New Issue: Book-Entry Only

Ratings:	**Moody's:**	**Aaa**
	Standard & Poor's:	**AAA**
	Fitch Ratings:	**AAA**
	(See "RATINGS" herein)	

In the opinion of Bond Counsel, under existing laws of the Commonwealth of Virginia, interest on the Series 2009 Bonds is not subject to Virginia taxation. BOND COUNSEL IS NOT RENDERING ANY OPINION WITH RESPECT TO THE TREATMENT OF INTEREST ON THE SERIES 2009 BONDS FOR PURPOSES OF FEDERAL INCOME TAXATION, AND SUCH INTEREST IS EXPECTED TO BE INCLUDED IN GROSS INCOME FOR PURPOSES OF FEDERAL INCOME TAXATION. See ***"TAX MATTERS"*** *herein.*

$250,000,000

THE RECTOR AND VISITORS OF THE UNIVERSITY OF VIRGINIA

Taxable General Revenue Pledge Bonds, Series 2009

CUSIP: 915217 RY1

6.200% Bonds Due September 1, 2039 **Issue Price: 99.711%**

Dated: Date of Delivery

The offered bonds identified above (the "Series 2009 Bonds") will be issued as fully registered bonds and will be registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository for the Series 2009 Bonds under a book-entry only system. Accordingly, Beneficial Owners of the Series 2009 Bonds will not receive physical delivery of bond certificates. See **"THE SERIES 2009 BONDS – Book-Entry Only System"** herein. The Series 2009 Bonds are payable solely from Pledged Revenues, as herein defined, available to The Rector and Visitors of the University of Virginia (the "University").

The Series 2009 Bonds will bear interest at fixed rates and will be offered at the prices or yields, all as set forth on the inside of this cover page. Individual purchases of beneficial ownership interests in Series 2009 Bonds may be made in the principal amount of $1,000 or any integral multiple thereof. Interest on the Series 2009 Bonds is payable by The Bank of New York Mellon Trust Company, National Association, as Paying Agent, semi-annually on each March 1 and September 1, commencing on September 1, 2009.

The Series 2009 Bonds are subject to optional and extraordinary redemption prior to maturity as described herein.

THE SERIES 2009 BONDS WILL CONSTITUTE LIMITED OBLIGATIONS OF THE UNIVERSITY AND WILL BE SECURED BY A PLEDGE OF CERTAIN REVENUES AND RECEIPTS OF THE UNIVERSITY, ALL AS DESCRIBED HEREIN. THE PRINCIPAL OF AND INTEREST ON THE SERIES 2009 BONDS SHALL BE PAYABLE SOLELY FROM THE FUNDS PLEDGED THEREFOR. NEITHER THE COMMONWEALTH OF VIRGINIA, NOR ANY POLITICAL SUBDIVISION THEREOF, NOR THE UNIVERSITY, SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF OR INTEREST ON THE SERIES 2009 BONDS EXCEPT FROM THE REVENUES AND RECEIPTS PLEDGED AND ASSIGNED THEREFOR. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE COMMONWEALTH OF VIRGINIA, OR ANY POLITICAL SUBDIVISION THEREOF, IS PLEDGED TO THE PRINCIPAL OF OR INTEREST ON THE SERIES 2009 BONDS OR OTHER COSTS INCIDENT HERETO. THE UNIVERSITY HAS NO TAXING POWERS.

The Series 2009 Bonds are offered when, as and if issued and accepted by the Underwriters subject to the approval of legality by McGuireWoods LLP, Richmond, Virginia, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the University by Paul J. Forch, General Counsel to the University and Special Assistant Attorney General, Charlottesville, Virginia, and for the Underwriters by their counsel, Troutman Sanders LLP, Richmond, Virginia. The Series 2009 Bonds are expected to be available for delivery through the facilities of DTC, New York, New York, or its custodial agent, on or about April 22, 2009.

J.P.Morgan **Morgan Stanley**

Dated: April 15, 2009

The information set forth herein has been obtained from the University, DTC and other sources that are deemed to be reliable. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Offering Memorandum nor any sale of the Series 2009 Bonds shall under any circumstances create any implication that there has been no change in the affairs of the parties referred to above since the date hereof.

The Underwriters have provided the following sentence for inclusion in this Offering Memorandum. The Underwriters have reviewed the information in this Offering Memorandum in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information and such information is not to be construed as a representation of the Underwriters. The information herein is subject to change without notice and neither the delivery of this Offering Memorandum nor any sale hereunder shall under any circumstances create an implication that there has been no change in the affairs of the University since the date hereof.

No dealer, broker, salesperson or other person has been authorized to give any information or to make any representation other than as contained in this Offering Memorandum and, if given or made, such other information or representation must not be relied upon as having been authorized by the University or the Underwriters. This Offering Memorandum does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Series 2009 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The Series 2009 Bonds have not been registered under federal securities laws in reliance upon an exemption from registration under Section 3(a)(2) of the Securities Act of 1933, as amended.

TABLE OF CONTENTS

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OFFERING MEMORANDUM OF

THE RECTOR AND VISITORS OF THE UNIVERSITY OF VIRGINIA
relating to

$250,000,000
Taxable General Revenue Pledge Bonds, Series 2009

INTRODUCTION

Purpose

This Offering Memorandum, including the cover page and the Appendices, is furnished in connection with the sale of $250,000,000 aggregate principal amount of The Rector and Visitors of the University of Virginia (the "University") Taxable General Revenue Pledge Bonds, Series 2009 (the "Series 2009 Bonds"). The Series 2009 Bonds will constitute valid and binding limited obligations of the University and will be secured by a pledge of certain revenues and receipts of the University, all as described herein. The principal of and interest on the Series 2009 Bonds will be payable solely from the funds pledged therefor in accordance with the terms of the Bond Resolution, as herein defined. See **"SECURITY FOR THE SERIES 2009 BONDS"** herein. Terms capitalized but undefined in the body of this Offering Memorandum are defined in **Appendix C** attached hereto.

The Series 2009 Bonds will bear interest at fixed rates until maturity. See **"THE SERIES 2009 BONDS"** herein.

The proceeds of the Series 2009 Bonds will be used by the University (a) to finance capital improvements to the University's educational facilities located in the City of Charlottesville, Albemarle County and/or Wise County, Virginia, which are expected to include, without limitation, all or a portion of the costs of (i) expansion of the AFC Chiller Plant, (ii) acquisition of the ART Life Sciences Annex, (iii) construction of the Clinical Cancer Center, Part 2 (Emily Couric Cancer Center), (iv) construction of the College of Arts and Sciences Research Building, (v) construction (including 3rd Floor Build Out) of the Fontaine Clinics Building, (vi) various projects relating to the expansion and renovation of the University Hospital, including the expansion and remodeling of various Hospital beds, (vii) construction of the Information Tech Engineering (ITE) Building, (viii) repair and renovation of Newcomb Hall, (ix) construction of the North Ridge Development Project, (x) renovations of Garrett Hall (Batten School), (xi) acquisition of the Snyder Translational Research Building, (xii) construction of the Rugby Administrative Building, (xiii) construction of infrastructure improvements to the West Main Street Streetscape, and (xiv) construction of Culbertson Hall at Wise; and (b) to pay certain expenditures associated with the foregoing to the extent financeable, including, without limitation, costs of issuance with respect to the Series 2009 Bonds. See "**APPLICATION OF SERIES 2009 BOND PROCEEDS – Plan of Finance"** herein.

The University

The University is classified and constituted pursuant to Title 23 of the Code of Virginia of 1950, as amended, as an educational institution of the Commonwealth of Virginia. See **Appendix A** attached hereto for a description of the University. The Series 2009 Bonds will be issued under the Restructured Higher Education Financial and Administrative Operations Act, Chapter 4.10, Title 23, Code of Virginia of 1950, as amended (the "Act"), pursuant to the terms of certain resolutions adopted by the Board of Visitors of the University on April 3, 2009 (collectively, the "Bond Resolution").

Appendices

In addition to **Appendix A** describing the University, attached hereto as **Appendix B** are the University's audited financial statements for the fiscal year ended June 30, 2008. Also included in **Appendix B** is the University's Management's Discussion and Analysis, which provides an overview of the financial position and results of activities of the University for the fiscal year ended June 30, 2008. Attached hereto as **Appendix C** are certain definitions and a summary of the Bond Resolution. Attached hereto as **Appendix D** is the proposed form of Opinion of Bond Counsel. Attached hereto as **Appendix E** is the proposed form of Continuing Disclosure Agreement.

Document Summaries

This Offering Memorandum contains summaries of certain provisions of the financing documents, including without limitation, the Bond Resolution. Reference is hereby made to each of such financing documents for the detailed provisions thereof, and the summaries and other descriptions of the provisions of such instruments and other documents contained in this Offering Memorandum, including the Appendices hereto, are qualified in their entirety by such reference.

THE SERIES 2009 BONDS

The following is a summary of certain provisions of the Series 2009 Bonds. For definitions of certain terms and additional detailed information relating to the Series 2009 Bonds, see **Appendix C** attached hereto.

General

The Series 2009 Bonds will be issued in the aggregate principal amount of $250,000,000. The Series 2009 Bonds will be dated the date of their delivery and will mature on September 1 in the years and amounts as set forth on the cover page hereof. Interest on the Series 2009 Bonds will be payable semi-annually on March 1 and September 1, commencing on September 1, 2009, at the rates per annum shown on the cover page hereof, calculated on the basis of a 360-day year consisting of 12 months of 30 days each. The Series 2009 Bonds will be offered in denominations of $1,000 and integral multiples thereof ("Authorized Denominations").

Designation of Series 2009 Bonds as "Build America Bonds"

The Series 2009 Bonds are expected to be issued as "Build America Bonds" for purposes of the American Recovery and Reinvestment Act of 2009 signed into law on February 17, 2009 (the "Recovery Act"). Pursuant to the Recovery Act, the University will receive a cash subsidy payment from the United States Treasury equal to 35% of the interest payable on the Series 2009 Bonds on each interest payment date. The cash payment does not constitute a full faith and credit guarantee of the United States Government, but is required to be paid by the Treasury under the Recovery Act. The Series 2009 Bonds are subject to extraordinary optional redemption as described in **"Redemption – *Extraordinary Optional Redemption*"** below upon a change in law that would reduce or eliminate the cash subsidy payment.

Redemption

Optional Redemption. The Series 2009 Bonds are subject to redemption prior to their maturity at the option of the University, in whole or in part on any date, at a redemption price equal to the greater of:

(1) 100% of the principal amount of the Series 2009 Bonds to be redeemed; or

(2) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of the Series 2009 Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the Series 2009 Bonds are to be redeemed, discounted to the date on which the Series 2009 Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate, plus 40 basis points;

plus, in each case, accrued interest on the Series 2009 Bonds to be redeemed to the redemption date.

"Treasury Rate" means, with respect to any redemption date for a particular Series 2009 Bond, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity excluding inflation indexed securities (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two Business Days prior to the redemption date or, if such Statistical Release is no longer published, any publicly available source of similar market data) most nearly equal to the period from the redemption date to the maturity date of the Series 2009 Bond to be redeemed; provided, however, that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

At the request of The Bank of New York Mellon Trust Company, National Association, as Paying Agent (the "Paying Agent"), the redemption price of the Series 2009 Bonds to be redeemed at the option of the University will be determined by an independent accounting firm, investment banking firm or financial advisor retained by the University at the University's expense to calculate such redemption price. The Paying Agent and the University may conclusively rely on the determination of such redemption price by such independent accounting firm, investment banking firm or financial advisor and will not be liable for such reliance.

Extraordinary Optional Redemption. The Series 2009 Bonds are subject to redemption prior to their maturity at the option of the University, in whole or in part upon the occurrence of an Extraordinary Event, at a redemption price equal to the greater of:

(1) 100% of the principal amount of the Series 2009 Bonds to be redeemed; or

(2) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of the Series 2009 Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the Series 2009 Bonds are to be redeemed, discounted to the date on which the Series 2009 Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate, plus 100 basis points;

plus, in each case, accrued interest on the Series 2009 Bonds to be redeemed to the redemption date.

An "Extraordinary Event" will have occurred if a material adverse change has occurred to Section 54AA or 6431 of the Code (as such Sections were added by Section 1531 of the Recovery Act, pertaining to "Build America Bonds") pursuant to which the University's 35% cash subsidy payment from the United States Treasury is reduced or eliminated.

At the request of the Paying Agent, the redemption price of the Series 2009 Bonds to be redeemed at the option of the University will be determined by an independent accounting firm, investment banking firm or financial advisor retained by the University at the University's expense to calculate such redemption price. The Paying Agent and the University may conclusively rely on the determination of such redemption price by such independent accounting firm, investment banking firm or financial advisor and will not be liable for such reliance.

Notice of Redemption and Other Notices. So long as The Depository Trust Company ("DTC"), New York, New York, or its nominee is the Bondholder, the University and the Paying Agent will recognize DTC or its nominee as the Bondholder for all purposes, including notices and voting. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners (as hereinafter defined) will be governed by arrangements among them, subject to any statutory and regulatory requirements as may be in effect from time to time. See **"Book-Entry Only System"** below.

The Paying Agent will give notice of redemption to the Series 2009 Bondholders not less than 30 nor more than 60 days prior to the date fixed for redemption. Failure to mail notice to a particular Series 2009 Bondholder, or any defect in the notice to such Series 2009 Bondholder, will not affect the validity of the call for redemption of any other Series 2009 Bond. So long as DTC or its nominee is the Series 2009 Bondholder, any failure on the part of DTC or failure on the part of a nominee of a Beneficial Owner (having received notice from a Direct Participant or otherwise) to notify the Beneficial Owner so affected, will not affect the validity of the call for redemption. Any notice mailed as provided in the Bond Resolution will be conclusively presumed to have been given regardless of whether actually received by any Beneficial Owner. Such notice may state that it is conditioned upon the deposit of moneys with the Paying Agent to effect the redemption not later than the redemption date, in which event such notice will be of no effect unless such moneys are so deposited.

Selection for Redemption. Subject to applicable procedures of DTC while the Series 2009 Bonds are held in book-entry form by DTC, if less than all of the Series 2009 Bonds are to be called for redemption, the University will select Series 2009 Bonds for redemption in such manner as the University in its discretion may determine.

Book-Entry Only System

Upon initial issuance, the Series 2009 Bonds will be available only in book-entry form, and, will be available only in Authorized Denominations. DTC will act as securities depository for the Series 2009 Bonds. The Series 2009 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of the Series 2009 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Direct and Indirect Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Series 2009 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2009 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2009 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2009 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2009 Bonds, except in the event that use of the book-entry system for the Series 2009 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2009 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2009 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2009 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2009 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2009 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2009 Bonds, such as redemptions, defaults, and proposed amendments to the Bond Resolution. For example, Beneficial Owners of Series 2009 Bonds may wish to ascertain that the nominee holding the Series 2009 Bonds for their benefit has agreed to obtain and transmit notices to

Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2009 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2009 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the University as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2009 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2009 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the University or the Paying Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct and Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Direct or Indirect Participant and not of DTC (or its nominee), the Paying Agent or the University, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the University or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2009 Bonds at any time by giving reasonable notice to the University or the Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2009 Bond certificates are required to be printed and delivered.

The University may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, Series 2009 Bond certificates will be printed and delivered.

The information contained herein concerning DTC and DTC's book-entry system has been obtained from sources that the University believes to be reliable, but the University and the Paying Agent take no responsibility for the accuracy thereof.

Neither the University nor the Paying Agent will have any responsibility or obligation to such Direct or Indirect Participants or the persons for whom they act as nominees with respect to the payments to the Direct Participants, the Indirect Participants or Beneficial Owners.

Exchange and Transfer

If for any reason the book-entry only system is discontinued, the Series 2009 Bonds will be exchangeable and transferable on the registration books of the Registrar in Authorized Denominations. Upon presentation and surrender of any Series 2009 Bond for transfer or exchange, the Registrar will authenticate and deliver in the name of the designated transferee or transferees or the registered Bondholder, as appropriate, one or more new fully registered Series 2009 Bonds in any Authorized Denomination or Denominations. For every exchange or transfer of Series 2009 Bonds, the Registrar may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer.

APPLICATION OF SERIES 2009 BOND PROCEEDS

Proceeds of the Series 2009 Bonds will be used (a) to finance costs incurred in connection with the projects described in **"INTRODUCTION – Purpose"** above; and (b) to pay certain expenditures connected with the foregoing to the extent financeable, including, without limitation, certain costs of issuance. The proceeds of the Series 2009 Bonds are expected to be applied on the date of issue in the estimated amounts as follows (rounded to the nearest dollar):

Sources of Funds:	
Principal amount of Series 2009 Bonds	$250,000,000
Net original issue discount on Series 2009 Bonds	(722,500)
TOTAL	$249,277,500
Uses of Funds:	
Deposit to the Construction Fund	$246,520,373
Costs of Issuance (includes underwriters' discount†)	2,757,127
TOTAL	$249,277,500

† See **"UNDERWRITING"** herein.

SECURITY FOR THE SERIES 2009 BONDS

The following summary of the security for the Series 2009 Bonds is qualified in its entirety and reference is hereby made to **Appendix C** hereto which sets forth in further detail provisions relating to the security for the Series 2009 Bonds and to the Bond Resolution. For definitions of certain capitalized terms used but not defined herein, see **Appendix C** attached hereto.

Pledge of Pledged Revenues

Pursuant to the Bond Resolution, the University is required to pay the principal of and interest on the Series 2009 Bonds as they become due upon redemption, acceleration, maturity or otherwise. The Series 2009 Bonds are secured, together with the Outstanding General Revenue Pledge Bonds (as hereinafter defined) and other Credit Obligations of the University secured on a parity basis with the Series 2009 Bonds (collectively, "Parity Credit Obligations") by a pledge of Pledged Revenues (as hereinafter defined). See **"Existing and Permitted Parity Credit Obligations"** below.

"Pledged Revenues" mean any or all of the revenues now or hereafter available to the University which are not required by law, by binding contract entered into prior to the date of the Bond Resolution, or by the provisions of any Qualifying Senior Obligation (as hereinafter defined) to be devoted to some other purpose and will include, without limitation, all revenues pledged to the payment of any Qualifying Senior Obligation net of amounts necessary to pay it or any operating or other expenses, the payment of which is required or permitted to be made with such revenues prior to payment of such Qualifying Senior Obligation. "Qualifying Senior Obligation" means any existing Credit Obligation (other than Outstanding General Revenue Pledge Bonds or any other Parity Credit Obligation) secured by a pledge of any portion of the University's revenues, and any additional Credit Obligation issued to refund such obligations. See **"Qualifying Senior Obligations and Credit Obligations"** and **"Existing and Permitted Parity Credit Obligations"** below.

Qualifying Senior Obligations and Credit Obligations

The Bond Resolution permits the University, within the limitations described below and other restrictions, to pledge in the future the revenues from certain revenue producing facilities or systems to the payment of future

Qualifying Senior Obligations, with such pledge being superior to the pledge securing the Series 2009 Bonds and with operating expenses of such facilities or systems also having a prior claim to such revenues. For example, Qualifying Senior Obligations may include those secured by a pledge of net revenues from certain dormitory, dining hall, parking or student fees. All such pledges would be (1) prior and superior to the pledge securing the Series 2009 Bonds, and (2) net of operating expenses for the related facility or system, and such revenues would be available to pay the Series 2009 Bonds and other Parity Credit Obligations only to the extent such revenues are not required for either operating expenses of the facility or system involved or debt service on the related Qualifying Senior Obligations.

Under the Bond Resolution, the University may issue Qualifying Senior Obligations and may pledge and apply such portion of the Pledged Revenues as may be necessary to provide for (1) the payment of any such Credit Obligation, (2) the funding of reasonable reserves therefor and (3) the payment of operating and other reasonable expenses of the facilities financed in whole or in part with the proceeds of such Credit Obligation or facilities reasonably related to such facilities, and such pledge will be senior and superior in all respects to the pledge of Pledged Revenues securing the Series 2009 Bonds and any Parity Credit Obligations, but only if, prior to the incurrence of each such Credit Obligation, an Authorized Officer of the University certifies in writing that (1) taking into account the incurrence of such proposed Credit Obligation, (a) the University will have sufficient funds to meet all of its financial obligations, including its obligations to pay principal of and interest on all Credit Obligations, for all Fiscal Years to and including the second full Fiscal Year after the later of (i) the issuance of such proposed Credit Obligation and (ii) the completion of any facility financed with its proceeds and (b) such Authorized Officer has no reason to believe that the University will not have sufficient funds to pay all amounts due under all indebtedness of the University during the term of such proposed Credit Obligation, (2) to the best of Authorized Officer's knowledge, the University is not in default in the performance and observance of any of the provisions of the Bond Resolution and (3) in connection with the issuance of such proposed Credit Obligation the University has received an opinion of counsel nationally recognized in matters concerning municipal bonds to the effect such proposed Credit Obligation has been validly issued under the relevant provisions of the Constitution of Virginia.

The Bond Resolution further permits the University to issue bonds to refund any Qualifying Senior Obligations and to secure such refunding bonds with the same source of revenues securing the Qualifying Senior Obligations being refunded. Upon the defeasance of the refunded Qualifying Senior Obligations pursuant to any such refunding, the refunding bonds will be considered Qualifying Senior Obligations under the Bond Resolution.

Currently, other than the University's portion (which as of March 31, 2009, was $25,076,938) of certain general revenue bonds previously issued by the Commonwealth of Virginia, there are no Qualifying Senior Obligations and the University has no plans to issue any Qualifying Senior Obligations.

Existing and Permitted Parity Credit Obligations

The University previously has issued Parity Credit Obligations, the outstanding principal amount of which as of March 31, 2009, was $860,626,938 (which figure includes the outstanding principal amount of the University's Commercial Paper General Revenue Pledge Notes, and certain bonds issued on behalf of the University by the Virginia College Building Authority) (collectively, the "Outstanding General Revenue Pledge Bonds"). All of the Outstanding General Revenue Pledge Bonds are secured by a pledge of Pledged Revenues on a parity with the pledge securing the Series 2009 Bonds. See **"Financial Information – *Indebtedness and Other Obligations*"** in **Appendix A** attached hereto.

The Bond Resolution permits the University to incur other indebtedness that may be secured by a pledge of the Pledged Revenues ranking on a parity with the pledge of Pledged Revenues securing the Outstanding General Revenue Pledge Bonds and the Series 2009 Bonds, but only if an Authorized Officer of the University certifies in writing that (1) taking into account the incurrence of such proposed Parity Credit Obligation, (a) the University will have sufficient funds to meet all of its financial obligations, including its obligations to pay principal of and interest on all Credit Obligations, for all Fiscal Years to and including the second full Fiscal Year after the later of (i) the issuance of such Parity Credit Obligation and (ii) the completion of any facility financed with the proceeds of such Parity Credit Obligation, and (b) such Authorized Officer has no reason to believe that the University will not have sufficient funds to pay all amounts due under all indebtedness of the University during the term of such Parity Credit Obligation, and (2) to the best of such Authorized Officer's knowledge, the University is not in default in the performance and observance of any of the provisions of the Bond Resolution.

THE SERIES 2009 BONDS AND THE INTEREST THEREON SHALL NOT BE DEEMED TO CONSTITUTE A DEBT OR LIABILITY OF THE COMMONWEALTH OF VIRGINIA, LEGAL, MORAL OR OTHERWISE. NEITHER THE COMMONWEALTH OF VIRGINIA NOR THE UNIVERSITY SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF OR INTEREST ON THE SERIES 2009 BONDS OR OTHER COSTS INCIDENT THERETO EXCEPT FROM SOURCES PLEDGED THEREFOR IN THE BOND RESOLUTION, AND NEITHER THE FAITH AND CREDIT NOR FUNDS OF THE UNIVERSITY ARE PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR THE INTEREST ON THE SERIES 2009 BONDS OR OTHER COSTS INCIDENT THERETO. THE UNIVERSITY HAS NO TAXING POWER.

Defeasance

If the University provides to the Paying Agent cash or noncallable Government Obligations sufficient to provide for payment of all or part of the Series 2009 Bonds and meets certain other requirements, such Series 2009 Bonds will no longer be secured by the pledge of Pledged Revenues but instead by such cash or noncallable Government Obligations. Such requirements are described more fully in **"Defeasance"** in **Appendix C** attached hereto.

No Liens or Reserves; Disposition of Assets

The Series 2009 Bonds are not secured by any lien on or security interest in any property of the University or any reserves. The University is generally free to sell, encumber or otherwise dispose of its property if such disposition is either in the ordinary course of business, or if an Authorized Officer certifies in writing that taking into account such disposition (1) the University will have sufficient funds to meet all of its financing obligations, including its obligations to pay principal of and interest on all Credit Obligations for all Fiscal Years, to and including the second full Fiscal Year after such disposition, and (2) such Authorized Officer has no reason to believe that the University will not have sufficient funds to pay all amounts due under all indebtedness of the University then outstanding.

Operating Covenants; Amendments

In the Bond Resolution, the University has entered into certain operating covenants, which, along with other provisions relating to the security for the Series 2009 Bonds, may be amended with or without the consent of the holders of a majority of the principal amount of the Series 2009 Bonds then outstanding. See **"Supplemental Bond Resolutions Without Bondholder Consent"** and **"Supplemental Resolutions Requiring Bondholder Consent"** in **Appendix C** attached hereto.

ENFORCEABILITY OF REMEDIES

The remedies available to the registered holders of the Series 2009 Bonds upon an event of default under the Bond Resolution are in many respects dependent upon regulatory and judicial actions, which are often subject to discretion and delay. Under existing law, the remedies provided under the Bond Resolution may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Series 2009 Bonds will be qualified as to enforceability of the various legal instruments, limitations imposed by bankruptcy, reorganization, insolvency or similar laws affecting the rights of creditors generally and by judicial discretion applicable to equitable remedies and proceedings generally. See **"Events of Default"** and **"Remedies Upon Default"** in **Appendix C** attached hereto.

CERTAIN LEGAL MATTERS

All legal matters incident to the authorization, issuance, sale and delivery of the Series 2009 Bonds are subject to the approval of McGuireWoods LLP, Richmond, Virginia, Bond Counsel to the University ("Bond Counsel"). Certain legal matters will be passed upon for the University by Paul J. Forch, General Counsel to the University and Special Assistant Attorney General, and for the Underwriters by their counsel, Troutman Sanders LLP, Richmond, Virginia.

LITIGATION

There is no threatened or pending litigation against or affecting the University that, to the knowledge of the University, seeks to restrain or enjoin the issuance, sale or delivery of the Series 2009 Bonds, or to in any way contest or affect the validity of the Series 2009 Bonds, the Bond Resolution, or any proceedings of the University taken with respect to the issuance or sale of the Series 2009 Bonds or with respect to the Bond Resolution, or in any way contesting the existence or powers of the University. See **"Litigation"** in **Appendix A** attached hereto.

TAX MATTERS

State Income Tax Treatment

Bond Counsel's opinion will state that, under current law, income derived from the Series 2009 Bonds, or on the sale or exchange of the Series 2009 Bonds is excludable from gross income for purposes of income taxation by the Commonwealth of Virginia. Bond Counsel will express no opinion regarding (i) other Virginia tax consequences arising with respect to the Series 2009 Bonds or (ii) any consequences arising with respect to the Series 2009 Bonds under the tax laws of any state or local jurisdiction other than Virginia. Prospective purchasers of the Series 2009 Bonds should consult their own tax advisors regarding the tax status of interest on the Series 2009 Bonds in a particular state or local jurisdiction other than Virginia.

Federal Income Tax Status of Interest

BOND COUNSEL IS NOT RENDERING ANY OPINION WITH RESPECT TO THE TREATMENT OF INTEREST ON THE SERIES 2009 BONDS FOR PURPOSES OF FEDERAL INCOME TAXATION, AND SUCH INTEREST IS EXPECTED TO BE INCLUDED IN GROSS INCOME FOR PURPOSES OF FEDERAL INCOME TAXATION.

FINANCIAL ADVISOR

Prager, Sealy & Co., LLC of San Francisco, California, serves as financial advisor to the University in connection with the issuance of the Series 2009 Bonds.

UNDERWRITING

The Series 2009 Bonds are being purchased by J.P. Morgan Securities Inc. and Morgan Stanley & Co. Incorporated (the "Underwriters") at a price of $247,046,572.83 (reflecting the principal amount of $250,000,000.00 minus net original issue discount of $722,500.00, minus an underwriters' discount of $2,230,927.17 or approximately 0.892% of the principal amount of the Series 2009 Bonds). The Bond Purchase Agreement between the University and J.P. Morgan Securities Inc., as representative of the Underwriters, provides that the Underwriters will purchase all of the Series 2009 Bonds to be purchased if any Series 2009 Bonds are purchased.

The Bond Purchase Agreement provides that the Underwriters may offer and sell the Series 2009 Bonds to certain dealers and others at prices lower than the public offering prices stated on the cover page hereof, and the public offering prices set forth on the cover page may be changed after the initial offering by the Underwriters. In addition, the Bond Purchase Agreement provides that the University will reimburse the Underwriters for certain expenses incurred in connection with the offering of the Series 2009 Bonds.

FINANCIAL STATEMENTS

The audited financial statements of the University for the fiscal year ended June 30, 2008, have been audited by the Commonwealth's Auditor of Public Accounts and are included in **Appendix B**. Also included in **Appendix B** is the University's Management's Discussion and Analysis, which provides an overview of the financial position and results of activities of the University for the fiscal year ended June 30, 2008.

RATINGS

Moody's Investors Service, 7 World Trade Center, 250 Greenwich Street, New York, New York 10007 ("Moody's"), Standard & Poor's, 55 Water Street, New York, New York 10041 ("Standard & Poor's") and Fitch Ratings, Inc., One State Street Plaza, New York, New York 10004 ("Fitch Ratings") have assigned long-term ratings of "Aaa" , "AAA" and "AAA", respectively, to the Series 2009 Bonds.

