New Issue: Book-Entry Only

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

In the opinion of Bond Counsel, under current law, interest on the Series 2010 Bonds is (1) includable in gross income for federal income tax purposes and (2) not subject to Virginia taxation. See ***"TAX MATTERS"*** *herein.*

$190,000,000
The Rector and Visitors of the University of Virginia
Taxable General Revenue Pledge Build America Bonds, Series 2010
CUSIP: 915217SB0

5.00% Bonds Due September 1, 2040, priced at 101.56% to yield 4.90%

Dated: Date of Delivery

The offered bonds identified above (the "Series 2010 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 2010 Bonds under a book-entry only system. Accordingly, Beneficial Owners of the Series 2010 Bonds will not receive physical delivery of bond certificates. See **"THE SERIES 2010 BONDS – Book-Entry Only System"** herein. The Series 2010 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 2010 Bonds will bear interest at a fixed rate and will be offered at the price or yield, all as set forth above. Individual purchases of beneficial ownership interests in Series 2010 Bonds may be made in the principal amount of $1,000 or any integral multiple thereof. Interest on the Series 2010 Bonds is payable by The Bank of New York Mellon Trust Company, N.A., as Paying Agent, semi-annually on each March 1 and September 1, commencing on March 1, 2011.

The Series 2010 Bonds are subject to optional and extraordinary optional redemption prior to maturity as described herein.

THE SERIES 2010 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 2010 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 2010 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 2010 BONDS OR OTHER COSTS INCIDENT HERETO. THE UNIVERSITY HAS NO TAXING POWERS.

The Series 2010 Bonds are offered when, as and if issued 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. The Series 2010 Bonds are expected to be available for delivery through the facilities of DTC, New York, New York, or its custodial agent, on or about July 28, 2010.

Dated: July 21, 2010

The information set forth herein has been obtained from the University, DTC and other sources that are deemed to be reliable. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Offering Memorandum nor any sale of the Series 2010 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.

No dealer, broker, salesperson or other person has been authorized to give any information or to make any representation other than as contained in this Offering Memorandum and, if given or made, such other information or representation must not be relied upon as having been authorized by the University. This Offering Memorandum does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Series 2010 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The Series 2010 Bonds have not been registered under federal securities laws in reliance upon an exemption from registration under Section 3(a)(2) of the Securities Act of 1933, as amended.

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OFFERING MEMORANDUM OF

THE RECTOR AND VISITORS OF THE UNIVERSITY OF VIRGINIA

relating to

$190,000,000
Taxable General Revenue Pledge Build America Bonds, Series 2010

INTRODUCTION

Purpose

This Offering Memorandum, including the cover page and the Appendices, is furnished in connection with the sale of $190,000,000 aggregate principal amount of The Rector and Visitors of the University of Virginia (the "University") Taxable General Revenue Pledge Build America Bonds, Series 2010 (the "Series 2010 Bonds"). The 2010 Bonds were offered for sale at competitive bidding on July 21, 2010. See **"SALE AT COMPETITIVE BIDDING"** herein. The Series 2010 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 2010 Bonds will be payable solely from the funds pledged therefor in accordance with the terms of the Bond Resolution, as herein defined. See **"SECURITY FOR THE SERIES 2010 BONDS"** herein. Terms capitalized but undefined in the body of this Offering Memorandum are defined in **Appendix C** attached hereto.

The Series 2010 Bonds will bear interest at a fixed rate until maturity. See **"THE SERIES 2010 BONDS"** herein.

The proceeds of the Series 2010 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 and/or Albemarle County, Virginia, which are expected to include, without limitation, all or a portion of the costs of (1) construction of the Eleventh Street parking garage, (2) construction of various Alderman Road student housing buildings, (3) expansion of the University bookstore, (4) construction of the Carter-Harrison Research Building, (5) construction of the Emily Couric Cancer Center, (6) construction of the College of Arts and Sciences Research Building, (7) various projects related to the expansion and renovation of the University Hospital, including renovation of various operating, diagnostic, treatment and pathology rooms and improvements related to expansion of available Hospital beds, (8) construction of the Information Technology and Communication (ITC) Data Center Building, (9) improvements to the HVAC system for Jordan Hall, (10) construction of connecting structures between the University Hospital and parking garages, including an escalator and bridge, (11) environmental compliance improvements to the Main Heating Plant, (12) repair and renovation of Newcomb Hall, (13) construction of Rice Hall, (14) improvements to Scott Stadium, (15) renovation of Garrett Hall for the Batten School, and (16) upgrades to the Student System computer project and (b) to pay certain expenditures associated with the foregoing to the extent financeable, including, without limitation, costs of issuance with respect to the Series 2010 Bonds. See "**APPLICATION OF SERIES 2010 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 2010 Bonds will be issued under the Restructured Higher Education Financial and Administrative Operations Act, Chapter 4.10, Title 23, Code of Virginia of 1950, as amended (the "Act"), pursuant to the terms of certain resolutions adopted by the Board of Visitors of the University (the "Board") on June 11, 2010 and July 9, 2010 (together, 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, 2009. 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, 2009. 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. Attached hereto as **Appendix F** is the Notice of Sale.

Document Summaries

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

THE SERIES 2010 BONDS

The following is a summary of certain provisions of the Series 2010 Bonds. For definitions of certain terms and additional detailed information relating to the Series 2010 Bonds, see **Appendix C** attached hereto.

General

The Series 2010 Bonds will be issued in the aggregate principal amount of $190,000,000. The Series 2010 Bonds will be dated the date of their delivery and will mature on September 1 in the years and amounts as set forth on the cover page hereof. Interest on the Series 2010 Bonds will be payable semi-annually on March 1 and September 1, commencing on March 1, 2011, at the rates per annum shown on the cover page hereof, calculated on the basis of a 360-day year consisting of 12 months of 30 days each. The Series 2010 Bonds will be offered in denominations of $1,000 and integral multiples thereof ("Authorized Denominations").

Designation of Series 2010 Bonds as "Build America Bonds (Direct Payment)"

The Series 2010 Bonds are expected to be issued as "Build America Bonds (Direct Payment)" ("BABs") for purposes of the American Recovery and Reinvestment Act of 2009 signed into law on February 17, 2009 (the "Recovery Act"). A BAB is a "qualified bond" under Section 54AA(g) of the Internal Revenue Code (the "Code") if it meets certain requirements of the Code and the related regulations of the United States Department of the Treasury (the "Treasury Department") and the issuer has made an irrevocable election to have the special rule for "qualified bonds" apply. Interest on BABs is not excludable from gross income for purposes of federal income taxation, and owners of BABs will not receive any tax credits as a result of ownership of such BABs when an issuer has elected to receive the Interest Subsidy Payment described below.

Interest Subsidy Payments. Section 54AA(g) of the Code authorizes an issuer of a BAB or any person who makes interest payments in respect of a BAB to receive a refundable credit under Section 6431 of the Code (the "Interest Subsidy Payment"). Section 6431(b) requires the Secretary of the United States Treasury to pay (contemporaneously with each interest payment date under a BAB) to the issuer of such bond 35% of the interest payable under such bond on such date.

Sections 54AA(g) and 6431 of the Code contain a number of requirements that must be satisfied in order for the Series 2010 Bonds to qualify as and remain BABs. In particular, the Series 2010 Bonds must qualify as bonds the interest on which would (but for Section 54AA(g)) be excludable from gross income for federal income tax purposes under Section 103 of the Code. The University must satisfy a number of requirements after the issuance of the Series 2010 Bonds in order that the interest on the Series 2010 Bonds would (but for Section 54AA(g)) be 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 Series

2010 Bonds and the use of the property financed by the Series 2010 Bonds, limitations on the source of the payment of and the security for the Series 2010 Bonds, and the obligation to rebate certain excess earnings on the gross proceeds of the Series 2010 Bonds to the Treasury Department. The tax compliance agreement related to the Series 2010 Bonds contains covenants under which the University has agreed to comply with such requirements. Failure by the University to comply with the covenants could cause the University to lose its right to receive the Interest Subsidy Payment retroactively to the date of issue of the Series 2010 Bonds and even to be forced to repay Interest Subsidy Payments previously received.

In order for the University to receive the Interest Subsidy Payment, the University must file Internal Revenue Service ("IRS") IRS Form 8038-CP with respect to each interest payment date on the Series 2010 Bonds within the time periods and otherwise in accordance with IRS Notice 2009-26 and any applicable successor guidance. In general, the Interest Subsidy Payments are treated as overpayments of tax. Accordingly, rules relating to overpayments of tax, such as credits against liabilities in respect of an internal revenue tax and offsets under Section 6402, interest on overpayments of tax under Section 6611, and limitations on credits or refunds of overpayments of tax under Section 6511 also apply to Interest Subsidy Payments with respect to BABs under Section 6431.

The Interest Subsidy Payments to be received by the University are not pledged as security for or a source of payment of the principal of or premium, if any, or interest on the Series 2010 Bonds.

The Series 2010 Bonds are subject to extraordinary optional redemption as described in **"Redemption – *Extraordinary Optional Redemption*"** below upon the occurrence of an Extraordinary Event, as defined below.

Redemption

Optional Redemption. The Series 2010 Bonds are subject to redemption prior to their maturity at the option of the University, in whole or in part on any date, at a redemption price equal to the greater of:

(1) 100% of the principal amount of the Series 2010 Bonds to be redeemed; or

(2) the sum of the present values of the remaining scheduled payments of principal and interest to the maturity date of the Series 2010 Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the Series 2010 Bonds are to be redeemed, discounted to the date on which the Series 2010 Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate, plus 20 basis points;

plus, in each case, accrued interest on the Series 2010 Bonds to be redeemed to the redemption date.

"Treasury Rate" means, with respect to any redemption date for a particular Series 2010 Bond, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity excluding inflation indexed securities (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two Business Days, but no more than 45 days, prior to the redemption date or, if such Statistical Release is no longer published, any publicly available source of similar market data) most nearly equal to the period from the redemption date to the maturity date of the Series 2010 Bond to be redeemed; provided, however, that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

At the request of The Bank of New York Mellon Trust Company, N.A., as Paying Agent (the "Paying Agent"), the redemption price of the Series 2010 Bonds to be redeemed at the option of the University will be determined by an independent accounting firm, investment banking firm or financial advisor retained by the University at the University's expense to calculate such redemption price. The Paying Agent and the University may conclusively rely on the determination of such redemption price by such independent accounting firm, investment banking firm or financial advisor and will not be liable for such reliance.

Extraordinary Optional Redemption. The Series 2010 Bonds are subject to redemption prior to their maturity at the option of the University, in whole or in part upon the occurrence of an Extraordinary Event, at a redemption price equal to the greater of:

(1) 100% of the principal amount of the Series 2010 Bonds to be redeemed; or

(2) the sum of the present values of the remaining scheduled payments of principal and interest to the maturity date of the Series 2010 Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the Series 2010 Bonds are to be redeemed, discounted to the date on which the Series 2010 Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate, plus 100 basis points;

plus, in each case, accrued interest on the Series 2010 Bonds to be redeemed to the redemption date.

An "Extraordinary Event" will have occurred if the University determines that (1) a material adverse change has occurred to Section 54AA or 6431 of the Code (as such Sections were added by Section 1531 of the Recovery Act, pertaining to "Build America Bonds"), or (2) there is any guidance published by the Internal Revenue Service or the Treasury Department with respect to such sections or any other determination by the Internal Revenue Service of the Treasury Department, which determination is not the result of any act or omission by the University, pursuant to which the University's 35% Interest Subsidy Payment from the United States Treasury is reduced or eliminated.

At the request of the Paying Agent, the redemption price of the Series 2010 Bonds to be redeemed at the option of the University will be determined by an independent accounting firm, investment banking firm or financial advisor retained by the University at the University's expense to calculate such redemption price. The Paying Agent and the University may conclusively rely on the determination of such redemption price by such independent accounting firm, investment banking firm or financial advisor and will not be liable for such reliance.

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

The Paying Agent will give notice of redemption to 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 2010 Bondholder, or any defect in the notice to such Bondholder, will not affect the validity of the call for redemption of any other Series 2010 Bond. So long as DTC or its nominee is the Bondholder, any failure on the part of DTC or failure on the part of a nominee of a Beneficial Owner (having received notice from a Direct Participant or otherwise) to notify the Beneficial Owner so affected, will not affect the validity of the call for redemption. Any notice mailed as provided in the Bond Resolution will be conclusively presumed to have been given regardless of whether actually received by any Beneficial Owner. Such notice may state that it is conditioned upon the deposit of moneys with the Paying Agent to effect the redemption not later than the redemption date, in which event such notice will be of no effect unless such moneys are so deposited.

Selection for Redemption. If the Series 2010 Bonds are not registered in book-entry only form, any redemption of less than all the Series 2010 Bonds shall be allocated among the registered owners of such Series 2010 Bonds as nearly as practicable in proportion to the principal amounts of the Series 2010 Bonds owned by each registered owner, subject to the authorized denominations applicable to the Series 2010 Bonds. This will be calculated based on the following formula:

$$\frac{\text{(principal amount to be redeemed) x (principal amount owned by owner)}}{\text{(principal amount outstanding).}}$$

The particular Series 2010 Bond to be redeemed shall be determined by the University, using such method as it shall deem fair and appropriate. If the Series 2010 Bonds are registered in book-entry only form and so long as DTC or a successor Securities Depository is the sole registered owner of the Series 2010 Bonds, partial redemptions shall be done in accordance with DTC procedures. It is the University's intent that redemption allocations made by DTC, its participants or such other intermediaries that may exist between the University and the Beneficial Owners be made in accordance with these same proportional provisions. However, the University can provide no assurance that DTC, participants or any other intermediaries will allocate redemptions among Beneficial Owners on such proportional basis.

Purchase. The University may acquire Series 2010 Bonds by purchase of such Series 2010 Bonds at any time at such purchase price as the University deems appropriate, or by gift at any time on such terms as the University deems appropriate. Series 2010 Bonds so acquired need not be surrendered for cancellation.

Book-Entry Only System

Upon initial issuance, the Series 2010 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 2010 Bonds. The Series 2010 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of the Series 2010 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

Purchases of Series 2010 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2010 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2010 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 2010 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 2010 Bonds, except in the event that use of the book-entry system for the Series 2010 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2010 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 2010 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 2010 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2010 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 2010 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2010 Bonds, such as redemptions, defaults, and proposed amendments to the Bond Resolution. For example, Beneficial Owners of Series 2010 Bonds may wish to ascertain that the nominee holding the Series 2010 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 2010 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 2010 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 2010 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2010 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 2010 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 2010 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 2010 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 2010 Bonds will be exchangeable and transferable on the registration books of the Registrar in Authorized Denominations. Upon presentation and surrender of any Series 2010 Bond for transfer or exchange, the Registrar will authenticate and deliver in the name of the designated transferee or transferees or the registered Bondholder, as appropriate, one or more new fully registered Series 2010 Bonds in any Authorized Denomination or Denominations. For every exchange or transfer of Series 2010 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 2010 BOND PROCEEDS

Proceeds of the Series 2010 Bonds will be used (a) to finance and/or refinance costs incurred in connection with the projects described in **"INTRODUCTION – Purpose"** above; and (b) to pay certain expenditures connected with the foregoing to the extent financeable, including, without limitation, certain costs of issuance. The proceeds of the Series 2010 Bonds are expected to be applied on the date of issue in the estimated amounts as follows (rounded to the nearest dollar):

Sources of Funds:	
Principal amount of Series 2010 Bonds	$190,000,000
Net original issue premium on Series 2010 Bonds	2,964,000
TOTAL	$192,964,000
Uses of Funds:	
Project Costs*	$191,249,600
Costs of Issuance (includes underwriters' discount)	1,714,400
TOTAL	$192,964,000

* Includes refinancing certain commercial paper issued by the University to finance costs of the projects.

SECURITY FOR THE SERIES 2010 BONDS

The following summary of the security for the Series 2010 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 2010 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 2010 Bonds as they become due upon redemption, acceleration, maturity or otherwise. The Series 2010 Bonds are secured, together with the Outstanding General Revenue Pledge Bonds (as hereinafter defined) and other Credit Obligations of the University secured on a parity basis with the Series 2010 Bonds (collectively, "Parity Credit Obligations") by a pledge of Pledged Revenues (as hereinafter defined). See **"Existing and Permitted Parity Credit Obligations"** below.

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

Qualifying Senior Obligations and Credit Obligations

The Bond Resolution permits the University, within the limitations described below and other restrictions, to pledge in the future the revenues from certain revenue producing facilities or systems to the payment of future Qualifying Senior Obligations, with such pledge being superior to the pledge securing the Series 2010 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 2010 Bonds, and (2) net of operating expenses for the related facility or system, and such revenues would be available to pay the Series 2010 Bonds and other Parity Credit Obligations only to the extent such revenues are not required for either operating expenses of the facility or system involved or debt service on the related Qualifying Senior Obligations.

Under the Bond Resolution, the University may issue Qualifying Senior Obligations and may pledge and apply such portion of the Pledged Revenues as may be necessary to provide for (1) the payment of any such Credit Obligation, (2) the funding of reasonable reserves therefor and (3) the payment of operating and other reasonable expenses of the facilities financed in whole or in part with the proceeds of such Credit Obligation or facilities reasonably related to such facilities, and such pledge will be senior and superior in all respects to the pledge of Pledged Revenues securing the Series 2010 Bonds and any Parity Credit Obligations, but only if, prior to the incurrence of each such Credit Obligation, an Authorized Officer of the University certifies in writing that (1) taking into account the incurrence of such proposed Credit Obligation, (a) the University will have sufficient funds to meet all of its financial obligations, including its obligations to pay principal of and interest on all Credit Obligations, for all Fiscal Years to and including the second full Fiscal Year after the later of (i) the issuance of such proposed Credit Obligation and (ii) the completion of any facility financed with its proceeds and (b) such Authorized Officer has no reason to believe that the University will not have sufficient funds to pay all amounts due under all indebtedness of the University during the term of such proposed Credit Obligation, (2) to the best of Authorized Officer's knowledge, the University is not in default in the performance and observance of any of the provisions of the Bond Resolution and (3) in connection with the issuance of such proposed Credit Obligation the University has received an opinion of counsel nationally recognized in matters concerning municipal bonds to the effect such proposed Credit Obligation has been validly issued under the relevant provisions of the Constitution of Virginia.

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

Currently, other than the University's portion (which as of June 30, 2010, was $16,670,345) 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 June 30, 2010, was $975,832,500 (which figure includes the outstanding principal amount of the University's Taxable General Revenue Pledge Bonds, Series 2009, its General Revenue Pledge Bonds, Series 2008, 2005 and 2003, its 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 2010 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 2010 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 2010 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 2010 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 2010 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 2010 Bonds and meets certain other requirements, such Series 2010 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. For a discussion of the federal income tax consequences of such a defeasance, see **"TAX MATTERS - Defeasance"** herein.

No Liens or Reserves; Disposition of Assets

The Series 2010 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 2010 Bonds, may be amended with or without the consent of the holders of a majority of the principal amount of the Series 2010 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 2010 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 2010 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 2010 Bonds are subject to the approval of McGuireWoods LLP, Richmond, Virginia, Bond Counsel to the University ("Bond Counsel"), substantially in the proposed form set forth in **Appendix D**. Bond Counsel's opinion will be limited to matters relating to the authorization and the validity of the 2010 Bonds and to the federally taxable status of interest on the Series 2010 Bonds, as described in **"TAX MATTERS"** herein. Bond Counsel has not been engaged to investigate the financial resources of the University or the ability to provide for payment of the Series 2010 Bonds, and Bond Counsel's opinion will make no statement as to such matters or as to the accuracy or completeness of this Offering Memorandum or any other information that may have been relied on by anyone in making the decision to purchase the Series 2010 Bonds.

Certain legal matters will be passed upon for the University by Paul J. Forch, General Counsel to the University and Special Assistant Attorney General.

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 2010 Bonds, or to in any way contest or affect the validity of the Series 2010 Bonds, the Bond Resolution, or any proceedings of the University taken with respect to the issuance or sale of the Series 2010 Bonds or with respect to the Bond Resolution, or in any way contesting the existence or powers of the University. See **"Litigation"** in **Appendix A** attached hereto.

TAX MATTERS

Opinion of Bond Counsel - Income Tax Status of Interest

Bond Counsel's opinion will state that, based on current law, interest on the Series 2010 Bonds is includible in the gross income of the owners thereof for federal income tax purposes.

Summary

The following is a summary of certain of the United States federal income tax consequences of the ownership of the Series 2010 Bonds as of the date hereof. Each prospective purchaser of the Series 2010 Bonds should consult with its own tax advisor regarding the application of United States federal income tax laws, as well as any state, local, foreign or other tax laws, to its particular situation.

