

**UNIVERSITY OF VIRGINIA
BOARD OF VISITORS
MEETING OF THE
FINANCE COMMITTEE
JUNE 13, 2008**

FINANCE COMMITTEE

Friday, June 13, 2008

9:45 - 11:45 a.m.

Board Room, The Rotunda

Committee Members:

John O. Wynne, Chair

A. Macdonald Caputo

Hon. Alan A. Diamonstein

Thomas F. Farrell, II

G. Slaughter Fitz-Hugh, Jr.

Glynn D. Key

Austin Ligon

Vincent J. Mastracco, Jr.

Warren M. Thompson

W. Heywood Fralin, Ex-officio

Daniel M. Meyers, Consulting Member

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BOARD OF VISITORS CONSENT AGENDA

I.A. RECONSOLIDATION OF EMINENT SCHOLAR INCOME STABILIZATION ENDOWMENT WITH ROBERT C. TAYLOR FUND: Approves reconsolidation of the Eminent Scholar Income Stabilization Endowment with the Robert C. Taylor Fund.

The Eminent Scholar Income Stabilization Fund was created in 1980 by investing excess earnings from the Robert C. Taylor Fund in a new quasi-endowment "that would supplement the State eminent scholars' appropriation sufficient to match the total eminent scholars' Endowment Income." Annually the University supplements the \$2.9 million state eminent scholar match with \$531,000 from this fund. However, the \$3.4 million is not close to matching the approximately \$23 million of annual endowment distributions from eminent scholar endowments.

With the goal of maximizing unrestricted assets available for high University priorities related to the Commission on the Future of the University, the University recommends recognizing that the original purpose of the Eminent Scholar Stabilization Fund cannot be met, and that current priorities can be more effectively addressed by combining the principal of the Eminent Scholar Income Stabilization Endowment with that of the Robert C. Taylor Fund.

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

APPROVAL TO RECONSOLIDATE EMINENT SCHOLAR INCOME STABILIZATION ENDOWMENT WITH ROBERT C. TAYLOR FUND

RESOLVED, the Board of Visitors approves reconsolidating the principal of the Eminent Scholar Income Stabilization Endowment with the principal of the Robert C. Taylor Fund.

I.B. PROPERTY ACCEPTANCE FROM THE CITY OF CHARLOTTESVILLE: Approves the acceptance of real estate by the University of Virginia from the City of Charlottesville to facilitate the construction of the Emily Couric Clinical Cancer Center.

In order to construct the Emily Couric Clinical Cancer Center, 682 square feet of real estate, currently owned by the City of Charlottesville, is required. The Charlottesville City Council has voted to convey the required real estate to the Rector and Visitors of the University of Virginia at no cost.

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

APPROVAL TO ACCEPT PROPERTY BY THE UNIVERSITY OF VIRGINIA FROM THE CITY OF CHARLOTTESVILLE FOR THE EMILY COURIC CLINICAL CANCER CENTER

RESOLVED, the Board of Visitors approves the acceptance from the City of Charlottesville, at no cost, of 682 square feet of real estate as described in an ordinance adopted by the City Council of the City of Charlottesville on April 21, 2008, for the construction of the Emily Couric Clinical Cancer Center; and

RESOLVED FURTHER, the Executive Vice President and Chief Operating Officer is authorized, on behalf of the University, to negotiate, approve, and execute agreements and to take such other actions as deemed necessary and appropriate to consummate such transaction.

I.C. AMENDMENTS TO UNIVERSITY BOND RESOLUTIONS: Approves amendments to the bond resolutions.

In 2005, the Restructured Higher Education Financial and Administrative Operations Act was passed by the General Assembly. Pursuant to the Act, the University entered into a management agreement with the Commonwealth in 2006, which was legislatively approved as an act of the General Assembly. Under this management agreement, the University is granted authority to issue its own debt without the prior approval of the Governor, the State Treasurer, and/or the Treasury Board. Consistent with this new authority, in February 2007, the Board adopted a resolution to amend the University's 2003 Commercial Paper resolution to eliminate the need for such state approvals of certain Commercial Paper actions.

The University now wishes to make certain, similar revisions to its Series 1999A, 2003A, 2003B and 2005 Bond Resolutions, to remove the required consents of and oversight by the Governor, State Treasurer, and Treasury Board, which will be consistent with modifications in the University's debt issuance procedures effected by the Act and the Management Agreement. The University also wishes to make certain revisions to its Series 2003A Bond Resolution to facilitate the University's use of liquidity arrangements and make certain other technical revisions.

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

APPROVAL OF AMENDMENTS TO UNIVERSITY BOND RESOLUTIONS

WHEREAS, Chapter 9, Title 23 of the Code of Virginia of 1950, as amended, establishes a public corporation under the name and style of The Rector and Visitors of the University of Virginia which is governed by a Board of Visitors; and

WHEREAS, Title 23 of the Virginia Code classifies the University as an educational institution; and

WHEREAS, the Executive Committee of the Board previously adopted a resolution on March 5, 2003 to provide for the issuance of the University's General Revenue Pledge Bonds, Series 2003A, to finance or refinance capital and other projects of the University; and

WHEREAS, the Board desires to authorize certain revisions to the 2003A Resolution as set forth in the Supplemental Resolution attached as Attachment A to facilitate the University's use of liquidity arrangements and make certain other technical revisions thereto; and

WHEREAS, pursuant to the Restructured Higher Education Financial and Administrative Operations Act, Chapter 4.10, Title 23 of the Virginia Code, the University has entered into a management agreement with the Commonwealth of Virginia which was enacted as Chapter 3 of Chapter 933 of the 2006 Virginia Acts of Assembly; and

WHEREAS, the Executive Committee previously adopted resolutions on November 11, 1998, March 5, 2003 and June 28, 2005 to provide for the issuance of the University's General Revenue Bonds, Series 1999A, 2003A, 2003B and 2005 to finance or refinance capital and other projects of the University;

WHEREAS, the Board desires to amend the provisions of the Outstanding Bond Resolutions as set forth in the Supplemental Resolution appended as Attachment B, in order to, among other things, remove the required consents of and oversight by the State Treasurer, the Treasury Board and the Governor, which will be consistent with modifications in the University's debt issuance procedures effected by the Act and the Management Agreement;

RESOLVED that the Board hereby approves the Supplemental Resolutions appended hereto as Attachments A and B with such amendments, modifications or omissions as may be approved by the University's Chief Operating Officer pursuant thereto; and

RESOLVED FURTHER that all officers of the University are authorized and directed to take all such further actions, including without limitation the execution of liquidity arrangements, obtaining consents if and as needed from bondholders, the Treasury Board, State Treasurer and the Governor of the Commonwealth of Virginia, and giving notices if and as required to bondholders and others, and to execute all such instruments, agreements, documents and certificates as they shall deem necessary or desirable to carry out the terms presented to this meeting.

UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: June 13, 2008

COMMITTEE: Finance

AGENDA ITEM: II.A. Endowment Spending Policy and
Administrative Fee

BACKGROUND: At this meeting, a proposal will be made to adjust the parameters of the current spending policy and introduce an administrative fee on endowment accounts to cover the expenses of administering the endowment.

Spending Policy

At its March 2005 meeting, the Board of Visitors passed a resolution to adopt the current spending policy for the University's endowment. This policy, which became effective July 1, 2005, calls for a 3.6 percent inflation increase in the annual distribution from the endowment, unless such increase causes the distribution to fall outside a range defined as 3.5 percent on the low end and 5.5 percent on the high end of the market value of the UVIMCO Long-Term Pool. Further, the resolution specified that "if the distribution falls outside of this range, the Board of Visitors Finance Committee may recommend either raising or lowering the rate of increase." The first distribution under this policy was made in January 2006.

In the last two years, because of continued strong investment returns (14.6 percent for fiscal year 2005-2006 and 25.2 percent for fiscal year 2006-2007), inflating the previous year's payout by 3.6 percent caused the spending rate to fall below 3.5 percent of the market value of the Long-Term Pool. Consequently, the Board of Visitors reset the fiscal year 2006-2007 payout to 4 percent market value and in the next year reset the fiscal year 2007-2008 payout to 4.5 percent market value.

In April 2008, the Finance Committee discussed the objectives of the endowment spending policy, advantages and disadvantages of alternative spending policies, and specific policies used by universities we consider our peers or industry leaders. It was decided that the current spending policy is the most suitable for our circumstances and our objectives. The University will continue the policy of setting a current year's payout by incrementing the previous year's payout by the

inflation rate. However, ways to change the parameters were reviewed, including increasing the inflation factor and moving the market value band upward.

Administrative Fee

The University and its related foundations have entrusted UVIMCO to invest endowment assets in a long-term pool. The UVIMCO long-term pool is managed like a mutual fund, where participants buy into the pool throughout the year. UVIMCO provides accounting and reporting in aggregate for each organization participating in the pool. The expenses of investment management and administration are charged directly to the long-term pool by UVIMCO.

In addition to these UVIMCO services related to the investment of the endowment, there are services performed by the University in the administration of the endowment. Such services include but are not limited to:

- translating the UVIMCO aggregate-level accounting and reporting to the level of the over 1,800 individual accounts within the University through the unitization process,
- securing and handling gifts and communicating with donors,
- calculating the distributions from endowment in compliance with the University's spending policy, and transferring funds to allow spending from endowment,
- processing disbursements from the endowment distribution:
 - a) If an endowment account supports faculty or staff, the human resources management functions are activated, from recruitment to employee relations, to payroll and benefits.
 - b) If an endowment account supports student or employee travel, travel arrangements have to be made and travel reimbursements processed.
 - c) If an endowment account manager purchases supplies, services or equipment to support the program, the University's procurement process and expertise are used.
 - d) Depending on the purpose of the endowment account, there might be a call for the services of the financial aid office or student services departments.

Further, the University's infrastructure benefits programs funded by endowments, and it is not unreasonable to allocate as expenses of administering endowments a portion of costs such as the following:

- legal and audit infrastructure
- general administration
- campus security and environmental safety

- information technology
- physical space

Most of our University-related foundations already apply an administrative fee on their endowments to pay for foundation staff and operations. Similarly, many public universities charge an administrative fee on endowments.

DISCUSSION: The following recommendations to the Finance Committee for consideration would be effective for fiscal year 2008-2009. The withdrawals for fiscal year 2008-2009 would be made in January and June 2009.

Spending Policy

Because recent investment returns have exceeded the ten percent long-term return assumed in setting spending policy, there has been significant accumulation of appreciation above what is required to preserve purchasing power. The University is considering an additional distribution from endowment as (a) one of the potential sources of funding for the priorities identified by the Commission on the Future of the University and (b) an opportunity to repatriate unrestricted funds for strategic use, including as matching funds to jump-start development activities.

Future investment returns are not expected to exceed a long-term average of ten percent, and inflation as measured by the Higher Education Price Index is expected to average four percent. It is reasonable, therefore, to postulate that a long-term total distribution of up to six percent is prudent and would not negatively affect the University's ability to continue to fund endowed programs. In order for the spending policy to better fit the University's objectives, the recommendation is to shift the band for testing market value alignment upward from 3.5 percent - 5.5 percent of market value to 4.0 percent - 6.0 percent.

In addition the University plans to reset the fiscal year 2008-2009 spending rate on the higher market value to 5.0 percent of the June 30, 2008 market value. An increase of 0.5 percent in market value payout is equivalent to approximately \$16 million. Where feasible, the additional distribution will be used to repatriate institutional subsidies from unrestricted sources, releasing funds for institutional priorities.

