

REVISED
June 5, 2018

UNIVERSITY OF VIRGINIA
BOARD OF VISITORS

Meeting of the Finance Committee

June 7, 2018

FINANCE COMMITTEE
Thursday, June 7, 2018
3:00 – 4:30 p.m.
Board Room, The Rotunda

Board Members:

James B. Murray Jr., Chair	John G. Macfarlane III
Robert M. Blue, Vice Chair	Jeffrey C. Walker
Thomas A. DePasquale	Frank M. Conner III, Ex-officio
Maurice A. Jones	Daniel Maxwell Meyers, Consulting Member

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**UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY**

BOARD MEETING: June 7, 2018

COMMITTEE: Finance

AGENDA ITEM: I.A. 2018-2019 Operating Budget

BACKGROUND: During this fiscal year, the Board of Visitors has received reports on the General Assembly session, as well as budget assumptions for the 2018-2019 operating budget. At its December meeting, the Board of Visitors approved tuition and mandatory fees for 2018-2019. The Board approved housing and dining rates for 2018-2019 at the March meeting.

At this meeting, the Board of Visitors considers the proposed operating budgets and the non-base budget investment for the Academic Division, The University of Virginia's College at Wise, and the Medical Center, inclusive of the Transitional Care Hospital.

DISCUSSION: For 2018-2019, the University of Virginia proposes a \$3.6 billion operating budget for all three divisions. As of the date of this report, the 2018 General Assembly session has yet to approve a final Appropriation Act. Accordingly, the University of Virginia operating budget has been developed under the assumption that the most conservative state budget is eventually approved. If a more generous Appropriation Act is signed, the University will direct additional funds in the manner prescribed by the General Assembly.

Academic Division

The 2018-2019 budget reflects Board-approved tuition increases and salary increases (3% for staff and faculty). The 2018-2019 operating budget also reflects increases in sponsored research based on awards during 2017-2018. Incorporating savings from Organizational Excellence, the 2018-2019 Academic Division operating expenditure budget is proposed at \$1.8 billion, a 5.1% increase over prior year.

In addition to the base 2018-2019 operating budget, the University proposes to invest \$101.0 million to continue to meet critical non-recurring infrastructure, safety, security, and strategic activities. These investments involve implementing new technologies and improved operating processes; transforming finance and human resources practices; incorporating best practice security measures to protect and safeguard students, faculty, and staff; and critical strategic areas, such as research support and faculty hiring. Similar investments in 2017-2018 aggregated \$133.2 million.

The University proposes to use Strategic Investment Fund reserves to fund four consecutive annual transfers of \$27.0 million (in June 2017, 2018, 2019, and, 2020). Combined with estimated annual investment earnings of 7%, these transfers will provide the funds for a scheduled balloon bond maturity of \$107 million in 2021. \$27.0 million will

be transferred from the Strategic Investment Fund by the end of the current fiscal year. Additionally, two quasi-endowments were created by the BOV in June 2017 with the balance of donor restricted Ivy Foundation funds that were included in the Strategic Investment Fund. To honor donor restrictions, the University proposes transferring these balances totaling \$48.0 million from the Strategic Investment Fund to quasi-endowments for translational research prior to fiscal year end.

Pratt Fund

In April 1976, the University received funds, designated in the will of John Lee Pratt, to be used to supplement the Academic Division budget to support 1) faculty salaries and equipment in the Departments of Biology, Chemistry, Mathematics, and Physics; and 2) research and scholarships in the School of Medicine. The proposed allocation of the Pratt Fund is detailed in Appendix A.

Medical Center and the Translational Care Hospital

The Health System Board will meet June 6th to review the Medical Center 2018-2019 operating budget, inclusive of the Transitional Care Hospital, and will consider recommending approval of the \$1.7 billion operating budget proposal.

The University of Virginia's College at Wise

The Committee on The University of Virginia's College at Wise will review the College's proposed operating budget at its June 7, 2018 meeting and will consider recommending approval of the \$43.8 million operating budget proposal.

ACTION REQUIRED: Approval by the Finance Committee and by the Board of Visitors

2018-2019 OPERATING BUDGET FOR THE ACADEMIC DIVISION

RESOLVED, the 2018-2019 \$1.8 billion operating budget for the Academic Division is approved as recommended by the President and the Chief Operating Officer. If additional state general funds are allocated with the approval of the Commonwealth's Appropriation Act, these funds will be directed based upon included language from the General Assembly; and

RESOLVED FURTHER, \$101.0 million in non-recurring investments to meet critical infrastructure, safety and security, and strategic activities are approved as recommended by the President and the Chief Operating Officer; and

RESOLVED FURTHER, the Board of Visitors approves transferring \$27.0 million from Strategic Investment Fund operating reserves to fund a balloon debt service payment, and transferring \$48.0 million of Ivy Foundation Funds from the Strategic Investment Fund to create two Board of Visitors-approved quasi-endowments for translational research.

2018-2019 PRATT FUND DISTRIBUTION

RESOLVED, the budget for the expenditure of funds from the Estate of John Lee Pratt is approved to supplement appropriations made by the Commonwealth of Virginia for the School of Medicine and the Departments of Biology, Chemistry, Mathematics, and Physics in the College of Arts and Sciences. Departmental allocations, not to exceed \$10,594,833 for 2018-2019, are suggested by the department chairs and recommended by the dean of each school. The disbursement of each allotment will be authorized by the Executive Vice President and Provost. To the extent the annual income from the endowment is not adequate to meet the recommended distribution, the principal of the endowment will be disinvested to provide funds for the approved budgets.

2018-2019 OPERATING BUDGET FOR THE UNIVERSITY OF VIRGINIA MEDICAL CENTER AND THE TRANSITIONAL CARE HOSPITAL

RESOLVED, the 2018-2019 \$1.7 billion operating budget for the University of Virginia Medical Center, inclusive of the Transitional Care Hospital, is approved as recommended by the President, the Chief Operating Officer, and the Health System Board.

2018-2019 OPERATING BUDGET FOR THE UNIVERSITY OF VIRGINIA'S COLLEGE AT WISE

RESOLVED, the 2018-2019 \$43.8 million operating budget for The University of Virginia's College at Wise is approved as recommended by the President and the Chief Operating Officer. If additional state general funds are allocated with the approval of the Commonwealth's Appropriation Act, these funds will be directed based upon included language from the General Assembly.

**UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY**

BOARD MEETING: June 7, 2018

COMMITTEE: Finance

AGENDA ITEM: I.B. 2018 Multi-Year Major Capital Plan Financial Plans

BACKGROUND: The revised six-year capital plan is presented annually to the Board of Visitors for approval in June. The Buildings and Grounds Committee determines whether a project should be added to the Major Capital Projects Program, and the Finance Committee evaluates whether there is a sound financing plan to pay for the estimated project cost and additional operating costs that are expected once a project is complete.

The proposed 2018 Multi-Year Major Capital Plan was reviewed with the Buildings and Grounds Committee at the March 2018 meeting. No projects have been added to the Plan since that meeting. Key changes since March include updating/refining cost estimates for near-term projects.

DISCUSSION: The proposed 2018 Capital Plan updates the plan approved by the Board in June 2017 with current cost estimates, adds new projects, and removes projects no longer planned within the next six years. At the March meeting, the Buildings and Grounds Committee discussed a proposal adding seven new projects to the Academic Division plan; three to the Health System plan; and one to the College at Wise plan. Three Academic Division projects and one Health System project were proposed to be removed from the 2017 Plan: (1) Bayly Building Addition/Renovation; (2) Music Building; (3) Alderman Road Residence Hall Building 8; and (4) 545 Ray C. Hunt Renovation – Clinic Space.

The University's executive leadership has reviewed the preliminary financial plans for the near-term projects, including private funding assessments and strategies; the repayment of debt service; and the required funding of incremental operating and maintenance costs. As reflected in the proposed 2018 Capital Plan, several proposed projects are dependent upon external fund sources (e.g., state general funds, private fundraising/gifts); if these funds are not realized, the projects will not proceed unless other fund sources are identified.

Overall Debt Assessment

The University's Treasury Department has conducted an assessment to evaluate the impact of projects to be debt-funded on the University's key debt ratios as outlined in the Board of Visitors approved debt policy. For projects expected to begin by 2020, Treasury concluded there is sufficient capacity for the debt required, based on the historical rate of capital draws.

Should there be an acceleration of the rate at which draws occur, the debt capacity analysis will be updated. Treasury will conduct a project-specific creditworthiness check prior to initiating debt for any project. By accepting the Treasury Department's assessment, the Board of Visitors does not authorize the issuance of debt or any other long-term financial obligation; rather, the Board of Visitors approves the inclusion of these debt-funded projects as a part of the 2018 Major Capital Program.

Overall Private Funding Assessment

The University's Vice President for Advancement has conducted an assessment of each program sponsor's ability to meet the philanthropic requirements as outlined in the project financial plan. For projects expected to begin by 2020, gifts are either in-hand, have written enforceable pledges, or remain to be raised. It is the University's assessment that the total private funding component sought for new projects proposed in the near-term, while perhaps a stretch goal for some project sponsors, is consistent with current private fundraising objectives and opportunities.

