

Annual Investment Report

Board of Trustees Finance & Audit Workgroup

August 15, 2013

EXECUTIVE SUMMARY

- Combined Investment Performance (As of 3/31/13)
 - 1-Year Return = 6.12%, 0.06% over benchmark
 - 3-Year Return = 5.59%, 0.06% over benchmark
 - 5-Year Return = 4.05%, 0.16% over benchmark

- USF's 10 Investment Portfolios = \$1.0 Billion (as of 3/31/13), down \$62 Million
 - University Portfolio = \$454 Million, down \$85 million, due to funded capital projects, FPU cash transfer and operational losses
 - Foundation Endowment = \$393 Million, up \$22 million, due to positive investment returns
 - 8 Other DSO Portfolios = \$195 Million, no net change

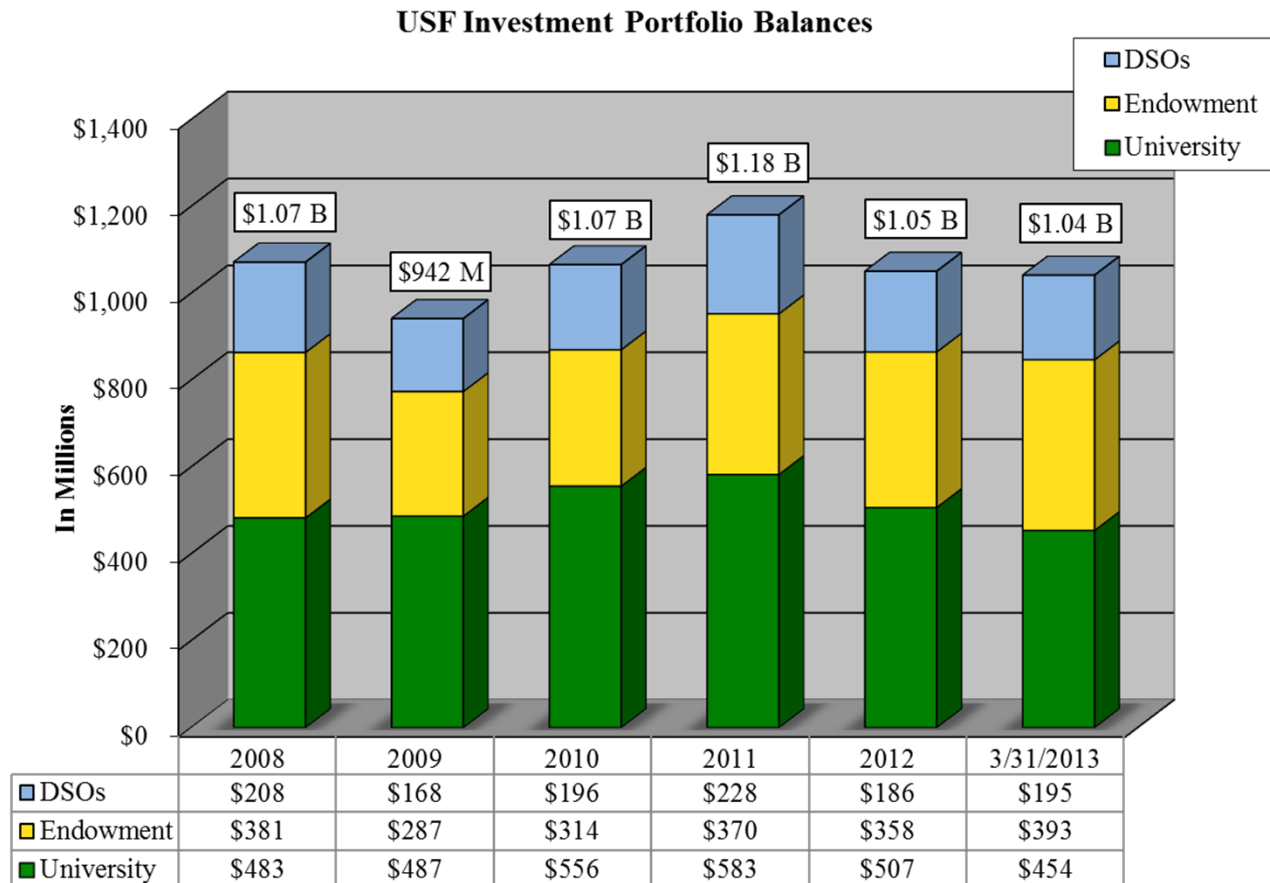
- All Portfolios Governed by Active Investment Committees and Common USF Investment Policy

- All Portfolios are in Compliance with Policy; No Outstanding Exceptions to Policy

