over 120 days old at December 31, 2005, were \$1,525,000 or 2.15 percent of total receivables, well below the Commonwealth's management standard of ten percent.

	<u>Student Accounts</u>	<u>Sponsored Programs</u>	<u>Other Receivables</u>	<u>Total</u>
Gross Accounts Receivable	\$58,500,000	\$8,000,000	\$4,300,000	\$70,800,000
Less: Allowance for Doubtful Accounts	<u>75,000</u>	<u>600,000</u>	<u>408,000</u>	<u>1,083,000</u>
Net Accounts Receivable	<u>\$58,425,000</u>	<u>\$7,400,000</u>	<u>\$3,892,000</u>	<u>\$69,717,000</u>
Accounts Receivable Greater than 120 Days Past Due	<u>\$140,000</u>	<u>\$710,000</u>	<u>\$675,000</u>	<u>\$1,525,000</u>

SOURCE: Revenue and Collections
DATE: February 7, 2006

UNIVERSITY OF VIRGINIA ACADEMIC DIVISION

FINANCIAL REPORT

ACCOUNTS AND LOANS RECEIVABLE AS OF DECEMBER 31, 2005

Summary of Loans Receivable:

The default rate for the Perkins Student Loan Program increased by 4.47 percent to 7.65 percent. This is based on the cohort default rate calculation and is well below the 15 percent threshold set by federal regulations. The Health Professions Loan Program default rate remained the same at zero percent. The Nursing Undergraduate Student Loan Program default rate decreased by 0.33 percent to 2.21 percent. Both medical loan programs are well below the five percent federal threshold. The University Loan Program default rate increased by 0.56 percent to 5.87 percent.

	<u>Gross Loans Receivable</u>	<u>Current Default Rate</u>	<u>Inc./ (Dec) From Last Quarter</u>
Perkins Student Loans	\$17,447,000	7.65%	4.47%
Health Professions Loans	124,000	0.00%	0.00%
Undergraduate Nursing Loans	690,000	2.21%	(0.33%)
University Loans	<u>8,807,000</u>	5.87%	0.56%
Total Student Loan Outstanding	<u>\$27,068,000</u>		

SOURCE: Student Financial Services
DATE: February 7, 2006

UNIVERSITY OF VIRGINIA
INTERNAL LOANS TO UNIVERSITY DEPARTMENTS AND ACTIVITIES
As of December 31, 2005

(Per January 1990 Board of Visitors resolution changing Current Funds Guidelines to include investments in internal loans and the June 1994 Board of Visitors resolution authorizing internal loans to be made in the discretionary collateral account lending program [security lending program], both subject to approval by the Executive Vice President and Chief Operating Officer)

PURPOSE (INT PROJECT)	DATE OF LOAN	INTEREST RATE	ORIGINAL LOAN AMOUNT	PRINCIPAL		APPROXIMATE FINAL PAYMENT
				PAYMENTS MADE TO DATE	OUTSTANDING PRINCIPAL	
Columbarium	10/30/03	Blended borrowing rate (4.75%)	85,000.00	45,000.00	40,000.00	Oct 2008
ITC Mainframe	03/16/04	Blended borrowing rate (4.75%)	300,000.00	200,000.00	100,000.00	Jul 2006
UVA Medical Center	07/10/02	Fed. Funds+60 pts.	4,042,509.43	3,033,098.83	1,009,410.60	Jun 2006
Wise Football Facility	12/22/98	Fed. Funds+60 pts.	3,000,000.00	1,337,272.18	1,662,727.82	Jun 2009
Wise Student Center	11/30/03	Blended borrowing rate (4.75%)	2,000,000.00	1,000,000.00	1,000,000.00	Jun 2007
Wise Student System	04/21/04	Blended borrowing rate (4.75%)	200,000.00	100,000.00	100,000.00	Jul 2007
Total Internal Loans Subject to \$15M Limit Established by BOV ¹			\$9,627,509.43	\$5,715,371.01	\$3,912,138.42	

NOTE: 1. Per January 1990 Board of Visitors resolution establishing the internal loan pool at \$10 million and per April 2003 Board of Visitors resolution approving the expansion of the internal loan pool from \$10 million to \$15 million. All internal loans are subject to the approval of the Executive Vice President and Chief Operating Officer.