Administrative Fee

In order to enhance the University's ability to advance the priorities identified by the Commission on the Future of the University and allow repatriation of unrestricted funds for strategic use, the University also proposes the assessment of an administrative fee on endowment accounts to cover the expenses of administering the endowment. Currently, investment management fees are charged on endowments, but administrative expenses are being absorbed by the University. Obtaining recovery of these administrative expenses would free up unrestricted institutional funds for University priorities.

The University recommends implementing an administrative charge of 0.5 percent of endowment market value, or 50 basis points (bps). Twenty-five bps of the recoveries would be placed in a central pool for University priorities and 25 bps would be distributed to units for departmental support of endowments. The proposed administrative charge would represent a total of approximately \$16 million for fiscal year 2008-2009, with \$8 million used to pay for a centrally-funded endowment administration, thereby releasing an equivalent amount to fund institutional priorities. The remaining \$8 million would be distributed directly to endowment holders in schools and other units, to help defray local costs of administering endowments.

Prevailing laws, UMIFA (Uniform Management of Institutional Funds Act) and UPMIFA (Uniform Prudent Management of Institutional Funds Act), allow "appropriate and reasonable" costs to be charged. The University's endowment gift agreements were revised about ten years ago to add similar language: "any reasonable fees associated with securing and administering such funds."

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

APPROVAL OF ENDOWMENT SPENDING POLICY AND ADMINSTRATIVE FEE

WHEREAS, the Board of Visitors wishes to fund institutional priorities, including the recommendations of the Commission of the Future of the University, from several sources; and

WHEREAS, unusually high investment returns in recent years and a prudent spending policy have resulted in an accumulation of excess appreciation; and

WHEREAS, a modest increase in the endowment distribution for spending can be achieved without affecting the sustainability of future payouts; and

WHEREAS, it is the intent of the Board of Visitors that increases in the spending distribution be used, where possible, to repatriate institutional subsidies from unrestricted sources to release funds for institutional priorities; and

WHEREAS, it is the intent of the Board of Visitors that the University's gift agreement be reviewed and amended as appropriate to facilitate the solicitation and acceptance of unrestricted funds.

RESOLVED that the endowment spending policy, effective July 1, 2008, shall be as follows:

The spending policy calls for a percentage increase in the annual distribution from the endowment, unless such increase causes the distribution to fall outside a range defined as 4.0 percent on the low end and 6.0 percent on the high end of the market value of the Pooled Endowment Fund. If the distribution falls outside of this range, the Finance Committee may recommend either raising or lowering the rate of increase. The first distribution under the new parameters would be made in January 2009;

RESOLVED FURTHER, the University will reset the fiscal year 2008-2009 spending rate to 5.0 percent of the June 30, 2008 market value; and

RESOLVED FURTHER, the University shall implement an administrative fee on the endowment, effective July 1, 2008, of 0.5 percent of endowment market value, or 50 basis points (bps). Of that fee, 25 bps will be applied to a central pool for University priorities and 25 bps will be distributed to units for departmental support of endowments.

UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: June 13, 2008

COMMITTEE: Finance

AGENDA ITEM: II.B. 2008-2009 Budget, 2008-2009 Annual Renovation and Infrastructure Plan, 2008-2009 Pratt Fund, and Funding for the Commission on the Future of the University Priorities

BACKGROUND: At its June meeting, the Board of Visitors considers the proposed operating budgets for the Academic Division, The University of Virginia's College at Wise and the Medical Center. Since its October 2007 meeting, the Board of Visitors has heard reports on the budget requests submitted to the state and the preliminary budget assumptions for the 2008-2009 operating budget. At its February and April meetings, the Board of Visitors approved tuition, mandatory fees, housing, and dining rates for 2008-2009, which comprise a significant revenue source for the operating budget, and heard reports on the actions of the 2008 General Assembly.

DISCUSSION: The 2008-2009 expenditure budget proposal for all divisions of the University totals \$2.2 billion, representing an increase of 5.4 percent compared with the revised budget of the previous fiscal year. Of this amount, \$1,224.5 million relates to the Academic Division, \$34.1 million to The University of Virginia's College at Wise, and \$980.1 million to the Medical Center.

Academic Division

The proposed Academic Division operating expenditure budget will increase by 4.1 percent to \$1,224.5 million. This growth is driven by higher costs of salaries, the continued implementation of high priority initiatives such as AccessUVA, Commission on the Future of the University priorities, the student system implementation, allocations of base operating support to academic units, and new facilities.

Tuition and fees will fund 29.1 percent of the Academic Division expenditure budget, while grants and contracts will account for 24 percent. Private resources and state general funds will contribute 16.5 percent and 13.6 percent,

respectively. Funds from auxiliary enterprise operations (12.6 percent) and other sources (4.2 percent) comprise the remainder of the budget. For 2008-2009, the other sources category includes investment income, the use of accumulated investment earnings and short-term financing for student system implementation.

Personnel costs comprise approximately 74 percent of educational and general expenditures and 60 percent of total operating expenditures in the Academic Division.

The University of Virginia's College at Wise

The proposed expenditure budget for The University of Virginia's College at Wise will increase by \$719,000, or 2.0 percent, in 2008-2009. State general funds will increase 2.1 percent; tuition revenues will increase 2.7 percent; and, auxiliary revenues will increase 2.3 percent. The primary new initiative for Wise is the implementation of the new student information system. Continuing initiatives include the implementation of the Software Engineering Program and the Southwest Technology Center. A key factor in budget development was keeping the cost of education viable for the Wise student population. Wise has adhered to the Tuition Moderation Incentive Fund, keeping the in-state undergraduate tuition increase to three percent. The 2008-2009 appropriation does not include an expected \$120,000 one-time allocation from the Tuition Moderation Incentive Fund, pending final certification by the state.

Medical Center

The Medical Center operating expenditure budget is proposed to increase by \$65.3 million, or 7.1 percent, to \$980.1 million during 2008-2009, compared with 2007-2008 projected operating expenses of \$914.8 million. Total margin is expected to be \$44.7 million or 4.4 percent. The budget presentation will include a proposal to increase hospital room rates and ancillary service charges between 7 and 9.9 percent and to enhance personnel compensation packages. The pay-for-performance pool has been established at \$5.7 million, which includes the impact on benefit costs. Other salary adjustments such as market, equity, and compression total \$2.3 million, including the impact on benefit costs.

For the Medical Center, the 2008-2009 fiscal plan incorporates aspects of the Decade Plan developed by the Health

System while considering the challenges of providing patient care, teaching, and research services in an increasingly dynamic health care industry. The major strategic initiatives that impact next year's fiscal plan include collaboration with faculty on documentation of clinical care and its coding and supply cost; employee engagement; asset integration with Culpeper Regional Hospital; and the Emily Couric Clinical Cancer Center and the Long Term Acute Care Hospital at Northridge construction projects. The major risk factors that impact the ability to accomplish the fiscal plan include the nationwide shortage of healthcare workers and physicians; new CMS and other regulatory reimbursement changes; advancements in medical technology; inflation for medical devices and pharmaceutical goods; and enhanced scrutiny by Federal regulators.

For a full discussion of the budget proposal as well as comparative revenue and expenditure data for the Academic Division, the College at Wise, and the Medical Center, please refer to the budget summary, which accompanies this book.

Annual Renovation and Infrastructure Plan

Under Restructuring, the Board of Visitors has been delegated authority to approve all capital projects (acquisitions, capital leases, or new construction or renovation projects costing more than \$1 million and impacting more than 5,000 gross square foot) funded with non-general funds. To facilitate the consideration of certain projects with no external impact, the Board of Visitors considers the Annual Renovation and Infrastructure Projects Plan each year.

With the Budget Summary presentation to the Board of Visitors, the Academic Division and the Medical Center will present a detailed list of renovation and infrastructure projects expected to cost between \$1 million and \$5 million, to be funded with non-general fund cash (no debt), and expected to be initiated within the next fiscal year. This shorter, annual approval process allows these smaller projects to be planned in a more appropriate timeline based on the nature of the project. For example, renovating a lab for a new scientist is a project for which the need will arise during the recruitment, and which must be completed before the scientist joins the faculty.

The 2008-2009 Annual Renovation and Infrastructure Projects Plan for the Academic Division and Medical Center includes potential projects with a budget range of \$22.3 to \$27.7 million for the Academic Division, including renovation of Medical

School laboratories and offices, renovation of two pavilions, replacement of carpet and remediation of asbestos in the Law School, and renovations at the Newcomb Hall Dining Hall and Lambeth Field Apartments. All the projects will be funded from cash, either from Law School tuition funds, facilities and administrative recoveries, private resources, or auxiliary reserves.

The Medical Center's 2008-2009 Annual Renovation and Infrastructure Projects Plan includes \$14.3 to \$17.5 million in various renovation projects and infrastructure upgrades. All projects will be funded from Medical Center operating funds.

Pratt Fund

In April 1976, the University received funds, designated in the will of John Lee Pratt, to be used "to supplement salaries of the professors of the Departments of Biology, Chemistry, Mathematics and Physics, to purchase equipment for these departments as suggested by the heads of the departments and approved by the President and the Board of Visitors, and to provide for scholarships in these departments for outstanding students." Mr. Pratt's will provides further that these funds could be used "to support research in the School of Medicine and to provide scholarships for medical students." The will stipulates that the Pratt endowment reverts to Washington and Lee University if the University of Virginia does not comply with the provisions of the will. The original Pratt endowment has been split into two equal endowments, with 50 percent of the original principal assigned to the College of Arts and Sciences and the remaining 50 percent assigned to the School of Medicine.

In 2008-2009, a distribution of \$3,400,000 from the College of Arts and Sciences endowment and \$6,435,000 from the School of Medicine endowment, for a total of \$9,835,000, is recommended. This distribution is made directly to the College of Arts & Sciences and the School of Medicine and is consistent with amounts distributed in the past. Committees in each of the schools developed the proposal (see Attachment) to spend the distribution in a manner consistent with previous years.

Deans in each of the schools, along with the Vice President for Research, the Executive Vice President and Provost, and the President support these projects. The table below shows aggregate allocations; the attachment describes the specific allocations.

2008-2009 Pratt Fund Allocation

	<u>Equipment</u>	<u>Faculty Salaries</u>	<u>Fellowships</u>	<u>Research</u>	<u>Total</u>
Biology	\$ -	\$ 31,480	\$ 218,520	\$ -	\$ 250,000
Chemistry	90,000	60,000	100,000	-	250,000
Mathematics	10,000	21,310	118,690	-	150,000
Physics	-	33,527	216,473	-	250,000
New Faculty	834,000	833,000	833,000	-	2,500,000
Start-Up Fund (estimated breakdown)					
Arts & Sciences Subtotal	\$ 934,000	\$ 979,317	\$1,486,683	\$ -	\$3,400,000
School of Medicine	\$ 135,000	\$ -	\$ 293,175	\$1,006,825	\$1,435,000
The Decade Plan (estimated breakdown)	\$1,667,000	1,667,000	-	1,666,000	5,000,000
School of Medicine Subtotal	\$1,802,000	\$1,667,000	\$ 293,175	\$2,672,825	\$6,435,000
TOTAL	\$2,736,000	\$2,646,317	\$1,779,858	\$2,672,825	\$9,835,000

Commission on the Future of the University

During the spring of 2007, faculty, students, and staff formed the Commission on the Future of the University. The Commission has identified a set of core institutional values and three priorities designed to distinguish the University in the next decade and beyond. Final recommendations will be presented to the Board of Visitors for review and approval in October 2008.

In the 2008-2009 budget, \$8 million has been reserved from central University resources to invest in Commission priorities. From private resources, such as the Commonwealth, Kenan, and Robert C. Taylor endowments, \$5.4 million has been reserved to invest in initiatives emanating from this work. From the state, a \$2.1 million allocation for research priorities and \$500,000 from the Higher Education Equipment Trust Fund have been set aside for this purpose. Additionally, schools will be investing resources resulting from the Board of Visitor's action in 2007 to increase the endowment distribution. It is also expected that further increases in the endowment distribution will be invested in Commission priorities.