- Investment Portfolios Provide Important Liquidity to the Organization, Capital and Reserve Preservation and Stable Returns Over Time

Summary of USF Investment Portfolio Balances

- Strong Combined USF System Investment Portfolio of \$1 Billion
- Portfolios Managed Through Global Economic Crisis; Support Continuous Liquidity Requirements and Periodic Calls on Capital



Summary of USF Investment Portfolio Returns

- University Portfolio Managed to Deliver Stable Returns, Preserve Capital
- As Necessary, Replace Investment Managers / Manage Gradual Change to Portfolio Structure

USF 12-Month Historical Investment Performance

12-Month Performance	2008	2009	2010	2011	2012	9 Mos 2013
<u>UNIVERSITY PORTFOLIO</u>						
Annual Investment Income (Loss)	\$25 M	\$23 M	\$27 M	\$21 M	\$10 M	\$14 M
Annualized Return	5.36%	4.77%	4.80%	3.30%	1.60%	3.30%
<i>Benchmark Return</i>	<i>5.14%</i>	<i>4.51%</i>	<i>3.84%</i>	<i>3.25%</i>	<i>1.30%</i>	<i>3.10%</i>
Relative Portfolio Return	0.22%	0.26%	0.96%	0.05%	0.30%	0.20%
<u>COMBINED OTHER PORTFOLIOS</u>						
Annual Investment Income (Loss)	\$1 M	(\$78) M	\$46 M	\$78 M	\$3 M	Not Available

USF INVESTMENT REPORT
As of March 31, 2013

(In Thousands)

TOTAL PORTFOLIO**INVESTMENT PORTFOLIO BALANCES**

ASSET CLASS	Combined ¹	Endowment	Operating Funds								
	USF TOTAL INVESTMENTS	FOUNDATION	UNIVERSITY	FINANCING	FOUNDATION	UMSA	MSSC	HPCC	RESEARCH	ALUMNI	SUNDOME
SHORT TERM											
Cash Equivalent (< 180 days)	\$197,520		\$104,081	\$26,823	\$23,298	\$34,666	\$2,374	\$556	\$4,705	\$202	\$1,009
Fixed Income - Domestic (+ 180 days)	\$366,191		\$272,191		\$66,814	\$15,800		\$8	\$11,378	\$557	
SHORT TERM SUBTOTAL	\$563,711	\$0	\$376,272	\$26,823	\$90,112	\$50,466	\$2,374	\$564	\$16,083	\$759	\$1,009
LONG TERM											
Fixed Income - Domestic	\$76,919	\$76,919			\$2,864				\$2,852	\$793	
Fixed Income - Foreign											
Equity - Domestic	\$166,828	\$146,661	\$18,867		\$5,461	\$1,300			\$5,437	\$1,512	
Equity - Foreign	\$129,089	\$98,662	\$28,127		\$3,674	\$2,300			\$3,658	\$1,017	
Real Assets	\$42,926	\$32,305	\$9,021		\$1,203	\$1,600			\$1,198	\$333	
Alternative Investments	\$62,218	\$38,092	\$22,126		\$1,418	\$2,000			\$1,412	\$393	
LONG TERM SUBTOTAL	\$477,980	\$392,639	\$78,141	\$0	\$14,620	\$7,200	\$0	\$0	\$14,557	\$4,048	\$0
TOTAL PORTFOLIO as of 3/31/2013	\$1,041,691	\$392,639	\$454,413	\$26,823	\$104,732	\$57,666	\$2,374	\$564	\$30,640	\$4,807	\$1,009
TOTAL PORTFOLIO as of 3/31/2012	\$1,103,997	\$370,244	\$539,385	\$31,606	\$102,067	\$50,852	\$2,750	\$4,376	\$29,667	\$4,315	\$252
VARIANCE FROM THE PRIOR YEAR	(\$62,306)	\$22,395	(\$84,972)	(\$4,783)	\$2,665	\$6,814	(\$376)	(\$3,812)	\$973	\$492	\$757

¹ FOUNDATION Operating Funds totaling \$14,620,000 invested in the ENDOWMENT Fund are eliminated in the Consolidated Investment balances.

RESEARCH FOUNDATION Operating Funds totaling \$14,557,000 invested in the ENDOWMENT Fund are eliminated in the Consolidated Investment balances.

ALUMNI ASSOCIATION Operating Funds totaling \$4,799,000 invested in the Foundation OPERATING and ENDOWMENT Funds are eliminated in the Consolidated Investment balances.

