NEW ISSUE – FULL BOOK ENTRY

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

*Assuming compliance with certain covenants and subject to the qualifications described in **"TAX EXEMPTION"** herein, in the opinion of Bond Counsel, under current law interest on the Series 2008 Bonds (a) will not be included in gross income of owners of the Series 2008 Bonds for federal income tax purposes and (b) will not be treated as a specific item of tax preference in computing the federal alternative minimum tax for individuals and corporations. Such interest may be included in the calculation of a corporation's federal alternative minimum tax and may be subject to other federal income tax consequences as described in **"TAX EXEMPTION"** herein. In the opinion of Bond Counsel, under existing laws of the Commonwealth of Virginia, interest on the Series 2008 Bonds is not subject to Virginia taxation.*

$231,365,000
THE RECTOR AND VISITORS OF THE UNIVERSITY OF VIRGINIA
General Revenue Pledge Bonds, Series 2008

Dated: Date of Delivery **Due: June 1, 2040**

The offered bonds identified above (the "Series 2008 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 2008 Bonds under a book-entry only system. Accordingly, Beneficial Owners of the Series 2008 Bonds will not receive physical delivery of bond certificates. See **"THE SERIES 2008 BONDS – Book-Entry Only System"** herein. The Series 2008 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 2008 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 2008 Bonds may be made in the principal amount of $5,000 or any integral multiple thereof. Interest on the Series 2008 Bonds is payable by the Paying Agent semi-annually on each June 1 and December 1, commencing on December 1, 2008.

The Series 2008 Bonds are subject to optional and extraordinary redemption and mandatory sinking fund redemption prior to maturity as described herein.

THE SERIES 2008 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 2008 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 2008 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 2008 BONDS OR OTHER COSTS INCIDENT HERETO. THE UNIVERSITY HAS NO TAXING POWERS.

The Series 2008 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 2008 Bonds are expected to be available for delivery through the facilities of DTC, New York, New York, or its custodial agent, on or about May 22, 2008.

Morgan Stanley

Goldman, Sachs & Co. **Lehman Brothers**

Dated: May 8, 2008

$231,365,000
The Rector and Visitors of the University of Virginia

General Revenue Pledge Bonds, Series 2008

CUSIP (Base No.): 915217

June 1 Maturity	Principal Amount	Interest Rate	Price/Yield*	CUSIP Suffix
2040	$231,365,000	5.00%	4.620%	QT3

* Yield computed to June 1, 2018 call date.

The information set forth herein has been obtained from the University, The Depository Trust Company 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 Official Statement nor any sale of the Series 2008 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 Official Statement. The Underwriters have reviewed the information in this Official Statement 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 Official Statement 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 Official Statement 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 Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Series 2008 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

TABLE OF CONTENTS

OFFICIAL STATEMENT OF

THE RECTOR AND VISITORS OF THE UNIVERSITY OF VIRGINIA

relating to

$231,365,000
General Revenue Pledge Bonds, Series 2008

INTRODUCTION

Purpose

This Official Statement, including the cover page and the Appendices, is furnished in connection with the sale of $231,365,000 aggregate principal amount of The Rector and Visitors of the University of Virginia (the "University") General Revenue Pledge Bonds, Series 2008 (the "Series 2008 Bonds"). The Series 2008 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 2008 Bonds shall 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 2008 BONDS"** herein. Terms capitalized but undefined in the body of this Official Statement are defined in **Appendix C** attached hereto.

The Series 2008 Bonds will bear interest at fixed rates until maturity. See **"THE SERIES 2008 BONDS"** herein.

The proceeds of the Series 2008 Bonds will be used by the University (a) to finance and/or refinance capital improvements to the University's educational facilities located in the City of Charlottesville, Albemarle County and Wise County, Virginia, which are expected to include, without limitation, all or a portion of the costs of (i) construction of the Culbreth Road Parking Garage, (ii) construction of the Carter-Harrison Research Building, (iii) acquisition of the 11th Street Parking Garage, (iv) upgrades and modifications to the University's Main Heat Plant, (v) construction of an addition to the Printing and Copying Services Building, (vi) renovation and expansion of Rouss Hall for the University's School of Commerce, (vii) work related to waterproofing for Scott Stadium, (viii) construction of a building for the School of Arts & Sciences related to the University's South Lawn Project, (ix) costs related to the implementation of a new student system, (x) construction of a new dining hall and new residence hall at the University's College at Wise, (xi) costs related to the University's Hospital Expansion Project, (xii) acquisition of properties at 214 Sprigg Lane and 2400 Old Ivy Road, and (xiii) construction of new student housing in the University's Alderman Road – Observatory Hill area; (b) to refund a portion of the outstanding principal amount of the University's Commercial Paper General Revenue Pledge Notes, Series A (Tax-Exempt) (the "Refunded Commercial Paper") issued to finance a portion of such capital improvements; (c) to refund all of the University's General Revenue Pledge Bonds, Series 1995A and a portion of the University's General Revenue Pledge Bonds, Series 1998B (collectively, the "Refunded Bonds"), issued to finance a portion of such capital improvements and certain other capital improvement projects of the University; and (d) to pay other expenditures associated with the foregoing to the extent financeable, including, without limitation, costs of issuance with respect to the Series 2008 Bonds. See "**APPLICATION OF SERIES 2008 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 2008 Bonds will be issued under 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 11, 2008 (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, 2007. 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, 2007. 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 Official Statement 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 Official Statement, including the Appendices hereto, are qualified in their entirety by such reference.

THE SERIES 2008 BONDS

The following is a summary of certain provisions of the Series 2008 Bonds. For definitions of certain terms and additional detailed information relating to the Series 2008 Bonds, see **Appendix C** attached hereto.

General

The Series 2008 Bonds will be issued in the aggregate principal amount of $231,365,000. The Series 2008 Bonds will be dated the date of their delivery and will mature on June 1 in the years and amounts as set forth on the inside cover page hereof. Interest on the Series 2008 Bonds will be payable semi-annually on June 1 and December 1, commencing on December 1, 2008, at the rates per annum shown on the inside cover page hereof, calculated on the basis of a 360-day year consisting of 12 months of 30 days each. The Series 2008 Bonds will be offered in Authorized Denominations of $5,000 and integral multiples thereof.

Redemption

Mandatory Sinking Fund Redemption. The Series 2008 Bonds are subject to mandatory sinking fund redemption, and shall be redeemed, in part, at a redemption price equal to 100% of the principal amount to be redeemed plus interest accrued to the sinking fund redemption date in the amounts and on the sinking fund redemption dates set forth below:

Redemption Date	Principal Amount
June 1, 2038	$73,390,000
June 1, 2039	77,060,000
June 1, 2040†	80,915,000

† Final maturity.

Optional Redemption. Series 2008 Bonds maturing on or before June 1, 2018, are not subject to optional redemption. Series 2008 Bonds maturing on or after June 1, 2019, are subject to redemption, at the option of the University, in whole or in part on any date on or after June 1, 2018, at a redemption price equal to 100% of the principal amount to be redeemed, together with the interest accrued on such principal amount to the redemption date.

Extraordinary Optional Redemption. The Series 2008 Bonds shall be subject to redemption, in whole or in part, on any date at the option of the University, from the proceeds of casualty insurance or condemnation awards, at a redemption price equal to 100% of the principal amount of the Series 2008 Bonds to be redeemed, without premium, together with the interest accrued on such principal amount of the Series 2008 Bonds to be redeemed to the redemption date, if all or any part of the projects financed with the Series 2008 Bonds is damaged or destroyed or is taken through the exercise of the power of eminent domain and the Executive Vice President and Chief Operating Officer of the University has delivered a certificate to the Custodian to the effect that the University has determined not to use such proceeds to replace or rebuild the damaged, destroyed or taken property.

Notice of Redemption and Other Notices. So long as DTC 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 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 shall give notice of redemption to the Series 2008 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 2008 Bondholder, or any defect in the notice to such Series 2008 Bondholder, shall not affect the validity of the call for redemption of any other Series 2008 Bond. So long as DTC or its nominee is the Series 2008 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, shall not affect the validity of the call for redemption. Any notice mailed as provided in the Bond Resolution shall 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.

Selection for Redemption. Subject to applicable procedures of DTC while the Series 2008 Bonds are held in book-entry form by DTC, if less than all of the Series 2008 Bonds are to be called for redemption, the University shall select Series 2008 Bonds for redemption in such manner as the University may determine.

Book-Entry Only System

Upon initial issuance, the Series 2008 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 2008 Bonds. The Series 2008 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 each series of Series 2008 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest 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 2.2 million issues of U.S. and non-U.S. equity, 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. 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 DTC and 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 2008 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2008 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2008 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 2008 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 2008 Bonds, except in the event that use of the book-entry system for the Series 2008 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2008 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 2008 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 2008 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2008 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 2008 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2008 Bonds, such as redemptions, defaults, and proposed amendments to the Bond Resolution. For example, Beneficial Owners of Series 2008 Bonds may wish to ascertain that the nominee holding the Series 2008 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 2008 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 2008 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 2008 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2008 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 2008 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 2008 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 2008 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 2008 Bonds will be exchangeable and transferable on the registration books of the Registrar in Authorized Denominations. Upon presentation and surrender of any Series 2008 Bond for transfer or exchange, the Registrar will authenticate and deliver in the name of the designated transferee or transferees or the registered Owner, as appropriate, one or more new fully registered Series 2008 Bonds in any Authorized Denomination or Denominations. For every exchange or transfer of Series 2008 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 2008 BOND PROCEEDS

Plan of Finance

Proceeds of the Series 2008 Bonds will be used (a) to finance costs incurred in connection with the projects described in **"INTRODUCTION – Purpose"** above; (b) to provide for the payment and redemption, within 90 days after issuance of the Series 2008 Bonds, of the Refunded Bonds and the Refunded Commercial Paper; and (c) to pay working capital and other expenditures connected with the foregoing to the extent financeable, including, without limitation, certain costs of issuance.

Upon issuance of the Series 2008 Bonds, a portion of the proceeds thereof will be deposited with the State Treasurer of Virginia and The Bank of New York, as Paying Agent for the Refunded Bonds and the Refunded Commercial Paper, respectively. Such proceeds will be applied to the payment of the Refunded Bonds and the Refunded Commercial Paper on the applicable redemption dates. All of the Refunded Bonds and the Refunded Commercial Paper are expected to be redeemed within 90 days after issuance of the Series 2008 Bonds.

General

The proceeds of the Series 2008 Bonds are expected to be applied on the date of issue in the estimated amounts as follows:

Sources of Funds:

Principal amount of Series 2008 Bonds	$231,365,000.00
Net original issue premium on Series 2008 Bonds	6,987,223.00
TOTAL	238,352,223.00

Uses of Funds:

Refunding of Refunded Bonds	$ 5,929,118.55
Refunding of Refunded Commercial Paper	102,093,668.48
Deposit to the Construction Fund	128,966,019.17
Cost of Issuance (includes underwriters' discount†)	1,363,416.80
TOTAL	**$**238,352,223.00

† See **"UNDERWRITING"** herein.

SECURITY FOR THE SERIES 2008 BONDS

The following summary of the security for the Series 2008 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 2008 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 2008 Bonds as they become due upon redemption, acceleration, maturity or otherwise. Such obligation is secured, together with other general revenue pledge bonds previously issued by the University and certain other obligations issued by the University and secured on a parity basis with the Series 2008 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 shall 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 Obligations" include certain qualifying future obligations of the University secured by a pledge of any portion of the University's revenues (not including Outstanding General Revenue Pledge Bonds, as defined below), and all obligations 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 2008 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 2008 Bonds, and (2) net of operating expenses for the related facility or system, and such revenues would be available to pay the Series 2008 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 shall be senior and superior in all respects to the pledge of Pledged Revenues securing the Series 2008 Bonds and any other 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, 2008, was $28,920,558) 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, 2008 was $591,170,000 (which figure includes the amount of the Refunded Bonds, the amount of the Refunded Commercial Paper and the remaining 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 2008 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 2008 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 2008 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 2008 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 2008 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 2008 Bonds and meets certain other requirements, such Series 2008 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 2008 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 2008 Bonds, may be amended with or without the consent of the holders of a majority of the principal amount of the Series 2008 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 2008 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 2008 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 2008 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 2008 Bonds, or to in any way contest or affect the validity of the Series 2008 Bonds, the Bond Resolution, or any proceedings of the University taken with respect to the issuance or sale of the Series 2008 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 EXEMPTION

Opinion of Bond Counsel – Federal Income Tax Status of Interest

Bond Counsel's opinion will state that, under current law, interest on the Series 2008 Bonds (including any accrued "original issue discount" properly allocable to the owners of the Series 2008 Bonds) is excludable from gross income for purposes of federal income taxation and is not a specific item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations (a "Specific Tax Preference Item"). However, for purposes of the alternative minimum tax imposed on corporations (as defined for federal income tax purposes under Section 56 of the Internal Revenue Code of 1986, as amended (the "Code")), interest on the Series 2008 Bonds must be included in computing adjusted current earnings. See **Appendix D** attached hereto for the proposed form of opinion of Bond Counsel.

Bond Counsel will express no opinion regarding other federal tax consequences arising with respect to the Series 2008 Bonds.

Bond Counsel's opinion speaks as of its date, is based on current legal authority and precedent, covers certain matters not directly addressed by such authority and precedent, and represents Bond Counsel's judgment as to the proper treatment of interest on the Series 2008 Bonds for federal income tax purposes. Bond Counsel's opinion does not contain or provide any opinion or assurance regarding the future activities of the University or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the Internal Revenue Service (the "IRS"). The University has covenanted, however, to comply with the requirements of the Code.

Reliance and Assumptions; Effect of Certain Changes

In delivering its opinion regarding the Series 2008 Bonds, Bond Counsel is relying upon (i) computations provided by the Underwriters, relating to the yield on the Series 2008 Bonds, and (ii) certifications of representatives of the University and other parties as to facts material to the opinion, which Bond Counsel has not independently verified.

In addition, Bond Counsel is assuming continuing compliance with the Covenants (as hereinafter defined) by the University. The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied after the issuance of the Series 2008 Bonds in order for interest on the Series 2008 Bonds to be and remain excludable from gross income for purposes of federal income taxation. These requirements include, by way of example and not limitation, the requirement that the University comply with certain provisions of the Code regarding, among other things, certain tax-exempt obligations, restrictions on the use, expenditure and investment of the proceeds of the Series 2008 Bonds and the use of the property financed or refinanced by the Series 2008 Bonds, limitations on the source of the payment of and the security for the Series 2008 Bonds, and the obligation to rebate certain excess earnings on the gross proceeds of the Series 2008 Bonds to the Treasury (as hereinafter defined). The Bond Resolution and the Non-Arbitrage Certificate and Tax Compliance Agreement executed by the University (the "Tax Compliance Agreement") contain covenants (the "Covenants") under which the University has agreed to comply with such requirements. Failure by the University to comply with its Covenants could cause interest on the Series 2008 Bonds to become includable in gross income for federal income tax purposes retroactively to their date of issue. In the event of noncompliance with the Covenants, the available enforcement remedies may be limited by applicable provisions of law and, therefore, may not be adequate to prevent interest on the Series 2008 Bonds from becoming includible in gross income for federal income tax purposes.

Bond Counsel has no responsibility to monitor compliance with the Covenants after the date of issue of the Series 2008 Bonds.

Certain requirements and procedures contained, incorporated or referred to in the Bond Resolution and Tax Compliance Agreement, including the Covenants, may be changed and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral federal income tax matters with respect to the Series 2008 Bonds. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner thereof. Prospective purchasers of such Series 2008 Bonds, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning or disposing of the Series 2008 Bonds.

Prospective purchasers of the Series 2008 Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers including, without limitation, financial institutions, certain insurance companies, certain corporations (including S corporations and foreign corporations), certain foreign corporations subject to the "branch profits tax," individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations and taxpayers attempting to qualify for the earned income tax credit.