This summary is based on the Code, as well as Treasury regulations and administrative and judicial rulings and practice. Legislative, judicial and administrative changes may occur, possibly with retroactive effect, that could alter or modify the continued validity of the statements and conclusions set forth herein. This summary is intended as a general explanatory discussion of the consequences of holding the Series 2010 Bonds generally and does not purport to furnish information in the level of detail or with the prospective purchaser's specific tax circumstances that would be provided by a prospective purchaser's own tax advisor. For example, it generally is addressed only to original purchasers of the Series 2010 Bonds that are "U.S. holders" (as defined below), deals only with Series 2010 Bonds held as capital assets within the meaning of Section 1221 of the Code and does not address tax consequences to owners that may be relevant to investors subject to special rules, such as individuals, trusts, estates, tax-exempt investors, foreign investors, cash method taxpayers, dealers in securities, currencies or commodities, banks thrifts, insurance companies, electing large partnerships, mutual funds, regulated investment companies, real estate investment trusts, S corporations, persons that hold Series 2010 Bonds as part of a straddle, hedge, integrated or conversion transaction, and persons whose "functional currency" is not the U.S. dollar. In addition, this summary does not address alternative minimum tax issues or the indirect consequences to a holder of an equity interest in an owner of Series 2010 Bonds.

As used herein, a "U.S. holder" is a "U.S. person" that is a beneficial owner of a Series 2010 Bond. A "non-U.S. investor" is a holder (or beneficial owner) of a Series 2010 Bond that is not a U. S. Person. For these purposes, a "U.S. person" is a citizen or resident of the United States, a corporation, partnership or other entity created or organized in or under the laws of the United States or any political subdivision thereof (except, in the case of a partnership, to the extent otherwise provided in Treasury regulations), an estate the income of which is subject to United States federal income taxation regardless of its source or a trust if (i) a United States court is able to exercise primary supervision over the trust's administration and (ii) one or more U.S. persons have the authority to control all of the trust's substantial decisions.

Tax Status of the Series 2010 Bonds

The Series 2010 Bonds will be treated, for federal income tax purposes, as a debt instrument. Accordingly, interest will be included in the income of the owner as it is paid (or, if the owner is an accrual method taxpayer, as it is accrued) as interest.

Owners of the Series 2010 Bonds that allocate a basis in the Series 2010 Bonds that is greater than the principal amount of the Series 2010 Bonds should consult their own tax advisors with respect to whether or not they should elect to amortize such premium under Section 171 of the Code.

If an owner purchases the Series 2010 Bonds for an amount that is less than the principal amount of the Series 2010 Bonds, and such difference is not considered to be de minimis, then such discount will represent market discount that ultimately will constitute ordinary income (and not capital gain). Further, absent an election to accrue market discount currently, upon a sale or exchange of a Series 2010 Bond, a portion of any gain will be ordinary income to the extent it represents the amount of any such market discount that was accrued through the date of sale. In addition, absent an election to accrue market discount currently, the portion of any interest expense incurred or continued to carry a market discount bond that does not exceed the accrued market discount for any taxable year, will be deferred.

Sale and Exchange of Series 2010 Bonds

Upon a sale or exchange of a Series 2010 Bond, an owner generally will recognize gain or loss on the Series 2010 Bond equal to the difference between the amount realized on the sale and its adjusted tax basis in such Series 2010 Bond. Such gain or loss generally will be capital gain (although any gain attributable to accrued market discount of the Series 2010 Bond not yet taken into income will be ordinary income). The adjusted basis of the owner in a Series 2010 Bond will (in general) equal its original purchase price increased by any original issue discount or market discount includible in the gross income of the owner with respect to the Series 2010 Bonds and decreased by any principal payments received on the Series 2010 Bond. In general, if the Series 2010 Bond is held for longer than one year, any gain or loss would be long term capital gain or loss, and capital losses are subject to certain limitations.

Defeasance

Defeasance of any Series 2010 Bond may result in a reissuance thereof, in which event an owner will recognize taxable gain or loss equal to the difference between the amount realized from the sale, exchange or retirement (less any accrued qualified stated interest which will be taxable as such) and the holder's adjusted tax basis in the Series 2010 Bond.

Foreign Investors

Distributions of the Series 2010 Bonds to a non-U.S. holder that has no connection with the United States other than holding its Series 2010 Bond generally will be made free of withholding tax, as long as that the non-U.S. holder has complied with certain tax identification and certification requirements.

Circular 230

Under 31 C.F.R. part 10, the regulations governing practice before the Internal Revenue Service (Circular 230), the issuer and its tax advisors are (or may be) required to inform you that (i) any advice contained herein, including any opinions of counsel referred to herein, is not intended or written to be used, and cannot be used by any taxpayer, for the purpose of avoiding penalties that may be imposed on the taxpayer; (ii) any such advice is written to support the promotion of marketing of the Series 2010 Bonds and the transactions described herein (or in such opinion or other advise); and (iii) each taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

Opinion of Bond Counsel -Virginia Income Tax Consequences

Bond Counsel's opinion also will state that, under current law, interest on the Series 2010 Bonds is exempt from all taxation within the Commonwealth. Bond Counsel will express no opinion regarding (i) other Virginia tax consequences arising with respect to the Series 2010 Bonds or (ii) any consequences arising with respect to the Series 2010 Bonds under the tax laws of any state or local jurisdiction other than Virginia. Prospective purchasers of the Series 2010 Bonds should consult their own tax advisors regarding such other Virginia tax consequences or the tax status of interest on the Series 2010 Bonds in a particular state or local jurisdiction other than Virginia.

FINANCIAL ADVISOR

The University has retained Prager, Sealy & Co., LLC, San Francisco, California, as Financial Advisor (the "Financial Advisor") for the sale of the Series 2010 Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume any responsibility for the accuracy, completeness of fairness of the information contained in this Offering Memorandum. In addition to providing financial advisory services, the Financial Advisor is also engaged in the business of underwriting, trading, and distributing municipal and other public securities.

SALE AT COMPETITIVE BIDDING

The Series 2010 Bonds were offered for sale at competitive bidding on July 21, 2010, and were awarded to Wells Fargo Bank, National Association (the "Underwriter"). The Underwriter has supplied the information as to the initial public offering prices of the Bonds set forth on the cover of this Offering Memorandum. The Series 2010 Bonds are being purchased with an Underwriter's discount of $1,246,400. The Underwriter may offer to sell the Series 2010 Bonds to certain dealers and others at prices lower than the initial offering prices, and the public offering prices may be changed from time to time by the Underwriter.

FINANCIAL STATEMENTS

The audited financial statements of the University for the fiscal year ended June 30, 2009, 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, 2009.

RATINGS

Moody's Investors Service, 7 World Trade Center, 250 Greenwich Street, New York, New York 10007 ("Moody's"), Standard & Poor's, 55 Water Street, New York, New York 10041 ("Standard & Poor's") and Fitch Ratings, Inc., One State Street Plaza, New York, New York 10004 ("Fitch Ratings") have assigned long-term ratings of "Aaa" , "AAA" and "AAA", respectively, to the Series 2010 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 2010 Bonds may have an effect on the market price thereof.

CERTIFICATE CONCERNING OFFERING MEMORANDUM

Concurrently with the delivery of the Series 2010 Bonds, officials who signed the Series 2010 Bonds will certify that, to the best of their knowledge, the Offering Memorandum did not as of its date, and does not as of the date of delivery of the Series 2010 Bonds, contain any untrue statement of a material fact or omit to state a material fact which should be included therein for the purpose for which the Offering Memorandum is to be used, or which is necessary in order to make the statements contained therein, in the light of the circumstances under which they were made, not misleading. Such certificate will also state, however, that such officials did not independently verify the information in the Offering Memorandum from sources other than the University, but that they have no reason to believe that such information contains any untrue statement of a material fact or omits to state a material fact which should be included therein for the purpose for which the Offering Memorandum is to be used, or which is necessary in order to make the statements contained therein, in the light of the circumstances under which they were made, not misleading.

CONTINUING DISCLOSURE

The offering of the Series 2010 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 2010 Bonds for the benefit of the registered and Beneficial Owners of the Series 2010 Bonds, substantially in the form attached as **Appendix E** to this Offering Memorandum, pursuant to which the University will agree to provide or cause to be provided the following: (i) certain annual financial information, including audited financial statements of the University and certain information of the University included under the headings **"Students"**, **"The University of Virginia Medical Center"** and **"Financial Information"** in **Appendix A** attached to this Offering Memorandum, comprising the following tables: "Undergraduate Applications, Acceptances and Matriculations", "Graduate & Professional Applications, Acceptances and Matriculations", "On Grounds Fall Enrollment", "Selected Medical Center Patient Information", "Non-Capital Appropriations from the Commonwealth", "Undergraduate Tuition and Required Fees Per Student", "Graduate Tuition and Required Fees Per Student", "Grants and Contracts", "University of Virginia Medical Center Summary Statement of Revenues, Expenses, and Changes in Net Assets" and "Pooled Endowment Fund Historic Annual Return"; (ii) timely notice of the occurrence of certain events with respect to the Series 2010 Bonds; and (iii) timely notice of a failure by the University to provide the required annual financial information on or before the date specified in the Continuing Disclosure Agreement. The University is not contractually obligated to supplement or update the information included in the Offering Memorandum after the delivery of the Series 2010 Bonds except as provided in the Continuing Disclosure Agreement.

The University previously has undertaken to provide continuing disclosure pursuant to Rule 15c2-12, both in connection with its general revenue pledge bonds issued in 1999, 2003, 2005, 2008 and 2009 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 2010 Bonds.

MISCELLANEOUS

The summaries or descriptions herein, including the Appendices hereto, of the Series 2010 Bonds, the Bond Resolution, and the Continuing Disclosure Agreement, and all references to other materials not purporting to be quoted in full, are only brief outlines of some of the provisions thereof and do not purport to summarize or describe all of the provisions thereof. So far as any statements are made in this Offering Memorandum involving matters of opinion, whether or not expressly so stated, they are intended merely as such and not as representations of fact.

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

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

THE RECTOR AND VISITORS OF
THE UNIVERSITY OF VIRGINIA

By: /s/ Yoke San Reynolds
Title: Vice President and Chief Financial Officer

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 20,895 full-time equivalent students, including 14,084 undergraduates, in on-grounds programs. The Academic Division is comprised of 11 separate schools, including the College and Graduate School of Arts and Sciences, the McIntire School of Commerce, the Curry School of Education, the Frank Batten School of Leadership and Public Policy, the School of Engineering and Applied Science, the Darden Graduate School of Business Administration, the School of Architecture, the School of Law, the School of Medicine, the School of Nursing and the School of Continuing and Professional Studies. Collectively, these schools offer 51 bachelor's degrees in 47 fields and programs, 84 master's degrees in 67 fields, six educational specialist degrees, two first-professional degrees (law and medicine) and 57 doctoral degrees in 55 fields. Many of these programs rank among the nation's elite. In August 2009, U.S. News & World Report's latest undergraduate college rankings placed the University at No. 2 among public universities and tied for No. 24 among its 248 ranked national universities. Since U.S. News & World Report began a separate listing of the top 50 public universities in 1998, the University has never been ranked lower than No. 2, and in the 20-year history of the rankings, has always been in the top 25 among all ranked universities.

The University of Virginia Medical Center is an integrated network of primary and specialty care services ranging from wellness programs and routine checkups to the most technologically advanced care. The hub of the Medical Center is a 577-bed hospital with a Commonwealth-designated Level 1 trauma center located on the Charlottesville campus. In addition, primary and specialty care are provided at convenient clinic locations throughout central Virginia communities. The Medical Center is one of the leading academic research hospitals in the nation and is a seven-time winner of Solucient, Inc.'s Top 100 Hospitals Award.

The University of Virginia's College at Wise (the "College at Wise") in southwest Virginia was originally founded in 1954 as Clinch Valley College, a branch campus of the University. The College at Wise provides undergraduate programs in the arts and sciences as well as select undergraduate professional programs in business, nursing, teacher education and other fields, all characterized by a strong liberal arts experience. The liberal arts foundation prepares individuals for professional careers, graduate study, or lifelong learning. The current fiscal year full-time equivalent student enrollment is 1,623 for fall 2009 and 1,471 for spring 2010.

ACADEMIC AND RESEARCH PROGRAMS

The University has established 499 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 46 Rhodes Scholars, more than any other state- supported institution. Nationally recognized programs include Architecture, English, Spanish, German, Religious Studies, Physiology, French, Art History, Astronomy, Classics, History, Psychology, undergraduate Business, graduate Business, Law, and Education.

ACCREDITATION AND MEMBERSHIP

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

FACILITIES

Thomas Jefferson designed the original University as an "academical village" – a plan to foster students and professors living and learning together. While that vision remains, today the University consists of 3,404 acres of land holdings throughout the Commonwealth, including 240 acres in Charlottesville and 1,467 additional acres in Albemarle County. Capital infrastructure is comprised of 542 buildings consisting of approximately 15.8 million square feet, including the Medical Center. In 1987, the University of Virginia at Charlottesville was named a World Heritage site on the United Nations' Educational, Scientific and Cultural Organization's prestigious World Heritage list.

Mr. Jefferson's private collection of books and materials created the nucleus of the University's first library. Since then the library system has grown to encompass 14 separate facilities housing approximately 5,181,000 books, 117,749 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 316,500 rare books and 18.5 million manuscripts and other materials.

UNIVERSITY GOVERNANCE

Board of Visitors

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

Administrative Officers of the University

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
Teresa A. Sullivan*	President-Elect
Leonard W. Sandridge	Executive Vice President and COO
Arthur Garson, Jr.	Executive Vice President and Provost
Robert D. Sweeney.	Senior Vice President for Development and Public Affairs
Yoke San L. Reynolds	Vice President and CFO
Colette Sheehy	Vice President for Management and Budget
R. Edward Howell	Vice President and CEO, Medical Center
Paul J. Forch	General Counsel
Susan G. Harris	Secretary to the Board of Visitors
James S. Matteo	Assistant Vice President for Treasury Management and Fiscal Planning

*Effective August 1, 2010, Ms. Sullivan will become President.

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 former member and Chair of the Board of Directors of the Jefferson Science Associates, LLC, and former Chair of Universitas 21, an international network of 21 leading research-intensive universities in 13 countries. He currently serves on the Board of Directors of SAGE Publications, Inc.; on the Board of Directors of Altria Group, Inc.; and is a member of the Virginia University

Research Partnership Board. Dr. Casteen has announced his resignation as President of the University effective August 1, 2010.

Teresa A. Sullivan. Teresa Sullivan will become President in August 1, 2010. Dr. Sullivan is presently Provost and Executive Vice President for Academic Affairs of the University of Michigan (2006-2010), where she serves as both Chief Academic Officer and Chief Budget Officer. She served earlier as Executive Vice Chancellor of The University of Texas System (2002-2006) and as Vice President and Graduate Dean of The University of Texas at Austin (1995-2002). She is Professor Emerita of Sociology and Law at The University of Texas at Austin. Dr. Sullivan is an elected Fellow of the American Association for the Advancement of Science and the Texas Philosophical Society, and the past president of the Association of Graduate Schools and of the Council of Southern Graduate Schools. She won the Silver Gavel Award of the American Bar Association for her co-authored study of consumer bankruptcy and credit, titled *As We Forgive Our Debtors*, and won the writing award of the American College of Financial Services Lawyers for the sequel *The Fragile Middle Class*. She is the author or co-author of four additional books and eighty scholarly articles and chapters, many of which deal with the economic position of American workers and families. She is a Phi Beta Kappa graduate of Michigan State University and earned her master's and doctoral degrees at The University of Chicago.

Leonard W. Sandridge. Leonard W. Sandridge is Executive Vice President and Chief Operating Officer. 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, University of Virginia Investment Management Company, and Culpeper Regional Hospital. In 1993, Mr. Sandridge received the Thomas Jefferson Award, the University's highest honor for a faculty member, recognizing one who exemplifies Jefferson's principles and ideals in character, work, and influence. In 2003, he received the Paul Goodloe McIntire Citizenship Award, presented by the Charlottesville Regional Chamber of Commerce to recognize outstanding citizen contributions. Mr. Sandridge has announced his intention to retire and it is expected that he will remain in his current position until his replacement is identified.

Arthur Garson, Jr. Tim Garson became the Executive Vice President and Provost of the University in July 2007. He is responsible for the planning and operations of the University's 11 schools, as well as academic planning. Dr. Garson came to the University in 2002 when he was appointed Vice President and Dean of the University of Virginia's School of Medicine. During his tenure as dean, the School of Medicine started a Master of Public Health program, the Academy of Distinguished Educators, the Center on Health Care Disparities, the Patient Education Institute, the Medical Education Research Institute, and the Virginia Institute for Clinical and Translational Research (a joint effort among several schools). He is the author of more than 450 publications including 8 books. While at Duke University (1992-1995) he was the Associate Vice Chancellor for Health Affairs and served as Medical Director of Government Relations for the Medical Center. In 1995, he became the Baylor College of Medicine's Dean for Academic Operations. He was also Vice President of Texas Children's Hospital. In 1999-2000, Dr. Garson served as President of the American College of Cardiology. In addition, he has served on the White House panel on Health Policy; and as Chair of the American College of Cardiology's task force on the uninsured, leading a broad coalition of physician and patient groups working on legislation for the uninsured. Dr. Garson will leave the University in May 2011 to become Senior Vice President for Health Policy and Health Systems at the University of Texas Health Science Center at Houston. Additionally, Dr. Garson will be the director of the New York-based Dreyfus Health Foundation, a nonprofit with programs in more than 20 countries, including the United States, that aim to improve health by empowering people to improve their environments.

Yoke San L. Reynolds. Yoke San L. Reynolds joined the University in 2001 as Vice President for Finance, and was named Vice President and Chief Financial Officer in May 2005. She serves as the University's chief business officer, and oversees the offices of treasury management, financial administration (comptroller and financial aid), research administration, business operations (housing, dining, parking and others), risk management, and University policy. She also administers the University's relationship with its twenty-five related foundations. Ms. Reynolds' background in higher education finance includes six years at the State University of New York at Albany and ten years at Cornell University, where she was Vice President for Financial Affairs. She served two consecutive terms as a director of the National Association of College and University Business Officers ("NACUBO") and of the Council on Governmental Relations. Ms. Reynolds was the inaugural chair of NACUBO's committee on Managerial Analysis and Decision Support, and a member of NACUBO's ad hoc committee on the Cost of Education. She served as President of the Eastern Association of College and University Business Officers in 2005. In 2002 she devised and spearheaded the development of the University's new portfolio approach to debt. She also initiated the 2007 investment legislation that gave the University unique authority to invest its non-general funds in equities, and championed the legislation through the State's executive and legislative branches. In 2009, she was selected for NACUBO's Distinguished Business Officer award which recognizes "outstanding overall achievement in the field of business and financial management in higher education".

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. Ms. Sheehy serves on the board of the Thomas Jefferson Partnership for Economic Development. She was appointed by the Governor in 2009 to serve on the nine member Board of Trustees of the Virginia Retirement System.

Robert D. Sweeney. Bob Sweeney has spent his career in higher education development. For 37 years, he has led both public and private institutions in their fund-raising, public relations, and strategic planning efforts. In August 1991, President John T. Casteen III appointed Mr. Sweeney as Vice President for Development at the University. He was responsible for restructuring the University's development effort and for the planning and implementation of a $1 billion capital campaign. At that time, the campaign was one of the 10 largest fund-raising ventures in U.S. philanthropic history. The campaign concluded in December 2000 with over $1.4 billion in commitments. In January 2000, Mr. Sweeney assumed responsibility for the public affairs function at the University. This includes public relations, publications, news and television bureaus, web services, marketing and community relations. He was subsequently promoted to Senior Vice President for Development and Public Affairs in 2001. Mr. Sweeney is the architect of the University's current $3 billion capital campaign that is scheduled to conclude in 2011. It is among the eight largest higher education philanthropic campaigns ever announced. To date, over $2.15 billion has been raised.

R. Edward Howell. Ed Howell has been the Vice President and Chief Executive Officer of the Medical Center since February 2002. He oversees all operations of the University's hospital and clinics, as well as business development and finance, marketing, strategic planning, and information technology functions for the UVA Health System. 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, ten 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, a member of the American Hospital Association Long-Range Policy Committee, 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 Board of Directors.

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

Education Chief in the Virginia Attorney General's Office, Mr. Forch supervised, the legal services provided to all of the Commonwealth's public institutions of higher education.

Susan G. Harris. Susan Harris is the Secretary to the Board of Visitors and Special Assistant to the President. Ms. Harris has served as Secretary to the Board since May 2009. She is responsible for coordinating and managing Board meetings and activities as well as serving as a liaison between the Board and the University administration. Ms. Harris is a 1987 graduate of the University of Virginia School of Law and has served in the University's administration for 21 years, initially in the Office of the General Counsel and then as Assistant to the Executive Vice President and Chief Operating Officer, where she worked closely with specific units reporting to the EVP/COO including athletics, the Medical Center, police, emergency management, the University of Virginia Foundation, and the University of Virginia Investment Management Company. She is a member of the National Association of College and University Attorneys, the Virginia State Bar, and the American Bar Association.

James S. Matteo. Jim Matteo is the University's Assistant Vice President for Treasury Management and Fiscal Planning. He is responsible for debt management, banking and cash management, short-term investment management, and long-term investment portfolio oversight as well as liquidity and interest rate risk management. Prior to joining the University in 2005, Mr. Matteo spent 14 years in the private sector with a Fortune 500 company managing various treasury functions including banking, corporate finance, cash management, and interest rate and foreign currency risk management. Mr. Matteo is the Director of Programming for the Treasury Institute for Higher Education. He has also been a member of the Association for Financial Professional's ("AFP's") Cash Flow Forecasting Task Force and other AFP task forces responsible for developing questions and determining passing scores for the Certified Treasury Professional Exam. In 2010, he was selected for NACUBO's Rising Star Award which recognizes outstanding professionals at colleges or universities who have high potential to succeed as an executive and officer in higher education.

