

March 5, 2003

MEMORANDUM

TO: The Executive Committee:

John P. Ackerly, III, Chair  
Thomas F. Farrell, II  
William H. Goodwin, Jr.  
Gordon F. Rainey, Jr.  
Elizabeth A. Twohy

and

The Remaining Members of the Board:

Thomas J. Bliley, Jr.	Don R. Pippin
William G. Crutchfield, Jr.	Terence P. Ross
Charles L. Glazer	Thomas A. Saunders, III
T. Keister Greer	Warren M. Thompson
Elsie Goodwyn Holland	E. Darracott Vaughan, Jr., M.D.
Mark J. Kington	H. Timothy Lovelace, Jr.

FROM: Alexander G. Gilliam, Jr.

RE: Minutes of the Meeting of the Executive Committee on  
March 5, 2003

The Executive Committee of the Board of Visitors of the University of Virginia met, in Open Session, at 12:50 p.m., Wednesday, March 5, 2003, in the offices of Hunton & Williams, 20<sup>th</sup> floor, East Tower, Riverfront Plaza, 951 East Byrd Street in Richmond; John P. Ackerly, III, Rector, presided. Gordon F. Rainey, Jr. also was present. Thomas F. Farrell, II, William H. Goodwin, Jr., and Ms. Elizabeth A. Twohy participated by telephone.

Also present were Leonard W. Sandridge, Alexander G. Gilliam, Jr., Ms. Yoke San Reynolds, David L. Richardson, and Ms. Chris Hewett (Ms. Hewett and Mr. Richardson, members of the firm McGuire Woods LLP, represented bond counsel). Paul J. Forch participated by telephone.

The Rector asked Ms. Reynolds to present the Agenda, which was the discussion and approval of an issuance of general revenue pledge bonds and the establishment of a commercial paper program. The Board of Visitors approved both at its meeting on February 1, 2003 (see Minutes of the meeting of the Board of Visitors of that date); Ms. Reynolds explained that the Committee was being asked to approve the final pricing and terms. She distributed to the Committee the "Parameters" of the terms involved (see Attachment A) and proposed the resolution.

The Committee adopted the following resolution and will report on it to the full Board at the April Board meeting:

RESOLUTION OF THE RECTOR AND VISITORS  
OF THE UNIVERSITY OF VIRGINIA, AUTHORIZATION OF ISSUANCE  
OF UP TO \$200,000,000 OF GENERAL REVENUE PLEDGE BONDS

RECITALS

WHEREAS, Chapter 9, Title 23 of the Code of Virginia of 1950, as amended (the "Virginia Code"), establishes a public 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"); and

WHEREAS, Chapter 3, Title 23 of the Virginia Code (the "Act") classifies the University as an educational institution, declares it to be a public body and constitutes it a governmental instrumentality for the dissemination of education; and

WHEREAS, the Act empowers the University, with the consent and approval of the General Assembly of the Commonwealth of Virginia (the "Commonwealth") and the Governor of the Commonwealth to build, construct, reconstruct, erect, extend, better, equip and improve any building, facility, addition, extension or improvement of a capital nature required by or convenient for the purposes of the University and to borrow money and make, issue and sell bonds of the University for any such purposes, including the refinancing of any such facilities, such bonds to be issued and sold through the Treasury Board of the Commonwealth (the "Treasury Board"); and

WHEREAS, the Act further authorizes the University to pledge to the payment of the principal of and the interest on such bonds any monies available for the use of the University including, but not limited to, and subject to guidelines promulgated by the Secretary of Finance of the Commonwealth (the "Secretary of Finance"), monies appropriated to the University from the general funds of the Commonwealth or from non-general funds, without regard to the source of such monies, and which are

not required by law or by previous binding contract to be devoted to some other purpose; and

WHEREAS, pursuant to a resolution adopted on February 1, 2003, the Board determined to finance (i) the construction and equipping of an addition to the Aquatic & Fitness Center consisting of a gymnasium complex, fitness and weightlifting areas and the Engineering/Science chiller plant; (ii) the renovation of the Cancer Center; (iii) the construction and equipping of the Emmet Street Parking Structure; (iv) the construction, renovation and equipping of a renovation and expansion Project at the University's Hospital; (v) the acquisition of the School of Medicine research building; (vi) the construction and equipping of the University's new sports arena; (vii) the construction of a replacement of Observatory Hill Dining Facility; and (viii) the refunding of all or a portion of the outstanding principal amount of (a) the University's General Revenue Pledge Bonds, Series 1993A, (b) the University's General Revenue Pledge Bonds, Series 1993B, and (c) the outstanding principal amount of the Commonwealth of Virginia Higher Educational Institutions Bonds (Series 1992B) issued to finance certain dining facilities at the University (collectively, the "Project"), and delegated to the Executive Committee of the Board the power to approve the final terms of such financing, within certain stated parameters; and

WHEREAS, pursuant to a resolution adopted on February 1, 2003, the Board determined to facilitate the financing or refinancing from time to time of capital projects of the University on a short-term basis through the issuance of short-term commercial paper in an aggregate outstanding principal amount at any time not to exceed \$100,000,000 (the "Program") and delegated to the Executive Committee of the Board the power to approve the final terms of such financing, within certain stated parameters; and