USF INVESTMENT REPORT
As of March 31, 2013

TOTAL PORTFOLIO

PORTFOLIO ASSET ALLOCATION

ASSET CLASS	Policy		Endowment	Operating Funds								
	Minimum	Maximum	FOUNDATION	UNIVERSITY ¹	FINANCING	FOUNDATION	UMSA ²	MSSC	HPCC	RESEARCH	ALUMNI	SUNDOME
SHORT TERM												
Cash Equivalent (< 180 days)	0%	100%		28%	100%	26%	69%	100%	99%	29%	27%	100%
Fixed Income - Domestic (180 days +)	0%	90%		72%		74%	31%		1%	71%	73%	
SHORT TERM TOTAL			0%	100%	100%	100%	100%	100%	100%	100%	100%	100%
LONG TERM												
Fixed Income - Domestic	20%	75%	20%	25%		20%	35%			20%	20%	
Fixed Income - Foreign	0%	20%		5%								
Equity - Domestic	25%	75%	37%	30%		37%	25%			37%	37%	
Equity - Foreign	0%	25%	25%	25%		25%	25%			25%	25%	
Real Assets	0%	20%	8%	5%		8%	5%			8%	8%	
Alternative Investments	0%	20%	10%	10%		10%	10%			10%	10%	
LONG TERM TOTAL			100%	100%	0%	100%	100%	0%	0%	100%	100%	0%

¹ Pursuant to Section 18 of the USF Investment Policy, the USF Investment Committee has approved a Transition Plan including target asset allocations which are in compliance with the Policy Limits for each asset class. As the UNIVERSITY is implementing the Long-Term portion of its investment portfolio over a period of time according to its Transition Plan, the allocations shown above represent the target allocations rather than actual allocations.

² Pursuant to Section 18 of the USF Investment Policy, the UMSA Investment Committee has approved a Transition Plan including target asset allocations which are in compliance with the Policy Limits for each asset class. As UMSA is implementing the Long-Term portion of its investment portfolio over a period of time according to its Transition Plan, the allocations shown above represent the target allocations rather than actual allocations.

TOTAL PORTFOLIO

PERFORMANCE OBJECTIVE - 1 YEAR ANNUAL AVERAGE

ASSET CLASS	Endowment	Operating Funds								
	FOUNDATION	UNIVERSITY	FINANCING	FOUNDATION	UMSA	MSSC	HPCC	RESEARCH	ALUMNI	SUNDOME
SHORT TERM										
Cash Equivalent (< 180 days)		0.30%	0.02%	0.29%	0.10%	0.10%	0.25%	0.03%	0.28%	0.30%
Fixed Income - Domestic (180 days +)		2.60%		4.74%	3.01%		1.90%	1.90%	4.74%	
LONG TERM										
Fixed Income - Domestic	9.81%			9.81%				9.81%	9.81%	
Fixed Income - Foreign										
Equity - Domestic	13.40%	14.20%		13.40%	14.60%			13.40%	13.40%	
Equity - Foreign	9.40%	10.88%		9.40%	10.59%			9.40%	9.40%	
Real Assets	8.50%	(0.80)%		8.50%	(0.80)%			8.50%	8.50%	
Alternative Investments	NA	7.30%		NA	7.30%			NA	NA	
WEIGHTED PORTFOLIO RETURN ¹	11.00%	3.30%	0.02%	4.30%	1.87%	0.10%	0.27%	5.94%	4.29%	0.30%
POLICY INDEX / WEIGHTED INDEX RETURN	11.30%	3.10%	0.01%	3.50%	1.64%	0.10%	0.13%	6.12%	3.49%	0.10%
RELATIVE PORTFOLIO RETURN	(0.30)%	0.20%	0.02%	0.80%	0.23%	0.00%	0.15%	(0.18)%	0.80%	0.20%
COMBINED 1-YEAR RETURNS	6.12%									
COMBINED 1-YEAR INDEX RETURNS	6.05%									
WEIGHTED 1-YEAR RELATIVE RETURNS	0.06%									

¹ FOUNDATION Endowment and Operating Fund Performance and Weighted Index Returns are based on 1-year average daily balances, not period-end balances.