The ratings express only the views of the rating agencies. The explanation of the significance of the ratings may be obtained from Moody's, Standard & Poor's and Fitch Ratings, respectively. There is no assurance that any rating will continue for any period of time or that it will not be revised or withdrawn. Any revision or withdrawal of ratings on the Series 2009 Bonds may have an effect on the market price thereof.

CONTINUING DISCLOSURE

The offering of the Series 2009 Bonds is subject to Rule 15c2-12 under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"), and the University will enter into a continuing disclosure agreement (the "Continuing Disclosure Agreement") with respect to the Series 2009 Bonds for the benefit of the registered and Beneficial Owners of the Series 2009 Bonds, substantially in the form attached as **Appendix E** to this Offering Memorandum, pursuant to which the University will agree to provide or cause to be provided the following: (i) certain annual financial information, including audited financial statements of the University and certain information of the University included under the headings **"Students"**, **"The University of Virginia Medical Center"** and **"Financial Information"** in **Appendix A** attached to this Offering Memorandum, comprising the following tables: "Undergraduate Applications, Acceptances and Matriculations", "Graduate & Professional Applications, Acceptances and Matriculations", "On Grounds Fall Enrollment", "Selected Medical Center Patient Information", "Non-Capital Appropriations from the Commonwealth", "Undergraduate Tuition and Required Fees Per Student", "Graduate Tuition and Required Fees Per Student", "Grants and Contracts", "University of Virginia Medical Center Summary Statement of Revenues, Expenses, and Changes in Net Assets" and "Pooled Endowment Fund Historic Annual Return"; (ii) timely notice of the occurrence of certain events, if material, with respect to the Series 2009 Bonds; and (iii) timely notice of a failure by the University to provide the required annual financial information on or before the date specified in the Continuing Disclosure Agreement. The University is not contractually obligated to supplement or update the information included in the Offering Memorandum after the delivery of the Series 2009 Bonds except as provided in the Continuing Disclosure Agreement. The Underwriters have not undertaken either to supplement or update the information included in this Offering Memorandum.

The University previously has undertaken to provide continuing disclosure pursuant to Rule 15c2-12, both in connection with its general revenue pledge bonds issued in 1999, 2003, 2005 and 2008 and with various bonds issued by the Virginia College Building Authority, a portion of the proceeds of which benefited the University, beginning in 1997. To date, the University has complied with such undertakings in all material respects.

RELATIONSHIPS

The Honorable Lewis F. Payne is a member of the Board of Visitors of the University, and is the Chief Executive Officer of McGuireWoods Consulting, an affiliate of McGuireWoods LLP, which serves as Bond Counsel for the Series 2009 Bonds. Another member of the Board of Visitors of the University, A. McDonald Caputo, is an Advisory Director of Morgan Stanley & Co. Incorporated, which is an Underwriter for the Series 2009 Bonds.

MISCELLANEOUS

The summaries or descriptions herein, including the Appendices hereto, of the Series 2009 Bonds, the Bond Resolution, and the Continuing Disclosure Agreement, and all references to other materials not purporting to be quoted in full, are only brief outlines of some of the provisions thereof and do not purport to summarize or describe all of the provisions thereof. So far as any statements are made in this Offering Memorandum involving matters of opinion, whether or not expressly so stated, they are intended merely as such and not as representations of fact.

The attached Appendices are integral parts of this Offering Memorandum and should be read in their entirety together with all of the foregoing information.

The University has reviewed the information contained herein and has approved this Offering Memorandum.

THE RECTOR AND VISITORS OF
THE UNIVERSITY OF VIRGINIA

By: /s/ Leonard W. Sandridge
Title: Executive Vice President and
Chief Operating Officer

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APPENDIX A

THE UNIVERSITY OF VIRGINIA

BACKGROUND

Thomas Jefferson founded the University of Virginia (the "University") near his home in Charlottesville, the culmination of his lifelong dream to "create the bulwark of the human mind in this hemisphere." Chartered by the General Assembly of Virginia (the "General Assembly") in 1819, the University opened for instruction in 1825.

Throughout its history, the University has drawn strength from the heritage of Mr. Jefferson. His belief in the "illimitable freedom of the human mind" continues to shape the goals of students and faculty. Audacious at its inception, the University's goals today are no less ambitious: to represent the American ideal for higher education and to achieve excellence in all of its endeavors. It pursues these by concentrating on four key areas: academic rigor, student self-governance, honor, and public service. Moreover, the University intends to remain a national model of excellence for undergraduate learning and professional education within a modern research university.

As a public entity, the University still embraces Mr. Jefferson's belief that an enlightened populace, sustained by students and scholars drawn from the Commonwealth of Virginia (the "Commonwealth") and around the world, is the surest way to secure the nation's liberty. By providing abundant opportunities for self-discovery and self-determination, it offers a student experience without parallel in higher education. Its tradition of student self-governance, marked most prominently by the student-run honor system, strives to imbue its graduates with a devotion to ethical conduct that remains with them for the rest of their lives.

GENERAL

The University has three main operating divisions: the Academic Division, the Medical Center, and the College at Wise.

The University's Academic Division is a comprehensive teaching and research institution enrolling 20,653 full-time equivalent students, including 13,762 undergraduates, in on-grounds programs. The Academic Division is comprised of 11 separate schools, including the College of Arts and Sciences, the Darden Graduate School of Business Administration, the School of Architecture, the McIntire School of Commerce, the Curry School of Education, the Batten School of Leadership and Public Policy, the School of Engineering and Applied Science, the School of Law, the School of Medicine, the School of Nursing and the School of Continuing and Professional Studies. Collectively, these schools offer 51 bachelor's degrees in 47 fields and programs, 84 master's degrees in 67 fields, six educational specialist degrees, two first-professional degrees (law and medicine) and 57 doctoral degrees in 55 fields. Many of these programs rank among the nation's elite. In August 2008, U.S. News & World Report's latest undergraduate college rankings placed the University at No. 2 among public universities and tied for No. 23 among its 248 ranked national universities. Since U.S. News & World Report began a separate listing of the top 50 public universities in 1998, the University has never been ranked lower than No. 2, and in the 20-year history of the rankings, has always been in the top 25 among all ranked universities.

The University of Virginia Medical Center is an integrated network of primary and specialty care services ranging from wellness programs and routine checkups to the most technologically advanced care. The hub of the Medical Center is a 580-bed hospital with a Commonwealth-designated Level 1 trauma center located on the Charlottesville campus. In addition, primary and specialty care are provided at convenient clinic locations throughout central Virginia communities. The Medical Center is one of the leading academic research hospitals in the nation and is a seven-time winner of Solucient, Inc.'s Top 100 Hospitals Award.

The University of Virginia's College at Wise (the "College at Wise") in southwest Virginia was originally founded in 1954 as Clinch Valley College, a branch campus of the University. The College at Wise provides undergraduate programs in the arts and sciences as well as select undergraduate professional programs in business, nursing, teacher education and other fields, all characterized by a strong liberal arts experience. The liberal arts foundation prepares individuals for professional careers, graduate study, or lifelong learning. The current enrollment is 1,142 full-time equivalent students.

ACADEMIC AND RESEARCH PROGRAMS

The University has established 496 endowed professorships for outstanding scholars, and the Center for Advanced Studies plays a major role in attracting and retaining scholars of national and international distinction. The University has graduated 45 Rhodes Scholars, more than any other state-supported institution. Nationally recognized programs include Architecture, English, Spanish, German, Religious Studies, Physiology, French, Art History, Astronomy, Classics, History, Psychology, undergraduate Business, graduate Business, Law, and Education.

ACCREDITATION AND MEMBERSHIP

The University has been accredited by the Southern Association of Colleges and Schools (SACS) since 1904. Re-accreditation occurs every ten years with the next re-accreditation visit scheduled for 2017. Additionally, individual programs, departments and schools have received accreditation from applicable professional agencies. The University belongs to the Association of American Universities, a group of 62 prominent research institutions throughout the United States and Canada.

FACILITIES

Thomas Jefferson designed the original University as an "academical village" – a plan to foster students and professors living and learning together. While that vision remains, today the University consists of 3,393 acres of land holdings throughout the Commonwealth, including 239 acres in Charlottesville and 1,461 additional acres in Albemarle County. Capital infrastructure is comprised of 537 buildings consisting of approximately 15.4 million square feet, including the Medical Center. In 1987, the University of Virginia at Charlottesville was named a World Heritage site on the United Nations' Educational, Scientific and Cultural Organization's prestigious World Heritage list.

Mr. Jefferson's private collection of books and materials created the nucleus of the University's first library. Since then the library system has grown to encompass 17 separate facilities housing approximately 5,158,000 books, 97,800 journals, periodicals, and serials, and an extensive selection of electronic media and texts. The newest facility, the Albert and Shirley Small Special Collections Library, holds the University's archives and world-renowned collections of more than 300,000 rare books and 17 million manuscripts and other materials.

UNIVERSITY GOVERNANCE

Board of Visitors

The first Board of Visitors for the University (the "Board") had three former United States presidents as members – James Madison, James Monroe and Thomas Jefferson, who also served as the University's first Rector. Responsibility for all property, property rights, duties, contracts and agreements of the University is vested in the Board. The President of the University, a position created in 1904, is the chief executive officer and serves at the behest of the Board. The corporate powers of the University are exercised by the Board through its 17 members, 16 of whom are appointed by the Governor and confirmed by the Senate of the Commonwealth, and one of whom is a non-voting student member appointed for a one-year term by the Board. The usual term is four years, and service is limited to two full terms, except in limited circumstances. At least 13 members must be residents of Virginia and at least 11 members must be alumni of the University. The current members of the Board, including their primary residence and occupation are:

W. HEYWOOD FRALIN, RECTOR[1], *Roanoke*	CEO, *Medical Facilities of America*
JOHN O. WYNNE, VICE RECTOR[1], *Virginia Beach*	Retired President and CEO, *Landmark Communications, Inc.*
DANIEL R. ABRAMSON, *Alexandria*	Principal, *Abramson Properties*
A. MACDONALD CAPUTO, *Greenwich, CT*	Advisory Director, *Morgan Stanley*
THE HON. ALAN A. DIAMONSTEIN, *Newport News*	Attorney, Sr. Partner, *Patten, Wornom, Hatten & Diamonstein*
SUSAN Y. DORSEY, *Mechanicsville*	Special Assistant, *The Office of the Secretary of Technology (VA)*
HELEN E. DRAGAS, *Virginia Beach*	President and CEO, *The Dragas Companies*
THOMAS F. FARRELL, II, *Richmond*	President and CEO, *Dominion Energy, INC.*
ROBERT D. HARDIE, *Charlottesville*	Managing Director, *Level One Partners, LLC*
GLYNN D. KEY, *Washington, D.C.*	Attorney, General Counsel, *GE Water & Process Technologies*
AUSTIN LIGON, *Manakin-Sabot*	Retired CEO and Co-Founder, *CarMax Inc.*
VINCENT J. MASTRACCO, JR, *Norfolk*	Attorney, Partner, *Kaufman & Canoles, P.C.*
THE HON. LEWIS F. PAYNE, *Charlottesville.*	Retired Congressman and CEO, *McGuire Woods Consulting*
DON R. PIPPIN, *Norton*	Attorney, *Pippin & Pippin*
WARREN M. THOMPSON, *Vienna*	Chairman, CEO and President, *Thompson Hospitality, LLC*
E. DARRACOTT VAUGHAN, JR., M.D., *New York, NY*	Urologist-in-Chief, *NY-Presbyterian Hospital*
RAHUL GORAWARA, *Charlottesville*	Student, *University of Virginia*

[1] Effective July 1, 2009 Mr. Wynne will become Rector. Mr. Fralin will continue to serve on the Board following the expiration of his term as Rector.

Administrative Officers of the University

Two hallmarks of the University's administration are its stability and long-term performance. The President of the University has primary responsibility for the management and operation of the University. The provost, vice presidents, deans and all other administrative officers are responsible to the President and through the President to the Board. The following table sets forth the principal administrative officers of the University.

Name	Title
JOHN T. CASTEEN III	President
LEONARD W. SANDRIDGE	Executive Vice President and COO
ARTHUR T. GARSON, JR.	Executive Vice President and Provost
YOKE SAN L. REYNOLDS	Vice President and CFO
COLETTE SHEEHY	Vice President for Management and Budget
ROBERT D. SWEENEY.	Senior Vice President for Development and Public Affairs
R. EDWARD HOWELL	Vice President and CEO, Medical Center
PAUL J. FORCH	General Counsel
ALEXANDER G. GILLIAM, JR.	Secretary to the Board of Visitors
JAMES S. MATTEO	Assistant Vice President for Treasury Operations and Fiscal Planning

John T. Casteen III. John Casteen became President in August 1990. During his tenure, he has overseen a major restructuring of the University's administrative and governance structures, one of the largest capital funds campaigns ever undertaken, significant improvements in academic programs, and major expansions of the University's physical facilities. Prior to returning to the University, the institution from which he holds three degrees, Dr. Casteen was President of the University of Connecticut (1985-1990) and Secretary of Education for the Commonwealth (1982-1985). Among many leadership positions, Dr. Casteen has been a director of the American Council on Education, a director of the National Collegiate Athletic Association, Trustee and Chair of the College Entrance Examination Board, and Chair of the Association of Governing Board's council of presidents. He is also past-president of the Southern Association of Colleges and Schools (SACS). Dr. Casteen was a director of the Council for Higher Education Accreditation and its Chair from 2000-2002, a member of the Association of Academic Health Centers' Council of Health Sciences and the University, and a director of the Association of American Colleges and Universities. He served as Chair of the Association of American Universities ("AAU"), and currently serves on the AAU's Institutional Data Committee. He is a member and Chair of the Board of Directors of the Jefferson Science Associates, LLC, and Chair of Universitas 21, an international network of 21 leading research-intensive universities in 13 countries. He currently serves on the Board of Directors of SAGE Publications, Inc., and is a member of the Virginia University Research Partnership Board.

Leonard W. Sandridge. Leonard W. Sandridge is Executive Vice President. Sandridge joined the University administration in 1967 as a member of the internal audit staff. He serves on the boards of the Charlottesville Regional Chamber of Commerce, University of Virginia Foundation, University of Virginia Investment Management Company, and Culpeper Regional Hospital. In 1993, Mr. Sandridge received the Thomas Jefferson Award, the University's highest honor for a faculty member, recognizing one who exemplifies Jefferson's principles and ideals in character, work, and influence. In 2003, he received the Paul Goodloe McIntire Citizenship Award, presented by the Charlottesville Regional Chamber of Commerce to recognize outstanding citizen contributions.

Arthur T. Garson, Jr. Tim Garson became the Executive Vice President and Provost of the University in July 2007. He is responsible for the planning and operations of the University's 11 schools, as well as academic planning. Dr. Garson came to the University in 2002 when he was appointed Vice President and Dean of the University of Virginia's School of Medicine. During his tenure as dean, the School of Medicine started a Master of Public Health program, the Academy of Distinguished Educators, the Center on Health Care Disparities, the Patient Education Institute, the Medical Education Research Institute, and the Virginia Institute for Clinical and Translational Research (a joint effort among several schools). He is the author of more than 450 publications including 8 books. While at Duke University (1992-1995) he was the Associate Vice Chancellor for Health Affairs and served as Medical Director of Government Relations for the Medical Center. In 1995, he became the Baylor College of Medicine's Dean for Academic Operations. He was also Vice President of Texas Children's Hospital. In 1999-2000, Dr. Garson served as President of the American College of Cardiology. In addition, he has served on the White House panel on Health Policy; and as Chair of the American College of Cardiology's task force on the uninsured, leading a broad coalition of physician and patient groups working on legislation for the uninsured.

Yoke San L. Reynolds. Yoke San L. Reynolds was named Vice President for Finance of the University in May 2001, and Vice President and Chief Financial Officer in May 2005. She serves as the University's chief business officer, and oversees the offices of treasury operations, financial administration (comptroller and financial aid), research administration, business operations (housing, dining, parking and others), risk management, and University policy. She is also responsible for administration of the University's relationship with its twenty-five primary related foundations. Ms. Reynolds' background in higher education finance includes six years at the State University of New York at Albany and ten years at Cornell University, where she was Vice President for Financial Affairs. She has served as a director of the National Association of College and University Business Officers ("NACUBO") and of the Council on Governmental Relations. Ms. Reynolds was the inaugural chair of NACUBO's committee on Managerial Analysis and Decision Support, and a member of NACUBO's ad hoc committees on the Cost of Education and on the Uniform Prudent Management of Institutional Funds Act, or UPMIFA. She served as President of the Eastern Association of College and University Business Officers in 2005. In 2002 she devised and spearheaded the development of the University's new portfolio approach to debt. She also initiated the 2007 investment legislation that gave the University unique authority to invest its non-general funds in equities, and championed the legislation through the State's executive and legislative branches.

Colette Sheehy. Colette Sheehy has been the University's Vice President for Management and Budget since 1993. She serves as the institution's senior budget officer and oversees the functions of facilities management, budget development and financial planning, procurement services, space and real estate management, and state governmental relations. Collectively, these units support the University's mission by providing primary financial and administrative services. Ms. Sheehy began her career at the University as a Budget Analyst in 1982. In 1986 she became the Assistant to the Director of the Budget, and in 1988 was named the Director of the Budget. Between 1991 and 1993 she served as the Associate Vice President and Director of the Budget before assuming her current position. She served on the Virginia Association of Management Analysis and Planning's Executive Committee from 1990 to 1993 and was Vice President and President of Virginia's Council of State Senior Business Officers from 1998-2000. In 1995, Ms. Sheehy was presented the Woman of Achievement Award from the University of Virginia Women Faculty and Professional Association. She served as one of the chief architects and negotiators of the Restructured Higher Education Financial and Administrative Operations Act passed by the General Assembly of Virginia in 2005—a law that created a new relationship between the Commonwealth and its public institutions of higher education.

Robert D. Sweeney. Bob Sweeney has spent his career in higher education development. For 35 years, he has led both public and private institutions in their fund-raising, public relations, and strategic planning efforts. In August 1991, President John T. Casteen III appointed Mr. Sweeney as Vice President for Development at the University. He was responsible for restructuring the University's development effort and for the planning and implementation of a $1 billion capital campaign. At that time, the campaign was one of the 10 largest fund-raising ventures in U.S. philanthropic history. The campaign concluded in December 2000 with over $1.4 billion in commitments. In January 2000, Mr. Sweeney assumed responsibility for the public affairs function at the University. This includes public relations, publications, news and television bureaus, web services, marketing and community relations. He was subsequently promoted to Senior Vice President for Development and Public Affairs in 2001. Mr. Sweeney is the architect of the University's current $3 billion capital campaign that is scheduled to conclude in 2011. It is among the eight largest higher education philanthropic campaigns ever announced. To date, over $1.85 billion has been raised.

R. Edward Howell. Ed Howell has been the Vice President and CEO of the Medical Center since February 2002. He has management responsibility for the operation of the University's hospital and clinics, in addition to all financial and information technology functions. For the past 25 years, Mr. Howell has dedicated his life to academic medicine - working, teaching, and moving through the administrative ranks at the Universities of Minnesota, Georgia, and Iowa. Mr. Howell served for eight years as Director and CEO of the University of Iowa Hospitals and Clinics. Prior to joining the University of Iowa Hospitals and Clinics, he served as Executive Director of the Medical College of Georgia Hospital and Clinics for eight years and prior to that, 10 years on the administrative staff of the University of Minnesota Hospitals. Mr. Howell has served as a member of the Executive Committee of the Association of American Colleges, Chair of the Council of Teaching Hospitals, Chair of the Accreditation

Council for Graduate Medical Education, Chair of the University HealthSystem Consortium Board of Directors, and Co-Chair of the Advisory Board for Clinical Research at the National Institutes of Health. He is currently Chair of the Novation Board of Directors, and serves as a member of the Virginia Hospital and Healthcare Association Governing Board.

Paul J. Forch. Paul Forch was appointed by the University and the Attorney General of Virginia as the University's General Counsel in 1996. He is responsible for the legal services provided to the University and is a member of the President's senior cabinet, as well as a Special Assistant Attorney General reporting to the State Attorney General. Mr. Forch has been practicing law since 1975, predominantly specializing in state and federal laws governing education policy and representing public institutions and providing litigation defense. Previously, as Education Chief in the Virginia Attorney General's Office, Mr. Forch supervised, the legal services provided to all of the Commonwealth's public institutions of higher education.

Alexander G. Gilliam, Jr. Sandy Gilliam is the Secretary to the Board of Visitors and Special Assistant to the President. Mr. Gilliam returned to the University, of which he is an alumnus, in 1975 as Assistant to former President Hereford. He has been principally Secretary to the Board since 1991. As the University did not have a President during the first 85 years of its existence, the Secretary to the Board is the oldest administrative position at the University, having been specified when the University was chartered in 1819. He has served as a Foreign Service Officer, a Deputy Assistant Secretary of State, and Special Assistant to the Governor of the Commonwealth – positions with varied duties that provided good training for the unusual demands of higher education administration.

James S. Matteo. Jim Matteo is the University's Assistant Vice President for Treasury Operations and Fiscal Planning. He is responsible for debt management, banking and cash management, short-term investment management, and long-term investment portfolio oversight as well as liquidity and interest rate risk management. Prior to joining the University in 2005, Mr. Matteo spent 14 years in the private sector with a Fortune 500 company managing various treasury functions including banking, corporate finance, cash management, and interest rate and foreign currency risk management. Mr. Matteo is a member of the Program Committee of the Treasury Institute for Higher Education. He is a member of the Association for Financial Professional's ("AFP's") Cash Flow Forecasting Task Force and has served on AFP task forces responsible for developing questions and determining passing scores for the Certified Treasury Professional Exam.

FACULTY AND STAFF

For the fall 2008 semester, the University employed 2,171 full-time and 197 part-time instructional, research, and public service faculty, as well as 814 full-time and 40 part-time administrative and professional faculty. Included were 1,183 tenured faculty and an additional 383 who were non-tenured but on tenure-track. More than 91% of the full-time instructional faculty hold the highest academic degree in their field. The ratio of full-time equivalent students to full-time equivalent instructional faculty members is approximately 15:1.

Excluding the faculty, as of the fall 2008 semester, the University employed 9,416 full-time and 1,521 part-time permanent staff, including approximately 5,013 full-time equivalent employees at the Medical Center. Salaried non-faculty employees hired prior to July 1, 2006, are covered by the Commonwealth's Personnel Act with compensation and benefits set at the Commonwealth level. Salaried and wage non-faculty University staff, hired on or after July 1, 2006, are covered under University Human Resource policies. In December 2008, all staff employees under the Commonwealth's Personnel Act were given the option to enroll in the University's benefit plan. Open enrollment periods for the new plan will be offered at least every two years.

For the fall 2008 semester, the College at Wise employed 94 full-time and 71 adjunct instructional, research, and public service faculty as well as 59 full-time and 2 part-time administrative and professional faculty. Included were 41 tenured faculty and an additional 29 who were non-tenured but on tenure-track. Seventy-one percent of the full-time instructional faculty hold the highest academic degree in their field. The ratio of full-time equivalent students to full time equivalent instructional faculty members is approximately 13:1 (including adjunct faculty) and 17:1 (including just the 94 full-time faculty members).

Excluding the faculty, as of October 15, 2008, the College at Wise employed 146 full-time and 6 part-time permanent staff. Staff employees are covered by the Commonwealth's Personnel Act with compensation and benefits set at the Commonwealth level. A designated group of research, instructional, and senior academic and administrative staff are covered under the employment policies for Exempt from Personnel Act Non-Faculty Employees. The staff workforces at both the University and the University's College at Wise are not unionized, as public employees in the Commonwealth are not allowed to engage in collective bargaining.

STUDENTS

Admissions. The University practices a selective admissions policy, seeking students from the Commonwealth and throughout the United States and the world. The University also recognizes its commitment to the Commonwealth by reserving a significant portion of the available spaces for residents of Virginia. Approximately two-thirds (68.5%) of the first-year class entering in fall 2008 was comprised of in-state students, a percentage that has remained relatively stable over the last five academic years. Interest in admission to the University remains high as 18,048 completed applications were received for the 2008-09 academic year to fill a target of approximately 3,260 spaces in the first year class. The following table sets forth the information on applications, acceptances and matriculations for first-year students for the five most recent academic years.

Undergraduate Applications, Acceptances and Matriculations

	2004-05	2005-06	2006-07	2007-08	2008-09
Completed Applications					
In-state	5,915	6,444	6,492	7,090	7,370
Out-of-state	8,907	9,213	9,594	10,708	10,993
Total	14,822	15,657	16,086	17,798	18,363
Applications Accepted*	39%	38%	37%	35%	37%
In-state	52%	49%	45%	47%	47%
Out-of-state	30%	30%	32%	27%	30%
Offers Accepted**	54%	53%	51%	52%	48%
In-state	68%	68%	68%	67%	63%
Out-of-state	38%	35%	36%	34%	33%

Note: First-time freshmen only.
* As a percent of completed applications received
** As a percent of applications accepted

Graduate & Profesional Applications, Acceptances and Matriculations

	2004-05	2005-06	2006-07	2007-08	2008-09
Completed Applications	19,673	19,320	19,091	21,477	22,971
Applications Accepted*	25%	26%	27%	26%	23%
Offers Accepted**	45%	44%	47%	40%	44%

* As a percent of completed applications received
** As a percent of applications accepted

Enrollments. The following chart reflects the University's on-grounds fall enrollment for the five most recent academic years.

On Grounds Fall Enrollment

	2004-05	2005-06	2006-07	2007-08	2008-09
Undergraduate	13,140	13,401	13,353	13,636	13,762
Graduate	4,632	4,699	4,791	4,830	4,904
First-Professional	1,650	1,694	1,699	1,724	1,725
Unclassified	596	605	554	644	666
Total Headcount	20,018	20,399	20,397	20,834	21,057
Full Time Equivalent	20,064	20,068	20,065	20,404	20,653

For the fall 2008 entering class, of the entering undergraduates for whom high school class rank was available, approximately 88% ranked in the top 10% of their class and approximately 96% ranked in the top 20% of their class. Approximately 97% of the first-year students who enter the University earn degrees, and approximately 85% graduate within four years. The SAT scores for the 25^{th} to 75^{th} percentile range of the fall 2008 incoming class were approximately 1280-1490.

Student Life. The University has long cherished the goal of producing "educated citizens," a mission voiced by Thomas Jefferson two centuries ago. While Mr. Jefferson considered education in itself an ennobling enterprise, which helped develop the "natural aristocracy" of man, of greater concern to him were education's communal effects. By developing educated citizens, he believed the University would serve the nation, producing leaders who would be public servants in the broadest sense. The University has a long tradition of developing "thinkers and doers," and much of this training occurs outside of the classroom. The University, therefore, judges the success of its educational mission by looking at the entire student experience. To that end, key components include a significant degree of student autonomy, involvement, self-governance and a belief in, and inculcation of, ethical behavior.

Today the University offers students 677 contracted independent organizations, including several musical groups, numerous student publications, over 60 Greek social organizations, and an extremely wide array of hobby/interest/recreational clubs. In addition, the University Programs Council, a Grounds-wide organization, offers dozens of movies, large-scale concerts, prominent speakers, renowned artists, and other notable events throughout the year. The University also participates in 25 NCAA sports (12 for men, 13 for women) and provides additional opportunities in over 65 club sports and numerous intramural recreational activities. The graduation rate of student athletes routinely ranks among the nation's best, indicative of the University's dedication to the entire educational experience.

The Honor System is one of the University's oldest and most venerated traditions. Based on the fundamental assumption that anyone who enrolls at the University subscribes to a code of ethics forbidding lying, cheating, and stealing, the Honor System allows students personal freedom possible only in an environment where respect and trust are presumed. For 150 years this system has been run entirely by students.

RELATIONSHIP WITH THE COMMONWEALTH

As an agency and instrumentality of the Commonwealth, the University is obligated to conform its financial procedures to various constitutional and statutory provisions. Except for gifts and endowment income, substantially all the funds received by the University, including grants and contract income, constitute revenues of the Commonwealth, which must in all cases be appropriated to the University by the General Assembly before the University can spend them. These revenues are of two kinds: general fund revenues, primarily derived from tax revenues, appropriated to cover both capital expenditures and a portion of operating expenses; and non-general fund revenues, primarily derived from collections by the University itself, such as tuition, room, board and fees and revenues from the operation of the Medical Center. The Constitution of Virginia provides that once non-general fund revenues are deposited into the State Treasury, they cannot be paid out for any purpose "except in pursuance of appropriations made by law."

The General Assembly historically has appropriated to the University all non-general fund revenues collected by the University, including revenues derived from the ownership or operations of the Medical Center. While the General Assembly has provided in Section 23-26 of the *Code of Virginia* that it "will not limit or alter" the right of the University to pledge any revenues to the payment of obligations issued by the University and that it will not act "in any way to impair the rights and remedies" of the holders of such obligations, the power to appropriate funds is entirely within the discretion of the General Assembly.

The General Assembly historically has also appropriated general fund revenues of the Commonwealth to the University for a variety of purposes. See "**Financial Information - Appropriations from the Commonwealth**" below.

Like other state agencies dependent upon legislative appropriations for operating revenues, the University has no assurance that the General Assembly will continue to make appropriations of general fund revenues or non-general fund revenues derived from operations of the University, either for operating expenses or capital expenditures, or, if such appropriations are made, that they will be made in a timely fashion or in adequate amounts to enable the University to pay debt service on the Bonds.

Over the past 15 years, the Commonwealth's contribution of general funds to the University's total revenues, including operating and non-operating revenues, has dropped from more than 26% to less than 7%. During this time, the University has increased other sources of support, including externally funded research grants and private fundraising.

The reduction in public support from the Commonwealth motivated the University to examine ways in which the University may alter its business relationship with the Commonwealth. The University is committed to its public mandate; therefore, altering the business relationship with the Commonwealth does not mean privatization.

