REVISED AGENDA

I. CALL TO ORDER
   Olga M. Calvet
   Chair of the Finance and Facilities Committee

II. ROLL CALL
    Sheree Morgan
    Senior Administrative Assistant to the Vice President for Administration and Finance and Chief Financial Officer

III. OLD BUSINESS
     Chair Calvet

IV. NEW BUSINESS
    Chair Calvet
    
    • UCF Investments Quarterly Update (INFO-1)
      William F. Merck II
      Vice President for Administration and Finance and Chief Financial Officer
      Tracy Clark
      Assistant Vice President and Controller
      Dave West
      Senior Consultant for The Bogdahn Group

    • Revisions to UCF Investment Policy (FFC-1)
      William F. Merck II
      Tracy Clark
      Dave West

    • Key Financial Ratios (INFO-2)
      William F. Merck II
      Tracy Clark
• Construction of Housing and Residence Life Support Building (INFO-3)  
  William F. Merck II 
  Maribeth Ehasz 
  *Vice President for Student Development and Enrollment Services*

• Minor Amendment to 2010 Campus Master Plan for UCFAA (FFC-2)  
  William F. Merck II 
  Lee Kernek 
  *Associate Vice President for Administration and Finance* 
  David Hansen 
  *Senior Associate Athletics Director, Internal Operations*

• Revisions to Articles and Bylaws of the UCF Research Foundation (FFC-3)  
  W. Scott Cole 
  *Vice President and General Counsel*

V. OTHER BUSINESS  
  Chair Calvet

VI. CLOSING COMMENTS  
  Chair Calvet
# University of Central Florida
## Total Operating Portfolio Summary
### As of December 31, 2012

1. The portfolio gain/(loss) data is presented gross of management fees and portfolio expenses but net of physical cash flows.
2. The inception date for analysis is 3/31/10. The actual funding of the various portfolios occurred during March 2010.
3. Pool IV’s fixed income market value includes the $4,894 cash balance held in the Pool IV mutual fund account.

