

MINUTES OF A MEETING OF THE  
BOARD OF VISITORS OF  
VIRGINIA COMMONWEALTH UNIVERSITY  
October 11, 2005

A meeting of the Board of Visitors of Virginia Commonwealth University was held on Tuesday, October 11, 2005, at 12 noon in the University Meeting Center located at 101 North Harrison Street.

Present were Drs. Bersoff (Rector), Doswell, Romano and Shapiro; Messrs. Axselle, Jackson, Sherman, Siegel and Thompson; and Mesdames Lambert and Rhodes. Absent were Dr. Broadus; and Messrs. Baldacci, Robertson, Rosenthal and Snead. Also present were Drs. Trani, Gottfredson, Macrina, Retchin and Sarrett; Messrs. Jez, Messplay, Ross, Timmreck, Wyeth; and Mesdames Atkinson, Balmer, Chinnici, Lepley, and Messmer. Mr. Dean Pope and Ms. Suzanne Yount were also present.

Dr. Bersoff called the meeting to order and welcomed members of the press.

The Financing Consideration for the School of Business and School of Engineering Debt was presented for information. The presentation by Ms. Yount, University Financial Advisor, SunTrust Capital Markets, Inc., discussed available financing options including the use of fixed or variable rate debt, possible forms of credit enhancement and the use of interest rate swaps so that the variable rate debt will be effectively converted to fixed rate debt. The Board conducted an in-depth discussion on the options including the risks and advantages for the different financing options.

The Bond Counsel Memorandum was presented for information by Dean Pope, University Bond Counsel, Hunton & Williams. The memorandum discussed interest rate swaps and other derivative products for non-profit organizations.

The Debt and Risk Management Guidelines were presented. The Guidelines were presented to the Finance, Investment and Property Committee on August 24, 2005. A summary of the Guidelines are:

- The Debt and Risk Management Guidelines are internal guidelines for the issuance and management of the University's Debt including the use of interest rate risk management techniques.
- All debt financing will be approved by the Board of Visitors, the Treasury Board and in the case of debt supported in whole or part by the University Foundation, by the appropriate Foundation Board.
- Compliance to the guidelines will be maintained with the University's current debt limit parameters and credit ratings.
- Debt will have final maturities of not more than 30 years with interest funded from bond proceeds as appropriate and call features that provide maximum flexibility relative to the cost of the features.
- Methods of sale, whether negotiated or competitively bid, will result in the lowest borrowing cost.
- Variable rate debt will be maintained within a target guideline of not more than [30%] of total debt to minimize volatility in the university's debt service payments.
- Interest rate risk management strategies will be evaluated with prudent guidelines to achieve more flexibility in meeting the University's overall objectives.

The Summary Plan of Finance for the School of Business and School of Engineering was presented and discussed.

The following Resolution Authorizing the Issuance of Bonds and Related Transactions was presented:

**RESOLUTION**  
**Authorizing the Issuance of Bonds and Related Transactions**  
**Virginia Commonwealth University Board of Visitors**  
**2005 School of Business Project and 2005 School of Engineering Project**

**Whereas**, Chapter 6.1, Title 23 of the Code of Virginia of 1950, as amended (the "Code"), creates Virginia Commonwealth University (the "University"), which is governed by a Board of Visitors (the "Board"), which is vested with the supervision, management and control of the University; and

**Whereas**, Chapter 3, Title 23 of the Code (the “Act”), empowers the University, with the consent and approval of the General Assembly of the Commonwealth of Virginia and the Governor of the Commonwealth, to build, construct, reconstruct, erect, extend, better, equip and improve any building, facility, addition, extension or improvement of a capital nature required by or convenient for the purposes of the University and to borrow money and make, issue and sell bonds of the University for any of such purposes, such bonds to be issued and sold through the Treasury Board of the Commonwealth; and

**Whereas**, the Act further authorizes the University to pledge the payment of the principal of and the interest on such bonds any moneys available for the use of the University, including, but not limited to, and subject to guidelines promulgated by the Secretary of Finance of the Commonwealth of Virginia, moneys appropriated to the University from the general fund of the Commonwealth of Virginia or from nongeneral funds, without regard to the source of such moneys, and which are not required by law or by previous binding contract to be devoted to some other purpose; and