In 1996 the General Assembly granted the Medical Center partial autonomy from the Commonwealth. As a result, the Medical Center may approve operating leases without the Commonwealth's approval, is exempted from certain provisions of the Commonwealth's Public Procurement Act, is permitted to establish its own human resources policies and procedures, and is granted limited post-appropriation autonomy for non-general fund capital projects.

2005 Legislation. In 2005, the General Assembly passed landmark legislation known as the Restructured Higher Education Financial and Administrative Operations Act (the "Act"). The Act provides a framework for redefining relationships between public higher education institutions and the Commonwealth. The legislation is founded upon the principles of long-term planning. In exchange for additional authority, institutions must commit to fulfilling specific state goals in areas of access, affordability, breadth of academics, academic standards, student retention and graduation rates, articulation agreements with the Virginia Community College System, economic development, research, elementary and secondary education, and campus safety and security.

One of the benefits of the Act is the eligibility of institutions to receive financial incentives if they meet certain performance standards related to the accountability measures. The most significant of these financial incentives is retaining the interest on tuition heretofore credited to the general fund of the Commonwealth. Upon being certified as having met the performance standards, the University will be credited with the interest earned on tuition and fees deposited in the previous year.

The Agreement improves the ability of the institution to plan over a multi-year time frame; reaffirms the Board of Visitors' authority to set tuition and fees, providing a more predictable funding stream; and provides increased delegated authority in the areas of human resources management, procurement, financial administration, capital outlay, and information technology.

The Act also establishes three levels of autonomy. The highest level requires the execution of a Management Agreement with the Commonwealth which must be approved by the Governor and the General Assembly.

2006 Legislation. Pursuant to the Act, the University entered into a Management Agreement (the "Agreement") with the Commonwealth that became effective July 1, 2006 after it was enacted by the General Assembly and approved by the Governor.

This additional operational flexibility granted by the Agreement will enable the University to engage more effectively in long-range planning; further streamline processes saving time and money; and improve recruitment, retention, and compensation of faculty and staff through the creation of a new human resources system.

2007 Legislation. Legislation passed during the 2007 General Assembly Session provides the University with the authority to more prudently manage investments of non-general fund reserves and balances and local funds. Previously, non-general funds were deposited and held in the State Treasury and the University was only credited with interest on select balances (e.g., state auxiliary money) with the investments generally being restricted to cash and fixed income securities. Given the source of these balances, much of the gains are likely to be restricted in use; however, the use of these funds may reduce the need to use unrestricted funds for these purposes.

2009 Legislation. Pursuant to the Act and the Agreement, pursuant to a further act of the General Assembly, the University renewed its Agreement with the Commonwealth, which renewal will become effective on July 1, 2009, after approval by the Governor. The legislation will expire on June 30, 2012, if the Governor provides written notice by November 15, 2011, that the Agreement needs to be renegotiated or revised. If the Governor takes no action, the Agreement will remain in effect through June 30, 2015.

Renewing the Agreement allows the University to continue benefitting from the delegated authority and operational flexibility implemented pursuant to the provisions of the original Agreement.

THE UNIVERSITY OF VIRGINIA MEDICAL CENTER

The Medical Center is an organizational unit of the University employing approximately 6,352 full-time equivalent employees. It serves as the teaching facility for the University's School of Medicine and the School of Nursing, and also has extensive relationships with many of the University's other schools, notably the College of Arts and Sciences.

The diagnostic and treatment services of the Medical Center are located on several sites, including University Hospital, Kluge Children's Rehabilitation Center, the West Complex, Northridge, Fontaine, McCue Center, Forrest Lakes, Moser Radiation Oncology Center, Lynchburg and a number of primary care practices throughout central Virginia. The Medical Center also has facilities at the Fontaine Research Park for inpatient and outpatient adult rehabilitation services. The Medical Center has been designated a Level 1 Trauma Center and provides helicopter services for trauma and disaster emergency transport requests. It also provides emergency transportation for newborns, coronary care and other highly specialized needs of patients throughout the Commonwealth. During fiscal year 2008, the Medical Center had 589 beds available for patient care.

The Medical Center provides tertiary and quaternary care to patients from all areas of the Commonwealth, as well as to a limited number of patients from other states and other countries. The Medical Center service area consists of a Primary Service Area ("PSA"), from which about 50% of its inpatients were drawn in 2008, and northern and southern Secondary Service Areas, from which another 23% of inpatients were drawn. Of the remaining patients, 27% reside in other parts of Virginia, West Virginia, and other states and outside the U.S. The PSA consists of ten cities and counties, extending about ninety miles from east to west and fifty miles from north to south. The total population of the PSA was 374,544 in 2008 and is expected to grow about 6.5%, to 398,712, by 2013, which is a relatively fast growth rate compared with the Virginia average of 5.4%.

There are two hospitals in addition to the Medical Center located in the PSA: Martha Jefferson Hospital in Charlottesville, and Augusta Medical Center in Augusta County. Both are small but high quality community-based hospitals with a typical array of services. The Medical Center's inpatient market share has remained steady over the past few years but showed a slight decline in the PSA, from 37% to 36% of discharges between Federal FY2007 and Federal FY2008. Very few PSA patients leave the state for hospital services, indicating that the Medical Center provides the full array of health services for the region. The strongest service lines with over 40% market share include Neurology, Neurosurgery, Spine, Pediatrics, Surgery, Psychiatry, Transplant and Cancer.

In 2001, the University created the position of Vice President and Chief Executive Officer of the Medical Center (the "Medical Center CEO"). Reporting to the University's Executive Vice President and Chief Operating Officer, the Medical Center CEO has overall management responsibilities for the operation of the University of Virginia hospitals and clinics. The Medical Center CEO works to promote excellence across all functional areas of system administration, focusing especially on a strong financial management platform and a simplified user-friendly administrative environment. Nine of the most senior administrative staff persons at the Medical Center report directly to the Medical Center CEO. These include the Chief Financial and Business Development Officer, Chief Clinical Care Officer and Chief Nursing Officer, Chief Health Information and Technology Officer, Chief Environment of Care Officer, Chief Marketing and Strategic Relations Officer, three directors of key functions, and a special advisor. The Medical Center CEO also plays a key role in ensuring that both School of Medicine faculty and hospital administrative efforts are closely coordinated. To facilitate these efforts, the Medical Center CEO and the deans of the School of Medicine and the School of Nursing work closely together to coordinate plans and strategies.

In order to centralize and strengthen the governance of the Medical Center, a specialized operating board, the "Medical Center Operating Board" was established in 2002 devoted exclusively to overseeing the operations of the University's hospitals and clinics. The Medical Center Operating Board is a subcommittee of the University's Board of Visitors and currently has nine members, with an additional four ex officio advisory members who are senior administrators of the Medical Center. The legal responsibility for the Medical Center rests with the Medical Center Operating Board and the Board of Visitors. Five of the Medical Center Operating Board members are also members of the Board of Visitors, including the Rector and the Chair of the Finance Committee, and three others chosen by the Rector. In addition, four members with specialized healthcare or other expertise provide valuable insights to the Operating Board and are selected by the Board of Visitors. Advisory members of the Operating Board include the Vice President and CEO of the Medical Center, the Vice President and Dean of the School of Medicine, the President of the Medical Center Clinical Staff, and the Executive Vice President and Chief Operating Officer of the University.

For the fiscal year ended June 30, 2008, the Medical Center had net operating revenues of $971 million and operating income of $47 million. See "**Financial Information – Medical Center**" for additional information.

The table below summarizes selected patient information for each of the five most recent fiscal years.

Selected Medical Center Patient Information
For the Fiscal Year Ended June 30,

	2004	2005	2006	2007	2008
Average Daily Census	458	457	466	472	483
Length of Stay (days)	5.7	5.8	5.8	5.7	5.9
Discharges	29,164	29,076	29,452	30,145	29,922
Outpatient Visits	566,336	654,742	662,425	630,201	642,777

FINANCIAL INFORMATION

The University's audited financial statements for fiscal year ended June 30, 2008 are provided in Appendix B. Also included in Appendix B is the University's Management's Discussion and Analysis for the fiscal year ended June 30, 2008. The University's financial statements are presented in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Summary Statement of Net Assets
As of June 30,
(in thousands of dollars)

	2004*	2005*	2006*	2007*	2008
Assets					
Current assets	827,401	978,616	922,607	1,194,340	657,141
Noncurrent endowment investments	2,206,032	2,209,164	2,497,309	3,068,268	3,241,709
Other Noncurrent assets	1,779,636	1,778,155	2,026,157	2,211,980	2,937,384
Total assets	4,813,069	4,965,935	5,446,073	6,474,588	6,836,234
Liabilities					
Current liabilities	444,654	395,574	437,379	558,853	418,635
Non current liabilities	662,737	519,861	560,779	560,710	778,845
Total liabilities	1,107,391	915,435	998,158	1,119,563	1,197,480
Net assets					
Invested in capital assets, net of related debt	955,092	1,012,969	1,116,746	1,226,529	1,407,246
Restricted					
Non-expendable	322,218	333,544	350,474	369,874	429,619
Expendable	1,384,623	1,555,598	1,701,167	2,214,572	2,254,581
Unrestricted	1,043,745	1,148,389	1,279,528	1,544,050	1,547,308
Total net assets	3,705,678	4,050,500	4,447,915	5,355,025	5,638,754
Liabilities and net assets	4,813,069	4,965,935	5,446,073	6,474,588	6,836,234

* Certain fiscal year amounts have been restated to conform to current classifications.

Statement of Revenues, Expenses, and Changes in Net Assets
For the years ended June 30,
(in thousands of dollars)

	2004*	2005*	2006	2007*	2008
Revenues					
Student tuition and fees	232,587	246,062	263,728	290,748	316,332
Patient services	686,578	780,197	819,492	882,401	934,838
Grants and contracts	269,934	286,256	296,436	279,110	302,150
Sales and services of educational departments	17,563	16,469	18,866	18,119	21,743
Auxiliary enterprises revenue	90,961	93,983	101,093	112,331	116,644
Other	26,834	30,192	37,414	22,505	24,967
Total operating revenues	1,324,457	1,453,159	1,537,029	1,605,214	1,716,674
Non-Operating Revenues					
State appropriations	125,531	143,605	158,192	170,439	183,020
Gifts	84,836	96,547	116,023	148,073	147,269
Investment income	255,384	329,973	367,761	721,505	243,280
Pell Grants				4,384	5,271
Additions to permanent endowment	10,215	11,452	16,932	18,950	59,073
Other	30,663	29,105	43,031	188,880	42,048
Total operating and non-operating revenues	1,831,086	2,063,841	2,238,968	2,857,445	2,396,635
Expenses					
Operating Expenses					
Compensation and benefits	893,811	964,721	1,015,113	1,089,634	1,166,094
Supplies, utilities and other services	500,080	549,938	599,514	621,655	698,124
Student aid	38,940	40,944	46,474	51,406	54,768
Depreciation	103,017	104,454	111,654	121,770	127,554
Other	24,453	29,622	35,103	36,691	35,459
Total operating expenses	1,560,301	1,689,679	1,807,858	1,921,156	2,081,999
Non-Operating Expenses	12,619	29,340	33,695	29,179	30,907
Total operating and non-operating expenses	1,572,920	1,719,019	1,841,553	1,950,335	2,112,906
Increase in Net Assets	258,166	344,822	397,415	907,110	283,729

* Certain fiscal year amounts have been restated to conform to current classifications.

Reporting Entity. There are currently twenty-five foundations operating in support of the University. These related foundations are not-for-profit corporations controlled by separate boards of directors. The University determined that the following seven foundations qualify as component units because they hold significant resources for the benefit of the University. As such, they are included in the financial statements for the year ended June 30, 2008, provided in Appendix B:

University of Virginia Law School Foundation
Alumni Association of the University of Virginia
University of Virginia Foundation
University of Virginia Investment Management Company
University of Virginia Darden School Foundation
Virginia Athletics Foundation
University of Virginia Health Services Foundation

Component Units
Summary Statement of Net Assets
As of June 30,
(in thousands of dollars)

	2004	2005*	2006	2007	2008
Assets					
Current assets	127,699	364,096	315,508	581,810	703,112
Noncurrent long-term investments	746,020	3,323,566	3,898,503	5,149,397	5,879,609
Other Noncurrent assets	228,534	340,181	406,892	416,764	490,178
Total assets	1,102,253	4,027,843	4,620,903	6,147,971	7,072,899
Liabilities					
Current liabilities	141,848	2,898,648	3,342,075	4,510,105	5,409,823
Non current liabilities	185,338	236,733	265,795	432,918	428,916
Total Liabilities	327,186	3,135,381	3,607,870	4,943,023	5,838,739
Net assets					
Unrestricted	206,734	255,645	283,574	323,857	327,766
Temporarily restricted	272,053	327,036	391,927	521,753	521,688
Permanently restricted	296,280	309,781	337,532	359,338	384,706
Total net assets	775,067	892,462	1,013,033	1,204,948	1,234,160
Total liabilities and net assets	1,102,253	4,027,843	4,620,903	6,147,971	7,072,899

* The number of Component Unit foundations increased from 6 in 2004 to 7 in 2005 with the addition of the UVIMCO foun

Note: Componant Units included are the UVA Law School Foundation, UVA Darden School Foundation, Alumni Association of UVA, Virginia Athletics Association, UVA Foundation, UVA Health Services Foundation, UVA Investment Management Foundation.

For the fiscal year ended June 30, 2008, component unit net assets grew $29.2 million, or 2.4% from fiscal year 2007.

The relationship between the University and the foundations is governed by the Policy on University-Related Foundations, which ensures that operations are consistent with the University's purpose, policies and procedures.

The foundations provide substantial financial support to the University, contributing approximately $113 million during fiscal year 2008.

Budgeting. The University's operating expenditure budget for fiscal year 2008-09 totals $2.2 billion. This includes $1.2 billion for the Academic Division (54.7%), $980.1 million for the Medical Center (43.8%) and $34.1 million for the College at Wise (1.5%). In October 2008, the Governor reduced the general fund appropriation to the Academic Division and the College at Wise budget for fiscal year 2009 by $11.4 million due to slower-than-expected economic growth that reduced the state's expected revenues. This reduction represented approximately 0.9% of the Academic Division budget and 2.2% of the College at Wise's budget. Additionally budget reductions have been proposed by the Governor for 2009-10; however the recent passage of the American Recovery and Reinvestment Act of 2009 by the federal government will impact how these budget reductions are enacted in the next fiscal year.

The University submits a general fund budget request to the Governor, for approval by the legislature, every two years. Amendment requests may be made to the Governor in the off years and to the legislature in each year. The Commonwealth specifically appropriates general funds to the University and provides a sum sufficient non-general fund appropriation to the University. Gifts and endowment income are not appropriated by the Commonwealth. Under the Restructured Higher Education Financial and Administrative Operations Act (Chapters 933 and 945 of the 2005 Acts of Assembly), general funds are transferred to the University based on a regular schedule (1/24 of the appropriation, twice a month) and non-general funds are retained by the University. All unused general and non-general funds on June 30th of each year are retained by the University.

Appropriations from the Commonwealth. The percentage of Commonwealth general fund appropriations to total operating and non-operating revenues was approximately 8% in fiscal year 2003; approximately 7% in fiscal years 2004, 2005, and 2006; approximately 6% in fiscal year 2007; and approximately 8% in 2008.

Non-Capital Appropriations from the Commonwealth

(in thousands of dollars)

	2004	2005	2006	2007	2008
Commonwealth Appropriations	125,321	143,605	158,192	170,439	183,020

Tuition and Fees. The University generates tuition and fees from both undergraduate and graduate students attending the University. In the fiscal year ended June 30, 2008, tuition and fees prior to reduction for student financial aid provided approximately 18% of the University's operating revenues.

Undergraduate Tuition and Required Fees Per Student

(actual dollars)

	2004-05	2005-06	2006-07	2007-08	2008-09
In-state tuition and fees	6,600	7,180	7,845	8,500	9,300
Out-of-state tuition and fees	22,700	24,100	25,945	27,750	29,600

Notes:

The above table does not include first year orientation fees of $190 in FY2004-05 through FY2008-09.

Graduate Tuition and Required Fees Per Student

(actual dollars)

	2004-05	2005-06	2006-07	2007-08	2008-09
In-State Tuition and Fees					
Darden Graduate School of Business Administration	30,200	32,300	35,000	37,500	40,500
School of Law	26,100	28,300	30,700	33,500	36,800
School of Medicine	26,074	28,700	30,100	31,305	32,650
All others	9,200	9,800	10,550	11,240	12,140
Out-of-State Tuition and Fees					
Darden Graduate School of Business Administration	35,200	37,300	40,000	42,500	45,500
School of Law	31,100	33,300	35,700	38,500	41,800
School of Medicine	36,633	38,700	40,100	41,305	42,650
All others	20,200	20,400	20,550	21,240	22,140

Notes:

In-State Tuition and Fees for Law and Medicine represent first-year tuition and fees which, in some years, includes a surcharge not charged to returning students.

During the 2008-09 academic year, 6,756 undergraduate students (48% of the total student body) received almost $99.6 million in financial assistance. Of this total, 36% of the funds were provided by the federal government, 5% by the Commonwealth, 35% by the University, 10% by the Virginia Athletics Foundation, and 14% by other sources. The total included approximately $23 million in federal loans, and federal work-study, and over $68 million in federal, state, private and institutional grants and scholarships (including athletic scholarships). In addition, the parents of 575 students borrowed almost $8 million from the Federal Parents Plus Loan program.

AccessUVa is the University of Virginia's financial aid program designed to keep a higher education affordable for all admitted students regardless of economic circumstance. Because access for every academically eligible student is a priority at the University, the University has made an annual commitment of over $24 million in need-based grants to undergraduates. AccessUVa offers loan free packages for low income students, caps on need based loans for all other students, and a commitment to meet 100% of need for every student. The program not only keeps education at the University of Virginia affordable for the lowest income students, but also addresses the concerns of middle income families who are challenged by the rising cost of tuition. By limiting debt or eliminating it altogether in the case of students with the most need, AccessUVa offers assurances to prospective students that if they can make the grade, they can afford to attend the University.

Grants and Contracts.

Grants and Contracts
For the Year Ended June 30,
(in thousands of dollars)

	2004*	2005*	2006*	2007*	2008
Federal grants and contracts	225,310	242,062	253,596	236,750	258,794
Other	44,624	44,224	42,840	42,360	43,356
Total grants and contracts	269,934	286,286	296,436	279,110	302,150

*Certain prior year amounts have been restated to conform to current year classifications.

The U.S. Department of Health and Human Services continued as the University's major source of grant and contract awards, accounting for 50% of the total awards in fiscal year 2008.

Medical Center. The following data has been derived from annual audited financial statements of the Medical Center for the fiscal years ended June 30, 2004 - 2008.

University of Virginia Medical Center
Summary Statement of Revenues, Expenses, and Changes in Net Assets
For the year ended June 30,
(in thousands of dollars)

	2004*	2005*	2006*	2007	2008
Net Patient service revenue	686,578	780,197	819,501	882,401	934,967
Other operating revenues	26,834	30,070	37,517	37,912	35,981
Total Operating Revenues	713,412	810,267	857,018	920,313	970,948
Operating Expenses	671,062	762,808	814,201	871,452	923,518
Income from Operations	42,350	47,459	42,817	48,861	47,430
Net non-operating Revenues (expenses)	3,476	16,017	21,106	55,622	(2,068)
Increase in net assets	45,826	63,476	63,923	104,483	45,362

* Certain fiscal year amounts have been restated to current classifications

Gifts and Fund Development. The University continues to benefit from the generosity of alumni and friends, foundations, and corporations. According to the Office of Development and Public Affairs, during 2007-2008, the University received $286.6 million in private gifts directly and through related foundations. $145.1 million of this total was donated by alumni, parents and other individuals with the remainder given by corporations, foundations and other organizations. The alumni participation percentage in 2007-2008 was 19.72%.

The University is in an eight-year campaign which will run until 2011 and has a goal of $3 billion. As of January 2009, 62.17% of the campaign goal had been reached, with 63.61% of the campaign time elapsed.

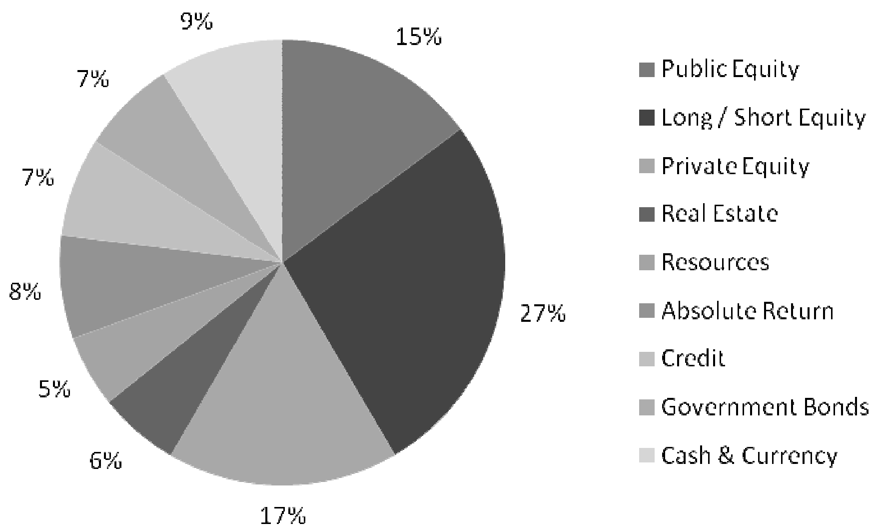
Endowment. The University of Virginia's endowment was $3.22 billion as of June 30, 2008. The unrestricted expendable portion was $944 million, or 29%, as of the same date. In accordance with the Board of Visitors' approved spending policy, the endowment contributed $135.3 million in fiscal year ending June 30, 2008 to support operations of the University. As of February 28, 2009, the University's endowment was at $2.3 billion.

Of the total endowment resources, 99% is invested in the UVIMCO Long-Term Pool, a commingled investment pool. The historic annual returns as of June 30, 2008 for the UVIMCO Long-Term Pool follows:

Pooled Endowment Fund Historic Annual Return
For the Period Ending June 30, 2008

1 Year	3 Year	5 Year	10 Year	20 Year
5.9%	15.0%	14.4%	14.0%	13.8%

All funds are managed pursuant to investment policies established by the University of Virginia Investment Management Company's ("UVIMCO's") Board of Directors. The primary objective of the Long-Term Pool is to maximize long-term real returns commensurate with the risk tolerance of the University. To achieve this objective, the Long-Term Pool is managed in an attempt to achieve returns that consistently exceed the returns on a passively managed benchmark with similar asset allocation and risk. The Long-Term Pool's asset allocation is designed to meet the objectives outlined above. The asset allocation as of December 31, 2008, is provided below:



The University's Board of Visitors sets the spending rate for the endowment. The University's endowment payout policy has two objectives: (1) preserving the long-term purchasing power of the endowment principal in order to ensure continued annual distributions to support the endowed programs and (2) providing current support for programs, with increases every year to adjust for inflation or exceptional changes in endowment value. The current spending policy calls for the annual endowment distribution to be increased each year by an inflation factor unless such increase causes the spending rate to fall below 4.0 percent or above 6.0 percent of the endowment's market value. If outside of this range, the Board of Visitors' Finance Committee can recommend adjustments to the distribution formula.

UVIMCO is a University-related foundation that provides investment management services to the University, its related independent foundations and other entities affiliated with the University and operating in support of its mission. UVIMCO's formal governance began in March 1998 when the University's Board of Visitors established a subcommittee of the Finance Committee called UVIMCO. The Board charged this subcommittee with the investment and management of the endowment, and UVIMCO operated as a department of the University for several years. On July 1, 2004, UVIMCO was established as a separate 501(c) (3) Virginia non-stock corporation.

UVIMCO is governed by a board of twelve directors, three of whom are appointed by the Board of Visitors and one of whom is appointed by the University's President. Daily investment management is delegated to UVIMCO's full-time staff of 28 employees, and headed by Christopher Brightman, CFA. Mr. Brightman joined UVIMCO as Chief Executive Officer in December 2004.

UVIMCO oversees investments totaling $3.9 billion as of December 31, 2008, including endowment assets, operating funds, charitable trusts, and other investments. The University's

Endowment, managed by UVIMCO, is the University's primary source of sustainable private support for instruction, service, and research.

Indebtedness and other Obligations. As of June 30, 2008, the University had approximately $717 million in long-term debt outstanding. For a discussion of these obligations, see Note 5 in the financial statements of the University included in Appendix B. The University also has two fixed-payer interest rate swaps with two counterparties totaling approximately $100 million in notional amount. As of March 31, 2009, the swaps had a negative market value of approximately $14.5 million. At its current rating, the University is not required to post collateral under the swap agreements.

The University has authorized a commercial paper program in an amount not to exceed $300 million. As of March 31, 2009, there was $147,320,000 of commercial paper outstanding, of which $110,720,000 is expected to be repaid by 6/30/09.

Total Debt

At June 30, 2008

(in thousands of dollars)

Revenue Bonds	
Medical Center Series 1999A	18,935
Univ. of Virginia Series 2003A	82,010
Univ. of Virginia Series 2003B	110,815
Univ. of Virginia Series 2005	185,495
Univ. of Virginia Series 2008	231,365
Commonwealth of Va. Bonds	25,077
Notes Payable to VCBA 1999A	2,910
Notes Payable to VCBA 2000A	12,360
Notes Payable to VCBA 2004B	37,105
Notes Payable to VCBA 2007B	11,010
Other	298
Total Long-Term Debt	717,380
Tax Exempt Commercial Paper	17,550
Total Debt	734,930

LITIGATION

There is no litigation pending in any court or, to the best knowledge of the University, threatened, questioning the corporate existence of the University, or that would restrain or enjoin the issuance or delivery of the Bonds, or that concerns the proceeding of the University taken in connection with the Bonds or the pledge or application of the Pledged Revenues under the Bond Resolutions for their payment, or which contests the powers of the University with respect to the foregoing.

APPENDIX B

FINANCIAL STATEMENTS FOR THE UNIVERSITY
FOR FISCAL YEARS ENDED JUNE 30, 2008

See Financial Statements Attached

Auditor's Opinion

October 30, 2008

The Honorable Timothy M. Kaine
Governor of Virginia

The Honorable M. Kirkland Cox
Chairman, Joint Legislative Audit and Review Commission

Board of Visitors
University of Virginia

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the business-type activities and aggregate discretely presented component units of the University of Virginia, a component unit of the Commonwealth of Virginia, as of and for the year ended June 30, 2008, which collectively comprise the University of Virginia's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the University of Virginia's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the component units of the University of Virginia, which are discussed in Note 1. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the component units of the University of Virginia, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the component units of the University of Virginia that were audited by other auditors upon whose reports we are relying were audited in accordance with auditing standards generally accepted in the United States of America, but not in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and discretely presented component units of the University of Virginia as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 44 through 51 is not a required part of the basic financial statements, but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2008, on our consideration of the University of Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Walter J. Kucharski
Auditor of Public Accounts

UNIVERSITY OF VIRGINIA

Statement of Net Assets *(in thousands)*

as of June 30, 2008 (with comparative information as of June 30, 2007)

		2008		2007
ASSETS				
Current assets				
Cash and cash equivalents (Note 2)	$	244,093	$	640,941
Cash and cash equivalents, securities lending		—		16,323
Restricted cash and cash equivalents (Note 2)		3		7
Short-term investments (Note 2)		209,904		276,070
Appropriations available		16,809		78,315
Accounts receivable, net (Note 3a)		144,853		142,052
Prepaid expenses		14,183		11,925
Inventories		22,685		21,694
Notes receivable, net		4,611		7,013
Total current assets		**657,141**		**1,194,340**
Noncurrent assets				
Restricted cash and cash equivalents (Note 2)		28,813		48,548
Endowment investments (Note 2)		3,241,709		3,068,268
Other long-term investments (Note 2)		719,030		286,436
Deposits with bond trustee		121,779		13,942
Notes receivable, net (Note 3b)		27,498		21,437
Pledges receivable, net (Note 3c)		11,037		16,071
Capital assets—depreciable, net (Note 3d)		1,594,871		1,486,224
Capital assets—nondepreciable (Note 3d)		420,579		325,030
Goodwill (Note 3e)		13,302		13,744
Other		475		548
Total noncurrent assets		**6,179,093**		**5,280,248**
TOTAL ASSETS	**$**	**6,836,234**	**$**	**6,474,588**
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities (Note 3f)	$	220,636	$	242,925
Deferred revenue (Note 3g)		88,863		78,284
Obligations under securities lending (Note 2)		—		80,631
Deposits held in custody for others		24,849		24,902
Commercial paper (Note 4)		17,550		64,200
Long-term debt—current portion (Note 5)		13,047		17,148
Long-term liabilities—current portion (Note 5)		53,690		50,763
Total current liabilities		**418,635**		**558,853**
Noncurrent liabilities (Note 5)				
Long-term debt		723,534		504,207
Other noncurrent liabilities		55,311		56,503
Total noncurrent liabilities		**778,845**		**560,710**
TOTAL LIABILITIES	**$**	**1,197,480**	**$**	**1,119,563**
NET ASSETS				
Invested in capital assets, net of related debt	$	1,407,246	$	1,226,529
Restricted				
Nonexpendable		429,619		369,874
Expendable		2,254,581		2,214,572
Unrestricted		1,547,308		1,544,050
TOTAL NET ASSETS	**$**	**5,638,754**	**$**	**5,355,025**

Certain 2007 amounts have been restated to conform to 2008 reclassifications.
The accompanying Notes to Financial Statements are an integral part of this statement.