FACULTY AND STAFF

For the fall 2009 semester, the University employed 2,159 full-time and 159 part-time instructional, research, and public service faculty, as well as 807 full-time and 34 part-time administrative and professional faculty. Included were 1,168 tenured faculty and an additional 393 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 16:1.

Excluding the faculty, as of the fall 2009 semester, the University employed 9,240 full-time and 1,512 part-time permanent staff, including approximately 5,004 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 Resources policies. In December 2008, all staff employees under the Commonwealth's Personnel Act were given the option to enroll in the University's benefit plan. Open enrollment periods for the new plan will be offered at least every two years.

For the fall 2009 semester, the College at Wise employed 93 full-time and 73 adjunct instructional, research, and public service faculty as well as 56 full-time and 2 part-time administrative and professional faculty. Included were 43 tenured faculty and an additional 26 who were non-tenured but on tenure-track. Seventy-three percent of the full-time instructional faculty hold the highest academic degree in their field. The ratio of full-time equivalent students to full time equivalent instructional faculty members is approximately 14:1.

Excluding the faculty, as of October 15, 2009, the College at Wise employed 146 full-time and 5 part-time permanent staff. Staff employees are covered by the Commonwealth's Personnel Act with compensation and benefits set at the Commonwealth level. A designated group of research, instructional, and senior academic and administrative staff are covered under the employment policies for Exempt from Personnel Act Non-Faculty Employees. The staff workforces at both the University and the University's College at Wise are not unionized, as public employees in the Commonwealth are not allowed to engage in collective bargaining.

STUDENTS

Admissions. The University practices a selective admissions policy, seeking students from the Commonwealth and throughout the United States and the world. The University also recognizes its commitment to the Commonwealth by reserving a significant portion of the available spaces for residents of Virginia. Approximately two-thirds (69.1%) of the first-year class entering in fall 2009 was comprised of in-state students, a percentage that has remained relatively stable over the last five academic years. Interest in admission to the University remains high as 21,108 completed applications were received for the 2009-10 academic year to fill a target of approximately 3,246 spaces in the first year class. The following table sets forth the information on applications, acceptances and matriculations for first-year students for the five most recent academic years.

Undergraduate Applications, Acceptances and Matriculations

	2005-06	2006-07	2007-08	2008-09	2009-10
Completed Applications					
In-state	6,444	6,492	7,090	7,370	7,637
Out-of-state	9,213	9,594	10,708	10,993	13,471
Total	15,657	16,086	17,798	18,363	21,108
Applications Accepted*	38%	37%	35%	37%	32%
In-state	49%	45%	47%	47%	45%
Out-of-state	30%	32%	27%	30%	25%
Offers Accepted**	53%	51%	52%	48%	48%
In-state	68%	68%	67%	63%	65%
Out-of-state	35%	36%	34%	33%	31%

Note: First-time freshmen only.

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

Graduate & Professional Applications, Acceptances and Matriculations

	2005-06	2006-07	2007-08	2008-09	2009-10
Completed Applications	19,320	19,091	21,477	22,971	24,560
Applications Accepted*	26%	27%	26%	23%	22%
Offers Accepted**	44%	47%	40%	44%	44%

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

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

On Grounds Fall Enrollment

	2005-06	**2006-07**	**2007-08**	**2008-09**	**2009-10***	
Undergraduate	13,401	13,353	13,636	13,762	14,297	
Graduate	4,699	4,791	4,830	4,904	6,598	
First-Professional	1,694	1,699	1,724	1,725		
Unclassified	605	554	644	666		
Total Headcount	20,399	20,397	20,834	21,057	20,895	
Full Time Equivalent	20,073	20,062	20,398	20,592	20,734	est.

* Beginning in 2009-10, Graduate and 1st-Professional students have been included in one category called "Graduate." Previously unclassified students have been included in the undergraduate and graduate categories.

For the fall 2009 entering class, of the entering undergraduates for whom high school class rank was available, approximately 89% ranked in the top 10% of their class and approximately 96% ranked in the top 20% of their class. Approximately 93% of the first-year students who enter the University earn degrees, and approximately 86% graduate within four years. The SAT scores for the 25^{th} to 75^{th} percentile range of the fall 2009 incoming class were approximately 1230-1440.

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

Today the University offers students 680 contracted independent organizations, including several musical groups, numerous student publications, almost 60 Greek social organizations, and an extremely wide array of hobby/interest/recreational clubs. In addition, the University Programs Council, a Grounds-wide organization, offers dozens of movies, large-scale concerts, prominent speakers, renowned artists, and other notable events throughout the year. The University also participates in 25 NCAA sports (12 for men, 13 for women) and provides additional opportunities in over 65 club sports and numerous intramural recreational activities. The graduation rate of student athletes routinely ranks among the nation's best, indicative of the University's dedication to the entire educational experience.

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

RELATIONSHIP WITH THE COMMONWEALTH

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

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

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

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

Over the past 15 years, the Commonwealth's contribution of general funds to the University's total revenues, including operating and non-operating revenues, has dropped from more than 13% in FY 1996 to less than 7% in FY 2011. During this time, the University has increased other sources of support, including externally funded research grants and private fundraising.

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

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

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

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

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

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.

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

Investment Legislation. Legislation passed during the 2007 General Assembly Session provides the University with broader authority to manage investments of non-general fund reserves and balances. Previously, non-general funds were deposited and held in the State Treasury and the University was credited with interest only on select balances (e.g., state auxiliary money) with the investments generally being restricted to cash and fixed income securities.

THE UNIVERSITY OF VIRGINIA MEDICAL CENTER

The Medical Center is an organizational unit of the University employing approximately 6,363 full-time equivalent employees. It serves as the teaching facility for the University's School of Medicine and School of Nursing, and also has extensive relationships with many of the University's other schools, notably the College of Arts and Sciences.

The diagnostic and treatment services of the Medical Center are located on several sites, including University Hospital, Kluge Children's Rehabilitation Center, the West Complex, Northridge, Fontaine, McCue Center, Forest 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 2009, the Medical Center had 577 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 were drawn in FY2009, and northern and southern Secondary Service Areas, from which another 21% of inpatients were drawn. Of the remaining patients, 28% reside in other parts of Virginia, West Virginia, and other states and outside the U.S. The PSA consists of ten cities and counties, extending about ninety miles from east to west and fifty miles from north to south. The total population of the PSA was 381,269 in 2009 and is expected to grow about 6.9%, to 407,481 by 2014, which is a relatively fast growth rate compared with the Virginia average of 5.5%.

There are two hospitals in addition to the Medical Center located in the PSA: Martha Jefferson Hospital in Charlottesville, and Augusta Medical Center in Augusta County. Both are small but high quality community-based hospitals with a typical array of services. The Medical Center's inpatient market share has remained steady over the past few years but showed a slight decline in the PSA, from 35.3% to 33.5% of discharges between CY2008 and CY2009. Very few PSA residents 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% PSA market share include Adult Neurosurgery, Psychiatry, Cancer and Pediatric Cancer, Digestive, Heart, Neurology, Neurosurgery, Orthopedics, Spine, Surgery and Transplant.

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

In order to centralize and strengthen the governance of the Medical Center, a specialized operating board, the "Medical Center Operating Board" was established in 2002 devoted exclusively to overseeing the operations of the University's hospitals and clinics. The Medical Center Operating Board is a subcommittee of the University's Board of Visitors and currently has nine members, with an additional four ex officio advisory members who are senior administrators of the Medical Center. The legal responsibility for the Medical Center rests with the Medical Center Operating Board and the Board of Visitors. Five of the Medical Center Operating Board members are also members of the Board of Visitors, including the Rector and the Chair of the Finance Committee, and three others chosen by the Rector. In addition, four members with specialized healthcare or other expertise provide valuable insights to the Operating Board and are selected by the Board of Visitors. Advisory members of the Operating Board include the Medical Center CEO, 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, 2009, the Medical Center had net operating revenues of $1 billion and operating income of $48 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 Year Ended June 30,

	2005	2006	2007	2008	2009
Average Daily Census	457	466	472	483	479
Length of Stay (days)	5.8	5.8	5.7	5.9	6.1
Discharges	29,076	29,452	30,145	29,922	28,575
Outpatient Visits	654,742	662,425	630,201	642,777	644,015

FINANCIAL INFORMATION

The University's audited financial statements for fiscal year ended June 30, 2009 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, 2009. The University's financial statements are presented in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

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

	2005*	2006*	2007*	2008*	2009
Assets					
Current assets	978,616	922,607	1,194,340	657,141	720,512
Noncurrent endowment investments	2,209,164	2,497,309	3,068,268	3,241,709	2,508,603
Other Noncurrent assets	1,778,155	2,026,157	2,211,980	2,937,250	3,072,059
Total assets	4,965,935	5,446,073	6,474,588	6,836,100	6,301,174
Liabilities					
Current liabilities	395,574	437,379	558,853	411,868	478,348
Non current liabilities	519,861	560,779	560,710	785,613	1,020,082
Total liabilities	915,435	998,158	1,119,563	1,197,481	1,498,430
Net assets					
Invested in capital assets, net of related debt	1,012,969	1,116,746	1,226,529	1,407,111	1,458,203
Restricted					
Non-expendable	333,544	350,474	369,874	429,619	459,247
Expendable	1,555,598	1,701,167	2,214,572	2,254,581	1,785,372
Unrestricted	1,148,389	1,279,528	1,544,050	1,547,308	1,099,922
Total net assets	4,050,500	4,447,915	5,355,025	5,638,619	4,802,744
Liabilities and net assets	4,965,935	5,446,073	6,474,588	6,836,100	6,301,174

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

Statement of Revenues, Expenses, and Changes in Net Assets

For the Year Ended June 30,

(in thousands)

	2005*	2006	2007*	2008*	2009
Revenues					
Student tuition and fees	246,062	263,728	290,748	316,332	342,619
Patient services	780,197	819,492	882,401	934,838	964,346
Grants and contracts	286,256	296,436	279,110	302,150	317,309
Sales and services of educational departments	16,469	18,866	18,119	21,743	20,488
Auxiliary enterprises revenue	93,983	101,093	112,331	116,644	116,437
Other	30,192	37,414	22,505	24,967	27,625
Total operating revenues	1,453,159	1,537,029	1,605,214	1,716,674	1,788,824
Non-Operating Revenues					
State appropriations	143,605	158,192	170,439	183,020	170,178
Gifts	96,547	116,023	148,073	147,269	140,078
Investment income	329,973	367,761	721,505	243,280	(850,753)
Pell Grants			4,384	5,271	7,024
Additions to permanent endowment	11,452	16,932	18,950	59,073	49,212
Other	29,105	43,031	188,880	42,048	74,367
Total operating and non-operating revenues	2,063,841	2,238,968	2,857,445	2,396,635	1,378,930
Expenses					
Operating Expenses					
Compensation and benefits	964,721	1,015,113	1,089,634	1,166,094	1,215,234
Supplies, utilities and other services	549,938	599,514	621,655	698,124	704,062
Student aid	40,944	46,474	51,406	54,768	62,750
Depreciation	104,454	111,654	121,770	127,689	141,338
Other	29,622	35,103	36,691	35,459	34,464
Total operating expenses	1,689,679	1,807,858	1,921,156	2,082,134	2,157,848
Non-Operating Expenses	29,340	33,695	29,179	30,907	56,957
Total operating and non-operating expenses	1,719,019	1,841,553	1,950,335	2,113,041	2,214,805
Increase in Net Assets	344,822	397,415	907,110	283,594	(835,875)

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

Reporting Entity. There are currently twenty-five foundations operating in support of the University. These related foundations are not-for-profit corporations controlled by separate boards of directors. The University determined that the following seven foundations qualify as component units under GASB 39 because of the nature and significance of their relationships with the University. As such, they are included in the financial statements for the year ended June 30, 2009, provided in Appendix B:

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

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

	2005	2006	2007	2008	2009
Assets					
Current assets	364,096	315,508	581,810	703,112	433,136
Noncurrent long-term investments	3,323,566	3,898,503	5,149,397	5,879,609	4,032,374
Other Noncurrent assets	340,181	406,892	416,764	490,178	408,419
Total assets	4,027,843	4,620,903	6,147,971	7,072,899	4,873,929
Liabilities					
Current liabilities	2,898,648	3,342,075	4,510,105	5,409,823	3,544,141
Non current liabilities	236,733	265,795	432,918	428,916	366,666
Total Liabilities	3,135,381	3,607,870	4,943,023	5,838,739	3,910,807
Net assets					
Unrestricted	255,645	283,574	323,857	327,766	214,420
Temporarily restricted	327,036	391,927	521,753	521,688	354,233
Permanently restricted	309,781	337,532	359,338	384,706	394,469
Total net assets	892,462	1,013,033	1,204,948	1,234,160	963,122
Total liabilities and net assets	4,027,843	4,620,903	6,147,971	7,072,899	4,873,929

* Component Units included are the UVA Law School Foundation, UVA Darden School Foundation, Alumni Association of UVA, Virginia Athletics Foundation, UVA Foundation, UVA Health Services Foundation, UVA Investment Management Company.

For the fiscal year ended June 30, 2009, component unit net assets decreased $271 million, or 22% from fiscal year 2008.

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 $66 million during fiscal year 2009.

Budgeting. The University's operating expenditure budget for fiscal year 2010-11 totals $2.4 billion. This includes $1.3 billion for the Academic Division (55.7%), $1.0 billion for the Medical Center (42.9%) and $34.4 million for the College at Wise (1.4%). This budget includes $23.6 million in State Fiscal Stabilization Funds from the American Recovery and Reinvestment Act of 2009 for the Academic Division and Wise. These funds will not be available in 2011-12; additionally the University will be allocated further state general fund budget reductions of about $15 million in 2011-12.

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, as amended), 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 7% in fiscal years 2005 and 2006; approximately 6% in fiscal year 2007; and approximately 8% in fiscal years 2008 and 2009. Beginning in fiscal year 2008, the Commonwealth reduced general fund appropriations to the University.

Non-Capital Appropriations from the Commonwealth
For the Year Ended June 30,
(in thousands)

	2005	2006	2007	2008	2009
Commonwealth Appropriations	143,605	158,192	170,439	183,020	170,178

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, 2009, tuition and fees prior to reduction for student financial aid provided approximately 19% of the University's operating revenues.

Undergraduate Tuition and Required Fees Per Student
(actual dollars)

	2005-06	2006-07	2007-08	2008-09	2009-10
In-state tuition and fees	$ 7,180	$ 7,845	$ 8,500	$ 9,300	$ 9,672
Out-of-state tuition and fees	24,100	25,945	27,750	29,600	31,672

Notes:
The above table does not include first year orientation fees of $190 in FY2005-06 through FY2008-09 and $200 in FY2009-10.

Graduate Tuition and Required Fees Per Student
(actual dollars)

	2005-06	2006-07	2007-08	2008-09	2009-10
In-State Tuition and Fees					
Darden Graduate School of Business Administration	$ 32,300	$ 35,000	$ 37,500	$ 40,500	$ 43,500
School of Law	28,300	30,700	33,500	36,800	38,800
School of Medicine	28,700	30,100	31,305	32,650	35,150
All others	9,800	10,550	11,240	12,140	12,628
Out-of-State Tuition and Fees					
Darden Graduate School of Business Administration	37,300	40,000	42,500	45,500	48,500
School of Law	33,300	35,700	38,500	41,800	43,800
School of Medicine	38,700	40,100	41,305	42,650	45,150
All others	20,400	20,550	21,240	22,140	22,628

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 2009-10 academic year, 7,400 undergraduate students (52% of the total student body) received almost $117 million in financial assistance. Of this total, 36% of the funds were provided by the federal government, 5% by the Commonwealth, 32% by the University, 8% by the Virginia Athletics Foundation, and 19% by other sources. The total included approximately $25 million in federal loans to students, and federal work-study, and over $77.3 million in federal, state, private and institutional grants and scholarships (including athletic scholarships). In addition, the parents of 575 students borrowed almost $8 million from the Federal Parents Plus Loan program.

AccessUVa is the University of Virginia's financial aid program designed to keep a higher education affordable for all admitted students regardless of economic circumstance. Because access for every academically eligible student is a priority at the University, the University has made an annual commitment of over $27.5 million in need-based grants to undergraduates. AccessUVa offers loan free packages for low income students, caps on need based loans for all other students, and a commitment to meet 100% of need for every student. The program not only keeps education at the University of Virginia affordable for the lowest income students, but also addresses the concerns of middle income families who are challenged by the rising cost of tuition. By limiting debt or eliminating it altogether in the case of students with the most need, AccessUVa offers assurances to prospective students that if they can make the grade, they can afford to attend the University.

Grants and Contracts. The U.S. Department of Health and Human Services continued as the University's major source of grant and contract awards, accounting for 46% of the total awards in fiscal year 2009.

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

	2005*	2006*	2007*	2008*	2009
Federal grants and contracts	$242,062	$253,596	$236,750	$258,794	$266,818
Other	44,224	42,840	42,360	43,356	50,491
Total grants and contracts	$286,286	$296,436	$279,110	$302,150	$317,309

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

Medical Center. The following data has been derived from annual audited financial statements of the Medical Center for the fiscal years ended June 30, 2005 - 2009.

University of Virginia Medical Center
Summary Statement of Revenues, Expenses, and Changes in Net Assets
For the Year Ended June 30,
(In thousands)

	2005	2006	2007	2008	2009
Net Patient service revenue	780,197	819,501	882,401	934,967	964,346
Other operating revenues	30,070	37,517	37,912	35,981	43,169
Total Operating Revenues	810,267	857,018	920,313	970,948	1,007,515
Operating Expenses	762,808	814,201	871,452	923,518	959,860
Income from Operations	47,459	42,817	48,861	47,430	47,655
Net non-operating Revenues (expenses)	16,017	21,106	55,622	(2,068)	(90,336)
Increase in net assets	63,476	63,923	104,483	45,362	(42,681)

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 2008-2009, the University received $248.1 million in private gifts directly and through related foundations. $138.6 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 2008-2009 was 21.2%.

The University is in an eight-year campaign which will run until 2011 and has a goal of $3 billion. As of January 2010, 71.64% of the campaign goal had been reached, with 79.15% of the campaign time elapsed.

Endowment. The University of Virginia's endowment was $2.50 billion as of June 30, 2009. The unrestricted expendable portion was $767 million, or 31%, as of the same date. In accordance with the Board of Visitors' approved spending policy, the endowment contributed $163.5 million in fiscal year ending June 30, 2009 to support operations of the University. As of May 31, 2010, the University's endowment was at $2.8 billion.

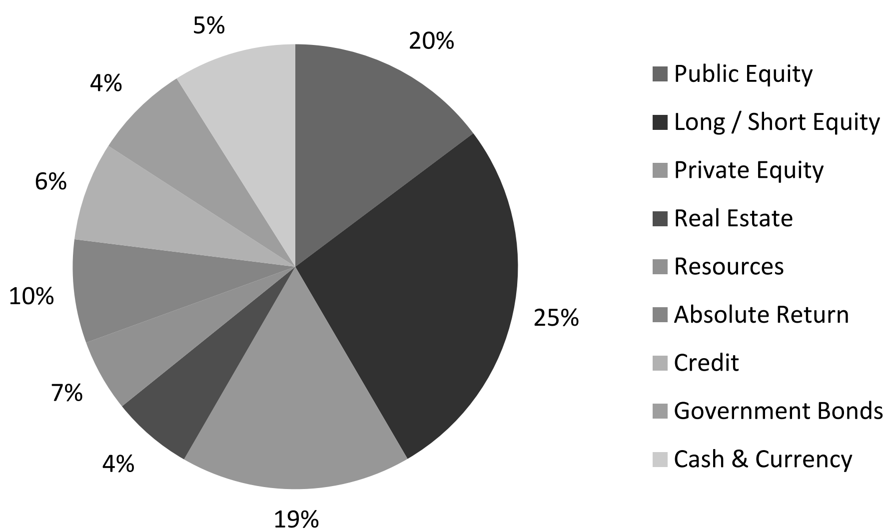
Of the total endowment resources, 99% is invested in the UVIMCO Long-Term Pool, a commingled investment pool. The historic annual returns as of June 30, 2009 for the UVIMCO Long-Term Pool follow:

UVIMCO Long-Term Pool Historic Annual Returns

For the Period Ending June 30, 2009

1 Year	3 Year	5 Year	10 Year	20 Year
-21.0%	1.6%	6.5%	9.5%	11.6%

All funds are managed pursuant to investment policies established by the University of Virginia Investment Management Company's Board of Directors. The primary objective of the Long-Term Pool is to maximize long-term real returns commensurate with the risk tolerance of the University. To achieve this objective, the Long-Term Pool is managed in an attempt to achieve returns that consistently exceed the returns on a passively managed benchmark with similar asset allocation and risk. The Long-Term Pool's asset allocation is designed to meet the objectives outlined above. The asset allocation as of May 31, 2010, is provided below:



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

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

UVIMCO is governed by a board of ten directors, three of whom are appointed by the Board of Visitors and one of whom is appointed by the University's President. Daily investment management is delegated to UVIMCO's full-time staff of 25 employees.