**Whereas**, the University and the Virginia Commonwealth University School of Business Foundation (the “School of Business Foundation”) have developed plans to build and finance a replacement facility for the University’s School of Business (the “School of Business Project”); and

**Whereas**, the University and the Virginia Commonwealth University School of Engineering Foundation (the “School of Engineering Foundation”) have developed plans to build and finance an addition to the University’s Engineering School (the “School of Engineering Project”); and

**Whereas**, on August 25, 2005, the Board approved the School of Business Project and the School of Engineering Project (together, the “Projects”) and authorized the Senior Vice President for Finance and Administration (the “SVPFA”) to approve the terms of an amended and Restated Project Development and Financing Agreement with the School of Engineering Foundation and a Project Development and Financing Agreement with the School of Business Foundation (together, the “Project Agreements”) and other agreements with respect to the Projects, and further authorized the officers and employees of the University, as further authorized by the SVPFA, to take all such actions as may be necessary or desirable in connection with the development, acquisition, construction, equipping and financing of the Projects; and

**Whereas**, on August 24, 2005, there was presented to the Finance, Investment and Property Committee of the Board the University’s Debt and Risk Management Guidelines, including its provisions regarding interest rate swaps and other derivative products; and these guidelines are hereby presented for approval to the Board of Visitors at this meeting; and

**Whereas**, a special committee (the “Special Committee”) consisting of members of the Boards of Directors of the School of Business Foundation and the School of Engineering Foundation has worked with senior staff of the University and its financial

and legal advisors and has recommended to the University that it authorize a plan of finance described below; and

**Whereas**, there has been presented to this meeting a plan of finance for the Projects, which includes the issuance of two series of general revenue pledge bonds of the University (the "Bonds"), expected to take the form of variable rate demand bonds secured by credit enhancement, with the University entering into one or more forward interest rate swap agreements (the "Swap Agreements") under which the University would be obligated to pay a fixed rate to the counterparty and receive a variable rate intended to cover interest on the Bonds; and

**Whereas**, the School of Business Foundation will undertake to (1) assist in the development and construction of the School of Business Project, (2) pay all costs incurred in connection with the construction and financing of the School of Business Project not paid out of the proceeds of the series of Bonds issued for the School of Business Project (the "Business School Bonds") and other available funds, and (3) reimburse the University for all debt service and related costs with respect to the principal amount of the Business School Bonds, including remarketing and credit enhancement fees and payments incurred in connection with the Swap Agreement applicable to the Business School Bonds; and

**Whereas**, the School of Engineering Foundation will undertake to (1) assist in the development and construction of the School of Engineering Project, (2) pay all costs incurred in connection with the construction and financing of the School of Engineering Project not paid out of the proceeds of the series of Bonds issued for the School of Engineering Project (the "Engineering School Bonds"), and (3) reimburse the University for all debt service and related costs with respect to the Engineering School Bonds, including remarketing and credit enhancement fees and payments incurred in connection with the Swap Agreement applicable to the Engineering School Bonds; and

**Whereas**, the University will undertake to construct the Projects on land currently owned by the University and, upon completion of the Projects, to convey the School of Business Project to the School of Business Foundation and the School of Engineering Project to the School of Engineering Foundation; and

**Whereas**, the School of Business Foundation will then lease the School of Business Project back to the University for use as the University's School of Business and the School of Engineering Foundation will then lease the School of Engineering Project back to the University for use as part of the University's School of Engineering under lease agreements (the "Lease Agreements"); and

**Whereas**, the ability of the University to maximize the desirability of the Bonds to investors and to reduce the risks of rising interest costs will be enhanced if the University is able to issue the Bonds in the form of variable rate demand bonds and enter into the Swap Agreements; and

**Whereas**, the University's flexibility in accomplishing such purposes will be substantially enhanced by the delegation to the SVPFA of the authority to set the terms of



the Bonds, the Swap Agreements and related documents and to provide for related covenants and undertakings within certain enumerated parameters;

**NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF VISITORS OF VIRGINIA COMMONWEALTH UNIVERSITY:**

1. The SVPFA is hereby authorized to execute and deliver a bond resolution (the "Bond Resolution") providing for the issuance of the Bonds, in an aggregate principal amount not to exceed \$85,000,000, provided that the Bonds shall mature no later than November 1, 2030. The Bonds shall have such terms, including interest rates and redemption provisions, as may be approved by the SVPFA, provided that no fixed interest rate may exceed 5%. The officers of the University may execute and deliver such credit enhancement agreements, including bond insurance agreements, letter of credit agreements and standby bond purchase agreements with respect to all or part of the Bonds, subject to such terms as may be approved by the SVPFA. The officers of the University may execute and deliver one or more Swap Agreements with respect to the Bonds subject to such terms as may be approved by the SVPFA, provided that the notional amount of all the Swap Agreements shall not exceed the expected principal amount of the Bonds and the variable rate paid to the University shall be based on either the London Interbank Offering Rate ("LIBOR") or the variable rate index known as the Bond Market Association Index ("BMA"). The Bond Resolution shall be in substantially the form of resolutions of the University authorizing the issuance of previous general revenue pledge bonds, reflecting the financing terms approved in this resolution, and shall pledge the University's Pledged Revenues, as defined in such previous resolutions, to the payment of the Bonds, subject to parity pledges for other debt as provided in such previous resolutions.

2. The Board authorizes the SVPFA to select one or more underwriters for the purchase and sale of the Bonds (the "Underwriters") and to execute or authorize the execution of a bond purchase agreement or agreements with respect to the Bonds, provided that no bond discount shall exceed 1/2% of the principal amount of the Bonds. The SVPFA may authorize the Underwriters to distribute the Preliminary Official Statement in form deemed "near final" as of its date, within the meaning of Rule 15c2-12 of the Securities and Exchange Commission ("Rule 15c2-12"), to prospective purchasers of the Bonds, with such completions, omissions, insertions and changes as may be approved by the SVPFA.

3. The SVPFA is authorized and directed to approve such completions, omissions, insertions and other changes to the Preliminary Official Statement necessary to reflect the final terms of the Bonds and their sale, to complete it as an official statement in final form (the "Official Statement") and to execute and deliver the Official Statement to the Underwriters. The Underwriters are authorized to distribute the Official Statement to each potential investor requesting a copy of the Official Statement and to each person to whom the Underwriters initially sell the Bonds and the remarketing agent is authorized to use the Official Statement in any remarketing of the Bonds. Execution of the Official Statement by the SVPFA shall constitute conclusive evidence of his approval of any such completions, omissions, insertions and changes and that the Official Statement has been deemed final by the University as of its date within the meaning of Rule 15c2-12.

4. The SVPFA and the other officers of the University are authorized to execute a continuing disclosure agreement as necessary permitting compliance with Rule 15c2-12.

5. The Board authorizes the SVPFA to execute the Project Agreements. The Agreements shall be in substantially the form submitted to this meeting, which are hereby approved, with such completions, omissions, insertions, deletions and changes as may be approved by the SVPFA, such execution to constitute conclusive evidence of the SVPFA's approval of any such completions, omissions, insertions, deletions and changes.

6. The Board authorizes the appropriate other officers of the University to convey the Projects to the Foundations upon completion of the Projects and to execute the Lease Agreements, all subject to terms and conditions approved by the SVPFA.

7. The Board authorizes the SVPFA and the other officers of the University to negotiate, approve, execute, deliver, file and record, as appropriate, all such further documents, instruments and certificates as they may consider necessary, convenient or desirable in connection with the undertaking of the Projects, the Lease Agreements, the issuance of the Bonds, and the execution and delivery of the Swap Agreements, provided such actions are consistent with this resolution.

8. Any authorization herein to execute a document shall include authorization to record such document where appropriate and to deliver it to the other parties thereto.

9. All other acts of the officers of the University that are in conformity with the purposes and intent of this resolution and in furtherance of the undertaking of the Projects are hereby ratified, approved, and confirmed.

10. The President of the University may take any action, including the approval of terms and conditions of documents, that the SVPFA is authorized to take by this resolution.

This resolution shall take effect immediately upon its adoption.

On motion made and seconded, the Board approved the Debt and Risk Management Guidelines, the Summary Plan of Finance for the School of Business and School of Engineering and the Resolution: Authorizing the Issuance of Bonds and Related Transactions.

