

## **UVIMCO OPERATING RESERVE POLICY**

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### **Background and Purpose**

At the University of Virginia Investment Management Company (“UVIMCO”) Executive Committee meeting on March 15, 2005, the Executive Committee directed staff to pursue the establishment of an Operating Reserve for UVIMCO. The establishment of a prudent, fiscally sound Operating Reserve is integral to the long term financial health of UVIMCO. The Operating Reserve is expected to cushion short term unanticipated shortfalls of revenue vs. expenses.

### **Minimum Reserve Target**

The minimum Operating Reserve shall be targeted as 40% of budgeted base management fee revenue (the “Minimum Reserve Target”). The Minimum Reserve Target level is balanced between the need to provide adequate resources for cash flow and contingency purposes, and the goal of minimizing management fees assessed against the assets managed by UVIMCO.

### **Calculation of Operating Reserve**

The Operating Reserve shall be calculated as the total assets of UVIMCO excluding net property, plant, and equipment, less total liabilities, as presented in conformity with accounting principles generally accepted in the United States of America.

### **Funding**

The Operating Reserve will be funded through annual contributions from operating surpluses, and the Minimum Reserve Target shall be reached incrementally in order to avoid disruption of UVIMCO business activities. The Executive Committee shall incorporate funding of the Operating Reserve in the annual budgeting process.

### **Maintenance of Reserve**

In the event of a significant depletion in Operating Reserves, the Chief Executive Officer of UVIMCO and the Director of Operations shall consider appropriate adjustments, if any, to UVIMCO operations. In extreme circumstances, the UVIMCO Board will petition the University of Virginia for emergency funding.

### **Periodic Review**

The Operating Reserve and this policy will be reviewed annually by the Chief Executive Office and the Executive Committee. It will be the Chief Executive Officer’s responsibility to bring any areas of interest regarding the Operating Reserve to the Executive Committee.

*May 18, 2008*