SOURCE: Investment and Tax Services
DATE: February 6, 2006

UNIVERSITY OF VIRGINIA
QUASI-ENDOWMENT ACTIONS

October 1, 2005 - December 31, 2005

(Per October 1990 and June 1996 Board of Visitors resolutions granting the Executive Vice President and Chief Operating Officer authority to approve selected quasi-endowment transactions, including establishments and disinvestments, less than \$2,000,000.)

Per the delegated authority from the Executive Vice President and Chief Operating Officer, the Vice President for Management and Budget has approved the additions and divestments of the quasi-endowments listed below.

<u>Additions</u>	<u>Amount</u>
Meridian Journal in Creative Writing Quasi-Endowment*	\$ 70,420.00
Pediatrics Operational Quasi-Endowment Fund	115,981.92
U-21 Equity Limited	200,000.00
University Quasi-Endowment Fund (1)	<u>21,007.41</u>
Total Additions to Quasi-Endowments	\$407,409.33

<u>Divestments</u>	
Carlson Psychiatry Research Funds	\$ 140,000.00
Jessup, Claude A. Fund	125,000.00
Mellon CVRC Quasi-Endowment - Schwartz	30,000.00
Plastic Surgery Quasi-Endowment Fund	489,000.00
Thaler, Myles H. Quasi-Endowment for HIV Research	11,673.00
Trolinger, Margaret H. Rheumatoid Arthritis Research	<u>400,000.00</u>
Total Divestments from Quasi-Endowments	\$1,195,673.00

<u>Endowment Income Capitalizations</u>	
AT&T Professorship in Engineering Quasi-Endowment	\$ 17,962.76
Hamilton, Janet S. and John D. Quasi-Endowment	13,649.59
Vaughan, Joseph L. Chair Restricted Quasi-Endowment	<u>17,038.80</u>
Total Endowment Income Capitalizations	\$ 48,651.15

NOTES:

* Quasi-Endowment newly established or originally funded since October 1, 2005.

(1) Includes current unrestricted gifts to the University that, under a standing Board of Visitors resolution, are required to be added to the University's Unrestricted Endowment Fund.

SOURCE: Financial Administration
DATE: February 17, 2006

QUARTERLY BUDGET REPORT

As of December 31, 2005

This report compares the actual results for the sources and uses to the Academic Division annual budget (excluding the Medical Center and the University of Virginia's College at Wise). At the end of the second quarter of 2005-06, 59.1 percent of the budget has been collected due to the collection of tuition, the allotment of general fund appropriations at the beginning of each semester, and the auxiliary enterprise collections. The remaining sources of available funds are recognized as expended. As of the end of the second quarter, 52.4 percent of the budget has been expended.

The operating budget is developed using differing rules and conventions from the audited financial statements, which are developed in accordance with generally accepted accounting principles (GAAP). In some cases, similar descriptions are used in both reports even though the precise definitions and the specific amounts are not identical. However, both sets of figures are accurate for their particular purposes, and both are drawn from the University's financial applications. Outlined below are several of the differing conventions used in the operating budget and the actual results presented on the accompanying statement:

- The operating budget is prepared on a cash basis.
- The operating budget presents tuition and fees as gross income and the full amount of student aid as an expense.
- In the operating budget, depreciation is not funded and non-capital outlay purchases are recognized as expensed rather than spread over the useful life of the purchase. Debt service, major repair or renovation expenditures occur within the capital outlay accounts - and off the operating budget; however, the operating budget does include the annual transfers from auxiliary enterprise operations to the capital outlay accounts and reserves.
- In the operating budget, the source of expenditures is shown rather than actual revenues recognized. Unrestricted income, including gifts and indirect cost recoveries, is shown only as it is to be expended. Endowment distributions are included only to the extent that expenditures are anticipated.

- The Federal Family Education Loan Program is excluded from the operating budget.
- Fringe benefit expenditures are included in the operating budget using pooled benefit rates.

A definition of terms is included to explain the categories for the sources and uses of funds.