TOTAL PORTFOLIO

PRIMARY PERFORMANCE OBJECTIVE - 3 YEAR ANNUAL AVERAGE

ASSET CLASS	Endowment	Operating Funds								
	FOUNDATION	UNIVERSITY	FINANCING	FOUNDATION	UMSA	MSSC	HPCC	RESEARCH	ALUMNI	SUNDOME
SHORT TERM										
Cash Equivalent (< 180 days)		0.20%	0.02%	0.20%	0.20%	0.20%	0.25%	0.20%	0.20%	0.30%
Fixed Income - Domestic (180 days +)		3.20%		6.30%	NA		NA ²	2.80%	6.30%	
LONG TERM										
Fixed Income - Domestic	8.73%			8.73%				8.73%	8.73%	
Fixed Income - Foreign										
Equity - Domestic	13.20%	NA ²		13.20%	NA ²			13.20%	13.20%	
Equity - Foreign	4.70%	5.30%		4.70%	5.30%			4.70%	4.70%	
Real Assets	8.70%	3.80%		8.70%	NA ²			8.70%	8.70%	
Alternative Investments	NA	3.90%		NA	NA ²			NA	NA	
WEIGHTED PORTFOLIO RETURN¹	9.90%	3.10%	0.02%	4.80%	0.20%	0.20%	0.25%	5.77%	4.79%	0.30%
POLICY INDEX / WEIGHTED INDEX RETURN	10.00%	3.00%	0.01%	4.30%	0.10%	0.10%	0.10%	5.81%	4.29%	0.10%
RELATIVE PORTFOLIO RETURN	(0.10)%	0.10%	0.01%	0.50%	0.10%	0.10%	0.15%	(0.03)%	0.50%	0.20%
COMBINED 3-YEAR RETURNS	5.59%									
COMBINED 3-YEAR INDEX RETURNS	5.53%									
WEIGHTED 3-YEAR RELATIVE RETURNS	0.06%									

¹ FOUNDATION Endowment and Operating Fund Performance and Weighted Index Returns are based on 3-year average daily balances, not period-end balances.

² Information not available, certain investments have not been in existence for 3 years.

TOTAL PORTFOLIO

PERFORMANCE OBJECTIVE - 5 YEAR ANNUAL AVERAGE

ASSET CLASS	Endowment	Operating Funds								
	FOUNDATION	UNIVERSITY	FINANCING	FOUNDATION	UMSA	MSSC	HPCC	RESEARCH	ALUMNI	SUNDOME
SHORT TERM										
Cash Equivalent (< 180 days)		0.60%	0.16%	NA ²	0.60%	0.60%	0.25%	0.60%	NA ²	0.50%
Fixed Income - Domestic (180 days +)		3.70%		6.58%	NA ²		NA ²	NA ²	6.58%	
LONG TERM										
Fixed Income - Domestic	8.44%			8.44%				8.44%	8.44%	
Fixed Income - Foreign										
Equity - Domestic	7.60%	NA ²		7.60%	NA ²			7.60%	7.60%	
Equity - Foreign	(0.40)%	NA ²		(0.40)%	NA ²			(0.40)%	(0.40)%	
Real Assets	NA	NA ²		NA	NA ²			NA	NA	
Alternative Investments	NA	NA ²		NA	NA ²			NA	NA	
WEIGHTED PORTFOLIO RETURN ¹	5.50%	3.60%	0.16%	3.90%	0.60%	0.60%	0.25%	2.93%	3.89%	0.50%
POLICY INDEX / WEIGHTED INDEX RETURN	5.30%	3.50%	0.13%	3.70%	0.30%	0.30%	0.30%	2.68%	3.69%	0.30%
RELATIVE PORTFOLIO RETURN	0.20%	0.10%	0.03%	0.20%	0.30%	0.30%	(0.05)%	0.25%	0.20%	0.20%
COMBINED 5-YEAR RETURNS	4.05%									
COMBINED 5-YEAR INDEX RETURNS	3.89%									
WEIGHTED 5-YEAR RELATIVE RETURNS	0.16%									

¹ FOUNDATION Endowment and Operating Fund Performance and Weighted Index Returns are based on 5-year average daily balances, not period-end balances.

² Information not available, certain investments have not been in existence for 5 years.