It is the University's policy that the design phase of a project may begin only after design funding is in-hand in a University account. Further, the construction phase for gift-funded projects will begin only if: (1) 50% of philanthropy, valued on a present value basis, is received and deposited into a University account with the remaining 50% committed via written enforceable pledges; and (2) 100% of the written enforceable pledges will be collected prior to the project's completion, or the project sponsor is prepared to use short-term financing to bridge cash collections of pledges.

Ms. Sheehy will review the proposed 2018 Multi-Year Capital Program, including the financial plans for the following near-term projects:

Project	Budget	Source	Annual Incremental Operating Costs
Softball Stadium [revised financial plan]	\$18.0M - \$20.0M	Cash, Gifts	\$ 200,000
Brandon Avenue Upper-Class Residence Hall Phase II	\$65.0M - \$70.0M	Debt, Cash	\$ 600,000
Upper-Class Residence Hall (site to be determined)	\$60.0M - \$70.0M	Debt, Cash	\$ 600,000
North Grounds Mechanical Plant & Infrastructure	\$11.0M - \$13.0M	Debt	\$ 0
West Grounds Chilled Water Capacity	\$6.0M - \$8.0M	Debt	\$ 0
Pinn Hall Building Envelope	\$19.0M - \$22.0M	Cash	\$ 0
Pinn Hall Nobel Laureate Atrium	\$10.0M - \$12.0M	Cash	\$ 0

Financial plans for the remaining near-term projects have been previously approved by the Board of Visitors or will be brought to the Board for review and approval at a later meeting.

ACTION REQUIRED: Approval by the Finance Committee and by the Board of Visitors

FINANCIAL PLANS FOR THE 2018 MULTI-YEAR MAJOR CAPITAL PLAN

WHEREAS, major capital projects are vetted by the Space Leadership Committee and executive leadership, as well as by appropriate committees of the Board of Visitors, to ensure alignment with institutional priorities; and

WHEREAS, the projects included in the proposed 2018 Major Capital Plan are arrayed across a six-year plus timeframe based on the anticipated work related to each project; and

WHEREAS, the Executive Vice President and Chief Operating Officer will confirm that appropriate funding is in place before any project commences construction;

RESOLVED, the financial plans for following capital projects expected to begin by 2020 in the 2018 Multi-Year Major Capital Plan are complete and approved: Softball Stadium (revised); Brandon Avenue Upper-Class Residence Hall Phase II; Upper-Class Residence Hall (site to be determined); North Grounds Mechanical Plant and Infrastructure; West Grounds Chilled Water Capacity; Pinn Hall Building Envelope; and Pinn Hall Nobel Laureate Atrium.

**UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY**

BOARD MEETING: June 7, 2018

COMMITTEE: Finance

AGENDA ITEM: I.C. Debt Issuance for Acquired Northridge Property

BACKGROUND: On April 19, 2017, the University of Virginia Medical Center purchased the Northridge Medical Clinic land and facility from the University of Virginia Physicians Group (UPG) for \$18.4 million. The property is a 66,234 gross square foot outpatient medical office building located on a 4.735 acre lot at 2955 Ivy Road on 250 West in Albemarle County between the UVA Transitional Care Hospital and the UVA Moser Radiation Oncology Facility as shown in tax map 59-23B. The Northridge Medical Clinic houses outpatient services for primary care, psychiatric medicine, women's health, asthma, allergy and immunology, and eye care. The purchase was funded with the University's operating cash.

DISCUSSION: The University would like to finance the acquisition of the Northridge Building with external debt and reimburse itself for its earlier use of operating cash.

ACTION REQUIRED: Approval by the Finance Committee and by the Board of Visitors

**ISSUANCE OF GENERAL REVENUE PLEDGE BONDS FOR ACQUISITION OF THE
NORTHRIDGE BUILDING**

WHEREAS, Chapter 22, Title 23.1 of the Code of Virginia of 1950, as amended (the "Virginia Code"), establishes a public corporation under the name and style of The Rector and Visitors of the University of Virginia (the "University") which is governed by a Board of Visitors (the "Board"); and

WHEREAS, Title 23.1 of the Virginia Code classifies the University as an educational institution of the Commonwealth of Virginia; and

WHEREAS, by Chapter 10, Title 23.1 of the Virginia Code (the "Act"), the University entered into a management agreement with the Commonwealth of Virginia which was enacted as Chapter 3 of Chapter 933 of the 2006 Virginia Acts of Assembly, pursuant to which the University is empowered to undertake the acquisition of any interest in land, including improvements on the acquired land at the time of acquisition, new construction, improvements, or renovations, and to borrow money and make, issue, and sell bonds of the University for such purposes, including the refinancing of any such facilities; and

WHEREAS, the University desires to issue debt for the acquisition of the Northridge Building;

RESOLVED, the Board of Visitors authorizes the University to issue debt of not more than \$18.4 million to fund the acquisition of the Northridge Building; and

RESOLVED FURTHER, all acts of officers of the University which are in conformity with the purposes and intent of this Resolution are ratified, approved and affirmed; and

RESOLVED FURTHER, this action shall take effect immediately.

**UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY**

BOARD MEETING: June 7, 2018

COMMITTEE: Finance

AGENDA ITEM: I.D. Acquisition of the Meadow Creek Corporation from the UVA Foundation

BACKGROUND: The University of Virginia Foundation (Foundation) established the Meadow Creek Corporation (MCC) in June 1998 to hold certain properties proximate to the Ivy/Emmet intersection and to lease (the Italian Villa restaurant) or operate (the Cavalier Inn as a commercial hotel property) these properties. MCC owns the properties identified on City of Charlottesville Tax Map 8 as Parcels 8, 10 and 11.1, including the current sites of the Cavalier Inn hotel and the Italian Villa restaurant, as set forth on the plat attached hereto as Appendix B.

DISCUSSION: In anticipation of future redevelopment of the Ivy/Emmet intersection for the Ivy Corridor project and after careful consideration of tax, real estate, and other aspects, the University proposes to take possession of these properties through the acquisition of ownership interest in the MCC corporate entity from the Foundation.

The University's cost to acquire the Foundation's 100% ownership interest in MCC, whose sole assets consist of the three parcels identified above, will be at fair market value (no more than \$12.9 million) plus the expenses associated with demolishing the buildings, due diligence, and incidental costs of acquisition. A copy of the purchase agreement, reviewed and approved by the Chief Operating Officer and counsel for both the Foundation and the University, is attached for reference as Appendix C.

The University's Office of Real Estate and Licensing Services will perform its regular due diligence on the three properties in advance of the MCC acquisition. The property bordered on three sides by the MCC properties (identified as Charlottesville Tax Map 8 Parcel 9) will be purchased separately from the Foundation through a conventional real estate sale arrangement.

ACTION REQUIRED: Approval by the Finance Committee and by the Board of Visitors

ACQUISITION OF THE MEADOW CREEK CORPORATION FROM THE UVA FOUNDATION

WHEREAS, the Board of Visitors seeks to redevelop the Ivy/Emmet intersection for the Ivy Corridor project, including the parcels of land currently owned and operated by the Meadow Creek Corporation of the University of Virginia Foundation;

RESOLVED, the Board of Visitors approves the acquisition of 100% of the interest of the Foundation in the Meadow Creek Corporation at a fair market value purchase price not to exceed \$12.9 million plus the expenses associated with demolishing the buildings, due diligence, and incidental costs of acquisition; and

RESOLVED FURTHER, the Executive Vice President and Chief Operating Officer is authorized, on behalf of the University, to approve and execute purchase agreements and related documents, to incur reasonable and customary expenses, and to take such other actions as deemed necessary and appropriate to consummate such acquisition; and

RESOLVED FURTHER, all prior acts performed by the Executive Vice President and Chief Operating Officer, and other officers and agents of the University, in connection with such property acquisition, are in all respects approved, ratified, and confirmed.

**UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY**

BOARD MEETING: June 7, 2018

COMMITTEE: Finance

AGENDA ITEM: I.E. Delegation of Signatory Authority for Certain Medical Center Contracts

BACKGROUND: The Board of Visitors is required to approve the execution of any contract where the amount per year is in excess of \$5 million.

DISCUSSION: In accordance with Medical Center procurement policy and its group purchasing organization affiliation with Premier Healthcare Alliance, LP, the four contracts listed below exceed \$5 million in spend per year, and thus, exceed the signatory authority of the Executive Vice President for Health Affairs.

- Virginia Blood Services, for blood products & services;
- Medtronic for spinal implants;
- CDW Corporation for computer hardware, software, servers & peripherals; and
- Hill-Rom for nurse call system upgrade of existing infrastructure and new patient tower.

The expense for goods and services purchased through these contracts is reflected in the Medical Center's Operating and Capital Budgets.

ACTION REQUIRED: Approval by the Health System Board, the Finance Committee, and by the Board of Visitors

DELEGATION OF SIGNATORY AUTHORITY FOR CERTAIN MEDICAL CENTER CONTRACTS

RESOLVED, the Board of Visitors authorizes the Executive Vice President for Health Affairs to execute contracts on behalf of the Medical Center with Virginia Blood Services, Medtronic, CDW Corporation, and Hill-Rom.

**UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY**

BOARD MEETING: June 7, 2018

COMMITTEE: Finance

AGENDA ITEM: I.F. Commending Resolution for Daniel M. Meyers and the Council of Foundations

BACKGROUND: The Council of Foundations was created in 2005 as the Council of Chairs, with a mission to foster cooperation and collaboration among fundraising foundations, schools, units, and the University. A significant objective of the Council was to help the University reach the \$3 billion campaign goal of that period by maximizing efficiencies across the Advancement community, and by focusing the attention of Council membership and their deans on the impact of successful major gift contributions.

In September 2007, a Board of Visitors Special Committee on Foundations, charged with assessing the effectiveness of the University's decentralized advancement function, issued a report on its findings, and offered several recommendations to ensure more strategic coordination. Placing a priority on communication and common goals, the report recommended the establishment of a Council of Foundations with three of its members serving as non-voting representatives to separate Board of Visitors Committees: External Affairs (now Advancement), Buildings and Grounds, and Finance. The Board of Visitors approved the Special Committee's report in October 2007, and in 2008 the Council of Foundations was formed from the structure of the Council of Chairs. Council representatives began serving as Consulting Members to the Board in February 2008. In November 2011, the Board approved the transition of the Buildings and Grounds Committee Consulting Member to the Student Affairs and Athletics (now Academic and Student Life) Committee.

As relationships between the University and its affiliated foundations have evolved since the Special Committee issued its report, and as we have embarked upon a new campaign with an updated structure, the Board of Visitors has decided to conclude the consulting roles of Council of Foundations members, and wishes to thank those Council representatives who for many years have given their time and talent to the University in these roles.

DISCUSSION: Mr. Daniel (Dan) M. Meyers has served on the Council of Foundations since its inception as a representative of the Curry School of Education Foundation. He is currently Chairman of Boston, Massachusetts-based private investment firm Sextant Holdings LLC, and is a co-founder of education finance company The First Marblehead Corporation, where he formerly served as Chairman and Chief Executive Officer. Mr. Meyers contributed most of the funding for the construction of the Curry School's Bavaro Hall, named in honor of Anthony D. "Wally" Bavaro, whom Mr. Meyers admired for his committed service as a public school history teacher and coach in the Boston area.

ACTION REQUIRED: Approval by the Finance Committee and by the Board of Visitors

COMMENDING RESOLUTION FOR DANIEL M. MEYERS AND THE COUNCIL OF FOUNDATIONS

WHEREAS, Daniel M. Meyers was engaged with the work of the University of Virginia Curry School of Education as a result of his expertise in the field of education finance, becoming a strong advocate for the Curry School's mission; and

WHEREAS, Mr. Meyers has served with great commitment on the Council of Foundations since its inception as a representative of the Curry School of Education Foundation, and has represented the Council as a Consulting Member to the Board of Visitors Finance Committee; and

WHEREAS, Mr. Meyers has been a dedicated supporter of the University of Virginia and has contributed in various and substantial ways across the institution;

RESOLVED, the Board of Visitors offers significant thanks and appreciation to Daniel M. Meyers for his generous support and dedication to the University of Virginia, and for representing the Council of Foundations before the Board of Visitors Finance Committee.

**UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY**

BOARD MEETING: June 7, 2018

COMMITTEE: Finance

AGENDA ITEM: II.A. Introduction of Associate Vice President for Safety and Security and Chief Executive Officer/Chief Investment Officer of the University of Virginia Investment Management Company

ACTION REQUIRED: None

BACKGROUND: The University has recently hired two key new positions – Associate Vice President for Safety and Security Gloria S. Graham, and Chief Executive Officer/Chief Investment Officer (CEO/CIO) of the University of Virginia Investment Management Company Robert W. Durden.

Associate Vice President for Safety and Security Gloria Graham, a veteran law enforcement official with more than 22 years of service at higher education institutions across the nation, began her position on May 7. Previously, she served as assistant vice president for safety and security and deputy chief of police at Northwestern University where she helped build a new Department of Safety and Security that included a strategic plan aligned with the university’s priorities and commitment to community engagement. Prior to her appointment at Northwestern, Graham held a number of senior appointments at several leading universities, including as assistant vice president and assistant chief of police at the University of Chicago; chief of police at the University of Tennessee; assistant chief of police at Duke University; and public safety captain at the University of Southern California.

The University created the new leadership position at the recommendation of the consulting firm Margolis Healy, which was charged with assessing the University’s public safety and security infrastructure following the events of August 11 and 12, 2017. The firm determined that the University would benefit from consolidating safety and security functions into one division – a move projected to improve coordination, communication, oversight, and budgeting.

CEO/CIO of UVIMCO Robert Durden began on April 23, overseeing \$9.2 billion of endowment and other long-term funds invested on behalf of the University and its foundations. His first priority as CEO/CIO will be to preserve the investment strategy and competitive edge that have enabled UVIMCO to generate exceptional investment returns for the University of Virginia in the past, while ensuring that the organization continues to adapt to an ever-changing investment landscape.

He was previously chief investment officer for Texas Children’s Hospital in Houston, Texas, where he oversaw the management of \$3.0 billion of investable assets. Prior to

assuming the CIO position at Texas Children's Hospital in 2013, he served as managing director and head of private assets for Morgan Creek Capital Management, where he led a 15-person team in managing approximately \$5 billion worth of private commitments.

DISCUSSION: Executive Vice President and Chief Operating Officer Pat Hogan will introduce Ms. Graham and Mr. Durden.

**UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY**

BOARD MEETING: June 7, 2018

COMMITTEE: Finance

AGENDA ITEM: II.B. Defined Contribution Retirement Plan: Written Report of the Retirement Administrative Committee

ACTION REQUIRED: None

BACKGROUND: The University is the plan sponsor of a number of defined contribution retirement plans, including the Optional Retirement Plan for Employees of the University of Virginia and the Optional Retirement Plan for Employees of the University of Virginia Medical Center.

At its June 2, 2007 meeting, the Finance Committee of the Board of Visitors approved a revised Retirement Program Policy. The revised policy established the role of the Finance Committee of the Board of Visitors to provide oversight of the retirement plans and to report annually to the Board.

On May 16, 2018, Mr. James Murray, Finance Committee Chair, and Mr. John Macfarlane met with the Executive Vice President and Chief Operating Officer and representatives of the Retirement Administrative Committee to hear a report on committee activities during Fiscal Year 2017-2018, review the Plan's annual performance, and discuss the administration of the program. Minutes of that meeting follow.

Minutes

University of Virginia
Board of Visitors Finance Committee Appointees on Retirement Program Oversight
May 16, 2018, 2:00 p.m.
O'Neil Hall, First Floor Conference Room

Board of Visitors Finance Committee Appointees:

John Macfarlane
James Murray

In Attendance:

Retirement Administrative Committee Members:

Jim Matteo - Associate Vice President and Treasurer (Chair)
Melanie Davis – Managing Director (UVIMCO)
Kelley Stuck - Vice President and Chief Human Resources Officer

Others:

Pat Hogan – Executive Vice President and Chief Operating Officer (EVP-COO)
David King – Retirement Plan/Financial Wellness Manager
Megan Lowe – Assistant Vice President and Chief of Staff to the EVP-COO
Barry Schmitt – CAPTRUST Financial Advisors

The RAC meets quarterly to review investment performance with CAPTRUST and to evaluate the overall success of the University's retirement program offerings. Mr. James Murray, as Finance Committee Chair, and Mr. John Macfarlane, Finance Committee member, work with the Retirement Administrative Committee to oversee the retirement program and report back to the Finance Committee on an annual basis.

There were three agenda items for this meeting: update of FY18 activities, funds overview and annual review of performance, and future initiatives under consideration.

I. Update of FY18 Activities

Kelley Stuck provided an overview of the retirement programs. The University is the plan sponsor of nine qualified retirement plans. The two largest are the Defined Contribution Retirement Plan for the General Faculty, Executive, Senior Administrative, Managerial, and Professional University Staff of the University of Virginia and the Defined Contribution Retirement Plan for Employees of the University of Virginia Medical Center.

Updated Investment Policy Document and Charter

Under the direction of RAC member Melanie Davis, the Investment Policy Document (IPD) and Charter were updated in 2018. The IPD establishes restrictions and guidelines placed on the investment portfolio and acts a guide for all decisions regarding investment options available to participants. The Charter was established to clarify and align the responsibilities, duties and role of the RAC and define any

required administrative oversight. Morgan, Lewis & Bockius (MLB) and CAPTRUST provided review of the documents to ensure legal and operational accuracy.

Fiduciary Training

Barry Schmitt provided the RAC fiduciary training in 2017. It is important for fiduciaries to recognize they are liable for their decisions and actions and receive sufficient education and training to understand their duties. Duties reviewed included the duty to be prudent, duty of loyalty and impartiality, duty to diversify, duty to monitor and supervise, duty to ensure reasonable plan costs, and duty to avoid prohibited transactions.

Fund Lineup Asset Analysis

With the completion of closing and mapping to the new fund lineup in February 2017, CAPTRUST provided fund analysis as of March 31, 2017, to ensure plan investments continued to meet the need of UVA employees. Components of the core lineup (Tier 1, 2, and 3) were reviewed with discussion on the use of the brokerage window.

II. Fund Overview and December 31, 2017 Annual Performance

Barry Schmitt provided an overview of the annual report on fund performance, reminding the appointees that the RAC meets quarterly with CAPTRUST to monitor fund performance and once per year each of the vendors is invited to the RAC to present on their participant activity and fund performance. The details of the report were distributed at the meeting. There was specific focus on the benchmarking process of Environmental, Social and Governance (ESG) funds.