<table>
<thead>
<tr>
<th>Cash &amp; Non-Investment Portfolio</th>
<th>6/30/12 Reported Value</th>
<th>9/30/12 Reported Value</th>
<th>12/31/12 Reported Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank of America</td>
<td>$41,080,928</td>
<td>$1,044,282</td>
<td>$22,992,241</td>
</tr>
<tr>
<td>CNL - Money Market</td>
<td>$5,012</td>
<td>$5,013</td>
<td>$5,014</td>
</tr>
<tr>
<td>SPIA</td>
<td>$182,482,828</td>
<td>$299,223,374</td>
<td>$204,367,919</td>
</tr>
<tr>
<td>UCF Parking Bonds (SPIA)</td>
<td>$2,036,624</td>
<td>$1,955,238</td>
<td>$10,212,868</td>
</tr>
<tr>
<td>UCF Housing Bonds (SPIA)</td>
<td>$41,508,195</td>
<td>$39,903,302</td>
<td>$33,302,927</td>
</tr>
<tr>
<td><strong>Total Cash &amp; Non-Investment Portfolio</strong></td>
<td><strong>$267,113,587</strong></td>
<td><strong>$342,140,209</strong></td>
<td><strong>$270,880,969</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Structured Investment Portfolio (BNY)</th>
<th>6/30/12 Market Value</th>
<th>9/30/12 Market Value</th>
<th>3rd Quarter Gain/(Loss)</th>
<th>12/31/12 Market Value</th>
<th>4th Quarter Gain/(Loss)</th>
<th>Inception Gain/(Loss) (2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pool II</td>
<td>$20,091,221</td>
<td>$20,105,349</td>
<td>$20,468</td>
<td>$20,115,143</td>
<td>$16,124</td>
<td>$171,417</td>
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<tr>
<td>Fixed Income (Pool III)</td>
<td>$73,194,095</td>
<td>$73,915,442</td>
<td>$743,085</td>
<td>$74,076,298</td>
<td>$182,861</td>
<td>$6,390,939</td>
</tr>
<tr>
<td>Domestic Equity (Pool III)</td>
<td>$13,627,529</td>
<td>$14,599,033</td>
<td>$997,877</td>
<td>$14,613,568</td>
<td>$41,415</td>
<td>$2,835,652</td>
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<tr>
<td><strong>Total Pool III</strong></td>
<td><strong>$86,821,624</strong></td>
<td><strong>$88,514,475</strong></td>
<td><strong>$1,740,962</strong></td>
<td><strong>$88,689,867</strong></td>
<td><strong>$224,275</strong></td>
<td><strong>$9,226,590</strong></td>
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<tr>
<td>Fixed Income (Pool IV) (3)</td>
<td>$20,596,253</td>
<td>$21,051,686</td>
<td>$463,704</td>
<td>$21,202,877</td>
<td>$160,483</td>
<td>$3,794,334</td>
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<tr>
<td>Domestic Equity (Pool IV)</td>
<td>$26,581,897</td>
<td>$28,488,278</td>
<td>$1,955,415</td>
<td>$28,540,738</td>
<td>$103,346</td>
<td>$5,979,584</td>
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<tr>
<td>International Equity (Pool IV)</td>
<td>$7,434,797</td>
<td>$7,964,867</td>
<td>$530,070</td>
<td>$8,424,114</td>
<td>$459,247</td>
<td>$764,419</td>
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<tr>
<td><strong>Total Pool IV</strong></td>
<td><strong>$54,612,947</strong></td>
<td><strong>$57,504,831</strong></td>
<td><strong>$2,949,189</strong></td>
<td><strong>$58,167,728</strong></td>
<td><strong>$723,077</strong></td>
<td><strong>$10,538,338</strong></td>
</tr>
<tr>
<td>Total Structured Investment Portfolio</td>
<td><strong>$214,784,445</strong></td>
<td><strong>$219,380,986</strong></td>
<td><strong>$4,711,635</strong></td>
<td><strong>$220,226,889</strong></td>
<td><strong>$964,309</strong></td>
<td><strong>$19,961,457</strong></td>
</tr>
<tr>
<td><strong>Total Operating Portfolio</strong></td>
<td><strong>$509,479,285</strong></td>
<td><strong>$481,888,032</strong></td>
<td></td>
<td><strong>$491,107,858</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1. The portfolio gain/(loss) data is presented gross of management fees and portfolio expenses but net of physical cash flows.
2. The inception date for analysis is 3/31/10. The actual funding of the various portfolios occurred during March 2010.
3. Pool IV’s fixed income market value includes the $4,894 cash balance held in the Pool IV mutual fund account.
University of Central Florida
Structured Investment Portfolio vs. Net Contributions (1)
As of December 31, 2012

Quarterly Earnings $964,309
Quarterly Return 0.44%
Inception Earnings $19,961,457
Inception Return (2) 3.40%
Inception Cash Flow ($9,752,019)