USF INVESTMENT REPORT
As of March 31, 2013

TOTAL PORTFOLIO

SECONDARY PERFORMANCE OBJECTIVE - 5 YEAR ANNUAL AVERAGE

ASSET CLASS	Endowment	Operating Funds								
	FOUNDATION	UNIVERSITY	FINANCING	FOUNDATION	UMSA	MSSC	HPCC	RESEARCH	ALUMNI	SUNDOME
SHORT TERM										
Cash Equivalent (< 180 days)		0.60%	0.16%	NA ⁵	0.60%	0.60%	0.25%	0.60%	NA ⁵	0.50%
Fixed Income - Domestic (180 days +)		3.70%		6.58%	NA ⁵		NA ⁵	NA ⁵	6.58%	
LONG TERM										
Fixed Income - Domestic	8.44%			8.44%				8.44%	8.44%	
Fixed Income - Foreign										
Equity - Domestic	7.60%	NA ⁵		7.60%	NA ⁵			7.60%	7.60%	
Equity - Foreign	(0.40)%	NA ⁵		(0.40)%	NA ⁵			(0.40)%	(0.40)%	
Real Assets	NA	NA ⁵		NA	NA ⁵			NA	NA	
Alternative Investments	NA	NA ⁵		NA	NA ⁵			NA	NA	
WEIGHTED PORTFOLIO RETURN ¹	5.50%	3.60%	0.16%	3.90%	0.60%	0.60%	0.25%	2.93%	3.89%	0.50%
INFLATION BENCHMARK - CPI INDEX	1.75%	1.75%	1.75%	1.75%	1.75%	1.75%	1.75%	1.75%	1.75%	1.75%
RETURN OBJECTIVE - LONG-TERM ²	4.60%	0.31%	0.00%	0.64%	0.00%	0.00%	0.00%	2.18%	0.64%	0.00%
RETURN OBJECTIVE - ACTIVELY MANAGED ³	0.36%	0.01%	0.00%	0.05%	0.00%	0.00%	0.00%	0.17%	0.05%	0.00%
RELATIVE PORTFOLIO RETURN ⁴	(1.21)%	1.53%	(1.59)%	1.46%	(1.15)%	(1.15)%	(1.50)%	(1.18)%	1.45%	(1.25)%
COMBINED 5-YEAR RETURNS	4.05%									
INFLATION BENCHMARK - CPI INDEX	1.75%									
COMBINED RETURN OBJECT - LONG-TERM	1.94%									
COMBINED RETURN OBJECT - ACTIVE MGR	0.15%									
WEIGHTED 12-MONTH RELATIVE RETURNS	0.21%									

¹ FOUNDATION Endowment and Operating Fund Performance is based on 5-year average daily balances, not period-end balances.

² Only Long-Term Funds are subject to the Policy Return Objective of 3.0% for fixed income and 5.0% for all other asset classes.

The Return Objective is calculated based on period-end balances, not 5-year daily average balances. Thus, the Relative Portfolio Return may be affected by changes in asset classes over this period.

The Return Objective is weighted between the Short Term Portfolio and the Long Term Portfolio based on period-end balances.

³ Only Long-Term Funds are subject to the Policy Return Objectives for Actively Managed Portfolios of 0.5%.

The Return Objective is calculated based on period-end balances, not 5-year daily average balances. Thus, the Relative Portfolio Return may be affected by changes in asset classes over this period.

The Return Objective is weighted between the Short Term Portfolio and the Long Term Portfolio based on period-end balances.

⁴ All entities employ 5-year index benchmarks to assess investment performance in addition to the Policy's real return Secondary Performance benchmark.

⁵ Information not available, certain investments have not been in existence for 5 years.

Annual Debt Management Report

*Board of Trustees Finance & Audit Workgroup
August 15, 2013*

EXECUTIVE SUMMARY

- University Enjoys Strong, Stable Credit Ratings
 - “AA2 - Stable Outlook” on USF System
 - Strong Ratings on Auxiliary System Debt (Housing, Parking)

- Carefully Managing Debt Capacity and Balance Sheet
 - Issued Only \$62 million Over the Past 5 years – Below Amortization of Total Debt
 - No Debt Issued during Financial Crisis
 - Today’s Debt of \$429 million is Below 2008 Debt of \$446 million

- All Debt, Debt-Issuing DSOs and Auxiliaries, and New Debt Issuance Process Comply with USF Debt Management Policy and State and Federal Regulations

- Focusing on Operating Concerns That May Affect Bond Ratings and Debt Capacity
 - Long-term Reductions in Appropriations – Restore Balanced Operations
 - Maintain Solid Financial Resource Base – Increase Unrestricted Liquid Funds

Summary of Outstanding Debt and Credit Ratings

- USF Enjoys a Low, Long-Term Cost of Capital on its Debt

As of June 30, 2013

(In Millions)

Outstanding Debt	Parking	Bookstore	Housing	Health	Athletics	Research	Total / Weighted
Total Outstanding Debt per System	\$29.3	\$1.9	\$247.4	\$83.1	\$30.7	\$36.4	\$428.8
Weighted Average Interest Rate	4.24%	5.95%	4.27%	3.63%	4.13%	4.34%	4.15%

- USF has Earned Strong, Stable Credit Ratings:
 - Fitch Affirmed Parking Ratings in July 2013
 - S&P Affirmed USF, Housing and Parking Ratings in February 2012
 - Moody's Affirmed USF and Housing Ratings in February 2011

