

June 13, 2008

MEMORANDUM

TO: The Finance Committee:

John O. Wynne, Chair  
A. Macdonald Caputo  
The Honorable 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

and

The Remaining Members of the Board:

Daniel R. Abramson	Don R. Pippin
Susan Y. Dorsey	Gordon F. Rainey, Jr.
The Honorable Lewis F. Payne	E. Darracott Vaughan, Jr., M.D.
Adom Getachew	

FROM: Alexander G. Gilliam, Jr.

SUBJECT: Minutes of the Finance Committee Meeting on  
June 13, 2008

The Finance Committee of the Board of Visitors of the University of Virginia met, in Open Session, at 9:45am on Friday, June 13, 2008, in the Dome Room of the Rotunda; John O. Wynne, Vice Rector and Chair, presided.

Thomas F. Farrell, II, A. Macdonald Caputo, G. Slaughter Fitz-Hugh, Jr., Ms. Glynn D. Key, Austin Ligon, Vincent J. Mastracco, Jr., Warren M. Thompson, and W. Heywood Fralin, Rector, were present.

Present, too, were Daniel R. Abramson, Ms. Susan Y. Dorsey, The Hon. Lewis F. Payne, Don R. Pippin, E. Darracott Vaughan, Jr., M.D., and Ms. Adom Getachew.

Michael Turner, member of the Council of Foundations, attended vice Mr. Meyers as a Consulting Member. Edmund Kitch, Chair of the Faculty Senate, attended on behalf of the Senate.

Also present were John T. Casteen, III, Leonard W. Sandridge, Alexander G. Gilliam, Jr., Paul J. Forch, Arthur Garson, Jr., M.D., Ms. Susan A. Carkeek, William B. Harvey, James L. Hilton, R. Edward Howell, Ms. Patricia M. Lampkin, David J. Prior, Robert D. Sweeney, and Ms. Jeanne Flippo Bailes.

The Chair convened the meeting and asked Mr. Sandridge, Executive Vice President and Chief Operating Officer, to present the Agenda, the first three items of which constituted a consent agenda.

CONSENT AGENDA: Reconciliation of Eminent Scholar Income Stabilization Endowment with Robert C. Taylor Fund

Mr. Sandridge explained that 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 to supplement the State Eminent Scholar's appropriation. The Eminent Scholar Income Stabilization Endowment is not adequate for its stated purpose, so the University proposes that the principal be combined with that of the Robert C. Taylor Fund.

On motion, the Committee adopted the following resolution and recommended it to the full Board of Visitors for approval:

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.

CONSENT AGENDA: Property Acceptance from the City of Charlottesville

A small piece of land - 632 square feet - owned by the City of Charlottesville is required for the construction of the Emily Couric Clinical Cancer Center. The City Council of Charlottesville has approved the conveyance of the parcel to the Rector and Visitors of the University at no cost. The Board must approve the acceptance of the land.

On motion, the Committee adopted the following resolution and recommended it to the full Board of Visitors for approval:

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.

CONSENT AGENDA: Amendments to University Bond Resolutions

Under the 2005 Restructured Higher Education Financial and Administrative Operations Act, and the subsequent Management Agreement with the Commonwealth, the University was granted authority to issue its own debt without the prior approval of the Governor, the State Treasurer, and/or the Treasury Board. Last year, the Board adopted a resolution to eliminate the need for such state approvals of certain Commercial Paper actions.

It is now proposed, on advice from bond counsel, to take the same action with regard to Series 1999A, 2003A, 2003B and 2005 Bond Resolutions. The University also wishes to make certain revisions to its Series 2003A Bond Resolution to facilitate the University's use of liquidity arrangements and to make certain other technical revisions.

On motion, the Committee adopted the following resolution and recommended it to the full Board of Visitors for approval:

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; and

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.

ACTION AGENDA: Endowment Spending Policy and Administrative Fee

Turning to the Action Agenda, Mr. Sandridge introduced a discussion in which he proposed increasing the Endowment spending policy and introducing an administrative fee on Endowment accounts to cover administrative costs. The administrative fee would cover only the Endowment held by the Rector and Visitors, not endowments held by the University-related foundations.

The proposed spending policy would set a rate of 5% of market value for Fiscal Year 2009; thereafter, the rate would be an increase of the previous year's payout by the inflation rate, as long as the resulting payout is within 4%-6% of market value.

As for an administrative fee, it is proposed to charge 0.5% of market value or 50 basis points. Of these 50 basis points, or bps, 25 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. This would translate to about \$16million for fiscal year 2008-2009, and thus \$8million for a centrally-funded endowment administration.