SOURCE: Budget Office
DATE: March 22, 2006

University of Virginia Academic Division
 2005-2006 Operating Budget Report
 As of December 31, 2005
 (in thousands)

	2005-06 Revised Budget	12/31/05 Actual Results	Variance	12/31/05 Percentage of Budget
Sources of Available Funds				
Tuition & Fees	\$276,654	\$148,164	\$128,490	53.6%
State General Fund Appropriations	139,559	133,744	5,815	95.8%
Sponsored Research Direct & Indirect Costs	299,666	161,067	138,599	53.7%
Endowment Distributions Expended	66,684	28,210	38,474	42.3%
Private Gifts Expended	65,548	39,318	26,230	60.0%
Sales, Investment & Other Revenues	32,583	14,581	18,002	44.8%
Auxiliary Enterprises	160,481	90,237	70,154	56.3%
Total Sources of Available Funds	<u>\$1,041,175</u>	<u>\$615,411</u>	<u>\$425,764</u>	<u>59.1%</u>
Uses of Available Funds				
Direct Instruction	250,347	111,170	139,177	44.4%
Research and Public Service	283,636	148,692	134,944	52.4%
Library, Information Tech., & Academic Administration	104,606	60,145	44,461	57.5%
Student Services	21,927	13,229	8,698	60.3%
General Administration	64,565	35,273	29,292	54.6%
Operation & Maintenance of Physical Plant	53,449	27,687	25,762	51.8%
Scholarships, Fellowships, and Other Graduate Support	101,019	62,799	38,220	62.2%
Total Educational & General and Student Aid	<u>879,549</u>	<u>458,995</u>	<u>420,554</u>	<u>52.2%</u>
Auxiliary Enterprises				
Athletics	32,531	21,304	11,227	65.5%
University Bookstores	32,687	19,902	12,785	60.9%
Housing	17,452	9,025	8,427	51.7%
Other Auxiliary Enterprises	47,256	25,001	22,255	52.9%
Auxiliary Operating Uses	<u>129,926</u>	<u>75,232</u>	<u>54,694</u>	<u>57.9%</u>
Transfers to reserves for renewal, replacement & debt	31,297	10,800	20,497	34.5%
Total Auxiliary Enterprise Uses	<u>161,223</u>	<u>86,032</u>	<u>75,191</u>	<u>53.4%</u>
Reserve for Salary Increases	-	-	-	0.0%
Reserve for Base Operating Needs and Contingencies	-	-	-	0.0%
Total Uses of Available Funds	<u>\$1,040,772</u>	<u>\$545,027</u>	<u>\$495,745</u>	<u>52.4%</u>
Surplus	<u>\$403</u>	<u>\$70,384</u>	<u>(\$69,981)</u>	<u>n/a</u>

DEFINITION OF TERMS

Sponsored Research Direct and Indirect Costs -- primarily research projects, but also includes activities restricted to institutional and service programs.

Auxiliary Enterprises - those activities which are supported entirely through fees charged to users, such as housing, athletics, dining services, the telephone system and the bookstore.

Instruction - expenditures for the primary mission of the University, which includes teaching faculty, support staff, instructional equipment, and related routine operating costs.

Research - includes expenditures for activities such as support for research faculty and sponsored research. Activities include the Center for Public Service, the State Climatologist, and the Center for Liberal Arts.

Public Service - includes activities such as the Miller Center of Public Affairs, the Virginia Foundation for the Humanities and Public Policy, and that portion of the medical school's clinical physicians salaries and fringe benefits related to patient care.

Library, Information Technology and Academic Administration - encompasses the libraries, the activities of the deans of the schools, and other related expenditures.

Student Services - activities whose primary purpose is to contribute to the students' emotional and physical well-being and to their intellectual, cultural, and social development outside the classroom.

General Administration - includes the financial, administrative, logistical, and development activities of the University.

Operation and Maintenance of Physical Plant - includes expenditures for activities related to the operation and maintenance of the physical plant, net of amounts charged to auxiliary enterprises and the Medical Center.