UNIVERSITY OF VIRGINIA

COMPONENT UNITS

Combined Statements of Financial Position *(in thousands)*

as of June 30, 2008 (with comparative information as of June 30, 2007)

		2008		2007
ASSETS				
Current assets				
Cash and cash equivalents	$	536,384	$	404,139
Receivables		76,659		94,893
Other current assets		90,069		82,778
Total current assets		703,112		581,810
Noncurrent assets				
Pledges receivable, net of current portion of $32,244 and $28,824		67,725		61,692
Long-term investments		5,879,609		5,149,397
Capital assets, net of depreciation		342,873		297,848
Other noncurrent assets		79,580		57,224
Total noncurrent assets		6,369,787		5,566,161
TOTAL ASSETS	$	7,072,899	$	6,147,971
LIABILITIES AND NET ASSETS				
Current liabilities				
Assets held in trust for others	$	5,215,297	$	4,353,706
Other liabilities		194,526		156,399
Total current liabilities		5,409,823		4,510,105
Noncurrent liabilities				
Long-term debt, net of current portion of $6,239 and $5,911		318,562		307,091
Other noncurrent liabilities		110,354		125,827
Total noncurrent liabilities		428,916		432,918
TOTAL LIABILITIES	$	5,838,739	$	4,943,023
NET ASSETS				
Unrestricted	$	327,766	$	323,857
Temporarily restricted		521,688		521,753
Permanently restricted		384,706		359,338
TOTAL NET ASSETS	$	1,234,160	$	1,204,948
TOTAL LIABILITIES AND NET ASSETS	$	7,072,899	$	6,147,971

Certain 2007 amounts have been restated to conform to 2008 reclassifications.
The accompanying Notes to Financial Statements are an integral part of this statement.

UNIVERSITY OF VIRGINIA

Statement of Revenues, Expenses, and Changes in Net Assets *(in thousands)*

for the year ended June 30, 2008 (with comparative information for the year ended June 30, 2007)

	2008	2007
REVENUES		
Operating revenues		
Student tuition and fees (net of scholarship allowances of $66,066 and $61,943)	$ 316,332	$ 290,748
Patient services (net of charity care of $1,166,868 and $986,035)	934,838	882,401
Federal grants and contracts	258,794	236,750
State and local grants and contracts	4,391	3,186
Nongovernmental grants and contracts	38,965	39,174
Sales and services of educational departments	21,743	18,119
Auxiliary enterprises revenue (net of scholarship allowances of $8,809 and $8,163)	116,644	112,331
Other operating revenues	24,967	22,505
TOTAL OPERATING REVENUES	1,716,674	1,605,214
EXPENSES		
Operating expenses (Note 8)		
Compensation and benefits	1,166,094	1,089,634
Supplies, utilities, and other services	698,124	621,655
Student aid	54,768	51,406
Depreciation	127,554	121,770
Other	35,459	36,691
TOTAL OPERATING EXPENSES	2,081,999	1,921,156
OPERATING LOSS	(365,325)	(315,942)
NONOPERATING REVENUES (EXPENSES)		
State appropriations (Note 9)	183,020	170,439
Gifts	147,269	148,073
Investment income	243,280	721,505
Pell grants	5,271	4,384
Interest on capital asset-related debt	(21,213)	(23,889)
Losses on disposal of capital assets	(3,473)	(1,227)
Other nonoperating expenses	(6,221)	(4,063)
NET NONOPERATING REVENUES	547,933	1,015,222
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	182,608	699,280
Capital appropriations	6,348	128,075
Capital grants and gifts	35,700	60,805
Additions to permanent endowments	59,073	18,950
TOTAL OTHER REVENUES	101,121	207,830
INCREASE IN NET ASSETS	283,729	907,110
NET ASSETS		
Net assets, beginning of year	5,355,025	4,447,915
NET ASSETS, END OF YEAR	$ 5,638,754	$ 5,355,025

Certain 2007 amounts have been restated to conform to 2008 reclassifications.
The accompanying Notes to Financial Statements are an integral part of this statement.

UNIVERSITY OF VIRGINIA

COMPONENT UNITS

Combined Statements of Activities *(in thousands)*

for the year ended June 30, 2008 (with comparative information for the year ended June 30, 2007)

	2008	2007
UNRESTRICTED REVENUES AND SUPPORT		
Contributions	$ 23,683	$ 28,085
Fees for services, rentals, and sales	261,604	247,069
Investment income	27,063	62,686
Net assets released from restriction	81,780	102,728
Other revenues	70,446	70,611
TOTAL UNRESTRICTED REVENUES AND SUPPORT	464,576	511,179
EXPENSES		
Program services, lectures, and special events	262,019	247,297
Scholarships and financial aid	57,509	81,000
Management and general	41,448	34,502
Other expenses	95,767	92,081
TOTAL EXPENSES	456,743	454,880
EXCESS OF UNRESTRICTED REVENUES AND SUPPORT OVER EXPENSES	7,833	56,299
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Contributions	48,203	83,632
Investment and other income	33,989	149,502
Reclassification per donor stipulation	(1,347)	(618)
Net assets released from restriction	(81,909)	(102,728)
NET CHANGES IN TEMPORARILY RESTRICTED NET ASSETS	(1,064)	129,788
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS		
Contributions	24,632	20,629
Investment and other income	(3,665)	(54)
Reclassification per donor stipulation	1,476	618
NET CHANGES IN PERMANENTLY RESTRICTED NET ASSETS	22,443	21,193
CHANGE IN NET ASSETS	29,212	207,280
Net assets, beginning of year	1,204,948	1,013,033
Current year effect of activity on net assets	—	(19,472)
Prior period adjustment	—	4,107
NET ASSETS, END OF YEAR	$ 1,234,160	$ 1,204,948

Certain 2007 amounts have been restated to conform to 2008 reclassifications.
The accompanying Notes to Financial Statements are an integral part of this statement.

UNIVERSITY OF VIRGINIA

Statement of Cash Flows *(in thousands)*

for the year ended June 30, 2008 (with comparative information for the year ended June 30, 2007)

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	$ 318,459	$ 290,838
Grants and contracts	309,078	277,974
Patient services	884,945	865,055
Sales and services of educational activities	39,296	11,703
Sales and services of auxiliary enterprises	116,663	111,772
Payments to employees and fringe benefits	(1,168,738)	(1,057,480)
Payments to vendors and suppliers	(695,521)	(615,345)
Payments for scholarships and fellowships	(54,786)	(51,410)
Perkins and other loans issued to students	(25,823)	(6,937)
Collection of Perkins and other loans to students	21,956	6,548
Other receipts	20,570	15,763
NET CASH USED BY OPERATING ACTIVITIES	(233,901)	(151,519)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	242,668	91,311
Additions to true endowments	59,073	18,950
Federal Family Education Loan Program receipts	99,535	76,521
Federal Family Education Loan Program payments	(99,535)	(76,521)
Pell grants	5,271	4,384
Receipts on behalf of agencies	102,244	82,966
Payments on behalf of agencies	(102,408)	(87,742)
Deposits held in custody for others	(53)	5,328
Noncapital gifts and grants received	142,737	138,523
Other net nonoperating receipts (disbursements)	(1,408)	17,578
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	448,124	271,298
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital appropriations	4,388	125,753
Capital gifts and grants received	37,647	49,987
Proceeds from capital debt	317,264	48,688
Proceeds from sale of capital assets	471	184
Acquisition and construction of capital assets	(276,583)	(276,779)
Principal paid on capital debt and leases	(151,790)	(22,993)
Interest paid on capital debt and leases	(24,263)	(29,876)
Deposits with trustee	(107,837)	29,445
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(200,703)	(75,591)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	607,763	494,954
Interest and dividends on investments	46,449	80,653
Purchase of investments and related fees	(854,335)	(477,279)
Other investment activities	(229,984)	(21,882)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(430,107)	76,446
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(416,587)	120,634
Cash and cash equivalents, July 1	689,496	568,862
CASH AND CASH EQUIVALENTS, JUNE 30	$ 272,909	$ 689,496
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating loss	$ (365,325)	$ (315,942)
ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Depreciation expense	127,554	121,770
Provision for uncollectible loans and write-offs	196	(665)
CHANGES IN ASSETS AND LIABILITIES		
Receivables, net	(19,472)	5,986
Inventories	(3,571)	(3,303)
Other assets	10	(874)
Prepaid expenses	(2,437)	(348)
Notes receivable, net	(3,866)	(387)
Accounts payable and accrued liabilities	4,486	36,691
Deferred revenue	28,025	3,488
Accrued vacation leave—long term	499	2,065
TOTAL ADJUSTMENTS	131,424	164,423
NET CASH USED BY OPERATING ACTIVITIES	$ (233,901)	$ (151,519)
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES—ACADEMIC ONLY		
Assets acquired through assumption of a liability	$ 306,639	$ 44,706
Assets acquired through a gift	7,939	14,188
Change in fair value of investments	109,226	399,995
Increase in receivables related to nonoperating income	4,393	(360)
Loss on disposal of capital asset	2,408	798

Certain 2007 amounts have been restated to conform to 2008 reclassifications.
The accompanying Notes to Financial Statements are an integral part of this statement.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION AND PURPOSE

The University of Virginia is an agency of the Commonwealth of Virginia and is governed by the University's Board of Visitors. A separate report is prepared for the Commonwealth of Virginia that includes all agencies, boards, commissions, and authorities over which the Commonwealth exercises or has the ability to exercise oversight authority. The University is a discretely presented component unit of the Commonwealth of Virginia and is included in the basic financial statements of the Commonwealth. The University consists of three divisions. The Academic Division and the University of Virginia's College at Wise generate and disseminate knowledge in the humanities, arts, scientific, and professional disciplines through instruction, research, and public service. The Medical Center Division provides routine and ancillary patient services through a full-service hospital and clinics.

REPORTING ENTITY

There are currently twenty-five related foundations operating in support of the interests of the University. These related foundations are not-for-profit corporations controlled by separate boards of directors. The University determined that the following seven foundations qualify as component units because they hold significant resources for the benefit of the University. As such, they are included in the financial statements presented as of June 30, 2008:

- University of Virginia Law School Foundation
- University of Virginia Darden School Foundation
- Alumni Association of the University of Virginia
- Virginia Athletics Foundation
- University of Virginia Foundation
- University of Virginia Health Services Foundation
- University of Virginia Investment Management Company

The foundations' financial information is included in the accompanying financial statements. Condensed financial statements for each component unit are disclosed in Note 7. Information on the organization and nature of activities for each foundation is presented below.

The **University of Virginia Law School Foundation** was established as a tax-exempt organization to foster the study and teaching of law at the University of Virginia and to receive and administer funds for that purpose. The Foundation is affiliated with the University of Virginia and expends funds to support professorships, faculty benefits, financial aid, student activities, and other academic programs within the University's Law School. For additional information, contact the Treasurer's Office at Slaughter Hall, 580 Massie Road, Charlottesville, Virginia 22903.

The **University of Virginia Darden School Foundation** was established as a nonstock corporation created under the laws of the Commonwealth of Virginia. Its primary purposes are to promote the advancement and further the aims and purposes of the Colgate Darden Graduate School of Business Administration of the University of Virginia and to provide education for business executives. For additional information, contact the Finance and Administration Office at P.O. Box 7263, Charlottesville, Virginia 22906.

The **Alumni Association of the University of Virginia** was established as a legally separate, tax-exempt organization to provide services to all alumni of the University of Virginia, thereby assisting the University of Virginia and all its students, faculty, and administration in attaining the University's highest priority of achieving eminence as a center of higher learning. The consolidated financial information of the Alumni Association of the University of Virginia includes the operating activities and financial position of the Alumni Association and the Jefferson Scholars Foundation. The Jefferson Scholars Foundation is an awards program affiliated with the Alumni Association and was organized as a separate legal entity in 2001. For additional information, contact the Finance and Administration Office at P.O. Box 3446, Charlottesville, Virginia 22903.

The **Virginia Student Aid Foundation, Inc., T/A Virginia Athletics Foundation**, was established as a tax-exempt organization to support intercollegiate athletic programs at the University of Virginia by providing student-athletes the opportunity to achieve academic and athletic excellence. The Foundation provides the funding for student-athlete scholarships at the University, funding for student-athlete academic advising programs at the University, operational support for various sports at the University, informational services to its members and the general public, and ancillary support to the athletic programs at the University. The Foundation has adopted December 31 as its year end. All amounts reflected are as of December 31, 2007. For additional information, contact the Gift Accounting Office at P.O. Box 400833, Charlottesville, Virginia 22904.

The **University of Virginia Foundation**, including the University of Virginia Real Estate Foundation, was established as a nonstock corporation under applicable Virginia statutes to provide administrative services to the University of Virginia and supporting organizations, engage in any and all matters pertaining to real property for the benefit of the University, and use and administer gifts, grants and bequests, and devises for the benefit of the University. For additional information, contact the Financial Services Office at P.O. Box 400218, Charlottesville, Virginia 22904.

The **University of Virginia Health Services Foundation** was established as a nonprofit group practice health care provider organization designed to assist medical education through teaching and research within the academic environment of the Health System of the University of Virginia, and to coordinate and develop superior patient care in the Health System. The Foundation entered into an affiliation agreement with the University of Virginia for the Foundation through its member clinical departments to provide patient care at the Health System. The Foundation provides patient care services to Health System patients, and in conjunction with the care of patients, provides teaching services. The University provides space and certain administrative services to the Foundation. The Foundation reimburses the University for the salaries and fringe benefits of classified and hourly employees of the clinical departments paid by the University, and not funded by the Commonwealth of Virginia or by gifts, grants, and contracts. For additional information, contact the Finance Office at 500 Ray C. Hunt Drive, Charlottesville, Virginia 22903.

The **University of Virginia Investment Management Company** was established to provide investment management services to the University of Virginia, independent foundations, and other entities affiliated with the University and operating in support of its mission. For additional information, contact the Administrative Office at P.O. Box 400215, Charlottesville, Virginia 22904.

REPORTING BASIS

The University of Virginia, as a public institution, prepares its financial statements in accordance with accounting principles applicable to governmental colleges and universities generally accepted in the United States of America, as promulgated by the Governmental Accounting Standards Board (GASB). In addition, the University adheres to Financial Accounting Standards Board (FASB) pronouncements issued prior to November 30, 1989, that do not contradict or conflict with GASB standards. It is the University's policy not to follow FASB standards issued after that date. The component units continue to follow FASB pronouncements, and their financial statements are presented in accordance with those standards.

In accordance with GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, the University has elected to report as an entity engaged in business-type activities. Entities engaged in business-type activities are financed in whole or in part by fees charged to external parties for goods and services.

GASB Statement No. 34 establishes standards for external financial reporting for public colleges and universities and requires that resources be classified for accounting and reporting purposes into the following net asset categories:

Invested in capital assets, net of related debt. Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of these assets.

Restricted. Nonexpendable: Net assets subject to stipulations that they be maintained permanently by the University. Such assets include the University's permanent endowment funds.

Expendable: Net assets whose use by the University is subject to stipulations that can be fulfilled by actions of the University pursuant to those stipulations or that expire by the passage of time.

Unrestricted. Those net assets that are not classified either as capital assets, net of related debt or restricted net assets. Unrestricted net assets may be designated for specific purposes by management.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the University's policy is to evaluate these expenditures and apply resources on a case-by-case basis.

BASIS OF ACCOUNTING

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues are recorded when earned and expenses are recorded when incurred and measurable, regardless of when the related cash flows take place. Operating activities as reported on the Statement of Revenues, Expenses, and Changes in Net Assets are those that generally result from exchange transactions, such as payments received for providing services and payments made for services or goods received. Certain significant revenue streams relied upon for operations are recorded as nonoperating revenues as specified by GASB Statement No. 34, including state appropriations, gifts, and investment income. In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, revenues from these nonexchange transactions are recognized in the fiscal year in which all eligibility requirements (resource provider conditions) have been satisfied, if measurable and probable of collection.

CASH AND CASH EQUIVALENTS

In addition to cash on deposit in private bank accounts, petty cash, and undeposited receipts, this classification includes cash on deposit with fiscal agents and investments with original maturities of ninety days or less. Substantially all cash and cash equivalents are concentrated in accounts in which balances exceed FDIC insurance limits.

INVENTORIES

Inventories are valued at the lower of cost (generally determined on the weighted-average method) or market value.

INVESTMENTS

Investments in corporate stocks and marketable bonds are recorded at market value. All real estate investments are capital assets, and thus recorded at cost. Certain less marketable investments, such as private equity investments, are generally carried at estimated values as determined by management. Because of the inherent uncertainty in the use of estimates, values that are based on estimates may differ from the values that would have been used had a ready market existed for the investments.

ENDOWMENT

The major portion of the University's endowment is managed by the University of Virginia Investment Management Company Long-Term Pool. It is pooled using a market value basis, with each fund subscribing to or disposing of units (permanent shares) on the basis of the market value per unit at the end of the month within which the transaction takes place.

PLEDGES RECEIVABLE

The University receives pledges and bequests of financial support from corporations, foundations, and individuals. Revenue is recognized when a pledge representing an unconditional promise to pay is received and all eligibility requirements, including time requirements, have been met. In the absence of such a promise, revenue is recognized when the gift is received. Endowment pledges do not meet eligibility requirements, as defined by GASB Statement No. 33, and are not recorded as assets until the related gift is received.

Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the estimated future cash flows. The discounts on these amounts are computed using risk-free interest rates applicable to the years in which the promises are made, commensurate with expected future payments. An allowance of $2,933,900 for uncollectible pledges receivable is provided based on management's judgment of potential uncollectible amounts. The determination includes such factors as prior collection history and type of gift.

CAPITAL ASSETS AND DEPRECIATION

Capital assets are stated at cost at date of acquisition, or fair market value at date of donation in the case of gifts. Capital assets should be depreciated or amortized over their estimated useful lives unless they are inexhaustible or intangible assets with indefinite useful lives. The University capitalizes construction costs that have a value or cost in excess of $250,000 at the date of acquisition. Renovations in excess of $250,000 are capitalized if they significantly extend the useful life of the existing asset. The Academic Division capitalizes moveable equipment at a value or cost of $5,000 and an expected useful life of more than one year.

The Medical Center Division capitalizes moveable equipment at a value or cost of $2,000 and an expected useful life of two or more years. Maintenance or renovation expenditures of $250,000 or more are capitalized only to the extent that such expenditures prolong the life of the asset or otherwise enhance its capacity to render service.

Depreciation of buildings, improvements other than buildings, and infrastructure is provided on a straight-line basis over the estimated useful lives ranging from ten to fifty years.

Depreciation of equipment is provided on a straight-line basis over estimated useful lives ranging from one to twenty years.

Amortization of intangible assets is also included in depreciation expense and is provided on a straight-line basis over the estimated useful lives ranging from one to forty years.

Depreciation of library books is calculated on a straight-line basis over ten years.

Expenditures related to construction are capitalized as they are incurred. Projects that have not been completed as of the date of the Statement of Net Assets are classified as Construction in Progress. Construction-period interest cost in excess of earnings associated with the debt proceeds is capitalized as a component of the fixed asset.

Capital assets, such as roads, parking lots, sidewalks, and other nonbuilding structures and improvements are capitalized as infrastructure and depreciated accordingly. In accordance with AICPA Statement of Position 98-1, *Accounting for the Costs of Computer Software Developed or Obtained for Internal Use*, the University capitalizes computer software developed or obtained for internal use. Capitalization begins at the application development stage, which consists of the design, coding, installation, and testing of the software and interfaces.

COLLECTIONS

The University does not capitalize works of art or historical treasures that are held for exhibition, education, research, or public service. These collections are protected and preserved, neither disposed of for financial gain, nor encumbered in any means. Accordingly, such collections are not recognized or capitalized for financial statement purposes.

DEFERRED REVENUE

Deferred revenue consists primarily of cash received from grant and contract sponsors that has not been earned under the terms of the agreement, and from amounts received in advance of an event, such as student tuition, but not earned as of June 30.

INTEREST CAPITALIZATION

Interest expense incurred during the construction of capital assets is capitalized, if material, net of interest income earned on resources set aside for this purpose. The University incurred capital project interest expense of $3,925,421 and earned capital project interest income of $150,521 for the fiscal year ended June 30, 2008, resulting in net interest capitalized of $3,774,900.

ACCRUED COMPENSATED ABSENCES

The amount of leave earned but not taken by nonfaculty salaried employees is recorded as a liability on the Statement of Net Assets. The amount reflects, as of June 30, 2008, all unused vacation leave, and the amount payable upon termination under the Commonwealth of Virginia's sick leave payout policy. The applicable share of employer-related taxes payable on the eventual termination payments is also included.

REVENUE RECOGNITION

Revenues, as reflected on the Statement of Revenues, Expenses, and Changes in Net Assets, include all exchange and nonexchange transactions earned and in which all eligibility requirements (resource provider conditions) have been satisfied, if measurable and probable of collection.

Student tuition and auxiliary fees are presented net of scholarships and fellowships applied to student accounts.

Certain auxiliary operations provide goods and services to internal customers. These auxiliary operations include activities such as mail services, the print shop, and other auxiliaries with interdepartmental activities. The net effect of these internal transactions has been eliminated in the Statement of Revenues, Expenses, and Changes in Net Assets to avoid inflating revenues and expenses.

MEDICAL CENTER SALES AND SERVICE

A significant portion of the Medical Center services is rendered to patients covered by Medicare, Medicaid, or other third-party payers. The Medical Center has entered into contractual agreements with these third parties to accept payment for services in amounts less than scheduled charges. In accordance with these agreements, the difference between the contractual payments due and the Medical Center scheduled billing rates results in contractual adjustments. Patient care revenues are reported net of contractual allowances in the Statement of Revenues, Expenses, and Changes in Net Assets in the period in which the related services are rendered.

Certain annual settlements of amounts due for Medical Center services covered by third parties are determined through cost reports that are subject to audit and retroactive adjustment by the third parties. Provisions for possible adjustments of cost reports have been estimated and reflected in the accompanying financial statements. Because the determination of settlements in prior years has been based on reasonable estimation, the difference in any year between the originally estimated amount and the final determination is reported in the year of determination as an adjustment to Medical Center revenues.

REVENUE AND EXPENSE CLASSIFICATIONS

The University's policy for defining operating activities as reported on the Statement of Revenues, Expenses, and Changes in Net Assets are those that generally result from activities having the characteristics of exchange transactions, meaning revenues are received in exchange for goods and services. Operating revenues include student tuition and fees, net of scholarship discounts and allowances; sales and services of auxiliary enterprises, net of scholarship allowances; federal, state, local, and nongovernmental grants and contracts; and sales and services of educational departments. With the exception of interest expense, all expense transactions are classified as operating expenses.

Nonoperating revenues include activities having the characteristics of nonexchange transactions, meaning revenues are received for which goods and services are not provided. Nonoperating revenues include revenues from gifts, state appropriations, investment and interest income, and other revenue sources.

SCHOLARSHIP ALLOWANCE

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship allowance in the Statement of Revenues, Expenses, and Changes in Net Assets. Scholarship allowance is the difference between the stated charge for goods and services provided by the University and the amount paid by students and/or third parties making payments on the students' behalf. Financial aid to students is reported using the alternative method as recommended by the National Association of College and University Business Officers (NACUBO). The alternative method is a simple proportionality algorithm that computes scholarship allowance on a University-wide basis by allocating the amounts applied to student accounts and the cash payments to students, excluding payments for services, on the ratio of total aid to the aid not considered to be third-party aid.

DISCOUNTS, PREMIUMS, AND BOND ISSUANCE COSTS

Bonds payable on the Statement of Net Assets are reported net of related discounts and premiums, which are expensed over the life of the bond. Similarly, bond issuance costs are reported as a noncurrent asset that is amortized over the life of the bond on a straight-line basis.

INCOME TAX STATUS

The University of Virginia is an agency of the Commonwealth of Virginia and is exempt from federal income tax under Section 115(a) of the Internal Revenue Code. The University-related organizations are 501(c)(3) organizations and are exempt from federal income tax under the Internal Revenue Code. Accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

RESTATEMENTS: APPROPRIATIONS AVAILABLE

For fiscal year 2008 the Commonwealth of Virginia Department of Accounts mandated that higher education institutions report general fund appropriations available amounts as a receivable item instead of a cash and cash equivalents line item. As a result, the prior year's cash and cash equivalents have been restated as follows:

Cash and cash equivalents as originally reported	$ 767,811
Reporting guidelines change for Department of Accounts appropriations available	(78,315)
CASH AND CASH EQUIVALENTS AT JULY 1, 2007, AS RESTATED	$ 689,496

RECLASSIFICATIONS

Certain amounts from the prior fiscal year have been reclassified to conform to current-year presentation.

NOTE 2: CASH, CASH EQUIVALENTS, AND INVESTMENTS

The University of Virginia Investment Management Company (UVIMCO) administers and manages the majority of the University's investments in two investment pools. The Long-Term Pool includes endowment assets. Operating funds invested for short periods of time are managed in the Aggregate Cash Pool.

UVIMCO is governed by a board of thirteen directors, three of whom are appointed by the Board of Visitors of the University of Virginia and one of whom is appointed by the University president.

The University monitors and receives periodic reports on the investment policy executed by UVIMCO. It is the policy of the University to comply with the Investment of Public Funds Act, Code of Virginia Section 2.2 4500-4517.

Biannual distributions are made from the University's endowment to departments holding endowment investments. The University's endowment spending policy ties annual increases to inflation as defined by the Higher Education Price Index. If the increase causes the endowment distribution to fall outside a range defined as 4.0 percent to 6.0 percent of the market value of the endowment, then the Finance Committee of the Board of Visitors may recommend increasing or decreasing the spending rate. The current policy calls for the Board of Visitors to review the inflation factor every five years. This will next occur in 2010, unless the distribution falls outside of the current 4.0 percent to 6.0 percent range. For fiscal year 2008, the endowment distribution was adjusted to 4.5 percent of the fund's market value at June 30, 2007. For fiscal year 2008 the total distribution was $133.4 million and the market value of the endowment at June 30, 2008, was $3.2 billion.

The University also maintains an Internal Investment Program. This program allocates University investment earnings in the UVIMCO Aggregate Cash Pool to departments with allowable funds invested in the program. At June 30, 2008, a total of $353.3 million was invested in the program. A total of $9.0 million was allocated in fiscal year 2008. The quarterly annualized rates of return on the Internal Investment Program ranged from 0.4 percent to 4.9 percent.

RISK

Custodial Credit Risk is the risk that in the event of a bank failure, the University's deposits will not be honored. The University had no investments exposed to custodial credit risk as of June 30, 2008.

Interest Rate Risk occurs when the fair market value is adversely affected by changes in interest rates. The longer the duration of an investment, the greater the interest rate risk. Investments subject to interest rate risk at June 30, 2008, are outlined in the accompanying table.

Credit Risk is the possibility that a loss may occur due to the failure of a counterparty to perform according to the terms of the contract. State law limits the nonendowed investments in short-term commercial paper, certificates of deposit, asset-backed securities, and debt obligations to the top rating issued by nationally recognized statistical rating organizations (NRSROs), and requires the investment be rated by at least two NRSROs. For longer-term certificates of deposit and corporate notes, the rating must be one of the top two ratings issued by two NRSROs. Investments subject to credit risk at June 30, 2008, are outlined in the accompanying table.

Concentration of Credit Risk is the risk of a large loss attributed to the magnitude of investment in a single issuer of fixed income securities. The University minimizes this risk by diversifying its investments. The University does not have investments exposed to concentration of credit risk as of June 30, 2008.

Foreign Currency Risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The University has no foreign investments or deposits as of June 30, 2008.

DEPOSITS

Deposits include bank account balances and are governed by the Virginia Security of Public Deposits Act. The Act includes a cross-guarantee among approved financial institutions eligible to hold public funds. In the event of a default of one of the approved financial institutions, an assessment is levied against all participating institutions to cover the uncollateralized public deposits. This cross-guarantee eliminates custodial credit risk. Amounts on deposit covered by the Virginia Security of Public Deposits Act totaled $41 million at June 30, 2008. Such deposits are not subject to foreign currency risk. Interest rate risk disclosure for cash equivalents is outlined in the accompanying table.

INVESTMENTS

For endowment investments, the University's policy is to maximize long-term real return commensurate with the risk tolerance of the University. To achieve this objective, the University participates in the UVIMCO Long-Term Pool, which attempts to achieve returns that consistently exceed the returns on a passively managed benchmark with similar asset allocation and risk.

The UVIMCO Long-Term Pool invests in a variety of asset classes, including common stocks, fixed income, foreign investments, derivatives, private equity, and hedge funds. These assets are subject to a variety of risks. Common stocks are subject to risk that the value may fall (market risk), while fixed-income investments are subject to interest rate and credit risk. Foreign investments are subject to currency exchange rates (foreign exchange risk), political and economic developments, limited legal recourse, and markets. Derivatives such as futures, options, warrants, and swap contracts involve risks that may result in losses. The prices of derivatives may move in unexpected ways due to the use of leverage or other factors, especially in unusual market conditions, and may result in increased volatility. Hedge funds are subject to the risks contained in the underlying investments and can limit liquidity.

The UVIMCO Aggregate Cash Pool commingles the short-term investments of the University. The investments are valued on a daily basis by the custodian bank. Deposits and withdrawals are processed daily. An income factor is calculated daily and includes interest and dividends earned, realized gains and losses, the change in unrealized gains and losses, and fees. Income factors are totaled on a monthly basis, and income is reinvested on the first business day of the following month.

At June 30, 2008, the University's investment in the UVIMCO Long-Term Pool was $3.9 billion, representing 86 percent of invested assets. At June 30, 2008, the University's investments in the UVIMCO Aggregate Cash Pool was $213 million, representing 5 percent of invested assets. These pools are not rated by nationally recognized statistical rating organizations.

DERIVATIVES

In January 2007, the University entered into three fixed-payer interest rate swaps totaling $150 million in notional amount. The underlying index for the swaps is the Securities Industry and Financial Markets Association Municipal Swap Index (SIFMA). The swaps have an effective date of June 1, 2008, and mature June 1, 2038. The swaps were entered into at a zero market value and no payments were made or received when they were initiated. The objective of the swaps is to offset the risk of rising interest rates between January 2007 and June 2008. The swaps provided a hedge against the impact of rising interest rates on the University's Series 2008 Bonds dated May 22, 2008. On February 25, 2008, the University terminated one of the swaps with a notional amount of $50 million and received payment upon termination of $750,000. The two remaining swaps are scheduled to begin exchanging interest payments on July 1, 2008, for a period of thirty years.