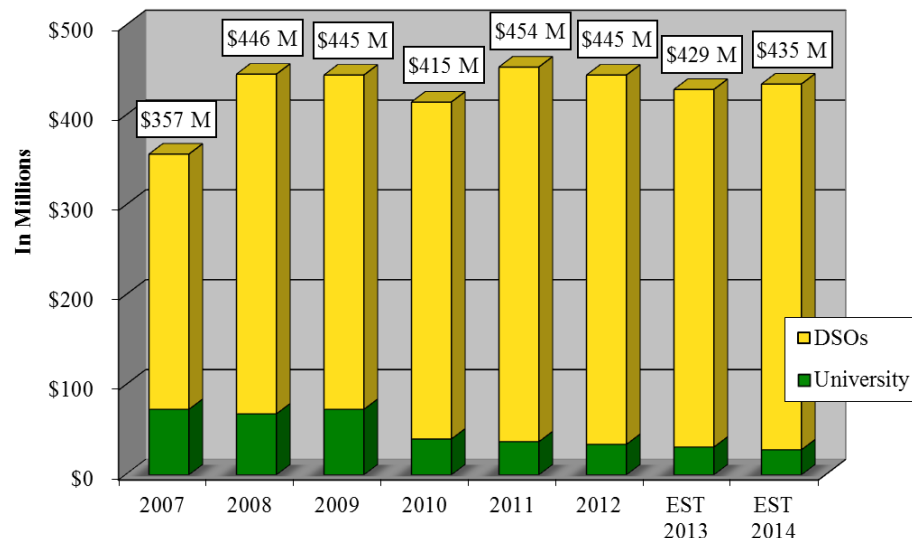
Credit Ratings	Parking	Bookstore	Housing	Health	Athletics	Research	University Issuer Rating
Moody's / S&P Rating Outlook	AA3 / AA- Stable	BAA1 / NR Stable	A1 / A Stable	AA3 / A+ Stable	NR	NR	AA2 / AA- Stable

NR = Not Rated

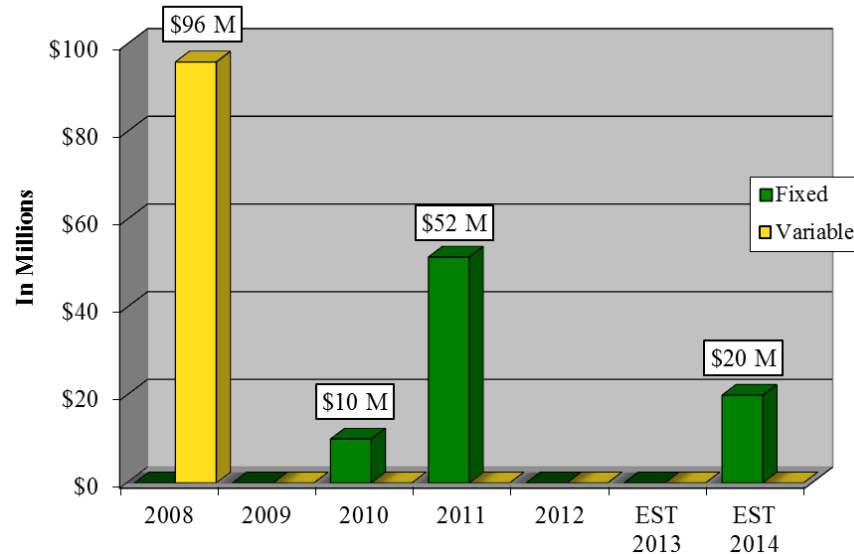
Managing Results – Limiting New Debt

- Avoid Placing New Risks on the System
- No New Debt Issued Since 2011, No Large Project Debt Since 2008
- Issued Only \$62 Million in 2010 and 2011 to take advantage of Federal Build America Bond Program (sequester reduced amount of Treasury credit by 8.7% in 2013)
- \$20 Million of Arena Renovation Debt will be Issued in September 2013
- All New Debt Since 2008 is Fixed Rate

Outstanding Debt - DSO / USF Issued



New Debt Issued - Fixed vs. Variable



Managing Results – Restructuring Debt to Reduce Risk

- Restructured \$457 Million of Debt Since 2008 to Reduce Risk
 - 2008 - \$189 million Housing LOC-backed VRDBs replaced Auction Rate Securities
 - 2011 - \$10 million Athletic Fixed Rate Direct Placement replaced LOC-backed VRDBs
 - 2013 - \$158 million Housing Variable Rate Direct Placement replaced LOC-backed VRDBs
 - 2013 - \$36 million Research Variable Rate Direct Placement replaced LOC-backed VRDBs
 - 2014 - \$64 million Health Variable Rate Direct Placement will replace LOC-backed VRDBs