Jim Matteo and Barry Schmitt reviewed CAPTRUST's third-party advisory services (which include plan design, participant engagement, investments, vendor management and fiduciary governance), client base and proficiency in helping the University execute its fiduciary duties over the defined contribution retirement plans.

III. Future Initiatives under Consideration

Near-Term Goals

- Continued focus on financial wellness and educational opportunities
- Fee Structure Analysis

Long-Term Goals

- RFP for Vendors (Fidelity and TIAA-CREF) - Vendor consolidation and/or Master Administrator
- TIAA-CREF Group Contracts

The meeting was adjourned at 3:00 p.m.

**UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY**

BOARD MEETING: June 7, 2018

COMMITTEE: Finance

AGENDA ITEM: II.C. Executive Vice President's Remarks

ACTION REQUIRED: None

BACKGROUND: The Executive Vice President and Chief Operating Officer will inform the Board of Visitors of other recent events that do not require formal action, but of which it should be made aware.

APPENDICES

2018-2019 Pratt Fund Allocation

	<u>Equipment</u>	<u>Faculty Salaries</u>	<u>Fellowships</u>	<u>Research</u>	<u>Total 2018-19 Allocation</u>	<u>Anticipated Carryforward of Uncommitted 2017-18 Funds</u>	<u>Total Funds Available for 2018-19</u>
Biology	\$ -	\$ 80,000	\$ 170,000		\$ 250,000	\$ 84,449	\$ 334,449
Chemistry	-	46,500	203,500	-	\$ 250,000	188,629	\$ 438,629
Mathematics	5,000	30,000	115,000	-	\$ 150,000	24,842	\$ 174,842
Physics		-	250,000	-	\$ 250,000	336,913	\$ 586,913
New Faculty Start-up Fund and Other Significant Initiatives	-	3,270,000	-	-	\$ 3,270,000		\$ 3,270,000
Arts & Sciences Subtotal	\$ 5,000	\$ 3,426,500	\$ 738,500	\$ -	\$ 4,170,000	\$ 634,833	\$ 4,804,833
School of Medicine	\$ -	\$ -	\$ 1,210,000	\$ 4,580,000	\$ 5,790,000	-	\$ 5,790,000
TOTAL	\$ 5,000	\$ 3,426,500	\$ 1,948,500	\$ 4,580,000	\$ 9,960,000	\$ 634,833	\$ 10,594,833

ARTS & SCIENCES - \$4,170,000 allocation for 2018-2019, plus \$634,833 anticipated carryforward of remaining 2017-2018 funds

The January 31, 2018 market value of the Pratt Bequest for the College of Arts & Sciences is \$87.8 million. The \$4,170,000 request from Arts & Sciences detailed below represents the regular endowment distribution on this amount.

Biology – The 2018-2019 Pratt fund allocation for Biology is \$250,000.

The department proposes to allocate \$170,000 of new funds plus a carry-forward balance of \$82,994 for a total of \$252,994 in FY 2019 for fellowships for outstanding graduate students in Biology.

The department proposes to allocate \$80,000 of new funds plus a carry-forward balance of \$1,445 for a total of \$81,445 to augment the salaries of the Director and Associate Director of the Mountain Lake Biological Station (MLBS). The University has made and continues to make significant investments in the instructional and research capacity of this Appalachian mountain field research and teaching facility which provides summer session courses and a summer Research Experiences for Undergraduates (REU) program and hosts researchers from around the world every summer. MLBS serves as the central research facility for A&S faculty in ecology, evolution and conservation biology. MLBS has a very strong education function, training both graduate and undergraduate students in population and evolutionary biology, and hosting workshops in the arts and creative writing.

Chemistry – The 2018-2019 Pratt fund allocation for Chemistry is \$250,000.

The department proposes to allocate \$203,500 of the FY 2019 allocation for support of outstanding graduate students. In addition, \$188,522 of the anticipated FY 2018 year-end balance will also be applied to graduate support in FY 2019. Pratt funds are critical in providing competitive support to a highly recruited group of first-year graduate students. Furthermore, the department's ability to recruit and retain new faculty depends in large part upon its ability to ensure these new faculty a pool of supported graduate students to join their research programs. The department is committed to deploying built up balances in its Pratt accounts in support of a multi-year effort to include funded graduate students in the start-up packages of new hires.

The department proposes to spend \$46,500 in new funds, plus a carry-forward balance of \$107 to provide summer wages to faculty holding key departmental administrative positions.

Mathematics – The 2018-2019 Pratt fund allocation for the Math Department is \$150,000.

The Department of Mathematics proposes to allocate \$109,842 of new funds in FY 2019 in partial support of the salaries of Whyburn Postdoctoral Fellows. Internationally recognized for its excellence, the Whyburn postdoctoral program brings new Ph.D. recipients in mathematics to UVA as faculty instructors for three years of teaching and research. Pratt funds will support 40 percent of the academic year compensation of four Whyburn fellows in FY 2019.

The department proposes to allocate \$30,000 in faculty summer wages for faculty members who serve as mentors for undergraduate students participating in the department's summer research program and for the associate chair.

The department proposes to spend a total of \$20,000, including \$5,158 of new funds plus \$14,842 carry-forward balance, to provide fellowship support for students engaged in Ph.D. research. This funding allows the department to be competitive with peer institutions in attracting graduate students.

The department also proposes to spend a total of \$15,000, including \$5,000 of new funds plus \$10,000 carry-forward balance, in support of computer upgrades and related costs to facilitate the continuation of faculty research programs.

Physics – The 2018-2019 Pratt fund allocation for Physics is \$250,000.

The department proposes to allocate a total of \$266,162, including \$250,000 of new funds plus \$16,162 carry-forward balance, in FY 2019 for fellowship packages. Pratt funds are a critical component of competitive fellowship packages used to attract and retain highly qualified PhD candidates to the graduate program in Physics. The fellowship packages help to provide a level of support that enables first year graduate students to participate in research groups prior to selecting a research advisor. This support is simultaneously beneficial to new faculty in developing their research programs.

The department proposes to allocate a total of \$78,225, including \$15,182 of new funds plus \$63,042 carry-forward balance on summer wages for a faculty member and for a month of summer wages for the associate chair.

The department will continue to draw down uncommitted reserves in the Pratt Equipment account to fund critical equipment needs, both for instruction and research, as components of start-up packages for new faculty, as cost-share on sponsored grants, and through other forms of research support to the department. The projected June 30, 2018 year-end balance of \$257,708 is committed to current faculty and to the expectation of the hire of a new experimentalist in FY 2019.

New Faculty Start-up Fund – A total of \$3,270,000 is requested by the College to use as components of start-up packages associated with new hires. The funds transferred to the Arts and Sciences Pratt Faculty Support account will supplement the salaries of 40 faculty members in Biology, Chemistry, Mathematics and Physics who have been hired since FY 2010. Six new faculty have joined these departments in the current academic year. One of these, David Parichy, is the inaugural Ivy Professor of Morphogenesis for Biology. His research areas build upon demonstrated strength within the department, including cell and developmental biology and neurobiology. This chair was created with \$1,500,000 of A&S Pratt Funds. Along with the School of Medicine (SOM) and School of Engineering, the College is undertaking a Provost Cluster Hire program in the strategic area of neuroscience. This year, Jianhua Cang joined the departments of Biology and Psychology as the first Jefferson Scholars Foundation Professor of Neuroscience. Xiaorong Liu is an Assistant Professor whose focus is on neurobiology with an emphasis on glaucoma. She complements the broad-based expertise already present in sensory neurobiology, and bridges College research to the Ophthalmology Department in the SOM. We continue to build strength in neuroscience through two new searches, currently ongoing. Robert Gilliard is a TOPS hire as an Assistant Professor of Chemistry. He is a chemist with an unusually strong record of accomplishment at an early career stage. Dr. Gilliard was awarded UNCF/Merck and Ford Foundation fellowships to prepare a new class of phosphorus-containing molecules which have applications in bioactive and materials chemistry. He was included in a Forbes Magazine 30 under 30 in Science list of the brightest young entrepreneurs, breakout talents and change agents. The list of new faculty hires is rounded out by Benjamin Hayes, an Assistant Professor in Mathematics, working in the area of Analysis and Partial Differential Equations, and Ken Yagi, Assistant Professor in Physics, whose specialty is the rapidly growing field of gravitational wave physics. His hire helps fulfill a long-standing aim of enabling greater collaboration between the departments of Astronomy and Physics. In all these hires, the Pratt Faculty Support account provides a significant component of competitive start-up packages. These funds will also be used for cost share on grants and other opportunities that may arise in the coming year, and for other strategic needs in building the programs in these four departments.

SCHOOL OF MEDICINE — \$5,790,000 allocation for 2018-2019

The January 31, 2018 market value of the Pratt Bequest for the School of Medicine is \$50.5 million. The \$5,790,000 request from the School of Medicine detailed below

represents the regular allocation of \$1,300,000 and a special distribution of \$4,490,000 to support graduate programs and central research efforts.