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

APPROVAL OF THE 2008-2009 OPERATING BUDGET AND ANNUAL RENOVATION AND INFRASTRUCTURE PLAN FOR THE ACADEMIC DIVISION

RESOLVED, the 2008-2009 Operating Budget and Annual Renovation and Infrastructure Plan for the Academic Division is approved, as recommended by the President and the Chief Financial Officer.

APPROVAL OF THE 2008-2009 OPERATING BUDGET FOR THE UNIVERSITY OF VIRGINIA'S COLLEGE AT WISE

RESOLVED, the 2008-2009 Operating Budget for The University of Virginia's College at Wise is approved, as recommended by the President and the Chief Financial Officer.

APPROVAL OF THE 2008-2009 OPERATING AND CAPITAL BUDGETS AND ANNUAL RENOVATION AND INFRASTRUCTURE PLAN FOR THE UNIVERSITY OF VIRGINIA MEDICAL CENTER

RESOLVED, the 2008-2009 Operating and Capital Budget and the Annual Renovation and Infrastructure Plan for the University of Virginia Medical Center is approved, as recommended by the President, the Chief Financial Officer, and the Medical Center Operating Board;

RESOLVED FURTHER, the Vice President and Chief Executive Officer of the Medical Center with the concurrence of the Executive Vice President and Chief Operating Officer may substitute a new project costing between \$1 million and \$5 million for a project included in the approved Annual Renovation and Infrastructure Plan in order to respond in a timely manner to new health care requirements, provided the total capital budget as approved by the Board is not exceeded and that a report is provided at each Board meeting listing the changes made to the original project list.

APPROVAL OF PRATT FUND DISTRIBUTION FOR 2008-2009

RESOLVED, the budget for the expenditure of funds from the Estate of John Lee Pratt be approved to supplement appropriations made by the Commonwealth of Virginia for the School of Medicine and the Departments of Biology, Chemistry, Mathematics and Physics in the College of Arts and Sciences. Departmental allocations, not to exceed \$9,335,000 for 2008-

2009, are suggested by the department chairs and recommended by the dean of each school. To the extent the annual income from the endowment is not adequate to meet the recommended distribution, the principal of the endowment will be disinvested to provide funds for the approved budgets.

APPROVAL OF FUNDING FOR THE IMPLEMENTATION OF COMMISSION ON THE FUTURE OF THE UNIVERSITY'S PRIORITIES

RESOLVED, the 2008-2009 Operating Budget for the Academic Division includes a central reserve of \$8 million, comprised of state and private funding, to be allocated, along with school and departmental resources, to support the highest priorities emanating from the Commission on the Future of the University; and

RESOLVED FURTHER, in October 2008 the Executive Vice President and Provost will present a detailed plan for how the central reserves will be allocated to achieve the goals as set forth by the Commission on the Future of the University, for review and consideration by the Board of Visitors.

UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: June 13, 2008

COMMITTEE: Finance

AGENDA ITEM: II.C. Capital Project Review - Financial Plans

BACKGROUND: Normally, the Board of Visitors approves major capital projects every two years as part of the Six Year Major Capital Project program. When the University identifies new capital projects outside the Six Year Major Capital Project cycle, the projects require approval by the Finance and Buildings and Grounds Committees.

Recently, a new Athletics project has been identified. The Finance Committee will review the financial plan for this project and the Buildings and Grounds Committee will review the project for inclusion in the Major Capital Projects Plan.

Additionally, in October 2007, the Board of Visitors approved three new or expanded capital projects as part of a new science initiative - the Information Technology and Engineering Building, the Arts and Sciences Research Building, and the Medical School's Ivy Translational Research Building. At that time, the financial plans for the projects were not complete and the Finance Committee requested an additional review of the financial plans before construction began on the projects. It is expected that schematic designs for the Information Technology Engineering Building and the Arts & Sciences Research Building will be brought to the Buildings & Grounds Committee later this summer, so we are bringing forward the final financial plans for review at this time. Design for the Ivy Translational Research Building at the Fontaine Research Park will follow later in 2008 at which time we will provide the final financial plan.

DISCUSSION: The proposed projects will be funded by state general funds, gifts, recoveries of Facilities and Administrative (F&A) indirect costs from grants and contracts, and University debt. The Administration reviewed the preliminary business plans for each of the proposals and found them acceptable. Project budgets have been developed using current cost benchmarks for the particular type of construction escalated to an expected midpoint of construction. Following is

a description of the financial plan for each project, including identified fund sources, the repayment of debt service, and how incremental operating and maintenance (O&M) costs will be funded.

Scott Stadium Video/Score Board Replacement - The proposed project, with a budget of \$2.4 million, will enlarge the current video scoreboard from 21 feet by 28 feet to 32 feet by 57 feet. Higher resolution video, score and statistics displays will produce clearer, more vibrant images, increasing visibility. The expanded scoreboard will increase revenue opportunities without increasing static signage, light level or spread. The design, fabrication and installation will be paid by CBS Collegiate Sports Properties as part of the marketing agreement negotiated in 2006. It is not expected that operational expenses will be materially increased with the new scoreboard. Any maintenance costs will be funded by CBS Collegiate Sports Properties.

Information Technology Engineering Building Expansion - This 100,000 gross square foot facility, with a total budget of \$76.3 million, will be funded as follows: \$40.96 million in state general funds (planning funds and as part of the 2008 General Assembly bond package); \$15.74 million in gifts; \$9.0 million from University capital reserves; \$8.6 million in University debt; and \$2.0 million from Higher Education Equipment Trust Funds. The debt service will be repaid from the Provost's Governor's Overhead Reserve (a fund composed of a portion of F&A), while O&M will be funded from F&A cost recoveries.

Arts & Sciences Research Building - This 100,000 gross square foot facility, with a total budget of \$88.9 million, will be funded as follows: \$45.9 million in University debt; \$41.0 million from University capital reserves; and \$2 million from Higher Education Equipment Trust Funds. The debt service will be repaid from the Provost's Governor's Overhead Reserve, while O&M will be funded from F&A cost recoveries.

Overall Debt Assessment

In October 2007, the University's Director of Treasury Operations conducted a debt assessment to evaluate the impact of these new projects on the University's key debt ratios as outlined in the Board of Visitors approved debt policy. It is the University's assessment that increasing our current debt load by the total of \$54.5 million sought for these projects

will not jeopardize internal guidelines for financial ratios in the short run.

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

APPROVAL OF FINANCIAL PLANS FOR CAPITAL PROJECTS TO REPLACE THE SCOTT STADIUM VIDEO/SCORE BOARD, TO CONSTRUCT THE INFORMATION TECHNOLOGY ENGINEERING BUILDING, AND TO CONSTRUCT THE ARTS AND SCIENCES RESEARCH BUILDING

WHEREAS, the University proposes to add a project to Replace the Scott Stadium Video/Score board to the University's Major Capital Projects Program; and

WHEREAS, the University is proceeding with plans to commence construction of a \$76.3 million, 100,000 gross square foot Information Technology Engineering Building and a \$89.3 million, 100,000 gross square foot Arts & Sciences Research Building;

RESOLVED, the Board of Visitors deems the financial plans for these capital outlay projects to be reasonable and complete and approves them.

UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: June 13, 2008

COMMITTEE: Finance

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

ACTION REQUIRED: None

BACKGROUND: The Executive Vice President and Chief Operating Officer will inform the Board of Visitors of recent events, including the reaffirmation of the University's AAA bond rating outlined below, that do not require formal action, but of which it should be made aware.

AAA Bond Rating

BACKGROUND: In May, the University issued \$235 million in long-term bonds to finance the cost of certain capital projects approved by the Board of Visitors at its April meeting. As is customary with the issuance of bonds, the University's debt was reviewed by the rating agencies - Fitch, Moody's, and Standard & Poor's. As part of their process for assigning a rating to the bonds, the agencies visited the Grounds for a presentation by the University on various topics of interest to them. The topics include such items as strategic planning, student demand, development efforts, endowment management, and operational and financial results as well as an update on Medical Center operations.

DISCUSSION: All three agencies reaffirmed the University's AAA/Stable rating and have assigned their top ratings for the University's commercial paper program. Published reports from the agencies cited the following reasons for each agency's reaffirmation:

A. Fitch: The University's "exceptionally strong credit fundamentals;" "an extremely diverse revenue base [which] greatly reduces the university's vulnerability to an unexpected decline in funding from any one of its core activities;" and, "consistently strong investment returns and enhanced philanthropic activities, and prudent implementation and management of forward capital plan."

B. Moody's: "Excellent student demand with a geographically

diverse and academically strong applicant pool;" "strong balance sheet position;" "resource growth ... aided by strong investment returns as well as exceptionally strong donor support;" "sound performance at the University's medical center;" "clearly defined role ... [with the] Commonwealth of Virginia which has granted UVA additional autonomy under the State Higher Education Restructuring Act."

C. Standard & Poor's: "An impressive demand for undergraduate, graduate, and professional academic programs;" "a sizable investment pool;" "a strong record of fundraising;" "historically good financial performance, demonstrated by good revenue diversity and the consistent generation of operating surpluses;" and, "historically low levels of debt."

UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: June 13, 2008

COMMITTEE: Finance

AGENDA ITEM: III.B. Endowment Report - Market Value
and Performance as of March 31, 2008

ACTION REQUIRED: None

BACKGROUND: The University of Virginia Investment Management Company (UVIMCO) provides investment management to the Rector and Visitors and to the University's related Foundations. Assets deposited in UVIMCO are held in the custody and control of UVIMCO on 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 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:

"Financial crises do not happen in a vacuum and the current U.S. banking debacle is linked to imbalances in an economy that favored spending at the expense of saving." -Paul Volcker on April 9.

The Treasury is sending out tax rebates. The Fed is providing emergency liquidity. Congress is nationalizing mortgage lending. Criminal investigations are underway to identify and punish predatory lenders. Secretary Paulson among others calls for broadening regulation of financial intermediation. All of these actions, however necessary and

appropriate, only treat the symptoms of our problem. None address our overconsumption and inadequate savings.

For too many years too many of us in the United States have consumed above our means with foreign capital inflows financing our spending spree. Causes of our overconsumption may include cultural optimism, an Asian savings glut, imperial overreach, and fiscal policies that subsidize consumption and tax savings. We may not wish to alter our cultural optimism and we may not be able to curtail Asian savings. Yet, we cannot absolve ourselves of responsibility for our overconsumption.

In the absence of appropriate policies to generate adequate domestic savings, we are being forced to curtail consumption by credit contraction and currency depreciation. Today's bursting housing bubble, insolvent financial institutions, and liquidity crisis are the unfortunate consequences of this forced ending of our consumption binge.

Like consumer consumption, corporate profits and investment market returns have been unsustainably inflated by easy money and lax credit. Much of the growth in corporate profits over this decade was attributable to the soaring earnings of the financial sector. Now obvious to all is what many have suspected. Much of these reported profits were not real earnings but merely highly leveraged speculative appreciation of financial assets. As asset prices have fallen, years of exaggerated profits have been transformed into extraordinary losses.

Unfortunately, our investment pool is not immune to the declining value of financial assets. In the most recent quarter during which the global equity market declined by nine percent, our net asset value declined by four percent. Our loss this quarter was in line with a 65 percent/35 percent mix of global stocks and bonds but a bit worse than our policy benchmark.