In addition, prospective purchasers should be aware that the interest paid on, and the proceeds of the sale of, tax-exempt obligations, including the Series 2008 Bonds, are in many cases required to be reported to the IRS in a manner similar to interest paid on taxable obligations. Additionally, backup withholding may apply to any such payments made after March 31, 2007 to any Series 2008 Bond owner who fails to provide an accurate Form W-9 Request for Taxpayer Identification Number and Certification, or a substantially identical form, or to any Series 2008 Bond owner who is notified by the IRS of a failure to report all interest and dividends required to be shown on federal income tax returns. The reporting and withholding requirements do not in and of themselves affect the excludability of such interest from gross income for federal tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

Original Issue Discount

The "original issue discount" ("OID") on any Series 2008 Bond is the excess of such bond's stated redemption price at maturity (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates) over the issue price of such bond. The "issue price" of a Series 2008 Bond is the initial offering price to the public at which price a substantial amount of such bonds of the same maturity was sold. The "public" does not include bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers. The issue price for each maturity of the Series 2008 Bonds is expected to be the initial public offering price set forth on the cover of this Official Statement, but is subject to change based on actual sales. OID on the Series 2008 Bonds with OID (the "OID Bonds") represents interest that is excludable from gross income for purposes of federal and Virginia income taxation. However, the portion of the OID that is deemed to have accrued to the owner of an OID Bond in each year may be included in determining the alternative minimum tax and the distribution requirements of certain investment companies and may result in some of the collateral federal income tax consequences mentioned in the preceding subsection. Therefore, owners of OID Bonds should be aware that the accrual of OID in each year may result in alternative minimum tax liability, additional distribution requirements or other collateral federal and Virginia income tax consequences although the owner may not have received cash in such year.

Interest in the form of OID is treated under Section 1288 of the Code as accruing under a constant yield method that takes into account compounding on a semiannual or more frequent basis. If an OID Bond is sold or otherwise disposed of between semiannual compounding dates, then the OID which would have accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

In the case of an original owner of an OID Bond, the amount of OID that is treated as having accrued on such OID Bond is added to the owner's cost basis in determining, for federal income tax purposes, gain or loss upon its disposition (including its sale, redemption or payment at maturity). The amounts received upon such disposition that are attributable to accrued OID will be excluded from the gross income of the recipients for federal income tax purposes. The accrual of OID and its effect on the redemption, sale or other disposition of OID Bonds that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above.

Prospective purchasers of OID Bonds should consult their own tax advisors with respect to the precise determination for federal income tax purposes of interest accrued upon sale or redemption of such OID Bonds and with respect to state and local tax consequences of owning OID Bonds.

Bond Premium

In general, if an owner acquires a bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the bond after the acquisition date (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates), that premium constitutes “bond premium” on that bond (a “Premium Bond”). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner’s yield over the remaining term of the Premium Bond, determined based on constant yield principles. An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner’s regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner’s original acquisition cost. Prospective purchasers of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

Possible Legislative or Regulatory Action

Legislation and regulations affecting tax-exempt bonds are continually being considered by the United States Congress, the U.S. Department of the Treasury (“Treasury”) and the IRS. In addition, the IRS has established an expanded audit and enforcement program for tax-exempt bonds. There can be no assurance that legislation enacted or proposed after the date of issue of the Series 2008 Bonds or an audit initiated or other enforcement or regulatory action taken by the Treasury or the IRS involving either the Series 2008 Bonds or other tax-exempt bonds will not have an adverse effect on the tax status or the market price of the Series 2008 Bonds or on the economic value of the tax-exempt status of the interest thereon.

State Income Tax Treatment

Bond Counsel’s opinion also will state that, under current law, the Series 2008 Bonds and the income from them, including any profit made on their sale, are exempt from taxation by the Commonwealth and any of its political subdivisions. Bond Counsel will express no opinion regarding (i) other Virginia tax consequences arising with respect to the Series 2008 Bonds or (ii) any consequences arising with respect to the Series 2008 Bonds under the tax laws of any state or local jurisdiction other than Virginia. Prospective purchasers of the Series 2008 Bonds should consult their own tax advisors regarding the tax status of interest on the Series 2008 Bonds in a particular state or local jurisdiction other than Virginia.

The United States Supreme Court has heard arguments in an appeal of a Kentucky state court case (Davis v. Kentucky Dep’t of Revenue of the Finance and Admin. Cabinet, 197 S.W.3d 557 (2006)) which ruled that Kentucky’s taxation of interest on bonds issued by states other than Kentucky violates the United States Constitution because Kentucky exempts from taxation interest on bonds issued by Kentucky and its political subdivisions. Virginia law currently has a similar disparity in the tax treatment of interest on bonds from the Commonwealth of Virginia and the interest on bonds from other states. It is not clear what effect the outcome of this litigation, or any legislative response to the outcome of this litigation, could have on the state law tax exemption of interest on the Series 2008 Bonds. Prospective purchasers of the Series 2008 Bonds should consult with their own tax advisors regarding the outcome of this litigation and any legislative response to the outcome of this litigation.

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 2008 Bonds.

UNDERWRITING

The Series 2008 Bonds are being purchased by Morgan Stanley & Co. Incorporated, as representative of a group of underwriters (the "Underwriters"), at a price of $237,464,352.20 (reflecting the principal amount of $231,365,000, plus net original issue premium of $6,987,223, minus an underwriters' discount of $887,870.80 or approximately 0.3838% of the principal amount of the Series 2008 Bonds). The Bond Purchase Agreement between the University and Morgan Stanley & Co. Incorporated, as representative of the Underwriters, provides that the Underwriters will purchase all of the Series 2008 Bonds to be purchased if any Series 2008 Bonds are purchased.

The Bond Purchase Agreement provides that the Underwriters may offer and sell the Series 2008 Bonds to certain dealers and others at prices lower than the public offering prices stated on the inside cover page hereof, and the public offering prices set forth on the inside 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 2008 Bonds.

FINANCIAL STATEMENTS

The audited financial statements of the University for the fiscal year ended June 30, 2007, 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, 2007.

RATINGS

Moody's Investors Service, 99 Church 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 2008 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 2008 Bonds may have an effect on the market price thereof.

CONTINUING DISCLOSURE

The offering of the Series 2008 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 2008 Bonds for the benefit of the registered and Beneficial Owners of the Series 2008 Bonds, substantially in the form attached as **Appendix E** to this Official Statement, 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 Official Statement, 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 2008 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 Official Statement after the delivery of the Series 2008 Bonds except as provided in the Continuing Disclosure Agreement. The Underwriters have not undertaken either to supplement or update the information included in this Official Statement.

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 1998, 1999, 2003 and 2005 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 2008 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 2008 Bonds.

MISCELLANEOUS

The summaries or descriptions herein, including the Appendices hereto, of the Series 2008 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 Official Statement 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 Official Statement 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 Official Statement.

THE RECTOR AND VISITORS OF
THE UNIVERSITY OF VIRGINIA

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

APPENDIX A

THE UNIVERSITY OF VIRGINIA

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 20,404 full-time equivalent students in on-grounds programs, including 13,636 undergraduates. The Academic Division is comprised of 10 separate schools including 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 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, 83 master's degrees in 66 fields, six educational specialist degrees, two first-professional degrees (law and medicine) and 59 doctoral degrees in 58 fields. Many of these programs rank among the nation's elite. It was announced in April 2007 that one of the University's most loyal supporters would give $100 million to create the Frank Batten School of Leadership and Public Policy, the University's first new school since 1954. It is anticipated that the school will open in the fall of 2009 with an estimated enrollment of 225 undergraduate and 165 graduate students. In August 2007, U.S. News & World Report's latest undergraduate college rankings placed the University at No. 2 among public universities and tied for No. 23rd 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 lower than No. 2 among public universities, 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 is 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 1,803 students.

ACADEMIC AND RESEARCH PROGRAMS

The University has established 495 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.

The University supports research and scholarship in many fields. Its areas of strength include research in the humanities and programs in the biomedical, physical, and engineering sciences. Sponsored research awards totaled over $332 million for fiscal year 2007 from all sources (federal and state agencies, industry and private foundations). Of this amount, over half came from the National Institutes of Health. The National Institutes of Health made 439 awards to researchers at the University of Virginia totaling $182 million. The National Science Foundation awarded a total of over $22 million to the University on 137 awards.

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 3,392 acres of land holdings throughout the Commonwealth, including 238 acres in Charlottesville and 1,461 additional acres in Albemarle County. Capital infrastructure is comprised of 535 buildings consisting of approximately 14.7 million square feet, including the Medical Center. In 1987, the University of Virginia at Charlottesville was named a World Heritage site, along with Monticello, 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 5,100,000 books, more than 82,000 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 16 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 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 except in limited circumstances, service is limited to two full terms. 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*
DANIEL R. ABRAMSON, *Alexandria*	Principal, *Abramson Properties*
A. MACDONALD CAPUTO, *Greenwich, CT*	Advisory Director, *Morgan Stanley*
ALAN A. DIAMONSTEIN, *Newport News*	Attorney, *Patten, Wornom, Hatten & Diamonstein*
SUSAN Y. DORSEY, *Mechanicsville*	Special Assistant, *The Office of the Secretary of Technology (VA)*
THOMAS F. FARRELL, II, *Richmond*	President and CEO, *Dominion Energy, INC.*
G. SLAUGHTER FITZ-HUGH, JR., *Richmond*	Retired President, *Bank of America (VA Region)*
GLYNN D. KEY, *Washington, D.C.*	Attorney, General Counsel *GE Water & Process Technologies*
AUSTIN LIGON, *Manakin-Sabot*	Retired President and CEO, *CarMax Inc.*
VINCENT J. MASTRACCO, JR, *Norfolk*	Attorney, *Kaufman & Canoles, P.C.*
THE HON. LEWIS F. PAYNE, *Charlottesville.*	Retired Congressman and CEO, *McGuire Woods Consulting*
GORDON F. RAINEY, JR., *Richmond*	Chairman, *Hunton & Williams*
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 Hospitals*
ADOM GETACHEW, *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 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	Director of Treasury Operations

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.

Leonard W. Sandridge. Leonard W. Sandridge is Executive Vice President and Chief Operating Officer of the University, a title he assumed in November 1999. He has served since 1990 in that role, with similar titles, as a member of President John T. Casteen III's senior cabinet. He oversees operations of all non-academic support areas at the University, including the architect for the University, athletics, student affairs, management and budget, finance, human resources, emergency preparedness, police, and compliance. He also provides financial and managerial oversight of the Health System. Mr. 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, and University of Virginia Investment Management Company. 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 Garson, Jr. Arthur Garson, Jr., 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 10 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 returned to Houston to be 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 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, 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-four 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. Currently she is 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 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 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 advancement. 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. 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 University's $3 billion capital campaign that is scheduled to conclude in 2011. It is among the five largest higher education philanthropic campaigns ever announced. To date, over $1.6 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 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, state-wide, the legal services provided to all of the Commonwealth's public institutions of higher education.

Alexander G. Gilliam, Jr. Alexander 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. James Matteo has been the University's Director of Treasury Operations since August 2005. He is responsible for debt management, banking and cash management, and 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 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 2007 semester, the University employed 2,140 full-time and 205 part-time instructional, research, and public service faculty, as well as 761 full-time and 36 part-time administrative and professional faculty. Included were 1,172 tenured faculty and an additional 369 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 2007 semester, the University employed 9,269 full-time and 1,142 part-time permanent staff, including approximately 6187 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.

For the fall 2007 semester, the College at Wise employed 95 full-time and 67 adjunct instructional, research, and public service faculty as well as 58 full-time and 2 part-time administrative and professional faculty. Included were 40 tenured faculty and an additional 28 who were non-tenured but on tenure-track. 71% 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 17:1 (as defined in the Common Data Set).

Excluding the faculty, as of October 1, 2007, the College at Wise employed 143 full-time and 11 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 EPA (Exempt from Personnel Act) Non-Faculty Employees. The staff workforces at both the University and The University 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%) of the first-year class entering in fall 2007 were in-state, a percentage that has remained relatively stable over the last five academic years. Interest in admission to the University remains high as 17,798 completed applications were received for the 2007-08 academic year to fill a target of approximately 3,248 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.

For the fall 2007 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 94% ranked in the top 20% of their class. Approximately 93% of the first-year students who enter the University earn degrees, and approximately 84% graduate within four years. The SAT scores for the 25^{th} to 75^{th} percentile range of the fall 2007 incoming class were approximately 1280-1490.

Undergraduate Applications, Acceptances and Matriculations

	2003-04	2004-05	2005-06	2006-07	2007-08
Completed Applications					
In-state	5,846	5,915	6,444	6,492	7,090
Out-of-state	8,781	8,907	9,213	9,594	10,708
Total	14,627	14,822	15,657	16,086	17,798
Applications Accepted*	39%	39%	38%	37%	35%
In-state	53%	52%	49%	45%	47%
Out-of-state	31%	30%	30%	32%	27%
Offers Accepted**	54%	54%	53%	51%	52%
In-state	67%	68%	68%	68%	67%
Out-of-state	38%	38%	35%	36%	34%

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

Graduate & Profesional Applications, Acceptances and Matriculations

	2003-04	2004-05	2005-06	2006-07	2007-08
Completed Applications	20,646	19,673	19,320	19,091	21,477
Applications Accepted*	23%	25%	26%	27%	26%
Offers Accepted**	47%	45%	44%	47%	40%

* 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

	2003-04	2004-05	2005-06	2006-07	2007-08
Undergraduate	12,907	13,140	13,401	13,353	13,636
Graduate	4,616	4,632	4,699	4,791	4,830
First-Professional	1,631	1,650	1,694	1,699	1,724
Unclassified	489	596	605	554	644
Total Headcount	19,643	20,018	20,399	20,397	20,834
Full Time Equivalent	19,718	20,064	20,068	20,065	20,404

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 was 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 610 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's use 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 special 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 special 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 for the University all special 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 special 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 support from the Commonwealth motivated the University to examine the ways in which the University may alter its business relationship with it. 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 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, articulation agreements, economic development, research, and elementary and secondary education.

This legislation establishes three levels of autonomy. The highest level requires execution of a management agreement that requires approval of the Governor and the General Assembly.

2006 Legislation. Pursuant to the 2005 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 Governor and General Assembly. 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.

One of the benefits of the 2006 Act is eligibility for financial incentives if the University meets certain performance expectations. The most significant of these benefits is interest on tuition heretofore credited to the general fund of the Commonwealth. Upon satisfactory performance, the University will be credited with interest earned on tuition balances in the previous year.

The operational flexibility gained will enable the institution to engage more effectively in long-range planning, further streamline processes to save 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 in 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 while 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, demands on other funds may be reduced once this additional investment income becomes available.

THE UNIVERSITY OF VIRGINIA MEDICAL CENTER

The Medical Center is an organizational unit of the University employing approximately 6,187 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 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 2007, the Medical Center had 580 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 51% of its inpatients are drawn, and northern and southern Secondary Service Areas, from which another 23% of inpatients are drawn. Of the remaining patients 26% reside in other parts of Virginia, West Virginia 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 386,032 in 2004 and is expected to grow about 6% by 2009, which is a relatively fast growth rate.

There are two hospitals besides 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. UVA inpatient market share has remained steady over the last few years, with 37% of total Virginia hospital inpatient discharges in the PSA in 2006. 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 Heart and Vascular Center, Neurosurgery, Spine, Pediatrics 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 intertwined and 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 was established in 2002 devoted exclusively to overseeing the operations of the University's hospitals and clinics. This 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. The legal responsibility for the Medical Center rests with the Medical Center Operating Board and the Board of Visitors. Five of the 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, persons 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, 2007, the Medical Center had net operating revenues of $920 million and operating income of $49 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,

	2003	**2004**	**2005**	**2006**	**2007**
Average Daily Census	425	458	457	466	474
Length of Stay (days)	6	6	6	6	6
Discharges	27,460	29,164	29,076	29,452	30,145
Outpatient Visits	598,663	626,696	654,742	662,425	689,957

FINANCIAL INFORMATION

The University's audited financial statements for fiscal year ended June 30, 2007 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, 2007. The University's financial statements are presented in accordance with generally accepted accounting principles applicable to governmental universities promulgated by the Governmental Accounting Standards Board (GASB).