Support and Training of Student Researchers - \$1,210,000 - Graduate students and postdoctoral fellows are central to a successful biomedical research program. A modest institutional share from the Pratt bequest supplements funds from federal government training programs and charitable foundations to attract exceptional students. For the 2018-2019 fiscal year, the School of Medicine proposes to use \$210,000 of its Pratt funds allocation to support graduate research assistants. These individuals are critical in enhancing the quality of research in the PhD and MD/PhD programs at the University, and the success of these programs has a direct impact on the quality of faculty research at the School of Medicine.

Additionally, the School of Medicine would like to utilize \$1.0 million to support its MD/PhD students enrolled in medical school. The MD/PhD program at UVA is nationally known and extremely selective with fewer than ten students enrolled annually. For each student enrolled, all tuition and fees during the medical student years and research years are funded institutionally or through grants. By leveraging the Pratt bequest for medical student scholarships the School is able to continue funding this high profile program.

Core Facility Support - \$2,400,000 – Research core facilities – including, but not limited to: the Advanced Microscopy Facility, Biomolecular Analysis Facility, Genetically Engineered Murine Model Core, Flow Cytometry Core, Biorepository, Biomolecular Magnetic Resonance facility, Molecular Imaging Core, and the Antibody Engineering and Technology Core – provide access to large, expensive equipment and techniques that otherwise would not be available or cost-effective to individual investigators. These facilities operate on a fee-for-service basis; and, after development costs and other expenses, the core facilities average a cost recovery of 67%, with differential funded by Pratt allocations.

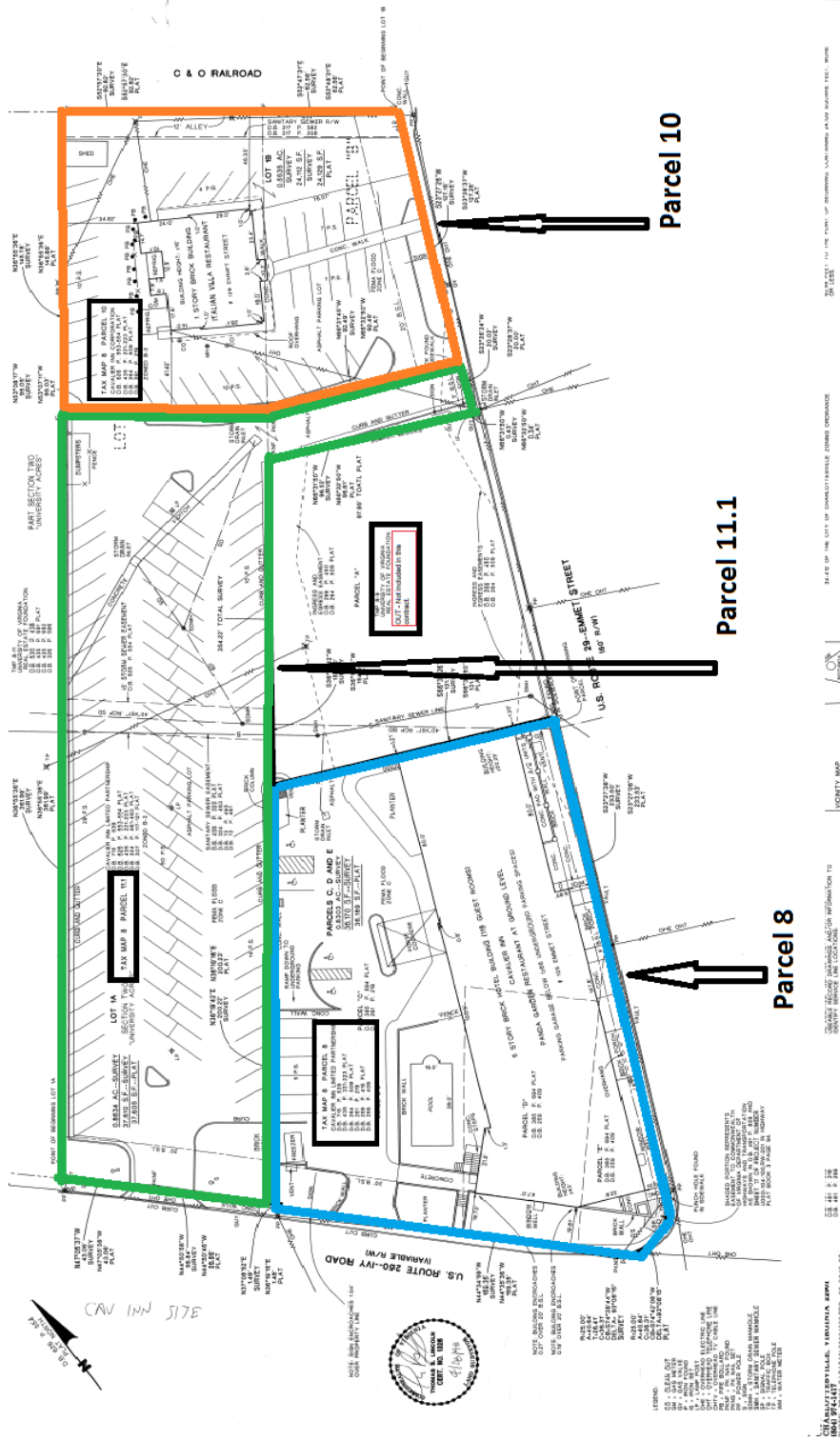
For the 2018-2019 fiscal year, the School of Medicine proposes to use \$2,400,000 of its Pratt funds allocation to support its research cores. These resources provide a competitive advantage to acquiring emerging technologies, and are critical to the School of Medicine's success in recruitment and retention of faculty and its ability to continue to grow its externally funded research program.

Center for Comparative Medicine - \$180,000 - The Center for Comparative Medicine has the mission of supporting biomedical research and teaching that utilizes laboratory animals, following policies set by the University's Institutional Animal Care and Use Committee to ensure that federal regulations and guidelines are followed on the humane care and use of laboratory animals. As the primary user of laboratory animals at UVA, the School of Medicine relies heavily on the husbandry and veterinary services from the CCM to ensure research and teaching involving animals are performed in an appropriate manner. For the 2018-2019 fiscal year, the School of Medicine proposes to use \$180,000 of its Pratt funds allocation to support its share of administrative costs for the Center for Comparative Medicine.

Institutional Review Board–Health Sciences Research - \$2,000,000- The IRB-HSR is responsible for reviewing all health sciences research at UVA that involves human subjects, ensuring compliance with federal regulations. The primary role of the IRB is to protect the safety and welfare of human subjects. For Clinical Trials and other research studies, the School of Medicine is the primary customer of services by the IRB-HSR to ensure compliance. For the 2018-2019 fiscal year, the School of Medicine proposes to use \$2,000,000 of its Pratt funds allocation to support its share of operational costs for the Institutional Review Board-Health Sciences Research.

City of Charlottesville Tax Map 8

Meadow Creek Corporation Properties



**DRAFT PURCHASE AGREEMENT UNDER NEGOTIATION
BY GENERAL COUNSEL'S OFFICE**

AGREEMENT OF PURCHASE AND SALE OF STOCK

THIS AGREEMENT OF PURCHASE AND SALE OF STOCK (the "**Agreement**") is made as of the ___ day of _____, 2018, by and between **UNIVERSITY OF VIRGINIA FOUNDATION**, a Virginia non-stock corporation ("**Seller**"), and **THE RECTOR AND VISITORS OF THE UNIVERSITY OF VIRGINIA**, an educational institution of the Commonwealth of Virginia ("**Buyer**").

RECITALS

A. Meadow Creek Corporation ("**Company**") is a corporation organized under the laws of the Commonwealth of Virginia and is in the business of owning and leasing real estate located in Charlottesville, Virginia (the "**Business**").

B. The Company is the sole owner of the real properties described on Exhibit A attached hereto (the "**Properties**"). The Properties are currently in use as a hotel and a restaurant, but such business operations will be terminated before settlement under this Agreement and the Properties will be the Company's sole assets.

C. Seller is the sole record and beneficial owner of all of the issued and outstanding shares of capital stock in the Company (the "**Shares**").

D. Seller desires to sell, and Buyer desires to purchase, all of the Shares, upon the terms and conditions set forth herein.

AGREEMENT

NOW, THEREFORE, for and in consideration of the foregoing Recitals and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

ARTICLE I -- STOCK PURCHASE

1.1 Stock purchase. For the consideration set forth in Section 1.2, Seller agrees to sell, transfer, and assign the Shares to Buyer, and Buyer agrees to purchase the Shares from Seller. At Closing (as defined in Section 2.1), Seller shall deliver to Buyer certificates evidencing the Shares, duly endorsed in blank. At the time of such delivery, all of the Shares shall be free and clear of all liens, claims, encumbrances, pledges, security interests, charges, options, and restrictions of any kind or nature.

1.2 Purchase price. The Purchase Price to be paid for the Shares (the "**Purchase Price**") shall be _____ Dollars (\$_____.00). The Purchase Price shall be paid to Seller by Buyer at Closing by wire transfer of immediately available funds to the account(s) designated by Seller.

1.3 Exclusions from sale. At Closing, the Company's only assets will be the Properties. Without limiting the generality of the foregoing, the Company will not own any of the following assets at Closing:

(a) *Cash and other investment accounts.* Buyer agrees that, at or prior to Closing, Seller will cause the Company to distribute to Seller all assets held in any bank, brokerage, or other investment accounts maintained in the name of the Company, all accounts receivable, and all cash. To the extent that any receivables are paid to the Company after the Closing Date, Buyer shall, reasonably promptly upon receipt thereof, transfer all such receivables to Seller.