SPONSORED PROGRAM RESTRICTED GRANTS & CONTRACTS
Mid-Year Comparison Report of Award Data for Fiscal Year 2006
(In \$ Millions)

SCHOOL	DHHS	DOD	Non-Federal	DE	DOE	NASA	NSF	Other Federal	State	Mid-Yr Total FY2006	Mid-Yr Total FY2005	% Inc./Dec.
Architecture			0.09						0.03	0.12	0.41	-71%
Arts & Scs.	4.99	0.06	3.52	0.95	0.81	1.53	4.38	3.07	0.15	19.47	25.56	-24%
Education	1.64		0.77	0.95			0.29		1.04	4.69	10.22	-54%
Engineering	2.06	3.36	4.78	0.29	0.83	0.28	9.63	0.96	1.65	23.85	28.92	-18%
Law			1.64							1.64	0.33	397%
Medicine	68.53	1.52	16.64		0.63		0.12		1.14	88.65	89.41	-1%
Nursing	2.05		0.02							2.07	2.66	-22%
Other *			0.66	0.70	0.03	0.01	0.09	0.57	1.08	3.14	10.48	-70%
Mid-Yr Total FY2006	79.27	4.94	28.12	2.89	2.30	1.82	14.51	4.60	5.09	143.54	167.98	-15%
Mid-Yr Total FY2005	82.76	8.14	29.86	9.64	1.34	3.11	18.39	5.72	9.03			
% Inc./Dec.	-4%	-39%	-6%	-70%	72%	-41%	-21%	-20%	-44%			

Notes:

- 1) * Includes University Librarian, Vice President for Research and Graduate Studies, Miller Center, Vice President and Provost, School of Continuing and Professional Studies, Center for Public Service, Financial Administration, Student Health, Health Sciences Library, University of Virginia's College at Wise, Virginia Foundation for the Humanities, Vice President and Chief Student Affairs Officer, and Southwest Virginia Higher Education Center.
- 2) Although mid-year FY2006 award totals are lower than at the same time last year, these totals have not historically been predictive of performance for the entire fiscal year. Awards may well be funded at a faster rate over the second half of the fiscal year, now that Federal appropriations have been finalized. The full impact of Federal budget cuts is not yet known, although NIH funding cuts to University grants are estimated at \$3.7 million for FY2006.
- 3) Totals may be slightly off due to rounding.

SOURCE: Office of Sponsored Programs
DATE: February 17, 2006

ENDOWMENT/INVESTMENTS FOR UVA AND RELATED FOUNDATIONS*
December 31, 2005
(In Thousands)

	R&V Funds Invested by UVIMCO	Related Foundation Funds Invested by UVIMCO	Related Foundation Funds Invested by Direction of Foundation Board	Funds Invested by Alumni Association	Total
UVA Medical School and related foundations	\$607,789	\$ 6,551	\$20,889	\$3,758	\$638,987
Darden School and related foundation	95,788	75,690	121,987	0	293,465
College of Arts and Sciences and related foundations	270,653	17,885	18,028	3,613	310,179
UVA Law School and related foundation	36,231	105,344	120,897	0	262,472
School of Engineering and related foundation	67,925	0	821	2,463	71,209
McIntire School of Commerce and related foundation	32,523	0	495	31,063	64,081
Graduate School of Arts and Sciences	40,042	0	0	0	40,042
School of Nursing	28,802	0	0	1,569	30,371
UVA's College at Wise and related foundation	27,273	861	278	1,870	30,282
Curry School of Education and related foundation	10,852	6,479	50	13	17,394
School of Architecture	13,503	0	31	378	13,912
School of Continuing and Professional Studies	63	0	0	65	128
Alumni Association*	0	0	0	277,109	277,109
Athletics and related foundation	35,661	48,983	0	354	84,998
Miller Center and related foundation	44,276	3,973	0	0	48,249
Alumni Board of Trustees	0	32,225	121	9,545	41,891
UVA Foundation and related entities	0	49,840	287	0	50,127
UVA Medical Center and related foundation	121,564	5,441	66,688	0	193,693
All Other	960,587	4,266	0	0	964,853
	<u>\$2,393,532</u>	<u>\$357,538</u>	<u>\$350,572</u>	<u>\$331,800</u>	<u>\$3,433,442</u>

Notes: * Includes funds on deposit for other areas/schools not individually listed.