Summary Statement of Net Assets
As of June 30,

(in thousands of dollars)

	2003	2004*	2005*	2006*	2007
Assets					
Current assets	$ 749,464	$ 827,401	$ 978,616	$ 922,607	$ 1,194,340
Noncurrent endowment investments	1,962,217	2,206,032	2,209,164	2,497,309	3,068,268
Other Noncurrent assets	1,786,537	1,779,636	1,778,155	2,026,157	2,211,980
Total assets	$ 4,498,218	$ 4,813,069	$ 4,965,935	$ 5,446,073	$ 6,474,588
Liabilities					
Current liabilities	$ 423,736	$ 444,654	$ 395,574	$ 437,379	$ 558,853
Non current liabilities	624,976	662,737	519,861	560,779	560,710
Total liabilities	$ 1,048,712	$ 1,107,391	$ 915,435	$ 998,158	$ 1,119,563
Net assets					
Invested in capital assets, net of related debt	$ 917,924	$ 955,092	$ 1,012,969	$ 1,116,746	$ 1,226,529
Restricted					
Non-expendable	311,779	322,218	333,544	350,474	369,874
Expendable	1,275,493	1,384,623	1,555,598	1,701,167	2,203,057
Unrestricted	944,310	1,043,745	1,148,389	1,279,528	1,555,565
Total net assets	$ 3,449,506	$ 3,705,678	$ 4,050,500	$ 4,447,915	$ 5,355,025
Liabilities and net assets	$ 4,498,218	$ 4,813,069	$ 4,965,935	$ 5,446,073	$ 6,474,588

* 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)

	2003	2004*	2005*	2006*	2007
Revenues					
Student tuition and fees	$ 204,078	$ 232,587	$ 246,062	$ 263,728	$ 287,474
Patient services	637,891	686,578	780,197	819,492	882,401
Grants and contracts	247,965	269,934	286,256	296,436	287,484
Sales and services of educational departments	19,905	17,563	16,469	18,866	19,540
Auxiliary enterprises revenue	81,671	90,961	93,983	101,093	110,910
Other	13,193	26,834	30,192	37,414	22,504
Total operating revenues	1,204,703	1,324,457	1,453,159	1,537,029	1,610,313
Non-Operating Revenues					
State appropriations	140,851	125,531	143,605	158,192	170,439
Gifts	70,545	84,836	96,547	116,023	148,073
Investment income	189,702	255,384	329,973	367,761	721,505
Additions to permanent endowment	30,170	10,215	11,452	16,932	18,950
Other	37,883	30,663	29,105	43,031	176,651
Total operating and non-operating revenues	1,673,854	1,831,086	2,063,841	2,238,968	2,845,931
Expenses					
Operating Expenses					
Compensation and benefits	822,201	893,811	964,721	1,015,113	1,089,634
Supplies and other services	398,539	425,230	467,616	508,151	518,669
Student aid	37,738	38,940	40,944	46,474	51,406
Utilities	58,718	74,850	82,322	91,363	95,217
Depreciation	99,915	103,017	104,454	111,654	121,770
Other	25,326	24,453	29,622	35,103	35,046
Total operating expenses	1,442,437	1,560,301	1,689,679	1,807,858	1,911,742
Non-Operating Expenses	11,742	12,619	29,340	33,695	27,079
Total operating and non-operating expenses	1,454,179	1,572,920	1,719,019	1,841,553	1,938,821
Increase in Net Assets	219,675	258,166	344,822	397,415	907,110

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

Financial Information Concerning Foundations. During fiscal year 2004, the University implemented GASB Statement 39, *Determining Whether Certain Organizations are Component Units.* This statement describes the conditions under which institutions should include associated foundations as component units and how such component units should be displayed in the financial statements. These related foundations are not-for-profit corporations controlled by separate boards and directors. The University currently has seven foundations that qualify as component units under the criteria established by GASB Statement 39 because they hold significant resources for the benefit of the University. These component units are included in the June 30, 2007 audited financial statements 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)

	2004	2005*	2006	2007
Assets				
Current assets	$ 125,180	$ 364,096	$ 315,508	$ 581,810
Noncurrent long-term investments	746,020	3,323,566	3,898,503	5,149,397
Other Noncurrent assets	229,104	340,181	406,892	416,764
Total assets	$ 1,100,304	$ 4,027,843	$ 4,620,903	$ 6,147,971
Liabilities				
Current liabilities	$ 141,848	$ 2,898,648	$ 3,342,075	$ 4,510,105
Non current liabilities	164,265	236,733	265,795	432,918
Total Liabilities	$ 306,113	$ 3,135,381	$ 3,607,870	$ 4,943,023
Net assets				
Unrestricted	$ 225,858	$ 255,645	$ 283,574	$ 323,857
Temporarily restricted	272,053	327,036	391,927	521,753
Permanently restricted	296,280	309,781	337,532	359,338
Total net assets	$ 794,191	$ 892,462	$ 1,013,033	$ 1,204,948
Total liabilities and net assets	$ 1,100,304	$ 4,027,843	$ 4,620,903	$ 6,147,971

* The number of foundations increased from 6 in 2004 to 7 in 2005 with the addition of the UVIMCO foundation.

For the fiscal year ended June 30, 2007, component unit net assets grew $191.9 million, or 18.9% from fiscal year 2006.

Including these seven foundations presented as component units, there are a total of 24 University affiliated foundations operating in support of the interests of the University. 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 $93 million during fiscal year 2007.

Budgeting. The University's operating expenditure budget for fiscal year 2007-08 totals $2.1 billion. This includes $1.1 billion for the Academic Division (54.1%), $930.0 million for the Medical Center (44.3%) and $33.3 million for the College at Wise (1.6%). In October 2007, the Governor reduced the general fund appropriation to the Academic Division and the College at Wise budget for fiscal year 2008 by $10.5 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 2.9% of the College at Wise's budget. These budget reductions were continued into the upcoming fiscal year, but increased 2008-09 reductions are not proposed for higher education at this time.

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; and approximately 6% in fiscal year 2007. The 2006-07 appropriation shown below includes a new investment of $7.2 million ($5.6 million operating and $1.6 million graduate financial aid) as part of the Commonwealth's Higher Education Research Initiative.

Non-Capital Appropriations from the Commonwealth

(Dollars in Thousands)

	2003	2004	2005	2006	2007
Commonwealth Appropriations	$ 140,851	$ 125,531	$ 143,605	$ 158,192	$ 170,439

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, 2007 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

	2003-04	2004-05	2005-06	2006-07	2007-08
In-state tuition and fees	$ 5,964	$ 6,600	$ 7,180	$ 7,845	$ 8,500
Out-of-state tuition and fees	21,984	22,700	24,100	25,945	27,750

Notes:

The above table does not include first year orientation fees of $190 in FY2003-04 through FY2006-07.

Graduate Tuition and Required Fees Per Student

	2003-04	2004-05	2005-06	2006-07	2007-08
In-State Tuition and Fees					
Darden Graduate School of Business Administration	$ 28,220	$ 30,200	$ 32,300	$ 35,000	$ 37,500
School of Law	23,798	26,100	28,300	30,700	33,500
School of Medicine	22,486	26,074	28,700	30,100	31,305
All others	7,856	9,200	9,800	10,550	11,240
Out-of-State Tuition and Fees					
Darden Graduate School of Business Administration	33,220	35,200	37,300	40,000	42,500
School of Law	29,201	31,100	33,300	35,700	38,500
School of Medicine	34,536	36,633	38,700	40,100	41,305
All others	19,964	20,200	20,400	20,550	21,240

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 2007-08 academic year, 6,473 undergraduate students (47% of the total student body) received almost $89 million in financial assistance. Of this total, 28% of the funds were provided by the federal government, 7% by the Commonwealth, 37% by the University, 11% by the Virginia Athletics Foundation, and 17% by other sources. The total included approximately $18 million in federal loans, and federal work-study, and over $55 million in federal, state, private and institutional grants and scholarships (including athletic scholarships). In addition, the parents of 581 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 $20 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 percent of need for every student. The program not only keeps a University of Virginia education affordable for the lowest income students, but also addresses the concerns of middle income families who are squeezed 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)

	2003*	**2004***	**2005***	**2006***	**2007**
Federal grants and contracts	$ 199,487	$ 225,310	$ 242,032	$ 253,596	$ 245,124
Other	48,478	44,624	44,224	42,840	42,360
Total grants and contracts	$ 247,965	$ 269,934	$ 286,256	$ 296,436	$ 287,484

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

The U.S. Department of Health and Human Services continued as the University's major source of grant and contract awards, accounting for 55% of the total awards in fiscal year 2007.

Medical Center. The following data has been derived from annual audited financial statements of the Medical Center for the fiscal years ended June 30, 2003 - 2007.

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

(In Thousands)

	2003*	2004*	2005*	2006*	2007
Net Patient service revenue	$ 638,105	$ 686,578	$ 780,197	$ 819,501	$ 882,401
Other operating revenues	26,497	26,834	30,070	37,517	37,912
Total Operating Revenues	664,602	713,412	810,267	857,018	920,313
Opertaing Expenses	622,301	671,062	762,808	814,201	871,452
Income before other revenues, expenses, gains or losses	42,301	42,350	47,459	42,817	48,861
Net non-operating Revenues	(2,250)	3,476	16,017	21,106	55,622
Increase in net assets	40,051	45,826	63,476	63,923	104,483

* 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 2006-2007, the University received $302.1 million in private gifts directly and through related foundations. $136.8 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 2006-2007 was 20.5%.

The University is in an eight-year campaign which will run until 2011 and has a goal of $3 billion. As of December 2007, 53% of the campaign goal had been reached, with 50% of the campaign time elapsed.

Endowment. The University of Virginia's endowment was $3.05 billion as of June 30, 2007. The unrestricted expendable portion was $864 million, or 28%, as of the same date. In accordance with the Board of Visitors' approved spending policy, the endowment contributed $97 million in fiscal year ending June 30, 2007 to support operations of the University.

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, 2007 for the UVIMCO Long-Term Pool follows:

Pooled Endowment Fund Historic Annual Return
For the Period Ending June 30, 2007

1 Year	5 Year	10 Year	20 Year
25.2%	15.1%	14.9%	13.4%

As of February 29, 2008, the fiscal year-to-date return on the fund was 5.3%.

All funds are managed pursuant to investment policies established by the University of Virginia Investment Management Company's ("UVIMCO's") Board of Directors. The long-term objectives of the University's endowment fund are to maximize long-term real return commensurate with the risk tolerance of the University, achieve long-term returns that compare favorably with the returns of other outstanding schools and consistently exceed returns on a passively managed benchmark with a similar asset allocation and risk. On May 17, 2007 the following policy portfolio targets were approved by the UVIMCO Board: 67% to equity, 8% to real assets, 15% to opportunistic, and 10% to government bonds. These targets were effective July 1, 2007.

The 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 3.5 percent or above 5.5 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, 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 Board of Visitors of the University 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 thirteen directors, three of whom are appointed by the Board of Visitors and one who is appointed by the University of Virginia's President. Daily investment management is delegated to UVIMCO's full-time staff of 25 employees, of which 8 are directors, and headed by Christopher Brightman, CFA, who joined UVIMCO as Chief Executive Officer and Chief Investment Officer in December 2004.

UVIMCO oversees investments totaling $5.3 billion as of December 31, 2007, including endowment assets, operating funds, charitable trusts, and other investments. The University of Virginia'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, 2007, the University had approximately $508 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. Certain proceeds of the Series 2008 Bonds will be used to refund outstanding obligations. See "APPLICATION OF SERIES 2008 BOND PROCEEDS – Plan of Finance".

The University has authorized a commercial paper program in an amount not to exceed $300 million. Currently $118,446,000 is outstanding, of which $102,093,668 is expected to be refunded with the proceeds of the Series 2008 Bonds.

Total Debt

At June 30, 2007

(in thousands)

Medical Center Series 1998B	$ 4,395
Medical Center Series 1999A	23,500
Univ. of Virginia Series 1995A	1,710
Univ. of Virginia Series 1998A	0
Univ. of Virginia Series 2003A	82,010
Univ. of Virginia Series 2003B	113,080
Univ. of Virginia Series 2005	188,090
Commonwealth of Va. Bonds	28,921
Notes Payable to VCBA 1997A	790
Notes Payable to VCBA 1999A	4,255
Notes Payable to VCBA 2000A	24,415
Notes Payable to VCBA 2004B	37,215
Other	18
Total Long-Term Debt	$508,399
Tax Exempt Commercial Paper	64,200
Total Debt	$572,599

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, 2007

See Financial Statements Attached

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Auditor's Opinion

October 12, 2007

The Honorable Timothy M. Kaine
Governor of Virginia

The Honorable Thomas K. Norment, Jr.
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, 2007, which collectively comprise the University's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the University'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, 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 the amounts included for the component units of the University, 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 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 aggregate discretely presented component units of the University as of June 30, 2007, 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 53 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 12, 2007, 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 effectiveness of 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, 2007 (with comparative information as of June 30, 2006)

	2007	2006
ASSETS		
Current assets		
Cash and cash equivalents (Note 2)	$ 719,263	$ 559,578
Cash and cash equivalents, securities lending (Note 2)	16,323	36,452
Short-term investments (Note 2)	276,070	164,026
Accounts receivable, net (Note 3a)	142,052	124,800
Prepaid expenses	11,925	11,577
Inventories	21,694	18,391
Notes receivable, net (Note 3b)	7,013	7,783
Total current assets	**1,194,340**	**922,607**
Noncurrent assets		
Restricted cash and cash equivalents (Note 2)	48,548	9,284
Endowment investments (Note 2)	3,068,268	2,497,309
Other long-term investments (Note 2)	286,436	276,553
Deposits with bond trustee	13,942	43,386
Notes receivable, net (Note 3b)	21,437	19,625
Pledges receivable, net (Note 3c)	16,071	20,247
Capital assets—depreciable, net (Note 3d)	1,486,224	1,271,828
Capital assets—nondepreciable (Note 3d)	325,030	370,467
Goodwill (Note 3e)	13,744	14,186
Other	548	581
Total noncurrent assets	**5,280,248**	**4,523,466**
TOTAL ASSETS	**$ 6,474,588**	**$ 5,446,073**
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (Note 3f)	$ 242,925	$ 190,502
Deferred revenue (Note 3g)	78,284	59,826
Obligations under securities lending (Note 2)	80,630	72,524
Deposits held in custody for others	24,902	19,574
Commercial paper (Note 4)	64,200	26,000
Long-term debt—current portion (Note 5a)	17,149	16,784
Long-term liabilities—current portion (Note 5b)	50,763	51,908
Advance from Treasurer of Virginia	—	261
Total current liabilities	**558,853**	**437,379**
Noncurrent liabilities (Note 5)		
Long-term debt	504,207	522,119
Long-term liabilities	56,503	38,660
Total noncurrent liabilities	**560,710**	**560,779**
TOTAL LIABILITIES	**$ 1,119,563**	**$ 998,158**
NET ASSETS		
Invested in capital assets, net of related debt	$ 1,226,529	$ 1,116,746
Restricted		
Nonexpendable	369,874	350,474
Expendable	2,203,057	1,701,167
Unrestricted	1,555,565	1,279,528
TOTAL NET ASSETS	**$ 5,355,025**	**$ 4,447,915**

Certain 2006 amounts have been restated to conform to 2007 classifications.
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, 2007 (with comparative information as of June 30, 2006)

	2007	2006
ASSETS		
Current assets		
Cash and cash equivalents	$ 404,139	$ 218,195
Receivables	94,893	63,994
Other current assets	82,778	33,319
Total current assets	**581,810**	**315,508**
Noncurrent assets		
Pledges receivable (net of current portion of $28,824 and $12,959)	61,692	65,193
Long-term investments	5,149,397	3,898,503
Capital assets, net of depreciation	297,848	291,919
Other noncurrent assets	57,224	49,780
Total noncurrent assets	**5,566,161**	**4,305,395**
TOTAL ASSETS	**$ 6,147,971**	**$ 4,620,903**
LIABILITIES AND NET ASSETS		
Current liabilities		
Assets held in trust for others	$ 4,353,706	$ 3,230,308
Other liabilities	156,399	111,767
Total current liabilities	**4,510,105**	**3,342,075**
Noncurrent liabilities		
Long-term debt (net of current portion of $5,911 and $2,778)	307,091	158,567
Other noncurrent liabilities	125,827	107,228
Total noncurrent liabilities	**432,918**	**265,795**
TOTAL LIABILITIES	**$ 4,943,023**	**$ 3,607,870**
NET ASSETS		
Unrestricted	$ 323,857	$ 283,574
Temporarily restricted	521,753	391,927
Permanently restricted	359,338	337,532
TOTAL NET ASSETS	**$ 1,204,948**	**$ 1,013,033**
TOTAL LIABILITIES AND NET ASSETS	**$ 6,147,971**	**$ 4,620,903**