(b) *400 Emmet Street N. property.* Prior to Closing, the Company will convey to Seller that certain real property owned by the Company located at 400 Emmet Street N., Charlottesville, Virginia, identified on the tax maps of the City of Charlottesville, Virginia, as TMP 060074000.

(c) *Intangible rights, trademarks, and intellectual property.* Prior to Closing, the Company will convey to Seller all of the Company's interest in any intangible rights, trademarks, tradenames, service marks; all information and records maintained by the Company (in electronic or paper format) pertaining to customers and/or visitors of the Business including, without limitation, principal contacts, email and street addresses, telephone numbers, personal information, and purchasing history of such customers or visitors; all software programs, modules, data, and information; goodwill; and all other intellectual property, including without limitation the Company's vested rights, if any, in the "Cavalier Inn" name and associated logos, telephone numbers, website, and URL (including, without limitation, text and graphics).

1.4 Payment of utilities, property taxes, and other liabilities. The parties' responsibilities for the Company's utility bills, property taxes, and other liabilities shall be as follows:

(a) *Utility bills.* Seller shall cause the Company to pay all utility bills and trash removal bills due on or before the Closing Date; provided, however, that Buyer shall, within five (5) days after written notice from Seller, reimburse Seller for the portion of any bills paid by Seller for services provided to the Properties after the Closing Date.

(b) *Property taxes.* Seller shall cause the Company to pay any property taxes levied on the Company's tangible personal property as of the Closing Date. At Closing, Seller will credit to Buyer the Company's pro rata share of real estate taxes and storm water fees

payable to the City of Charlottesville, and Buyer will cause the full amount payable for 2018 to be paid to the City of Charlottesville in a timely fashion.

(c) *Other liabilities.* Except as otherwise noted by this Agreement, Seller shall cause to be paid in full as of the Closing Date all liabilities of the Company. Seller shall take, or shall cause the Company to take, all actions necessary to release any liens, security interests or other encumbrances securing any such liabilities. Seller represents that the Company has no long-term debt, short-term borrowings or other indebtedness for borrowed money other than accounts payable and other similar accrued, short-term operating liabilities incurred in the ordinary course of business.

1.5 Cessation of the Business. Seller shall terminate the active operation of the Business prior to the Closing Date, and Seller shall cause the Company to terminate (a) all management and service agreements relative to the Cavalier Inn property and (b) any leases, management agreements, and service agreements relative to the Italian Villa property. At Closing, the Properties will be in the condition described in Section 3.8 below.

ARTICLE II – CLOSING

2.1. Time and place. The closing of the transactions contemplated by this Agreement (the “*Closing*”) shall take place in Charlottesville, Virginia, at the Seller’s offices on or before _____, 2018, or at such other time or place as the parties hereto may mutually agree (the “*Closing Date*”).

2.2 Deliveries by Seller. At the Closing, Seller shall deliver the following to Buyer:

(a) certificates representing the Shares as required by Section 1.1, accompanied by a transfer power duly endorsed in blank by Seller;

(b) copies of the Company’s Articles of Incorporation, certified by the State Corporation Commission of Virginia (“SCC”), and the Company’s Bylaws, as certified by the secretary of the Company;

(c) a Certificate of Good Standing of the Company from the SCC dated within sixty (60) days prior to the Closing Date;

(d) all of the Company’s minute books, stock ledgers, and all other corporate records in the possession of Seller;

(e) the written resignation of each officer and director of the Company; and

(f) such other documents as may be reasonably requested by Buyer.

2.3 Deliveries by Buyer. At Closing, Buyer shall deliver to Seller: (a) the Purchase Price, by wire transfer; and (b) such additional documents as Seller may reasonably request.

ARTICLE III -- REPRESENTATIONS AND WARRANTIES BY SELLER

Seller represents and warrants each of the following to Buyer:

3.1 *Organization and good standing.* The Company is a corporation duly organized and validly existing under the laws of the Commonwealth of Virginia with the requisite corporate power and authority to own, lease, and operate its properties and assets and to carry on the Business as presently conducted. The current officers and directors of the Company are set forth on Schedule 3.1.

3.2 *Authority.* Seller has the complete and unrestricted right, power, and authority to execute, deliver, and perform this Agreement and the documents to be entered into and delivered at Closing (the "Closing Documents"), and to consummate the transactions contemplated herein, and upon execution of this Agreement and the Closing Documents by all parties thereto, this Agreement and the Closing Documents will constitute valid and binding obligations of Seller enforceable in accordance with their respective terms.

3.3 *The Company's assets.* Following transfer to Seller of the assets, properties, and interests identified in Section 1.3 the Properties will be the sole assets of the Company.

3.4 *Title to the Shares.* Seller has good, absolute, and marketable title to the Shares, free and clear of all liens, claims, encumbrances, pledges, security interests, charges, options, and restrictions of any kind or nature. The delivery of the Shares to Buyer, as herein contemplated, will vest in Buyer good, absolute, and marketable title to all of the Shares, free and clear of all liens, claims, encumbrances, pledges, security interests, charges, options, and restrictions of any kind or nature.

3.5 *Title to the Company's assets.* The Company has good and marketable title to all of the assets it purports to own, including, without limitation, the Properties, free and clear of any liens, security interests, pledges, conditional sales agreements, leases, charges, and encumbrances of any kind or nature, except for the lien for real estate taxes, not yet due and payable, and easements and restrictions (if any) recorded in the Clerk's Office of the Circuit Court of Charlottesville, Virginia.

3.6 *Consents and approvals.* There is no requirement applicable to the Company or Seller to make any filing with, or to obtain any permit, authorization, consent, or approval of any public body as a condition to the lawful consummation of the transactions contemplated by this Agreement. There is no requirement that any party to any Contract (as defined in Section 3.13), or Permit (as defined in Section 3.9) to which the Company is a party or by which it or any of its assets or the Shares are bound, consent to the execution of this Agreement by the Company or the consummation of the transactions contemplated by this Agreement.

3.7 *Non-contravention.* The execution, delivery, and performance by Seller of this Agreement and the Closing Documents will not, and the consummation of the transactions

contemplated hereby and thereby will not, constitute or result in, whether at present or with the giving of notice or the passage of time, a material violation, breach or default under: (1) any agreement, contract, covenant, lease, mortgage, or other instrument to which the Company or Seller is a party or by which it or the Shares are bound; (2) any constitution, statute, or regulation to which the Company or Seller is or the Shares are subject; (3) any judgment, order, decree, or other requirement of law by which the Company or Seller is, or the Shares are, bound; or (4) the Company's Articles of Incorporation or Bylaws.

3.8 Condition of the Properties at Closing. All above-ground and below-grade physical improvements (the "Improvements") located on the Properties as of the date of this Agreement will be removed from the Properties prior to Closing. In all other respects, Buyer acknowledges and agrees that neither the Company nor the Seller is making any representations or warranties about the condition of the Properties, and Buyer agrees that, aside from the removal of the Improvements, the Properties will be in "AS IS" condition at Closing. Buyer is aware of the presence of groundwater contamination on property adjoining the Properties, and understands that such contamination may have migrated to the Properties.

3.9 Permits and licenses. The Company has all federal, state and local permits and licenses required to conduct the operations of the Business (the "Permits"). All of the Permits are in current force and effect and the Company and Seller are not in receipt of any notice that the Company is not in compliance with, or that threatens the revocation of, any Permit. The Business has been conducted in compliance in all material respects with the Permits.

3.10 Absence of undisclosed liabilities. The Company has no known liabilities or obligations (whether absolute, accrued or contingent) of any nature, except those arising in the ordinary course of business.

3.11 Tax returns and audits. All federal and state income taxes of the Company attributable to taxable years ending on or before the Closing Date have been fully paid or properly accrued. The Company has prepared, executed, and duly filed all other federal, state, local, and other tax returns required to be filed by applicable laws and regulations whose due dates fall on or before the Closing Date and such tax returns are true, complete, and correct in all material respects. The Company has paid when due or properly accrued all federal and state income taxes, sales taxes, personal property taxes, franchise taxes, gross receipts taxes, and all other taxes (including all penalties, interest and installments thereof) attributable to all taxable years ending on or before the Closing Date, and for its year-to-date operations through the Closing Date. All liabilities of the Company for federal and state income taxes, sales taxes, personal property taxes, franchise taxes, gross receipts taxes, and all other taxes (including all penalties, interest and installments thereof) through the Closing Date which are not yet due and payable have been accrued as liabilities and will be paid by Seller. The Company has not been delinquent in the payment of any applicable tax, assessment, or governmental charge. There are no liens for taxes upon the assets of the Company, except for statutory liens for current taxes not yet due. The Company has not had any tax deficiencies proposed or assessed against it. The tax returns of the Company have

not been audited, and no investigation or audit of the Company is in progress or, to Seller's knowledge, is threatened by any taxing or tax collecting agency.

3.12 *Litigation.* There is no suit, action, claim, dispute, investigation, or other proceeding (whether legal, administrative or arbitrative) pending against or, to Seller's knowledge, threatened against the Company, and Seller does not know of any basis or grounds for any such suit, action, claim, dispute, investigation, or other proceeding.