UVIMCO oversees investments totaling $4.5 billion as of May 31, 2010, including endowment assets, operating funds, charitable trusts, and other investments. The University's Endowment, managed by UVIMCO, is the University's primary source of sustainable private support for instruction, service, and research.

Indebtedness and other Obligations. As of June 30, 2009, the University had approximately $935 million in long-term debt outstanding. For a discussion of these obligations, see Note 5 in the financial statements of the University included in Appendix B.

The University has authorized a commercial paper program in an amount not to exceed $300 million. As of June 30, 2009 there was $56.4 million of commercial paper outstanding.

Long Term Debt

As of June 30, 2009

(in thousands)

Description	2009
Revenue Bonds	
Univ. of Virginia Series 2003A	82,010
Univ. of Virginia Series 2003B	108,450
Univ. of Virginia Series 2005	182,795
Univ. of Virginia Series 2008	231,365
Univ. of Virginia Series 2009	250,000
Commonwealth of Va. Bonds	20,845
Notes Payable to VCBA 1999A	1,490
Notes Payable to VCBA 2000A	10,375
Notes Payable to VCBA 2004B	36,990
Notes Payable to VCBA 2007B	10,755
Other	221
	935,296
Tax Exempt Commercial Paper	56,415
Total Debt	991,711

As of June 30, 2010, there was $70.75 million of commercial paper outstanding, of which $19.8 million will be refunded with the Series 2010 Bonds.

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.

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APPENDIX B

FINANCIAL STATEMENTS FOR THE UNIVERSITY
FOR FISCAL YEARS ENDED JUNE 30, 2009

See Financial Statements Attached

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Auditor's Opinion

November 20, 2009

The Honorable Timothy M. Kaine
Governor of Virginia

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

Board of Visitors
University of Virginia

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the business-type activities and aggregate discretely presented component units of the University of Virginia, a component unit of the Commonwealth of Virginia, as of and for the year ended June 30, 2009, which collectively comprise the University of Virginia's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the University of Virginia's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the component units of the University of Virginia, which are discussed in Note 1. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the component units of the University of Virginia, is based on the reports of the other auditors. The prior year summarized comparative information has been derived from the University of Virginia's fiscal year 2008 financial statements, and in our report dated October 30, 2008, we expressed an unqualified opinion on the respective financial statements of the University of Virginia.

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

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and discretely presented component units of the University of Virginia as of June 30, 2009, 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 36 through 43 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 November 20, 2009, on our consideration of the University of Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Walter J. Kucharski
Auditor of Public Accounts

UNIVERSITY OF VIRGINIA

STATEMENT OF NET ASSETS *(in thousands)*

as of June 30, 2009 (with comparative information as of June 30, 2008)

		2009		2008
ASSETS				
Current assets				
Cash and cash equivalents (Note 2)	$	241,142	$	244,093
Restricted cash and cash equivalents (Note 2)		1		3
Short-term investments (Note 2)		273,257		209,904
Appropriations available		6,996		16,809
Accounts receivable, net (Note 3a)		158,658		144,853
Prepaid expenses		14,993		14,183
Inventories		21,152		22,685
Notes receivable, net (Note 3b)		4,313		4,611
Total current assets		**720,512**		**657,141**
Noncurrent assets				
Restricted cash and cash equivalents (Note 2)		30,060		28,813
Endowment investments (Note 2)		2,508,603		3,241,709
Other long-term investments (Note 2)		515,914		719,030
Deposit with bond trustee		170,354		121,779
Notes receivable, net (Note 3b)		30,202		27,498
Pledges receivable, net (Note 3c)		7,037		11,037
Capital assets—depreciable, net (Note 3d)		1,958,150		1,595,297
Capital assets—nondepreciable (Note 3d)		347,482		420,017
Goodwill (Note 3e)		12,860		13,302
Other		—		477
Total noncurrent assets		**5,580,662**		**6,178,959**
TOTAL ASSETS	**$**	**6,301,174**	**$**	**6,836,100**
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities (Note 3f)	$	216,745	$	213,870
Deferred revenue (Note 3g)		100,789		88,863
Deposits held in custody for others		19,308		24,848
Commercial paper (Note 4)		56,415		17,550
Long-term debt—current portion (Note 5a)		13,512		13,047
Long-term liabilities—current (Note 5b)		71,579		53,690
Total current liabilities		**478,348**		**411,868**
Noncurrent liabilities (Note 5)				
Long-term debt (Note 5a)		940,359		723,535
Other noncurrent liabilities (Note 5b)		79,723		62,078
Total noncurrent liabilities		**1,020,082**		**785,613**
TOTAL LIABILITIES	**$**	**1,498,430**	**$**	**1,197,481**
NET ASSETS				
Invested in capital assets, net of related debt	$	1,458,203	$	1,407,111
Restricted:				
Nonexpendable		459,247		429,619
Expendable		1,785,372		2,254,581
Unrestricted		1,099,922		1,547,308
TOTAL NET ASSETS	**$**	**4,802,744**	**$**	**5,638,619**

Certain 2008 amounts have been restated to conform to 2009 reclassifications.
The accompanying Notes to Financial Statements are an integral part of this statement.

UNIVERSITY OF VIRGINIA

COMPONENT UNITS

Combined Statements of Financial Position *(in thousands)*

as of June 30, 2009 (with comparative information as of June 30, 2008)

	2009	2008
ASSETS		
Current assets		
Cash and cash equivalents	$ 88,780	$ 536,384
Receivables	77,572	76,659
Other current assets	266,784	90,069
Total current assets	**433,136**	**703,112**
Noncurrent assets		
Pledges receivable, net of current portion of $27,141	53,273	78,276
Long-term investments	4,032,374	5,879,609
Capital assets, net of depreciation	329,777	342,873
Other noncurrent assets	25,369	69,029
Total noncurrent assets	**4,440,793**	**6,369,787**
TOTAL ASSETS	**$ 4,873,929**	**$ 7,072,899**
LIABILITIES AND NET ASSETS		
Current liabilities		
Assets held in trust for others	$ 3,374,576	$ 5,215,297
Other liabilities	169,565	194,526
Total current liabilities	**3,544,141**	**5,409,823**
Noncurrent liabilities		
Long-term debt, net of current portion of $12,706	235,399	318,562
Other noncurrent liabilities	131,267	110,354
Total noncurrent liabilities	**366,666**	**428,916**
TOTAL LIABILITIES	**$ 3,910,807**	**$ 5,838,739**
NET ASSETS		
Unrestricted	$ 214,420	$ 327,766
Temporarily restricted	354,233	521,688
Permanently restricted	394,469	384,706
TOTAL NET ASSETS	**$ 963,122**	**$ 1,234,160**
TOTAL LIABILITIES AND NET ASSETS	**$ 4,873,929**	**$ 7,072,899**

Certain 2008 amounts have been restated to conform to 2009 reclassifications.
The accompanying Notes to Financial Statements are an integral part of this statement.

UNIVERSITY OF VIRGINIA

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

for the year ended June 30, 2009 (with comparative information for the year ended June 30, 2008)

	2009	2008
REVENUES		
Operating revenues		
Student tuition and fees (net of scholarship allowances of $69,000 and $66,066)	$ 342,619	$ 316,332
Patient services (net of charity care of $1,388,014 and $1,166,868)	964,346	934,838
Federal grants and contracts	266,818	258,794
State and local grants and contracts	4,975	4,391
Nongovernmental grants and contracts	45,516	38,965
Sales and services of educational departments	20,488	21,743
Auxiliary enterprises revenue (net of scholarship allowances of $9,200 and $8,809)	116,437	116,644
Other operating revenues	27,625	24,966
TOTAL OPERATING REVENUES	**1,788,824**	**1,716,673**
EXPENSES		
Operating expenses (Note 8)		
Compensation and benefits	1,215,234	1,166,094
Supplies and other services	704,062	698,124
Student aid	62,750	54,768
Depreciation	141,338	127,689
Other	34,464	35,459
TOTAL OPERATING EXPENSES	**2,157,848**	**2,082,134**
OPERATING LOSS	**(369,024)**	**(365,461)**
NONOPERATING REVENUES (EXPENSES)		
State appropriations (Note 9)	170,178	183,020
Gifts	140,078	147,269
Investment income (loss)	(850,753)	243,280
Pell grants	7,024	5,271
Interest on capital asset-related debt	(24,251)	(21,213)
Losses on capital assets	(17,079)	(3,473)
Other nonoperating expenses	(15,627)	(6,220)
NET NONOPERATING REVENUES (EXPENSES)	**(590,430)**	**547,934**
INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	**(959,454)**	**182,473**
Capital appropriations	30,462	6,348
Capital grants and gifts	43,905	35,700
Additions to permanent endowments	49,212	59,073
TOTAL OTHER REVENUES	**123,579**	**101,121**
INCREASE (DECREASE) IN NET ASSETS	**(835,875)**	**283,594**
NET ASSETS		
Net assets, beginning of year, restated (Note 1)	5,638,619	5,355,025
NET ASSETS, END OF YEAR	**$ 4,802,744**	**$ 5,638,619**

Certain 2008 amounts have been restated to conform to 2009 reclassifications.
The accompanying Notes to Financial Statements are an integral part of this statement.

university of virginia

COMPONENT UNITS

Combined Statements of Activities *(in thousands)*

for the year ended June 30, 2009 (with comparative information for the year ended June 30, 2008)

	2009	2008
UNRESTRICTED REVENUES AND SUPPORT		
Contributions	$ 21,998	$ 23,683
Fees for services, rentals, and sales	272,659	261,604
Investment income	(55,961)	27,063
Net assets released from restriction	45,553	81,780
Other revenues	75,232	70,446
TOTAL UNRESTRICTED REVENUES AND SUPPORT	**359,481**	**464,576**
EXPENSES		
Program services, lectures, and special events	284,475	262,019
Scholarships and financial aid	43,194	57,509
Management and general	43,335	41,448
Other expenses	93,510	95,767
TOTAL EXPENSES	**464,514**	**456,743**
EXCESS (DEFICIENCY) OF UNRESTRICTED REVENUES AND SUPPORT OVER EXPENSES	**(105,033)**	**7,833**
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Contributions	34,974	48,203
Investment and other income	(162,285)	33,989
Reclassification per donor stipulation	(1,277)	(1,347)
Net assets released from restriction	(44,972)	(81,909)
NET CHANGES IN TEMPORARILY RESTRICTED NET ASSETS	**(173,560)**	**(1,064)**
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS		
Contributions	12,753	24,632
Investment and other income	(5,967)	(3,665)
Reclassification per donor stipulation	696	1,476
NET CHANGES IN PERMANENTLY RESTRICTED NET ASSETS	**7,482**	**22,443**
CHANGE IN NET ASSETS	**(271,111)**	**29,212**
Net assets, beginning of year	$ 1,234,160	1,204,948
Cumulative effect of FMV option	73	–
NET ASSETS, END OF YEAR	**$ 963,122**	**$ 1,234,160**

Certain 2008 amounts have been restated to conform to 2009 reclassifications.
The accompanying Notes to Financial Statements are an integral part of this statement.

UNIVERSITY OF VIRGINIA

Statement of Cash Flows *(in thousands)*

for the year ended June 30, 2009 (with comparative information for the year ended June 30, 2008)

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	$ 340,133	$ 318,459
Grants and contracts	308,536	309,078
Patient services	913,620	884,945
Sales and services of educational activities	18,129	39,296
Sales and services of auxiliary enterprises	115,645	116,663
Payments to employees and fringe benefits	(1,201,875)	(1,168,738)
Payments to vendors and suppliers	(707,406)	(702,288)
Payments for scholarships and fellowships	(62,750)	(54,786)
Perkins and other loans issued to students	(7,548)	(25,823)
Collection of Perkins and other loans to students	5,056	21,956
Other receipts	25,163	20,570
NET CASH USED BY OPERATING ACTIVITIES	**(253,297)**	**(240,668)**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	183,612	178,870
Additions to true endowments	49,212	59,073
Federal Family Education Loan Program receipts	110,845	99,535
Federal Family Education Loan Program payments	(110,845)	(99,535)
Pell grants	7,024	5,271
Receipts on behalf of agencies	102,246	102,244
Payments on behalf of agencies	(101,873)	(102,408)
Deposits held in custody for others	(5,540)	(53)
Noncapital gifts and grants and endowments received	142,015	142,737
Other net nonoperating expenses	(7,980)	(1,408)
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	**368,716**	**384,326**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital appropriations	33,933	68,186
Capital gifts and grants received	44,441	37,647
Proceeds from capital debt	401,330	324,031
Proceeds from sale of capital assets	104	471
Acquisition and construction of capital assets	(385,430)	(276,583)
Principal paid on capital debt and leases	(148,957)	(151,790)
Interest paid on capital debt and leases	(24,195)	(24,263)
Deposit with trustee	(48,575)	(107,837)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	**(127,349)**	**(130,138)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	518,004	607,763
Interest on investments	9,358	46,449
Purchase of investments and related fees	(334,494)	(854,335)
Other investment activities	(182,644)	(229,984)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	**10,224**	**(430,107)**
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(1,706)**	**(416,587)**
Cash and cash equivalents, July 1	272,909	689,496
CASH AND CASH EQUIVALENTS, JUNE 30	**$ 271,203**	**$ 272,909**
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating loss	$ (369,024)	$ (365,461)
ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Depreciation expense	141,338	127,689
Provision for uncollectible loans and write-offs	81	196
CHANGES IN ASSETS AND LIABILITIES		
Receivables, net	(36,116)	(19,472)
Inventories	1,533	(3,570)
Other assets	11	10
Prepaid expenses	(3,019)	(2,438)
Notes receivable, net	(2,496)	(3,866)
Accounts payable and accrued liabilities	12,309	(2,280)
Deferred revenue	658	28,025
Accrued vacation leave	1,428	499
TOTAL ADJUSTMENTS	**115,727**	**124,793**
NET CASH USED BY OPERATING ACTIVITIES	**$ (253,297)**	**$ (240,668)**
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES—ACADEMIC ONLY		
Assets acquired through assumption of a liability	$ 414,300	$ 313,405
Assets acquired through a gift	2,289	7,939
Change in fair value of investments	(786,524)	109,226
Increase in receivables related to nonoperating income	10,533	4,393
Loss on disposal of capital asset	3,719	2,408

Certain 2008 amounts have been restated to conform to 2009 reclassifications.
The accompanying Notes to Financial Statements are an integral part of this statement.

Note 1: Summary of Significant Accounting Policies

ORGANIZATION AND PURPOSE

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

REPORTING ENTITY

There are currently twenty-five related foundations operating in support of the interests of the University. These related foundations are not-for-profit corporations controlled by separate boards of directors. The University determined that the following seven foundations qualify as component units because they hold significant resources for the benefit of the University. As such, they are included in the financial statements presented as of June 30, 2009:

- 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, 2008. For additional information, contact the Gift Accounting Office at P.O. Box 400833, Charlottesville, Virginia 22904.

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

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

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

REPORTING BASIS

The University of Virginia prepares its financial statements in conformity with accounting principles generally accepted in the United States of America. As a public institution, the University adheres to standards promulgated by the Governmental Accounting Standards Board (GASB), and additionally, 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 after that date. The component units included herein 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 represents capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of these assets.

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

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

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

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

BASIS OF ACCOUNTING

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

CASH AND CASH EQUIVALENTS

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

INVENTORIES

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

INVESTMENTS

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

ENDOWMENT

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

PLEDGES RECEIVABLE

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

Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the estimated future cash flows. The discounts on these amounts are computed using risk-free interest rates applicable to the years in which the promises are made, commensurate with expected future payments. An allowance of $2,463,053 for uncollectible pledges receivable is provided based on management's judgment of potential uncollectible amounts. The determination includes such factors as prior collection history and type of gift.

CAPITAL ASSETS AND DEPRECIATION

Capital assets are stated at cost at date of acquisition, or fair market value at date of donation in the case of gifts. Capital assets should be depreciated or amortized over their estimated useful lives unless they are inexhaustible, are intangible assets with indefinite useful lives, or are infrastructure assets. 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 is provided on a straight-line basis over estimated useful lives ranging from one to twenty years.

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

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

Expenditures related to construction are capitalized as they are incurred. Projects that have not been completed as of the date of the Statement of Net Assets are classified as Construction in Process. 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 non-building structures and improvements are capitalized as infrastructure and depreciated accordingly.

In accordance with AICPA Statement of Position 98-1, *Accounting for the Costs of Computer Software Developed or Obtained for Internal Use*, the University capitalizes computer software developed or obtained for internal use. Capitalization begins at the application development stage, which consists of the design, coding, installation, and testing of the software and interfaces.

COLLECTIONS

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

DEFERRED REVENUE

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

INTEREST CAPITALIZATION

Interest expense incurred during the construction of capital assets is capitalized, if material, net of interest income earned on resources set aside for this purpose. The University incurred capital project interest expense of $6,090,168 and earned capital project interest income of $551,598 for the fiscal year ended June 30, 2009, resulting in net interest capitalized of $5,538,570.

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, 2009, all unused vacation leave, and the amount payable upon termination under the Commonwealth of Virginia's sick leave payout policy. The applicable share of employer-related taxes payable on the eventual termination payments is also included.

REVENUE RECOGNITION

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

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

Certain auxiliary operations provide goods and services to internal customers. These auxiliary operations include activities such as 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. Patient care revenues are reported net of contractual allowances in the Statement of Revenues, Expenses, and Changes in Net Assets in the period in which the related services are rendered.

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

REVENUE AND EXPENSE CLASSIFICATIONS

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

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

SCHOLARSHIP ALLOWANCE

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses, and Changes in Net Assets. Scholarship discount and 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 discount and allowance on a University-wide basis by allocating the amounts applied to student accounts and the cash payments to students, excluding payments for services, on the ratio of total aid to the aid not considered to be third-party aid.

DISCOUNTS, PREMIUMS, AND BOND ISSUANCE COSTS

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

INCOME TAX STATUS

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

COMPARATIVE DATA

The University presents its financial information on a comparative basis. The basic financial statements include certain prior year summarized comparative information in total, but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, the prior-year information should be read in conjunction with the University's financial statements for the year ended June 30, 2008, from which the summarized information was derived.

RESTATEMENTS AND RECLASSIFICATIONS

Certain amounts from the prior fiscal year have been restated and reclassified to conform to current-year presentation. The July 1, 2008, beginning net assets as originally reported were overstated by $134,741 as a result of the misclassification of a building at the University's College at Wise as a nondepreciable capital asset. The building has been reclassified and the prior years' accumulated depreciation of $134,741 has been adjusted. The following summarizes restatements that have been made to the ending balance of fiscal year 2008 (in thousands):

Net Assets reported at June 30, 2008	$	5,638,754
Reclassification of nondepreciable capital asset to depreciable, net of accumulated depreciation		(135)
BEGINNING NET ASSETS AT JULY 1, 2008, AS RESTATED	**$**	**5,638,619**

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 a long-term investment pool. The Long-Term Pool (LTP) includes endowment assets. Operating funds are primarily invested for short periods of time and are managed by the University in the Aggregate Cash Pool.

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

The University monitors and receives periodic reports on the long-term 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, when investing tuition and educational fees that are used or required for the day-to-day operations, as permitted under the Code of Virginia Section 23-76.1.

RISK

Custodial Credit Risk is the risk that in the event of a bank failure, the University's deposits will not be honored. The University had no investments exposed to custodial credit risk as of June 30, 2009.

Interest Rate Risk is when the fair market value is adversely affected by changes in interest rates. The longer the duration of an investment, the greater the interest rate risk. Investments subject to interest rate risk at June 30, 2009, are outlined in the accompanying chart.

Credit Risk is the possibility that a loss may occur due to the failure of a counterparty to perform according to the terms of the contract. State law limits the investment of certain nonendowed assets to short-term commercial paper, certificates of deposit, asset-backed securities, and debt obligations to the top rating issued by nationally recognized statistical rating organizations (NRSROs) and requires the investment be rated by at least two NRSROs. For longer-term certificates of deposit and corporate notes, the rating must be one of the top two ratings issued by two NRSROs. Investments subject to credit risk at June 30, 2009, are outlined in the accompanying chart.

Concentration of Credit Risk is the risk of a large loss attributed to the magnitude of investment in a single issuer of fixed income securities. The University minimizes this risk by diversifying its investments. The University does not have investments exposed to concentration of credit risk as of June 30, 2009.

Foreign Currency Risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The University has no foreign investments or deposits as of June 30, 2009.

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 by one of the approved financial institutions, an assessment is levied against all participating institutions to cover the uncollateralized public deposits of the defaulting entity. This cross guarantee significantly diminishes custodial credit risk. Amounts on deposit covered by the Virginia Security of Public Deposits Act totaled $60 million at June 30, 2009. Such deposits are not subject to foreign currency risk. Interest rate risk disclosure for cash equivalents is outlined in the accompanying chart.