As of June 30, 2008, the $100 million notional amount of swaps outstanding had a negative market value of approximately $3.4 million, representing the amount the University would pay if the swaps were terminated on that date. The fair value was determined by using the quoted SIFMA index curve at the time of market valuation. The University would be exposed to the credit risk of its swap counterparties any time the swaps had a positive market value. As of June 30, 2008, the University's swap counterparties were rated A+ and A from Standard & Poor's and Aa3 and A2 by Moody's. To mitigate credit risk, the University limits market value exposure and requires the posting of collateral based on the credit rating of the counterparty. All counterparties are required to have at least an A-/A3 rating by Standard & Poor's and Moody's, respectively. As of June 30, 2008, no collateral was required to be posted by the counterparties.

The derivative contracts use the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The Schedule to the Master Agreement includes an additional termination event. That is, the swap may be terminated by either party if the counterparty's credit rating falls below BBB/Baa2 in the case of Standard & Poor's and Moody's, respectively. The University or the counterparty may also terminate the swap if the other party fails to perform under the terms of the contract. If at the time of termination the swap has a negative market value, the University would be liable to the counterparty for a payment equal to the swap's market value.

SECURITY LENDING TRANSACTIONS

Investments and cash equivalents held by the Treasurer of Virginia represent the University's allocated share of cash collateral received and reinvested and securities received for the State Treasury's securities lending program. Under the University's management agreement with the Commonwealth of Virginia under the Restructured Higher Education Financial and Administrative Operations Act, which took effect July 1, 2007, the University no longer participates in the State Treasury's securities lending program.

Credit Quality and Interest Rate Risk *(in thousands)*	FAIR VALUE	CREDIT RATING	INVESTMENT MATURITIES (IN YEARS)			
			LESS THAN 1 YEAR	1–5 YEARS	6–10 YEARS	GREATER THAN 10 YEARS
CASH EQUIVALENTS						
Short-term investment pool	$ 2,281	Aaa				
University of Virginia Investment Management Company Aggregate Cash Pool	213,302	Unrated				
State Non-Arbitrage Program	121,779	AAAm				
TOTAL CASH EQUIVALENTS	$ 337,362					
INVESTMENTS SUBJECT TO INTEREST RATE RISK						
Endowment investments:						
Debt securities						
Demand notes due from related foundation, noninterest bearing	$ 8,633	Unrated	$ 8,633			
Note receivable, 9%	190	Unrated				$ 190
TOTAL INVESTMENTS SUBJECT TO INTEREST RATE RISKS	$ 8,823		$ 8,633	$ —	$ —	$ 190
	100.0%		97.8%	0.0%	0.0%	2.2%

NOTE 3: STATEMENT OF NET ASSETS DETAILS

a. Accounts receivable: The composition of accounts receivable at June 30, 2008, is summarized as follows:

Accounts Receivable *(in thousands)*	
Patient care	$ 282,062
Grants and contracts	19,085
Equipment Trust Fund reimbursement	5,418
Pledges	18,547
Related foundation	2,045
Capital appropriations	12,512
Other	11,443
Less: Allowance for doubtful accounts	(206,259)
TOTAL	$ 144,853

b. Notes receivable: The composition of notes receivable at June 30, 2008, is summarized in the chart below.

Notes Receivable *(in thousands)*	
Perkins	$ 18,676
Nursing	1,154
Health	24
Institutional	12,282
Fraternity loan	781
House Staff loan	11
Less: Allowance for doubtful accounts	(819)
Total notes receivable, net	**32,109**
Less: Current portion, net of allowance	(4,611)
TOTAL NONCURRENT NOTES RECEIVABLE	**$ 27,498**

c. Pledges: The composition of pledges receivable at June 30, 2008, is summarized as follows:

Pledges *(in thousands)*	
GIFT PLEDGES OUTSTANDING	
Operations	$ 16,413
Capital	17,325
TOTAL GIFT PLEDGES OUTSTANDING	**33,738**
Less:	
Allowance for uncollectible pledges	(2,934)
Unamortized discount to present value	(2,957)
Total pledges receivable, net	**27,847**
Less current portion, net of allowance	(16,810)
TOTAL NONCURRENT PLEDGES RECEIVABLE	**$ 11,037**

d. Capital assets: Activity for the year ended June 30, 2008, is summarized in the chart below.

Investment in Plant— Capital Assets *(in thousands)*	BEGINNING BALANCE JULY 1, 2007	ADDITIONS	DISPOSITIONS	ADJUSTMENTS	ENDING BALANCE JUNE 30, 2008
NONDEPRECIABLE CAPITAL ASSETS					
Land	$ 31,800	$ 6,392	$ —	$ —	$ 38,192
Construction in progress	293,230	261,709	183,433	—	371,506
Software in development	—	8,544	—	2,337	10,881
TOTAL NONDEPRECIABLE CAPITAL ASSETS	**325,030**	**276,645**	**183,433**	**2,337**	**420,579**
DEPRECIABLE CAPITAL ASSETS					
Buildings	1,692,602	162,207	4,051	1,826	1,852,584
Equipment	570,014	106,946	25,069	(36,009)	615,882
Infrastructure	203,670	462	—	10,308	214,440
Improvements other than buildings	146,515	545	8	(8,843)	138,209
Capitalized software	35,188	—	—	(2,398)	32,790
Library books	100,635	5,013	457	—	105,191
Total depreciable capital assets	**2,748,624**	**275,173**	**29,585**	**(35,116)**	**2,959,096**
Less accumulated depreciation for:					
Buildings	(629,719)	(55,629)	(2,553)	(1,068)	(683,863)
Equipment	(360,710)	(53,442)	(21,524)	2,925	(389,703)
Infrastructure	(104,067)	(6,338)	—	(1,915)	(112,320)
Improvements other than buildings	(69,890)	(2,956)	(7)	—	(72,839)
Capitalized software	(20,525)	(3,928)	—	91	(24,362)
Library books	(77,489)	(4,107)	(457)	—	(81,139)
Total accumulated depreciation	**(1,262,400)**	**(126,400)**	**(24,541)**	**33**	**(1,364,226)**
TOTAL DEPRECIABLE CAPITAL ASSETS, NET	**1,486,224**	**148,773**	**5,044**	**(35,083)**	**1,594,870**
TOTAL	**$ 1,811,254**	**$ 425,418**	**$ 188,477**	**$ (32,746)**	**$ 2,015,449**

e. Goodwill: In May 2000, the Medical Center acquired from Augusta Health Care, Inc., the kidney dialysis assets in a transaction accounted for as a purchase. Accordingly, $987,188 was recorded as goodwill for the purchase of the assets and is being amortized over five years. An additional $800,000 was recorded as goodwill for a noncompetition agreement and is being amortized over its ten-year life.

In July 2004, the Medical Center purchased Virginia Ambulatory Surgery Center (VASI), now known as Virginia Outpatient Surgery Center. As a result of the purchase, the Medical Center recorded $6,980,198 of goodwill to be amortized over a period of forty years.

In November 2004, the Medical Center purchased Amherst and Lynchburg renal facilities. As a result of the purchase, the Medical Center recorded goodwill of $3,476,068 and $4,017,321, respectively, for the Amherst and Lynchburg facilities. The goodwill is to be amortized over a period of forty years.

f. Accounts payable: The composition of accounts payable at June 30, 2008, is summarized as follows:

Accounts Payable *(in thousands)*	
Accounts payable	$ 136,861
Accrued salaries and wages payable	59,036
Other postemployment benefits	6,766
Other payables	17,973
TOTAL	$ 220,636

g. Deferred revenue: The composition of deferred revenue at June 30, 2008, is summarized as follows:

Deferred Revenue *(in thousands)*	
Grants and contracts	$ 45,890
Student payments	14,520
Other deferred revenue	28,453
TOTAL	$ 88,863

NOTE 4: SHORT-TERM DEBT

Short-term debt at June 30, 2008, is summarized in the chart below.

Short-Term Debt *(in thousands)*	BEGINNING BALANCE JULY 1, 2007	ADDITIONS	REDUCTIONS	ENDING BALANCE JUNE 30, 2008
Commercial paper, tax-exempt	$ 64,200	$ 61,906	$ 108,556	$ 17,550

The University has both taxable and tax-exempt commercial paper programs that provide for bridge financing for capital projects up to a board-approved limit. The University Board of Visitors approved an increase in the limit from $175,000,000 to $300,000,000 in April 2008. In fiscal year 2008, the average days to maturity were fifty-nine and the weighted-average effective interest rate was 2.69 percent.

NOTE 5: LONG-TERM OBLIGATIONS

a. Long-term debt: The composition of long-term debt at June 30, 2008, is summarized as follows:

Long-Term Debt *(in thousands)*	INTEREST RATES	FINAL MATURITY	BEGINNING BALANCE JULY 1, 2007	ADDITIONS	REDUCTIONS	ENDING BALANCE JUNE 30, 2008
BONDS AND NOTES PAYABLE						
Revenue bonds						
Medical Center Series 1998B (9d)	3.5% to 5.0%	2018	$ 4,395	$ —	$ 4,395	$ —
Medical Center Series 1999A (9d)	4.5% to 5.3%	2013	23,500	—	4,565	18,935
University of Virginia Series 1995A (9d)	1.27% to 4.07%	2020	1,710	—	1,710	—
University of Virginia Series 2003A (9d)	1.0% to 4.05%	2034	82,010	—	—	82,010
University of Virginia Series 2003B (9d)	4.0% to 5.0%	2033	113,080	—	2,265	110,815
University of Virginia Series 2005 (9d)	4.0% to 5.0%	2037	188,090	—	2,595	185,495
University of Virginia Series 2008 (9d)	5%	2040	—	231,365	—	231,365
Commonwealth of Virginia bonds (9c)	3.8% to 9.3%	2021	28,921	—	3,844	25,077
Notes payable to VCBA 1997A (9d)	3.5% to 5.0%	2018	790	—	790	—
Notes payable to VCBA 1999A (9d)	3.5% to 6.0%	2020	4,255	—	1,345	2,910
Notes payable to VCBA 2000A (9d)	3.5% to 5.8%	2021	24,415	—	12,055	12,360
Notes payable to VCBA 2004B (9d)	3.0% to 5.0%	2020	37,215	—	110	37,105
Notes payable to VCBA 2007B (9d)	4.0% to 4.25%	2020	—	11,010	—	11,010
Other	various	2009	18	298	18	298
TOTAL BONDS AND NOTES PAYABLE			$ 508,399	$ 242,673	$ 33,692	$ 717,380
Less current portion of debt			(17,149)	—	(4,102)	(13,047)
Bond premium			17,779	6,988	869	23,898
Deferred loss on early retirement of debt			(4,822)	(260)	(385)	(4,697)
NET LONG-TERM DEBT			$ 504,207	$ 249,401	$ 30,074	$ 723,534

On May 22, 2008, the University of Virginia issued $231,365,000 in General Revenue Pledge Bonds, Series 2008. The 2008 Series was issued to fund new construction on the grounds of the University of Virginia, refund $102,093,668 of outstanding commercial paper and to refund the University of Virginia 1995A (9d) and the Medical Center Series 1998B (9d) bonds. The refunding of the bonds increased aggregate debt service $6,907,084, representing a net present value loss of $289,521 and an accounting loss of $40,800.

During the fiscal year ended June 30, 2008, the Commonwealth of Virginia, on behalf of the University, issued bonds in the amount of $11,010,000 to advance refund $10,750,000 in various series of bonds. The advance refunding reduced the aggregate debt service by $645,571, representing a net present value savings of $518,252 and an accounting loss of $260,000.

The University has a revolving credit agreement with a maximum principal amount of $82,010,000 to provide liquidity for its 2003A General Revenue Pledge Bonds, and another revolving credit agreement with a maximum principal amount of $167,990,000 to provide liquidity for all other variable rate obligations of the University. There were no advances outstanding under this credit agreement as of June 30, 2008. The 9c and 9d bonds are supported by all revenue of the University not otherwise pledged.

Maturities and interest on notes and bonds payable for the next five years and in subsequent five-year periods are as follows:

Maturities *(in thousands)*	PRINCIPAL	INTEREST
2009	$ 13,047	$ 34,139
2010	13,525	33,737
2011	19,353	32,541
2012	19,201	31,580
2013	20,043	30,599
2014–2018	68,468	141,181
2019–2023	55,253	125,766
2024–2028	29,425	116,212
2029–2033	88,900	108,805
2034–2038	232,190	80,203
2039–2040	157,975	11,944
TOTAL	$ 717,380	$ 746,707

PRIOR YEAR REFUNDINGS

In previous fiscal years, bonds and notes were issued to refund a portion of previously outstanding bonds and notes payable. Funds relating to the refundings were deposited into irrevocable trusts with escrow agents to provide for future debt service on the refunded bonds. The trust account assets and liabilities for the defeased bonds are not included in the University's financial statements. At June 30, 2008, the outstanding balance of the prior years' in-substance defeased bonds and notes totaled $39,750,000.

b. Long-term liabilities: The composition of long-term liabilities at June 30, 2008, is summarized as follows:

Long-Term Liabilities *(in thousands)*	BEGINNING BALANCE JULY 1, 2007	ADDITIONS	REDUCTIONS	ENDING BALANCE JUNE 30, 2008
Investments held for related entities	$ 19,352	$ —	$ 880	$ 18,472
Accrual for compensated absences	48,095	52,588	50,556	50,127
Perkins loan program	13,814	2,046	—	15,860
Other	26,005	14,944	16,407	24,542
Subtotal	**107,266**	**69,578**	**67,843**	**109,001**
Less current portion of long-term liabilities	(50,763)	(2,927)	—	(53,690)
NET LONG-TERM LIABILITIES	$ 56,503	$ 66,651	$ 67,843	$ 55,311

NOTE 6: AFFILIATED COMPANIES

UNIVERSITY OF VIRGINIA IMAGING, L.L.C.

On March 26, 2002, the Medical Center entered into an agreement with Outpatient Imaging Affiliates of Virginia, L.L.C. (OIA), to establish University of Virginia Imaging, L.L.C. (UVI). The limited liability corporation was formed to operate an outpatient diagnostic imaging center to help respond to the need for radiology services in the Charlottesville area.

The Medical Center currently operates an outpatient imaging department offering MRI, plain film radiography, fluoroscopy, and ultrasound in office space at the Fontaine Research Park. Although available to all Medical Center physicians, the site principally serves orthopaedic physicians located at the Fontaine Research Park. UVI also provides services to outpatients from the Medical Center's primary and secondary service areas. Because the Medical Center owns 80 percent of UVI, its financial activity is presented under the consolidation method.

COMMUNITY MEDICINE, L.L.C.

On November 14, 2000, the University of Virginia established the Community Medicine University of Virginia, L.L.C. (Community Medicine). Community Medicine was established as a limited liability corporation (L.L.C.) under the laws of the Commonwealth of Virginia to house physician practices. This model gives physicians an organizational structure that allows them the opportunity to practice independently in a virtual private practice environment with all the risks and gains associated with an independent model. As an L.L.C., which is a wholly-owned subsidiary of the University, Community Medicine is considered a disregarded entity for tax purposes and its financial activity is accounted for under the consolidation method.

Community Medicine commenced operations on July 1, 2001, and as of June 30, 2008, the Medical Center's investment totaled $1,810,000.

CENTRAL VIRGINIA HEALTH NETWORK, INC.

In May 1995, the Medical Center joined the Central Virginia Health Network, Inc. (CVHN), a partnership of eight Richmond-area hospitals. CVHN was formed to provide an efficient and coordinated continuum of care, with services ranging from acute hospital treatment to primary physician care and home health services.

The Medical Center originally paid $100 for 10,000 shares of common stock and $109,900 as additional paid-in capital. In addition, the Medical Center is obligated for monthly dues to CVHN of $15,913. Complete financial statements can be obtained from the registered agent: Steven D. Gravely, Esq., Mezzullo and McCandlish, P.O. Box 796, Richmond, Virginia 23206.

UNIVERSITY OF VIRGINIA/HEALTHSOUTH, L.L.C.

The Medical Center entered into a joint venture with HEALTHSOUTH Corporation to establish an acute rehabilitation facility, located at the Fontaine Research Park in Charlottesville, Virginia, to provide patient services to the region. The Medical Center made a capital contribution of $2,230,000 to the joint venture in May 1996, which represents a 50 percent interest. Complete financial statements can be obtained from the managing member: HEALTHSOUTH Corporation, 7700 East Parham Road, Richmond, Virginia 23294.

VALIANCE HEALTH, L.L.C.

In November 1997, the Medical Center became a participant with Rockingham Memorial Hospital and Augusta Health Care, Inc., in Valiance Health, L.L.C. (Valiance), a joint venture integrating and coordinating the delivery of healthcare services in central and western Virginia. The Medical Center contributed $100,000 in initial capital, which entitles it to a pro-rata distribution of any profits and losses of Valiance. As of June 30, 2008, the Medical Center's investment totaled $500,000.

UNIVERSITY HEALTHSYSTEM CONSORTIUM (UHC)

In December 1986, the Medical Center became a member of the University HealthSystem Consortium (UHC). Founded in 1984, UHC is an alliance of the clinical enterprises of academic health centers. While focusing on the clinical mission, UHC is mindful of and supports the research and education missions. The mission of UHC is to advance knowledge, foster collaboration, and promote change to help members compete in their respective health care markets. In keeping with this mission, UHC helps members pool resources, create economies of scale, improve clinical and operating efficiencies, and influence the direction and delivery of health care. Accordingly, UHC is organized and operated on a cooperative basis for the benefit of its patron-member health systems.

UHC is a not-for-profit organization. It is incorporated as a nonstock corporation and designated as a nonexempt cooperative that is taxable under Subchapter T, section 1382-1388, of the Internal Revenue Code. As such, UHC's bylaws provide for distributions of patronage dividends to its patrons. This allocation is based on the value of business done with or for each patron by UHC. The Medical Center records the portion of the patronage dividends that were held by UHC as patronage equity.

As of June 30, 2008 *(in thousands)*	COMMON STOCK AND EQUITY CONTRIBUTIONS	SHARE OF ACCUMULATED INCOME (LOSS)	NET INVESTMENT
UVA Imaging, L.L.C.	$ 687	$ 1,541	$ 2,228
Community Medicine, L.L.C.	1,810	(3,762)	(1,952)
Central Virginia Health Network, Inc.	232	(41)	191
HEALTHSOUTH, L.L.C.	1,830	5,661	7,491
Valiance, L.L.C.	350	791	1,141
University HealthSystem Consortium	—	647	647

HEALTHCARE PARTNERS, INC.

In May 1995, HealthCare Partners, Inc. (HealthCare Partners), a nonstock, nonprofit corporation, was established to support networking, external business relationships with neighboring hospitals and physicians groups, and expansion of primary care activities. The Medical Center and the Health Services Foundation are the primary contributors to the funding of the corporation. The corporation is governed by a board of directors composed of Health System staff, community members, and University Board of Visitors appointees.

NOTE 7: COMPONENT UNITS

Summary financial statements and additional disclosures are presented below.

Statement of Financial Position *(in thousands)* *as of June 30, 2008*	UNIVERSITY OF VIRGINIA LAW SCHOOL FOUNDATION	UNIVERSITY OF VIRGINIA DARDEN SCHOOL FOUNDATION	ALUMNI ASSOCIATION OF THE UNIVERSITY OF VIRGINIA	VIRGINIA ATHLETICS FOUNDATION*	UNIVERSITY OF VIRGINIA FOUNDATION	UNIVERSITY OF VIRGINIA HEALTH SERVICES FOUNDATION	UNIVERSITY OF VIRGINIA INVESTMENT MANAGEMENT COMPANY	COMPONENT UNITS SUBTOTAL	ELIMINATIONS	COMPONENT UNITS TOTAL
ASSETS										
Current assets										
Total current assets	$ 5,351	$ 14,632	$ 37,273	$ 28,580	$ 22,758	$ 116,250	$ 478,268	$ 703,112	$ —	$ 703,112
Noncurrent assets										
Long-term investments	304,070	248,280	376,037	69,926	119,070	90,631	5,653,700	6,861,714	(982,105)	5,879,609
Capital assets, net, and other assets	8,418	93,408	34,229	34,243	294,898	23,866	1,116	490,178	—	490,178
Total noncurrent assets	312,488	341,688	410,266	104,169	413,968	114,497	5,654,816	7,351,892	(982,105)	6,369,787
TOTAL ASSETS	$ 317,839	$ 356,320	$ 447,539	$ 132,749	$ 436,726	$ 230,747	$6,133,084	$8,055,004	$ (982,105)	$7,072,899
LIABILITIES AND NET ASSETS										
Current liabilities										
Total current liabilities	$ 196	$ 9,263	$ 74,309	$ 1,041	$ 79,799	$ 99,460	$6,127,860	$6,391,928	$ (982,105)	$5,409,823
Noncurrent liabilities										
Long-term debt, net of current portion of $6,239	—	52,586	18,000	—	229,616	18,360	—	318,562	—	318,562
Other noncurrent liabilities	672	—	20,042	919	39,000	49,721	—	110,354	—	110,354
Total noncurrent liabilities	672	52,586	38,042	919	268,616	68,081	—	428,916	—	428,916
TOTAL LIABILITIES	$ 868	$ 61,849	$ 112,351	$ 1,960	$ 348,415	$ 167,541	$6,127,860	$6,820,844	$ (982,105)	$5,838,739
NET ASSETS										
Unrestricted	$ 63,965	$ 91,372	$ 50,279	$ 52,779	$ 8,436	$ 55,711	$ 5,224	$ 327,766	$ —	$ 327,766
Temporarily restricted	156,655	95,770	142,172	54,497	65,099	7,495	—	521,688	—	521,688
Permanently restricted	96,351	107,329	142,737	23,513	14,776	—	—	384,706	—	384,706
TOTAL NET ASSETS	316,971	294,471	335,188	130,789	88,311	63,206	5,224	1,234,160	—	1,234,160
TOTAL LIABILITIES AND NET ASSETS	$ 317,839	$ 356,320	$ 447,539	$ 132,749	$ 436,726	$ 230,747	$6,133,084	$8,055,004	$ (982,105)	$7,072,899

**December 31, 2007, year-end*

PLEDGES RECEIVABLE

Unconditional promises to give (pledges) are recorded as receivables and revenues and are assigned to net asset categories based on the presence or absence of donor-imposed restrictions. Pledges expected to be collected within one year are recorded at net realizable value. Pledges that are expected to be collected in future years are recorded at the net present value of their estimated future cash flows. The discounts on these amounts are computed using risk-free interest rates applicable to the years in which the promise was received and then remain consistent throughout the pledge's life. The component units recorded an allowance against pledges receivable for estimated uncollectible amounts. The **Health Services Foundation** does not accept gifts. Unconditional promises to give at June 30, 2008, are as follows:

Summary Schedule of Pledges Receivable *(in thousands)* *as of June 30, 2008*	UNIVERSITY OF VIRGINIA LAW SCHOOL FOUNDATION	UNIVERSITY OF VIRGINIA DARDEN SCHOOL FOUNDATION	ALUMNI ASSOCIATION OF THE UNIVERSITY OF VIRGINIA	VIRGINIA ATHLETICS FOUNDATION*	UNIVERSITY OF VIRGINIA FOUNDATION	UNIVERSITY OF VIRGINIA HEALTH SERVICES FOUNDATION	UNIVERSITY OF VIRGINIA INVESTMENT MANAGEMENT COMPANY	COMPONENT UNITS TOTAL
Total pledges receivable	$ 16,883	$ 21,536	$ 23,583	$ 54,976	$ —	$ —	$ —	$ 116,978
Less allowance for uncollectible accounts	(707)	(690)	(1,337)	(3,018)	—	—	—	(5,752)
Less effect of discounting to present value	(2,896)	(1,859)	(2,924)	(3,578)	—	—	—	(11,257)
Net pledges receivable	**13,280**	**18,987**	**19,322**	**48,380**	**—**	**—**	**—**	**99,969**
Less current pledges	(4,926)	(5,162)	(4,750)	(17,406)	—	—	—	(32,244)
TOTAL NONCURRENT PLEDGES RECEIVABLE	**$ 8,354**	**$ 13,825**	**$ 14,572**	**$ 30,974**	**$ —**	**$ —**	**$ —**	**$ 67,725**

**December 31, 2007, year-end*

The **University of Virginia Law School Foundation** has received bequest intentions and certain other conditional promises to give of approximately $13 million at June 30, 2008. These intentions and conditional promises to give are not recognized as assets, and if they are received, will generally be restricted for specific purposes stipulated by the donors, primarily endowments for scholarships and professorships.

Pledges receivable for the **Virginia Athletics Foundation** are for several programs. The majority of these are for the Arena Campaign.

INVESTMENTS

Investments are recorded at market value, which is determined by readily available quotes on the stock exchange or as quoted by the **University of Virginia Investment Management Company (UVIMCO)**. Realized gains (losses) from the sale of securities and unrealized gains (losses) from the appreciation (depreciation) of the value of securities held are recognized in the year incurred. The fair values of investments by investment class at June 30, 2008, for the component units are as follows:

Summary Schedule of Investments *(in thousands)* *as of June 30, 2008*	UNIVERSITY OF VIRGINIA LAW SCHOOL FOUNDATION	UNIVERSITY OF VIRGINIA DARDEN SCHOOL FOUNDATION	ALUMNI ASSOCIATION OF THE UNIVERSITY OF VIRGINIA	VIRGINIA ATHLETICS FOUNDATION*	UNIVERSITY OF VIRGINIA FOUNDATION	UNIVERSITY OF VIRGINIA HEALTH SERVICES FOUNDATION	UNIVERSITY OF VIRGINIA INVESTMENT MANAGEMENT COMPANY	COMPONENT UNITS TOTAL
Private placements and limited partnerships	$ 23	$ —	$ —	$ 44	$ —	$ 1,082	$ —	$ 1,149
University of Virginia Investment Management Company	199,892	243,142	359,719	66,449	71,655	41,248	6,310	988,415
Equities	10,968	5,139	3,331	—	—	15,048	4,032,348	4,066,834
Other	93,186	940	12,987	3,433	65,487	99,846	2,091,991	2,367,870
Total investments	**$ 304,069**	**$ 249,221**	**$ 376,037**	**$ 69,926**	**$ 137,142**	**$ 157,224**	**$6,130,649**	**$7,424,268**
Less amounts shown in current assets	—	(937)	—	—	(18,072)	(66,594)	(476,951)	(562,554)
Less eliminations	(199,892)	(243,142)	(359,719)	(66,449)	(71,655)	(41,248)	—	(982,105)
LONG-TERM INVESTMENTS	**$ 104,177**	**$ 5,142**	**$ 16,318**	**$ 3,477**	**$ 47,415**	**$ 49,382**	**$5,653,698**	**$5,879,609**

**December 31, 2007, year-end*

UVIMCO has investments in limited partnership hedge funds, private equity and venture capital investments, or similar private investment vehicles. These investments do not actively trade through established exchange mechanisms and are valued at estimated fair market value, based on **UVIMCO's** interest in the investee as determined and reported by the external manager of the investment. Such investments represent $1,659,394,789 (32 percent of investments held for others) at June 30, 2008. Because of the inherent uncertainty of such valuations, these estimated values may differ from the values that would have been used had a ready market for the investments existed, and such differences could be material.

PROPERTY, FURNISHINGS, AND EQUIPMENT

The property, furnishings, and equipment of the **University of Virginia Foundation** and the **University of Virginia Darden School Foundation** are recorded at cost, except donated property, which is recorded at fair market value at the date of the gift. Depreciation is taken over estimated useful lives of five to thirty-nine years using the straight-line method. As of June 30, 2008, capital assets consisted of (in thousands):

	UNIVERSITY OF VIRGINIA FOUNDATION	UNIVERSITY OF VIRGINIA DARDEN SCHOOL FOUNDATION
Land	$ 61,549	
Rights of occupancy		$ 100,828
Buildings and improvements	205,070	1,682
Furnishings and equipment	19,540	1,102
Total	286,159	103,612
Less accumulated depreciation	(58,529)	(24,127)
NET CAPITAL ASSETS	$ 227,630	$ 79,485

NOTES PAYABLE

The **University of Virginia Foundation** has established a line of credit with Wachovia Bank in the amount of $41 million. The outstanding balance at June 30, 2008, was $31 million. The Foundation has a second line of credit with Bank of America in the amount of $25 million. The outstanding balance on this line was $17 million at June 30, 2008.

The University has allocated up to $51 million of its quasi-endowment funds for use by the Foundation to acquire and develop real estate. As of June 30, 2008, the Foundation had borrowed $9 million of these funds to acquire properties on behalf of the University. These notes payable are noninterest bearing and due on demand.