- Direct Bank Term Debt Reduces Risks Associated with LOC-Backed VRDBs:
 - Bank Risk, Basis Risk, Renewal Risk, Remarketing Risk
 - Covenants Protect USF from Inappropriate Acceleration / Material Adverse Change Provisions, No Negative Financial Covenants

Managing Results – Restructuring Debt – Maturities Match

Expiring Swaps

- Matched Maturities of 8 New Privately Placed Bank Term Loans to the Original Expiration of Interest Rate Swaps
 - Creates opportunity to convert \$189 million of variable rate debt to fixed rate debt over the next 2-6 years

BOND / LOAN OUTSTANDING		TERM / EXPIRATION DATE									Final Maturity
		2013	2014	2015	2016	2017	2018	2019	...	2037	
Housing (2012A) - \$89 M	Direct Placement Bond										2035
	Interest Rate Swap										
Housing (2012B) - \$69 M	Direct Placement Bond										2037
	Interest Rate Swap										
Health (2013A) - \$43 M	Direct Placement Bond										2036
	Interest Rate Swap										
Health (2013B) - \$21 M	Direct Placement Bond										2037
	Interest Rate Swap										
Research (2013A) - \$6 M	Direct Placement Loan										2019
	Interest Rate Swap										
Research (2013B) - \$18 M	Direct Placement Loan										2034
	Interest Rate Swap										
Research (2013C) - \$2 M	Direct Placement Loan										2015
	Interest Rate Swap										
Research (2013D) - \$10 M	Direct Placement Loan										2034
	Interest Rate Swap										

Managing Results – Commitment to Protect USF System’s Strong Financial Health

- President Stated, effective July 1, USF will:
 - Increase its mandatory cash reserves
 - Manage the use of carry-forward funds at the enterprise level
 - Implement cost control measures

- Commitment to Provide Quality Services to Students and the Community, and Attract Faculty Talent

- Commitment to Remain One of Only Three Universities in Florida with a Coveted AA2 Bond Rating

Assessment of Credit Position – Key Drivers

- Strong Management and Governance – During Stressful Periods
 - No changes in senior leadership
- History of Strong Operating Performance – Recently Affected by Changes in Operating Revenues / One-Time Charges
 - Long-term 40% reduction in state appropriations
 - One-time charge in 2013 for transfer of USF Polytechnic to Florida Polytechnic
 - Increasingly diverse total revenue benefited by large segment increases – particularly student fees, research and auxiliary enterprise revenue
- Sustained Improvement in Enrollment – Strong Market Position
 - Growing demand / compelling value proposition
- Adequate Balance Sheet Resources, Including Successful Fundraising
 - Strong and liquid combined investment portfolios for the University and DSOs
 - Successful Capital Campaign
- Integrated Management of Treasury and Debt
 - Limiting amount of outstanding debt – no net change over 6 years
 - Attractive long-term fixed-rate cost of capital
 - Significant monthly University portfolio liquidity in relation to puttable debt
 - Actively managing debt to reduce risk

Debt Capacity Assessment – Policy Measures

- Capacity for New Debt is Limited
- Large Campus Development Projects will Require Public Private Partnership (PPP) Capital

As of June 30, 2013

Ratios (& Desired Trend)	2008	2009	2010	2011	2012	2013 Estimated	Moody's Medians Aa2
<u>PROFITABILITY</u>							
Operating Margin (↑)	2.6%	5.1%	0.6%	0.3%	-6.9%	-7.8%	4.5%
<u>LEVERAGE</u>							
Debt Service Coverage (↑)	8.8x	10.2x	11.8x	11.5x	-0.6x	-2.2x	3.3x
Debt / Operating Expense (↓)	1.0%	1.1%	0.6%	0.6%	0.4%	0.4%	3.7%
<u>LIQUIDITY</u>							
Expendable Financial Resources / Debt (↑)	0.9x	0.9x	1.2x	1.2x	1.0x	0.9x	1.1x
Total Financial Resources / Debt (↑)	1.9x	1.8x	2.2x	2.2x	2.0x	2.0x	1.8x
Expendable Financial Resources / Operating Exp (↑)	0.4x	0.5x	0.5x	0.5x	0.4x	0.4x	0.5x