Certain 2006 amounts have been restated to conform to 2007 classifications.
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, 2007 (with comparative information for the year ended June 30, 2006)

	2007	2006
REVENUES		
Operating revenues		
Student tuition and fees (net of scholarship allowances of $61,943 and $55,324)	$ 287,474	$ 263,728
Patient services (net of indigent care and contractual adjustments of $986,035 and $849,870)	882,401	819,492
Federal grants and contracts	245,124	253,596
State and local grants and contracts	3,186	3,482
Nongovernmental grants and contracts	39,174	39,358
Sales and services of educational departments	19,540	18,866
Auxiliary enterprises revenue (net of scholarship allowances of $8,163 and $7,432)	110,910	101,093
Other operating revenues	22,504	37,414
TOTAL OPERATING REVENUES	**1,610,313**	**1,537,029**
EXPENSES		
Operating expenses (Note 8)		
Compensation and benefits	1,089,634	1,015,113
Supplies and other services	518,669	508,151
Student aid	51,406	46,474
Utilities	95,217	91,363
Depreciation	121,770	111,654
Other operating expenses	35,046	35,103
TOTAL OPERATING EXPENSES	**1,911,742**	**1,807,858**
OPERATING LOSS	**(301,429)**	**(270,829)**
NONOPERATING REVENUES (EXPENSES)		
State appropriations (Note 9)	170,439	158,192
Gifts	148,073	116,023
Investment income	721,505	367,761
Interest on capital asset–related debt	(23,889)	(15,196)
Loss on disposal of capital assets	(1,227)	(4,815)
Other nonoperating expenses	(1,963)	(13,684)
NET NONOPERATING REVENUES	**1,012,938**	**608,281**
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	**711,509**	**337,452**
Capital appropriations	128,075	34,101
Capital grants and gifts	48,576	8,930
Additions to permanent endowments	18,950	16,932
TOTAL OTHER REVENUES	**195,601**	**59,963**
INCREASE IN NET ASSETS	**907,110**	**397,415**
NET ASSETS		
Net assets, beginning of year, restated (Note 1)	4,447,915	4,050,500
NET ASSETS, END OF YEAR	**$5,355,025**	**$4,447,915**

Certain 2006 amounts have been restated to conform to 2007 classifications.
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, 2007 (with comparative information for the year ended June 30, 2006)

	2007	2006
UNRESTRICTED REVENUES AND SUPPORT		
Contributions	$ 28,085	$ 26,060
Fees for services, rentals, and sales	247,069	245,659
Investment income	62,686	34,224
Other revenues	70,611	55,094
Net assets released from restriction	102,728	78,791
TOTAL UNRESTRICTED REVENUES AND SUPPORT	**511,179**	**439,828**
EXPENSES		
Program services, lectures, and special events	247,297	250,024
Scholarships and financial aid	81,000	15,355
Management and general	34,502	66,337
Other expenses	92,081	81,875
TOTAL EXPENSES	**454,880**	**413,591**
EXCESS OF UNRESTRICTED REVENUES AND SUPPORT OVER EXPENSES	**56,299**	**26,237**
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Contributions	83,632	67,121
Investment and other income	149,502	79,163
Reclassification per donor stipulation	(618)	(686)
Net assets released from restriction	(102,728)	(78,791)
NET CHANGES IN TEMPORARILY RESTRICTED NET ASSETS	**129,788**	**66,807**
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS		
Contributions	20,629	24,891
Investment and other income	(54)	2,174
Reclassification per donor stipulation	618	686
NET CHANGES IN PERMANENTLY RESTRICTED NET ASSETS	**21,193**	**27,751**
CHANGE IN NET ASSETS	**207,280**	**120,795**
Net assets, beginning of year	1,013,033	892,462
Current year effect of activity on net assets	(19,472)	—
Prior period adjustment	4,107	(224)
NET ASSETS, END OF YEAR	**$ 1,204,948**	**$ 1,013,033**

Certain 2006 amounts have been restated to conform to 2007 classifications.
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, 2007 (with comparative information for the year ended June 30, 2006)

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	$ 287,563	$ 265,427
Grants and contracts	286,348	301,648
Patient services	865,055	827,606
Sales and services of educational activities	13,125	24,106
Sales and services of auxiliary enterprises	110,351	101,231
Payments to employees and fringe benefits	(1,057,480)	(1,052,795)
Payments to vendors and suppliers	(605,476)	(587,617)
Payments for scholarships and fellowships	(51,410)	(46,452)
Perkins and other loans issued to students	(6,937)	(8,893)
Collection of Perkins and other loans to students	6,548	9,130
Other receipts	17,408	17,058
NET CASH USED BY OPERATING ACTIVITIES	**(134,905)**	**(149,551)**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	169,626	157,775
Additions to true endowments	18,950	16,933
Federal Family Education Loan Program receipts	76,521	80,463
Federal Family Education Loan Program payments	(76,521)	(80,463)
Receipts on behalf of agencies	82,966	85,520
Payments on behalf of agencies	(87,742)	(78,814)
Deposits held in custody for others	5,328	(4,099)
Noncapital gifts and grants and endowments received	138,523	123,199
Other net nonoperating revenues (expenses)	17,578	(14,504)
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	**345,229**	**286,010**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital appropriations	125,753	32,501
Capital gifts and grants received	37,757	22,242
Proceeds from capital debt	48,688	222,394
Proceeds from sale of capital assets	184	409
Acquisition and construction of capital assets	(276,779)	(243,163)
Principal paid on capital debt and leases	(22,993)	(170,499)
Interest paid on capital debt and leases	(29,876)	(22,167)
Deposits with trustee	29,445	—
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	**(87,821)**	**(158,283)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	494,954	441,379
Interest on investments	80,653	45,200
Purchase of investments and related fees	(477,279)	(433,593)
Other investment activities	(21,882)	17,815
NET CASH PROVIDED BY INVESTING ACTIVITIES	**76,446**	**70,801**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**198,949**	**48,977**
Cash and cash equivalents, July 1	568,862	519,885
CASH AND CASH EQUIVALENTS, JUNE 30	**$ 767,811**	**$ 568,862**
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating loss	$ (301,429)	$ (270,829)
ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Depreciation expense	121,770	111,654
Provision for uncollectible loans and write-offs	(664)	148
CHANGES IN ASSETS AND LIABILITIES		
Receivables, net	5,986	47,098
Inventories	(3,303)	140
Other assets	(874)	(1,082)
Prepaid expenses	(348)	(2,353)
Notes receivable, net	(387)	237
Accounts payable and accrued liabilities	23,791	(37,073)
Deferred revenue	18,488	1,198
Accrued vacation leave—long term	2,065	1,311
TOTAL ADJUSTMENTS	**166,524**	**121,278**
NET CASH USED BY OPERATING ACTIVITIES	**$ (134,905)**	**$ (149,551)**
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES—ACADEMIC ONLY		
Assets acquired through assumption of a liability	$ 44,706	$ 225,625
Assets acquired through a gift	14,188	7,747
Change in fair value of investments	399,995	149,351
Increase (decrease) in receivables related to nonoperating revenues	(360)	29,007
Loss on disposal of capital assets	798	4,815

Certain 2006 amounts have been restated to conform to 2007 classifications. 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 component unit of the Commonwealth of Virginia and is included in the Commonwealth's *Comprehensive Annual Financial Report*. 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-six 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, 2007:

- 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, 2006. 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 will provide patient care services to Health System patients and, in conjunction with the care of patients, will provide teaching services. The University will provide space and certain administrative services to the Foundation. The Foundation will reimburse 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 accompanying financial statements are presented in accordance with generally accepted accounting principles applicable to governmental colleges and universities 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 long-term debt attributable to the acquisition, construction, or improvement of these assets.

Restricted: Those net assets, either expendable or nonexpendable, subject to externally-imposed restrictions stipulating how the resources may be used. Expendable net assets are those that can be satisfied by actions of the University. Nonexpendable net assets, consisting of endowments, must be maintained in perpetuity.

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 the expenses and apply resources on a case-by-case basis.

BASIS OF ACCOUNTING

The financial statements have been prepared on the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when incurred and measurable, regardless of when the related cash flows take place. Nonexchange transactions, in which the University receives value without directly giving equal value in exchange, include grants, state appropriations, and private donations. On an accrual basis, revenues from these transactions are recognized in the fiscal year in which all eligibility requirements (resource provider conditions) have been satisfied, if measurable and probable of collection. The University does not capitalize works of art or historical treasures that are held for exhibition, education, research, and public service. These collections are protected and preserved, neither disposed of for financial gain, nor encumbered by any means. Accordingly, such collections are not recognized or capitalized for financial statement purposes.

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.

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 (UVIMCO). The majority of the endowment is invested in the UVIMCO 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, *Accounting and Financial Reporting for Nonexchange Transactions*, 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. An allowance of $2,817,929 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. 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 one or more years.

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 and capitalized software is provided on a straight-line basis over estimated useful lives ranging from one to twenty 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.

DEFERRED REVENUE

Deferred revenue represents revenues collected but not earned as of June 30. This consists primarily of revenue for student tuition accrued in advance of the semester and advance payments on grants and contracts.

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 $7,652,134 and earned capital project interest income of $846,668 for the fiscal year ended June 30, 2007, resulting in net interest capitalized of $6,805,466.

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, 2007, 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 students' 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 central stores, 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 payors. 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. Contractual adjustments are recorded as deductions from Medical Center revenues 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

Operating revenues include 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; and federal, state, local, and nongovernmental grants and contracts.

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 income, and other revenue sources defined as nonoperating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

With the exception of interest expense and losses on the disposal of capital assets, all expense transactions are classified as operating expenses.

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.

RESTATEMENTS AND RECLASSIFICATIONS

Certain amounts from the prior fiscal year have been restated and reclassified to conform to current-year presentation. The July 1, 2006 beginning net assets as originally reported were overstated by $10 million as a result of a procedural error. The error was due to a one-time change in the Commonwealth's payroll accrual process during fiscal year 2005–06. The University did not properly accrue corresponding grants and contracts revenue, thereby creating a mismatch between accrued revenues and expenses, resulting in an overstatement of grant and contract revenues for fiscal year 2005–06. The following summarizes restatements that have been made to the ending balance of fiscal year 2006 (in thousands):

Net Assets reported at June 30, 2006	$ 4,461,997
Capital appropriation: Reporting guideline changes for Treasury's	
reimbursement programs as mandated by the State	(3,917)
Grants revenue recognition accrual	(10,165)
BEGINNING NET ASSETS AT JULY 1, 2006, AS RESTATED	**$ 4,447,915**

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 an 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 who 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.

Custodial Credit Risk: The University had no investments exposed to custodial credit risk for 2007.

Interest Rate Risk: Disclosure of the maturities of investments is required when the fair market value is adversely affected by changes in interest rates. Investments subject to interest rate risk are outlined in the accompanying chart.

Credit Risk: Disclosure of the credit quality rating is required for investments exposed to the risk an issuer or other counterparty will not fulfill its obligations. State law limits the nonendowed investments in short-term commercial paper and certificate of deposit 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 in asset-backed securities and debt obligations of sovereign governments require the top rating from two of the NRSROs.

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-managed Long-Term Pool which attempts to achieve returns that consistently exceed the returns of a passively managed benchmark with similar asset allocation and risk.

Concentration of Credit Risk: Disclosure of any one issuer is required when it represents 5 percent or more of total investments. The University does not have such concentration of credit risk for 2007.

Foreign Currency Risk: Disclosure is required for investments exposed to changes in exchange rates that will adversely affect the fair value of an investment or a deposit. The University has no foreign investments or deposits for 2007.

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 $36 million at June 30, 2007. Such deposits are not subject to foreign currency risk. Interest rate risk disclosure for cash equivalents is outlined in the accompanying chart.

INVESTMENTS

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 (basis risk), while fixed income investments are subject to interest rate and credit risk. Foreign investments are subject to currency exchange rates, 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.

At June 30, 2007, the University's investment in the UVIMCO Long-Term Pool is $3.3 billion, representing 76 percent of invested assets. Investments in the UVIMCO Aggregate Cash Pool represent 5 percent of invested assets. These pools are not rated by nationally recognized statistical rating organizations.

DERIVATIVES

In January 2007, the University of Virginia entered into three, pay-fixed, receive-variable interest rate swaps totaling $150 million in notional amount. The underlying index for the swaps is the Securities Industry and Financial Markets 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 at initiation. The objective of the swaps is to hedge the risk of rising interest rates between January 2007 and June 2008. The swaps are intended to provide a hedge against the impact of rising interest rates on the cost of U.Va.'s next anticipated long-term bond issuance expected to occur sometime around June 1, 2008. Each of the swaps is scheduled to begin exchanging interest payments on June 1, 2008, for a period of thirty years designed to match the expected term of any new bonds.

As of June 30, 2007, the swaps had a positive market value of approximately $5 million representing the amount U.Va. would receive 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. U.Va. would be exposed to the credit risk of its swap counterparties any time the swaps had a positive market value. As of June 30, 2007, U.Va.'s swap counterparties were rated AA-/Aa3 and A/A2 by Standard & Poor's and Moody's, respectively. To mitigate credit risk, U.Va. limits market value exposure and requires the posting of collateral based on the counterparty's credit rating. All counterparties are required to have at least an A-/A3 rating by Standard & Poor's and Moody's, respectively. As of June 30, 2007, 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. U.Va. 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, U.Va. would be liable to the counterparty for a payment equal to the swap's market value.

As of June 30, 2007, U.Va. does not anticipate any restrictions in its ability to access capital markets at the time of bond issuance.

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. Information related to the credit risk of these investments and the State Treasury's securities lending program is available on a statewide level in the Commonwealth of Virginia's *Comprehensive Annual Financial Report*.

Details of the University's investment risks are:

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						
Assets held under State Security Lending Program	$ 80,631					
Short-term investment pool	64,392	Unrated				
University of Virginia Investment Management Company Aggregate Cash Pool	226,188	Unrated				
State Non-Arbitrage Program	10,067	AAAm				
Federal Home Loan Bank Demand Note	49,864	P-1				
TOTAL CASH EQUIVALENTS	**$ 431,142**					
INVESTMENTS SUBJECT TO INTEREST RATE RISK						
Endowment investments:						
Debt securities						
Demand notes due from related foundation, noninterest bearing	$ 9,902	Unrated	$ 9,902			
Note receivable, 9%	216	Unrated				$ 216
Other investments						
Federal Home Loan Bank	42,114	Aaa	22,170	$ 19,944		
Federal Home Loan Mortgage Corporation	54,864	Aaa	34,948	19,916		
Federal National Mortgage Association	64,739	Aaa	9,881	54,858		
TOTAL INVESTMENTS SUBJECT TO INTEREST RATE RISK	**$ 171,835**		**$ 76,901**	**$ 94,718**	**$ —**	**$ 216**
	100.0%		**44.8%**	**55.1%**	**0.0%**	**0.1%**

NOTE 3: STATEMENT OF NET ASSETS DETAILS

a. Accounts receivable at June 30, 2007, are summarized in the chart below.

ACCOUNTS RECEIVABLE *(in thousands)*	
Patient care	$ 298,888
Grants and contracts	19,261
Equipment Trust Fund reimbursement	11,248
Pledges	16,794
Related foundation	2,346
Capital appropriations	5,714
Other	11,789
Less: Allowance for doubtful accounts	(223,988)
TOTAL	**$ 142,052**

b. Notes receivable of $28 million are reported net of the allowance for uncollectible student loans, which amounted to $1 million at June 30, 2007.

c. Pledges: The composition of pledges receivable at June 30, 2007, is summarized in the chart below.