** Excludes approximately \$22.6 million of board designated pension funds.

*** Values reported area as of September 30, 2005

SOURCE: Financial Administration

DATE: February 17, 2006

SUMMER CONFERENCE SERVICES RATES REPORT

2006-2007 and 2007-2008

On June 16, 2001, the Board approved the Signatory Authority Policy which delegates the "[e]stablishment of summer conference rates for housing facilities and for meals, overnight accommodation rates for the Birdwood Pavilion, and room rates for the International Center" to the "President, the Executive Vice President and Chief Operating Officer and the Vice President for Finance". Any approved transaction must be reported to the Board of Visitors at its next meeting following the action.

The rates below were approved by Yoke San Reynolds, Vice President and Chief Financial Officer, on February 22, 2006.

	<u>Summer 2005</u>	<u>Amount of Increase 2006</u>	<u>% Increase 2006</u>	<u>Proposed Summer 2006</u>	<u>Amount of Increase 2007</u>	<u>% Increase 2007</u>	<u>Proposed Summer 2007</u>
<i>SUMMER SESSION RATES</i>							
Cauthen/Woody							
Per student, per night	\$16.00	\$1.00	6.25%	\$17.00	\$1.25	7.35%	\$18.25
Average Summer Session Rate Increase			6.25%			7.35%	

GRADUATION HOUSING RATES

	<u>Gradua- tion 2005</u>	<u>Amount of Increase 2006</u>	<u>% Increase 2006</u>	<u>Proposed Gradua- tion 2006</u>	<u>Amount of Increase 2007</u>	<u>% Increase 2007</u>	<u>Proposed Gradua- tion 2007</u>
Per person:							
Two night/one breakfast package cost	\$70.50	\$3.50	5.0%	\$74.00	\$4.00	5.4%	\$78.00
Three night/one breakfast package cost	\$101.50	\$5.00	4.9%	\$106.50	\$5.75	5.4%	\$112.25
Average Graduation Housing Rate Increase			4.9%			5.4%	

SOURCE: Vice President and Chief Financial Officer
DATE: March 9, 2006

	<u>Summer 2005</u>	<u>Amount of Increase 2006</u>	<u>% Increase 2006</u>	<u>Proposed Summer 2006</u>	<u>Amount of Increase 2007</u>	<u>% Increase 2007</u>	<u>Proposed Summer 2007</u>
CONFERENCE SERVICE PROGRAM FEES							
RESIDENT - PER PERSON, PER DAY							
Adult Plus	\$2.50	\$0.00	0.00%	\$2.50	\$0.00	0.00%	\$2.50
Adult Standard	\$2.00	\$0.00	0.00%	\$2.00	\$0.00	0.00%	\$2.00
Student Plus	\$1.50	\$0.00	0.00%	\$1.50	\$0.00	0.00%	\$1.50
Student Standard	\$1.00	\$0.00	0.00%	\$1.00	\$0.00	0.00%	\$1.00
COMMUTER - PER PERSON, PER DAY							
Adult Plus	\$5.00	\$0.00	0.00%	\$5.00	\$0.25	5.00%	\$5.25
Adult Standard	\$3.00	\$0.00	0.00%	\$3.00	\$0.25	8.33%	\$3.25
Student Plus	\$2.50	\$0.00	0.00%	\$2.50	\$0.25	10.00%	\$2.75
Student Standard	\$2.00	\$0.00	0.00%	\$2.00	\$0.25	12.50%	\$2.25
Average Program Fee Increase			0.00%			4.88%	

Economy Service (Common areas cleaned only; no linens)

SUMMER CONFERENCE RATES

Apartments and Suites

**Air Conditioned
Bice/Copeley III & IV/Faulkner/Lambeth**

	<u>Summer 2005</u>	<u>Amount of Increase 2006</u>	<u>% Increase 2006</u>	<u>Proposed Summer 2006</u>	<u>Amount of Increase 2007</u>	<u>% Increase 2007</u>	<u>Proposed Summer 2007</u>
Per person, per night, double	\$18.00	\$0.50	2.78%	\$18.50	\$0.75	4.05%	\$19.25
Per person, per night, single	\$25.50	\$1.00	3.92%	\$26.50	\$1.25	4.72%	\$27.75
Gooch/Dillard							
Per person, per night, single	\$18.00	\$0.50	2.78%	\$18.50	\$0.75	4.05%	\$19.25
Sprigg							
Per person, per night, double	\$18.00	\$0.50	2.78%	\$18.50	\$0.75	4.05%	\$19.25
Per person, per night, single	\$25.50	\$1.00	3.92%	\$26.50	\$1.25	4.72%	\$27.75