Annual Derivatives Report

Board of Trustees Finance & Audit Workgroup

August 15, 2013

EXECUTIVE SUMMARY

- 8 Interest Rate Swaps Outstanding - \$246 Million
 - Negative fair value of swaps of \$29.6 million (6/30/13) – accumulated non-cash expense; as swaps approach expiration, the negative value will move to \$0
 - Change in fair value was positive \$11.8 million (2012-2013) – non-cash gain
 - Swap fair values change with market yield curves
 - Posting \$8.5 million in cash collateral with counterparty trustee, due to downgrade of Ambac
- Swaps Provide an Effective Hedge Against Interest Rate Risk associated with Variable Rate Debt
- Swaps Lock In Attractive Fixed Interest Rates for Variable Rate Debt = 3.56%
- All Swaps Governed by USF Derivatives Policy – All Swap Counterparties Carry Investment Grade Ratings, No Counterparty Failures
- No New Swaps Since 2007
- \$178 Million of the Swaps Will Expire over next 2-6 years
 - Swap Expirations Now Matched with Bank Term Debt Maturities
 - Creating Opportunities to Convert Variable Rate Debt to Fixed Rate

USF DERIVATIVES PROFILE

Annual Derivatives Report

As of June 30, 2013

Interest Rate Swaps	USF Financing Corporation (CFTC CICI - Identifier: 549300P9Y92T23EMU142)				USF Research Foundation (CFTC CICI - Identifier: 549300WERKV6JMIQK58)				TOTAL / WEIGHTED
Underlying Bond / Loan	Series 2012A Housing <small>(refunded 2005B)</small>	Series 2012B Housing <small>(refunded 2007)</small>	Series 2006A Health	Series 2007 Health	Series 2013A <small>(refunded 1999)</small>	Series 2013B <small>(refunded 2004A)</small>	Series 2013C <small>(refunded 2004B)</small>	Series 2013D <small>(refunded 2004C)</small>	
Initial Amount of Underlying Bond / Loan	\$92,250,000	\$73,700,000	\$47,315,000	\$22,830,000	\$11,500,000	\$18,455,000	\$4,635,000	\$11,455,000	\$282,140,000
Bond / Loan Maturity Date	7/1/2035	7/1/2037	7/1/2036	7/1/2037	12/1/2019	8/1/2034	8/1/2015	8/1/2034	
Swap Counterparty	Royal Bank of Canada	Royal Bank of Canada	Morgan Stanley	Royal Bank of Canada	Bank of America	Bank of America	Bank of America	Bank of America	
Counterparty Credit Rating (Moody's)	Aa3	Aa3	Baa1	Aa3	A3	A3	A3	A3	
Initial Amount of Swap	\$80,000,000	\$73,700,000	\$47,315,000	\$22,830,000	\$11,500,000	\$18,455,000	\$4,635,000	\$11,455,000	\$269,890,000
Remaining Amount of Swap	\$76,875,000	\$68,975,000	\$42,815,000	\$21,375,000	\$6,200,000	\$18,455,000	\$1,560,000	\$10,230,000	\$246,485,000
Total Remaining Swap per USF Party	145,850,000		64,190,000		36,445,000				246,485,000
Effective Date	5/25/2005	9/25/2007	3/16/2006	11/19/2007	6/1/2001	4/1/2006	4/1/2006	4/1/2006	
Initial Term	10 yrs	30 yrs	10 yrs	10 yrs	18 yrs	10 yrs	9 yrs	10 yrs	
Expiration Date	7/1/2015	7/1/2037	7/1/2016	7/1/2018	12/1/2019	8/1/2016	8/1/2015	8/1/2016	
Fixed Rate	3.2195%	3.552%	3.578%	3.397%	4.560%	3.623%	5.270%	5.356%	3.56%
Floating Index Rate	67% LIBOR	67% LIBOR	67% LIBOR	67% LIBOR	67% LIBOR	67% LIBOR	100% LIBOR	100% LIBOR	
Fair Value of Swap at 6/30/13 (w/ CVA Adj)	(5,680,494)	(12,824,370)	(4,419,132)	(2,636,749)	(796,465)	(1,768,220)	(80,602)	(1,393,248)	(29,599,279)
Fair Value of Swap at 6/30/12 (w/ CVA Adj)	(7,765,105)	(19,128,923)	(5,728,167)	(3,444,777)	(1,078,310)	(2,290,138)	(155,400)	(1,843,453)	(41,434,273)
Change in Fair Value - Income Statement	2,084,612	6,304,553	1,309,036	808,028	281,844	521,918	74,798	450,205	11,834,994
Total Annual Change per USF Party	8,389,165		2,117,064		1,328,765				11,834,994
USF Optional Termination Right	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	
Collateral Posting Threshold @ A1 - A3	\$10,000,000	\$10,000,000	None	None	None	None	None	None	
Collateral Posting Requirement	Amount over threshold	Amount over threshold	None	None	None	None	None	None	