1. Net contributions include cash flows associated with management fees, portfolio expenses and physical cash flows
2. Annualized performance number
<table>
<thead>
<tr>
<th>Pool I:</th>
<th>Yes</th>
<th>No</th>
<th>N/A</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments in any single pooled investment fund shall be limited to 50% of the market value of Operating Pool I’s assets.</td>
<td>•</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Pool II:</th>
<th>Yes</th>
<th>No</th>
<th>N/A</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments in any single pooled investment fund shall be limited to 50% of the market value of Operating Pool II’s assets.</td>
<td>•</td>
<td></td>
<td></td>
</tr>
<tr>
<td>All fixed income investments shall maintain a minimum rating of “AAA” or higher by a major credit rating service.</td>
<td>•</td>
<td></td>
<td>(2)</td>
</tr>
<tr>
<td>Duration of the fixed income portfolio shall not exceed the effective duration of the Merrill Lynch 1-Year Treasury index by 25%.</td>
<td>•</td>
<td></td>
<td></td>
</tr>
<tr>
<td>The maturity of any single security shall not exceed 1.5 years.</td>
<td>•</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating Pool II shall maintain a dollar-weighted average effective maturity of 1 year or less.</td>
<td>•</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Pool III Equity:</th>
<th>Yes</th>
<th>No</th>
<th>N/A</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments in equity securities shall not exceed twenty percent (20%) of the market value of Operating Pool III’s assets.</td>
<td>•</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Pool III Fixed:</th>
<th>Yes</th>
<th>No</th>
<th>N/A</th>
</tr>
</thead>
<tbody>
<tr>
<td>All fixed income investments shall maintain a minimum rating of “A” or higher by a major credit rating service.</td>
<td>•</td>
<td></td>
<td></td>
</tr>
<tr>
<td>The weighted average quality of the fixed income portfolio shall maintain a rating of “AA” or higher.</td>
<td>•</td>
<td></td>
<td></td>
</tr>
<tr>
<td>The duration of the fixed income portfolio shall not exceed the effective duration of the benchmark by 50%.</td>
<td>•</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Pool IV Equity:</th>
<th>Yes</th>
<th>No</th>
<th>N/A</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment in equity securities shall not exceed sixty-five percent (75%) of the market value of Operating Pool IV’s assets.</td>
<td>•</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign securities shall not exceed twenty percent (20%) of the market value of Operating Pool IV’s assets.</td>
<td>•</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Pool IV Fixed:</th>
<th>Yes</th>
<th>No</th>
<th>N/A</th>
</tr>
</thead>
<tbody>
<tr>
<td>All fixed income investments shall maintain a minimum rating of “investment grade” or higher by a major credit rating service.</td>
<td>•</td>
<td></td>
<td></td>
</tr>
<tr>
<td>The weighted average quality of the fixed income portfolio shall maintain a rating of “A” or higher.</td>
<td>•</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Duration of the fixed income portfolio shall not exceed the effective duration of the benchmark by 50%.</td>
<td>•</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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1. Taken as an excerpt from the UCF quarterly performance evaluation report. Individual managers are also measured on an ongoing basis against a combination of 15 quantitative and qualitative criteria.
2. In Galliard's Pool II portfolio, a security issued by the County of Mower Minnesota was downgraded from AAA to AA+ by S&P on 09/27/2011. This holding represents 0.8% of the portfolio. Per the communication provisions outlined in the IPS, Galliard recommended holding the security to maturity (02/13/2013).
# Target Policy Summary