An overview of VCU's six-year academic, enrollment, and financial plans was presented. The Restructured Higher Education Financial and Administrative Operations Act, passed by the 2005 General Assembly, requires each public institution of higher

education in Virginia to submit six-year plans to the Governor, the respective Chairmen of the House Appropriations and Senate Finance Committees, and to the State Council of Higher Education for Virginia (SCHEV). The six-year plans were prepared in accordance with guidance from the SCHEV.

VCU's academic plan addresses the nine state goals for higher education, which are:

1. Provide access to higher education
2. Provide affordable higher education
3. Offer a broad range of mission-relevant academic programs
4. Initiate continuous, rigorous assessment of academic programs
5. Improve student retention
6. Develop articulation agreements
7. Stimulate economic development
8. Engage in research
9. Develop K-12 partnerships

VCU's enrollment plan reflects an increase in headcount enrollment to about 34,000 students by 2012. On-campus degree-seeking undergraduate enrollments will increase to over 21,000 and graduate enrollment projections are consistent with VCU's goal of doubling the number of graduate students by 2020.

VCU's financial plans included two financial planning scenarios:

1. No increase in general fund support; and,
2. Incremental general fund support based upon a general fund share for costs for all in-state students as set forth in the current biennial budget.

The six-year financial plans included Educational and General Programs, Sponsored Programs, Auxiliary Enterprises, and Student Financial Assistance. Also, anticipated tuition and fee charges and strategies for providing sufficient financial aid to mitigate tuition and fee increases were included in the six-year plans.

The six-year academic, enrollment and financial plans were submitted on

October 3, 2005, pending final approval by the Board of Visitors. On motion made and seconded, the Six-Year Plans were approved by the Board of Visitors.

On motion made and seconded, the Board convened into closed session to consult with legal counsel and receive briefings by staff members regarding legal matters and actual or probable litigation where such consultation or briefing in open session would adversely affect the negotiating or litigating posture of VCU, as may be necessary; and to discuss prospective candidates for employment, as authorized by Section 2.2-3711 A(1) and A(7) of the Virginia Freedom of Information Act.

Following closed session, on motion made and seconded, the following resolution was approved by roll call vote:

Virginia Commonwealth University hereby certifies that, to the best of each member's knowledge, (i) only public business matters lawfully exempted from open meeting requirements by Virginia law were discussed in the closed session meeting to which this certification resolution applies, and (ii) only such public business matters as were identified in the motion convening the closed session meeting were heard, discussed or considered by the Board of Visitors of Virginia Commonwealth University.

<u>Roll Call Vote</u>	<u>Ayes</u>	<u>Nays</u>
Dr. Edward H. Bersoff, Rector	X	
Mr. Ralph L. "Bill" Axselle, Jr.	X	
Mr. David G. Baldacci	Absent	
Dr. J. Alfred Broaddus, Jr.	Absent	
Dr. John C. Doswell II	left before voting	
Mr. Brian K. Jackson	left before voting	
Ms. Lillian L. Lambert	X	
Mrs. Anne J. G. "Panny" Rhodes	X	
Mr. Richard T. Robertson	Absent	
Dr. Michele A. Romano	X	
Mr. Thomas G. Rosenthal	Absent	
Dr. Carol S. Shapiro	X	
Mr. John Sherman, Jr.	X	
Mr. Stuart C. Siegel	X	
Mr. Thomas G. Snead, Jr.	Absent	
Mr. Philip Thompson, Sr.	X	

Vote:

Ayes: 9


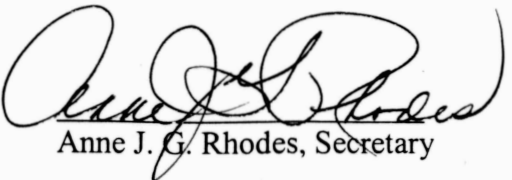
Nays: 0

ABSENT DURING MEETING: 5

ABSENT DURING VOTING: 7

On motion made and seconded, the Board approved authorizing the President to extend offers of employment to individuals who have been recommended for consideration by the Vice President for Finance and Administration Search Committee for positions of Vice President for Finance and Vice President for Administration.

The meeting was adjourned at 3 p.m.

  
Edward H. Bersoff, Rector  
Anne J. G. Rhodes, Secretary