Credit Quality and Interest Rate Risk *(in thousands)*	Fair Value	Credit Rating	Investment Maturities (in years)			
			Less than 1 year	1–5 years	6–10 years	Greater than 10 years
CASH EQUIVALENTS						
Short-term investment pool	$ 477	Aaa				
University of Virginia Investment Management Company Aggregate Cash Pool	196,197	Unrated				
State Non-Arbitrage Program	170,354	AAAm				
TOTAL CASH EQUIVALENTS	**$ 367,028**					
INVESTMENTS SUBJECT TO INTEREST RATE RISK						
Endowment investments:						
Debt securities						
Demand notes due from related foundation, noninterest bearing	$ 11,633	Unrated	$ 11,633			
Note receivable, 9%	161	Unrated				$ 161
Other investments						
Federal Home Loan Bank	9,999	Aaa	9,999			
Federal Home Loan Mortgage Corporation		Aaa				
Federal National Mortgage Association	34,999	Aaa	34,999			
TOTAL INVESTMENTS SUBJECT TO INTEREST RATE RISKS	**$ 56,792**		**$ 56,631**			**$ 161**
	100.0%		99.7%	0.0%	0.0%	0.3%

INVESTMENTS

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

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

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

Biannual distributions are made from the University's endowment to departments holding endowment investments. The University's endowment spending policy ties annual increases to inflation as defined by the Higher Education Price Index. If the increase causes the endowment distribution to fall outside a range defined as 4.0 percent to 6.0 percent of the market value of the endowment, then the Finance Committee of the Board of Visitors may recommend increasing or decreasing the spending rate. The current policy calls for the Board of Visitors to review the inflation factor every five years. This will next occur in 2010, unless the distribution falls outside of the current 4.0 percent to 6.0 percent range. For fiscal year 2009, the endowment distribution was adjusted to 5.0 percent of the fund's market value at June 30, 2008. For fiscal year 2009, for endowments invested in the LTP, the total distribution was $163.5 million and the market value of the LTP endowment at June 30, 2009, was $2.4 billion.

At June 30, 2009, the University's investment in the LTP was $3.1 billion, representing 83 percent of invested assets. At June 30, 2009, the University's investment in the Aggregate Cash Pool was $196 million, representing 5 percent of invested assets. These pools are not rated by nationally recognized statistical rating organizations.

For the year ended June 30, 2009, the University had the following endowment-related activities:

Summary of Endowment Activity *(in thousands)*	Type of Endowment Fund			
	DONOR-RESTRICTED	QUASI	TRUSTS	TOTAL
Investment earnings	$ (325,617)	$ (380,401)	$ (10,977)	$ (716,995)
Contributions to permanent endowment	49,212	–	–	49,212
Other gifts	–	–	2,409	2,409
Spending distribution	(76,700)	(86,831)	–	(163,531)
Transfers in/(out) *	741	103,811	(2,960)	101,592
TOTAL CHANGE IN ENDOWMENT FUNDS	**$ (352,364)**	**$ (363,421)**	**$ (11,528)**	**$ (727,313)**

**Transfers into donor-restricted endowments include donor-directed income capitalizations, and transfers out of trusts include payments to income beneficiaries.*

Note 3: Statement of Net Assets Details

a. Accounts receivable: The composition of accounts receivable at June 30, 2009, is summarized as follows:

Accounts Receivable *(in thousands)*	
Patient care	$ 310,960
Grants and contracts	35,006
Pledges	18,311
Institutional loans	3,387
Equipment Trust Fund reimbursement	10,556
Auxiliary	4,168
Related foundation	2,731
Other	7,761
Less: Allowance for doubtful accounts	(234,222)
TOTAL	**$ 158,658**

b. Notes receivable: The composition of notes receivable at June 30, 2009, is summarized as follows:

NOTES RECEIVABLE *(in thousands)*	
Perkins	$ 19,390
Nursing	1,403
Health	6
Institutional	13,735
Fraternity loan	770
House Staff loan	13
Less: Allowance for doubtful accounts	(802)
Total notes receivable, net	**34,515**
Less: Current portion, net of allowance	(4,313)
TOTAL NONCURRENT NOTES RECEIVABLE	**$ 30,202**

c. Pledges: The composition of pledges receivable at June 30, 2009, is summarized as follows:

PLEDGES *(in thousands)*	
GIFT PLEDGES OUTSTANDING	
Operations	$ 13,584
Capital	14,725
TOTAL GIFT PLEDGES OUTSTANDING	**28,309**
Less:	
Allowance for uncollectible pledges	(2,463)
Unamortized discount to present value	(2,124)
Total pledges receivable, net	**23,722**
Less current portion, net of allowance	(16,685)
TOTAL NONCURRENT PLEDGES RECEIVABLE	**$ 7,037**

d. Capital assets: Activity for the year ended June 30, 2009, is summarized as follows:

INVESTMENT IN PLANT— CAPITAL ASSETS *(in thousands)*	BEGINNING BALANCE JULY 1, 2008	ADDITIONS	DISPOSITIONS	ADJUSTMENTS	ENDING BALANCE JUNE 30, 2009
NONDEPRECIABLE CAPITAL ASSETS					
Land	$ 38,192	$ 341	$ —	$ (561)	$ 37,972
Construction in process	371,506	267,827	2,411	(340,867)	296,055
Software in development	10,881	11,054	—	(8,480)	13,455
TOTAL NONDEPRECIABLE CAPITAL ASSETS	**420,579**	**279,222**	**2,411**	**(349,908)**	**347,482**
DEPRECIABLE CAPITAL ASSETS					
Buildings	1,852,584	111,385	5,157	243,798	2,202,610
Equipment	615,882	53,304	38,331	(14,437)	616,418
Infrastructure	214,440	—	—	110,895	325,335
Improvements other than buildings	138,209	16	23	1,182	139,384
Capitalized software	32,790	—	—	8,480	41,270
Library books	105,191	3,682	376	—	108,497
Total depreciable capital assets	**2,959,096**	**168,387**	**43,887**	**349,918**	**3,433,514**
Less accumulated depreciation for:					
Buildings	(683,863)	(62,086)	(3,168)	(17,580)	(760,361)
Equipment	(389,703)	(55,026)	(25,436)	17,160	(402,133)
Infrastructure	(112,320)	(10,212)	—	374	(122,158)
Improvements other than buildings	(72,839)	(6,059)	(23)	(93)	(78,968)
Capitalized software	(24,362)	(2,592)	—	(26)	(26,980)
Library books	(81,139)	(4,002)	(377)	—	(84,764)
Total accumulated depreciation	**(1,364,226)**	**(139,977)**	**(29,004)**	**(165)**	**(1,475,364)**
TOTAL DEPRECIABLE CAPITAL ASSETS, NET	**1,594,870**	**28,410**	**14,883**	**349,753**	**1,958,150**
TOTAL	**$ 2,015,449**	**$ 307,632**	**$ 17,294**	**$ (155)**	**$ 2,305,632**

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: The composition of accounts payable at June 30, 2009, is summarized as follows:

Accounts Payable *(in thousands)*		
Accounts payable	$	115,102
Accrued salaries and wages payable		62,784
Other payables		38,859
TOTAL	**$**	**216,745**

g. Deferred revenue: The composition of deferred revenue at June 30, 2009, is summarized as follows:

Deferred Revenue *(in thousands)*		
Grants and contracts	$	49,073
Student payments		12,144
Other tuition and fee payments		9,778
Medical Center gift revenues		18,733
Other deferred revenues		11,061
TOTAL	**$**	**100,789**

Note 4: Short-Term Debt

Short-term debt at June 30, 2009, is summarized as follows:

Short-Term Debt *(in thousands)*	Beginning Balance July 1, 2008	Additions	Reductions	Ending Balance June 30, 2009
Commercial paper, tax-exempt	$ 17,550	$ 149,585	$ 110,720	$ 56,415
TOTAL COMMERCIAL PAPER	**$ 17,550**	**$ 149,585**	**$ 110,720**	**$ 56,415**

The University has a combined taxable and tax-exempt commercial paper program that provides for bridge financing for capital projects up to a board-approved limit. The University Board of Visitors approved the current commercial paper program limit of $300,000,000 in April 2008. In fiscal year 2009, the average days to maturity for outstanding commercial paper were ninety-eight and the weighted-average effective interest rate was .62 percent.

Note 5: Long-Term Obligations

a. Long-term debt: The composition of long-term debt at June 30, 2009, is summarized as follows:

Long-Term Debt *(in thousands)*	Interest Rates	Final Maturity	Beginning Balance July 1, 2008	Additions	Reductions	Ending Balance June 30, 2009
BONDS AND NOTES PAYABLE						
Revenue bonds						
Medical Center Series 1999A (9d)	4.5% to 5.3%	2013	$ 18,935	$ —	$ 18,935	$ —
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	110,815	—	2,365	108,450
University of Virginia Series 2005 (9d)	4.0% to 5.0%	2037	185,495	—	2,700	182,795
University of Virginia Series 2008 (9d)	5.0%	2040	231,365	—	—	231,365
University of Virginia Series 2009 (9d)	4.04%*	2040	—	250,000	—	250,000
Commonwealth of Virginia bonds (9c)	3.8% to 9.3%	2021	25,077	5,555	9,787	20,845
Notes payable to VCBA 1999A (9d)	3.5% to 6.0%	2020	2,910	—	1,420	1,490
Notes payable to VCBA 2000A (9d)	3.5% to 5.8%	2021	12,360	—	1,985	10,375
Notes payable to VCBA 2004B (9d)	3.0% to 5.0%	2020	37,105	—	115	36,990
Notes payable to VCBA 2007B (9d)	4.0% to 4.25%	2020	11,010	—	255	10,755
Other	various	2009	298	—	77	221
TOTAL BONDS AND NOTES PAYABLE			**$ 717,380**	**$ 255,555**	**$ 37,639**	**$ 935,296**
Less current portion of debt			(13,047)	(465)	—	(13,512)
Bond premium			23,898	—	1,024	22,874
Deferred loss on early retirement of debt			(4,696)	—	(397)	(4,299)
NET LONG-TERM DEBT			**$ 723,535**	**$ 255,090**	**$ 38,266**	**$ 940,359**

***The University of Virginia Series 2009 (9d) revenue bonds are Build America Bonds, issued at 6.2%. With the ARRA rebate, the effective rate is reduced to 4.04%.**

On April 22, 2009, the University of Virginia issued $250,000,000 in Taxable General Revenue Pledge Bonds, Series 2009 ("Series 2009 Bonds"). The Series 2009 Bonds were issued as Build America Bonds for the purposes of the American Reinvestment and Recovery Act of 2009 (the "Act") to fund new construction on the grounds of the University of Virginia. The Series 2009 Bonds were issued with a coupon of 6.20 percent. Pursuant to the Act, the University will receive a cash subsidy payment from the United States Treasury equal to 35 percent of the interest payable on the Series 2009 Bonds on each interest payment date. The Series 2009 Bonds are due September 1, 2039, and, after taking into account the cash subsidy, were issued at a yield to maturity of 4.044 percent.

On June 15, 2009, the University called all $18,935,000 of its outstanding General Revenue Pledge Bonds, Series 1999A. The University issued tax-exempt commercial paper to finance the call. The refunding of the bonds is estimated to reduce aggregate debt service by $1,820,204, representing a net present-value savings of $1,776,146 and an accounting loss of $189,350.

During the fiscal year ended June 30, 2009, the Commonwealth of Virginia, on behalf of the University of Virginia, issued bonds of $5,554,959 to advance refund $5,556,651 of Series 1998 Bonds. The advance refunding reduced the aggregate debt service by $173,812, representing a net present-value savings of $159,035 and an accounting loss of $192,662.

The University of Virginia has a revolving credit agreement with a maximum principal amount of $82,010,000 to provide liquidity for its General Revenue Pledge Bonds, and another revolving credit agreement with a maximum principal amount of $167,990,000 to provide liquidity for all other variable-rate obligations of the University. There were no advances outstanding under either credit agreement as of June 30, 2009.

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
2010	$ 13,512	$ 39,626
2011	13,327	39,875
2012	12,862	39,905
2013	13,385	38,555
2014	12,855	37,910
2015–2019	69,085	179,478
2020–2024	50,205	165,051
2025–2029	27,195	156,430
2030–2034	110,045	148,725
2035–2039	281,910	117,906
2040	330,915	9,083
TOTAL	**$ 935,296**	**$ 972,544**

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, 2009, the outstanding balance of the prior years' in-substance defeased bonds and notes totaled $46,950,000.

DERIVATIVES

At June 30, 2009, the University had two fixed-payor interest rate swaps totaling $100 million in notional amount. The underlying index for the swaps is the Securities Industry and Financial Markets Municipal Swap Index (SIFMA). The swaps mature June 1, 2038. The swaps were entered into at a zero market value and no payments were made or received when they were initiated.

As of June 30, 2009, the $100 million notional amount of swaps outstanding had a negative market value of approximately $7 million, representing the amount the University would pay if the swaps were terminated on that date. The fair value was determined by using the quoted SIFMA index curve at the time of market valuation. The University would be exposed to the credit risk of its swap counterparties any time the swaps had a positive market value. As of June 30, 2009, the University's swap counterparties were rated A+ and A from Standard & Poor's and Aa3 and A2 by Moody's. To mitigate credit risk, the University limits market value exposure and requires the posting of collateral based on the credit rating of the counterparty. All counterparties are required to have at least an A-/A3 rating by Standard & Poor's and Moody's, respectively. As of June 30, 2009, no collateral was required to be posted by the counterparties.

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

b. Long-term liabilities: The composition of long-term liabilities at June 30, 2009, is summarized as follows:

Long-Term Liabilities *(in thousands)*	Beginning Balance July 1, 2008	Additions	Reductions	Ending Balance June 30, 2009
Investments held for related entities	$ 18,472	$ 60	$ 5,833	$ 12,699
Accrual for compensated absences	50,127	55,216	52,369	52,974
Perkins loan program	15,860	102	–	15,962
Investment in Culpeper Regional Hospital	–	42,264	4,567	37,697
Other postemployment benefits	6,766	867	–	7,633
Other	24,543	13,939	14,145	24,337
Subtotal	**115,768**	**112,448**	**76,914**	**151,302**
Less current portion of long-term liabilities	(53,690)	(17,889)	–	(71,579)
NET LONG-TERM LIABILITIES	**$ 62,078**	**$ 94,559**	**$ 76,914**	**$ 79,723**

Note 6: Affiliated Companies

UNIVERSITY OF VIRGINIA IMAGING, L.L.C.

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

The Medical Center currently operates an outpatient imaging department offering MRI, plain film radiography, fluoroscopy, and ultrasound in office space at the Fontaine Research Park. Although available to all Medical Center physicians, the site principally serves orthopaedic physicians located at the Fontaine 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, 2009, 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, 2009, the Medical Center's investment totaled $500,000.

UNIVERSITY HEALTHSYSTEM CONSORTIUM (UHC)

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

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

CULPEPER REGIONAL HOSPITAL

On December 31, 2008, the University of Virginia Medical Center and Culpeper Regional Hospital entered into a partnership agreement, whereby the Medical Center obtained a 49 percent interest in Culpeper Regional Hospital, with a $41.2M investment. The Medical Center uses the equity method of consolidation in order to reflect the Medical Center's investment in Culpeper Regional Hospital.

As of June 30, 2009 *(in thousands)*	COMMON STOCK AND EQUITY CONTRIBUTIONS	SHARE OF ACCUMULATED INCOME (LOSS)	NET INVESTMENT
UVA Imaging, L.L.C.	$ 687	$ 2,546	$ 3,233
Community Medicine, L.L.C.	1,810	(4,038)	(2,228)
Central Virginia Health Network, Inc.	232	(41)	191
HEALTHSOUTH, L.L.C.	1,355	6,558	7,913
Valiance, L.L.C.	–	1,276	1,276
University HealthSystem Consortium	–	647	647
Culpeper Regional Hospital	41,248	219	41,467

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, 2009*	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	$ 25,215	$ 20,165	$ 49,627	$ 28,063	$ 20,933	$ 76,130	$ 213,003	$ 433,136	$ —	$ 433,136
Noncurrent assets										
Long-term investments	225,746	177,117	277,744	47,851	64,235	126,240	3,829,859	4,748,792	(716,418)	4,032,374
Capital assets, net, and other assets	6,241	89,495	34,991	24,782	222,550	29,265	1,095	408,419	—	408,419
Total noncurrent assets	231,987	266,612	312,735	72,633	286,785	155,505	3,830,954	5,157,211	(716,418)	4,440,793
TOTAL ASSETS	$ 257,202	$ 286,777	$ 362,362	$ 100,696	$ 307,718	$ 231,635	$ 4,043,957	$ 5,590,347	$ (716,418)	$ 4,873,929
LIABILITIES AND NET ASSETS										
Current liabilities										
Total current liabilities	$ 274	$ 7,001	$ 59,835	$ 634	$ 63,992	$ 94,687	$ 4,034,136	$ 4,260,559	$ (716,418)	$ 3,544,141
Noncurrent liabilities										
Long-term debt, net of current portion of $12,706	—	49,347	18,003	—	127,399	40,650	—	235,399	—	235,399
Other noncurrent liabilities	521	—	21,201	683	42,779	62,345	3,738	131,267	—	131,267
Total noncurrent liabilities	521	49,347	39,204	683	170,178	102,995	3,738	366,666	—	366,666
TOTAL LIABILITIES	$ 795	$ 56,348	$ 99,039	$ 1,317	$ 234,170	$ 197,682	$ 4,037,874	$ 4,627,225	$ (716,418)	$ 3,910,807
NET ASSETS										
Unrestricted	$ 31,108	$ 72,540	$ 35,013	$ 35,698	$ 5,681	$ 28,297	$ 6,083	$ 214,420	$ —	$ 214,420
Temporarily restricted	123,702	50,535	81,763	39,486	53,091	5,656	—	354,233	—	354,233
Permanently restricted	101,597	107,354	146,547	24,195	14,776	—	—	394,469	—	394,469
TOTAL NET ASSETS	256,407	230,429	263,323	99,379	73,548	33,953	6,083	963,122	—	963,122
TOTAL LIABILITIES AND NET ASSETS	$ 257,202	$ 286,777	$ 362,362	$ 100,696	$ 307,718	$ 231,635	$ 4,043,957	$ 5,590,347	$ (716,418)	$ 4,873,929

**December 31, 2008, year-end*

PLEDGES RECEIVABLE

Unconditional promises to give (pledges) are recorded as receivables and revenues and are assigned to net asset categories based on the presence or absence of donor-imposed restrictions. Pledges expected to be collected within one year are recorded at net realizable value. Pledges that are expected to be collected in future years are recorded at the net present value of their estimated future cash flows. The discounts on these amounts are computed using risk-free interest rates applicable to the years in which the promise was received and then remain consistent throughout the pledge's life. The component units recorded an allowance against pledges receivable for estimated uncollectible amounts. The **Health Services Foundation** does not accept gifts. Unconditional promises to give at June 30, 2009, are as follows:

Summary Schedule of Pledges Receivable *(in thousands)* *as of June 30, 2009*	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	$ 14,266	$ 19,108	$ 20,738	$ 44,112	$ —	$ —	$ —	$ 98,224
Less allowance for uncollectible accounts	(886)	(1,682)	(1,672)	(4,655)	—	—	—	(8,895)
Less effect of discounting to present value	(2,609)	(2,258)	(2,223)	(1,495)	—	—	—	(8,585)
Net pledges receivable	10,771	15,168	16,843	37,962	—	—	—	80,744
Less current pledges	(4,805)	(3,447)	(4,808)	(14,411)	—	—	—	(27,471)
TOTAL NONCURRENT PLEDGES RECEIVABLE	$ 5,966	$ 11,721	$ 12,035	$ 23,551	$ —	$ —	$ —	$ 53,273

**December 31, 2008, year-end*

The **University of Virginia Law School Foundation** has received bequest intentions and certain other conditional promises to give of approximately $11 million at June 30, 2009. These intentions and conditional promises to give are not recognized as assets, and if they are received, will generally be restricted for specific purposes stipulated by the donors, primarily endowments for scholarships and professorships.

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

INVESTMENTS

Investments are recorded at market value, which is determined by readily available quotes on the stock exchange or as quoted by the **University of Virginia Investment Management Company (UVIMCO)**. Realized gains (losses) from the sale of securities and unrealized gains (losses) from the appreciation (depreciation) of the value of securities held are recognized in the year incurred. The fair values of investments by investment class at June 30, 2009, for the component units are as follows:

SUMMARY SCHEDULE OF INVESTMENTS *(in thousands)* *as of June 30, 2009*	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	$ 35	$ —	$ —	$ —	$ —	$ —	$ 1,190,280	$ 1,190,315
University of Virginia Investment Management Company	156,402	169,278	261,084	47,291	50,411	31,952	—	716,418
Equities	42	3,340	7,141	149	—	11,641	924,079	946,392
Other	89,367	8,737	9,524	1,083	24,466	96,830	1,927,283	2,157,290
Total investments	**$ 245,846**	**$ 181,355**	**$ 277,749**	**$ 48,523**	**$ 74,877**	**$ 140,423**	**$4,041,642**	**$ 5,010,415**
Less amounts shown in current assets	(20,100)	(4,238)	(5)	(672)	(10,642)	(14,183)	(211,783)	(261,623)
Less eliminations	(156,402)	(169,278)	(261,084)	(47,291)	(50,411)	(31,952)	—	(716,418)
LONG-TERM INVESTMENTS	**$ 69,344**	**$ 7,839**	**$ 16,660**	**$ 560**	**$ 13,824**	**$ 94,288**	**$3,829,859**	**$4,032,374**

**December 31, 2008, year-end*

UVIMCO has investments in limited-partnership hedge funds, private equity and venture capital investments, or similar private investment vehicles. These investments do not actively trade through established exchange mechanisms and are valued at estimated fair market value, based on **UVIMCO**'s interest in the investee as determined and reported by the external manager of the investment. Such investments represent $1,427,091,895 (36 percent of investments held for others) at June 30, 2009. Because of the inherent uncertainty of such valuations, these estimated values may differ from the values that would have been used had a ready market for the investments existed, and such differences could be material.