<table>
<thead>
<tr>
<th>Pool</th>
<th>100% 90 Day US T-Bills</th>
<th>75% ML 1-Year Treasury + 25% 90 Day US T-bills</th>
<th>85% ML 1-5 Year G/C A or Better + 15% Russell 3000</th>
<th>30% Barclays Agg + 5% Barclays TIPS + 50% Russell 3000 + 15% MSCI-ACWxUS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pool I</td>
<td>Current Allocation</td>
<td>Current Allocation</td>
<td>Current Allocation</td>
<td>Current Allocation</td>
</tr>
<tr>
<td>Fidelity Money Market</td>
<td>$30,004,129</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Goldman Sachs Money Market</td>
<td>$23,250,022</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pool II</td>
<td>Current Allocation</td>
<td>Current Allocation</td>
<td>Current Allocation</td>
<td>Current Allocation</td>
</tr>
<tr>
<td>Short-Term Fixed Income</td>
<td>$20,115,143</td>
<td>$20,115,143</td>
<td>$20,115,143</td>
<td>$20,115,143</td>
</tr>
<tr>
<td>Galliard Capital Management</td>
<td></td>
<td></td>
<td></td>
<td>$20,115,143</td>
</tr>
<tr>
<td>Pool III</td>
<td>Current Allocation</td>
<td>Current Allocation</td>
<td>Current Allocation</td>
<td>Current Allocation</td>
</tr>
<tr>
<td>Intermediate Fixed Income (85%)</td>
<td>$74,076,298</td>
<td>$74,076,298</td>
<td>$74,076,298</td>
<td>$74,076,298</td>
</tr>
<tr>
<td>Galliard Capital Management</td>
<td>$52,359,558</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sawgrass Asset Management</td>
<td>$21,716,741</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic Equity (15%)</td>
<td>$14,613,568</td>
<td>$14,613,568</td>
<td>$14,613,568</td>
<td>$14,613,568</td>
</tr>
<tr>
<td>Winslow (Large Cap Growth)</td>
<td>$7,570,081</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DGHM (All Cap Value)</td>
<td>$3,460,193</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MD Sass (Relative Value)</td>
<td>$3,583,294</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pool IV</td>
<td>Current Allocation</td>
<td>Current Allocation</td>
<td>Current Allocation</td>
<td>Current Allocation</td>
</tr>
<tr>
<td>Broad Market Fixed Income (35%)</td>
<td>$21,202,877</td>
<td>$21,202,877</td>
<td>$21,202,877</td>
<td>$21,202,877</td>
</tr>
<tr>
<td>Galliard Capital Management</td>
<td></td>
<td></td>
<td>$11,904,515</td>
<td></td>
</tr>
<tr>
<td>PIMCO Total Return (1)</td>
<td></td>
<td></td>
<td>$6,107,047</td>
<td>$6,107,047</td>
</tr>
<tr>
<td>Galactic Treasury Inflation Protected (TIPS)</td>
<td></td>
<td>$3,191,314</td>
<td></td>
<td></td>
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<tr>
<td>Domestic Equity (50%)</td>
<td>$28,540,738</td>
<td>$28,540,738</td>
<td>$28,540,738</td>
<td>$28,540,738</td>
</tr>
<tr>
<td>Winslow (Large Cap Growth)</td>
<td>$14,096,909</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DGHM (All Cap Value)</td>
<td>$7,088,595</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MD Sass (Relative Value)</td>
<td>$7,355,234</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>International Equity (15%)</td>
<td>$8,424,114</td>
<td>$8,424,114</td>
<td>$8,424,114</td>
<td>$8,424,114</td>
</tr>
<tr>
<td>Europacific Growth</td>
<td>$4,297,378</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manning &amp; Napier Overseas</td>
<td>$4,126,736</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1. The PIMCO Total Return market value includes the $4,894 cash balance in the mutual fund account.
University of Central Florida
Initial Pool & Asset Allocation vs. Current Structured Investment Portfolio
As of December 31, 2012