Over the nine months fiscal year-to-date we are still up. Double digit gains in our government bonds and long/short equity portfolio offset single digit losses in our public equity and credit investments. Our four percent fiscal year-to-date return compares favorably to the flat return for a 65 percent/35 percent mix of global stocks and bonds and modestly exceeds our policy benchmark.

Public Equity

Fiscal year-to-date, our public equity portfolio declined six percent versus a decline of eight percent for the MSCI All Country World Index and six percent for our custom benchmark. For the first calendar quarter, our public equity portfolio was down by 12 percent. This quarter was uniformly difficult across the entire global equity opportunity set. Almost all flavors of equity capitalization, style, and geographic focus showed meaningfully negative calendar year-to-date performance, with many markets exhibiting severe declines. Not surprisingly, more volatile emerging markets fell further than developed markets. Our tilt toward emerging markets, which aided our performance over the prior three years, cut the other way this quarter.

While short-run negative performance is never enjoyable at the time it is being experienced, moderating equity valuations plant the seeds for strong future returns. We have excellent investment partners managing portfolios on our behalf globally who are well-positioned to find attractive equity investments in the market's current turbulence. Nonetheless, we expect to experience our fair share of equity volatility in the months ahead.

Long/Short Equity

Fiscal year-to-date, our long/short equity portfolio has performed extraordinarily well, up 12 percent despite an eight percent decline in the global equity market and a small drop in our long/short equity benchmark. Our long/short equity portfolio declined four percent for the quarter, a little less than half of the nine percent decline of the global equity market and in line with our long/short equity benchmark.

Many of our managers emphasize relatively larger, higher quality companies on the long side and lower quality, smaller capitalization companies on the short side. For the fiscal year, the spread in performance between benchmarks representative of these biases was wide and in our favor. Large growth fell only seven percent for the fiscal year versus a 19 percent decline in small value. A net long bias toward emerging markets also helped many of our managers for the fiscal year-to-date, though it detracted from returns during the most recent quarter.

Private Equity

Our private equity portfolio generated a 23 percent return over the past three years and 19 percent for the year ended December 2007. We have not yet received benchmark returns for the period ended December 2007. Our performance for the final quarter of calendar year 2007 of four percent was a small fraction of the 18 percent that we experienced in the fourth quarter of 2006. The buyout boom is over.

We avoid the mega-cap buyout firms, (those that raise \$10 to \$20 billion funds every two to three years), which garner most of the media's attention, but are facing a harder time financing new public to private deals. In contrast, our managers who buy companies too small to be publically traded continue to see reasonable deal flow. Leverage is still available, though at more conservative levels and at higher pricing. In the past 12 months, we have committed \$235 million to mid-market control-oriented distressed debt and turnaround managers, whom we expect to have a more attractive opportunity set over the next several years.

Real Assets

The immature nature of our growing real assets portfolio depresses our short-term returns relative to the mature portfolios represented in the Cambridge benchmarks. The process of drawing and investing capital and then improving asset value takes years, while fees are paid quarterly on committed capital. We expect this effect to dissipate in the coming years as our real assets portfolio matures.

Our real asset managers typically develop new assets or acquire and re-position underperforming properties, with a significant value-added component to their activities. Likewise, we invest with resource managers who create operating businesses to develop reserves with a focus on maximizing returns on capital over the asset lifecycles.

Opportunistic

By many measures, the first quarter of 2008 was one of the worst in history for financial firms and, by extension, credit markets. The U.S. housing market continued its relentless march downward. The Federal Reserve arranged a bail-out acquisition of Bear Sterns by JP Morgan and implemented unprecedented and

unorthodox provisioning of liquidity beyond commercial banks to investment banks.

This market stress caused large losses for several of our opportunistic managers. Our opportunistic portfolio lost five percent for the past quarter and three percent fiscal year-to-date. Despite this disappointing result, our portfolio is well positioned to take advantage of market volatility. Most of our credit managers had undrawn commitments waiting for the appropriate time to invest capital. Several of our managers have been able to invest a significant amount into senior mortgage backed securities at very depressed prices during recent months.

Government Bonds

We have held a levered position in two-year Treasury notes with duration equal to our Treasury benchmark. This portfolio returned 14 percent for the fiscal year-to-date and four percent for the quarter, nicely diversifying our losses in equities and credit. In early 2008, two-year Treasury note yields declined to about 1.5 percent. From that level, and with rising inflation, potential future changes in rates seem skewed to the upside.

In February, we moved our government bond exposure to Germany. We expect German government bonds to provide higher returns with less risk than U.S. government bonds. Yields in Germany are higher than in the U.S. despite a lower risk of inflation. The European Central Bank has a stronger mandate to maintain price stability than does the U.S. Federal Reserve. In moving our bond exposure to Europe, we did not incur Euro currency exposure. Because the Euro is extremely overvalued, we are keeping our European currency exposure low.

Investment Report
March 31, 2008
UVIMCO Long-Term Pool

Investment Activity

	Month	Fiscal Year to Date 2008 ⁽¹⁾
Beginning Investment	\$5,141,440,953.91	\$4,342,439,947.24
Beginning Shares	1,019,796.49	907,377.41
NAV ⁽²⁾ Per Share at Beginning of Period	\$5,041.63	\$4,785.70
+ Contributions	\$88,437,231.76	\$770,272,030.05
- Redemptions	(\$36,693,413.73)	(\$158,582,563.45)
+ Investment Return	(\$68,147,433.21)	\$180,225,089.42
- UVIMCO Fees	(\$771,216.16)	(\$10,088,380.69)
Ending Investment	\$5,124,266,122.57	\$5,124,266,122.57
Ending Shares	1,030,042.63	1,030,042.63
NAV ⁽²⁾ Per Share at End of Period	\$4,974.81	\$4,974.81

Position Summary

	Long-Term Pool	Target ⁽³⁾	Difference
Equity	70.1%	67.0%	3.1%
Real Assets	8.2%	8.0%	0.2%
Opportunistic	15.2%	15.0%	0.2%
Government Bonds	10.5%	10.0%	0.5%
Cash	(4.0)%	0.0%	(4.0)%
Total	100.0%	100.0%	0.0%

Performance Summary

	Long-Term Pool	Benchmark ⁽⁴⁾	Difference
Month Return	(1.3)%	(0.4)%	(0.9)%
3-Month Return	(4.2)%	(2.7)%	(1.5)%
Fiscal Year-to-Date Return	4.0%	2.6%	1.3%
1-Year Return	12.6%	8.3%	4.3%
3-Year Return	15.4%	14.5%	0.8%
5-Year Return	15.6%	15.7%	(0.1)%
10-Year Return	13.8%	8.8%	5.0%
20-Year Return	14.0%	11.0%	2.9%
Fiscal Year 2007 Return	25.2%	21.0%	4.3%
Fiscal Year 2006 Return	14.6%	17.7%	(3.2)%
Fiscal Year 2005 Return	14.3%	12.6%	1.6%

Investment Report
March 31, 2008
UVIMCO Long-Term Pool

Investment Performance

					Annualized				Long-Term Pool	
	MO	3MO	FYTD	1 YR	3 YR	5 YR	10 YR	20 YR	\$ millions	%
Long-Term Pool	(1.3)	(4.2)	4.0	12.6	15.4	15.6	13.8	14.0	5,124	100.0%
Target Benchmark ⁽⁴⁾	(0.4)	(2.7)	2.6	8.3	14.5	15.7	8.8	11.0		
65% Equity / 35% Bonds ⁽⁵⁾	(0.7)	(4.5)	(0.6)	4.0	10.0	13.2	6.1	8.3		
Equity	(1.2)	(4.9)	5.3	16.0	18.5	18.3	16.7	16.4	3,592	70.1%
Blended Benchmark ⁽⁶⁾	--	--	--	10.5	16.4	17.8	11.0	--		
Public Equity	(3.2)	(12.4)	(6.2)	7.0	20.5	27.2	11.7	14.1	1,097	21.4%
Public Equity Benchmark ⁽⁷⁾	(1.8)	(9.3)	(6.3)	1.4	14.0	20.8	7.1	10.4		
Long / Short Equity	(1.9)	(4.3)	11.7	19.8	15.9	14.6	15.0	--	1,582	30.9%
Tremont Long/Short Equity	(2.1)	(4.1)	(0.6)	5.0	11.0	12.3	10.5	--		
Private Equity (IRR ⁸)	--	--	--	18.8	23.2	19.9	75.4	34.8	913	17.8%
Cambridge Benchmark ⁽⁹⁾⁽¹⁰⁾	--	--	--	35.7	30.3	22.6	18.4	17.8		
Real Assets (IRR⁸)	--	--	--	8.9	15.3	21.5	10.7	--	422	8.2%
Blended Benchmark ⁽⁶⁾⁽¹¹⁾	--	--	--	25.5	32.1	26.7	17.2	15.5		
Real Estate (IRR ⁸)	--	--	--	(3.4)	5.8	9.5	5.7	--	250	4.9%
Cambridge Real Estate ⁽¹⁰⁾	--	--	--	30.5	32.1	22.8	16.7	13.8		
Resources (IRR ⁸)	--	--	--	20.5	23.6	34.4	16.7	--	173	3.4%
Cambridge Resources ⁽¹²⁾	--	--	--	20.6	32.0	30.6	17.8	17.2		
Opportunistic	(1.4)	(5.3)	(3.4)	0.6	4.7	7.4	5.0	--	779	15.2%
Blended Benchmark ⁽⁶⁾	(1.3)	(2.5)	(1.1)	1.9	7.7	9.8	6.7	--		
Absolute Return	(3.9)	(3.1)	(0.1)	4.5	5.7	7.2	5.5	--	429	8.4%
Tremont Hedge Fund	(2.1)	(2.0)	1.5	6.7	10.2	10.8	8.3	--		
Credit	2.8	(9.4)	(7.1)	(7.3)	4.0	8.4	6.4	--	350	6.8%
Lehman High Yield	(0.3)	(3.0)	(4.0)	(3.7)	4.9	8.6	4.8	8.1		
Government Bonds	(1.7)	4.2	14.4	13.7	8.2	6.9	8.2	8.6	536	10.5%
Lehman U.S. Treasury	0.7	4.4	12.7	12.2	6.6	4.8	6.2	7.4		
Cash⁽¹³⁾	(0.3)	(1.7)	1.6	2.6	--	--	--	--	(207)	(4.0)%

Market Indices

					Annualized			
	MO	3MO	FYTD	1 YR	3 YR	5 YR	10 YR	20 YR
MSCI All Country World	(1.4)	(9.2)	(7.5)	(0.7)	11.6	17.7	5.5	8.3
S&P 500	(0.4)	(9.4)	(10.7)	(5.1)	5.9	11.3	3.5	11.0
Russell 2000	0.4	(9.9)	(16.7)	(13.0)	5.1	14.9	5.0	9.8
MSCI Europe	0.5	(8.6)	(7.4)	0.7	15.4	23.5	7.0	11.5
MSCI All Country Asia Pacific	(5.0)	(11.0)	(7.2)	(1.5)	14.1	21.3	7.2	2.2
MSCI Emerging Markets	(5.3)	(10.9)	5.7	21.7	29.6	36.0	12.5	14.5
Lehman Aggregate Bond	0.3	2.2	8.2	7.7	5.5	4.6	6.0	7.5
Merrill Lynch 91 Day Treas. Index	0.2	0.9	3.3	4.6	4.4	3.2	3.7	4.8
Goldman Sachs Commodity Index	(1.2)	9.9	36.8	38.6	8.4	16.0	11.4	10.4
U.S. Dollar	(2.6)	(6.4)	(12.4)	(13.4)	(5.1)	(6.2)	(3.4)	(1.0)