PROPERTY, FURNISHINGS, AND EQUIPMENT

The property, furnishings, and equipment of the **University of Virginia Foundation** and the **University of Virginia Darden School Foundation** are recorded at cost, except donated property, which is recorded at fair market value at the date of the gift. Depreciation is taken over estimated useful lives of five to thirty-nine years using the straight-line method. As of June 30, 2009, capital assets consisted of (in thousands):

	UNIVERSITY OF VIRGINIA FOUNDATION	UNIVERSITY OF VIRGINIA DARDEN SCHOOL FOUNDATION
Land	$ 60,772	
Buildings and improvements	188,453	$ 103,064
Furnishings and equipment	21,328	1,200
Total	**270,553**	**104,264**
Less accumulated depreciation	(64,673)	(26,841)
NET CAPITAL ASSETS	**$ 205,880**	**$ 77,423**

NOTES PAYABLE

The **University of Virginia Foundation** has established a line of credit with Wachovia Bank in the amount of $34 million. The outstanding balance at June 30, 2009, was $34 million. The Foundation has a second line of credit with Bank of America in the amount of $40 million. The outstanding balance on this line was $25 million at June 30, 2009.

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, 2009, the Foundation had borrowed $12 million of these funds to acquire properties on behalf of the University. These notes payable are noninterest bearing and due on demand.

LONG-TERM DEBT

The following table summarizes the long-term obligations of the **University of Virginia Darden School Foundation**, the **University of Virginia Foundation**, and the **University of Virginia Health Services Foundation** at June 30, 2009 (in thousands):

	UNIVERSITY OF VIRGINIA DARDEN SCHOOL FOUNDATION	UNIVERSITY OF VIRGINIA FOUNDATION	UNIVERSITY OF VIRGINIA HEALTH SERVICES FOUNDATION
University of Virginia Phase I and II Darden School Facilities	$ 52,780		
Operating loan		$ 25,407	
1997 Industrial Development Authority revenue bonds–Louisa		5,046	
1998 Refunding bonds			$ 13,800
1999 Mortgage note payable		6,695	
2000 Industrial Development Authority revenue bonds–Louisa			4,560
2001 Refinancing demand bonds		41,060	
2004 Refinancing note payable		9,744	
2006 Refinancing demand bonds		47,910	
2009 Economic Development Authority revenue bonds–Albemarle			23,100
Total	**52,780**	**135,862**	**41,460**
Less portion due within one year	(3,433)	(8,463)	(810)
LONG-TERM DEBT, NET OF CURRENT PORTION	**$ 49,347**	**$ 127,399**	**$ 40,650**

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

	UNIVERSITY OF VIRGINIA DARDEN SCHOOL FOUNDATION	UNIVERSITY OF VIRGINIA FOUNDATION	UNIVERSITY OF VIRGINIA HEALTH SERVICES FOUNDATION
Year ended June 30, 2010	$ 3,433	$ 8,463	$ 810
Year ended June 30, 2011	3,618	16,254	1,260
Year ended June 30, 2012	3,822	3,710	1,315
Year ended June 30, 2013	4,032	12,962	1,375
Year ended June 30, 2014	4,241	7,749	1,440
Years ended June 30, 2015–2033	33,634	86,724	35,260
TOTAL	**$ 52,780**	**$ 135,862**	**$ 41,460**

Statement of Activities *(in thousands)* *for the year ended June 30, 2009*	University of Virginia Law School Foundation	University of Virginia Darden School Foundation	Alumni Association of the University of Virginia	Virginia Athletics Foundation*	University of Virginia Foundation	University of Virginia Health Services Foundation	University of Virginia Investment Management Company	Component Units Total
UNRESTRICTED REVENUES AND SUPPORT								
Contributions	$ 2,196	$ 3,482	$ 600	$ 15,720	$ –	$ –	$ –	$ 21,998
Fees for services, rentals, and sales	–	25,337	2,307	744	41,797	202,474	–	272,659
Other revenues	(18,096)	(6,361)	15,691	4,778	7,476	50,497	10,839	64,824
TOTAL UNRESTRICTED REVENUES AND SUPPORT	**(15,900)**	**22,458**	**18,598**	**21,242**	**49,273**	**252,971**	**10,839**	**359,481**
EXPENSES								
Program services, lectures, special events	12,692	37,146	28,749	11,094	–	237,988	–	327,669
Other expenses	4,266	4,155	5,115	23,749	47,184	42,396	9,980	136,845
TOTAL EXPENSES	**16,958**	**41,301**	**33,864**	**34,843**	**47,184**	**280,384**	**9,980**	**464,514**
EXCESS (DEFICIENCY) OF UNRESTRICTED REVENUES AND SUPPORT OVER EXPENSES	**(32,858)**	**(18,843)**	**(15,266)**	**(13,601)**	**2,089**	**(27,413)**	**859**	**(105,033)**
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS								
Contributions	$ 4,702	$ 961	$ 27,938	$ 1,373	$ –	$ –	$ –	$ 34,974
Other	(37,655)	(46,184)	(88,348)	(22,499)	(12,008)	(1,840)	–	(208,534)
NET CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	**(32,953)**	**(45,223)**	**(60,410)**	**(21,126)**	**(12,008)**	**(1,840)**	**–**	**(173,560)**
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS								
Contributions	$ 3,970	$ 24	$ 5,484	$ 3,275	$ –	$ –	$ –	$ 12,753
Other	1,277	–	(1,673)	(31)	(4,844)	–	–	(5,271)
NET CHANGE IN PERMANENTLY RESTRICTED NET ASSETS	**5,247**	**24**	**3,811**	**3,244**	**(4,844)**	**–**	**–**	**7,482**
CHANGE IN NET ASSETS	**(60,564)**	**(64,042)**	**(71,865)**	**(31,483)**	**(14,763)**	**(29,253)**	**859**	**(271,111)**
Net assets, beginning of year	316,971	294,471	335,188	130,789	88,311	63,206	5,224	1,234,160
Cumulative effect of FMV option	–	–	–	73	–	–	–	73
NET ASSETS, END OF YEAR	**$ 256,407**	**$ 230,429**	**$ 263,323**	**$ 99,379**	**$ 73,548**	**$ 33,953**	**$ 6,083**	**$ 963,122**

**December 31, 2008, year-end*

SIGNIFICANT TRANSACTIONS WITH THE UNIVERSITY OF VIRGINIA

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

Direct payments to the University from the **Alumni Association of the University of Virginia** for the year ended June 30, 2009, totaled $1 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, 2009. Approximately $20 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 $16 million to the University in support of various academic programs, equipment, teaching, and research for the year ended June 30, 2009.

Note 8: Expense Classification Matrix

Operating Expenses by Functional Classification *(in thousands)* *for the year ended June 30, 2009*	Compensation and Benefits	Supplies, Utilities, and Other Services	Student Aid	Depreciation	Other	Total
Instruction	$ 281,117	$ 26,173	$ 3,737	$ —	$ 1,098	$ 312,125
Research	171,168	93,255	16,478	—	352	281,253
Public service	14,794	12,494	701	—	700	28,689
Academic support	87,897	31,663	797	—	204	120,561
Student services	27,403	5,876	313	—	128	33,720
Institutional support	76,739	9,508	78	—	367	86,692
Operation of plant	67,231	7,337	6	—	109	74,683
Student aid	929	4,433	40,469	—	194	46,025
Auxiliary	64,688	63,269	171	—	501	128,629
Depreciation	—	—	—	89,025	—	89,025
Patient services	421,169	438,924	—	52,313	30,811	943,217
Other	2,099	11,130	—	—	—	13,229
TOTAL	**$ 1,215,234**	**$ 704,062**	**$ 62,750**	**$ 141,338**	**$ 34,464**	**$ 2,157,848**

Note 9: Appropriations

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

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

Appropriations *(in thousands)*	
Original legislative appropriation per Chapter 847	$ 162,278
Adjustments	
Financial Aid—General Fund	11,049
2009 Budget Reduction	(10,399)
Eminent Scholars	2,818
SWVA Public Education Consortium	298
Allot funds for Engineering Telecommunications Project	775
Financial Assistance for E&G	3,256
Employee benefits	(394)
Miscellaneous educational and general	497
TOTAL	**$ 170,178**

Note 10: Retirement Plans

Employees of the University are employees of the Commonwealth. Substantially all (96 percent) of salaried classified and University staff employees, 11 percent of faculty, and 20 percent of Medical Center employees participate in a defined-benefit pension plan administered by the Virginia Retirement System (VRS). The VRS does not measure assets and pension benefit obligations separately for individual state institutions. Information relating to this plan is available at the statewide level only in the Commonwealth of Virginia's *Comprehensive Annual Financial Report (CAFR)*. The CAFR provides disclosure of the Commonwealth's unfunded pension benefit obligation at June 30, 2009. The Commonwealth, not the University, has overall responsibility for contributions to this plan.

Eighty-nine percent of teaching, research, and administrative faculty, 4 percent of University staff, and 80 percent of Medical Center employees participate in Optional Retirement Plans. The Optional Retirement Plan is a defined-contribution plan to which the University contributes an amount established by statute. Participants are fully vested immediately. The Medical Center Retirement Plan is a defined-contribution plan to which the University contributes an amount determined by the Board of Visitors. Medical Center employees are fully vested after one or two years of employment, depending on their date of hire.

Total pension costs under the Optional Retirement Plans were approximately $46 million, and contributions were calculated using base salaries of $524 million, for the year ended June 30, 2009. The contribution percentage amounted to 8.7 percent.

State employees may elect to participate in the Commonwealth's Deferred Compensation Plan. Participating employees can contribute to the plan each pay period, with the Commonwealth matching up to $20 per pay period. This dollar-amount match can change depending on the funding available in the Commonwealth's budget. The Deferred Compensation Plan is a qualified defined-contribution plan under section 401(a) of the Internal Revenue Code. Employer contributions under the Deferred Compensation Plan were approximately $8 million for the fiscal year ended June 30, 2009.

Note 11: Postemployment Benefits Other Than Pension Benefits

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

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

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

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

The contribution requirements of plan members and the University are based on projected pay-as-you-go financing requirements. For fiscal year 2009, the University contributed $3,520,504 to the plan for retiree claims. Retirees receiving benefits contributed $3,402,194, or approximately 49 percent of the total premiums, through their required contribution of $402 per month for retiree-only coverage and $817 per month for retiree-and-spouse coverage.

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

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

Summary of Valuation Results *(in thousands)*	
Actuarial Accrued Liability by Category	
Current retirees, beneficiaries, dependents, and terminated vested members	$ 9,175
Current active members	38,120
Adjust to June 30, 2008	687
Total actuarial accrued liability as of June 30, 2009	**47,982**
Annual Required Contribution (ARC)	
ARC for June 30, 2009	7,029
Interest on net OPEB obligation	189
ARC adjustment to June 30, 2009	(262)
Actual contributions	(6,089)
Net increase in ARC for June 30, 2009	**867**
Actual ARC July 1, 2008	6,766
Total annual required contribution as of June 30, 2009	**$ 7,633**

As of June 30, 2009, the University has not funded this retirement plan.

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

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

In the June 30, 2007, actuarial valuation, the University elected to use the Level Dollar Entry Age method. The actuarial assumptions include a 4.5 percent investment rate of return, which is a blended rate of the expected long-term investment returns on plan assets and the University's own investments calculated based on the funded level of the plan at the valuation date, and an annual health care cost trend rate of 10 percent initially, reduced by decrements to an ultimate rate of 5 percent after five years. Both rates include a 4 percent inflation assumption. The UAAL is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2009, was twenty-eight years.

Note 12: Self-Insurance

All University employees have the option to participate in the University's self-funded, comprehensive medical care benefits program. The cost of medical care is paid out of employee and employer contributions. The market value of investments at June 30, 2009, was $37 million. The estimated liability for outstanding claims at June 30, 2009, 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 CVS/Caremark for its pharmacy claims.

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

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

Note 13: Funds Held in Trust by Others

Assets of funds held by trustees for the benefit of the University are not reflected in the accompanying Statement of Net Assets. The University has irrevocable rights to all or a portion of the income of these funds, but the assets of the funds are not under the management of the University. The market value of the funds held by trustees for the benefit of the University at June 30, 2009, was $105 million and income received totaled $6 million.

Note 14: Commitments

As of June 30, 2009, the University had outstanding construction contracts commitments of approximately $246 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, 2009, was approximately $31 million.

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

Years Ending June 30 *(in thousands)*	Lease Obligation
2010	$ 12,523
2011	6,414
2012	4,172
2013	3,205
2014	2,559
2015–2019	8,636
2020–2024	4,217
2025–2029	823
2030–2034	823
2035–2039	823
2040–2044	823
2045–2049	823
2050–2054	165
TOTAL	**$ 46,006**

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, 2009. Comparative information for the year ended June 30, 2008, 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 basic financial statements of the Commonwealth. The University of Virginia's three divisions are its Academic Division, Medical Center, and the College at Wise.

Academic Division

A public institution of higher learning with 21,057 students and 2,171 full-time instructional and research faculty members in eleven separate schools in 2008–09, the University offers a diverse range of degree programs, including doctorates in fifty-five disciplines. The University is recognized internationally for the quality of its faculty and for its commitment to the primary academic missions of instruction, research, public service, and medical care. 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 577-bed hospital in a state-designated Level 1 trauma center located in Charlottesville. In addition, primary and specialty care are provided at convenient clinic locations throughout central Virginia communities.

College at Wise

Located in southwestern Virginia, the College at Wise is a public liberal arts college with 2,015 students and 94 full-time instructional and research faculty. It offers thirty majors and seven preprofessional programs, including dentistry, forestry, law, medicine, physical therapy, and veterinary medicine. Degrees include the bachelor of arts, the bachelor of science, and the bachelor of science in nursing.

FINANCIAL HIGHLIGHTS

For the fiscal year ended June 30, 2009:

- The University sustained a negative 21 percent return on its endowment during 2008–09. Overall, the endowment assets decreased by $733 million. However, the University still made a 5.0 percent spending distribution to its departments, which totaled $163.5 million.
- Despite the difficult economic times, the University had its AAA bond rating reaffirmed by the top three rating agencies in April 2009. This enabled the University to issue debt at the lowest possible rates, to finance new and ongoing capital projects.
- In April 2009, the University issued $250 million of general revenue pledge bonds. These bonds were issued as Build America Bonds, under the federal American Reinvestment and Recovery Act (ARRA) of 2009. The bonds were issued with an interest rate of 6.2 percent. But the University will receive a 35 percent subsidy rebate from the U.S. government, effectively reducing the rate to 4.04 percent. U.Va. was the first public university to issue Build America Bonds. The proceeds will be used to acquire and construct a number of important projects that will advance the University's mission. Projects include the Arts and Sciences Research Building, Hospital Expansion, Snyder Translational Research Building Life Sciences Annex, Heart and Vascular Center, Emily Couric Clinical Cancer Center, Intraoperative Operating and MRI Rooms, and others.
- As of June 30, 2009, the University had been awarded $8.8 million of funding from ARRA grants. Additional ARRA funding will be received during fiscal year 2009–10.
- The University sustained a $10.4 million budget cut from the Commonwealth during fiscal year 2008–09. In addition, there were no salary increases for the second consecutive year.
- In fiscal year 2008–09, the State Council of Higher Education for Virginia (SCHEV) certified that the University met the management standards established under Restructuring. Therefore, the University will continue to operate with the increased independence granted under the act.
- In December 2008, the Medical Center entered into a partnership with Culpeper Regional Hospital, which gave the Medical Center approximately 49 percent of the voting board seats and supermajority voting rights applicable to approval for strategic decisions for the Culpeper Regional Hospital.
- In April 2009, the University negotiated a new F&A rate agreement with the U.S. Department of Health and Human Services. Effective July 1, 2009, the University's organized research rate will increase from 51.5 percent to 54.0 percent, until June 30, 2011.

The University saw a significant decrease in net assets of $836 million. Some of the contributing factors to this decrease are outlined in the summary table below.

Summary of the Change in Net Assets *(in thousands)*	2009	2008	Increase (Decrease) Amount	Increase (Decrease) Percent
Total revenues before investment income	$ 2,229,683	$ 2,153,354	$ 76,329	3.5%
Total expenses	2,214,805	2,113,040	101,765	4.8%
Increase in net assets before investment income	14,878	40,314	(25,436)	(63.1%)
Investment income (loss)	(850,753)	243,280	(1,094,033)	(449.7%)
TOTAL INCREASE (DECREASE) IN NET ASSETS	**$ (835,875)**	**$ 283,594**	**$ (1,119,469)**	**(394.7%)**

- The predominant causal factor was the market decline in investments. Annual investment income decreased by almost $1.1 billion, going from $243 million in 2007–08 to an $851 million loss in 2008–09. The University's endowment investments earned a negative 21 percent return for the fiscal year, compared with a positive 5.9 percent return in fiscal year 2007–08.
- Revenues before investment income rose by 3.5 percent, while total expenses increased by 4.8 percent. The overall increase in net assets before investment income was $14.9 million in 2008–09 compared with $40.3 million in the prior year.

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

USING THE FINANCIAL STATEMENTS

The University's financial report includes five financial statements and related notes:
1. The Statement of Net Assets for the University of Virginia
2. The Combined Statements of Financial Position for the Component Units of the University of Virginia
3. The Statement of Revenues, Expenses, and Changes in Net Assets for the University of Virginia
4. The Combined Statements of Activities for the Component Units of the University of Virginia
5. The Statement of Cash Flows for the University of Virginia

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

STATEMENT OF NET ASSETS

The Statement of Net Assets presents the financial position of the University at the end of the fiscal year and includes all assets and liabilities of the University. The difference between total assets and total liabilities—net assets—is one indicator of the current financial condition of the University, while the change in net assets is an indicator of whether the overall financial condition has improved or worsened during the year. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less an allowance for depreciation. A summary of the University's assets, liabilities, and net assets at June 30, 2009, and June 30, 2008 (restated), follows.

Summary of the Statement of Net Assets *(in thousands)*	2009	2008	Increase (Decrease) Amount	Increase (Decrease) Percent
Current assets	**$ 720,512**	**$ 657,141**	**$ 63,371**	**9.6%**
Noncurrent assets				
Endowment and other long-term investments	3,024,517	3,960,739	(936,222)	(23.6%)
Capital assets, net	2,305,632	2,015,314	290,318	14.4%
Other	250,513	202,906	47,607	23.5%
Total assets	**6,301,174**	**6,836,100**	**(534,926)**	**(7.8%)**
Current liabilities	**478,348**	**411,868**	**66,480**	**16.1%**
Noncurrent liabilities	**1,020,082**	**785,613**	**234,469**	**29.8%**
Total liabilities	**1,498,430**	**1,197,481**	**300,949**	**25.1%**
NET ASSETS	**$ 4,802,744**	**$ 5,638,619**	**$ (835,875)**	**(14.8%)**

CURRENT ASSETS AND LIABILITIES

Current assets, which totaled $721 million as compared with the previous year's $657 million, consist primarily of cash and cash equivalents, short-term investments, and accounts receivable.

Current liabilities, which consist primarily of accounts payable, deferred revenue, and the current portion of long-term liabilities, increased by $66.5 million, or 16.1 percent. Two reasons account for this change, with both related to debt financing. First, the commercial paper liability increased by almost $39 million as the University positioned itself for the issuance and use of new debt. Commercial paper provides bridge financing for capital projects. Second, the Medical Center entered into a partnership with Culpeper Regional Hospital, resulting in a new long-term liability, of which $14 million is current.

From a liquidity perspective, current assets cover current liabilities 1.5 times, an indicator of good liquidity and the ability to weather short-term demands on working capital. This rate of coverage decreased slightly from 1.6 last year. As it did in 2007–08, current assets cover four months of total operating expenses, including depreciation. For 2008–09, one month of operating expenses is approximately $180 million.

ENDOWMENT AND OTHER INVESTMENTS

Performance. At June 30, 2009, the major portion of the University's endowment was maintained in a long-term investment pool managed by the University of Virginia Investment Management Company (UVIMCO). The annual return for the long-term investment pool this year was negative 21.0 percent, a large decline from last year's positive 5.9 percent. This performance figure includes realized and unrealized gains and losses, along with cash income. With this return, total investment income for all funds was negative $851 million. Compared with 2007–08's positive investment income of $243 million, this is a decrease of almost $1.1 billion.

Distribution. The University distributes endowment earnings in a way that balances the annual support needed for operational purposes against the requirement to preserve the future purchasing power of the endowment. The endowment spending-rate policy is approved by the Board of Visitors and is based on total return, not just cash earnings. The total distribution for the University's endowment was $163.5 million, an increase of $30 million over last year's distribution of $133 million.

Endowment investments. The total for endowment investments on the Statement of Net Assets is $2.5 billion, a large decrease from last year's $3.2 billion. Like most other institutions, the University experienced significant market declines in the value of its investments.

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 $768 million, or 31 percent, is classified as unrestricted net assets. From this unrestricted endowment, a significant portion of the income is internally designated by the University for scholarships, fellowships, professorships, and research activities.