3/31/10: $210,017,451
Pool Allocation

Pool I
$60,000,000
28.6%

Pool II
$20,000,178
9.5%

Pool III
$79,873,620
38.0%

Pool IV
$50,143,653
23.9%

Asset Allocation

Cash & Equivalents
$80,000,178
38.1%

Fixed Income
$85,352,481
40.6%

Domestic Equity
$37,000,000
17.6%

International Equity
$7,664,792
3.6%

12/31/12: $220,226,889
Pool Allocation

Pool I
$53,254,151
24.2%

Pool II
$20,115,143
9.1%

Pool III
$88,689,867
40.3%

Pool IV
$58,167,728
26.4%

Asset Allocation

Cash & Equivalents
$73,374,188
33.3%

Fixed Income
$95,274,281
43.3%

Domestic Equity
$43,154,306
19.6%

International Equity
$8,424,114
3.8%
<table>
<thead>
<tr>
<th>Investment</th>
<th>Market Value 12/01/2012</th>
<th>Market Value 12/31/2012</th>
<th>Current Allocation</th>
<th>December Gain/Loss</th>
<th>December Return</th>
<th>Benchmark Return</th>
<th>Benchmark</th>
<th>Market Yield</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pool I</td>
<td>$53,253,866</td>
<td>$53,254,151</td>
<td>24.2% TP</td>
<td>$285</td>
<td>0.00%</td>
<td>0.01%</td>
<td>Pool I - Blend</td>
<td></td>
</tr>
<tr>
<td>Fidelity (I)</td>
<td>$30,003,845</td>
<td>$30,004,129</td>
<td>56.3%</td>
<td>$263</td>
<td>0.00%</td>
<td>0.01%</td>
<td>Citigroup 3 Month T-Bill</td>
<td>0.01%</td>
</tr>
<tr>
<td>Goldman Sachs (I)</td>
<td>$23,250,021</td>
<td>$23,250,022</td>
<td>43.7%</td>
<td>$22</td>
<td>0.00%</td>
<td>0.01%</td>
<td>Citigroup 3 Month T-Bill</td>
<td>0.00%</td>
</tr>
<tr>
<td>Pool II</td>
<td>$20,110,858</td>
<td>$20,115,143</td>
<td>9.1% TP</td>
<td>$9,310</td>
<td>0.05%</td>
<td>0.03%</td>
<td>Pool II - Blend</td>
<td></td>
</tr>
<tr>
<td>Galliard (II)</td>
<td>$20,110,858</td>
<td>$20,115,143</td>
<td>100.0%</td>
<td>$9,310</td>
<td>0.05%</td>
<td>0.03%</td>
<td>75% ML 1-Yr Treas +25% T-Bills</td>
<td>0.65%</td>
</tr>
<tr>
<td>Pool III</td>
<td>$88,562,576</td>
<td>$88,689,867</td>
<td>40.3% TP</td>
<td>$140,233</td>
<td>0.16%</td>
<td>0.17%</td>
<td>Pool III - Blend</td>
<td></td>
</tr>
<tr>
<td>Galliard (III)</td>
<td>$52,365,571</td>
<td>$52,359,558</td>
<td>59.0%</td>
<td>$6,929</td>
<td>0.01%</td>
<td>-0.02%</td>
<td>ML 1-5 Year G/C A or Better</td>
<td>2.16%</td>
</tr>
<tr>
<td>Sawgrass (III)</td>
<td>$21,706,182</td>
<td>$21,716,741</td>
<td>24.5%</td>
<td>$10,559</td>
<td>0.05%</td>
<td>-0.02%</td>
<td>ML 1-5 Year G/C A or Better</td>
<td>1.14%</td>
</tr>
<tr>
<td>Pool III - Fixed</td>
<td>$74,071,753</td>
<td>$74,076,298</td>
<td>83.5%</td>
<td>$17,488</td>
<td>0.02%</td>
<td>-0.02%</td>
<td>ML 1-5 Year G/C A or Better</td>
<td></td>
</tr>
<tr>
<td>Winslow (III)</td>
<td>$7,583,268</td>
<td>$7,570,082</td>
<td>8.5%</td>
<td>($13,186)</td>
<td>-0.17%</td>
<td>-0.03%</td>