Investment Report
March 31, 2008
UVIMCO Long-Term Pool

Manager Allocations

	Long-Term Pool		Policy Target	Relative to Target	Peer Group ⁽¹⁴⁾	Relative to Peers
	\$ millions	%				
Equity	3,592	70.1%	67.0%	3.1%	68.5%	1.6%
Public Equity	1,097	21.4%	25.0%	(3.6)%	42.3%	(20.9)%
Long / Short Equity	1,582	30.9%	27.0%	3.9%	14.7%	16.2%
Private Equity	913	17.8%	15.0%	2.8%	11.5%	6.3%
Real Assets	422	8.2%	8.0%	0.2%	10.7%	(2.5)%
Real Estate	250	4.9%	4.0%	0.9%	5.6%	(0.8)%
Resources	173	3.4%	4.0%	(0.6)%	5.1%	(1.7)%
Opportunistic	779	15.2%	15.0%	0.2%	9.2%	6.0%
Absolute Return	429	8.4%	8.0%	0.4%	6.4%	2.0%
Credit	350	6.8%	7.0%	(0.2)%	2.8%	4.0%
Government Bonds	536	10.5%	10.0%	0.5%	10.2%	0.3%
Cash⁽¹⁵⁾	(207)	(4.0)%	0.0%	(4.0)%	1.4%	(5.4)%
Total Pool	5,122	100.0%	100.0%	0.0%	100.0%	0.0%

Market and Currency Exposures⁽¹⁶⁾

Net Exposure	Target Range	Target	Total Exposure	North America	Europe	Asia	LAMA
Equity	50 - 70%	60%	51.8%	23.0%	12.7%	10.4%	5.8%
Real Assets	5 - 20%	10%	8.6%	5.6%	0.8%	1.6%	0.6%
Credit	0 - 20%	10%	8.6%	5.9%	2.0%	0.1%	0.6%
Government Bonds	5 - 20%	10%	10.8%	0.0%	10.7%	0.0%	0.1%
Total Market Exposure	80 - 100%	90%	79.8%	34.5%	26.3%	12.0%	7.1%
Regional Targets & Ranges	--	--	--	45.0%	20.0%	20.0%	5.0%
	--	--	--	30 - 60%	10 - 40%	10 - 40%	0 - 20%
Cash & Currency	0 - 20%	10%	20.2%	31.0%	(15.4)%	3.4%	1.1%
Currency Exposure	--	100%	100.0%	65.5%	10.9%	15.5%	8.2%
Currency Targets & Ranges	--	--	--	75.0%	10.0%	10.0%	5.0%
	--	--	--	50 - 100%	0 - 30%	0 - 30%	0 - 10%

Investment Report
March 31, 2008
UVIMCO Long-Term Pool

Endnotes

- ⁽¹⁾ UVIMCO's fiscal year runs from July 1 through June 30.
- ⁽²⁾ The net asset value of one share of the UVIMCO Long-Term Pool.
- ⁽³⁾ Represents policy target allocations for Fiscal Year 2008 as established by the Board of Directors.
- ⁽⁴⁾ The Target Benchmark is the average of the underlying asset classes' benchmarks, weighted by policy target allocations. Contains preliminary Cambridge benchmark data for Resources and two quarter lagged data for Private Equity and Real Estate.
- ⁽⁵⁾ 65% MSCI All-Country World / 35% Lehman U.S. Treasury.
- ⁽⁶⁾ Blended Benchmarks are the average of underlying asset classes' benchmarks, weighted by policy target allocations.
- ⁽⁷⁾ 40% Russell 3000 / 40% MSCI World ex-USA / 20% MSCI Emerging Markets.
- ⁽⁸⁾ Internal rate of return (IRR) reported on a one quarter lag. IRRs for time periods under one year not reported.
- ⁽⁹⁾ Pooled mean of Cambridge Associates US Venture Capital, US Private Equity, and Global Private Equity Indices.
- ⁽¹⁰⁾ IRR data as of September 30, 2007.
- ⁽¹¹⁾ Combines IRRs as of September 30, 2007 with IRRs as of December 31, 2007.
- ⁽¹²⁾ IRR data as of December 31, 2007.
- ⁽¹³⁾ Return on Investable Cash and Currency.
- ⁽¹⁴⁾ Represents equally-weighted average asset allocation of Colleges & Universities Over \$1 Billion universe, as reported by Cambridge Associates. Data as of December 31, 2007.
- ⁽¹⁵⁾ Investable cash, receivables from liquidated managers, and accrued shareholder transactions, net of repo liability and other direct borrowing.
- ⁽¹⁶⁾ Represents look-through net exposure to asset classes, regions and foreign currency. Manager exposures are aggregated quarterly and updated monthly where possible. Reflects the sale of the E-Mini S&P 500 Futures as of March 31, 2008, and not as of the actual date sold, which was April 1, 2008.

UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: June 13, 2008

COMMITTEE: Finance

AGENDA ITEM: III.C. Enterprise Risk Management
(Written Report)

ACTION REQUIRED: None

BACKGROUND: The University currently does not have a formal Enterprise Risk Management (ERM) program, but significant efforts toward risk assessment and management have been in place for several years. The Board of Visitors has continued to support these efforts and demonstrated an interest in expanding the University's ERM initiatives.

The University has addressed risks in a variety of areas, including information technology (IT) risk planning, non-IT emergency preparedness, insurance for property and liability, and regulatory compliance. Our most advanced risk management programs are in the area of hazard risk and emergency preparedness. The new position of Director of Emergency Preparedness was filled in August 2007. In addition, in the area of IT risk planning, the Information Technology Security Risk Management Program was approved in November 2004 and has been implemented. Every unit on the Grounds is required to complete an IT security risk management plan at least once every three years.

Thus, important hazard risks have been evaluated and strategies developed, but it is likely that there are operational and strategic risks that have not been analyzed.

As reported at the February 2008 meeting, in taking steps toward the implementation of a more formal ERM program, the University issued a request for proposal to hire a consultant to assist in evaluating the University's current framework for risk assessment and developing a methodology to manage strategic and high-level operational risks.

DISCUSSION: In response to the request for proposal the University received responses from 20 firms. A selection committee (listed below) evaluated and scored each proposal. The selection committee conducted conference calls with each of

the top six firms to ask questions and obtain additional information. Based on those calls and additional information provided by the firms, the selection committee identified its top three firms. The selection committee and Yoke San Reynolds, Vice President and Chief Financial Officer, met with the three finalist firms to negotiate, meet the individuals who have been proposed to provide the services, confirm whether these persons possess the experience and characteristics needed for a successful project at the University, and further refine the scope of services to be provided. Mr. Wynne provided valuable feedback on the request for proposal, and participated in the review process. Mr. Wynne also suggested that the ERM project will serve as an important link between the board's current succession planning efforts and other board assessments.

The selection committee consisted of Paul Walker (Associate Professor in the McIntire School of Commerce), Rick Schupp (Director of Risk Management), Eric Denby (Director of Procurement Services), and Gary Nimax (Executive Assistant to the Vice President & Chief Financial Officer). Barbara Deily (Chief Audit Executive) also assisted the group in an advisory capacity.

An agreement was signed with KPMG, LLP on May 15, 2008. The selected firm has considerable experience with ERM initiatives and has provided related services to higher education clients such as Carnegie Mellon University, Columbia University, and the Rensselaer Polytechnic Institute.

KPMG, LLP will provide the following services as part of this process:

1. Obtain a high-level understanding of the University's current risk management programs and make recommendations on the possibility of the University developing an umbrella framework for these programs.
2. Work with the University to incorporate the use of risk information in its strategic decisions where appropriate.
3. Working with University officials, conduct interviews to develop the University's portfolio of top risks, scenario analysis and quarterly dashboard reporting. The identification and discussion of potential strategic and operation risk will include a review of risks associated with recommendations of the University's Commission of the Future of the University.

4. Define common risk management language for the organization, agree on common risk rating and scaling metrics, and develop project briefing materials.
5. Identify ERM leading practices and higher education practices not currently implemented by the University.
6. Provide advice on metrics to measure success and criteria for establishing priorities.
7. Assist in the development of options for continuing the University's ongoing risk management efforts including:
 - Assignment of responsibility to manage newly identified risk areas
 - Periodic reassessment of current risk areas and identification of new strategic and operational risks.

A report on the progress of the ERM initiative will be provided during the October 2008 Finance Committee meeting.

UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: June 13, 2008

COMMITTEE: Finance

AGENDA ITEM: III.D. Student System Project (Written Report)

ACTION REQUIRED: None

BACKGROUND: The Board of Visitors approved the budget for the Student System Project (the third phase of the Integrated System Project) on June 7, 2007, and agreed to receive reports no less frequently than semi-annually describing progress on the project and compliance with the business plan.

DISCUSSION: Project Timeline and Budget: The Student System Project (SSP) is on schedule and within budget.

The various functional modules of the project primarily are in the *Configure and Develop* phase, during which the system is being configured to reflect University policy and practice; preliminary testing occurs during this phase. However, the first rollout, Recruitment and Campus Community Functionality, occurred on March 3 and currently is in the *Deploy and Stabilize* phase.

Independent Validation and Verification: The Student System Project has contracted with Gartner, Inc. to perform a risk analysis at periodic intervals as functional modules reach the end of project phases. The second review occurred on-site from April 8-10, 2008. Two Gartner, Inc. consultants reviewed 40 documents provided to them by the SSP team, and they interviewed 30 individuals during their time at the University.

The Gartner report indicates that the project is running well overall. As one might expect with a project this large, the report does identify some areas of risk associated with preparing for a smooth transition from a system implementation and project team into a production environment and organization, specifically:

- Defining immediate and long-term support capabilities.
- Defining a post-project support organization.

Consequently, the project team and members of Information Technology and Communication and Integrated System Deployment & Support are collaborating on options designed to address these risks in a timely manner, and to create proposals for short- and long-term solutions for an in-progress review by University executives.

The Gartner team will be on the Grounds for the next round evaluation in August 2008.

Key Deliverables: All remaining system design documents from the Analyze and Design phase now have been approved by the Core Advisors to the Student System. These include the following:

- Financial Aid
- Student Financials
- Student Records
- Academic Advising
- Academic Structure

Remaining deliverables – security matrices for Financial Aid, Student Financials, and Student Records – are on schedule for review in August 2008.

Milestones: The following milestones have been accomplished:

- Recruitment and Campus Community modules deployed March 3.
- Prospect web form developed and training materials completed for that deployment.
- Data conversion completed for undergraduate, Nursing, and Bachelor of Interdisciplinary Studies prospect data and the course catalog.
- Conversion mapping completed for student and faculty/staff bio-demo data, student citizenship, residency, emergency contacts, program/plan, enrollment history, transfer credit, test credit, and the schedule of classes.
- A second prototype test, with University of Virginia-specific configuration, completed successfully in April.
- System and policy issues resolved by project governance groups in accordance with the project Charter and project plan, e.g., the University has agreed to implement delivered "careers" within PeopleSoft Academic Structure – the overarching organizational structure at the foundation of the system.

- A final list of development items vetted, and development begun.
- A Faculty Advisors group to the Student System governance group convened to plan for faculty readiness and training for spring 2009.
- To-be process maps completed for Recruitment, Admissions, and Course Catalog/Schedule of Classes.

Upcoming Activities: During the next three months, project staff will undertake the following:

- Deploy Applicant functionality.
- Complete security matrices for Student Records, Advisement, Student Financials, and Financial Aid.
- Continue to create to-be process maps for Student Records, Advisement, Student Financials, and Financial Aid, to be incorporated in user training and testing materials.
- Continue to develop training materials.
- Complete system and user acceptance testing for Admission Evaluations and Course Catalog/Schedule of Classes functionality.
- Train University staff on Course Catalog and Schedule of Classes functionality.
- Deploy Course Catalog.