PLEDGES *(in thousands)*	
GIFT PLEDGES OUTSTANDING	
Operations	$ 17,668
Capital	20,435
TOTAL GIFT PLEDGES OUTSTANDING	**38,103**
Less	
Allowance for uncollectible pledges	(2,818)
Unamortized discount to present value	(3,606)
Total pledges receivable, net	**31,679**
Less current portion, net of allowance	(15,608)
TOTAL NONCURRENT PLEDGES RECEIVABLE	**$ 16,071**

d. Capital assets activity for the year ended June 30, 2007, is summarized in the chart below.

INVESTMENT IN PLANT—CAPITAL ASSETS *(in thousands)*	BEGINNING BALANCE JULY 1, 2006	ADDITIONS	DISPOSITIONS	ENDING BALANCE JUNE 30, 2007
NONDEPRECIABLE CAPITAL ASSETS				
Land	$ 27,954	$ 3,846	$ —	$ 31,800
Construction in progress	342,513	214,180	263,463	293,230
TOTAL NONDEPRECIABLE CAPITAL ASSETS	**370,467**	**218,026**	**263,463**	**325,030**
DEPRECIABLE CAPITAL ASSETS				
Buildings	1,449,627	243,782	807	1,692,602
Equipment	520,921	89,342	40,249	570,014
Infrastructure	187,206	16,464	—	203,670
Improvements other than buildings	144,674	1,841	—	146,515
Capitalized software	32,949	2,336	97	35,188
Library books	97,066	4,722	1,153	100,635
Total depreciable capital assets	**2,432,443**	**358,487**	**42,306**	**2,748,624**
Less accumulated depreciation for				
Buildings	(581,095)	(50,764)	(2,140)	(629,719)
Equipment	(326,567)	(49,956)	(15,813)	(360,710)
Infrastructure	(98,174)	(5,893)	—	(104,067)
Improvements other than buildings	(63,450)	(6,478)	(38)	(69,890)
Capitalized software	(16,513)	(3,947)	65	(20,525)
Library books	(74,816)	(3,827)	(1,154)	(77,489)
Total accumulated depreciation	**(1,160,615)**	**(120,865)**	**(19,080)**	**(1,262,400)**
TOTAL DEPRECIABLE CAPITAL ASSETS, NET	**1,271,828**	**237,622**	**23,226**	**1,486,224**
TOTAL	**$ 1,642,295**	**$ 455,648**	**$ 286,689**	**$ 1,811,254**

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 was 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 at June 30, 2007, are summarized in the chart below.

ACCOUNTS PAYABLE *(in thousands)*	
Accounts payable	$ 145,584
Accrued salaries and wages payable	62,239
Other payables	35,102
TOTAL	**$ 242,925**

g. Deferred revenue at June 30, 2007, includes the following:

DEFERRED REVENUE *(in thousands)*	
Grants and contracts	$ 39,137
Student payments	13,294
Other deferred revenue	25,853
TOTAL	**$ 78,284**

NOTE 4: SHORT-TERM DEBT

Short-term debt at June 30, 2007, is summarized in the chart below.

SHORT-TERM DEBT *(in thousands)*	BEGINNING BALANCE JULY 1, 2006	ADDITIONS	REDUCTIONS	ENDING BALANCE JUNE 30, 2007
COMMERCIAL PAPER				
Tax-exempt	$ 26,000	$ 38,200	$ —	$ 64,200
TOTAL COMMERCIAL PAPER	**$ 26,000**	**$ 38,200**	**$ —**	**$ 64,200**

The University has commercial paper programs that provide for bridge financing up to $175,000,000 of capital projects. At June 30, 2007, the average days to maturity was sixty-two and the weighted average effective interest rate was 3.52 percent.

NOTE 5: LONG-TERM OBLIGATIONS

a. Long-term debt at June 30, 2007, is summarized in the chart below.

LONG-TERM DEBT *(in thousands)*	INTEREST RATES	FINAL MATURITY	BEGINNING BALANCE JULY 1, 2006	ADDITIONS	REDUCTIONS	ENDING BALANCE JUNE 30, 2007
BONDS AND NOTES PAYABLE						
Revenue bonds						
Medical Center Series 1998B (9d)	3.5% to 5.0%	2018	$ 4,700	$ —	$ 305	$ 4,395
Medical Center Series 1999A (9d)	4.5% to 5.3%	2013	28,160	—	4,660	23,500
University of Virginia Series 1995A (9d)	3.29% to 4.05%	2020	2,030	—	320	1,710
University of Virginia Series 2003A (9d)	3.31% to 3.97%	2034	82,010	—	—	82,010
University of Virginia Series 2003B (9d)	4.0% to 5.0%	2033	115,235	—	2,155	113,080
University of Virginia Series 2005 (9d)	4.0% to 5.0%	2037	190,585	—	2,495	188,090
Commonwealth of Virginia bonds (9c)	3.8% to 9.3%	2021	32,642	—	3,721	28,921
Notes payable to VCBA 1997A (9d)	3.5% to 5.0%	2018	995	—	205	790
Notes payable to VCBA 1999A (9d)	3.5% to 6.0%	2020	5,545	—	1,290	4,255
Notes payable to VCBA 2000A (9d)	3.5% to 5.8%	2021	26,200	—	1,785	24,415
Notes payable to VCBA 2004B (9d)	3.0% to 5.0%	2020	37,325	—	110	37,215
Other	various	2009	87	—	69	18
TOTAL BONDS AND NOTES PAYABLE			**$ 525,514**	**$ —**	**$ 17,115**	**$ 508,399**
Less current portion of debt			(16,784)	(365)	—	(17,149)
Bond premium			18,585	—	806	17,779
Deferred loss on early retirement of debt			(5,196)	—	(374)	(4,822)
NET LONG-TERM DEBT			**$ 522,119**	**$ (365)**	**$ 17,547**	**$ 504,207**

The University of Virginia has a revolving credit agreement with a maximum principal amount of $82,010,000 to provide liquidity for (i) the 2003A General Revenue Pledge Bonds and (ii) the Series 2003A Notes. There were no advances outstanding under this credit agreement as of June 30, 2007. 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**
2008	$ 17,149	$ 26,870
2009	13,273	23,021
2010	13,771	22,894
2011	19,614	21,684
2012	19,477	20,707
2013–2017	76,202	90,267
2018–2022	63,423	72,946
2023–2027	31,895	61,902
2028–2032	59,930	54,592
2033–2037	193,665	32,648
TOTAL	**$ 508,399**	**$ 427,531**

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, 2007, the outstanding balance of the prior years in-substance defeased bonds and notes totaled $99,115,000.

b. Long-term liabilities at June 30, 2007, are summarized in the chart below.

LONG-TERM LIABILITIES *(in thousands)*	**BEGINNING BALANCE JULY 1, 2006**	**ADDITIONS**	**REDUCTIONS**	**ENDING BALANCE JUNE 30, 2007**
Investments held for related entities	$ 15,717	$ 3,635	$ —	$ 19,352
Accrual for compensated absences	44,246	51,863	48,014	48,095
Perkins loan program	14,368	—	554	13,814
Other	16,237	14,216	4,448	26,005
Subtotal	**90,568**	**69,714**	**53,016**	**107,266**
Less current portion of long-term liabilities	(51,908)	—	(1,145)	(50,763)
NET LONG-TERM LIABILITIES	**$ 38,660**	**$ 69,714**	**$ 51,871**	**$ 56,503**

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 orthopedic physicians located at the Fontaine Office 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 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, 2007, 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 health care 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, 2007, 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 (Sections 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, 2007 *(in thousands)*	COMMON STOCK AND EQUITY CONTRIBUTIONS	SHARE OF ACCUMULATED INCOME (LOSS)	NET INVESTMENT
UVA Imaging, L.L.C.	687	306	993
Community Medicine, L.L.C.	1,810	(3,239)	(1,429)
Central Virginia Health Network, Inc.	233	(41)	192
HEALTHSOUTH, L.L.C.	1,830	4,476	6,306
Valiance, L.L.C.	350	408	758
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, 2007*	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	**$ 4,747**	**$ 25,978**	**$ 32,638**	**$ 26,527**	**$ 17,798**	**$ 111,510**	**$ 362,612**	**$ 581,810**	**$ —**	**$ 581,810**
Noncurrent assets										
Long-term investments	306,752	241,633	362,582	57,801	162,737	100,518	4,791,211	6,023,234	(873,837)	5,149,397
Capital assets, net, and other assets	7,956	81,993	21,791	42,181	241,414	21,316	113	416,764	—	416,764
Total noncurrent assets	**314,708**	**323,626**	**384,373**	**99,982**	**404,151**	**121,834**	**4,791,324**	**6,439,998**	**(873,837)**	**5,566,161**
TOTAL ASSETS	**$ 319,455**	**$ 349,604**	**$ 417,011**	**$ 126,509**	**$ 421,949**	**$ 233,344**	**$5,153,936**	**$7,021,808**	**$(873,837)**	**$6,147,971**
LIABILITIES AND NET ASSETS										
Current liabilities										
Total current liabilities	**$ 125**	**$ 8,375**	**$ 83,619**	**$ 864**	**$ 45,335**	**$ 95,337**	**$5,150,287**	**$5,383,942**	**$(873,837)**	**$4,510,105**
Noncurrent liabilities										
Long-term debt, net of current portion of $5,911	—	55,826	—	—	232,125	19,140	—	307,091	—	307,091
Other noncurrent liabilities	786	—	18,941	952	52,817	52,331	—	125,827	—	125,827
Total noncurrent liabilities	**786**	**55,826**	**18,941**	**952**	**284,942**	**71,471**	**—**	**432,918**	**—**	**432,918**
TOTAL LIABILITIES	**$ 911**	**$ 64,201**	**$ 102,560**	**$ 1,816**	**$ 330,277**	**$ 166,808**	**$5,150,287**	**$5,816,860**	**$(873,837)**	**$4,943,023**
NET ASSETS										
Unrestricted	$ 66,661	$ 90,078	$ 49,529	$ 41,174	$ 13,243	$ 59,523	$ 3,649	$ 323,857	$ —	$ 323,857
Temporarily restricted	165,034	90,651	132,420	62,982	63,653	7,013	—	521,753	—	521,753
Permanently restricted	86,849	104,674	132,502	20,537	14,776	—	—	359,338	—	359,338
TOTAL NET ASSETS	**318,544**	**285,403**	**314,451**	**124,693**	**91,672**	**66,536**	**3,649**	**1,204,948**	**—**	**1,204,948**
TOTAL LIABILITIES AND NET ASSETS	**$ 319,455**	**$ 349,604**	**$ 417,011**	**$ 126,509**	**$ 421,949**	**$ 233,344**	**$5,153,936**	**$7,021,808**	**$(873,837)**	**$6,147,971**

**December 31, 2006, 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 is 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, 2007, are as follows:

SUMMARY SCHEDULE OF PLEDGES RECEIVABLE *(in thousands)*	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	**$ 16,798**	**$ 18,690**	**$ 20,179**	**$ 65,687**	**$ —**	**$ —**	**$ —**	**$ 121,354**
Less allowance for uncollectible accounts	(783)	(879)	(2,018)	(3,513)	—	—	—	(7,193)
Less effect of discounting to present value	(3,666)	(1,927)	(2,806)	(4,753)	—	—	—	(13,152)
Net pledges receivable	**12,349**	**15,884**	**15,355**	**57,421**	**—**	**—**	**—**	**101,009**
Less current pledges	(4,414)	(4,566)	(3,315)	(17,392)	—	—	—	(29,687)
TOTAL NONCURRENT PLEDGES RECEIVABLE	**$ 7,935**	**$ 11,318**	**$ 12,040**	**$ 40,029**	**$ —**	**$ —**	**$ —**	**$ 71,322**

**December 31, 2006, year-end*

The **University of Virginia Law School Foundation** has also received bequest intentions and certain other conditional promises to give of approximately $23.5 million at June 30, 2007. 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.

The **Alumni Association of the University of Virginia** receives contributions that are designated for University of Virginia-related programs. These amounts are held in trust until they are disbursed. The total of such amounts being held by the Association at June 30, 2007, was $78 million.

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 investment company for pooled investments. 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, 2007, for the component units are as follows:

SUMMARY SCHEDULE OF INVESTMENTS *(in thousands)*	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	$ 18	$ —	$ —	$ 44	$ —	$ 48,707	$ 2,001,330	$2,050,099
University of Virginia Investment Management Company	139,151	235,538	345,492	56,375	69,313	27,968	2,469	876,306
Equities	67,667	6,095	6,596	—	—	21,780	1,905,313	2,007,451
Other	99,916	294	10,494	1,382	107,521	61,399	1,242,937	1,523,943
Total investments	**$ 306,752**	**$ 241,927**	**$ 362,582**	**$ 57,801**	**$ 176,834**	**$ 159,854**	**$ 5,152,049**	**$6,457,799**
Less amounts shown in current assets	—	(294)	—	—	(14,096)	(59,337)	(360,838)	(434,565)
Less eliminations	(139,151)	(235,538)	(345,492)	(56,375)	(69,313)	(27,968)	—	(873,837)
LONG-TERM INVESTMENTS	**$ 167,601**	**$ 6,095**	**$ 17,090**	**$ 1,426**	**$ 93,425**	**$ 72,549**	**$ 4,791,211**	**$5,149,397**

**December 31, 2006, year-end*

The **University of Virginia Investment Management Company** has investments in limited partnership hedge fund, private equity and venture capital investments or similar private investment vehicles that do not actively trade through established exchange mechanisms and are valued at estimated fair market value, based on University of Virginia Investment Management Company's interest in the investee as determined and reported by the external manager of the investment vehicle. Such investments represent $873,731 (17 percent of investments held for others) at June 30, 2007. 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 **University of Virginia Foundation's** property, furnishings, and equipment 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, 2007, capital assets consisted of (in thousands):

Land	$ 57,583
Buildings and improvements	160,755
Furnishings and equipment	18,515
Total	**236,853**
Less accumulated depreciation	(51,646)
NET CAPITAL ASSETS	**$ 185,207**

The **University of Virginia Darden School Foundation's** property, furnishings, and equipment 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, 2007, capital assets consisted of (in thousands):

Rights of occupancy	$ 100,828
Buildings and improvements	1,554
Furnishings and equipment	970
Total	**103,352**
Less accumulated depreciation	(21,451)
NET CAPITAL ASSETS	**$ 81,901**

NOTES PAYABLE

The **University of Virginia Foundation** has established a line of credit in the amount of $34 million. The outstanding balance at June 30, 2007, was $26 million. The Foundation has a second line of credit in the amount of $25 million. The outstanding balance on this line was $8 million at June 30, 2007.