<td>Russell 1000 Growth Index</td>
<td>0.95%</td>
</tr>
<tr>
<td>DGHM (III)</td>
<td>$3,406,249</td>
<td>$3,460,193</td>
<td>3.9%</td>
<td>$53,943</td>
<td>1.58%</td>
<td>2.23%</td>
<td>Russell 3000 Value Index</td>
<td>1.90%</td>
</tr>
<tr>
<td>MD Sass (III)</td>
<td>$3,501,306</td>
<td>$3,583,294</td>
<td>4.0%</td>
<td>$81,988</td>
<td>2.34%</td>
<td>2.23%</td>
<td>Russell 3000 Value Index</td>
<td>1.49%</td>
</tr>
<tr>
<td>Pool III - Domestic Equity</td>
<td>$14,490,823</td>
<td>$14,613,568</td>
<td>16.5%</td>
<td>$122,745</td>
<td>0.85%</td>
<td>1.23%</td>
<td>Russell 3000 Index</td>
<td></td>
</tr>
<tr>
<td>Pool IV</td>
<td>$57,694,660</td>
<td>$58,167,728</td>
<td>26.4% TP</td>
<td>$480,048</td>
<td>0.83%</td>
<td>1.06%</td>
<td>Pool IV - Blend</td>
<td></td>
</tr>
<tr>
<td>Galliard Broad (IV)</td>
<td>$11,927,526</td>
<td>$11,904,515</td>
<td>20.5%</td>
<td>($17,197)</td>
<td>-0.14%</td>
<td>-0.14%</td>
<td>Barclays Capital Aggregate</td>
<td>3.22%</td>
</tr>
<tr>
<td>PIMCO Total Return (IV)</td>
<td>$6,087,291</td>
<td>$6,102,153</td>
<td>10.5%</td>
<td>$14,862</td>
<td>0.24%</td>
<td>-0.14%</td>
<td>Barclays Capital Aggregate</td>
<td>3.24%</td>
</tr>
<tr>
<td>Galliard TIPS (IV)</td>
<td>$3,211,275</td>
<td>$3,191,314</td>
<td>5.5%</td>
<td>($18,795)</td>
<td>-0.59%</td>
<td>-0.65%</td>
<td>Barclays Capital: U.S. TSY TIPS</td>
<td>1.07%</td>
</tr>
<tr>
<td>Pool IV - Fixed</td>
<td>$21,226,092</td>
<td>$21,197,983</td>
<td>36.4%</td>
<td>($21,130)</td>
<td>-0.10%</td>
<td>-0.21%</td>
<td>86% Bar Agg + 14% Bar TIPS</td>
<td></td>
</tr>
<tr>
<td>Winslow (IV)</td>
<td>$14,124,290</td>
<td>$14,096,909</td>
<td>24.2%</td>
<td>($27,381)</td>
<td>-0.19%</td>
<td>-0.03%</td>
<td>Russell 1000 Growth Index</td>
<td>0.95%</td>
</tr>
<tr>
<td>DGHM (IV)</td>
<td>$6,978,172</td>
<td>$7,088,595</td>
<td>12.2%</td>
<td>$110,423</td>
<td>1.58%</td>
<td>2.23%</td>
<td>Russell 3000 Value Index</td>
<td>1.90%</td>
</tr>
<tr>
<td>MD Sass (IV)</td>
<td>$7,186,162</td>
<td>$7,355,234</td>
<td>12.6%</td>
<td>$169,072</td>
<td>2.35%</td>
<td>2.23%</td>
<td>Russell 3000 Value Index</td>
<td>1.50%</td>
</tr>
<tr>
<td>Pool IV - Domestic Equity</td>
<td>$28,288,625</td>
<td>$28,540,738</td>
<td>49.1%</td>
<td>$252,113</td>
<td>0.89%</td>
<td>1.23%</td>
<td>Russell 3000 Index</td>
<td></td>
</tr>
<tr>
<td>Europac growth (IV)</td>
<td>$4,180,433</td>
<td>$4,297,378</td>
<td>7.4%</td>
<td>$116,945</td>
<td>2.80%</td>
<td>3.49%</td>
<td>MSCI AC World ex USA</td>
<td>1.98%</td>
</tr>
<tr>
<td>Manning &amp; Napier (IV)</td>
<td>$3,994,616</td>
<td>$4,126,736</td>
<td>7.1%</td>
<td>$132,120</td>
<td>3.31%</td>
<td>3.49%</td>
<td>MSCI AC World ex USA</td>
<td>1.60%</td>
</tr>
<tr>