MISCELLANEOUS FINANCIAL REPORTS
Finance Committee
University of Virginia

June 13, 2008

UNIVERSITY OF VIRGINIA ACADEMIC DIVISION

FINANCIAL REPORT

ACCOUNTS AND LOANS RECEIVABLE AS OF MARCH 31, 2008

Summary of Accounts Receivable:

The University's Academic Division's total accounts receivable at March 31, 2008 was \$15,899,000 as compared to \$74,622,000 at December 31, 2007. The major sources of receivables at March 31, 2008 were sponsored programs of \$9,035,000 and other receivables of \$4,496,000.

The past due receivables over 120 days old were \$1,446,000 as of March 31, 2008 or 9.09 percent of total receivables, which is below the Commonwealth's management standard of 10 percent.

	<u>Student Accounts</u>	<u>Sponsored Programs</u>	<u>Other Receivables</u>	<u>Total</u>
Gross Accounts Receivable	\$ 2,368,000	\$ 9,035,000	\$ 4,496,000	\$ 15,899,000
Less: Allowance for Doubtful Accounts	78,000	395,000	145,000	618,000
Net Accounts Receivable	<u>\$ 2,290,000</u>	<u>\$ 8,640,000</u>	<u>\$ 4,351,000</u>	<u>\$ 15,281,000</u>
Accounts Receivable Greater than 120 Days Past Due	<u>\$ 194,000</u>	<u>\$ 877,000</u>	<u>\$ 375,000</u>	<u>\$ 1,446,000</u>

SOURCE: Financial Administration
DATE: April 21, 2008

UNIVERSITY OF VIRGINIA ACADEMIC DIVISION

FINANCIAL REPORT

ACCOUNTS AND LOANS RECEIVABLE AS OF MARCH 31, 2008

Summary of Loans Receivable:

The default rate for the Perkins Student Loan Program increased by 2.16 percent to 7.69 percent. This is based on the cohort default calculation and is well below the 15-percent threshold set by federal regulations. The Health Professions Loan Program default rate remained the same at 0.0 percent. The Nursing Undergraduate Student Loan Program default rate increased by 0.54 percent to 2.72 percent. Both medical loan programs are well below the five-percent federal threshold. The University Loan Program default rate remained at 3.12 percent for the quarter.

	<u>Gross Loans Receivable</u>	<u>Current Default Rate</u>	<u>Inc./ (Dec) From Last Quarter</u>
Perkins Student Loans	\$ 19,159,000	7.69%	2.16%
Health Professions Loans	29,000	0.00%	0.00%
Undergraduate Nursing Loans	1,073,000	2.72%	0.54%
University Loans	<u>12,246,000</u>	3.12%	0.00%
Total Student Loan Outstanding	<u>\$ 32,507,000</u>		

SOURCE: Financial Administration
DATE: April 21, 2008

University of Virginia
Capital Campaign Summary
As Of 04/30/08

All Units

	Expendable	Endowment	Total
Gifts and Pledge Payments	645,074,603	289,721,655	934,796,258
Outstanding Pledge Balances	210,886,349	113,113,710	324,000,059
Deferred Gifts	84,473,406	22,088,974	106,562,380
Private Grants	99,734,222	0	99,734,222
Gifts in Kind	60,933,584	810,505	61,744,089
Gift and Pledge Total	1,101,102,164	425,734,844	1,526,837,008
Future Support	113,904,412	33,236,030	147,140,442
Campaign Total	1,215,006,576	458,970,874	1,673,977,450
Additional Amounts To Be Raised	270,847,836	1,202,315,156	1,473,162,992
Total	1,371,950,000	1,628,050,000	3,000,000,000

Rector & Visitors Gift Accounts Only

	Expendable	Endowment	Total
Gifts and Pledge Payments	235,510,584	170,822,742	406,333,326
Outstanding Pledge Balances	47,525,180	57,907,307	105,432,487
Deferred Gifts	54,446,101	8,020,502	62,466,603
Private Grants	0	0	0
Gifts in Kind	24,498,456	0	24,498,456
Gift and Pledge Total	361,980,321	236,750,551	598,730,872
Future Support	76,270,878	3,064,701	79,335,579
Campaign Total	438,251,199	239,815,252	678,066,451
Additional Amounts To Be Raised	TBD	TBD	TBD
Total	876,502,398	479,630,504	1,356,132,902

Rector & Visitors Unrestricted Giving

Gifts and Pledge Payments	2,735,749	0	2,735,749
Outstanding Pledge Balances	387,062	0	387,062
Total	3,122,811	0	3,122,811

Source: Office of Development and Public Affairs
Date: May 22, 2008

UNIVERSITY OF VIRGINIA
INTERNAL LOANS TO UNIVERSITY DEPARTMENTS AND ACTIVITIES
As of March 31, 2008

PURPOSE	DATE OF LOAN	INTEREST RATE ²	ORIGINAL LOAN AMOUNT	PRINCIPAL PAYMENTS MADE TO DATE	OUTSTANDING PRINCIPAL	APPROXIMATE FINAL PAYMENT
Astronomy Large Binocular Telescope	02/06/06	4.75%	\$ 400,000	\$ 229,467	\$ 170,533	January 2009
Cocke Hall	06/30/06	4.75%	1,941,787	630,636	1,311,151	June 2011
ITC ISIS Software	06/30/06	4.75%	1,575,000	586,531	988,469	July 2010
National Radio Astronomy Observatory Piping	09/01/06	6.25%	706,833	202,093	504,740	August 2011
Varsity Hall	06/30/07	4.75%	1,517,726	276,045	1,241,681	June 2012
Wilsdorf Hall	11/01/06	4.75%	3,311,328	383,131	2,928,197	November 2011
Wise Football Facility	10/01/07	4.75%	629,171	12,113	617,058	October 2022
Total Internal Loans Subject to \$15M Limit Established by BOV¹			\$ 10,081,845	\$ 2,320,016	\$ 7,761,829	

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.

2. The University's blended borrowing rate for tax exempt financing is 4.75 percent. A taxable rate of 6.25 percent was charged for the National Radio Astronomy Observatory Piping project.

SOURCE: Financial Administration
DATE: May 2, 2008

UNIVERSITY OF VIRGINIA
 REPORT ON WRITE-OFF OF NON-PATIENT BAD DEBTS FOR
 FISCAL YEAR 2007-2008

Report on Write-Off of Non Patient Bad Debts

The University's write-off of non-patient bad debts for fiscal year 2007-2008 is \$393,279. This year's write-off increased by \$85,893 or 27.9 percent. This increase was primarily attributable to late-registering students who subsequently withdrew from the University. These write-offs do not constitute a compromise, settlement or discharge of the debts. For the past ten years, the University averages a collection rate of approximately 49 percent of all previously written-off student debts.

	FY 2007-08	FY 2006-07	FY 2005-06	FY 2004-05	FY 2003-04
Tuition and Fees	\$197,824	\$96,691	\$91,177	\$132,638	\$112,511
Auxiliary Services Fines and Charges	108,517	49,131	105,609	111,555	78,380
UVA's College at Wise	29,882	29,798	32,348	20,717	61,994
Library Fines and Charges	15,522	19,942	23,886	25,480	28,765
University Student Loans	12,234	8,387	16,268	17,011	15,170
Uncollectable Salary Overpayment		8,807	15,978	40,280	
Other Charges	29,300	94,630	29,209	33,876	30,282
TOTAL	<u>\$393,279</u>	<u>\$307,386</u>	<u>\$314,475</u>	<u>\$381,556</u>	<u>\$327,103</u>

SOURCE: Financial Administration
 DATE: May 2, 2008

QUARTERLY BUDGET REPORT

As of March 31, 2008

This report compares the actual results for the sources and uses of funds to the Academic Division annual budget (excluding the Medical Center and The University of Virginia's College at Wise). At the end of the third quarter of 2007-2008, 91.4 percent of the budgeted sources were collected and 80.1 percent of the budgeted uses were 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. 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, and/or renovation expenditures occur within the capital outlay accounts - and off the operating budget.
- The Federal Family Education Loan Program is excluded from the operating budget.
- Sources of funds are shown net of transfers to capital reserves/projects in the operating budget.
- Fringe benefit expenditures are included in the operating budget using pooled benefit rates.
- The operating budget recognizes recoveries of indirect costs only upon distribution of those revenues, and not when billed to granting agencies.

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

SOURCE: University Budget Office
DATE: May 2, 2008

University of Virginia Academic Division
2007-08 Operating Budget Report
As of March 31, 2008

(in thousands)

	2007-08 Revised Budget	3/31/2008 Actual Results	Variance	3/31/2008 Results Percentage
Sources of Available Funds, net of transfers to capital reserves				
Tuition & Fees for Operating Plan	\$324,172	\$322,644	\$1,528	99.5%
State General Fund Appropriation for Operating Plan	170,874	162,396	8,478	95.0%
Sponsored Research for Operating Plan	277,877	222,237	55,640	80.0%
Endowment Distribution	94,947	66,973	27,974	70.5%
Net Gifts Available for Operating Plan	98,453	92,059	6,394	93.5%
Sales, Investment & Other	34,015	53,236	(19,221)	156.5%
Net Auxiliary Enterprises for Operating Plan	150,104	131,856	18,248	87.8%
Total Sources of Available Funds	1,150,442	1,051,401	99,041	91.4%
Uses of Available Funds				
Direct Instruction	\$294,869	\$207,567	\$87,302	70.4%
Research and Public Service	270,991	229,848	41,143	84.8%
Library, Information Tech., & Academic Administration	115,219	98,444	16,775	85.4%
Student Services	44,335	29,119	15,216	65.7%
General Administration	75,524	55,511	20,013	73.5%
Operation & Maintenance of Physical Plant	68,601	48,835	19,766	71.2%
Scholarships, Fellowships, & Other Graduate Support	114,464	112,667	1,797	98.4%
Athletics	41,343	36,447	4,896	88.2%
Bookstore	33,864	29,922	3,942	88.4%
Housing and Conference Services	20,417	13,458	6,959	65.9%
Other Auxiliary Operations	53,972	46,008	7,964	85.2%
Total Operating Expenses	1,133,599	907,825	225,774	80.1%
Total Operating Reserves and Temporary Allocations	2,170	2,043	127	94.1%
Total Uses of Available Funds	1,135,769	909,868	225,901	80.1%
Net Sources and Uses of Operating Funds	\$14,673	\$141,533	(\$126,860)	

DEFINITION OF TERMS

Sponsored Research -- 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 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.