LONG-TERM DEBT

The following table summarizes the long-term obligations of the **University of Virginia Darden School Foundation**, the **University of Virginia Foundation**, and the **University of Virginia Health Services Foundation** at June 30, 2008 (in thousands):

	UNIVERSITY OF VIRGINIA DARDEN SCHOOL FOUNDATION	UNIVERSITY OF VIRGINIA FOUNDATION	UNIVERSITY OF VIRGINIA HEALTH SERVICES FOUNDATION
University of Virginia Phase I and II Darden School Facilities	$ 55,826		
1996 Industrial Development Authority revenue bonds—Albemarle		$ 1,242	
1997 Industrial Development Authority revenue bonds—Louisa		5,394	
1998 Refunding bonds			$ 14,480
1999 Mortgage note payable		7,132	
2000 Industrial Development Authority revenue bonds—Louisa			4,660
2001 Refinancing demand bonds		42,420	
2004 Refinancing note payable		9,747	
2006 Refinancing demand bonds		165,900	
Total	55,826	231,835	19,140
Less portion due within one year	(3,240)	(2,219)	(780)
LONG-TERM DEBT, NET OF CURRENT PORTION	$ 52,586	$ 229,616	$ 18,360

Principal maturities of all mortgages and notes payable after refinancing for the **University of Virginia Darden School Foundation**, the **University of Virginia Foundation**, and the **University of Virginia Health Services Foundation** are as follows (in thousands):

	UNIVERSITY OF VIRGINIA DARDEN SCHOOL FOUNDATION	UNIVERSITY OF VIRGINIA FOUNDATION	UNIVERSITY OF VIRGINIA HEALTH SERVICES FOUNDATION
Year ended June 30, 2009	$ 3,240	$ 2,219	$ 780
Year ended June 30, 2010	3,415	2,407	810
Year ended June 30, 2011	3,595	2,534	845
Year ended June 30, 2012	3,800	2,614	885
Year ended June 30, 2013	4,005	2,731	920
Years ended June 30, 2014–2032	37,771	219,327	14,900
TOTAL	$ 55,826	$ 231,832	$ 19,140

Statement of Activities *(in thousands)*

for the year ended June 30, 2008

	UNIVERSITY OF VIRGINIA LAW SCHOOL FOUNDATION	UNIVERSITY OF VIRGINIA DARDEN SCHOOL FOUNDATION	ALUMNI ASSOCIATION OF THE UNIVERSITY OF VIRGINIA	VIRGINIA ATHLETICS FOUNDATION*	UNIVERSITY OF VIRGINIA FOUNDATION	UNIVERSITY OF VIRGINIA HEALTH SERVICES FOUNDATION	UNIVERSITY OF VIRGINIA INVESTMENT MANAGEMENT COMPANY	COMPONENT UNITS TOTAL
UNRESTRICTED REVENUES AND SUPPORT								
Contributions	$ 1,822	$ 3,147	$ 682	$ 18,025	$ —	$ —	$ 7	$ 23,683
Fees for services, rentals, and sales	—	26,661	2,143	742	41,784	190,274	—	261,604
Other revenues	12,747	12,404	47,403	28,469	2,692	62,881	12,693	179,289
TOTAL UNRESTRICTED REVENUES AND SUPPORT	14,569	42,212	50,228	47,236	44,476	253,155	12,700	464,576
EXPENSES								
Program services, lectures, special events	13,377	37,675	44,693	10,442	—	213,341	—	319,528
Other expenses	3,888	3,241	3,786	25,189	46,359	43,627	11,125	137,215
TOTAL EXPENSES	17,265	40,916	48,479	35,631	46,359	256,968	11,125	456,743
EXCESS (DEFICIENCY) OF UNRESTRICTED REVENUES AND SUPPORT OVER EXPENSES	(2,696)	1,296	1,749	11,605	(1,883)	(3,813)	1,575	7,833
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS								
Contributions	$ 3,210	$ 3,986	$ 31,751	$ 6,756	$ —	$ 2,500	$ —	$ 48,203
Other	(11,589)	1,131	(22,998)	(15,240)	1,446	(2,017)	—	(49,267)
NET CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	(8,379)	5,117	8,753	(8,484)	1,446	483	—	(1,064)
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS								
Contributions	$ 8,155	$ 2,655	$ 10,889	$ 2,933	$ —	$ —	$ —	$ 24,632
Other	1,347	—	(654)	42	(2,924)	—	—	(2,189)
NET CHANGE IN PERMANENTLY RESTRICTED NET ASSETS	9,502	2,655	10,235	2,975	(2,924)	—	—	22,443
CHANGE IN NET ASSETS	(1,573)	9,068	20,737	6,096	(3,361)	(3,330)	1,575	29,212
Net assets, beginning of year	318,544	285,403	314,451	124,693	91,672	66,536	3,649	1,204,948
Current year effect of activity on net assets	—	—	—	—	—	—	—	—
Prior period adjustment	—	—	—	—	—	—	—	—
NET ASSETS, END OF YEAR	$ 316,971	$ 294,471	$ 335,188	$ 130,789	$ 88,311	$ 63,206	$ 5,224	$1,234,160

December 31, 2007, year-end

SIGNIFICANT TRANSACTIONS WITH THE UNIVERSITY OF VIRGINIA

The University provides certain services for the **University of Virginia Darden School Foundation** that are reimbursed by the Foundation monthly.

Direct payments to the University from the **Alumni Association of the University of Virginia** for the year ended June 30, 2008, totaled $2 million. This amount includes gift transfers, payment for facilities and services, and other support for University activities.

The **University of Virginia Health Services Foundation** has contracted with the University to provide certain professional and technical services. Payments received for these services were approximately $53 million for the year ended June 30, 2008. Approximately $18 million of the fiscal year payments received relates to disproportionate share funds paid for indigent patients served by the Foundation. The **University of Virginia Health Services Foundation** contributed $13 million to the University in support of various academic programs, equipment, teaching, and research for the year ended June 30, 2008.

NOTE 8: EXPENSE CLASSIFICATION MATRIX

Operating Expenses by Functional Classification *(in thousands)* *for the year ended June 30, 2008*	COMPENSATION AND BENEFITS	SUPPLIES, UTILITIES, AND OTHER SERVICES	STUDENT AID	DEPRECIATION	OTHER	TOTAL
Instruction	$ 273,643	$ 27,648	$ 3,502	$ —	$ 928	$ 305,721
Research	165,941	98,136	15,371	—	662	280,110
Public service	12,539	13,907	526	—	645	27,617
Academic support	81,076	29,853	1,370	—	308	112,607
Student services	26,412	5,362	215	—	149	32,138
Institutional support	70,992	2,766	19	—	415	74,192
Operation of plant	60,980	4,520	5	—	94	65,599
Student aid	859	4,750	33,568	—	147	39,324
Auxiliary	58,813	73,699	192	—	639	133,343
Depreciation	—	—	—	76,281	—	76,281
Patient services	407,523	421,387	—	51,273	31,472	911,655
Other	7,316	16,096	—	—	—	23,412
TOTAL	$ 1,166,094	$ 698,124	$ 54,768	$ 127,554	$ 35,459	$ 2,081,999

NOTE 9: APPROPRIATIONS

The University receives state appropriations from the General Fund of the Commonwealth. The Appropriation Act specifies that such unexpended appropriations shall revert, as specifically provided by the General Assembly, at the end of the biennium. For years ending at the middle of a biennium, unexpended appropriations that have not been approved for reappropriation in the next year by the governor become part of the General Fund of the Commonwealth and are, therefore, no longer available to the University for disbursements.

A summary of state appropriations received by the University and the University's College at Wise, including all supplemental appropriations and reversions, is provided in the chart below.

Appropriations *(in thousands)*	
Original legislative appropriation per Chapter 847	$ 161,297
Adjustments	
Financial Aid—General Fund	11,268
2008 Budget Reduction	(9,157)
Eminent Scholars	2,934
SWVA Public Education Consortium	298
Salary increase	4,054
Allot funds for Engineering Telecommunications Project	775
Financial assistance for educational and general	6,324
Employee benefits	1,642
Miscellaneous educational and general	3,796
Reappropriate funds from U.Va. to VIMS for Fishery	(211)
TOTAL	$ 183,020

NOTE 10: RETIREMENT PLANS

Employees of the University are employees of the Commonwealth. Substantially all salaried classified employees and research staff, 10 percent of faculty, and 22 percent of Medical Center employees participate in a defined-benefit pension plan administered by the Virginia Retirement System (VRS). The VRS does not measure assets and pension benefit obligations separately for individual state institutions. Information relating to this plan is available at the statewide level only in the Commonwealth of Virginia's *Comprehensive Annual Financial Report* (CAFR). The CAFR provides disclosure of the Commonwealth's unfunded pension benefit obligation at June 30, 2008. The Commonwealth, not the University, has overall responsibility for contributions to this plan.

Ninety percent of teaching, research, and administrative faculty, and 78 percent of Medical Center employees participate in Optional Retirement Plans. The Faculty Retirement Plan is a defined-contribution plan to which the University contributes an amount established by statute. Faculty are fully vested immediately. The Medical Center Retirement Plan is a defined-contribution plan to which the University contributes an amount determined by the Board of Visitors. Medical Center employees are fully vested after one or two years of employment, depending on their date of hire.

Total pension costs under the Optional Retirement Plans were approximately $44 million, and contributions were calculated using base salaries of $496 million, for the year ended June 30, 2008. The contribution percentage amounted to 8.8 percent.

State employees may elect to participate in the Commonwealth's Deferred Compensation Plan. Participating employees can contribute to the plan each pay period, with the Commonwealth matching up to $20 per pay period. This dollar-amount match can change depending on the funding available in the Commonwealth's budget. The Deferred Compensation Plan is a qualified defined-contribution plan under section 401(a) of the Internal Revenue Code. Employer contributions under the Deferred Compensation Plan were approximately $4 million for the fiscal year ended June 30, 2008.

NOTE 11: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

The University participates in the Commonwealth of Virginia-sponsored Virginia Retirement System-administered statewide group life insurance program, which provides postemployment life insurance benefits to eligible retired and terminated employees. The Commonwealth also provides health care credits against the monthly health insurance premiums of its retirees who have at least fifteen years of state service. Information related to these plans is available at the statewide level in the Commonwealth's CAFR.

University of Virginia faculty members who participate in the Optional Retirement Plan receive $10,000 in retiree life insurance; Medical Center employees who participate in the Optional Retirement Plan have a variety of retiree life insurance options depending on termination date and years of service. Benefit provisions for this plan are established and maintained by the University under the authority of the Board of Visitors. This Optional Retirement Plan is a single-employer plan administered by the University. The University does not issue stand-alone financial statements for this plan.

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, calls for the measurement and recognition of the cost of other postemployment benefits (OPEB) during the periods when employees render their services. The statement also establishes more comprehensive disclosure for OPEB obligations. OPEB refers to postemployment benefits other than pension benefits and includes postemployment health care benefits and other types of postemployment benefits if provided separately from a pension plan. The University implemented GASB 45 prospectively as of June 30, 2008, with a zero net OPEB obligation at transition.

University employees who retire before becoming eligible for Medicare participate in the Retiree Health Plan, which mirrors the University's Health Plan for active employees, until they are Medicare-eligible. At that time, University retirees can participate in the Commonwealth's Medicare Supplement Plan.

The contribution requirements of plan members and the University are based on projected pay-as-you-go financing requirements. For fiscal year 2008, the University contributed $2,568,204 to the plan for retiree claims. Retirees receiving benefits contributed $2,983,967, or approximately 54 percent of the total premiums, through their required contribution of $377 per month for retiree-only coverage and $772 per month for retiree- and spouse-coverage.

The University's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The total cost of providing postemployment benefits is projected, taking into account assumptions about demographics, turnover, mortality, disability, retirement, health care trends, and other actuarial assumptions. This amount is discounted to determine the actuarial present value of total projected benefits. The actuarial accrued liability (AAL) is the portion of the present value of the total projected benefits allocated to years of employment prior to the measurement date. The unfunded actuarial accrued liability (UAAL) is the difference between the AAL and actuarial value of assets in the plan.

Once the UALL is determined, the ARC is determined as the normal cost and the amortization of the UAAL. This ARC is compared to actual contributions made and any difference is reported as the net OPEB obligation. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following chart shows the components of the University's annual OPEB costs for the year, the amount actually contributed to the plan, and changes in the net OPEB obligation.

Summary of Valuation Results		
Actuarial Accrued Liability by Category		
Current retirees, beneficiaries, dependents and terminated vested members	$	9,175
Current active members		38,120
Adjust to June 30, 2007		687
Total actuarial accrued liability as of June 30, 2007	**$**	**47,982**
Annual Required Contribution		
Normal cost as of July 1, 2007	$	3,656
Amortization of the unfunded actuarial accrued liability as of July 1, 2007		2,819
Total annual required contribution as of July 1, 2007	**$**	**6,475**
Total annual required contribution as of June 30, 2008	$	6,766

As of June 30, 2008, the University has not funded this retirement plan.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Amounts determined regarding the funded status of the plan and the required annual contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (as understood by the University and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2007, actuarial valuation, the University has elected to use the Level Dollar Entry Age method. The actuarial assumptions include a 4.5 percent investment rate of return, which is a blended rate of the expected long-term investment returns on plan assets and the University's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 10 percent initially, reduced by decrements to an ultimate rate of 5 percent after five years. Both rates include a 4 percent inflation assumption. The UAAL is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2008, was twenty-nine years.

NOTE 12: SELF-INSURANCE

All University employees have the option to participate in the University's self-funded, comprehensive medical care benefits program. The cost of medical care is paid out of employee and employer contributions. The market value of investments at June 30, 2008, was $35 million. The estimated liability for outstanding claims at June 30, 2008, was $11 million. The University has contracted with several third-party claims administrators: Southern Health Services, Inc., for its medical claims; United Concordia for its dental claims; and CVS/Caremark for its pharmacy claims.

University employees are covered by a self-insured workers' compensation benefits program administered by the Commonwealth of Virginia's Department of Human Resource Management. Information relating to this plan is available at the statewide level only in the Commonwealth's CAFR.

The University's Office of Risk Management manages all property and casualty insurance programs for the University, including the Health System and the College at Wise. At present, most insurance coverages are obtained through participation in the state risk management self-insurance plans, which are administered by the Virginia Department of the Treasury, Division of Risk Management. Risk management insurance includes property, boiler and machinery, crime, employee bond (employee dishonesty), general (tort) liability, professional liability (includes medical malpractice), aviation and watercraft coverage, and automobile liability. The University is self-insured for the first $100,000 of each property and boiler and machinery loss, and for physical damage on all vehicles valued up to $20,000. The University also maintains excess crime/employee dishonesty insurance and insurance for physical damage on vehicles valued in excess of $20,000. Separate insurance coverage is maintained as appropriate on subsidiary organizations owned by the Health System, such as Community Medicine University of Virginia, L.L.C.

NOTE 13: FUNDS HELD IN TRUST BY OTHERS

Assets of funds held by trustees for the benefit of the University are not reflected in the accompanying Statement of Net Assets. The University has irrevocable rights to all or a portion of the income of these funds, but the assets of the funds are not under the management of the University. The market value of the funds held by trustees for the benefit of the University at June 30, 2008, was $140 million and income received totaled $6 million.

NOTE 14: COMMITMENTS

As of June 30, 2008, the University had outstanding construction contracts commitments of approximately $226 million.

The University has entered into numerous agreements to rent, lease, and maintain land, buildings, and equipment. With some of these agreements, the University is committed under various operating leases for equipment and space. In most cases, the University has renewal options on the leased assets for another similar term, and expects that, in the normal course of business, these leases will be replaced by similar leases. The total expense for the year ended June 30, 2008, was approximately $31 million.

The University's ongoing minimum commitments for operating leases for land, office and clinical buildings, and equipment are as follows:

Years Ending June 30 *(in thousands)*	LEASE OBLIGATION
2009	$ 14,088
2010	8,897
2011	5,315
2012	3,263
2013	2,323
2014–2018	8,488
2019–2023	5,681
2024–2028	823
2029–2033	823
2034–2038	823
2039–2043	823
2044–2048	823
2049–2053	329
TOTAL	$ 52,499

LITIGATION
The University is a defendant in a number of legal actions. While the final outcome cannot be determined at this time, management is of the opinion that the liability, if any, for these legal actions will not have a material effect on the University's financial position.

NOTE 15: SUBSEQUENT EVENTS

Subsequent to June 30, 2008, the global financial and credit markets experienced some of the greatest turbulence in their history, resulting in significant reductions in equity values and available credit. University management estimates the effect of these declines on its investment portfolio, including its endowment, to be a decrease of approximately 11 percent, or $434 million, as of September 30, 2008.

The market value of the University of Virginia Investment Management Company's (UVIMCO) Long-Term Pool is estimated at the end of each calendar month. As of October 30, 2008, the actual market value for October was not yet available. UVIMCO utilizes a Policy Portfolio benchmark to represent the global investment opportunity set. Historically, the Long-Term Pool has outperformed this benchmark. From October 1, 2008, to October 24, 2008, the Policy Portfolio benchmark decreased 20.52 percent.

The University has continued to remarket its Series 2003A variable-rate bonds and issue new commercial paper, and maintains sufficient liquidity to meet the future remarketing risk for these instruments. Although the credit situation remains tenuous, the University has seen its variable remarketing rates return to a level nearly on par with rates that existed prior to the credit crisis. University management and its board actively continue to monitor the changing markets in order to maintain liquidity and best position the University's assets for the future.

Management's Discussion and Analysis (Unaudited)

INTRODUCTION

This discussion and analysis provides an overview of the financial position and results of activities of the University of Virginia for the year ended June 30, 2008. Comparative information for the year ended June 30, 2007, has been provided where applicable. This overview has been prepared by management and should be read in conjunction with the financial statements and the footnotes that follow this section.

The University of Virginia is an agency of the Commonwealth of Virginia and is governed by the University's Board of Visitors. The Commonwealth prepares a separate financial report that incorporates all agencies, boards, commissions, and authorities over which the Commonwealth exercises or has the ability to exercise oversight authority. The University, consisting of three major divisions, is a component unit of the Commonwealth of Virginia and is included in the Commonwealth's *Comprehensive Annual Financial Report*. The University of Virginia's three divisions are its Academic Division, Medical Center, and the College at Wise.

Academic Division

A public institution of higher learning with 21,057 students and 2,171 full-time instructional and research faculty members in eleven separate schools, the University offers a diverse range of degree programs, including doctorates in fifty-seven disciplines. The University is recognized internationally for the quality of its faculty and for its commitment to the primary academic missions of instruction, research, and public service. The University consistently ranks among the nation's top public colleges and universities, both for its general academic programs and for its strengths in specific disciplines. Its emphasis on the student experience is extraordinary among major public institutions, and its dedication to new advances in research permeates all of its schools and colleges.

Medical Center

The University of Virginia Medical Center is an integrated network of primary and specialty care services ranging from wellness programs and routine checkups to the most technologically advanced care. The hub of the Medical Center is a 589-bed hospital, which is in a state-designated Level 1 trauma center located in Charlottesville. In addition, primary and specialty care are provided at convenient clinic locations throughout central Virginia communities.

College at Wise

Located in southwestern Virginia, the College at Wise is a public liberal arts college with 1,964 students and 95 full-time instructional and research faculty members. It offers twenty-nine majors, including preprofessional programs in dentistry, forestry, law, medicine, physical therapy, and veterinary medicine. Degrees include the bachelor of arts, the bachelor of science, and the bachelor of science in nursing.

FINANCIAL HIGHLIGHTS

For the fiscal year ended June 30, 2008:

- In May 2008, the University issued $231 million of general revenue pledge bonds. The proceeds will be used to acquire and construct a number of important projects that will advance the University's missions. They include the Carter-Harrison Research Building (MR-6), the Hospital Expansion, the Rouss Hall Complex, the South Lawn Project (Arts and Sciences Building), the Observatory Hill Residence Hall, and the Wise Dining and Residence Hall.
- In February 2008, the University terminated one of its three fixed-payer interest swaps. This swap had a notional amount of $50 million and was entered into at zero market value with no payment made or received at execution. With the termination of this swap, the University received a payment of $750,000. For additional information about interest swaps, see Note 2.
- The Board of Visitors adjusted the endowment spending rate from 4.5 percent to 5.0 percent in June 2008 to provide continued growth of restricted and unrestricted funds to its schools and departments for fiscal year 2008–09.
- The Board of Visitors also approved an annual administrative fee on endowment funds equal to 0.5 percent. The fee will generate almost $16 million in 2008–09 to help fund new academic initiatives identified by the Commission on the Future of the University.
- In May 2008, the State Council of Higher Education for Virginia certified that the University met the management standards established under the Restructured Higher Education Financial and Administrative Operations Act. As a result, the University will continue to operate with the increased independence granted by the legislation.
- In 2007, the University obtained legislation to allow the investment of University funds (excluding state appropriations and tuition revenues) in a fuller complement of options beyond the previous portfolio of cash and fixed-income instruments. With this investment legislation effective in fiscal year 2007–08, the University strategically moved long-term health-insurance reserves and certain capital reserves to higher-return long-term investment vehicles. Portions of nongeneral funds available to the University for management under restructuring were invested utilizing the same 2007 investment authority.
- In 2008, the Commonwealth of Virginia instituted budget reductions to help offset lower than expected revenues. The University experienced a reduction of $9.6 million in state support. At the time of this report, the Commonwealth of Virginia had announced further budget reductions for fiscal year 2008–09. The University's new reduction represents an additional $10.6 million.
- The University saw a modest increase in net assets of $284 million. The contributing factors to this increase are outlined in the summary table below.

Summary of the Increase in Net Assets *(in thousands)*	2008	2007	INCREASE (DECREASE)	
			AMOUNT	PERCENT
Total revenues before investment income	$ 2,153,355	$ 2,135,940	$ 17,415	0.8%
Total expenses	2,112,906	1,950,335	162,571	8.3%
Increase in net assets before investment income	**40,449**	**185,605**	**(145,156)**	**(78.2%)**
Investment income	243,280	721,505	(478,225)	(66.3%)
TOTAL INCREASE IN NET ASSETS	**$ 283,729**	**$ 907,110**	**$ (623,381)**	**(68.7%)**

- Revenues before investment income stayed almost even with the prior year, increasing by less than 1 percent. The main reason for this was a large decrease in capital appropriations revenue, which was abnormally high in 2006–07. Capital appropriations decreased from $128 million in 2006–07 to $6 million in 2007–08. Expenditures increased 8.3 percent, leading to an overall decrease before investment income of $145 million.
- Annual investment income decreased from $722 to $243 million as the University's endowment investments earned a 5.9 percent return for the fiscal year. Market returns were not nearly as high as the 25.2 percent achieved in fiscal year 2006–07.
- The increase in total net assets was $284 million. This represents a modest 5.3 percent increase in net assets (see table below), with almost all of it attributable to investment income.

Overall, the primary factor in the University's net asset growth continues to be the performance of the endowment and its resultant investment income.

USING THE FINANCIAL STATEMENTS

The University's financial report includes five financial statements and related notes:

1. The Statement of Net Assets for the University of Virginia
2. The Combined Statements of Financial Position for the Component Units of the University of Virginia
3. The Statement of Revenues, Expenses, and Changes in Net Assets for the University of Virginia
4. The Combined Statements of Activities for the Component Units of the University of Virginia
5. The Statement of Cash Flows for the University of Virginia

These financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) principles, which establish standards for external financial reporting for public colleges and universities. These principles require that financial statements be presented on a consolidated basis to focus on the University as a whole, with resources classified for accounting and reporting purposes into four net asset categories. Please note that although the University's foundations identified under guidance from GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, are reported in the component unit financial statements, this Management's Discussion and Analysis excludes them except where specifically noted.

STATEMENT OF NET ASSETS

The Statement of Net Assets presents the financial position of the University at the end of the fiscal year and includes all assets and liabilities of the University. The difference between total assets and total liabilities—net assets—is one indicator of the current financial condition of the University, while the change in net assets is an indicator of whether the overall financial condition has improved or worsened during the year. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less an allowance for depreciation. A summary of the University's assets, liabilities, and net assets at June 30, 2008, and June 30, 2007, follows.

Summary of the Statement of Net Assets *(in thousands)*	2008	2007	INCREASE (DECREASE)	
			AMOUNT	PERCENT
Current assets	$ 657,141	$ 1,194,340	$ (537,199)	(45.0%)
Noncurrent assets				
Endowment and other long-term investments	3,960,739	3,354,704	606,035	18.1%
Capital assets, net	2,015,450	1,811,254	204,196	11.3%
Other	202,904	114,290	88,614	77.5%
Total assets	6,836,234	6,474,588	361,646	5.6%
Current liabilities	418,635	558,853	(140,218)	(25.1%)
Noncurrent liabilities	778,845	560,710	218,135	38.9%
Total liabilities	1,197,480	1,119,563	77,917	7.0%
NET ASSETS	$ 5,638,754	$ 5,355,025	$ 283,729	5.3%

This summary shows that the University's financial condition continues to strengthen.

CURRENT ASSETS AND LIABILITIES

Current assets, which totaled $657 million as compared to the previous year's $1.2 billion, consist primarily of cash and cash equivalents, short-term investments, and accounts receivable. The decrease in current assets of $537 million, or 45 percent, resulted from a shift of current assets to noncurrent assets. More specifically, current cash and cash equivalents of roughly $400 million were moved into other long-term investments as now permitted by the 2007 legislation. Implementation of the University's first treasury management system facilitated better cash flow projections. As a result, the University was able to maximize its investment earnings while retaining sufficient working capital to meet operating needs.

Current liabilities, which consist primarily of accounts payable, deferred revenue, and the current portion of long-term liabilities, decreased by $140 million, or 25.1 percent. The two major reasons for this change were the elimination of the securities lending program and a reduction in the outstanding commercial paper balance. The commercial paper, as bridge funding, was largely refinanced with the University's bond issuance in May 2008.

From a liquidity perspective, current assets cover current liabilities 1.6 times, an indicator of good liquidity and the ability to weather short-term demands on working capital. This rate of coverage decreased from 2.1 last year. Current assets also cover four months of total operating expenses, including depreciation, a decrease from last year's seven and one-half months of coverage. As mentioned above, the major factor in the reduction of these ratios was a shift from current assets to longer-term investments.

ENDOWMENT AND OTHER INVESTMENTS

Performance. At June 30, 2008, the major portion of the University's endowment was maintained in a long-term investment pool managed by the University of Virginia Investment Management Company (UVIMCO). The annual return for the long-term investment pool this year was 5.9 percent, a decline from last year's unusually high return of 25.2 percent. Included in the calculation of this performance figure are realized and unrealized gains and losses, along with cash income. With this return, total investment income for all funds declined $478 million, or 66.3 percent.

Distribution. The University distributes endowment earnings in a way that balances the annual support needed for operational purposes against the preservation of the future purchasing power of the endowment. The endowment spending-rate policy is approved by the Board of Visitors and is based on total return, not just cash earnings. The total distribution for the University's endowment was $133 million, an increase of $33 million over last year's distribution of $100 million.

Endowment investments. The total for endowment investments on the Statement of Net Assets is $3.2 billion, a very slight increase from last year's $3.1 billion.

From a net assets perspective, earnings from the endowment, while expendable, are mostly restricted as to use by the donors. It is important to note that of the University's endowment funds, only $945 million, or 30 percent, is classified as unrestricted net assets. From this unrestricted endowment, a significant portion of the income is internally designated by the University for scholarships, fellowships, professorships, and research activities.

Including endowment investments held by the seven related foundations reported as component units, the combined University system endowment was approximately $4.6 billion as of June 30, 2008.

CAPITAL AND DEBT ACTIVITIES

One of the critical factors in sustaining the quality of the University's academic and research programs and residential life is the development and renewal of its capital assets. The University continues to implement its long-range plan to modernize its older teaching and research facilities, construct new facilities, and fund its deferred maintenance.

Capital additions before depreciation were $368 million in 2008. Capital additions primarily consist of replacement, renovation, and new construction of academic, research, and health care facilities, as well as significant investments in equipment, including information technology.

Projects that were in progress at June 30, 2008, included the South Lawn Project, the Carter-Harrison Research Building for the School of Medicine, the Claude Moore Medical Education Building, the Emily C. Couric Clinical Cancer Center, the Claude Moore Nursing Education Building, the Bavaro Hall Curry School of Education Building, the Medical Center Bed Expansion and Infrastructure project, the College at Wise's Arts Center and Crockett Hall, and the Heating Plant Environmental Complex.

Other projects in the design stage at June 30, 2008, include the New Cabell Hall Replacement Building (South Lawn Phase II), the Rugby Administrative Building, and the Klöckner Stadium and Baseball Stadium expansions.

Financial stewardship requires the effective management of resources, including the use of debt to finance capital projects. As evidence of the University's creditworthiness, the University has received the highest long-term and short-term debt ratings from all three major rating agencies, including Moody's Investors Service (Aaa/P-1), Standard and Poor's (AAA/A-1+), and Fitch Ratings (AAA/F1+). These long-term bond ratings were affirmed in May 2008 in conjunction with the University's issuance of its Series 2008 General Revenue Pledge Bonds. The University of Virginia is one of only two public institutions with the highest long-term debt ratings from all three agencies. Besides being an official acknowledgment of the University's financial strength, these ratings enable the University to obtain debt financing at optimum pricing. In addition to issuing its own bonds, the University utilizes its commercial paper program for short-term bridge financing.

The University's debt portfolio contains a strategic mix of both variable- and fixed-rate obligations. The University achieves this mix through a combination of issuing fixed- and variable-rate debt, including commercial paper. It also adjusts its debt mix through the use of interest rate swaps executed according to its board-approved interest rate risk management policy. The seven foundations now required by GASB Statement No. 39 to be reported as component units held $325 million of long-term debt outstanding at June 30, 2008.

NET ASSETS

Net assets represent the residual interest in the University's assets after liabilities are deducted. The University's net assets at June 30, 2008, and 2007, are summarized below.

Net Assets *(in thousands)*	2008	2007	INCREASE AMOUNT	INCREASE PERCENT
Invested in capital assets, net of related debt	$ 1,407,246	$ 1,226,529	$ 180,717	14.7%
Restricted				
Nonexpendable	429,619	369,874	59,745	16.2%
Expendable	2,254,581	2,214,572	40,009	1.8%
Unrestricted	1,547,308	1,544,050	3,258	0.2%
TOTAL NET ASSETS	$ 5,638,754	$ 5,355,025	$ 283,729	5.3%

Net assets invested in capital assets, net of related debt, represents the University's equity in capital assets net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. Net capital assets increased $181 million, or 14.7 percent, in the current fiscal year compared with 9.8 percent growth in the previous year.

Restricted nonexpendable net assets comprise the University's permanent endowment funds.

Restricted expendable net assets are subject to externally imposed restrictions governing their use. This category of net assets includes permanent endowment fund earnings that can be spent, but only in accordance with restrictions imposed by external parties. This net assets category increased $40 million, or 1.8 percent. The smaller than usual increase was primarily due to the lower than usual investment performance of the University's endowment and the unprecedented use of these funds for facilities construction.