WHEREAS, for the purpose of providing funds to finance or refinance the acquisition, construction and equipping of the Project, the Executive Committee of the Board, pursuant to the powers granted it under Section 23-75 of the Virginia Code, has determined to adopt the attached Resolution (the "Series 2003A Resolution") authorizing the issuance of general revenue pledge bonds of the University as Series 2003A Bonds (the "Series 2003A Bonds"), and a second Resolution (the "Series 2003B Resolution") authorizing the issuance of general revenue bonds of the University as Series 2003B (the "Series 2003B Bonds" and together with the Series 2003A Bonds, the "Series 2003 Bonds"); and

WHEREAS, for the purpose of providing funds to facilitate the short-term financing of capital projects, the Executive Committee of the Board, pursuant to the powers granted it under Section 23-75 of the Virginia Code, has determined to adopt a resolution (the "Commercial Paper Series 2003A and 2003B Resolution") authorizing the issuance of general revenue pledge notes of the University as Commercial Paper Series 2003A and 2003B notes (the "Commercial Paper Series 2003A and 2003B Notes"); and

WHEREAS, the Board anticipates that the bonds will be secured by a general revenue pledge of the University and not be in any way a debt of the Commonwealth and shall not create or constitute any indebtedness or obligation of the Commonwealth, either legal, moral or otherwise;

RESOLVED, the Executive Committee of the University on behalf of the Board, approves the following: The Bond Series 2003A Resolution, the Bond Series 2003B Resolution, and the Commercial Paper Series 2003A and 2003B Resolution.

ADOPTED this 5th day of March, 2003.

Secretary, Board of Visitors

University of Virginia

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On motion, the meeting was adjourned at 1:00 p.m.

Note: Although the Rector's term on the Board expired March 1<sup>st</sup>, as did that of Ms. Twohy, the General Counsel opined in a ruling on March 4<sup>th</sup> that they would continue to serve until replaced (a copy of his opinion is appended as Attachment B). The new appointments to the Board were made by the Governor on March 6<sup>th</sup> at noon, the day after the meeting of the Executive Committee.

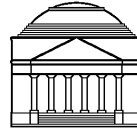
AGG:lah

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

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

**ATTACHMENT A**

<b>EXECUTIVE COMMITTEE PARAMETERS</b>									
<b>March 5, 2003</b>									
					<b>March 5, 2003</b>			<b>2/1/2003 BOV</b>	
					<b>Final Terms</b>			<b>"Maximum" Parameters</b>	
					<b>VR</b>	<b>FR</b>			
					<b>Series A</b>	<b>Series B</b>			
<b>Principal amount</b>					<b>\$82,010,000</b>	<b>\$117,990,000</b>	<b>\$200,000,000</b>		
<b>True interest cost for fixed rate</b>					<b>-</b>	<b>4.62%</b>	<b>6%</b>		
<b>True initial interest cost for variable rate <sup>1</sup></b>					<b>TBD</b>	<b>-</b>	<b>5%</b>		
<b>Final maturity</b>					<b>6/1/34</b>	<b>6/1/33</b>	<b>6/1/38</b>		
<b>Call protection</b>					<b>N/A</b>	<b>10 years</b>	<b>11 years</b>		
<b>Optional redemption premium</b>					<b>0%</b>	<b>0%</b>	<b>2%</b>		
<b>Underwriters discount</b>					<sup>2</sup> <b>0.115%</b>	<b>0.389%</b>	<b>0.50%</b>		
<b><sup>1</sup> Financing arrangements finalized March 5, 2003.</b>									
<b>Initial rate will be set at closing on March 18, expected to be around 1.1%</b>									
<b><sup>2</sup> Excludes annual remarketing fee of 5 bps</b>									



March 24, 2003

Mr. John P. Ackerly, III  
P.O. Box 1122  
Richmond, Virginia 23218-1122

Dear Jack,

As you know, you were re-elected Rector of the BOV to serve through February 28, 2006. Your second term on the Board was however effective through March 1, 2003. Under familiar principles of law and good public policy, you and the three other members of the BOV whose terms expired at the same time as yours (Boo Twohy, Elsie Holland and Keister Greer) may choose to continue to serve on the BOV until your successors are appointed and qualified by giving the oath of office as required by law.

I understand that the election of the new Rector is scheduled for April 3, 2003. If your replacement on the BOV is not appointed and qualified prior to April 3, you may continue on the BOV as Rector until such time as your successor is duly appointed and qualified.

Given the turbulence and uncertainty of our times, the rationale for continuity of leadership at the BOV level may be at its greatest point. Accordingly, so as to ensure that the University will not be left in circumstances without a Rector, until your successor is duly appointed and qualified as aforesaid, it is my opinion that you may continue in office of Rector for the good of the University of Virginia for the duration. I would encourage you to inform the Board and the University President of your decision, and my opinion, so that we are all on the same page together. I am also mindful of expected consideration tomorrow by the BOV Executive Committee of proposed issuance of general pledge bonds and other matters, which has been duly authorized by the BOV and which is significant to the progress of the University.

Sincerely,

Paul J. Forch