3.13 *Contracts.* The Company will terminate all Contracts prior to the Closing Date. For purposes hereof, "Contract" means any contract, agreement, mortgage, lease, management contract, commitment, undertaking, arrangement, or understanding, written or oral, or other document or instrument to which or by which the Company is a party or otherwise subject or bound or to which or by which any property or right of the Company is subject or bound.

3.14 *Employees.* The Company does not have any employees.

3.15 *Compliance with laws.* The Company has operated the Business in compliance with all applicable laws, regulations, policies, guidelines, orders, judgments, or decrees of any federal, state, or local court or governmental authority applicable to the Business, including those related to zoning and building codes; public health and safety; worker health and safety; and labor and nondiscrimination. The Company has not received any notice alleging non-compliance with any of the aforementioned laws, regulations, policies, guidelines, orders, judgments or decrees, or engaged in any such illegal practices.

3.16 *Affiliated transactions.* The Company is not a party to or bound by any contract with Seller or any affiliate of Seller and, except as specifically set forth in this Agreement, Seller has no rights to or interests in any asset, tangible or intangible, which is used in the Business.

3.17 *Insurance.* The Company is insured under various policies for general liability and other forms of insurance in commercially reasonable amounts with reputable and licensed insurers. All of such policies are in full force and effect, no notice of cancellation has been received, and there is no existing default or event which, with the giving of notice or lapse of time or both, would constitute a default thereunder. To the best knowledge of Seller, such policies are in amounts which are adequate in relation to the Business. The Company has not been refused any insurance, nor has its coverage been limited, by any insurance carrier to which it has applied for insurance. The Company has not failed to give any notice or present any claim under any insurance policy in a timely fashion or in the manner or detail required by the policy. No notice of any cancellation or nonrenewal with respect to, or disallowance of any claim under, any insurance policy has been received by the Company. There are no outstanding past due premiums or claims, and there are no provisions for retroactive or retrospective premium adjustments with respect to any insurance policies of the Company. To the best knowledge of Seller, there is no state of facts or occurrence of any events which will form the basis of any claim against the Company or which might materially

increase the insurance premiums payable under any such policy.

3.18 Books and records. The Company has made and kept books and records and accounts which, in reasonable detail, accurately and fairly reflect the activities of the Company in all material respects.

3.19 Full disclosure. None of the representations and warranties of Seller in this Article III (a representation and warranty being deemed to include, for the purpose of the Section to which it is referenced and not for the purpose of any other Section, the information contained in any Schedule thereto) contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. As used in this Agreement, the term “knowledge” with respect to Seller means the knowledge of any Seller of any fact or matter which Seller actually knows without duty of investigation or inquiry.

ARTICLE IV -- REPRESENTATIONS AND WARRANTIES BY BUYER

Buyer represents and warrants to Seller as follows:

4.1 Authority. Buyer has the complete and unrestricted right, power, and authority to execute, deliver, and perform this Agreement and the Closing Documents and to consummate the transactions contemplated herein, and upon execution of this Agreement and the Closing Documents by all parties thereto, this Agreement and the Closing Documents will constitute valid and binding obligations of Buyer enforceable in accordance with their respective terms.

4.2 Ability to carry out agreement. Buyer is not a party to, subject to, or bound by any agreement or any judgment, order, writ, injunction, or decree of any court or governmental body that could prevent or materially impair the carrying out of this Agreement or the performance by Buyer of any of Buyer’s obligations hereunder.

ARTICLE V -- ADDITIONAL COVENANTS AND AGREEMENTS

5.1 Covenants of Seller.

(a) *Cooperation.* Seller shall use commercially reasonable efforts to cause the sale contemplated by this Agreement to be consummated and shall make all filings with and give all notices to third parties which may be necessary or required in order to effect the transaction contemplated hereby.

(b) *Conduct of business affairs until Closing.* Seller covenants and agrees that from the date hereof to the Closing Date, the Company will: (i) operate its business only in the usual, regular and ordinary manner, consistent with past practices, and will not incur any material liability or material obligation, direct or contingent, except in the ordinary course of business, including without limitation any new contracts or management agreements,

without the prior written approval of Buyer; and (ii) maintain its books of account and records in the usual, regular and ordinary manner, in accordance with generally accepted accounting principles applied on a consistent basis. Notwithstanding the foregoing, Buyer acknowledges and agrees that Seller will cause the Company to terminate all Contracts (as such term is defined in Section 3.13 above) on or before the Closing Date, that the Company will cease all Business operations, and that the Improvements (as such term is defined in Section 3.8) will be completely removed from the Properties.

(c) *Right of inspection.* Seller shall give Buyer and Buyer's agents the right, during normal business hours, to inspect the Properties and to consult with the officers, employees, attorneys and agents of the Company for the purpose of determining the accuracy of the covenants, representations and warranties made herein.

(d) *Additional actions.* Upon request from time to time, Seller shall execute and deliver all documents, make all truthful oaths, testify in any proceedings and do all other acts that may be reasonably necessary or desirable, in the opinion of Buyer, to perfect the title of Buyer to the Shares, all without further consideration, but at the expense of Buyer unless arising out of default of any Seller.

ARTICLE VI -- CONDITIONS TO OBLIGATIONS OF SELLER

The obligations of Seller to consummate the transactions contemplated by this Agreement shall be subject, to the extent not waived, to the following conditions:

6.1 Accuracy of representations and warranties. The representation and warranties of Buyer set forth in Article IV hereof shall be true and correct as of the Closing Date as though made on and as of such date.

6.2 Performance of obligations. Buyer shall have performed all obligations and complied with all covenants required hereunder to be performed or complied with by Buyer on or before the Closing Date. All documents delivered by Seller and Buyer hereunder shall be in form and substance reasonably satisfactory to Seller.

ARTICLE VII -- CONDITIONS TO OBLIGATIONS OF BUYER

The obligations of Buyer to consummate the transactions contemplated by this Agreement shall be subject, to the extent not waived, to the following conditions:

7.1 Accuracy of representation and warranties. Seller's representations and warranties set forth in Article III hereof shall be true and correct as of the Closing Date as though made on and as of such date.

7.2 Performance of obligations. Seller shall have performed all obligations and complied with all covenants required hereunder to be performed or complied with by Seller on or before the Closing Date.

7.3 Authorization. All action required to be taken by Seller or the Company (including receiving any required approval of the shareholders or directors of the Company) in connection with the transactions contemplated by this Agreement shall have been taken, all documents incident thereto shall be reasonably satisfactory in substance and form to Buyer, and Buyer shall have received such originals or copies of such documents as Buyer may reasonably request.

7.4 Certificate. Seller shall have delivered to Buyer a certificate to the effect that each of the conditions specified above in Sections 7.1 through 7.3 are satisfied in all respects.

7.5 Resignation of officers and directors. Seller shall have delivered to Buyer the written resignation of each officer and director of the Company effective as of the Closing.

7.6 Due diligence inspection. Until 5:00 p.m. local time on _____, 2018, Buyer shall have the full and complete opportunity to conduct the inspections authorized in Section 5.1(c) hereof, shall have been satisfied with such due diligence inspection and shall not have terminated this Agreement by delivering notice to Seller in accordance with Section 9.1 below.

ARTICLE VIII – INDEMNIFICATION AND DEFAULT

8.1 Covered liabilities. For purposes of this Agreement, “Covered Liabilities” means any and all losses, liabilities, fines, damages, obligations, payments (including but not limited to those arising out of any demand, assessment, settlement, judgment, or compromise relating to any Legal Action (as defined below) for which the Indemnifying Party (as defined below) is responsible), costs, and expenses (including but not limited to interest and penalties due and payable with respect thereto and reasonable attorneys' fees and any other reasonable out-of-pocket expenses actually incurred in investigating, preparing, defending, avoiding, or settling any Legal Action or in investigating, preserving, or enforcing another party's obligations hereunder).

8.2 Indemnity by Seller. Seller shall, on demand, indemnify and hold harmless Buyer, the Company, and their respective successors and assigns (each, a “Buyer Indemnified Person”) from and against any and all Covered Liabilities that are incurred by or asserted against Buyer Indemnified Persons, or any of them, and in connection with, related to, or arising directly or indirectly from any of the following:

(a) any breach, default, or violation by any Seller of a covenant, agreement, or warranty set forth in this Agreement or the Closing Documents;

(b) any misrepresentation or omission of fact by any Seller in this Agreement or the Closing Documents;

(c) the operation of the Business prior to the Closing Date or arising out of events

occurring prior to the Closing Date; or

(d) any federal and state income taxes, sales taxes, personal property taxes, franchise taxes, gross receipts taxes and all other taxes (including any future assessments and all penalties, interest and installments thereof) attributable to the Company's taxable years (or other taxable periods) ending on or before the Closing Date, or attributable to the Company's year-to-date operations through the Closing Date, except for property taxes for which Buyer may be responsible pursuant to Section 1.4(b) hereof.

8.3 Notice and defense of claims.

(a) Promptly after receipt by a party seeking indemnification hereunder (an "Indemnified Party") of notice of any claim or the commencement of any action, or upon discovery of any facts which an Indemnified Party believes may give rise to a claim for indemnification hereunder (a "Claim"), such Indemnified Party shall, if a Claim is to be made against Seller from whom indemnification is sought hereunder (an "Indemnifying Party") give written notice to the Indemnifying Party of the Claim and the facts, in reasonable detail, constituting the basis for such Claim. Failure of an Indemnified Party to give such written notice of any Claim shall release an Indemnifying Party from its indemnification obligations hereunder only to the extent that such failure prejudiced the Indemnifying Party's ability to defend a Claim.