Unrestricted net assets are not subject to externally imposed stipulations. The majority of the University's unrestricted net assets have been designated for various instruction and research programs and initiatives, as well as capital projects. This year, unrestricted net assets increased by just 0.2 percent, or $3 million. Increases in unrestricted funds are particularly important since these are used primarily for the instructional and public service missions of the University.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

The Statement of Revenues, Expenses, and Changes in Net Assets presents the University's results of activities for the year. Presented below is a summarized statement of the University's revenues, expenses, and changes in net assets for the years ended June 30, 2008, and June 30, 2007.

Summary of the Statement of Revenues, Expenses, and Changes in Net Assets *(in thousands)*	2008	2007	INCREASE (DECREASE) AMOUNT	INCREASE (DECREASE) PERCENT
Operating revenues	**$ 1,716,674**	**$ 1,605,214**	**$ 111,460**	**6.9%**
Operating expenses	**2,081,999**	**1,921,156**	**160,843**	**8.4%**
Operating loss	**(365,325)**	**(315,942)**	**(49,383)**	**15.6%**
Nonoperating revenues (expenses)				
State appropriations	183,020	170,439	12,581	7.4%
Gifts	147,269	148,073	(804)	(0.5%)
Investment income	243,280	721,505	(478,225)	(66.3%)
Pell grants	5,271	4,384	887	20.2%
Other net nonoperating expenses	(30,907)	(29,179)	(1,728)	5.9%
Net nonoperating revenues	**547,933**	**1,015,222**	**(467,289)**	**(46.0%)**
Income before other revenues, expenses, gains, or losses	**182,608**	**699,280**	**(516,672)**	**(73.9%)**
Capital appropriations, gifts, and grants	42,048	188,880	(146,832)	(77.7%)
Additions to permanent endowments	59,073	18,950	40,123	211.7%
Total other revenues	**101,121**	**207,830**	**(106,709)**	**(51.3%)**
Increase in net assets	**283,729**	**907,110**	**(623,381)**	**(68.7%)**
Net assets, beginning of year	5,355,025	4,447,915	907,110	20.4%
NET ASSETS, END OF YEAR	$ 5,638,754	$ 5,355,025	$ 283,729	5.3%

Under GASB principles, revenues and expenses are categorized as either operating or nonoperating. Significant recurring sources of the University's revenues, including state appropriations, gifts, and investment income, are considered nonoperating, as defined by GASB Statement No. 34. Consequently, the operating loss of $365 million does not consider these revenue sources. Adding the net nonoperating revenues of $548 million for the fiscal year offsets the operating loss and results in an adjusted income amount of $183 million. This provides a more accurate picture of the University's total scope and results of operations.

REVENUES

The University strives to maintain a diverse stream of revenues, which allows it to weather difficult economic times.

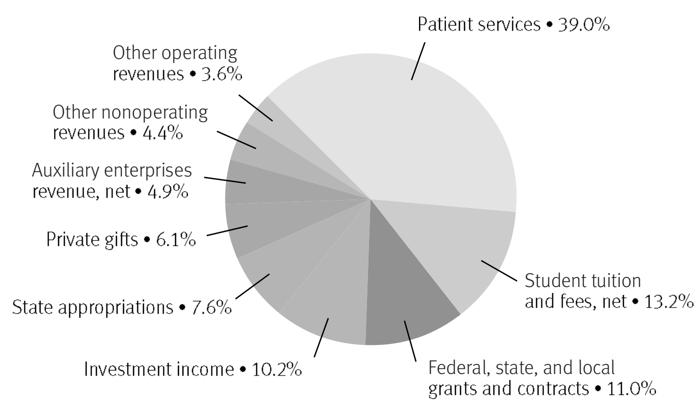
SUMMARY OF REVENUES, TOTAL UNIVERSITY

A summary of the University's revenues, for the years ended June 30, 2008, and 2007.

Summary of Revenues *(in thousands)*	2008			2007			TOTAL INSTITUTION INCREASE (DECREASE)	
	ACADEMIC DIVISION & WISE	MEDICAL CENTER	TOTAL INSTITUTION	ACADEMIC DIVISION & WISE	MEDICAL CENTER	TOTAL INSTITUTION	AMOUNT	PERCENT
Operating revenues								
Student tuition and fees, net	$ 316,332	$ —	$ 316,332	$ 290,748	$ —	$ 290,748	$ 25,584	8.8%
Federal, state, and local grants and contracts	263,185	—	263,185	239,936	—	239,936	23,249	9.7%
Nongovernmental grants and contracts	38,965	—	38,965	39,174	—	39,174	(209)	(0.5%)
Sales and services of educational departments	21,743	—	21,743	18,119	—	18,119	3,624	20.0%
Auxiliary enterprises revenue, net	116,644	—	116,644	112,331	—	112,331	4,313	3.8%
Other operating revenues	—	24,967	24,967	211	22,294	22,505	2,462	10.9%
Patient services	—	934,838	934,838	—	882,401	882,401	52,437	5.9%
Total operating revenues	**$ 756,869**	**$ 959,805**	**$1,716,674**	**$ 700,519**	**$ 904,695**	**$1,605,214**	**$ 111,460**	**6.9%**
Nonoperating revenues								
State appropriations	$ 183,020	$ —	$ 183,020	$ 170,439	$ —	$ 170,439	$ 12,581	7.4%
Private gifts	146,411	858	147,269	142,252	5,821	148,073	(804)	(0.5%)
Investment income	209,843	33,437	243,280	663,364	58,141	721,505	(478,225)	(66.3%)
Other nonoperating revenues	128,515	(22,123)	106,392	187,214	25,000	212,214	(105,822)	(49.9%)
Total nonoperating revenues	**$ 667,789**	**$ 12,172**	**$ 679,961**	**$1,163,269**	**$ 88,962**	**$1,252,231**	**$(572,270)**	**(45.7%)**
TOTAL REVENUES	**$1,424,658**	**$ 971,977**	**$2,396,635**	**$1,863,788**	**$ 993,657**	**$2,857,445**	**$ (460,810)**	**(16.1%)**

Below is a graph of revenues by source (both operating and nonoperating sources), which were used to fund the University's operating activities for the fiscal year ended June 30, 2008. As noted earlier, GASB Statement No. 34 requires state appropriations, gifts, and other significant revenues to be treated as nonoperating revenues.

Total University Revenues • Fiscal Year 2008 *(in thousands)*



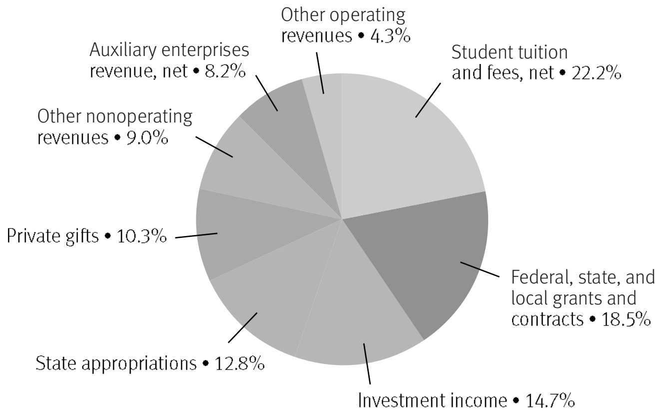
Total Revenue *(in thousands)*
$2,396,635

Patient services revenues accounted for 54.4 percent of the University's operating revenues and 39.0 percent of the operating and nonoperating revenues combined. State appropriations and student tuition and fees, which represent 7.6 percent and 13.2 percent, respectively, of the University's total revenues, are used to fund current operations.

State appropriations increased by $12.6 million, or 7.4 percent. The increases were for faculty and staff salaries, financial aid for students, research support, and operations and maintenance funding for new facilities. Net tuition and fees increased by 8.8 percent, in accordance with the University's six-year plan as submitted to the Commonwealth.

Excluding the Medical Center data provides a clearer picture of the academic revenue stream. Major sources for 2008 included net tuition and fees, 22.2 percent; federal, state, and local grants and contracts, 18.5 percent; investment income, 14.7 percent; state appropriations, 12.8 percent; and private gifts, 10.3 percent. Excluding patient revenue, tuition and fees revenue comprises the single largest source of revenue to the University.

Academic and Wise Revenues • Fiscal Year 2008 *(in thousands)*



Total Revenue *(in thousands)*
$1,424,658

The University continues to emphasize revenue diversification, along with cost containment, as ongoing priorities. This is necessary as the University continues to face significant financial pressure from increased compensation and benefit costs, and escalating technology and energy prices. In 2008, investment income also decreased due to changing market conditions. Private support has been, and will continue to be, essential to maintaining the University's academic excellence. Private support comes in the form of gifts and additions to the permanent endowment. Private gifts were nearly equal to the prior year amount, totaling $147.3 million as the Campaign for the University of Virginia progressed.

Revenues for all sponsored programs increased this year by $23 million, or 8.2 percent, to a total of $302 million in 2008. This increase resulted primarily from the recruitment of one major researcher in the School of Medicine.

EXPENSES

The University continues to be a good steward in the judicious expenditure of funds.

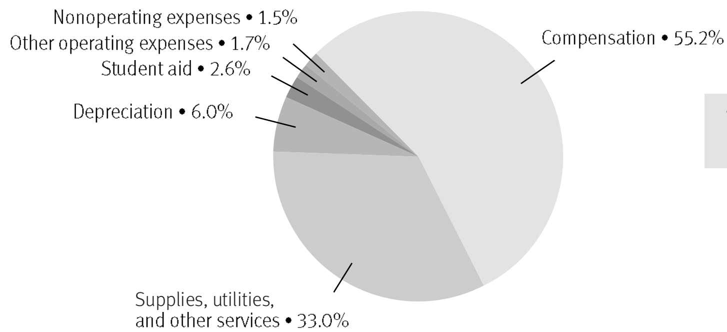
SUMMARY OF EXPENSES, TOTAL UNIVERSITY

A summary of the University's expenses, for the years ended June 30, 2008, and 2007.

Summary of Expenses *(in thousands)*	2008			2007			TOTAL INSTITUTION INCREASE (DECREASE)	
	ACADEMIC DIVISION & WISE	MEDICAL CENTER	TOTAL INSTITUTION	ACADEMIC DIVISION & WISE	MEDICAL CENTER	TOTAL INSTITUTION	AMOUNT	PERCENT
Operating expenses								
Compensation	$ 758,571	$ 407,523	$ 1,166,094	$ 712,847	$ 376,787	$ 1,089,634	$ 76,460	7.0%
Supplies, utilities, and other services	276,736	421,388	698,124	226,545	395,110	621,655	76,469	12.3%
Student aid	54,768	—	54,768	51,406	—	51,406	3,362	6.5%
Depreciation	76,281	51,273	127,554	73,503	48,267	121,770	5,784	4.7%
Other operating expense	3,987	31,472	35,459	3,848	32,843	36,691	(1,232)	(3.4%)
Total operating expenses	**1,170,343**	**911,656**	**2,081,999**	**1,068,149**	**853,007**	**1,921,156**	**160,843**	**8.4%**
Nonoperating expenses								
Interest expense	12,999	8,214	21,213	17,935	5,954	23,889	(2,676)	(11.2%)
Other nonoperating expense	3,817	5,877	9,694	805	4,485	5,290	4,404	83.3%
Total nonoperating expenses	**16,816**	**14,091**	**30,907**	**18,740**	**10,439**	**29,179**	**1,728**	**5.9%**
TOTAL UNIVERSITY EXPENSES	**$1,187,159**	**$ 925,747**	**$2,112,906**	**$1,086,889**	**$ 863,446**	**$1,950,335**	**$ 162,571**	**8.3%**

Following is a graphic illustration of expenses (both operating and nonoperating) for the fiscal year ended June 30, 2008.

Total University Expenses • Fiscal Year 2008 *(in thousands)*

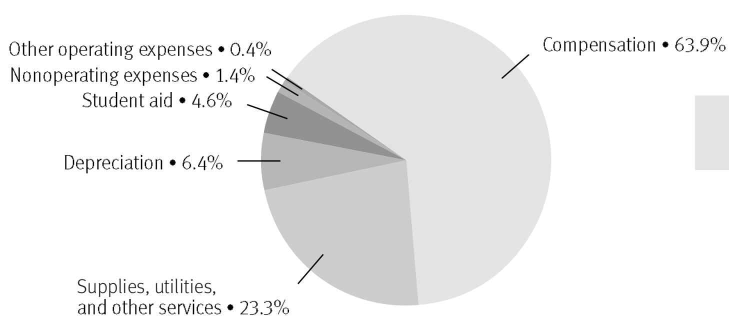


Total Expenses *(in thousands)*
$2,112,906

The University's total expenses exceeded $2 billion for the first time in 2007–08, reaching $2.1 billion. As expected, compensation (salaries and benefits) expenses continue to increase and reached $1.2 billion. As a percentage of total expenses, compensation decreased slightly. However, in dollars, compensation increased by $76 million, or 7.0 percent, as the Board of Visitors continued its goal of raising compensation for faculty, health care workers, and staff.

Student aid expense increased to $55 million, an increase of $3 million, or 6.5 percent, as the University continued its commitment to the AccessUVa program. Depreciation increased by $6 million, or 4.7 percent, as the University's investment in depreciable capital assets continues to grow. Interest expense actually decreased by $3 million to $21 million. However, there will be significant increases in interest expense beginning next year. The University issued $231 million of revenue bonds in May 2008, and based on current debt service schedules, interest expense will be in the $30 million to $35 million range for the next few years.

Academic and Wise Expenses • Fiscal Year 2008 *(in thousands)*



Total Expenses *(in thousands)*
$1,187,159

In addition to their natural (object) classification, it is also informative to review operating expenses by function. A complete matrix of expenses, natural versus functional, is contained in the notes to the financial statements. Expenses for patient services, instruction, and research account for 43.8 percent, 14.7 percent, and 13.5 percent, respectively, of total operating expenses. When combined, these major functions account for 71.9 percent of the total, which is consistent with the mission-critical nature of instruction, research, and patient services for the University.

FUTURE ECONOMIC OUTLOOK

The University faces a time of unprecedented change and challenge. Continued reductions in state support, a worsening state and global economy, and the large number of faculty retirements in the near term are just a few of the significant challenges facing the University. From July 1 to the end of September, the University's Long-Term Pool decreased in value 11 percent, or $434 million. From October 1 to October 24, the Policy Portfolio benchmark decreased an additional 20.52 percent. And yet, in such times, opportunities exist for improvement and positive change. Fortunately, the University remains well positioned financially to continue providing excellent programs and service to its constituents. The University's financial position, as evidenced by the highest credit ratings obtainable, and reaffirmed this year, provides a high degree of accessibility to capital funds on the most competitive terms. The issuance of long-term bonds and the use of its expanded short-term commercial paper program, along with continued efforts toward revenue diversification, will help the University to continue to fund its targeted aspirations.

To help identify these priorities, the president created the Commission on the Future of the University. This commission is cochaired by the executive vice president and chief operating officer and the executive vice president and provost. Its report provides an overview of institutional and Medical Center financial planning, philanthropic capacity and strategies, and the advantages and disadvantages of the current school-based development foundation structure. The Academic Division's long-range plan goes through fiscal year 2015–16 and the Medical Center's extends through fiscal year 2012–13. The commission's three priority areas are the student experience; science, engineering, and technology; and global education. Some of the initiatives and projects underpinning these three priorities are described below:

AccessUVa. In the continued implementation of AccessUVa, as of the 2007–08 academic year, the University will offer 100 percent of demonstrated need to all undergraduates and will provide full grant funding for all undergraduate low-income students. It will replace need-based loans with grants for students reaching their loan cap and continue its financial literacy program. Even though the state has reduced its general fund support, it has not cut its financial aid funding.

Investment in Student Information Technology. In June 2007, the Board of Visitors officially approved an investment in a new student information system. The University chose PeopleSoft Campus Solutions to replace its aging Integrated Student Information System to provide enhanced services to its students and faculty, and to provide stronger security over student data. The admissions module has been successfully implemented and the remaining system modules will be implemented in phases from spring 2009 to fall 2009 as planned.

Deferred Maintenance. In February 2005, the Board of Visitors stated that the University should move to establish ongoing maintenance investments that would protect its education and general physical assets and make one-time investments to reduce the backlog of deferred maintenance to reasonable levels based on industry standards. Within ten years, annual maintenance spending needs to be increased by $15 million. To achieve this, the University is adding $1.5 million each year for the next ten years.

Going Green. The Board of Visitors has mandated that all new construction and major renovation projects comply with the U.S. Green Building Council standards through Leadership in Energy and Environmental Design (LEED) certification. Additionally, the new Grounds Improvement Fund will finance much-needed improvements, including landscape and pedestrian and bicycle accommodations.

Research. The University plans to add 200 new faculty members over the next ten years, with an emphasis on the science and engineering disciplines. In addition, the University has plans for creating new laboratory space and increasing its investment in information infrastructure and computing capacity. Modern research, especially in engineering and the sciences, requires significant new resources in academic computing.

Restructuring and Cash Management Authority. The University received additional financial benefits under its restructuring authority, which will help support the commission's priorities. Nongeneral fund balances previously deposited and invested with the State Treasury were transferred to, and invested by, the University. With additional flexibility provided by investment legislation obtained by the University in the spring of 2007, management now has the ability to prudently invest these funds in equities in addition to the previous portfolio of cash and fixed-income instruments. Restructuring authority must be certified annually by the State Council of Higher Education for Virginia. The University achieved its certification status in May 2008 for fiscal year 2007–08.

From the end of the fiscal year into October 2008, the global financial markets experienced unprecedented fluctuations and credit tightening. State support is not expected to grow next year; in fact, the University is planning for additional reductions. In responding to these economic challenges, the University leadership and its board believe a sound strategic vision and strong leadership will lead the University successfully through these times. The University cannot be all things to all people. Its leaders must make informed choices. The strategies laid out by the Commission on the Future of the University will strengthen the University's core resources while funding selected new efforts. To help ensure adequate funding, the University increased the endowment payout rate to 5 percent for fiscal year 2008–09. In addition, the Campaign for the University of Virginia continues to make progress due to the continued generous support of its patrons.

The University has the strategic vision and the financial plans in place to meet these economic challenges. However, the commission and University leadership recognize these may not be enough. In going back to the institution's founding ideals, management has identified and communicated the underlying core values that will guide its actions now and in the future. These core values are honor and ethics; faculty excellence; innovation and collaboration in the pursuit of knowledge; diversity; leadership for the public good; and education for freedom. These core values will help ensure that shortcuts are not taken, that prudent financial management will continue to be practiced, and that the University will always exist for the public good, just as its founder envisioned. •

Management Responsibility

October 30, 2008

To the President and Board of Visitors of the University of Virginia:

We are pleased to submit the annual Financial Report of the University of Virginia for the year ended June 30, 2008. Management is responsible for the objectivity and integrity of the accompanying financial statements, which have been prepared in conformance with the Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and Statement No. 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities*. The financial statements, of necessity, included management's estimates and judgments relating to matters not concluded by year-end. Financial information contained elsewhere in the annual Financial Report is consistent with that included in the financial statements.

Management is responsible for maintaining the University's system of internal control that includes careful selection and development of employees, proper division of duties, and written accounting and operating policies and procedures augmented by a continuing internal audit program. Although there are inherent limitations to the effectiveness of any system of accounting controls, management believes that the University's system provides reasonable, but not absolute, assurance that assets are safeguarded from unauthorized use or disposition and that the accounting records are sufficiently reliable to permit the preparation of financial statements that conform in all material respects with generally accepted accounting principles.

The Auditor of Public Accounts for the Commonwealth of Virginia, using independent certified public accountants for the audits of component units, provides an independent opinion regarding the fair presentation in the financial statements of the University's financial position. Their examination was made in accordance with generally accepted government auditing standards and included a review of the system of internal accounting controls to the extent they considered necessary to determine the audit procedures required to support their opinion. The Audit Committee of the Board of Visitors meets periodically and privately with the independent auditors, the internal auditors, and the financial officers of the University to review matters relating to the quality of the University's financial reporting, the internal accounting controls, and the scope and results of audit examinations. The committee also reviews the scope and quality of the internal auditing program.

Respectfully submitted,

Stephen A. Kimata
Assistant Vice President for Finance
and University Comptroller

Yoke San L. Reynolds
Vice President and Chief Financial Officer

APPENDIX C

DEFINITIONS AND SUMMARY OF BOND RESOLUTION

In addition to making provision for the issuance and terms of the Series 2009 Bonds, as described in "THE SERIES 2009 BONDS" and "SECURITY FOR THE SERIES 2009 BONDS" in this Offering Memorandum, the Bond Resolution also contains other provisions and covenants of the University relating to the Series 2009 Bonds. These provisions and covenants are briefly described in this Appendix C, but do not purport to be either comprehensive or definitive. All references to the Bond Resolution in this Appendix C are qualified in their entirety by reference to such document.

Definitions

In addition to words and terms elsewhere defined in this Offering Memorandum, the following words and terms when used in connection with the Series 2009 Bonds shall have the following meanings, unless some other meaning is plainly intended:

"Authorized Officer" means (i) in the case of the University, the Executive Vice President and Chief Operating Officer, the Vice President and Chief Financial Officer or the President of the University and, when used with reference to any act or document also means any other person authorized by appropriate action of the Board to perform such act or execute such document on behalf of the University; and (ii) in the case of the Paying Agent or the Custodian (if not the State Treasurer), the President, any Vice-President, any Assistant Vice-President, any Corporate Trust Officer or any Assistant Corporate Trust Officer of the Paying Agent or the Custodian, and when used with reference to any act or document also means any other person authorized to perform such act or execute such document by or pursuant to a resolution of the governing body of the Paying Agent or the Custodian.

"Board" means the Board of Visitors of the University or, if such Board is abolished, the board or body succeeding to the principal functions thereof.

"Bond Purchase Agreement" means the Bond Purchase Agreement, dated as of the date of its execution and delivery, between the University and the Underwriters.

"Bondholder" or "holder" means the registered owner of any Series 2009 Bond.

"Bond Resolution" means, collectively, the resolutions adopted by the Board as of April 3, 2009 related to the issuance of the Series 2009 Bonds.

"Business Day" means a day other than (i) a Saturday, Sunday or other day on which banking institutions in the Commonwealth of Virginia or the city in which the Designated Office of the Paying Agent is located are authorized or required by law to close or (ii) a day on which the New York Stock Exchange is closed.

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

"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.

"Code" means the Internal Revenue Code of 1986, as amended. Each citation to a Code section shall include the applicable temporary and permanent regulations (and including only such proposed regulations which have proposed effective dates prior to the date the applicable opinion or determination is to be made), revenue rulings and revenue procedures.

"Commonwealth" means the Commonwealth of Virginia.

"Credit Obligation" of the University means any indebtedness incurred or assumed by the University for borrowed money and any other financing obligation of the University that, in accordance with generally accepted accounting principles consistently applied, is shown on the liability side of a balance sheet; provided, however, that Credit Obligation shall not include any portion of any capitalized lease payment directly appropriated from general funds of the Commonwealth or reasonably expected to be so appropriated as certified by the Chief Operating Officer, but only to the extent such appropriation is restricted by the Commonwealth to the payment of such capitalized lease obligation.

"Custodian" means the State Treasurer or such other bank or financial institution designated by the University to hold funds under the Bond Resolution.

"Designated Office" means, when used in reference to the Paying Agent, the corporate trust office of the Paying Agent designated as such, which shall initially be Richmond, Virginia.

"Fiscal Year" means the period commencing on the first day of July in any year and ending on the last day of June of the following year.

"Government Obligations" means:

(a) Certificates or interest-bearing notes or obligations of the United States, or those for which the full faith and credit of the United States are pledged for the payment of principal and interest, and

(b) Investments in any of the following obligations provided such obligations are backed by the full faith and credit of the United States (a) debentures of the Federal Housing Administration, (b) certificates of beneficial interest of the Farmers Home Administration, or (c) project notes and local authority bonds of the Department of Housing and Urban Development.

"Parity Credit Obligation" means any Credit Obligation of the University which may be incurred in accordance with the terms of the Bond Resolution or has been incurred that is secured on a parity with the pledge of Pledged Revenues in the Bond Resolution.

"Paying Agent" means initially The Bank of New York Mellon Trust Company, National Association, a national banking association organized under the laws of the United States of America, and its successors and any other corporation that may at any time be substituted in its place in accordance with the Bond Resolution.

"Project" or "Projects" means collectively the capital improvements to the University's educational facilities to be financed and/or refinanced with proceeds of the Series 2009 Bonds.

"Registrar" means initially The Bank of New York Mellon Trust Company, National Association, a national banking association organized under the laws of the United States of America, and any successor Registrar appointed pursuant to the Bond Resolution.

"State Treasurer" means the Treasurer of the Commonwealth.

Creation of Debt Service Fund

The Bond Resolution establishes a Debt Service Fund for the Series 2009 Bonds to be held by the Paying Agent. On or before each interest payment date or principal payment date (a "Payment Date"), the University will transfer or cause to be transferred sufficient funds to the Paying Agent for deposit in the Debt Service Fund an amount sufficient to cause the Debt Service Fund to contain adequate funds to pay the amounts due on the Series 2009 Bonds on such Payment Date.

Moneys in the Debt Service Fund will be withdrawn by the Paying Agent at times appropriate to make payment on each Payment Date and the Paying Agent will pay or cause the same to be paid to the Bondholders on the due date.

Any moneys held in the Debt Service Fund and set aside for the purpose of paying any Series 2009 Bonds which shall remain unclaimed by the holders of the Series 2009 Bonds for a period of five years after the date on which such Series 2009 Bonds shall have become due and payable, will be disposed of by the University and the Paying Agent in accordance with The Uniform Disposition of Unclaimed Property Act, Chapter 11.1, Title 55, Code of Virginia of 1950, as amended.

The moneys in the Debt Service Fund are to be held in trust and applied as provided in the Bond Resolution and, pending such application, are subject to a lien and charge in favor of the holders of the Series 2009 Bonds.

Construction Fund

A special fund is established by the Custodian as the Construction Fund (the "Construction Fund"), to the credit of which there will be deposited a portion of the proceeds of the Series 2009 Bonds. The moneys in the Construction Fund will be held in trust and applied to the payment of the Costs of the Project as described in the following paragraph, and, pending such application, will be subject to a lien and charge in favor of the holders of the Series 2009 Bonds and for the future security of such holders until paid out or transferred.

The Costs of the Project shall include (a) obligations incurred for labor and materials and to contractors, builders and materialmen in connection with the Project; (b) the cost of acquiring by purchase, if such purchase shall be deemed expedient, and the amount of any award or final judgment in or any settlement or compromise of any proceeding to acquire by condemnation, such lands, property, rights, rights of way, franchises, easements and other interests as may be deemed necessary or convenient by the Board for the construction and operation of the Project, options and partial payments thereon, and the amount of any damages incident to or consequent upon such construction and operation; (c) the cost of furnishing and equipping the Project; (d) interest on the Series 2009 Bonds, prior to and during construction of the Project and for up to one year thereafter; (e) taxes or other municipal or governmental charges lawfully levied or assessed during construction upon the Project or any property acquired therefor, and premiums on insurance, if any, in connection with the Project during construction; fees and expenses of engineers and architects for surveys and estimates and other preliminary investigations, preparation of plans, drawings and specifications and supervising construction, as well as for the performance of all other duties of engineers and architects in relation to the planning and construction of the Project or the issuance of Series 2009 Bonds therefor; (f) expenses of administration properly chargeable to the Project, legal expense and fees, fees and expenses of consultants, financing charges, cost of audits and of preparing and issuing the Series 2009 Bonds, and all other items of expense not elsewhere in this paragraph specified incident to the planning, construction, development and equipping of the Project and the placing of the Project in operation; and (g) any obligation or expenses heretofore or hereafter incurred by the University, any agent of the University or by any other agency of the Commonwealth in connection with the Project for any of the foregoing purposes.

Payments from Construction Fund

Payment of the Costs of the Project will be made from the Construction Fund and other available funds, all as provided by law. Moneys in the Construction Fund will be paid out by the Custodian pursuant to vouchers of the University, all in accordance with the Act, the amounts stated in such vouchers to be certified by the University to be necessary for paying items of Costs of the Project. The University will keep account of the Costs of the Project which have been, and are expected to be, spent for each component of the Project to ensure in part that such Costs of the Project will not exceed the maximum authorized amount for each such component.

Covenants Regarding Payment of Principal and Interest; Pledge of Pledged Revenues

The University covenants to pay the principal of and the interest on the Series 2009 Bonds in the manner provided in the Bond Resolution and in the Series 2009 Bonds, payable solely from Pledged Revenues. The University pledges the Pledged Revenues to the payment of such principal and interest and to the payment of any Parity Credit Obligations issued by the University. The Series 2009 Bonds and the interest thereon shall not be deemed to constitute any debt or liability of the Commonwealth. Neither the University nor the Commonwealth shall be obligated to pay the principal of or interest on the Series 2009 Bonds, or other costs incident thereto except from the Pledged Revenues, and neither the faith and credit nor the taxing power of the Commonwealth are pledged to the payment of the principal of or interest on the Series 2009 Bonds, or other costs incident thereto.

Covenants Regarding Additional Indebtedness and Encumbrances

Except as described in "SECURITY FOR THE SERIES 2009 BONDS" in this Offering Memorandum, the Bond Resolution does not limit the right of the University to incur other Credit Obligations. As described in such section, the Bond Resolution does limit the University's right to incur Parity Credit Obligations and Qualifying Senior Obligations and to pledge any portion of the Pledged Revenues.