Including endowment investments held by the seven related foundations reported as component units, the combined University system endowment was approximately $3.6 billion as of June 30, 2009.

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 obligations.

Capital additions primarily consist of replacement, renovation, and new construction of academic, research, and health care facilities, as well as significant investments in equipment, including information technology.

A number of major capital projects were completed or acquired during 2009. They totaled $308 million for buildings, and $111 million for infrastructure. The University also added $53 million for capital equipment. Completed building projects included the Carter-Harrison Research Building (MR-6), Ruffin Hall (Studio Art), the new Kellogg House residence hall, the Campbell Hall additions, the Claude Moore Nursing Education Building, and Crockett Hall at the College at Wise. The Heating Plant and Health Sciences Chiller Plant were two major infrastructure projects completed during the year. The University also acquired properties that included the Snyder Translational Research Building Life Sciences Annex, the Emerging Technology Vivarium Building, and the 11th Street Parking Garage.

Projects that were in progress at June 30, 2009, included the Claude Moore Medical Education Building, the Emily Couric Clinical Cancer Center, the Bavaro Hall School of Education Building, the Medical Center bed expansion and infrastructure project, the Rice Hall Information Technology and Engineering Building, the Physical and Life Sciences Research Building, the South Lawn, the Arts and Sciences Building, and the College at Wise's Dining Hall and Residence Hall #3 projects.

Other projects in the design stage at June 30, 2009, include the Ivy Translational Research Building, the North Chiller Plant replacement, the Alderman Road (replacement) residence halls, and the JAG School addition.

Financial stewardship requires the effective management of resources, including the use of debt to finance capital projects. As evidence of the University's effective stewardship, the University has received the highest long-term and short-term debt ratings from all three major rating agencies, including Moody's Investors Service (Aaa/P-1), Standard and Poor's (AAA/A-1+), and Fitch Ratings (AAA/F1+). These ratings were reaffirmed in April 2009 in conjunction with the University's issuance of its Series 2009 General Revenue Pledge Bonds. The University of Virginia is one of only two public institutions with the highest long-term debt ratings from all three agencies. Besides being an official acknowledgement of the University's financial strength, these ratings enable the University to obtain future debt financing at optimum pricing. In addition to issuing its own bonds, the University utilizes its commercial paper program for short-term bridge financing.

The University's debt portfolio contains a strategic mix of both variable- and fixed-rate obligations. The University achieves this mix through a combination of issuing fixed- and variable-rate debt, including commercial paper. It also adjusts its debt mix through the use of interest rate swaps executed according to its Board of Visitors-approved interest rate risk management policy. The seven foundations now required by GASB Statement No. 39 to be reported as component units held $248 million of long-term debt outstanding at June 30, 2009.

NET ASSETS

The four net asset categories represent the residual interest in the University's assets after liabilities are deducted. The University's net assets at June 30, 2009, and 2008 (restated), are summarized below.

Net Assets *(in thousands)*	2009	2008	Increase (Decrease)	
			Amount	Percent
Invested in capital assets, net of related debt	$ 1,458,203	$ 1,407,111	$ 51,902	3.6%
Restricted				
Nonexpendable	459,247	429,619	29,628	6.9%
Expendable	1,785,372	2,254,581	(469,209)	(20.8%)
Unrestricted	1,099,922	1,547,308	(447,386)	(28.9%)
TOTAL NET ASSETS	**$ 4,802,744**	**$ 5,638,619**	**$ (835,875)**	**(14.8%)**

Net assets invested in capital assets, net of related debt, represents 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 totaled $1.5 billion at June 30, 2009. It increased by $51.9 million, or 3.6 percent, in the current fiscal year compared with 14.7 percent growth in the previous year. While capital assets increased by almost $300 million, the related debt increased by nearly as much, resulting in the slight increase for the year.

Restricted nonexpendable net assets comprise the University's permanent endowment funds. This category totaled $459 million at June 30, 2009. Overall, nonexpendable net assets increased by $29.6 million. Although new gifts of $49 million were received, that increase was partially offset by the $20 million amount of endowments that were below their historic dollar value at June 30, 2009.

Restricted expendable net assets are subject to externally imposed restrictions governing their use. This category of net assets includes permanent endowment fund earnings that can be spent, but only in accordance with restrictions imposed by external parties. It totaled $1.8 billion at June 30, 2009. These net assets decreased by $469 million, or 20.8 percent. This was almost entirely attributable to the negative investment performance of the University's endowment and other investments.

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. Unrestricted funds are particularly important since they can be used for any University initiative. Unrestricted net assets totaled $1.1 billion at June 30, 2009. They decreased by $447 million, or 28.9 percent. As with restricted funds, the decrease results from the loss in market value on long-term investments, as well as losses on short-term investments.

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, 2009, and 2008 (restated).

Summary of the Statement of Revenues, Expenses, and Changes in Net Assets *(in thousands)*	2009	2008	Increase (Decrease)	
			Amount	Percent
Operating revenues	**$ 1,788,824**	**$ 1,716,673**	**$ 72,151**	**4.2%**
Operating expenses	**2,157,848**	**2,082,134**	**75,714**	**3.6%**
Operating loss	**(369,024)**	**(365,461)**	**(3,563)**	**1.0%**
Nonoperating revenues (expenses)				
State appropriations	170,178	183,020	(12,842)	(7.0%)
Gifts	140,078	147,269	(7,191)	(4.9%)
Investment income (loss)	(850,753)	243,280	(1,094,033)	(449.7%)
Pell Grants	7,024	5,271	1,753	33.3%
Other net nonoperating expenses	(56,957)	(30,906)	(26,051)	84.3%
Net nonoperating revenues (expenses)	**(590,430)**	**547,934**	**(1,138,364)**	**(207.8%)**
Income (loss) before other revenues, expenses, gains, or losses	**(959,454)**	**182,473**	**(1,141,927)**	**(625.8%)**
Capital appropriations, gifts, and grants	74,367	42,048	32,319	76.9%
Additions to permanent endowments	49,212	59,073	(9,861)	(16.7%)
Total other revenues	**123,579**	**101,121**	**22,458**	**22.2%**
Increase (decrease) in net assets	**(835,875)**	**283,594**	**(1,119,469)**	**(394.7%)**
Net assets, beginning of year	5,638,619	5,355,025	283,594	5.3%
NET ASSETS, END OF YEAR	**$ 4,808,744**	**$ 5,638,619**	**$ (835,875)**	**(14.8%)**

Under GASB principles, revenues and expenses are categorized as either operating or nonoperating. Significant recurring sources of the University's revenues, including state appropriations and gifts, are considered nonoperating, as defined by GASB Statement No. 34. Consequently, the operating loss of $369 million does not account for these important revenue sources. Adding these two revenue sources, which total $310 million for the fiscal year, mostly offsets the operating loss and results in an adjusted income amount of negative $59 million. This provides a more accurate picture of the University's scope and results of operations.

REVENUES

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

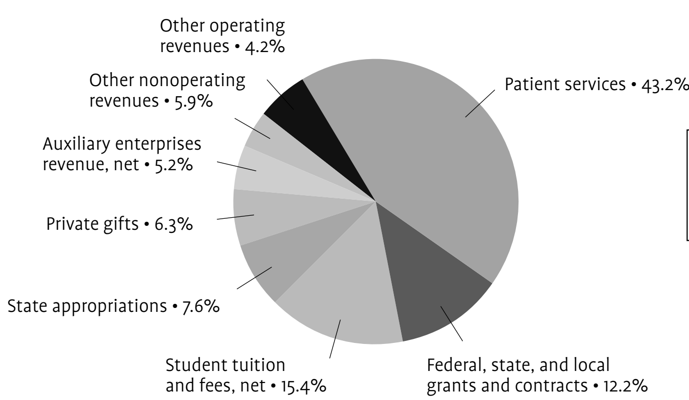
SUMMARY OF REVENUES, TOTAL UNIVERSITY

A summary of the University's revenues, for the years ended June 30, 2009, and 2008 (restated).

Summary of Revenues *(in thousands)*	2009			2008			Total Institution Increase (Decrease)	
	Academic Division & Wise	Medical Center	Total Institution	Academic Division & Wise	Medical Center	Total Institution	Amount	Percent
Operating revenues								
Student tuition & fees, net	$ 342,619	$ –	$ 342,619	$ 316,332	$ –	$ 316,332	$ 26,287	8.3%
Federal, state & local grants and contracts	271,793	–	271,793	263,185	–	263,185	8,608	3.3%
Nongovernmental grants and contracts	45,516	–	45,516	38,965	–	38,965	6,551	16.8%
Sales & services of educational departments	20,488	–	20,488	21,743	–	21,743	(1,255)	(5.8%)
Auxiliary enterprises revenue, net	116,437	–	116,437	116,644	–	116,644	(207)	(0.2%)
Other operating revenues	–	27,625	27,625	(1)	24,967	24,966	2,659	10.7%
Patient services	–	964,346	964,346	–	934,838	934,838	29,508	3.2%
Total operating revenues	**$ 796,853**	**$ 991,971**	**$ 1,788,824**	**$ 756,868**	**$ 959,805**	**$ 1,716,673**	**$ 72,151**	**4.2%**
Nonoperating revenues								
State appropriations	$ 170,178	$ –	$ 170,178	$ 183,020	$ –	$ 183,020	$ (12,842)	(7.0%)
Private gifts	139,312	766	140,078	146,411	858	147,269	(7,191)	(4.9%)
Investment income (loss)	(788,267)	(62,486)	(850,753)	209,843	33,437	243,280	(1,094,033)	(449.7%)
Other nonoperating revenues	130,603	–	130,603	128,515	(22,123)	106,392	24,211	22.8%
Total nonoperating revenues	**$ (348,174)**	**$ (61,720)**	**$ (409,894)**	**$ 667,789**	**$ 12,172**	**$ 679,961**	**$ (1,089,855)**	**(160.3%)**
TOTAL REVENUES	**$ 448,679**	**$ 930,251**	**$ 1,378,930**	**$ 1,424,657**	**$ 971,977**	**$ 2,396,634**	**$ (1,017,704)**	**(42.5%)**

Below is a graph of revenues by source (both operating and nonoperating), which were used to fund the University's operating activities for the fiscal year ended June 30, 2009. As noted earlier, GASB Statement No. 34 requires state appropriations, gifts, and other significant revenues to be treated as nonoperating revenues.

Total University Revenues • Fiscal Year 2009 *(in thousands)*



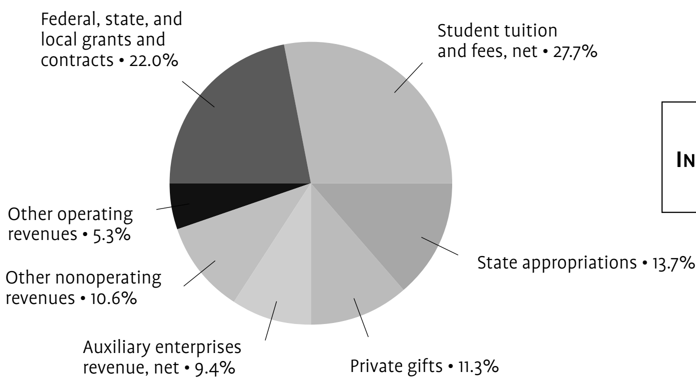
Total Revenue Excluding Investment Income *(in thousands)*
$2,229,683

Patient services revenues accounted for 53.9 percent of the University's operating revenues and 43.2 percent of the operating and nonoperating revenues combined. State appropriations and student tuition and fees, which represent 7.6 percent and 15.4 percent, respectively, of the University's total revenues, are used to fund current operations.

State appropriations decreased by $12.8 million, or 7.0 percent. The decrease results primarily from a $10.4 million budget cut imposed by the state government. Net tuition and fees increased by $26.3 million, or 8.3 percent. Tuition increases were approved by the Board of Visitors during the year.

Excluding the Medical Center data provides a clearer picture of the academic revenue streams. Major sources for 2009 included net tuition and fees, 27.7 percent; federal, state, and local grants and contracts, 22.0 percent; state appropriations, 13.7 percent; and private gifts, 11.3 percent. Excluding patient revenue, tuition and fees revenue comprises the single largest source of revenue to the University. In fact, tuition and fees revenue was slightly more than double the amount of state appropriations revenue.

Academic and Wise Revenues • Fiscal Year 2009 *(in thousands)*



Total Revenue Excluding Investment Income *(in thousands)*
$1,236,946

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 resulting from increased compensation and benefit costs, and escalating technology and energy prices. In 2009, investment income was actually a negative number for the first time in several years. Like most institutions, the University's investments suffered large losses in market value. Private support has been, and will continue to be, essential to maintaining the University's academic excellence. Private support comes in the form of gifts and additions to permanent endowment. Private gifts totaled $140 million in 2009, a slight decrease of $7.2 million, or 4.9 percent, from the prior year. At the same time, the Campaign for the University of Virginia continued its progress toward its $3 billion target, surpassing the $2 billion mark.

Revenues for all sponsored programs increased this year by almost $15.2 million, or 5.0 percent, to a total of $317 million in 2009. This includes $66.1 million of Facilities and Administrative (F&A) recoveries. It also includes less than $1 million of ARRA funding, most of which will be received in the next two fiscal years.

EXPENSES

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

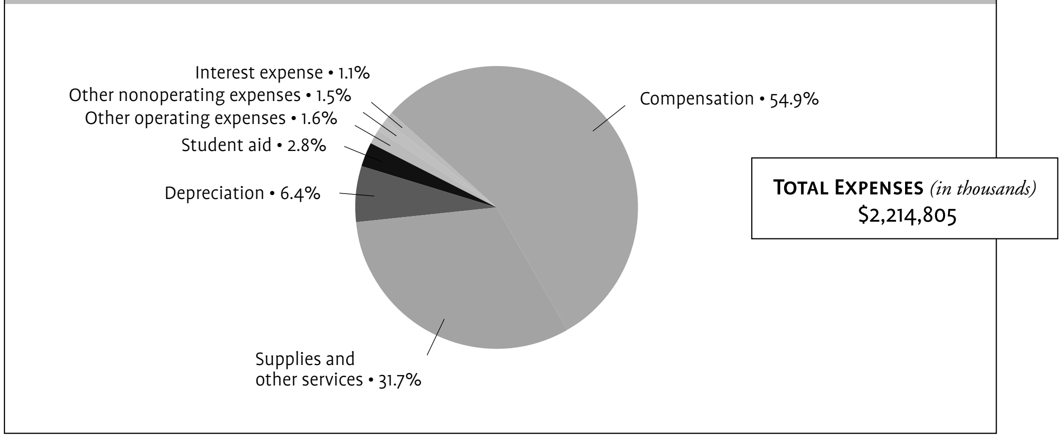
SUMMARY OF EXPENSES, TOTAL UNIVERSITY

A summary of the University's expenses, for the years ended June 30, 2009, and 2008 (restated).

Summary of Expenses *(in thousands)*	2009			2008			Total Institution Increase (Decrease)	
	Academic Division & Wise	Medical Center	Total Institution	Academic Division & Wise	Medical Center	Total Institution	Amount	Percent
Operating expenses								
Compensation	$ 794,065	$ 421,169	$ 1,215,234	$ 758,571	$ 407,523	$ 1,166,094	$ 49,140	4.2%
Supplies and other services	265,138	438,924	704,062	276,736	421,388	698,124	5,938	0.9%
Student aid	62,750	–	62,750	54,768	–	54,768	7,982	14.6%
Depreciation	89,025	52,313	141,338	76,416	51,273	127,689	13,649	10.7%
Other operating expense	3,653	30,811	34,464	3,987	31,472	35,459	(995)	(2.8%)
Total operating expenses	**1,214,631**	**943,217**	**2,157,848**	**1,170,478**	**911,656**	**2,082,134**	**75,714**	**3.6%**
Nonoperating expenses								
Interest expense	16,574	7,677	24,251	12,999	8,214	21,213	3,038	14.3%
Other nonoperating expense	10,898	21,808	32,706	3,816	5,877	9,693	23,013	237.4%
Total nonoperating expenses	**27,472**	**29,485**	**56,957**	**16,815**	**14,091**	**30,906**	**26,051**	**84.3%**
TOTAL UNIVERSITY EXPENSES	**$ 1,242,103**	**$ 972,702**	**$ 2,214,805**	**$ 1,187,293**	**$ 925,747**	**$ 2,113,040**	**$ 101,765**	**4.8%**

Following is a graphic illustration of expenses (both operating and nonoperating) for the fiscal year ended June 30, 2009.

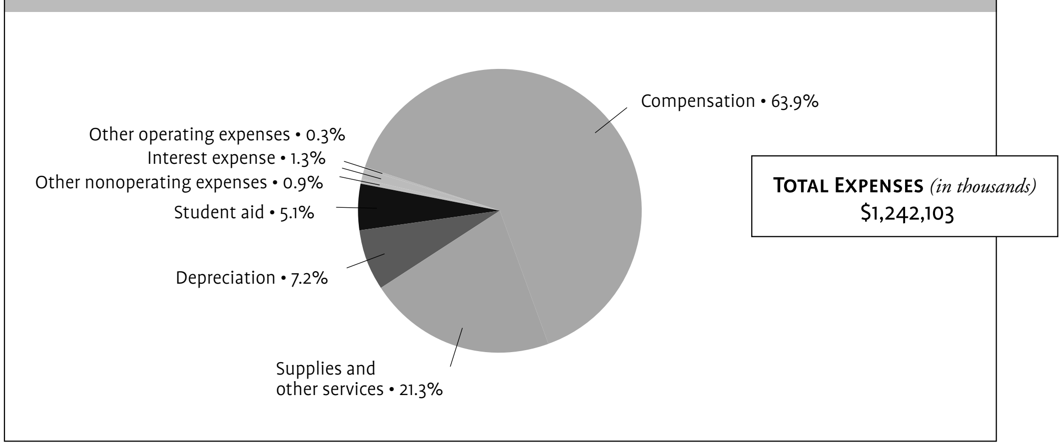
TOTAL UNIVERSITY EXPENSES • FISCAL YEAR 2009 *(in thousands)*



The University's total expenses increased a modest 4.8 percent, or $102 million, in 2008–09, reaching $2.2 billion. Compensation expenses accounted for $49 million of the increase, exceeding $1.2 billion. The University has been able to navigate the state budget cuts without layoffs, instead strategically leaving vacant positions open. At the same time, the Board of Visitors remains committed to its goal of raising faculty, staff, and health care employees' compensation to meet market conditions. This is a critically important issue following two years of no salary increases.

Student aid expense increased to $62.8 million, an increase of $8.0 million, or 14.6 percent, as the University continued its ongoing commitment to the increasingly costly AccessUVa program. Depreciation increased by $13.7 million, or 10.7 percent, as the University added more than $400 million in depreciable capital assets in 2008–09. Interest expense increased by $3.0 million, or 14.3 percent, to $24.3 million. There will continue to be significant increases in interest expense, as interest on both the fiscal year 2007–08 and fiscal year 2008–09 bond issuances come due. The University issued $250 million of revenue bonds in 2009, and based on current debt service schedules, interest expense will be in the $30 to $35 million range for the next few years.

ACADEMIC AND WISE EXPENSES • FISCAL YEAR 2009 *(in thousands)*



In addition to their natural (object) classification, it is also informative to review operating expenses by function. A complete matrix of expenses, natural versus functional, is contained in the notes to the financial statements. Expenses for patient services, instruction, and research account for 43.7 percent, 14.5 percent, and 13.0 percent, respectively, of total operating expenses. When combined, these major functions account for 71.2 percent of the total, with the balance attributed to other costs that support these mission functions.

FUTURE ECONOMIC OUTLOOK

The past fiscal year was a tumultuous one for the University, as it was for all institutions of higher education. The global economic crisis, combined with another round of reduction in state support, challenged the University's leaders to manage the downturn. Each year this management discussion and analysis notes that the University has a well diversified stream of revenues. The state budget cuts have been deep, but fortunately the University is much less dependent on state support for its operating budget than its public counterparts. As Executive Vice President and Chief Operating Officer Leonard Sandridge noted, "We were able to accommodate these cuts in part because we anticipated them and began reducing spending from state funds even before the reductions were formally announced by the governor."

Short Term

Budget Crisis. To provide context, the Commonwealth of Virginia's revenue shortfalls from August 2007 to August 2009 have been over $7.0 billion. The University has been assessed its share of the state's budget reductions on four separate occasions since fiscal year 2007–08. The total state reduction has amounted to $51.5 million, or 31.8 percent of its fiscal year 2007–08 general fund appropriation. Further, in the first quarter of the new fiscal year, state revenues have not improved.

AccessUVa. AccessUVa continues to provide critical need-based financial aid. Since AccessUVa began, we have seen a major increase in the percentage of students qualifying for aid. Similarly, the cost of AccessUVa continues to grow. To help offset the rising costs, the AccessUVa program has been identified as one of the top institutional priorities for philanthropic support.

American Recovery and Reinvestment Act (ARRA). The University received its first ARRA (or federal stimulus) funds in spring 2009. These funds came in the form of federal grants and contracts. The Commonwealth of Virginia also received ARRA funds, which the governor utilized to help offset planned tuition increases and other budget reductions. These ARRA state stabilization funds should be distributed by the Commonwealth to state institutions later this winter. All ARRA funds require detailed reporting to the federal government and to the Commonwealth of Virginia. Finally, ARRA funding will be short-term in nature, and so will be spent fully within the next two years and are currently projected to run out in fiscal year 2011–12.