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, 2007, the Foundation had borrowed $10 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 **University of Virginia Foundation's** long-term obligations at June 30, 2007 (in thousands):

1996 Industrial Development Authority revenue bonds—Albemarle	$	1,310
1997 Industrial Development Authority revenue bonds—Louisa		5,742
1999 Mortgage note payable		7,526
2001 Refinancing demand bonds		43,999
2004 Refinancing note payable		9,744
2006 Refinancing demand bonds		165,900
Total		**234,221**
Less portion due within one year		(2,096)
LONG-TERM DEBT, NET OF CURRENT PORTION	**$**	**232,125**

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

Year ended June 30, 2008	$	2,095
Year ended June 30, 2009		12,777
Year ended June 30, 2010		3,910
Year ended June 30, 2011		4,037
Year ended June 30, 2012		4,117
Years ended June 30, 2013–2031		207,285
TOTAL	**$**	**234,221**

The following table summarizes the **University of Virginia Health Services Foundation's** long-term obligations at June 30, 2007 (in thousands):

1998 Refunding bonds	$	15,125
2000 Industrial Development Authority revenue bonds—Louisa		4,760
Total		**19,885**
Less portion due within one year		(745)
LONG-TERM DEBT, NET OF CURRENT PORTION	**$**	**19,140**

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

Year ended June 30, 2008	$	745
Year ended June 30, 2009		780
Year ended June 30, 2010		810
Year ended June 30, 2011		845
Year ended June 30, 2012		885
Years ended June 30, 2013–2031		15,820
TOTAL	**$**	**19,885**

The following table summarizes the **University of Virginia Darden School Foundation's** long-term obligations at June 30, 2007 (in thousands):

University of Virginia Phase I and II Darden School Facilities	$	58,896
Total		**58,896**
Less portion due within one year		(3,070)
LONG-TERM DEBT, NET OF CURRENT PORTION	**$**	**55,826**

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

Year ended June 30, 2008	$	3,070
Year ended June 30, 2009		3,240
Year ended June 30, 2010		3,415
Year ended June 30, 2011		3,595
Year ended June 30, 2012		3,800
Years ended June 30, 2013–2031		41,776
TOTAL	**$**	**58,896**

STATEMENT OF ACTIVITIES *(in thousands) for the year ended June 30, 2007*	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
UNRESTRICTED REVENUES AND SUPPORT										
Contributions	$ 3,563	$ 3,282	$ 553	$ 20,535	$ —	$ —	$ 152	$ 28,085	$ —	$ 28,085
Fees for services, rentals, and sales	—	23,646	2,130	802	38,808	181,683	—	247,069	—	247,069
Other revenues	24,006	22,897	77,103	19,171	4,065	80,470	8,313	236,025	—	236,025
TOTAL UNRESTRICTED REVENUES AND SUPPORT	**27,569**	**49,825**	**79,786**	**40,508**	**42,873**	**262,153**	**8,465**	**511,179**	**—**	**511,179**
EXPENSES										
Program services, lectures, special events	10,178	36,778	68,979	9,698	—	202,664	—	328,297	—	328,297
Other expenses	3,587	2,767	1,802	28,217	44,183	39,708	6,319	126,583	—	126,583
TOTAL EXPENSES	**13,765**	**39,545**	**70,781**	**37,915**	**44,183**	**242,372**	**6,319**	**454,880**	**—**	**454,880**
EXCESS (DEFICIENCY) OF UNRESTRICTED REVENUES AND SUPPORT OVER EXPENSES	**13,804**	**10,280**	**9,005**	**2,593**	**(1,310)**	**19,781**	**2,146**	**56,299**	**—**	**56,299**
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS										
Contributions	5,957	10,753	43,907	23,015	—	—	—	83,632	—	83,632
Other	31,007	26,934	(2,900)	(11,163)	8,352	(6,074)	—	46,156	—	46,156
NET CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	**36,964**	**37,687**	**41,007**	**11,852**	**8,352**	**(6,074)**	**—**	**129,788**	**—**	**129,788**
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS										
Contributions	5,894	2,081	11,108	1,546	—	—	—	20,629	—	20,629
Other	618	—	537	21	(612)	—	—	564	—	564
NET CHANGE IN PERMANENTLY RESTRICTED NET ASSETS	**6,512**	**2,081**	**11,645**	**1,567**	**(612)**	**—**	**—**	**21,193**	**—**	**21,193**
CHANGE IN NET ASSETS	**57,280**	**50,048**	**61,657**	**16,012**	**6,430**	**13,707**	**2,146**	**207,280**	**—**	**207,280**
Net assets, beginning of year	261,264	235,355	252,794	108,681	85,242	68,194	1,503	1,013,033	—	1,013,033
Current year effect of activity on net assets	—	—	—	—	—	(19,472)	—	(19,472)	—	(19,472)
Prior period adjustment	—	—	—	—	—	4,107	—	4,107	—	4,107
NET ASSETS, END OF YEAR	**$ 318,544**	**$ 285,403**	**$ 314,451**	**$ 124,693**	**$ 91,672**	**$ 66,536**	**$ 3,649**	**$ 1,204,948**	**$ —**	**$1,204,948**

**December 31, 2006, 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.

In addition, the **University of Virginia Darden School Foundation** will pay the University the following amounts for the construction of new and improved facilities at the Darden School (in thousands):

Year ended June 30, 2008	$ 3,070
Year ended June 30, 2009	3,240
Year ended June 30, 2010	3,415
Year ended June 30, 2011	3,595
Year ended June 30, 2012	3,800
Years ended June 30, 2013–2031	41,776
TOTAL	**$ 58,896**

Direct payments to the University from the **Alumni Association of the University of Virginia** for the year ended June 30, 2007, 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 $54 million for the year ended June 30, 2007. Approximately $21 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 $14 million to the University in support of various academic programs, equipment, teaching, and research for the year ended June 30, 2007.

OTHER SIGNIFICANT ACTIVITY

The **University of Virginia Health Services Foundation** has a net asset adjustment for fiscal year 2007. This adjustment is due to two occurrences. The first is an overstating of the pension liability reported last year. Adjusting for this overstatement caused a beginning net asset increase of $1 million. The second is the realizing of Piedmont Liability Trust as a component unit of the Foundation. Piedmont Liability Trust is a revocable trust, formed March 9, 1989, to accumulate and hold funds for use in satisfying medical professional liability claims of the clinicians and employees of the Foundation and the Virginia Urologic Foundation. Piedmont Liability Trust provides administrative, claims, legal, and risk management services in conjunction with satisfying medical professional liability claims. Adjusting for this new subsidiary caused a beginning net asset increase of $3 million, and a current year decrease in net assets of $19 million. The results of the above activity caused a beginning net asset increase of $4 million and a current year decrease in net assets of $19 million; a net effect of decreasing net assets by $15 million.

NOTE 8: NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

OPERATING EXPENSES BY FUNCTIONAL CLASSIFICATION *(in thousands) for the year ended June 30, 2007*	COMPENSATION AND BENEFITS	SUPPLIES AND OTHER SERVICES	STUDENT AID	UTILITIES	DEPRECIATION	OTHER	TOTAL
Instruction	$ 256,562	$ 8,396	$ 3,147	$ 1,818	$ —	$ 895	$ 270,818
Research	161,513	79,113	15,859	1,145	—	634	258,264
Public service	13,060	11,763	344	203	—	475	25,845
Academic support	82,365	30,829	857	1,059	—	(162)	114,948
Student services	21,901	7,668	194	258	—	206	30,227
Institutional support	66,840	5,115	4	1,773	—	959	74,691
Operation of plant	55,354	(60,241)	6	56,830	—	(304)	51,645
Student aid	792	5,027	30,848	3	—	164	36,834
Auxiliary	54,458	47,964	147	18,223	—	(654)	120,138
Depreciation	—	—	—	—	73,503	—	73,503
Patient services	376,787	383,784	—	13,426	48,267	32,843	855,107
Other	2	(749)	—	479	—	(10)	(278)
TOTAL	**$ 1,089,634**	**$ 518,669**	**$ 51,406**	**$ 95,217**	**$ 121,770**	**$ 35,046**	**$ 1,911,742**

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)*	**2007**
Original legislative appropriation per Chapter 847	$ 154,985
Adjustments	
Financial Aid—General Fund	10,912
Reversions	(531)
Reversal required for payroll shift at end of FY06	(7,022)
Eminent Scholars	2,934
SWVA Public Education Consortium	300
Salary increase	1,711
Engineering Telecommunications Project	775
Virginia Graduate Marine Science Consortium	210
Employee benefits	1,284
Graduate Nursing Student Loan Funds (SCHEV)	700
Miscellaneous educational and general	4,181
TOTAL	**$ 170,439**

NOTE 10: RETIREMENT PLANS

Employees of the University are employees of the Commonwealth. Substantially all salaried classified employees and research staff, 8 percent of faculty, and 28 percent of Medical Center employees participate in a defined-benefit pension plan administered by the Virginia Retirement System (VRS). Information relating to this plan is available at the statewide level only in the Commonwealth of Virginia's *Comprehensive Annual Financial Report*. The Commonwealth, not the University, has overall responsibility for contributions to this plan.

Ninety-two percent of teaching, research, and administrative faculty, and 72 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 members 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 plans were approximately $43 million, and contributions to the Optional Retirement Plans were calculated, using base salaries of $471 million, for the year ended June 30, 2007. The contribution percentage amounted to 9.2 percent.

NOTE 11: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

The Commonwealth of Virginia sponsors a 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 *Comprehensive Annual Financial Report*.

University of Virginia faculty members who participate in the Optional Retirement Plan receive $5,000 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.

University employees who retire before reaching age 65 participate in the Retiree Health Plan, which mirrors the U.Va. Health Plan for active employees, until they reach age 65. At age 65, University retirees can participate in the Commonwealth's Medicare Supplement Plan.

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, 2007, was $50 million. The estimated liability for outstanding claims at June 30, 2007, was $12 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 PharmaCare 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 *Comprehensive Annual Financial Report*.

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, 2007, was $151 million and income received totaled $6 million.

NOTE 14: COMMITMENTS

As of June 30, 2007, the University had outstanding construction contract commitments of approximately $159 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, 2007, was approximately $24 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**
2008	$ 13,684
2009	8,303
2010	7,161
2011	4,372
2012	2,845
2013–2017	9,241
2018–2022	7,574
2023–2027	823
2028–2032	823
2033–2037	823
2038–2042	823
2043–2047	823
2048–2052	424
TOTAL	**$ 57,719**

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.

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, 2007. Comparative information for the year ended June 30, 2006, 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 20,834 students and 2,140 instructional and research faculty members in ten separate schools, the University offers a diverse range of degree programs, including doctorates in fifty-eight 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 hospital with more than 500 beds in operation and a state-designated Level 1 trauma center. 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 1,911 students and 140 instructional 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.

Higher Education Restructuring

On July 1, 2006, Virginia higher education formally entered the new era created by the Restructured Higher Education Financial and Administrative Operations Act, which gives all sixteen public colleges and universities new freedom from state control in areas such as spending, tuition, and personnel management while also requiring the schools to meet specific goals set by the state. The University of Virginia has been granted the highest of three levels of autonomy available under the new system.

The management agreement that the University has executed with the state reestablishes its authority not only to set its own tuition for a more stable funding stream, but also makes possible the establishment of streamlined processes in the areas of finance and accounting, construction and leasing, information technology, procurement, and human resources. In exchange for greater autonomy, the University has agreed to meet several state goals, including submitting a six-year financial plan for General Assembly approval every two years, meeting financial and administrative performance standards, working actively with K-12 schools to improve student achievement, stimulating economic development in distressed areas of the state, meeting enrollment demands, making college affordable for all Virginia students, and enrolling more transfer students from Virginia's community colleges.

FINANCIAL HIGHLIGHTS

For the fiscal year ended June 30, 2007:

• The Board of Visitors has committed to increasing faculty compensation, with a goal to rank in the top twenty among the Association of American Universities (AAU) institutions. As a result of these compensation increases, the University has already raised its AAU faculty compensation ranking from thirtieth in 2002–03 to a tie for twentieth in 2006–07.

• The University received its largest single gift ever this past year from alumnus Frank Batten. With this $100 million gift, the University will create a new school called the Frank Batten School for Leadership and Public Policy. The primary goal of the Batten School will be to supply the

nation with visionary leaders who can drive the policy innovation process, energize organizations, build inclusive coalitions and translate good ideas into action.
• The Board of Visitors approved our first debt derivatives, to lock in an interest rate for our anticipated bond issuance in spring 2008, using derivatives contracts established in 2003 and governed by the University's Debt and Interest Rate Risk Policies.
• The Board of Visitors adjusted the endowment spending rate to 4.5 percent after year end to provide additional restricted and unrestricted funds to its schools and departments beginning with the fiscal year ending June 30, 2008.

As a result of these strategic decisions and its day-to-day operations, the University realized a significant increase in net assets of $907 million. Some of the factors that led to this increase in net assets are outlined in the summary table below.

SUMMARY OF THE INCREASE IN NET ASSETS *(in thousands)*			**INCREASE**	
	2007	**2006**	**AMOUNT**	**PERCENT**
Total revenues before investment income	$ 2,124,426	$ 1,871,207	$ 253,219	13.5%
Total expenses	1,938,821	1,841,553	97,268	5.3%
Increase in net assets before investment income	**185,605**	**29,654**	**155,951**	**525.9%**
Investment income	721,505	367,761	353,744	96.2%
TOTAL INCREASE IN NET ASSETS	**$ 907,110**	**$ 397,415**	**$ 509,695**	**128.3%**

• Revenues before investment income rose 13.5 percent against a rise in expenditures of 5.3 percent, leading to an overall increase before investment income of $156 million.
• Annual investment income almost doubled from $368 to $722 million as the University's endowment investments earned a 25 percent return for the fiscal year.
• The investment income helped net assets increase by $907 million, which was $510 million, or 128 percent, more than last year's increase in net assets.
• The total return on net assets was 20.4 percent.

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. Although seven related foundations are reported in the component unit financial statements, identified under guidance from GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, 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, 2007, and June 30, 2006 (restated), follows.

SUMMARY OF THE STATEMENT OF NET ASSETS *(in thousands)*			INCREASE	
	2007	2006	AMOUNT	PERCENT
Current assets	$ 1,194,340	$ 922,607	$ 271,733	29.5%
Noncurrent assets				
Endowment and other long-term investments	3,354,704	2,773,862	580,842	20.9%
Capital assets, net	1,811,254	1,642,295	168,959	10.3%
Other	114,290	107,309	6,981	6.5%
Total assets	**6,474,588**	**5,446,073**	**1,028,515**	**18.9%**
Current liabilities	558,853	437,379	121,474	27.8%
Noncurrent liabilities	560,710	560,779	(69)	(0.0%)
Total liabilities	**1,119,563**	**998,158**	**121,405**	**12.2%**
NET ASSETS	**$ 5,355,025**	**$ 4,447,915**	**$ 907,110**	**20.4%**

This summary shows that the University's financial condition continues to strengthen, primarily due to the increasing value of the endowment and the endowment's continued strong returns.

CURRENT ASSETS AND LIABILITIES

Current assets, which totaled $1.2 billion as compared to the previous year's $923 million, consist primarily of cash and cash equivalents, short-term investments, and accounts receivable. The increase in current assets of $272 million, or 29.5 percent, resulted primarily from an increase of $140 million in cash and cash equivalents, and an increase of $112 million in short-term investments. These increases were a direct result of an increase in gift revenues and a 5.4 percent aggregate cash performance with the University of Virginia Investment Managment Company (UVIMCO).

Current liabilities, which consist primarily of accounts payable, obligations under securities lending, deferred revenue, and commercial paper, increased by $121 million, or 27.8 percent. There were two major reasons for this change. The University issued additional commercial paper this year for bridge financing purposes on a number of construction projects, for an increase of $38 million. Accounts payable and other accrued liabilities increased by $52 million, or 27.5 percent. This increase was mainly due to additional accrued compensation at June 30.

From a liquidity perspective, current assets cover current liabilities 2.1 times, an indicator of good liquidity and the ability to weather short-term demands on working capital. This rate of coverage remains virtually unchanged from last year. Current assets also cover seven and a half months of total operating expenses, including depreciation, an increase over last year's six months of coverage.

ENDOWMENT AND OTHER INVESTMENTS

Performance. At June 30, 2007, the major portion of the University's endowment was maintained in a long-term investment pool managed by UVIMCO. The annual return for the long-term investment pool this year was 25 percent, a significant improvement compared with last year's return of 14.6 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 rose $354 million, or 96.2 percent.

Distribution. The University distributes endowment earnings with the objective of balancing the annual support needed for operational purposes against the preservation of the future purchasing power of the endowment. The endowment spending 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 $100 million, an increase of $8 million over last year's distribution of $92 million. This increase is due to the continued growth of the University's endowment.

Endowment investments. The total for endowment investments on the Statement of Net Assets is $3.1 billion, an increase from last year's $2.5 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 $864 million, or 28 percent, can be 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 $4.4 billion as of June 30, 2007.

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 commitments.

Capital additions before depreciation were $313 million in 2007. Capital additions primarily comprise 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, 2007, included the South Lawn Project, the Arts Grounds Parking Garage, the Rouss Hall Complex for the McIntire School of Commerce, the Carter-Harrison Research Building for the School of Medicine, the Campbell Hall additions, the Claude Moore Nursing Education Building, the Observatory Hill Residence Hall, Ruffin Hall, the U.Va. Hospital expansion and renovation, and the Varsity Hall renovation. Also, the John Paul Jones Arena was completed and opened for business in July 2006.