Other Covenants of the University

In the Bond Resolution, the University covenants that it will carry or maintain an adequate program of commercial insurance or self-insurance for its properties and other risks. The University further covenants that it will keep accurate records and accounts of all items of cost and expenditures relating to the Pledged Revenues and the application of the Pledged Revenues and that it will cause to be mailed not later than the end of the ninth month following the close of each Fiscal Year to all Bondholders who shall have filed their names and addresses with the Secretary of the Board for such purpose a report, signed by the Vice President and Chief Financial Officer of the University and by the Virginia Auditor of Public Accounts or by an independent certified public accountant (or firm thereof) approved by the Virginia Auditor of Public Accounts, setting forth for the preceding Fiscal Year, in reasonable detail, the financial condition of the University, including its statements of net assets as of the end of the preceding Fiscal Year, and related statements of revenues, expenses and changes in net assets and statement of cash flows for the preceding Fiscal Year. The University further covenants in the Bond Resolution that it will not convey, sell or otherwise dispose of any its property unless (a) such conveyance, sale or encumbrance is in the ordinary course of business, or (b) an Authorized Officer certifies in writing that, taking into account the conveyance, sale or other disposition of such property (i) the University will have sufficient funds to meet all of its financial obligations, including its obligations to pay principal of and interest on all Credit Obligations, for all Fiscal Years to and including the second full Fiscal Year after such conveyance, sale or other disposition and (ii) such Authorized Officer has no reason to believe that the University will not have sufficient funds to pay all amounts due under all indebtedness of the University then outstanding. In the Bond Resolution, the University further covenants to do and perform all acts permitted by law and the Bond Resolution which are necessary or desirable to insure that the Series 2009 Bonds continue to qualify as "Build America Bonds" under the Recovery Act. Failure of the University to comply with such covenants, or changes in the "Build America Bond" program, may adversely affect payments the University expects to receive from the federal government related to interest on the Series 2009 Bonds.

Events of Default

The following events are "Events of Default" under the Bond Resolution:

(a) due and punctual payment of the principal, purchase price, or redemption premium, if any, of any of the Series 2009 Bonds is not made when the same becomes due and payable, either at maturity or by proceedings for purchase, redemption or otherwise;

(b) due and punctual payment of any interest due on any of the Series 2009 Bonds is not made when the same becomes due and payable;

(c) the University is for any reason rendered incapable of fulfilling it obligations under the Bond Resolution;

(d) an order or decree is entered, with the consent or acquiescence of the University, appointing a receiver or receivers of the University or any part thereof or of the revenues thereof, or if such order or decree, having been entered without the consent or acquiescence of the University, is not vacated or discharged or stayed on appeal within sixty (60) days after the entry thereof;

(e) any proceeding is instituted, with the consent or acquiescence of the University, for the purpose of effecting a composition between the University and its creditors or for the purpose of adjusting the claims of such creditors pursuant to any federal or state statute now or hereafter enacted; or

(f) the University defaults in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in such Series 2009 Bonds or in the Bond Resolution on the part of the University to be performed, and such default continues for thirty (30) days after written notice specifying such default and requiring same to be remedied is given to the Board by any Bondholder, provided that if such default is such that it can be corrected but cannot be corrected within such thirty (30) day period, it will not constitute an Event of Default if corrective action is instituted by the University within such period and is diligently pursued until the default is corrected.

Remedies Upon Default

The Bond Resolution provides that, upon an Event of Default thereunder, the holders of not less than 25% in aggregate principal amount of the Series 2009 Bonds, by instrument or instruments filed with the University and proved or acknowledged in the same manner as a deed to be recorded, may appoint a trustee to represent the holders of the Series 2009 Bonds for the purposes in the Bond Resolution, which trustee may be the State Treasurer and shall be the same trustee so appointed with respect to all other outstanding Parity Credit Obligations.

Such trustee may, and upon written request of the holders of not less than 25% in principal amount of the Series 2009 Bonds then outstanding shall, in its own name:

(1) by mandamus or other suit, action or proceeding at law or in equity enforce all rights of the holders of the Series 2009 Bonds, including the right to require the University and its Board to collect fees, rents, charges or other revenues adequate to carry out any agreement as to, or pledge of, such revenues, and to require the University and Board to carry out any other agreements with the holders of the Series 2009 Bonds and to perform it and their duties under the Act;

(2) bring suit upon the Series 2009 Bonds;

(3) by action or suit in equity, require the University to account as if it were the trustee of an express trust for the holders of the Series 2009 Bonds; or

(4) by action or suit in equity, enjoin any acts or things which may be unlawful or in violation of the rights of the holders of the Series 2009 Bonds.

Any such trustee, whether or not all Series 2009 Bonds have been declared due and payable, will be entitled as of right to the appointment of a receiver who may enter and take possession of any property of the University any of the revenues from which are pledged for the security of Series 2009 Bonds and operate and maintain the same and collect and receive all fees, rents, charges and other revenues thereafter arising therefrom in the same manner as the University itself might do and will deposit all such moneys in a separate account and apply the same in such manner as the court appointing such receiver shall direct. In any suit, action or proceeding by the trustee the fees, counsel fees and expenses of the trustee and of the receiver, if any, will constitute taxable costs and disbursements and all costs and disbursements allowed by the court will be a first charge on any fees, rents, charges and other revenues of the University pledged for the security of Series 2009 Bonds.

Such trustee will, in addition to the foregoing, have and possess all of the powers necessary or appropriate for the exercise of any functions specifically set forth in the Bond Resolution or incident to the general representation of the holders of the Series 2009 Bonds in the enforcement and protection of their rights.

To the extent permitted by law, upon the happening and continuance of an Event of Default under the Bond Resolution, any Bondholder may proceed to protect and enforce the rights of the holders of the Series 2009 Bonds by a suit, action or special proceeding in equity or at law, either for the specific performance of any covenant or agreement contained in the Bond Resolution or in aid or execution of any power granted therein or for the enforcement of any proper legal or equitable remedy. Any such proceedings at law or in equity will be instituted, had and maintained for the equal benefit of all holders of the Series 2009 Bonds.

The Bond Resolution further provides for the pro rata application of available moneys to the payment of the principal of and interest on the Series 2009 Bonds and any Parity Credit Obligations.

Supplemental Bond Resolutions Without Bondholder Consent

The University may, from time to time and at any time, without the consent of any holders of the Series 2009 Bonds, adopt such supplemental resolutions as shall not be inconsistent with the terms and provisions of the Bond Resolution:

(a) to cure any ambiguity or formal defect or omission or to correct any inconsistent provisions in the Bond Resolution or in any supplemental Bond Resolutions,

(b) to provide for the issuance of certificated Series 2009 Bonds or to obtain or maintain a rating on the Series 2009 Bonds,

(c) to grant to or confer upon the Bondholders any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Bondholders,

(d) to add new conditions, limitations and restrictions on the issuance of other Credit Obligations by the University,

(e) to add to the covenants and agreements of the Board in the Bond Resolution other covenants and agreements thereafter to be observed by the Board or to surrender any right or power therein reserved to or conferred upon the Board,

(f) to comply with any proposed, temporary or permanent regulations regarding arbitrage rebate requirements,

(g) to modify, alter, amend, add to or rescind, in any particular, any of the terms or provisions contained in the Bond Resolution, if in the opinion of the Paying Agent, who may rely upon an opinion of counsel nationally recognized in matters concerning municipal bonds, such supplemental resolutions shall not adversely affect or prejudice the interests of the Bondholders.

At least thirty (30) days prior to the adoption of any supplemental resolutions for any of the above purposes, the Secretary of the Board will cause a notice of the proposed adoption of such supplemental resolutions to be mailed, postage prepaid, to all registered owners the Series 2009 Bonds at their addresses as they appear on the registration books. Such notice will briefly set forth the nature of the proposed supplemental resolutions and will state that copies thereof are on file at the office of the Secretary of the Board for inspection by all Bondholders. A failure on the part of the Secretary of the Board to mail such notice will not affect the validity of such supplemental resolutions.

Supplemental Resolutions Requiring Bondholder Consent

Subject to the terms and provisions contained in the Bond Resolution, and not otherwise, the holders of not less than a majority in aggregate outstanding principal amount of the Series 2009 Bonds will have the right, from time to time, anything contained in the Bond Resolution to the contrary notwithstanding, to consent to and approve the adoption, of such Bond Resolution or resolutions supplemental to the Bond Resolution as shall be deemed necessary or desirable by the Board for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in such Bond Resolution or in any supplemental resolution; provided, however, that nothing contained in the Bond Resolution shall permit, or be construed as permitting, (a) without the approval of all of the holders of the Series 2009 Bonds, (i) an extension of the maturity of the principal of or the interest on any of such Series 2009 Bond, (ii) a reduction in the principal amount of any of such series of Series 2009 Bonds or the rate of interest thereon, (iii) except as otherwise provided in the Bond Resolution, a preference or priority of any of Series 2009 Bond over any other Series 2009 Bond, or (iv) except as provided in the Bond Resolution, the release of the lien created by the Bond Resolution with respect to any Pledged Revenues, or (b) without the approval of all of the holders of the Series 2009 Bonds, a reduction in the aggregate principal amount of the Series 2009 Bonds required for consent to such supplemental resolution.

If at any time the Board shall determine that it is necessary or desirable to adopt any supplemental resolution for any of the above purposes, the Secretary of the Board will cause notice of the proposed adoption of such supplemental resolution to be mailed, not less than thirty (30) nor more than sixty (60) days prior to the date of such adoption, postage prepaid, to all registered owners of the Series 2009 Bonds at their addresses as they appear on the registration books held by the Registrar. Such notice will briefly set forth the nature of the proposed supplemental resolution and will state that copies thereof are on file at the office of the Secretary of the Board for inspection by all Bondholders. The Board will not, however, be subject to any liability to any Bondholder by reason of its failure to cause such notice to be mailed and any such failure will not affect the validity of such supplemental resolution when consented to and approved as provided above.

Whenever, at any time within one year after the date of such notice, the Board shall deliver to the Paying Agent an instrument or instruments in writing purporting to be executed by the holders of not less than a majority or all, as appropriate, in aggregate principal amount of the Series 2009 Bonds then outstanding, which instrument or instruments shall refer to the proposed supplemental resolution described in such notice and shall specifically consent to and approve the adoption thereof in substantially the form of the copy thereof referred to in such notice, thereupon, but not otherwise, the Board may adopt such supplemental resolution in substantially such form, without liability or responsibility to any holder of any Series 2009 Bond, whether or not such holder shall have consented thereto.

If the holders of not less than a majority or all, as appropriate, in aggregate principal amount of the Series 2009 Bonds outstanding at the time of the adoption of such supplemental resolution shall have consented to and approved the adoption thereof as herein provided, no holder of any Series 2009 Bond will have any right to object to the adoption of such supplemental resolution, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the adoption thereof, or to enjoin or restrain the Board from adopting the same or from taking any action pursuant to the provisions thereof.

Upon the adoption of any supplemental resolution pursuant to the provisions set forth above, the Bond Resolution will be and be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under the Bond Resolution of the University, the Board and all holders of the Series 2009 Bonds then outstanding will thereafter be determined, exercised and enforced in all respects under the provisions of the Bond Resolution as so modified and amended.

Defeasance

The University will pay or provide for the payment of the entire indebtedness on all or particular outstanding Series 2009 Bonds in any one or more of the following ways:

(a) by paying or causing to be paid the principal of (including redemption premium, if any) and interest on all outstanding Series 2009 Bonds as and when the same become due and payable;

(b) by depositing with the Paying Agent, in trust, at or before maturity, moneys in an amount sufficient to pay or redeem (when redeemable) such outstanding Series 2009 Bonds (including the payment of premium, if any, and interest payable on such Series 2009 Bonds to the maturity or redemption date thereof), provided that such moneys, if invested, will be invested at the written direction of the University in noncallable Government Obligations in an amount, without consideration of any income or increment to accrue thereon, sufficient to pay or redeem (when redeemable) and discharge the indebtedness on such Series 2009 Bonds at or before their respective maturity dates, it being understood that the investment income on such Government Obligations may be used for any lawful purpose;

(c) by delivering to the Paying Agent, for cancellation, such outstanding Series 2009 Bonds; or

(d) by depositing with the Paying Agent, in trust, noncallable Government Obligations in such amount as will, together with the income or increment to accrue thereon, without consideration of any reinvestment thereof, be fully sufficient to pay or redeem (when redeemable) and discharge the indebtedness on all outstanding Series 2009 Bonds at or before their respective maturity dates as an independent certified public accountant shall certify to the Paying Agent's satisfaction.

Upon deposit with the Paying Agent, in trust, of money or Government Obligations in the necessary amount to pay or redeem all outstanding Series 2009 Bonds and compliance with the other payment provisions of the Bond Resolution, the Bond Resolution may be discharged in accordance with the provisions thereof but the University's liability in respect of the Series 2009 Bonds will continue, provided that the holders thereof will thereafter be entitled to payment only out of the moneys and the Government Obligations deposited with the Paying Agent as indicated above.

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APPENDIX D

PROPOSED FORM OF OPINION OF BOND COUNSEL

April 22, 2009

The Rector and Visitors of
the University of Virginia
Charlottesville, Virginia

$250,000,000
The Rector and Visitors of the University of Virginia
Taxable General Revenue Pledge Bonds, Series 2009

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance by The Rector and Visitors of the University of Virginia ("University") of the referenced taxable general revenue pledge bonds delivered as of this date (collectively, the "Bonds"). The Bonds are issued pursuant to Title 23, Chapter 4.10 of the Code of Virginia of 1950, as amended ("Act"), and resolutions (collectively, the "Resolution") adopted by the Board of Visitors of the University ("Board of Visitors") on April 3, 2009. We refer you to the Bonds and the Resolution for the definitions of capitalized terms not otherwise defined herein, and for a description of the purposes for which the Bonds are issued and the security therefor. We have examined certified copies of proceedings and other papers relating to the issuance of the Bonds, and have also examined the Constitution and the statutes of the Commonwealth of Virginia, including the Act, and a specimen of the Bonds.

As to questions of fact material to this opinion, we have relied upon (a) representations of and compliance with covenants by the University contained in the Resolution and certain other documents and certificates delivered this date, and (b) certificates of representatives of the University, certain of its affiliates and other parties, in each case without undertaking any independent verification. We have assumed that all signatures on documents, certificates and instruments examined by us are genuine, all documents, certificates and instruments submitted to us as originals are authentic, and all documents, certificates and instruments submitted to us as copies conform to the originals. In addition, we have assumed that all documents, certificates and instruments relating to this financing have been duly authorized, executed and delivered by all parties thereto other than the University, and we have further assumed the due organization, existence and powers of all parties other than the University.

Based on the foregoing, it is our opinion that:

1. The University is a duly organized and validly existing public body constituted as a governmental instrumentality of the Commonwealth of Virginia, having the powers and authority, among others, set forth in the Act and in Title 23, Chapter 9 of the Code of Virginia of 1950, as amended.

2. The University has the requisite power and authority to adopt the Resolution, issue the Bonds and apply the proceeds from the issuance and sale of the Bonds as set forth in the Resolution.

3. The Resolution has been duly and validly adopted by the Board of Visitors, is binding upon the University and is enforceable in accordance with its terms.

4. The Bonds have been duly authorized, executed and delivered in accordance with the Act and the Resolution and constitute valid and binding limited obligations of the University, payable solely from the Pledged Revenues and other property pledged therefor under the Resolution. Except as provided in the Resolution, the Bonds are not payable from the funds of the University, nor do they constitute a legal or equitable pledge, charge, lien or encumbrance upon any of the properties of the University or upon its income, receipts or revenues. The Bonds do not create or constitute a pledge of the faith and credit of the Commonwealth of Virginia.

5. As permitted by the Act, the Resolution validly and legally pledges the Pledged Revenues to the payment of the Bonds. We point out, however, that under the Resolution (i) the University has previously issued and may issue Parity Credit Obligations secured by Pledged Revenues on a parity basis with the Bonds and (ii) Pledged Revenues excludes certain revenues previously or subsequently pledged to the payment of Qualifying Senior Obligations or necessary to pay operating or other expenses related to facilities or systems financed in whole or in part with Qualifying Senior Obligations.

6. The obligations of the University under the Bonds and the Resolution are subject to the provisions of applicable bankruptcy, insolvency, reorganization, moratorium and similar laws, now or hereafter in effect, relating to or affecting the enforcement of creditors' rights generally. Such obligations are also subject to usual equitable principles, which may limit the specific enforcement of certain remedies but which do not affect the validity of the obligations. Certain indemnity provisions may be unenforceable pursuant to court decisions invalidating such indemnity agreements on grounds of public policy.

7. The Bonds are not being issued as tax-exempt obligations for federal income tax purposes and therefore, we express no opinion relative to any federal tax consequences of the ownership of or receipt or accrual of interest on the Bonds.

8. Income derived from the Bonds, or on the sale or exchange of the Bonds, is excludable from gross income for purposes of income taxation by the Commonwealth of Virginia. We express no opinion regarding (i) other Virginia tax consequences arising with respect to the Bonds or (ii) any consequences arising with respect to the Bonds under the tax laws of any state or local jurisdiction other than the Commonwealth of Virginia.

Our services as Bond Counsel to the University have been limited to rendering the foregoing opinions based on our review of such legal proceedings and other documents as we deem necessary to approve the validity of the Bonds and tax-exempt status of the interest on them under the laws of the Commonwealth of Virginia and the enforceability of the Resolution. The foregoing opinions are in no respect an opinion as to the business or financial resources of the University or the ability of the University to provide for the payment of the Bonds or the accuracy or completeness of any information, including the University's Preliminary Offering Memorandum dated April 15, 2009, and Offering Memorandum dated April 15, 2009, that anyone may have relied upon in making the decision to purchase the Bonds.

Very truly yours,

APPENDIX E

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this "Disclosure Agreement") is executed and delivered by The Rector and Visitors of the University of Virginia (the "University"), in connection with the issuance by the University of $250,000,000 aggregate principal amount of its Taxable General Revenue Pledge Bonds, Series 2009 (the "Series 2009 Bonds") pursuant to certain Resolutions adopted by the Board of Visitors of the University on April 3, 2009 (collectively, the "Bond Resolution"). The University has approved the marketing of the Series 2009 Bonds by the Participating Underwriters (as hereinafter defined) pursuant to an Offering Memorandum (the "Offering Memorandum") relating to the Series 2009 Bonds dated April 15, 2009, in a primary offering.

NOW THEREFORE in consideration of the foregoing and the covenants contained herein, the University hereby represents, covenants and agrees as follows:

Section 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the University for the benefit of the Holders (as hereinafter defined) and Beneficial Owners (as defined in the Offering Memorandum) of the Series 2009 Bonds.

Section 2. Definitions. In addition to the definitions set forth in the Bond Resolution, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Financial Information" with respect to any Fiscal Year of the University means the following:

(a) the audited financial statements of the University for the prior Fiscal Year, prepared in accordance with generally accepted accounting principles as promulgated from time to time by the Government Accounting Standards Board. If such audited financial statements are not available by the time the Annual Financial Information is required to be filed pursuant to Section 3(a), the Annual Financial Information shall contain unaudited financial statements, and the audited financial statements shall be filed in the same manner as the Annual Financial Information when such statements become available; and

(b) the operating data of the University included under the headings "Students", "The University of Virginia Medical Center" and "Financial Information" in Appendix A to the Offering Memorandum, comprising the following tables: "Undergraduate Applications, Acceptances and Matriculations", "Graduate & Professional Applications, Acceptances and Matriculations", "On Grounds Fall Enrollment", "Selected Medical Center Patient Information", "Non-Capital Appropriations from the Commonwealth", "Undergraduate Tuition and Required Fees Per Student", "Graduate Tuition and Required Fees Per Student", "Grants and Contracts", "University of Virginia Medical Center Summary Statement of Revenues, Expenses, and Changes in Net Assets" and "Pooled Endowment Fund Historic Annual Return".

The audited financial statements described above may be included by specific reference to other documents, including Official Statements and Offering Memoranda of debt issues with respect to which the University is an "obligated person" (as defined by the Rule), which have been filed with each of the NRMSIRs (or EMMA, if applicable) or the SEC. If the document included by reference is a final Offering Memorandum, it must be available from the MSRB. The University shall clearly identify each such other document so included by reference.

"Disclosure Representative" means the Vice President and Chief Financial Officer of the University or such other person as the University shall designate from time to time.

"Dissemination Agent" means an entity, if any, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the University and which has filed with the University a written acceptance of such designation.

"EMMA" means the Electronic Municipal Market Access system described in 1934 Act Release No. 59062 and maintained by the MSRB for purposes of the Rule.

"Event Notice" means the notice of the events described in Section 3(b) hereof.

"Financial Statements" means the annual audited financial statements of the University described in paragraph (2) of the definition of "Annual Financial Information" herein.

"Fiscal Year" means the twelve-month period, at the end of which the financial position of the University and results of its operations for such period are determined. Currently, the University's Fiscal Year ends on June 30 of each year.

"Holder" means, for purposes of this Disclosure Agreement, any Person who is a record owner or Beneficial Owner of a Series 2009 Bond, from time to time.

"Make Public" or "Made Public" has the meaning set forth in Section 4 of this Disclosure Agreement.

"MSRB" means the Municipal Securities Rulemaking Board.

"NRMSIR" means each nationally recognized municipal securities information repository approved as such by the SEC from time to time.

"Participating Underwriters" shall mean the original underwriters of the Series 2009 Bonds required to comply with the Rule in connection with the offering of the Series 2009 Bonds.

"Rule" means Rule 15c2-12 under the Securities Exchange Act of 1934 and any similar rules of the SEC relating to disclosure requirements in the offering and sale of municipal securities, all as in effect from time to time.

"SEC" means the U.S. Securities and Exchange Commission.

"SID" means any state-based information depository existing from time to time in the Commonwealth of Virginia for the purpose of receiving information concerning municipal securities and recognized as such by the SEC.

Section 3. Obligations of the University.

(a) The University agrees to prepare and cause to be Made Public Annual Financial Information with respect to any Fiscal Year of the University when and if available but in no case later than 240 days after the end of such Fiscal Year. The Annual Financial Information may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information.

(b) The University shall cause to be Made Public, in a timely manner, notice of any of the following events that may from time to time occur with respect to the Series 2009 Bonds, but with respect to the items in (i) through (xi), only if material:

(i) principal and interest payment delinquencies;

(ii) non-payment related defaults;

(iii) unscheduled draws on debt service reserves reflecting financial difficulties;

(iv) unscheduled draws on any credit enhancement maintained with respect to the Series 2009 Bonds reflecting financial difficulties;

(v) substitution of credit or liquidity providers, or their failure to perform;

(vi) adverse tax opinions or events affecting the tax-exempt status of interest on the Series 2009 Bonds;

(vii) modifications to rights of Holders;

(viii) bond calls;

(ix) defeasances;

(x) release, substitution, or sale of property securing repayment of the Series 2009 Bonds;

(xi) rating changes; and

(xii) the failure of the University on or before the date required by Section 3(a) and Section 3(b) to provide Annual Financial Information or Make Public Event Notices to the persons and in the manner required by this Disclosure Agreement.

(c) Whenever the University obtains knowledge of the occurrence of an event listed in subsection (b) above, the University shall as soon as possible determine if such event would be material under applicable federal securities laws; provided, that any event described in subsection (b)(xii) above shall always be material.

(d) If the University has determined that knowledge of the occurrence of an event listed in subsection (b) above would be material under applicable federal securities laws, the University shall promptly report the occurrence pursuant to subsection (e) below.

(e) If the University has determined to report the occurrence of an event listed in subsection (b) above, the University shall file a notice of such occurrence with the MSRB and each SID, or solely to EMMA if the date of such filing is on or after July 1, 2009 (or such other date as may be announced by the SEC or the MSRB as the effective date for filing via EMMA). Notwithstanding the foregoing, notice of an event listed in subsection (b) above described in subsections (b)(viii) and (ix) need not be given under this subsection any earlier than the date on which the notice (if any) of the underlying event is given to the Holders of affected Series 2009 Bonds pursuant to the Bond Resolution.

(f) The University shall notify the NRMSIRs, or solely EMMA if the date of such notification is on or after July 1, 2009 (or such other date as may be announced by the SEC or the MSRB as the effective date for filing via EMMA), of any change in the University's Fiscal Year not later than the first date on which it first provides any information to the NRMSIRs (or EMMA, if applicable) after such change in fiscal year.

(g) Without limiting any of the foregoing, the University further agrees in a timely manner to deliver to any Holder of Series 2009 Bonds upon written request the information required to be provided to the NRMSIRs (or EMMA, if applicable) pursuant to subsections (a), (b) and (f) above.

Section 4. Information Made Public. Information shall be deemed to have been "Made Public" for purposes of this Disclosure Agreement if transmitted to the following as herein required:

(i) subject to the provisions of Section 10, each NRMSIR at its then current address, including the following NRMSIRs existing as of the date hereof:

Bloomberg Municipal Repository
100 Business Park Drive
Skillman, New Jersey 08558
Phone: (609) 279-3225
Fax: (609) 279-5962
E-Mail: Munis@Bloomberg.com

DPC Data, Inc.
One Executive Drive
Fort Lee, New Jersey 07024
Phone: (201) 346-0701
Fax: (201) 947-0107
E-mail: nrmsir@dpcdata.com

Interactive Data Pricing and Reference Data, Inc.
Attn: NRMSIR
100 William Street, 15th Floor
New York, New York 10038
Phone: (212) 771-6999; 800-689-8466
Fax: (212) 771-7390
E-mail: NRMSIR@interactivedata.com

Standard & Poor's Securities Evaluations, Inc.
55 Water Street, 45th Floor
New York, New York 10041
Phone: (212) 438-4595
Fax: (212) 438-3975
E-mail: nrmsir_repository@sandp.com

Provided that in the case of Event Notices Made Public under Section 3(c), such information may be provided to the MSRB at the following address (or such other address as may at the time be in effect), in lieu of providing it to the NRMSIRs as described in this clause (i):

Municipal Securities Rulemaking Board
1900 Duke Street, Suite 600
Alexandria, Virginia 22314
Phone: (703) 797-6600
Fax: (703) 797-6700

(ii) at its then current address, the SID, if any; or

(iii) solely to EMMA if the date of such filing is on or after July 1, 2009 (or such other date as may be announced by the SEC or the MSRB as the effective date for filing via EMMA).

Section 5. CUSIP Numbers. The University shall reference, or cause to be referenced, the CUSIP prefix number for the Series 2009 Bonds in any notice provided to the NRMSIRS, the MSRB, the SID and/or EMMA pursuant to Sections 3 and 4.

Section 6. Termination of Reporting Obligation. The obligations under this Disclosure Agreement shall terminate upon the earlier to occur of the legal defeasance, prior redemption or payment in full of all of the Series 2009 Bonds. If such termination occurs prior to the final maturity of the Series 2009 Bonds, the University shall give notice of such termination in the same manner as for the events listed in Section 3(b) hereof.

Section 7. Dissemination Agent. The University may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the University pursuant to this Disclosure Agreement. The Dissemination Agent may resign at any time by providing at least 30 days' written notice to the University.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the University may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived by the University, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws, to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule, provided that the University shall have provided notice of such delivery and of the amendment to each then existing NRMSIR and SID, if any, and the MSRB, or solely to EMMA if the date of such filing is on or after July 1, 2009 (or such other date as may be announced by the SEC or the MSRB as the effective date for filing via EMMA). Any such amendment shall satisfy, unless otherwise permitted by the Rule, the following conditions:

(a) the amendment may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in the identity, nature or status of the obligated person or type of business conducted;

(b) this Disclosure Agreement, as amended, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the amendment does not materially impair the interests of the Holders of any of the Series 2009 Bonds, as determined either by parties unaffiliated with the University (such as counsel expert in federal securities laws), or by the approving vote of Holders pursuant to the terms of the Bond Resolution at the time of the amendment.

The initial Annual Financial Information after the amendment shall explain, in narrative form, the reasons for the amendment and the effect of the change, if any, in the type of operating data or financial information being provided.

If the amendment is made to an undertaking specifying the accounting principles to be followed in preparing Financial Statements, the Annual Financial Information for the Fiscal Year in which the change is made should present a comparison between the Financial Statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison should include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to Holders to enable them to evaluate the ability of the University to meet its obligations. To the extent reasonably feasible, the comparison also should be quantitative. A notice of the change in the accounting principles should be sent to the NRMSIRS or the MSRB, and the appropriate SID, if any, or solely to EMMA if the date of such filing is on or after July 1, 2009 (or such other date as may be announced by the SEC or the MSRB as the effective date for filing via EMMA).

Section 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the University from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Financial Information or notice of occurrence of an event listed in Section 3(b), in addition to that which is required by this Disclosure Agreement. If the University chooses to report any information in any Annual Financial Information or include any information in a notice of occurrence of an event listed in Section 3(b), in addition to that which is specifically required by this Disclosure Agreement, the University shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Financial Information or notice of occurrence of such an event.

Section 10. Alternative Filing Location. Any filing under this Disclosure Agreement may be made solely by transmitting such filing to the Texas Municipal Advisory Council (the "MAC") as provided at http://www.disclosureusa.org unless the SEC has withdrawn the interpretive advice in its letter to the MAC dated September 7, 2004.

Section 11. Default. In the event of a failure of the University to comply with any provision of this Disclosure Agreement, any Holder of the Series 2009 Bonds, may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the University to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Bond Resolution, and the sole remedy under this Disclosure Agreement in the event of any failure of the University to comply herewith shall be an action to compel specific performance. Nothing in this provision shall be deemed to restrict the rights or remedies of any Holder pursuant to the Securities Exchange Act of 1934, the rules and regulations promulgated thereunder, or other applicable laws.

Section 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the University, the Participating Underwriters and the Holders of the Series 2009 Bonds, and shall create no rights in any other person or entity.

Section 13. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 14. Applicable Law. This Disclosure Agreement shall be construed under the laws of the Commonwealth of Virginia and, to the extent inconsistent, with the laws of the United States of America.

Dated as of April 22, 2009

THE RECTOR AND VISITORS OF
THE UNIVERSITY OF VIRGINIA

By: ________________________________
Name: Leonard W. Sandridge
Title: Executive Vice President and
Chief Operating Officer

University of Virginia

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