<td>Pool IV - International Equity</td>
<td>$8,175,049</td>
<td>$8,424,114</td>
<td>14.5%</td>
<td>$249,065</td>
<td>3.05%</td>
<td>3.49%</td>
<td>MSCI AC World ex USA</td>
<td></td>
</tr>
<tr>
<td>Mutual Fund Cash (IV)</td>
<td>$4,894</td>
<td>$4,894</td>
<td>0.0%</td>
<td>$0</td>
<td>0.00%</td>
<td>0.01%</td>
<td>90 Day U.S. Treasury Bill</td>
<td>0.01%</td>
</tr>
<tr>
<td><strong>Total Fund</strong></td>
<td><strong>$219,621,960</strong></td>
<td><strong>$220,226,889</strong></td>
<td><strong>100.0%</strong></td>
<td><strong>$629,876</strong></td>
<td><strong>0.29%</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Pool I Blend: 100% 90 Day US T-Bills
Pool II Blend: 75% ML 1-Year Treasury + 25% 90 Day US T-bills
Pool III Blend: 85% ML 1-5 Year G/C A or Better + 15% Russell 3000
Pool IV Blend: 30% Barclays Agg + 5% Barclays TIPS + 50% Russell 3000 + 15% MSCI-ACWxUS
<table>
<thead>
<tr>
<th>Investment</th>
<th>03/18/2010 Initial Funding</th>
<th>Market Value 12/31/2012</th>
<th>Current Allocation</th>
<th>Funding Gain/Loss</th>
<th>Funding Return*</th>
<th>Benchmark Return*</th>
<th>Benchmark</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Pool I</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fidelity (I)</td>
<td>$30,000,000</td>
<td>$30,004,129</td>
<td>56.3%</td>
<td>$21,355</td>
<td>0.03%</td>
<td>0.09%</td>
<td>Citigroup 3 Month T-Bill</td>
</tr>
<tr>
<td>Goldman Sachs (I)</td>
<td>$30,000,000</td>
<td>$23,250,022</td>
<td>43.7%</td>
<td>$3,758</td>
<td>0.00%</td>
<td>0.09%</td>
<td>Citigroup 3 Month T-Bill</td>
</tr>
<tr>
<td><strong>Pool II</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Galliard (II)</td>
<td>$20,000,000</td>
<td>$20,115,143</td>
<td>100.0%</td>
<td>$171,596</td>
<td>0.31%</td>
<td>0.40%</td>
<td>75% ML 1-yr Treas +25% T-Bills</td>
</tr>
<tr>
<td><strong>Pool III</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Galliard (III)</td>
<td>$48,000,000</td>
<td>$52,359,558</td>
<td>59.0%</td>
<td>$4,502,469</td>
<td>3.39%</td>
<td>2.72%</td>
<td>ML 1-5 Year G/C A or Better</td>
</tr>
<tr>
<td>Sawgrass (III)</td>
<td>$20,000,000</td>
<td>$21,716,741</td>
<td>24.5%</td>
<td>$1,762,090</td>
<td>3.18%</td>
<td>2.72%</td>
<td>ML 1-5 Year G/C A or Better</td>
</tr>
<tr>
<td>Pool III - Fixed</td>
<td>$68,000,000</td>
<td>$74,076,298</td>
<td>83.5%</td>
<td>$6,264,558</td>
<td>3.33%</td>
<td>2.72%</td>
<td>ML 1-5 Year G/C A or Better</td>
</tr>
<tr>
<td>Winslow (III)</td>
<td>$6,000,000</td>
<td>$7,570,082</td>
<td>8.5%</td>
<td>$1,678,887</td>
<td>9.42%</td>
<td>10.61%</td>
<td>Russell 1000 Growth Index</td>
</tr>
<tr>
<td>DGHM (III)</td>
<td>$3,000,000</td>
<td>$3,460,193</td>
<td>3.9%</td>
<td>$521,699</td>
<td>6.03%</td>