Other projects in the design stage at June 30, 2007, include Bavaro Hall, the Claude Moore Medical Education Building, the U.Va. Hospital bed expansion and infrastructure project, the Emily C. Couric Clinical Cancer Center, and the College at Wise's Arts Center and Crockett Hall.

Financial stewardship requires the effective management of resources, including the use of debt to finance capital projects. As evidence of the University's financial strength, Moody's Investors Service has assigned the University its highest credit rating (Aaa) for bonds backed by a broad revenue pledge. Standard and Poor's and Fitch Ratings have also assigned their AAA ratings to the University. The University of Virginia is one of only two public institutions with the highest bond ratings from all three agencies. Besides being an official acknowledgement 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 is utilizing 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. In December 2006, when tax-exempt borrowing rates, both spot and forward rates, fell to thirty-year lows, the University executed its first debt derivative to hedge the anticipated bond issuance in spring 2008. The University executed a forward rate lock, which was permitted by University policy, to protect itself from potential future increases in interest rates.

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, 2007, and June 30, 2006 (restated), are summarized below.

NET ASSETS *(in thousands)*	2007	2006	INCREASE AMOUNT	INCREASE PERCENT
Invested in capital assets, net of related debt	$ 1,226,529	$ 1,116,746	$ 109,783	9.8%
Restricted				
Nonexpendable	369,874	350,474	19,400	5.5%
Expendable	2,203,057	1,701,167	501,890	29.5%
Unrestricted	1,555,565	1,279,528	276,037	21.6%
TOTAL NET ASSETS	**$ 5,355,025**	**$ 4,447,915**	**$ 907,110**	**20.4%**

Net assets invested in capital assets, net of related debt, represent the University's 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 $110 million, or 9.8 percent, in the current fiscal year compared with 10.2 percent growth in the previous year. This growth is largely due to the ongoing construction of several academic buildings.

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

Restricted expendable net assets are subject to externally imposed restrictions on 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 asset category grew 29.5 percent, or a significant $502 million, primarily due to the investment performance of the University's endowment.

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 21.6 percent, or $276 million. Increases in unrestricted funds are particularly important because they can be used for University priorities.

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, 2007, and June 30, 2006 (restated).

SUMMARY OF THE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS *(in thousands)*	2007	2006	INCREASE	
			AMOUNT	PERCENT
Operating revenues	$ 1,610,313	$ 1,537,029	$ 73,284	4.8%
Operating expenses	1,911,742	1,807,858	103,884	5.7%
Operating loss	**(301,429)**	**(270,829)**	**(30,600)**	**11.3%**
Nonoperating revenues (expenses)				
State appropriations	170,439	158,192	12,247	7.7%
Gifts	148,073	116,023	32,050	27.6%
Investment income	721,505	367,761	353,744	96.2%
Other net nonoperating expenses	(27,079)	(33,695)	6,616	(19.6%)
Net nonoperating revenues	**1,012,938**	**608,281**	**404,657**	**66.5%**
Income before other revenues, expenses, gains, or losses	**711,509**	**337,452**	**374,057**	**110.8%**
Capital appropriations, gifts, and grants	176,651	43,031	133,620	310.5%
Additions to permanent endowments	18,950	16,932	2,018	11.9%
Total other revenues	**195,601**	**59,963**	**135,638**	**226.2%**
Increase in net assets	**907,110**	**397,415**	**509,695**	**128.3%**
Net assets—beginning of year	4,447,915	4,050,500	397,415	9.8%
NET ASSETS—END OF YEAR	**$ 5,355,025**	**$ 4,447,915**	**$ 907,110**	**20.4%**

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 $301 million does not consider these revenue sources. Adding the net nonoperating revenues of $1.0 billion for the fiscal year more than offsets the operating loss and results in an adjusted income figure of $712 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.

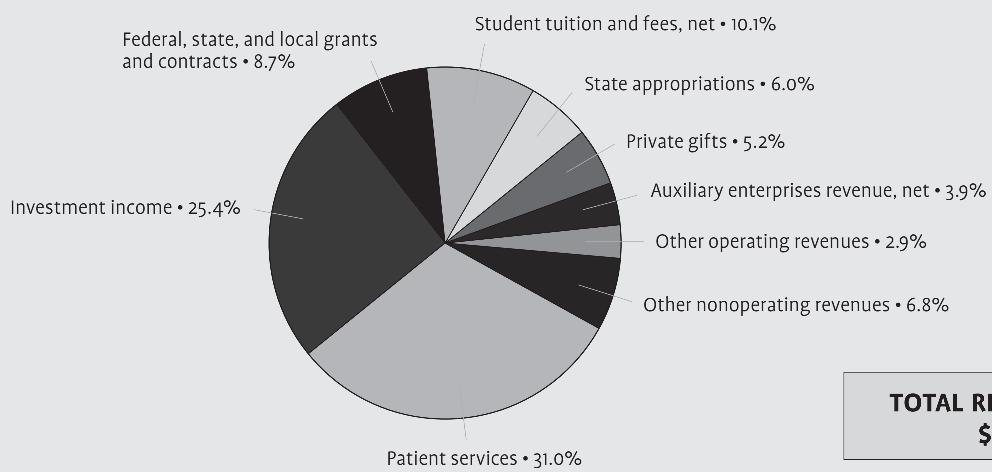
SUMMARY OF REVENUES, TOTAL UNIVERSITY

A summary of the University's revenues, for the years ended June 30, 2007, and 2006 (restated).

SUMMARY OF REVENUES *(in thousands)*	2007			2006			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	$ 287,474	$ —	$ 287,474	$ 263,728	$ —	$ 263,728	$ 23,746	9.0%
Federal, state, and local grants and contracts	248,310	—	248,310	257,078	—	257,078	(8,768)	(3.4%)
Nongovernmental grants and contracts	39,174	—	39,174	39,358	—	39,358	(184)	(0.5%)
Sales and services of educational departments	19,540	—	19,540	18,866	—	18,866	674	3.6%
Auxiliary enterprises revenue, net	110,910	—	110,910	101,093	—	101,093	9,817	9.7%
Other operating revenues	210	22,294	22,504	—	37,414	37,414	(14,910)	(39.9%)
Patient services	—	882,401	882,401	—	819,492	819,492	62,909	7.7%
Total operating revenues	**$ 705,618**	**$ 904,695**	**$ 1,610,313**	**$ 680,123**	**$ 856,906**	**$ 1,537,029**	**$ 73,284**	**4.8%**
Nonoperating revenues								
State appropriations	$ 170,439	$ —	$ 170,439	$ 158,192	$ —	$ 158,192	$ 12,247	7.7%
Private gifts	142,252	5,821	148,073	115,252	771	116,023	32,050	27.6%
Investment income	663,364	58,141	721,505	338,801	28,960	367,761	353,744	96.2%
Other nonoperating revenues	171,030	24,571	195,601	59,963	—	59,963	135,638	226.2%
Total nonoperating revenues	**$ 1,147,085**	**$ 88,533**	**$ 1,235,618**	**$ 672,208**	**$ 29,731**	**$ 701,939**	**$ 533,679**	**76.0%**
TOTAL REVENUES	**$1,852,703**	**$ 993,228**	**$ 2,845,931**	**$ 1,352,331**	**$ 886,637**	**$ 2,238,968**	**$ 606,963**	**27.1%**

Below is a graph of revenues (by both operating and nonoperating sources), which were used to fund the University's operating activities for the fiscal year ended June 30, 2007. As noted earlier, GASB Statement No. 34 requires state appropriations, gifts, and investment income to be treated as nonoperating revenues.

TOTAL UNIVERSITY REVENUES • FISCAL YEAR 2007 *(in thousands)*



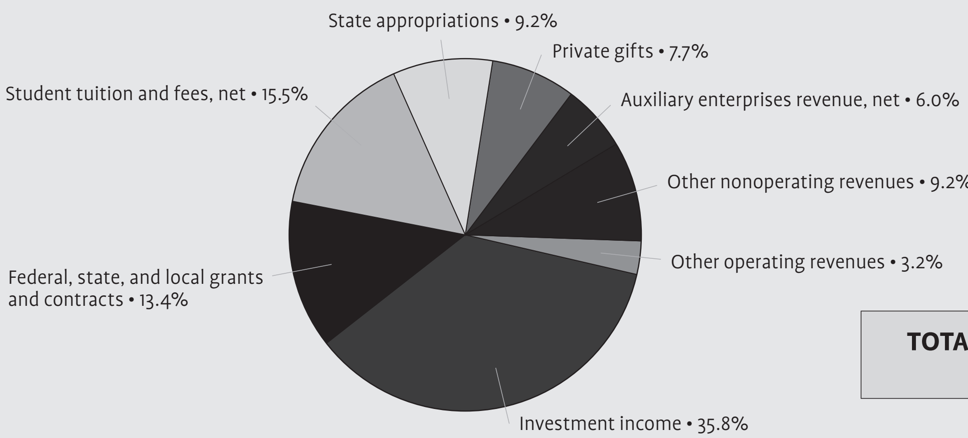
TOTAL REVENUE *(in thousands)*
$2,845,931

Patient services revenues accounted for 54.8 percent of the University's operating revenues and 31.0 percent of the operating and nonoperating revenues combined. State appropriations and student tuition and fees, which represent 6.0 percent and 10.1 percent, respectively, of the University's total revenues, are used to fund current operations.

State appropriations increased by $12.2 million, or 7.7 percent. The increases were for faculty and staff salaries, research support, and operations and maintenance funding for new facilities. Net tuition and fees increased by 9.0 percent as the tuition increases were approved for the first time by both the General Assembly and the Board of Visitors under Restructuring. This increase is in accordance with the University's six-year plan as submitted to the state.

Excluding the Medical Center data provides a clearer picture of the academic revenue streams. Major sources for 2007 included investment income, 35.8 percent; federal, state, and local grants and contracts, 13.4 percent; net tuition and fees, 15.5 percent; and state appropriations, 9.2 percent. This year, the percentage of revenue from investment income is significantly higher due to the 25 percent return on the University's endowment.

ACADEMIC AND WISE REVENUES • FISCAL YEAR 2007 *(in thousands)*



TOTAL REVENUE *(in thousands)*
$1,852,703

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 with increased compensation and benefit costs, particularly health insurance, as well as escalating technology, construction and energy prices. 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 including additions to permanent endowment. Private gifts increased by $32 million, or 27.6 percent, as the capital campaign progressed.

Revenues from all sponsored programs decreased slightly this year by $9 million, or 3.9 percent, to a total of $287 million in 2007. The University fully anticipated this decrease, noting last year that the federal budget cuts in sponsors such as the National Institutes of Health and the Department of Health and Human Services would begin to take effect in fiscal year 2007. For the upcoming fiscal year, 2007–08, the University is projecting sponsored programs to recover and increase slightly.

EXPENSES

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

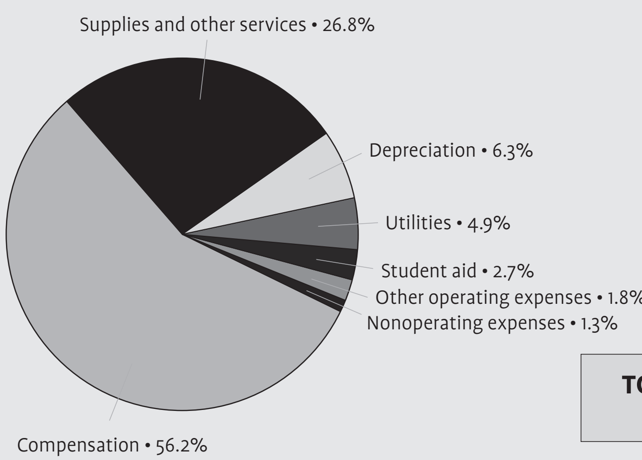
SUMMARY OF EXPENSES, TOTAL UNIVERSITY

A summary of the University's expenses, for the years ended June 30, 2007, and 2006 (restated).

SUMMARY OF EXPENSES *(in thousands)*	2007			2006			TOTAL INSTITUTION INCREASE (DECREASE)	
	ACADEMIC DIVISION & WISE	MEDICAL CENTER	TOTAL INSTITUTION	ACADEMIC DIVISION & WISE	MEDICAL CENTER	TOTAL INSTITUTION	AMOUNT	PERCENT
Operating expenses								
Compensation	$ 712,847	$ 376,787	$1,089,634	$ 663,025	$ 352,088	$1,015,113	$ 74,521	7.3%
Supplies and other services	134,885	383,784	518,669	138,868	369,283	508,151	10,518	2.1%
Student aid	51,406	—	51,406	46,474	—	46,474	4,932	10.6%
Utilities	81,791	13,426	95,217	76,878	14,485	91,363	3,854	4.2%
Depreciation	73,503	48,267	121,770	65,692	45,962	111,654	10,116	9.1%
Other operating expense	2,203	32,843	35,046	2,817	32,286	35,103	(57)	-0.2%
Total operating expenses	**1,056,635**	**855,107**	**1,911,742**	**993,754**	**814,104**	**1,807,858**	**103,884**	**5.7%**
Nonoperating expenses								
Interest expense	17,935	5,954	23,889	10,484	4,712	15,196	8,693	57.2%
Other nonoperating expense	1,234	1,956	3,190	14,586	3,913	18,499	(15,309)	-82.8%
Total nonoperating expenses	**19,169**	**7,910**	**27,079**	**25,070**	**8,625**	**33,695**	**(6,616)**	**-19.6%**
TOTAL UNIVERSITY EXPENSES	**$1,075,804**	**$ 863,017**	**$ 1,938,821**	**$ 1,018,824**	**$ 822,729**	**$ 1,841,553**	**$ 97,268**	**5.3%**

Following is a graphic illustration of expenses (both operating and nonoperating) for the fiscal year ended June 30, 2007.

TOTAL UNIVERSITY EXPENSES • FISCAL YEAR 2007 *(in thousands)*

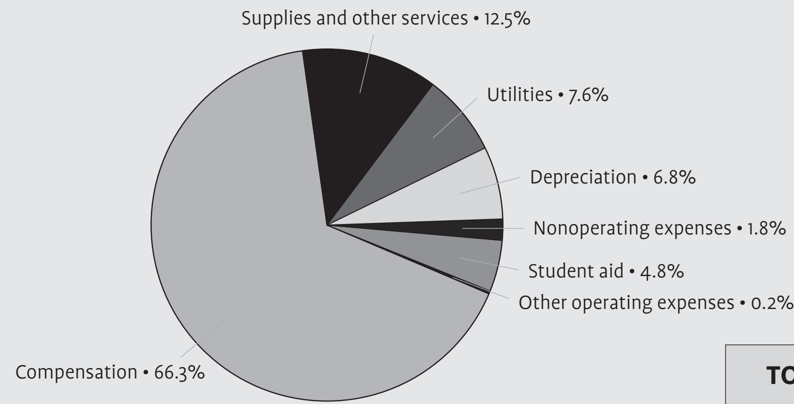


TOTAL EXPENSES *(in thousands)*
$1,938,821

As a percentage of total expenses, compensation (salaries and benefits) remained almost constant. However, in dollars, compensation increased by $75 million, or 7.3 percent, as the Board of Visitors continued its goal of raising faculty and staff compensation.

Student aid expense increased to $51.4 million, a change of $5 million, or 10.6 percent, as the University expanded its commitment to AccessUVa, our landmark financial aid program. Depreciation increased by $10 million, or 9.1 percent, driven by the increase in depreciable capital assets. Interest expense increased by $9 million, from $15 million to $24 million.

ACADEMIC AND WISE EXPENSES • FISCAL YEAR 2007 *(in thousands)*



TOTAL EXPENSES *(in thousands)*
$1,075,804

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 44.7 percent, 14.2 percent, and 13.5 percent, respectively, of total operating expenses. When combined, these major functions account for 72.4 percent of the total, which is consistent with the mission-critical nature of instruction, research, and patient services for the University.