(b) The obligations and liabilities of an Indemnifying Party to an Indemnified Party with respect to Claims resulting from the assertion of liability by those not parties to this Agreement (including governmental claims for penalties, fines and assessments) shall be subject to the following conditions:

(i) If any Action is brought by a third party (a "Legal Action") against an Indemnified Party, the Legal Action may be defended by the Indemnifying Party with legal counsel of its choice reasonably satisfactory to the Indemnified Party so long as (a) the Indemnifying Party notifies the Indemnified Party in writing within fifteen (15) business days after the Indemnified Party has given notice of the Legal Action that the Indemnifying Party acknowledges its indemnity obligation pursuant to the terms of this Article VIII and assumes the defense of the Legal Action; (b) the Indemnifying Party provides the Indemnified Party with evidence reasonably acceptable to the Indemnified Party that the Indemnifying Party will have the financial resources to defend against the Legal Action and fulfill its indemnification obligations hereunder; (c) the Legal Action does not seek an injunction or other equitable relief against the Company or Buyer; (d) settlement of, or an adverse judgment with respect to, the Legal Action will not, in the reasonable and good faith judgment of the Indemnified Party, establish a precedential custom or practice adverse to the continuing business interests of the Indemnified Party; and (e) the Indemnifying Party conducts the defense of the Legal Action with reasonable diligence.

(ii) So long as the Indemnifying Party is conducting the defense of a Legal Action in accordance with Section 8.3(b)(i): (A) without the prior written approval of the

Indemnified Party, the Indemnifying Party will not consent to the entry of any judgment or enter into any settlement with respect to such Legal Action unless written agreement is obtained releasing the Indemnified Party from all liability thereunder; (B) the Indemnified Party shall have the right to be represented by advisory counsel and accountants at its own expense; (C) the Indemnifying Party shall keep the Indemnified Party fully informed as to the status of such Legal Action at all stages thereof, whether or not the Indemnified Party is represented by its own counsel; and (D) the parties shall render to each other such assistance as may be reasonably required in order to ensure the proper and adequate defense of such Legal Action.

(iii) In the event any of the conditions in Section 8.3(b)(i) is or becomes unsatisfied, the Indemnified Party may upon written notice to the Indemnifying Party assume the defense of the Legal Action, and the Indemnifying Party will reimburse the Indemnified Party promptly and periodically for the costs of defending against the Legal Action (including reasonable attorneys' fees and expenses) incurred from the date the Indemnified Party assumed defense of the Legal Action, and (b) the Indemnifying Party will remain responsible for any Covered Liabilities the Indemnified Party may suffer.

8.4 *Default by Buyer.* Seller understands and acknowledges that Buyer has not agreed to provide any indemnification or save harmless agreements running to Seller. In the event of a default by Buyer hereunder, Seller shall be entitled to pursue any remedies that may be lawfully available at law or in equity. Nothing in this Agreement shall be construed as a waiver of the sovereign immunity of Buyer or the Commonwealth of Virginia.

8.5 *Survival.* The obligations of indemnification set forth in Sections 8.2 hereof shall survive the Closing Date for a period of two (2) years. Notwithstanding the provisions of the preceding sentence, if written notice of a claim or demand giving rise to an indemnification obligation is provided to the Indemnifying Party within ninety (90) days after the Indemnified Party receives notice of any Legal Action, the obligation of indemnification with respect to such claim or demand shall survive until such claim or demand is finally resolved, regardless of the expiration of any survival period.

ARTICLE IX -- GENERAL PROVISIONS

9.1 *Termination.* This Agreement and the transactions contemplated by this Agreement may be terminated at any time before the Closing Date (i) by action of Buyer in the event of a failure of a condition set forth in Article VII, (ii) by action of Seller in the event of a failure of a condition set forth in Article VI, and (iii) by mutual written agreement of the parties. If this Agreement shall be terminated as provided in this Section 9.1, then all covenants, agreements, representations and warranties, all obligations of any kind, contained in this Agreement, and all liabilities of Seller and Buyer shall terminate as of such termination.

9.2 *Commissions and broker fees.* Seller and Buyer hereby represent and warrant that they have not dealt with any agent, broker or finder, with respect to the Agreement or

the transactions contemplated hereby, and each party agrees to indemnify and hold the other harmless from any agent's, broker's or finder's fee with respect to the sale of stock and the transactions contemplated herein. Each party hereto shall pay its own fees and expenses for brokers, agents, investment bankers, attorneys, accountants, finders or other persons, as may be retained or employed, directly or indirectly, in connection with the negotiation, preparation and/or closing under this Agreement and the consummation of the transactions contemplated herein. The provisions of this section shall survive the execution of this Agreement indefinitely.

9.3 Notices. All notices and other communications hereunder shall be in writing and shall be deemed to have been duly given if delivered or if mailed three days after mailing, first-class, postage prepaid, addressed to the party for whom they are intended at the following addresses:

If to Seller: Director of Real Estate Asset Management
University of Virginia Foundation
One Boar's Head Pointe, Charlottesville, VA 22903
P.O. Box 400218, Charlottesville, VA 22904-4218

with a copy to: Robert J. Kroner
Scott Kroner, PLC
418 East Water Street, P.O. Box 2737
Charlottesville, Virginia 22902

If to Buyer: Director, Real Estate and Leasing Services
University of Virginia
One Boar's Head Pointe, Charlottesville, VA 22903
P.O. Box 400884, Charlottesville, VA 22904-4884

with a copy to: _____

Such names and addresses may be changed by written notice to the other parties as provided hereunder.

9.4 Entire agreement; amendments. This Agreement, including all Recitals, Schedules and Exhibits, which are hereby incorporated as a part hereof, contains the entire understanding of the parties with respect to the subject matter contained herein and may be amended or terminated only by a written instrument executed by Seller and Buyer, or their respective successors or assigns. This Agreement supersedes all prior oral and written agreements and representations among the parties hereto. There are no restrictions, promises, warranties, covenants, or understandings among the parties hereto other than those expressly set forth herein. The section and paragraph headings contained in this

Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

9.5 Successors and assigns. This Agreement shall inure to the benefit of and be binding upon Seller, Buyer, and their respective successors and assigns.

9.6 Remedies and waivers. All rights and remedies available at law, in equity or under the terms of this Agreement or any other agreement or instrument executed in connection herewith shall be cumulative, and no waiver thereof shall be (a) implied from the prior acts or omissions, or based solely upon the oral representations, of a party hereto; or (b) effective or binding unless, and then only to the extent that, such waiver is set forth in this Agreement, or a party hereto signs an express written waiver of rights or remedies and causes such written waiver to be delivered to the party for whose benefit it was made.

9.7 Applicable law. This Agreement shall be construed and enforced in accordance with the laws of the Commonwealth of Virginia.

9.8 Modification. This Agreement shall not be modified unless, and then only to the extent that, a written modification is executed by all of the parties hereto or their respective successors or assigns.

9.9 Severability. Any provision of this Agreement that is prohibited by, or unlawful or unenforceable under, Virginia law shall be ineffective only to the extent of such prohibition without invalidating the remaining provisions of this Agreement.

9.10 Counterparts/facsimile. This Agreement may be executed in one or more counterparts, all of which shall constitute one original and a facsimile delivery by a party of an executed copy of this Agreement shall be binding on the party upon such delivery.

IN WITNESS WHEREOF, the parties hereto have fully executed this Agreement as of the date first above written.

SELLER:

UNIVERSITY OF VIRGINIA FOUNDATION,
a Virginia nonstock corporation

By: _____
Tim R. Rose
Chief Executive Officer

BUYER:

THE RECTOR AND VISITORS OF THE UNIVERSITY OF VIRGINIA,
an educational institution of the Commonwealth of Virginia

By: _____
Patrick D. Hogan
Executive Vice President and Chief Operating Officer

COMPANY:

MEADOW CREEK CORPORATION
a Virginia corporation

By: _____
William E. Cromwell, President

Reviewed and approved as to legal form and sufficiency:

_____, *Special Counsel*
to The Rector and Visitors of the University of Virginia

LIST OF REQUIRED EXHIBITS AND SCHEDULES

Exhibit A

Properties

Schedule 3.1

Officers and Directors

Exhibit A

Parcel One: commonly known as 105 Emmet Street N., being designated on the 2017 City of Charlottesville tax maps as **TMP 080008000** (the “***Cavalier Inn property***”);

Parcel Two: commonly known as 0 Emmet Street N., being designated on the 2017 City of Charlottesville tax maps as **TMP 080011100** (the “***Cavalier Inn Parking Lot property***”);
and

Parcel Three: commonly known as 127 Emmet Street N., being designated on the 2017 City of Charlottesville tax maps as **TMP 080010000** (the “***Italian Villa property***”).

*Collectively, the Cavalier Inn property, the Cavalier Inn Parking Lot property, and the Italian Villa property are the “**Properties.**”*

Schedule 3.1

Officers and Directors of the Company

William E. Cromwell, Director and President

James W. Wilson, Director and Vice President

Patrick J. McCann, Director and Secretary