On motion, the Committee adopted the following resolution and recommended it to the full Board for approval.

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; and

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.

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

Mr. Sandridge prefaced his remarks by saying that the Wise Board has considered and approved the portions of the budget that deal with the College at Wise, and the Medical Center Operating Board has discussed and approved the Medical Center budget. He reminded the Committee that as part of the annual budget cycle, the Board in February and April approved tuition, mandatory fees, housing, and dining rates for 2008-2009; these, of course, comprise a significant source of revenue for the operating budget.

There followed comments by the President on the philosophy of state support for higher education in Virginia, which initiated a general discussion among Members on this subject. State support in the proposed budget is reckoned at 8.2% of the whole, down from 8.8% last year, and considerably lower than the 26.2% appropriated in 1989-90.

There also were questions and a discussion of possible economies.

The proposed combined budget - Academic Division, Medical Center, and Wise - amounts to \$2,238.7million, an increase of 5.4%. This breaks down to \$1,224.5million for the Academic Division (an increase of 4.1%), \$980.1million (an increase of 7.1%) for the Medical Center, and \$34.1million (an increase of 2.2%) for the College at Wise. Of the \$2.24billion budget, tuition and fees make up 16.2% of revenue, patient revenue 43.9%, state appropriations 8.2%, grants and contracts 13.2%, and private giving 9.1%.

At Mr. Sandridge's request, Ms. Sheehy, Vice President for Management and Budget, began a more detailed presentation of the budget.

For the Academic Division, Ms. Sheehy said, the growth in the budget is driven by a number of factors: the 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. She discussed all of these in some detail, citing figures.

Ms. Sheehy raised several what she called "critical issues" for the Academic Division: funding Central Development; support for the Commission on the Future of the University; research - "how to address higher research infrastructure costs funded from a relatively flat revenue stream?;" faculty salaries - "what is an appropriate ongoing goal for faculty compensation as compared to other priorities?."

The College at Wise receives considerable support from the Commonwealth: General Funds amount to 51% of the College's income in the budget. Tuition and fees come to 17.4%.

The Medical Center budget assumes net operating revenues of \$1,024.8million, which would produce an operating margin of 4.4%. The assumptions used in making the budget are, among others, the admission of 30,770 patients, expanded bed capacity, rate increases in the range of 7 to 9.9%, and provision for raises for employees and residents.

Finally, the distribution of Pratt funds for 2008-09 is proposed at \$3,400,000 from the College of Arts and Sciences endowment and \$6,435,000 from the School of Medicine endowment.

The Chair called for motions approving the budgets for the Academic Division, The University of Virginia's College at Wise, the Medical Center, the Pratt Fund distribution, and funding for the Commission on the Future of the University's priorities.

The Committee approved all five resolutions and recommended them to the full Board for approval.

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.

ACTION AGENDA: Capital Project Review - Financial Plans

Ms. Sheehy reminded the Committee that the Board usually approves major capital projects every two years as part of the Six Year Major Capital Project program. When additional capital projects, outside the Six Year program, are identified, the projects must be approved by the Finance Committee and the Buildings and Grounds Committee before being submitted to the full Board.

There are three such projects: the replacement of the Scott Stadium video/score board, the Information Technology Engineering Building and the Arts and Sciences Research Building.

The three projects were discussed in the meeting of the Buildings and Grounds Committee earlier in the day and recommended to the Finance Committee and the full Board for approval. Ms. Sheehy gave a quick overview of the proposed financial plans for each.

On motion, the following resolution was approved by the Committee and recommended to the full Board for approval:

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.

VICE PRESIDENT'S REPORT

Mr. Sandridge reported that when the University issued long-term bonds in May, the University's debt was reviewed by the rating agencies - Fitch, Moody's and Standard & Poor's. All three agencies reaffirmed the University's AAA/Stable rating and assigned their top ratings for the University's commercial paper program.

Finally, Mr. Sandridge referred Members to the three written reports in their Agenda Books: on the Endowment, on Enterprise Risk Management, and on the Student System Project.

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On motion, the meeting was adjourned at 11:25 a.m.

AGG:jb

These minutes have been posted to the University of Virginia's Board of Visitors website.  
<http://www.virginia.edu/bov/financeminutes.html>

THE RECTOR AND VISITORS OF THE  
UNIVERSITY OF VIRGINIA

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SUPPLEMENTAL RESOLUTION

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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

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SUPPLEMENTAL RESOLUTION

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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. Lamcraft, 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.

Attachment C

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.