Endowment Investments. The 21 percent loss on the endowment in fiscal year 2008–09 was very significant but compared favorably to many of our peers. However, as of October 31, 2009, the University's endowment market value had risen about 7.3 percent during the first four months of fiscal year 2009–10. When applied to the June 30, 2009, balances, this translates into an increase of about $180 million.

Spending Distribution. Due to our revenue diversification, the endowment spending distribution of $163.5 million accounted for 7.6 percent of the University's $2.2 billion of operating expenses. To partially offset the reduction in market value sustained during fiscal year 2008–09, the Board of Visitors approved in September 2009 an increase in the fiscal year 2009–10 endowment spending rate, from 5.0 to 5.5 percent of the June 30, 2009, market value. Apart from the impact of new gifts and divestments, this will result in an estimated $134 million of spending distribution in fiscal year 2009–10.

Long Term

The University's Financial Model of the Future. At its 2009 retreat, the Board of Visitors began to develop a "financial model of the future," with the objective of establishing a better platform for financial success coming out of challenging economic conditions. In addition to cost containment measures, the board examined the University's various revenue streams and related areas: tuition and fees, state general funds, sponsored research, Medical Center revenues, debt and liquidity, endowment, annual giving, the capital campaign, intellectual property, sales and services, and student enrollment. Of these areas, two in particular were deemed to hold the potential for significant growth in order to provide the revenue necessary to make a difference in the University's future. These two areas were tuition and fees and private support (which includes gifts and endowment).

It is likely over the next several months that the board will carefully consider pricing the University's educational product relative to the value received by students. The board will take into account how to address financial need to continue ensuring that a University of Virginia education will remain affordable for all. And the board will likely discuss a longer-term objective for enrollment growth in the undergraduate program. The University has a long history of success in raising private support for restricted, expendable gifts and endowment. Its track record for raising unrestricted funds is less impressive. The board will consider how to expand private support by focusing on fund raising that: 1) addresses institutional priorities; 2) results in gifts for restricted purposes that relieve commitments on the unrestricted endowment; and 3) provides a more efficient approach to ensure that private support for particular purposes covers the full costs—e.g., operating and maintenance costs of new buildings.

The board plans to have its Special Committee on Planning address these issues of tuition, enrollment growth, and private support. By strategically examining its revenue streams and cost containment efforts, the Board of Visitors is ensuring the University's strong financial condition. In fact, the University has not only weathered the recession but has managed to take advantage of its strengths to position itself for the future.

Management Responsibility

November 20, 2009

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, 2009. 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, 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

YS 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 2010 Bonds, as described in **"THE SERIES 2010 BONDS"** and **"SECURITY FOR THE SERIES 2010 BONDS"** in this Offering Memorandum, the Bond Resolution also contains other provisions and covenants of the University relating to the Series 2010 Bonds. These provisions and covenants are briefly described in this Appendix C, but do not purport to be either comprehensive or definitive. All references to the Bond Resolution in this Appendix C are qualified in their entirety by reference to such document.

Definitions

In addition to words and terms elsewhere defined in this Offering Memorandum, the following words and terms when used in connection with the Series 2010 Bonds shall have the following meanings, unless some other meaning is plainly intended:

"Authorized Officer" means (i) in the case of the University, the Chief Operating Officer of the University, the Chief Financial Officer of the University 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.

"Bondholder" or "holder" means the registered owner of any Series 2010 Bond.

"Bond Resolution" means, collectively, the resolutions adopted by the Board as of June 11, 2010 and July 9, 2010, both related to the issuance of the Series 2010 Bonds.

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

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

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

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

"Commonwealth" means the Commonwealth of Virginia.

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

"Custodian" means The Bank of New York Mellon Trust Company, N.A. or such other bank or financial institution designated by the University to hold funds under the Bond Resolution.

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

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

"Government Obligations" means:

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

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

"Interest Subsidy Payment" means any refundable credit, subsidy or other payment received by the University with respect to the Series 2010 Bonds as "Build America Bonds (Direct Payment)" pursuant to Sections 54AA and 6431 and related provisions of the Code.

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

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

"Project" or "Projects" means collectively the capital improvements to the University's educational facilities to be financed and/or refinanced with proceeds of the Series 2010 Bonds.

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

"State Treasurer" means the Treasurer of the Commonwealth.

Creation of Debt Service Fund

The Bond Resolution establishes a Debt Service Fund for the Series 2010 Bonds to be held by the Paying Agent. On or before each interest payment date or principal payment date (a "Payment Date"), the University will transfer or cause to be transferred to the Paying Agent for deposit in the Debt Service Fund sufficient funds to cause the Debt Service Fund to contain adequate funds to pay the amounts due on the Series 2010 Bonds on such Payment Date.

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

Any moneys held in the Debt Service Fund and set aside for the purpose of paying any Series 2010 Bonds which shall remain unclaimed by the holders of the Series 2010 Bonds for a period of five years after the date on which such Series 2010 Bonds shall have become due and payable, will be disposed of by the University and the Paying Agent in accordance with The Uniform Disposition of Unclaimed Property Act, Chapter 11.1, Title 55, Code of Virginia of 1950, as amended.

The moneys in the Debt Service Fund are to be held in trust and applied as provided in the Bond Resolution and, pending such application, are subject to a lien and charge in favor of the holders of the Series 2010 Bonds.

Construction Fund

A special fund is established by the Custodian as the Construction Fund (the "Construction Fund"), to the credit of which there will be deposited a portion of the proceeds of the Series 2010 Bonds. The moneys in the Construction Fund will be held in trust and applied to the payment of the Costs of the Project as described in the following paragraph, and, pending such application, will be subject to a lien and charge in favor of the holders of the Series 2010 Bonds and for the future security of such holders until paid out or transferred.

The Costs of the Project shall include (a) obligations incurred for labor and materials and to contractors, builders and materialmen in connection with the Project; (b) the cost of acquiring by purchase, if such purchase shall be deemed expedient, and the amount of any award or final judgment in or any settlement or compromise of any proceeding to acquire by condemnation, such lands, property, rights, rights of way, franchises, easements and other interests as may be deemed necessary or convenient by the Board for the construction and operation of the Project, options and partial payments thereon, and the amount of any damages incident to or consequent upon such construction and operation; (c) the cost of furnishing and equipping the Project; (d) interest on the Series 2010 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 2010 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 2010 Bonds, and all other items of expense not elsewhere in this paragraph specified incident to the planning, construction, development and equipping of the Project and the placing of the Project in operation; and (g) any obligation or expenses heretofore or hereafter incurred by the University, any agent of the University or by any other agency of the Commonwealth in connection with the Project for any of the foregoing purposes.

Payments from Construction Fund

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

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

The University covenants to pay the principal of and the interest on the Series 2010 Bonds in the manner provided in the Bond Resolution and in the Series 2010 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 2010 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 2010 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 2010 Bonds, or other costs incident thereto.

Covenants Regarding Additional Indebtedness and Encumbrances

Except as described in **"SECURITY FOR THE SERIES 2010 BONDS"** in this Offering Memorandum, the Bond Resolution does not limit the right of the University to incur other Credit Obligations. As described in such section, the Bond Resolution does limit the University's right to incur Parity Credit Obligations and Qualifying Senior Obligations and to pledge any portion of the Pledged Revenues.

Other Covenants of the University

In the Bond Resolution, the University covenants that it will carry or maintain an adequate program of commercial insurance or self-insurance for its properties and other risks. The University further covenants that it will keep accurate records and accounts of all items of cost and expenditures relating to the Pledged Revenues and the application of the Pledged Revenues. The University further covenants in the Bond Resolution that it will not convey, sell or otherwise dispose of any its property unless (a) such conveyance, sale or encumbrance is in the ordinary course of business, or (b) an Authorized Officer certifies in writing that, taking into account the conveyance, sale or other disposition of such property (i) the University will have sufficient funds to meet all of its financial obligations, including its obligations to pay principal of and interest on all Credit Obligations, for all Fiscal Years to and including the second full Fiscal Year after such conveyance, sale or other disposition and (ii) such Authorized Officer has no reason to believe that the University will not have sufficient funds to pay all amounts due under all indebtedness of the University then outstanding. In addition, the University has agreed to provide certain information at specified times pursuant to its Continuing Disclosure Agreement attached in Appendix E.

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 2010 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 2010 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 2010 Bonds or in the Bond Resolution on the part of the University to be performed, and such default continues for thirty (30) days after written notice specifying such default and requiring same to be remedied is given to the Board by any Bondholder, provided that if such default is such that it can be corrected but cannot be corrected within such thirty (30) day period, it will not constitute an Event of Default if corrective action is instituted by the University within such period and is diligently pursued until the default is corrected.

Remedies Upon Default

The Bond Resolution provides that, upon an Event of Default thereunder, the holders of not less than 25% in aggregate principal amount of the Series 2010 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 2010 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 2010 Bonds then outstanding shall, in its own name:

(1) by mandamus or other suit, action or proceeding at law or in equity enforce all rights of the holders of the Series 2010 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 2010 Bonds and to perform it and their duties under the Act;

(2) bring suit upon the Series 2010 Bonds;

(3) by action or suit in equity, require the University to account as if it were the trustee of an express trust for the holders of the Series 2010 Bonds; or

(4) by action or suit in equity, enjoin any acts or things which may be unlawful or in violation of the rights of the holders of the Series 2010 Bonds.

Any such trustee, whether or not all Series 2010 Bonds have been declared due and payable, will be entitled as of right to the appointment of a receiver who may enter and take possession of any property of the University any of the revenues from which are pledged for the security of Series 2010 Bonds and operate and maintain the same and collect and receive all fees, rents, charges and other revenues thereafter arising therefrom in the same manner as the University itself might do and will deposit all such moneys in a separate account and apply the same in such manner as the court appointing such receiver shall direct. In any suit, action or proceeding by the trustee the fees, counsel fees and expenses of the trustee and of the receiver, if any, will constitute taxable costs and disbursements and all costs and disbursements allowed by the court will be a first charge on any fees, rents, charges and other revenues of the University pledged for the security of Series 2010 Bonds.

Such trustee will, in addition to the foregoing, have and possess all of the powers necessary or appropriate for the exercise of any functions specifically set forth in the Bond Resolution or incident to the general representation of the holders of the Series 2010 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 2010 Bonds by a suit, action or special proceeding in equity or at law, either for the specific performance of any covenant or agreement contained in the Bond Resolution or in aid or execution of any power granted therein or for the enforcement of any proper legal or equitable remedy. Any such proceedings at law or in equity will be instituted, had and maintained for the equal benefit of all holders of the Series 2010 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 2010 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 2010 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 2010 Bonds or to obtain or maintain a rating on the Series 2010 Bonds,

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

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

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

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

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

At least thirty (30) days prior to the adoption of any supplemental resolutions for any of the above purposes, the Secretary of the Board will cause a notice of the proposed adoption of such supplemental resolutions to be mailed, postage prepaid, to all registered owners the Series 2010 Bonds at their addresses as they appear on the registration books. Such notice will briefly set forth the nature of the proposed supplemental resolutions and will state that copies thereof are on file at the office of the Secretary of the Board for inspection by all Bondholders. A failure on the part of the Secretary of the Board to mail such notice will not affect the validity of such supplemental resolutions.

Supplemental Resolutions Requiring Bondholder Consent

Subject to the terms and provisions contained in the Bond Resolution, and not otherwise, the holders of not less than a majority in aggregate outstanding principal amount of the Series 2010 Bonds will have the right, from time to time, anything contained in the Bond Resolution to the contrary notwithstanding, to consent to and approve the adoption, of such Bond Resolution or resolutions supplemental to the Bond Resolution as shall be deemed necessary or desirable by the Board for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in such Bond Resolution or in any supplemental resolution; provided, however, that nothing contained in the Bond Resolution shall permit, or be construed as permitting, (a) without the approval of all of the holders of the Series 2010 Bonds, (i) an extension of the maturity of the principal of or the interest on any of such Series 2010 Bond, (ii) a reduction in the principal amount of any of such series of Series 2010 Bonds or the rate of interest thereon, (iii) except as otherwise provided in the Bond Resolution, a preference or priority of any of Series 2010 Bond over any other Series 2010 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 2010 Bonds, a reduction in the aggregate principal amount of the Series 2010 Bonds required for consent to such supplemental resolution.

If at any time the Board shall determine that it is necessary or desirable to adopt any supplemental resolution for any of the above purposes, the Secretary of the Board will cause notice of the proposed adoption of such supplemental resolution to be mailed, not less than thirty (30) nor more than sixty (60) days prior to the date of such adoption, postage prepaid, to all registered owners of the Series 2010 Bonds at their addresses as they appear on the registration books held by the Registrar. Such notice will briefly set forth the nature of the proposed supplemental resolution and will state that copies thereof are on file at the office of the Secretary of the Board for inspection by all Bondholders. The Board will not, however, be subject to any liability to any Bondholder by reason of its failure to cause such notice to be mailed and any such failure will not affect the validity of such supplemental resolution when consented to and approved as provided above.

Whenever, at any time within one year after the date of such notice, the Board shall deliver to the Paying Agent an instrument or instruments in writing purporting to be executed by the holders of not less than a majority or all, as appropriate, in aggregate principal amount of the Series 2010 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 2010 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 2010 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 2010 Bond will have any right to object to the adoption of such supplemental resolution, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the adoption thereof, or to enjoin or restrain the Board from adopting the same or from taking any action pursuant to the provisions thereof.

Upon the adoption of any supplemental resolution pursuant to the provisions set forth above, the Bond Resolution will be and be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under the Bond Resolution of the University, the Board and all holders of the Series 2010 Bonds then outstanding will thereafter be determined, exercised and enforced in all respects under the provisions of the Bond Resolution as so modified and amended.

Defeasance

The University will pay or provide for the payment of the entire indebtedness on all or particular outstanding Series 2010 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 2010 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 2010 Bonds (including the payment of premium, if any, and interest payable on such Series 2010 Bonds to the maturity or redemption date thereof), provided that such moneys, if invested, will be invested at the written direction of the University in noncallable Government Obligations in an amount, without consideration of any income or increment to accrue thereon, sufficient to pay or redeem (when redeemable) and discharge the indebtedness on such Series 2010 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 2010 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 2010 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 2010 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 2010 Bonds will continue, provided that the holders thereof will thereafter be entitled to payment only out of the moneys and the Government Obligations deposited with the Paying Agent as indicated above.

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APPENDIX D

PROPOSED FORM OF OPINION OF BOND COUNSEL

[Closing Date]

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

$190,000,000
The Rector and Visitors of the University of Virginia
Taxable General Revenue Pledge Build America Bonds, Series 2010

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance by The Rector and Visitors of the University of Virginia ("University") of the referenced Taxable General Revenue Pledge Build America 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 certain resolutions adopted by the Board of Visitors of the University (the "Board") on June 11, 2010 and July 9, 2010 (collectively, the "Resolution"). We refer you to the Bonds and the Resolution for the definitions of capitalized terms not otherwise defined herein, and for a description of the purposes for which the Bonds are issued and the security therefor. We have examined certified copies of proceedings and other papers relating to the issuance of the Bonds, and have also examined the Constitution and the statutes of the Commonwealth of Virginia, including the Act, and a specimen of the Bonds.

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

Based on the foregoing, it is our opinion that:

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

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

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

4. The Bonds have been duly authorized, executed and delivered in accordance with the Act and the Resolution and constitute valid and binding limited obligations of the University, payable solely from the Pledged Revenues and other property pledged therefor under the Resolution. Except as provided in the Resolution, the Bonds are not payable from the funds of the University, nor do they constitute a legal or equitable pledge, charge,

lien or encumbrance upon any of the properties of the University or upon its income, receipts or revenues. The Bonds do not create or constitute a pledge of the faith and credit of the Commonwealth of Virginia.

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

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

7. Interest on the Bonds is includable in the gross income of the owners thereof for purposes of federal income taxation. We express no opinion relative to any federal tax consequences of the ownership of or receipt or accrual of interest on the Bonds.

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

Our services as Bond Counsel to the University have been limited to rendering the foregoing opinions based on our review of such legal proceedings and other documents as we deem necessary to approve the validity of the Bonds and tax-exempt status of the interest on them under the laws of the Commonwealth of Virginia and the enforceability of the Resolution. The foregoing opinions are in no respect an opinion as to the business or financial resources of the University or the ability of the University to provide for the payment of the Bonds or the accuracy or completeness of any information, including the University's Preliminary Offering Memorandum dated July 14, 2010, and Offering Memorandum dated July 21, 2010, that anyone may have relied upon in making the decision to purchase the Bonds.

Very truly yours,

APPENDIX E

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this "Disclosure Agreement") is executed and delivered by The Rector and Visitors of the University of Virginia (the "University"), in connection with the issuance by the University of $190,000,000 aggregate principal amount of its Taxable General Revenue Pledge Build America Bonds, Series 2010 (the "Series 2010 Bonds") pursuant to certain resolutions adopted by the Board of Visitors of the University on June 11, 2010 and July 9, 2010 (collectively, the "Bond Resolution"). The University has approved the marketing of the Series 2010 Bonds by the Participating Underwriters (as hereinafter defined) pursuant to an Offering Memorandum (the "Offering Memorandum") relating to the Series 2010 Bonds dated July 21, 2010, in a primary offering.

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

Section 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the University for the benefit of the Holders (as hereinafter defined) and Beneficial Owners (as defined in the Offering Memorandum) of the Series 2010 Bonds.

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

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

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

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

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

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

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

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

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

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

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

"Holder" means, for purposes of this Disclosure Agreement, any Person who is a record owner or Beneficial Owner of a Series 2010 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.

"Participating Underwriters" shall mean the original underwriters of the Series 2010 Bonds required to comply with the Rule in connection with the offering of the Series 2010 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.

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 not in excess of ten business days after the occurrence of the event, notice of any of the following events that may from time to time occur with respect to the Series 2010 Bonds, but with respect to the items in (i) through (xi):

(i) principal and interest payment delinquencies;

(ii) non-payment related defaults, if material;

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

(iv) unscheduled draws on any credit enhancement maintained with respect to the Series 2010 Bonds reflecting financial difficulties;

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

(vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 - TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax-exempt status of interest on the Series 2010 Bonds;

(vii) modifications to rights of Holders, if material;

(viii) bond calls, if material, and tender offers;

(ix) defeasances;

(x) release, substitution, or sale of property securing repayment of the Series 2010 Bonds, if material;

(xi) rating changes;

(xii) bankruptcy, insolvency, receivership or similar event of the obligated person;*

(xiii) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material; and

(xv) 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)(xv) 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 EMMA. Notwithstanding the foregoing, notice of an event listed in subsection (b) above described in subsections (b)(viii) and (ix) need not be given under this subsection any earlier than the date on which the notice (if any) of the underlying event is given to the Holders of affected Series 2010 Bonds pursuant to the Bond Resolution.

(f) The University shall notify EMMA, of any change in the University's Fiscal Year not later than the first date on which it first provides any information to EMMA 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 2010 Bonds upon written request the information required to be provided to EMMA pursuant to subsections (a), (b) and (f) above.

Section 4. <u>Information Made Public</u>. Information shall be deemed to have been "Made Public" for purposes of this Disclosure Agreement if transmitted to the EMMA:

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* The event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan or reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

Section 5. CUSIP Numbers. The University shall reference, or cause to be referenced, the CUSIP prefix number for the Series 2010 Bonds in any notice provided to EMMA pursuant to Sections 3 and 4.

Section 6. Termination of Reporting Obligation. The obligations under this Disclosure Agreement shall terminate upon the earlier to occur of the legal defeasance, prior redemption or payment in full of all of the Series 2010 Bonds. If such termination occurs prior to the final maturity of the Series 2010 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 EMMA. Any such amendment shall satisfy, unless otherwise permitted by the Rule, the following conditions:

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

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

(c) the amendment does not materially impair the interests of the Holders of any of the Series 2010 Bonds, as determined either by parties unaffiliated with the University (such as counsel expert in federal securities laws), or by the approving vote of Holders pursuant to the terms of the Bond Resolution at the time of the amendment.

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

If the amendment is made to an undertaking specifying the accounting principles to be followed in preparing Financial Statements, the Annual Financial Information for the Fiscal Year in which the change is made should present a comparison between the Financial Statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison should include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to Holders to enable them to evaluate the ability of the University to meet its obligations. To the extent reasonably feasible, the comparison also should be quantitative. A notice of the change in the accounting principles should be sent to EMMA.

Section 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the University from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Financial Information or notice of occurrence of an event listed in Section 3(b), in addition to that which is required by this Disclosure Agreement. If the University chooses to report any information in any Annual Financial

Information or include any information in a notice of occurrence of an event listed in Section 3(b), in addition to that which is specifically required by this Disclosure Agreement, the University shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Financial Information or notice of occurrence of such an event.

Section 10. Default. In the event of a failure of the University to comply with any provision of this Disclosure Agreement, any Holder of the Series 2010 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 11. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the University, the Participating Underwriters and the Holders of the Series 2010 Bonds, and shall create no rights in any other person or entity.

Section 12. 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 13. 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 July 28, 2010

THE RECTOR AND VISITORS OF
THE UNIVERSITY OF VIRGINIA

By: ______________________________
Name: ______________________________
Title: ______________________________

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