**Endowment/Long Term Investments for UVa and Related Foundations
March 31, 2008**

Unaudited
(in thousands)

	Rector and Visitors Funds	Related Foundation Funds Invested by UVIMCO	Alumni Association Funds Invested by UVIMCO	Related Foundation Funds Invested by Direction of Foundation Board	Total
The University of Virginia Medical School and related foundations	\$ 797,528	\$ 36,672	\$ 7,104	\$ 210	\$ 841,514
The College of Arts and Sciences and related foundations	341,643	35,935	11,150	1,035	389,763
Darden School and related foundation	119,684	239,926	-	5,979	365,589
The University of Virginia Law School and related foundation	47,097	146,908	-	145,129	339,134
The McIntire School of Commerce and related foundation	84,549	-	30,963	530	116,042
School of Engineering and related foundation	83,232	290	2,727	8,051	94,300
Graduate School of Arts and Sciences	50,574	-	-	-	50,574
University of Virginia's College at Wise and related foundation	38,693	1,928	2,186	6,155	48,962
School of Nursing	38,352	-	1,642	-	39,994
Curry School of Education and related foundation	13,638	8,867	-	11,031	33,536
School of Architecture and related foundation	17,729	-	433	557	18,719
School of Continuing and Professional Studies	79	-	53	-	132
University of Virginia Medical Center and related foundations	239,123	44,038	4,628	35,998 **	323,787
Centrally Managed University Scholarships	159,571	-	-	-	159,571
Provost	149,654	-	-	-	149,654
Athletics and related foundation	42,341	62,116	398	-	104,855
University of Virginia Foundation and related entities	-	75,965	-	-	75,965
Miller Center and related foundation	57,329	6,333	-	-	63,662
Alumni Association	-	-	49,443	10,732	60,175
Alumni Board of Trustees	-	53,068	-	-	53,068
University Libraries	49,514	-	48	-	49,562
University - Unrestricted but designated	331,942	-	-	-	331,942
University - Unrestricted Quasi and True Endowment	201,607	-	-	-	201,607
University - Unrestricted Other	161,805	-	-	-	161,805
All Other	197,353	12,822	246,892 *	-	\$ 457,067
	<u>\$ 3,223,037</u>	<u>\$ 724,868</u>	<u>\$ 357,667</u>	<u>\$ 225,407</u>	<u>\$ 4,530,979</u>

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

**Excludes approximately \$26.4 million of board designated pension funds.

Source: Financial Administration

Date: May 2, 2008

UNIVERSITY OF VIRGINIA
QUASI-ENDOWMENT ACTIONS

January 1, 2008 to March 31, 2008

The quasi-endowment actions listed below were approved by either (1) the Executive Vice President and Chief Operating Officer, under the following Board of Visitors' resolutions, (2) the Vice President for Management and Budget, under the delegation of authority from the Executive Vice President and Chief Operating Officer, or (3) the Vice President and Chief Financial Officer under the delegation of authority from the Executive Vice President and Chief Operating Officer.

In October 1990 and June 1996 the Board of Visitors approved resolutions delegating to the Executive Vice President and Chief Operating Officer the authority to approve quasi-endowment actions, including establishments and divestments of less than \$2,000,000, with regular reports on such actions.

In February 2006, the Board of Visitors approved a resolution permitting approval of quasi-endowment transactions, regardless of dollar amount, in cases in which it is determined to be necessary as part of the assessment of the business plan for capital projects. Additionally, to the extent that the central loan program has balances, they may be invested in the long term investment pool managed by UVIMCO or in other investment vehicles as permitted by law.

Additions

	<u>Amount</u>
Dean's Discretionary Research Fund for Infectious Disease	\$ 113,104.48
McIntire School of Commerce Operations Fund	4,200,000.00
Pediatrics Operational Quasi-Endowment Fund	19,955.24
President's Fund for Excellence Unrestricted Quasi-Endowment	186,337.82
University Quasi-Endowment Fund (1)	364,144.72
Whitener, Ellen Quasi-Endowment Fund	1,989.76
	<hr/>
Total Additions from Gifts to Quasi-Endowments	\$ 4,885,532.02

Additions from Endowment Income (Capitalizations)

Arts and Sciences Alumni Council Professorship #3 Quasi-Endowment	30,565.00
Bankard, Georgia S. Professorship Restricted Quasi-Endowment	155,116.00
Black, Robert Restricted Quasi-Endowment	1,925.00
Corcoran, W. W. Chair of History Income Capitalization	28,025.00
Daniels Family Distinguished Teaching Professorship Quasi-Endowment	25,816.00
Ern, Ernest H. Professorship Restricted Quasi-Endowment	4,707.00
Gooch, Robert Kent Professorship Restricted Quasi-Endowment	6,332.00
Grinnalds Quasi-Endowment Fund	3,200.00
Hart, James Professorship Quasi-Endowment	4,755.00
Kyle, Edwin B. Quasi-Endowment	18,122.00
Lewis and Clark Chair in Biology Quasi-Endowment	7,005.00
Mayo Distinguished Teaching Professorship Restricted Quasi-Endowment	9,865.00
Capitalizations from Endowment Spending Distribution Special Instructions	1,155,661.59
School of Medicine Fund for the Future Quasi-Endowment	407,598.74
Williams, Langbourne M. Professorship in American History Restricted Quasi-Endowment	7,030.00
	<hr/>
Total Additions from Endowment Income to Quasi-Endowments	\$ 1,865,723.33

Divestments

Hecht Cruachem Chemistry Quasi-Endowment #2	\$ 125,000.00
McIntire School of Commerce Operations Fund	908,617.83
Schultz, Elizabeth W. Arthritis Research Fund	208,450.82
Thaler, Myles H. Quasi-Endowment for HIV Research	50,000.00
	<hr/>
Total Divestments from Quasi-Endowments	\$ 1,292,068.65

NOTES:

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

(2) Includes capitalizations from a number of departments.

SOURCE: Financial Administration

DATE: May 2, 2008

ATTACHMENT A

**THE RECTOR AND VISITORS OF THE
UNIVERSITY OF VIRGINIA**

SUPPLEMENTAL RESOLUTION

**SUPPLEMENTING AND REVISING
GENERAL REVENUE PLEDGE BONDS,
SERIES 2003A**

ADOPTED JUNE 13, 2008

SUPPLEMENTAL RESOLUTION

ADOPTED ON JUNE 13, 2008

**THE RECTOR AND VISITORS OF THE
UNIVERSITY OF VIRGINIA
GENERAL REVENUE PLEDGE BONDS
SERIES 2003A**

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FORM OF CONSENT OF BONDHOLDER

A RESOLUTION SUPPLEMENTING A RESOLUTION AUTHORIZING THE ISSUANCE OF THE RECTOR AND VISITORS OF THE UNIVERSITY OF VIRGINIA GENERAL REVENUE PLEDGE BONDS, SERIES 2003A.

RECITALS

A. By Chapter 9, Title 23 of the Code of Virginia of 1950, as amended, there is created a corporation under the name and style of The Rector and Visitors of the University of Virginia (the "University"), which is governed by a Board of Visitors (the "Board"), which is vested with the supervision, management and control of the University;

B. Pursuant to Title 23 of the Code of Virginia of 1950, as amended, the University is classified as an educational institution of the Commonwealth of Virginia;

C. Pursuant to the Restructured Higher Education Financial and Administrative Operations Act, Chapter 4.10, Title 23 at the Virginia Code (the "Act"), the University has entered into a management agreement with the Commonwealth of Virginia which was enacted as Chapter 3 of Chapter 933 of the 2006 Virginia Acts of Assembly (the "Management Agreement");

D. Pursuant to a resolution adopted March 5, 2003 (the "2003A Resolution"), the Executive Committee of the Board approved the terms of the University's General Revenue Pledge Bonds, Series 2003A (the "Series 2003A Bonds") which were issued on March 19, 2003, and bearing interest at a variable rate;

E. The Board desires to authorize certain revisions to the 2003A Resolution to facilitate the University's use of liquidity arrangements and make certain other technical revisions thereto; and

F. Pursuant to the provisions of Section 9.2 of the Series 2003A Resolution, the University expects to obtain the consent to such amendments by the holders of not less than a majority in aggregate outstanding principal amount of the Series 2003A Bonds outstanding, as well as the approval of the Governor and the Treasury Board of the Commonwealth of Virginia.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD:

ARTICLE I

DEFINITIONS

Section 1.1 Definitions. (a) Except as otherwise indicated herein and subject to subsection (b) below, all terms herein shall have the meaning set forth in Section 1.1 of the 2003A Resolution.

(b) Section 1.1 of the 2003A Resolution is amended by adding the terms defined in the recitals hereto and adding the following:

"Chief Operating Officer" means the University's Executive Vice President and Chief Operating Officer or such other officer of the University having similar duties as may be selected by the Board.

Section 1.2 **Rules of Construction/Use of Words and Phrases.** The rules of construction set forth in Section 1.2 of the 2003A Resolution shall apply to this Supplemental Resolution. All references herein to sections of the 2003A Resolution are to the 2003A Resolution as amended and supplemented by this Supplemental Resolution.

ARTICLE II AMENDMENTS

Section 2.1 **Amendments.** (a) Section 3.11(b)(i) of the 2003A Resolution shall be amended to read as follows:

(i) The Remarketing Agent or the Broker-Dealer shall notify the Tender Agent and the University by Electronic Means not later than 11:00 a.m. (Eastern Time) on the Purchase Date or Mandatory Purchase Date of the amount of tendered Series 2003A Bonds that were successfully remarketed and the registration instructions (i.e., the names, addresses and taxpayer identification numbers of the purchasers, the desired Authorized Denominations and, in the case of Series 2003A Bonds in Short-Term Mode, any account number for payment of principal and interest furnished by a purchaser to the Remarketing Agent) with respect thereto.

(b) Section 3.11(c)(ii) of the 2003A Resolution shall be amended to read as follows:

(ii) Except in the case of a mandatory purchase of any Series 2003 Bond in an ARS Mode being converted to another Mode, the Tender Agent shall notify the Paying Agent, the University and any Liquidity Facility Issuer as soon as possible but no later than 11:30 a.m. (Eastern Time) on the Purchase Date or Mandatory Purchase Date of the amount equal to the Purchase Price of all Series 2003A Bonds tendered or deemed tendered less the aggregate amount of remarketing proceeds to be transferred to the Tender Agent by the Remarketing Agent pursuant to clause (i) of this Section 3.11(c). By 2:30 p.m. (Eastern Time) on the Purchase Date or Mandatory Purchase Date, as the case may be, the University shall provide to the Tender Agent such amounts or, if a Liquidity Facility is in effect, by 12:30 p.m. (Eastern Time) on such dates the Tender Agent shall draw on the Liquidity Facility in an amount equal to the difference between the Purchase Price of all Series 2003A Bonds tendered or deemed tendered and the aggregate amount of remarketing proceeds transferred to the Tender Agent by the Remarketing Agent pursuant to clause (i) of this Section 3.11(c), for deposit in the Purchase Account created in Section 3.16. If the Tender Agent does not receive notice from the Remarketing Agent pursuant to clause (b)(i) above, the Tender Agent shall notify the University to provide funds, or if a Liquidity Facility is in effect, shall draw on the Liquidity Facility, in an amount equal to the Purchase Price of all Series 2003A Bonds tendered or deemed tendered for purchase.

(c) Section 3.17(g) of the 2003A Resolution is deleted in its entirety.

Section 2.2 **Confirmation of Resolution.** As supplemented and amended, the 2003A Resolution is in all respects ratified and confirmed, and the 2003A Resolution, including each

amendment, shall be read, taken and construed as one and the same instrument. All covenants, agreements and provisions of, and all security provided under the 2003A Resolution shall apply with full force and effect to the parties thereto.

ARTICLE III MISCELLANEOUS

Section 3.1 Amendments to Supplemental Resolution; Approval, Execution and Delivery of Necessary and Appropriate Documents. Notwithstanding any provisions of the 2003A Resolution to the contrary, the University's Chief Operating Officer may authorize any revisions to this Supplemental Resolution and the 2003A Resolution which are not in conflict with the Board resolutions adopted on February 1, 2003 and June 13, 2008, or any future resolutions by the Board with respect to the Series 2003A Bonds, as shall be necessary to accurately reflect negotiations among the University, the Treasury Board, the Paying Agent, Moody's, S&P, Fitch and the Remarketing Agent, with respect to the Series 2003A Bonds and the financing of the Projects and to make other changes to the form, terms and provisions of the Series 2003A Bonds and 2003A Resolution. The University's Chief Operating Officer is also authorized to negotiate, execute and deliver, in necessary and appropriate form, any offering memoranda, memorandums or remarketing circulars relating to the offering and remarketing of the Series 2003A Bonds for sale or remarketing, and such other documents and instruments as he deems necessary or appropriate in connection with the Series 2003A Bonds, including without limitation any interest rate swaps or other hedge mechanisms and any dedicated lines of credit, standby bond purchase agreements or other liquidity arrangements, including any Liquidity Facility, so long as such documents and instruments do not conflict with the intent of the Board resolutions adopted on February 1, 2003 and June 13, 2008 and the University's debt policy currently in effect.