SUMMARY OF STATEMENT OF CASH FLOWS

The Statement of Cash Flows provides information about the University's financial results by reporting the major sources and uses of cash. GASB principles define four major categories of cash flows: cash flows from operating activities, cash flows from noncapital financing activities, cash flows from capital and related financing activities, and cash flows from investing activities.

SUMMARY OF THE STATEMENT OF CASH FLOWS *(in thousands)*			INCREASE (DECREASE)	
	2007	2006	AMOUNT	PERCENT
Cash flows from operating activities	$ (134,905)	$ (149,551)	$ 14,646	9.8%
Cash flows from noncapital financing activities	345,229	286,010	59,219	20.7%
Cash flows from capital and related financing activities	(87,821)	(158,283)	70,462	44.5%
Cash flows from investing activities	76,446	70,801	5,645	8.0%
NET INCREASE IN CASH AND CASH EQUIVALENTS	**198,949**	**48,977**	**149,972**	**306.2%**

Cash flows from operating activities are different from the operating loss on the Statement of Revenues, Expenses, and Changes in Net Assets because items such as depreciation expense do not have a cash effect and because the latter statement is prepared on the accrual basis, versus cash basis, of accounting. Another difference between the two statements is, that on the latter statement, state appropriations, gifts, and investment income are considered nonoperating revenues. However, on the Statement of Cash Flows, state appropriations and gifts are reflected under non-capital financing activities, while investment income resides under investing activities. For the fiscal year, cash flows from operating activities increased by $15 million, or 9.8 percent, due primarily to increased tuition and fees and increased receipts from patient services.

Noncapital financing activities produced a cash flow increase of 20.7 percent, or $59 million, over last year due to increased receipts in state appropriations and noncapital gifts, grants, and endowments. Gifts to the overall University system are likely to continue to increase as the capital campaign continues. Gift revenue for the significant affiliated foundations is reflected in the component unit financial statements.

Cash flows from capital and related financing activities increased by $70 million, or 44.5 percent. In this category there were wide fluctuations between the two years as capital appropriations increased a substantial $93 million while proceeds from capital debt decreased by $174 million; this comparison was skewed by the University's bond issuance in fiscal year 2005. Correspondingly, there was a significant reduction in the principal paid on capital debt and leases.

FUTURE ECONOMIC OUTLOOK

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 rating obtainable, 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 enable the University to obtain the resources to support and maintain its level of excellence.

However, the University faces a period of unprecedented challenges with meeting the state's restructuring goals; the impending retirement of many faculty and staff; increasing expectations from all constituents, particularly our students and their parents; changes in the demographics of our incoming students; continuing capital construction; and increased compliance requests by the federal government.

To help plan for these challenges, 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. Several subcommittees have been staffed and provided reports to the commission. The Subcommittee on Fiscal Resources has considered multiple facets of institutional resources and the University's capacity to support its long-term ambitions. 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. Some of the initiatives and projects confirmed in the commission's report are given 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 low-income undergraduate students. In addition, the University will cap need-based loans for all its undergraduate students and continue its financial literacy program.

Competitive Compensation. For the fiscal year 2006–07, the University's average faculty salary has increased to a tie for twentieth among its AAU peers. The goal first set by the Board of Visitors four years ago was to move into the top twenty of AAU institutions. The board continues to make this a top priority.

Deferred Maintenance. In February 2005, the Board of Visitors approved making ongoing maintenance investments to 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 will be increased by $15 million. To achieve this, the University is adding $1.5 million each year for the next ten years.

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.

Implementation of the Health System Decade Plan. The Decade Plan is a joint planning effort of the School of Medicine, the School of Nursing, the Health Sciences Library, the Medical Center, and the Health Services Foundation. It outlines how the Health System will create innovation in the areas of patient service, translational research from cell to bedside, and professionalism in teaching and service to the community. Challenges exist due to cost pressure on pharmaceutical and medical devices, along with a shortage of health care workers. The Medical Center is adding seventy-two new beds, along with additional support space to meet growing demand for critical care at an average cost of $1 million per bed.

Restructuring and New Investment Legislation. The University will receive additional financial benefits under its restructuring authority. Nongeneral fund balances previously deposited and invested with the State Treasury will be transferred to, and invested by, the University. With additional flexibility provided by investment legislation requested by the University in the spring of 2007, management will now have the ability to invest operating funds prudently in equities in addition to the previous portfolio of cash and fixed-income instruments.

To meet these and other challenges, University management launched the University's $3 billion capital campaign in fiscal year 2007. It is one of the largest in higher education. Second, the University successfully negotiated its management agreement with the Commonwealth of Virginia under the Restructured Higher Education Financial and Administrative Operations Act. Now in effect, the Act provides for additional autonomy in the areas of procurement, capital projects, information technology, human resources, and finance. Creating and now implementing this new relationship with the Commonwealth of Virginia improves the outlook for the University's future. Third, the Commission on the Future of the University emphasizes and rededicates the institution to its varied public missions. It is very clear that the University of Virginia will remain a public institution, fulfilling the public educational vision of its founder, while using its additional autonomy to streamline operations and carry out its missions of excellent instruction, research, patient care, and public service.

Management Responsibility

October 12, 2007

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, 2007. 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

Y S Reynolds

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 2008 Bonds, as described in "THE SERIES 2008 BONDS" and "SECURITY FOR THE SERIES 2008 BONDS" in this Official Statement, the Bond Resolution also contains other provisions and covenants of the University relating to the Series 2008 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 Official Statement, the following words and terms when used in connection with the Series 2008 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 2008 Bond.

"Bond Resolution" means the Bond Resolution adopted by the Board on April 11, 2008 related to the issuance of the 2008 Bonds.

"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.

"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.

"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 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 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.

"Owners" means the registered owners of Series 2008 Bonds or the duly authorized attorney in fact, representative or assign thereof.

"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.

"Paying Agent" means initially The Bank of New York, a state banking corporation organized under the laws of the state of New York, and its successors and any other corporation that may at any time be substituted in its place in accordance with the Bond Resolution.

"Registrar" means initially The Bank of New York, a state banking corporation organized under the laws of the State of New York, 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 2008 Bonds to be held by the Paying Agent. No later than the day before each interest payment date or principal payment date (a "Payment Date"), the University shall 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 2008 Bonds on such Payment Date.

Moneys in the Debt Service Fund shall be withdrawn by the Paying Agent at times appropriate to make payment on each Payment Date and the Paying Agent shall 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 2008 Bonds which shall remain unclaimed by the holders of the Series 2008 Bonds for a period of five years after the date on which such Series 2008 Bonds shall have become due and payable, shall 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 2008 Bonds.

Construction Fund

A special fund is established in the office of the Custodian as the Construction Fund (the "Construction Fund"), to the credit of which there shall be deposited a portion of the proceeds of the Series 2008 Bonds. The moneys in the Construction Fund shall be held in trust and applied to the payment of the Cost of the Project, defined below, and, pending such application, shall be subject to a lien and charge in favor of the holders of the Series 2008 Bonds and for the future security of such holders until paid out or transferred.

The Cost 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 2008 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 2008 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 2008 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 Cost of the Project shall be made from the Construction Fund and other available funds, all as provided by law.

Moneys in the Construction Fund shall be paid out by the Custodian to be issued on 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 Cost of the Project.

The vouchers shall state each amount to be paid, the name of the person, firm or corporation to whom each such payment is due and the purpose and the component of the Project for which the obligation to be paid was incurred, and shall certify that the goods or services specified have been received, or performed, payment therefor has not been previously authorized and that the expenditure is a proper charge to the appropriation for the Construction Fund.

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 2008 Bonds in the manner provided in the Bond Resolution and in the Series 2008 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 2008 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 2008 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 2008 Bonds, or other costs incident thereto.

Covenants Regarding Additional Indebtedness and Encumbrances

Except as described in "SECURITY FOR THE SERIES 2008 BONDS" in this Official Statement, 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. The University further covenants in the Bond Resolution to do and perform all acts and things permitted by law and the Bond Resolution which are necessary or desirable in order to assure that the interest paid on the Series 2008 Bonds will be excludable from gross income from federal income tax purposes and to take no action that would result in such interest not being excludable from gross income for federal income tax purposes.

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 2008 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 2008 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 2008 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 shall 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 2008 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 2008 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 2008 Bonds then outstanding shall, in its own name:

(a) By mandamus or other suit, action or proceeding at law or in equity enforce all rights of the holders of the Series 2008 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 2008 Bonds and to perform it and their duties under the Act;

(b) Bring suit upon the Series 2008 Bonds;

(c) 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 2008 Bonds; or

(d) 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 2008 Bonds.

Any such trustee, whether or not all Series 2008 Bonds have been declared due and payable, shall 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 2008 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 shall 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, shall constitute taxable costs and disbursements and all costs and disbursements allowed by the court shall be a first charge on any fees, rents, charges and other revenues of the University pledged for the security of Series 2008 Bonds.

Such trustee shall, 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 2008 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 2008 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 shall be instituted, had and maintained for the equal benefit of all holders of the Series 2008 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 2008 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 2008 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 2008 Bonds or to obtain or maintain a rating on the Series 2008 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 shall cause a notice of the proposed adoption of such supplemental resolutions to be mailed, postage prepaid, to all registered owners the Series 2008 Bonds at their addresses as they appear on the registration books. Such notice shall briefly set forth the nature of the proposed supplemental resolutions and shall 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 shall 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 2008 Bonds shall 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 2008 Bonds, (i) an extension of the maturity of the principal of or the interest on any of such Series 2008 Bond, (ii) a reduction in the principal amount of any of such series of Series 2008 Bonds or the rate of interest thereon, (iii) except as otherwise provided in the Bond Resolution, a preference or priority of any of Series 2008 Bond over any other Series 2008 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 2008 Bonds, a reduction in the aggregate principal amount of the Series 2008 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 shall 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 2008 Bonds at their addresses as they appear on the registration books held by the Registrar. Such notice shall briefly set forth the nature of the proposed supplemental resolution and shall state that copies thereof are on file at the office of the Secretary of the Board for inspection by all Bondholders. The Board shall 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 shall 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 2008 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 2008 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 2008 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 2008 Bond shall 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 shall 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 2008 Bonds then outstanding shall thereafter be determined, exercised and enforced in all respects under the provisions of the Bond Resolution as so modified and amended.

Defeasance

The University shall pay or provide for the payment of the entire indebtedness on all or particular outstanding Series 2008 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 2008 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 2008 Bonds (including the payment of premium, if any, and interest payable on such Series 2008 Bonds to the maturity or redemption date thereof), provided that such moneys, if invested, shall be invested 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 2008 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 2008 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 2008 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 2008 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 2008 Bonds shall continue, provided that the holders thereof shall 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

May 22, 2008

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

$231,365,000
The Rector and Visitors of the University of Virginia
General Revenue Pledge Bonds, Series 2008

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 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 a bond resolution (the "Resolution") adopted by the Board of Visitors of the University ("Board of Visitors") on April 11, 2008. 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, including, without limitation, representations, covenants and certifications as to certain prior tax-exempt bond issues, the use of the proceeds of the Bonds, compliance with the arbitrage reporting and rebate requirements and other factual matters which are relevant to the opinions expressed in paragraph 7, 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. Interest on the Bonds, including any accrued "original issue discount" properly allocable to the holders of the Bonds, is excludable from gross income for federal income tax purposes and is not a specific item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. It should be noted, however, that for purposes of the alternative minimum tax imposed on corporations (as defined for federal income tax purposes) under Section 56 of the Internal Revenue Code of 1986, as amended ("Code"), interest on the Bonds must be included in computing adjusted current earnings. The "original issue discount" on any Bond is the excess of its stated redemption price at maturity over the initial offering price to the public at which price a substantial amount of the Bonds of the same maturity was sold. The "public" does not include bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

In providing the opinions set forth in this paragraph, we are assuming continuing compliance with the Covenants (as hereinafter defined) by the University. The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied after the issuance of the Bonds in order for interest on the Bonds to be and remain excludable from gross income for purposes of federal income taxation. These requirements include, by way of example and not limitation, restrictions on the use, expenditure and investment of the proceeds of the Bonds and the use of the property financed or refinanced by the Bonds, limitations on the source of the payment of and the security for the Bonds, and the obligation to rebate certain excess earnings on the gross proceeds of the Bonds to the United States Treasury. The Resolution and the University's tax certificate for the Bonds (the "Tax Certificate") contain covenants (the "Covenants") under which the University has agreed to comply with such requirements. Failure by the University to comply with the Covenants could cause interest on the Bonds to become includable in gross income for federal income tax purposes retroactively to their date of issue. In the event of noncompliance with the Covenants, the available enforcement remedies may be limited by applicable provisions of law and, therefore, may not be adequate to prevent interest on the Bonds from becoming includable in gross income for federal income tax purposes. We have no responsibility to monitor compliance with the Covenants after the date of issue of the Bonds.

Certain requirements and procedures contained, incorporated or referred to in the Resolution and Tax Certificate, including the Covenants, may be changed and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents.

8. The income from the Bonds, including any profit made on their sale, is exempt from taxation by the Commonwealth of Virginia and any of its political subdivisions.

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 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 Official Statement dated May 1, 2008, and Official Statement dated May 8, 2008, that anyone may have relied upon in making the decision to purchase the Bonds.

Very truly yours,

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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 $231,365,000 aggregate principal amount of its General Revenue Pledge Bonds, Series 2008 (the "Series 2008 Bonds") pursuant to certain Resolutions adopted by the Board of Visitors of the University on April 11, 2008 (collectively, the "Bond Resolution"). The University has approved the marketing of the Series 2008 Bonds by the Participating Underwriters (as hereinafter defined) pursuant to an Official Statement (the "Official Statement") relating to the Series 2008 Bonds dated May 8, 2008, 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 Official Statement) of the Series 2008 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 Financial 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 Official Statement, 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 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 the SEC. If the document included by reference is a final official statement, 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.

"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 2008 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 2008 Bonds required to comply with the Rule in connection with the offering of the Series 2008 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 2008 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 2008 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 2008 Bonds;

(vii) modifications to rights of Holders;

(viii) bond calls;

(ix) defeasances;

(x) release, substitution, or sale of property securing repayment of the Series 2008 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. 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 2008 Bonds pursuant to the Bond Resolution.

(f) The University shall notify the NRMSIRs 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 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 2008 Bonds upon written request the information required to be provided to the NRMSIRs 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

Section 5. CUSIP Numbers. The University shall reference, or cause to be referenced, the CUSIP prefix number for the Series 2008 Bonds in any notice provided to the NRMSIRS, the MSRB and/or the SID 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 2008 Bonds. If such termination occurs prior to the final maturity of the Series 2008 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. 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 2008 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 Indenture (as defined in the Official Statement) 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.

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. Furthermore, in the event the SEC amends the Rule to provide for central filing of continuing disclosure information with the MSRB or otherwise in electronic form, any filing under this Disclosure Agreement may be made by transmitting such filing to the MSRB's Electronic Municipal Market Access System (EMMA) or as otherwise required or permitted by the Rule as so amended.

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 2008 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 2008 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 May 22, 2008

THE RECTOR AND VISITORS OF
THE UNIVERSITY OF VIRGINIA

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

EXHIBIT A

NOTICE TO NRMSIRs OF FAILURE TO FILE
ANNUAL FINANCIAL INFORMATION

Name of Issuer: The Rector and Visitors of the University of Virginia

Name of Issue: General Revenue Pledge Bonds, Series 2008

Date of Issuance: May 22, 2008

CUSIP: 915217 QT3

NOTICE IS HEREBY GIVEN that the University has not provided the Annual Financial Information with respect to the above-named Series 2008 Bonds, as required by a Continuing Disclosure Agreement dated as of May 22, 2008.

Dated: _______________

THE RECTOR AND VISITORS OF
THE UNIVERSITY OF VIRGINIA

By ________________________________
Name: ______________________________
Title: _______________________________

[_____________________, as Dissemination Agent for
THE RECTOR AND VISITORS OF
THE UNIVERSITY OF VIRGINIA]

By ________________________________
Name: ______________________________
Title: _______________________________

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UNIVERSITY of VIRGINIA

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