Non-Air Conditioned

Alderman

Per person, per night, double	\$11.75	\$0.50	4.26%	\$12.25	\$0.75	6.12%	\$13.00
Per person, per night, single	\$18.00	\$0.50	2.78%	\$18.50	\$0.75	4.05%	\$19.25
Per suite, week	\$135.00	\$4.00	2.96%	\$139.00	\$4.25	3.06%	\$143.25

Residence Halls

Air Conditioned

Cauthen/Woody

Per person, per night, double	\$17.50	\$0.50	2.86%	\$18.00	\$0.75	4.17%	\$18.75
Per person, per night, single	\$23.75	\$0.75	3.16%	\$24.50	\$1.00	4.08%	\$25.50

Hereford

Per person, per night	\$17.50	\$0.75	4.29%	\$18.25	\$1.00	5.48%	\$19.25
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Non-Air Conditioned

Munford/Gwathmey/McCormick

Per person, per night, double	\$11.75	\$0.50	4.26%	\$12.25	\$0.75	6.12%	\$13.00
Per person, per night, single	\$17.50	\$0.75	4.29%	\$18.25	\$1.00	5.48%	\$19.25

Language Houses

French/German/Russian/Spanish /Shea House

Per person, per night, double	\$17.00	\$0.50	2.94%	\$17.50	\$0.75	4.29%	\$18.25
Per person, per night, single	\$22.75	\$0.75	3.30%	\$23.50	\$1.00	4.26%	\$24.50

Average Economy Service Increase

3.27%

4.08%

Note: Rates vary according to accommodations, amenities, and facility type

**Premium Service (all
linens provided; six
day housekeeping
included)**

	<u>Summer 2005</u>	<u>Amount of Increase 2006</u>	<u>% Increase 2006</u>	<u>Proposed Summer 2006</u>	<u>Amount of Increase 2007</u>	<u>% Increase 2007</u>	<u>Proposed Summer 2007</u>
<u>Apartments and Suites</u>							
<i>Air Conditioned</i>							
Bice/Copeley/Faulkner/Lambeth							
Per person, per night, double	\$25.50	\$1.50	5.88%	\$27.00	\$1.75	6.48%	\$28.75
Per person, per night, single	\$37.00	\$1.50	4.05%	\$38.50	\$1.75	4.55%	\$40.25
Brown College							
Per person, per night, double	\$25.50	\$1.50	5.88%	\$27.00	\$1.75	6.48%	\$28.75
Per person, per night, single	\$39.50	\$1.50	3.80%	\$41.00	\$1.75	4.27%	\$42.75
Gooch/Dillard							
Per person, per night	\$31.00	\$1.50	4.84%	\$32.50	\$1.75	5.38%	\$34.25
Sprigg							
Per person, per night, double	\$25.50	\$1.50	5.88%	\$27.00	\$1.75	6.48%	\$28.75
Per person, per night, single	\$37.00	\$1.50	4.05%	\$38.50	\$1.75	4.55%	\$40.25
<u>Residence Halls</u>							
<i>Air Conditioned</i>							
Cauthen/Woody							
Per person, per night, double	\$24.50	\$1.50	6.12%	\$26.00	\$1.75	6.73%	\$27.75
Per person, per night, single	\$36.00	\$1.50	4.17%	\$37.50	\$1.75	4.67%	\$39.25
Hereford							
Per person, per night	\$30.00	\$1.50	5.00%	\$31.50	\$1.75	5.56%	\$33.25
<i>Non-Air Conditioned</i>							
Lawn/Range							
Per person, per night, single	\$30.00	\$1.50	5.00%	\$31.50	\$1.75	5.56%	\$33.25
Average Premium Service Increase			4.83%			5.38%	
 Note: Rates vary according to accomodations, amenities, and facility type							
Average All Services Increase			3.99%			4.68%	