**FORM OF
CONSENT OF BONDHOLDER**

The undersigned authorized representative of _____ certifies that it is the holder of \$_____ of the aggregate outstanding principal amount of The Rector and Visitors of the University of Virginia (the "University") General Revenue Pledge Bonds, Series 2003A (the "Series 2003A Bonds"). The Series 2003A Bonds were issued pursuant to a resolution of the Executive Committee of the Board of Visitors of the University adopted on March 5, 2003 (the "2003A Resolution"). The University desires to amend certain provisions of the 2003A Resolution to facilitate the University's use of liquidity arrangements and make certain other technical revisions thereto, all as set forth in the University's Supplemental Resolution dated June 13, 2008 (the "Supplemental Resolution"). In accordance with Section 9.2 of the 2003A Resolution, the undersigned hereby consents to the Supplemental Resolution and all revisions, terms, provisions and covenants set forth therein. The undersigned further waives any of its rights to receive notice of the Supplemental Resolution pursuant to Section 9.2 of the 2003A Resolution.

Dated: June __, 2008

By: _____

Its: _____

ATTACHMENT B

**THE RECTOR AND VISITORS OF THE
UNIVERSITY OF VIRGINIA**

SUPPLEMENTAL RESOLUTION

**SUPPLEMENTING AND REVISING
GENERAL REVENUE PLEDGE BONDS,
SERIES 1999A, 2003A, 2003B and 2005**

ADOPTED JUNE 13, 2008

SUPPLEMENTAL RESOLUTION

ADOPTED ON JUNE 13, 2008

**THE RECTOR AND VISITORS OF THE
UNIVERSITY OF VIRGINIA
GENERAL REVENUE PLEDGE BONDS
SERIES 1999A, 2003A, 2003B and 2005**

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A RESOLUTION SUPPLEMENTING RESOLUTIONS AUTHORIZING THE ISSUANCE OF THE RECTOR AND VISITORS OF THE UNIVERSITY OF VIRGINIA GENERAL REVENUE PLEDGE BONDS, SERIES 1999A, 2003A, 2003B AND 2005.

RECITALS

A. By Chapter 9, Title 23 of the Code of Virginia of 1950, as amended, there is created a corporation under the name and style of The Rector and Visitors of the University of Virginia (the "University"), which is governed by a Board of Visitors (the "Board"), which is vested with the supervision, management and control of the University;

B. Pursuant to Title 23 of the Code of Virginia of 1950, as amended, the University is classified as an educational institution of the Commonwealth of Virginia;

C. Pursuant to the Restructured Higher Education Financial and Administrative Operations Act, Chapter 4.10, Title 23 at the Virginia Code (the "Act"), the University has entered into a management agreement with the Commonwealth of Virginia which was enacted as Chapter 3 of Chapter 933 of the 2006 Virginia Acts of Assembly (the "Management Agreement");

D. Pursuant to resolutions adopted November 11, 1998, March 5, 2003 and June 28, 2005 (the "Outstanding Bond Resolutions"), the Executive Committee of the Board approved the terms and issuance of the University's General Revenue Pledge Bonds, Series 1999A, 2003A, 2003B and 2005 (the "Outstanding Bonds");

E. The Board desires to authorize certain revisions to the Outstanding Bond Resolutions in order to, among other things, remove the required consents of and oversight by the State Treasurer, the Treasury Board and the Governor of the Commonwealth of Virginia, which will be consistent with modifications in the University debt issuance procedures effected by the Act and the Management Agreement;

F. Pursuant to the provisions of Sections 9.1 of each of the Outstanding Bond Resolutions, the University expects to obtain the approval of the Governor and the Treasury Board of the Commonwealth of Virginia to such amendments.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD:

ARTICLE IV

DEFINITIONS

Section 1.1 Definitions.

(a) Sections 1.1 of each of the Outstanding Bond Resolutions is amended by adding the terms defined in the recitals hereto and adding the following:

"Chief Operating Officer" means the University's Executive Vice President and Chief Operating Officer or such other officer of the University having similar duties as may be selected by the Board.

Section 1.2 Rules of Construction/Use of Words and Phrases. The rules of construction set forth in Sections 1.2 of each of the Outstanding Bond Resolutions shall apply to this Supplemental Resolution. All references herein to sections of the Outstanding Bond Resolutions are to such Resolutions as amended and supplemented by this Supplemental Resolution.

ARTICLE V AMENDMENTS

Section 2.1 Amendments. The provisions of the Outstanding Bond Resolutions are hereby revised to remove references to the State Treasurer, the Treasury Board and the Governor of the Commonwealth of Virginia, such that the State Treasurer, the Treasury Board and the Governor will not be required to give consents and receive notices thereunder; provided references to the State Treasurer shall not be removed to the extent it is serving as Paying Agent, Registrar, or custodian of any construction or other funds under such Outstanding Bond Resolutions and any provisions which limit the liability of the State Treasurer, the Treasury Board or the Governor of the Commonwealth of Virginia, or any other of their members, directors or representatives, shall not be removed.

Section 2.2 Confirmation of Resolution. As supplemented and amended, the Outstanding Bond Resolutions are in all respects ratified and confirmed, and each Outstanding Bond Resolution, including the respective amendments thereto, shall be read, taken and construed as one and the same instrument. All covenants, agreements and provisions of, and all security provided under the Outstanding Bond Resolutions shall apply with full force and effect to the parties thereto.

ARTICLE VI MISCELLANEOUS

Section 3.1 Amendments to Supplemental Resolution; Approval, Execution and Delivery of Necessary and Appropriate Documents. The University's Chief Operating Officer may authorize any revisions to this Supplemental Resolution which are not in conflict with the Board resolution adopted on June 13, 2008, or any future resolutions by the Board with respect to the Outstanding Bonds, as shall be necessary to accurately reflect negotiations among the University, the Treasury Board, the Paying Agent, Moody's, S&P, Fitch, the Underwriters, the remarketing agent and others, with respect to the Outstanding Bonds and the financing of the Projects and to make other changes to the form, terms and provisions of the Outstanding Bond Resolutions. The University's Chief Operating Officer is also authorized to negotiate, execute and deliver, in necessary and appropriate form, any offering memoranda, memorandums or remarketing circulars relating to the offering of the Outstanding Bonds for sale or remarketing, and such other documents and instruments as he deems necessary or appropriate in connection with this Supplemental Resolution and the Outstanding Bonds, including without limitation any interest rate swaps or other hedge mechanisms and any dedicated lines of credit, standby bond

purchase agreements or other liquidity arrangements, including any Liquidity Facility, so long as such documents and instruments do not conflict with the intent of the Board Resolution adopted on June 13, 2008 and the University's debt policy currently in effect.

ATTACHMENT C

2008-2009 PRATT FUND ALLOCATIONS

ARTS AND SCIENCES – \$3,400,000

Biology - The department proposes to allocate \$218,520 for graduate fellowships in 2008-2009. Of this amount, \$133,698 will be used to provide full support to two outstanding first year graduate students in Biology, and to augment the fellowship packages of five President's Fellows. The remaining \$84,822 will be allocated to satisfy the department's membership in the Biomedical Sciences Graduate Program, an important interschool collaborative effort. Biology proposes to use \$31,480 in Pratt funds to augment the salaries of the Director and Associate Director of the Mountain Lake Biological Station. The University has made and continues to make significant investments in the instructional and research capacity of this Appalachian mountain field research and teaching facility which provides summer courses, a Research Experiences for Undergraduates (REU) program and hosts researchers from around the world every summer.

Chemistry - The department proposes to allocate \$100,000 for Undergraduate Summer Fellowships. Funds will be used to provide stipends, health insurance and tuition for a selected group of outstanding graduate students. In addition, these funds will help to maintain a strong summer research program for Chemistry undergraduates. This summer research experience is a component of the research program required for the department's Distinguished Majors Program. The department requests that \$60,000 be allocated to provide faculty summer wages to support new faculty (J. Chruma, B. Venton, L. Columbus, C. Mura, and T. Gunnoe) and to support faculty engaged in innovative curriculum development projects. The department proposes to allocate \$90,000 for equipment, both for start ups and for new faculty, retention commitments, and cost share commitments on grants.

Mathematics - The department requests \$118,690 to support its Whyburn Postdoctoral Fellowship program. Internationally recognized for its excellence, this competitive fellowship program brings new Ph.D. recipients in mathematics for three years of teaching and research. The department also requests \$21,310 for summer wages for new Assistant Professors T. Melcher and H. Gromoll. Finally, the department requests that \$10,000 be allocated for equipment purchases.

Physics - The department proposes to allocate \$33,527 to provide summer support for new faculty members K. Paschke, X. Zheng, A. Lamacraft, and D. Vaman. The department proposes to allocate \$216,473 in fellowship support to six outstanding students. Attracting the most highly qualified science graduate students requires that we offer competitive fellowships and the Pratt funds are crucial to the recruitment effort.

New Faculty Start-up Fund - A total of \$2,500,000 is requested by the College to use as components of start-up packages associated with new hires, some of which are still being negotiated, for costs share on grants and other opportunities that may arise in the coming year and for other strategic needs in building the programs in these four departments. It is estimated that this funding will be equally split between equipment, faculty salaries, and fellowships. This \$2,500,000 is comprised of a \$400,000 reserve managed by the dean; a previously approved annual \$500,000 distribution to a New Faculty Start-Up Fund managed by the Executive Vice President and Provost, and an additional \$1,600,000 to this fund. This reserve - which will be carefully allocated in accordance with the terms of Mr. Pratt's will - is critical in the recruitment of faculty members in biology, chemistry, mathematics, and physics.

SCHOOL OF MEDICINE - \$6,435,000

Support and Training of Student Researchers - \$293,175 - Graduate students and post-doctoral fellows are central to a successful biomedical research program. A modest institutional share from the Pratt bequest supplements funds from federal government training programs and charitable foundations to attract superlative students. These individuals are critical to enhancing the quality of research in the Ph.D. and M.D./Ph.D. programs at the University. The success of these programs has a direct impact on the quality of faculty research at the School of Medicine.

Core Facility Support - \$1,039,450 - Core facilities - including, but not limited to, the Small Animal Multimodality Imaging Core, Advanced Microscopy Facility, Tissue Culture Facility, and Biomolecular Research Facility - provide access to large, expensive equipment and techniques that otherwise would not be available or cost-effective to individual investigators. They also offer techniques and technologies allowing investigators to move into new, cutting-edge areas of research. Each core serves investigators from a diverse group of departments and centers. These facilities operate on a fee-for-service basis, and, after

development costs and other expenses, average a cost recovery of 60-80 percent, with the differential funded by Pratt allocations. These resources provide a competitive advantage to the University's research programs, provide flexibility to acquire emerging technologies, and are critical to the School of Medicine's success in recruitment and retention and its ability to continue to grow its externally-funded research programs.

Vivarium Equipment - \$135,000 - A one-time additional allocation to purchase equipment for the vivarium in the newly occupied Sheridan G. Snyder Translational Research Building.

The Decade Plan - \$5,000,000 - The School of Medicine proposes a special distribution to continue implementation of the Decade Plan. The funds will be used to retain and recruit outstanding faculty in the basic medical sciences, through laboratory start-up packages, develop new interdisciplinary research centers, and acquisition of equipment for animal research in two new vivaria.