<td>9.24%</td>
<td>Russell 3000 Value Index</td>
</tr>
<tr>
<td>MD Sass (III)</td>
<td>$3,000,000</td>
<td>$3,583,294</td>
<td>4.0%</td>
<td>$635,066</td>
<td>7.30%</td>
<td>9.24%</td>
<td>Russell 3000 Value Index</td>
</tr>
<tr>
<td>Pool III - Domestic Equity</td>
<td>$12,000,000</td>
<td>$14,613,568</td>
<td>16.5%</td>
<td>$2,835,651</td>
<td>8.06%</td>
<td>9.95%</td>
<td>Russell 3000 Index</td>
</tr>
<tr>
<td><strong>Pool IV</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Galliard Broad (IV)</td>
<td>$10,000,000</td>
<td>$11,904,515</td>
<td>20.5%</td>
<td>$1,968,447</td>
<td>6.91%</td>
<td>6.09%</td>
<td>Barclays Capital Aggregate</td>
</tr>
<tr>
<td>PIMCO Total Return (IV)</td>
<td>$5,000,000</td>
<td>$6,102,153</td>
<td>10.5%</td>
<td>$1,102,153</td>
<td>7.34%</td>
<td>6.09%</td>
<td>Barclays Capital Aggregate</td>
</tr>
<tr>
<td>Galliard TIPS (IV)</td>
<td>$2,500,000</td>
<td>$3,191,314</td>
<td>5.5%</td>
<td>$702,594</td>
<td>9.54%</td>
<td>9.52%</td>
<td>Barclays Capital: U.S. TSY TIPS</td>
</tr>
<tr>
<td>Pool IV - Fixed</td>
<td>$17,500,000</td>
<td>$21,197,983</td>
<td>36.4%</td>
<td>$3,773,194</td>
<td>7.42%</td>
<td>6.57%</td>
<td>86% Bar Agg + 14% Bar TIPS</td>
</tr>
<tr>
<td>Winslow (IV)</td>
<td>$12,500,000</td>
<td>$14,096,909</td>
<td>24.2%</td>
<td>$3,558,948</td>
<td>9.50%</td>
<td>10.61%</td>
<td>Russell 1000 Growth Index</td>
</tr>
<tr>
<td>DGHM (IV)</td>
<td>$6,250,000</td>
<td>$7,088,595</td>
<td>12.2%</td>
<td>$1,086,911</td>
<td>6.04%</td>
<td>9.24%</td>
<td>Russell 3000 Value Index</td>
</tr>
<tr>
<td>MD Sass (IV)</td>
<td>$6,250,000</td>
<td>$7,355,234</td>
<td>12.6%</td>
<td>$1,333,726</td>
<td>7.39%</td>
<td>9.24%</td>
<td>Russell 3000 Value Index</td>
</tr>
<tr>
<td>Pool IV - Domestic Equity</td>
<td>$25,000,000</td>
<td>$28,540,738</td>
<td>49.1%</td>
<td>$5,979,585</td>
<td>8.18%</td>
<td>9.95%</td>
<td>Russell 3000 Index</td>
</tr>
<tr>
<td>Europacific Growth (IV)</td>
<td>$3,750,000</td>
<td>$4,297,378</td>
<td>7.4%</td>
<td>$552,378</td>
<td>4.43%</td>
<td>4.11%</td>
<td>MSCI AC World ex USA</td>
</tr>
<tr>
<td>Manning &amp; Napier (IV)</td>
<td>$3,750,000</td>
<td>$4,126,736</td>
<td>7.1%</td>
<td>$376,736</td>
<td>2.59%</td>
<td>4.11%</td>
<td>MSCI AC World ex USA</td>
</tr>
<tr>
<td>Pool IV - International Equity</td>
<td>$7,500,000</td>
<td>$8,424,114</td>
<td>14.5%</td>
<td>$929,114</td>
<td>3.52%</td>
<td>4.11%</td>
<td>MSCI AC World ex USA</td>
</tr>
<tr>
<td>Mutual Fund Cash (IV)</td>
<td>$0</td>
<td>$4,894</td>
<td>0.0%</td>
<td>$30</td>
<td>0.00%</td>
<td>0.10%</td>
<td>90 Day U.S. Treasury Bill</td>
</tr>
<tr>
<td><strong>Total Fund</strong></td>
<td>$210,000,000</td>
<td>$220,226,889</td>
<td>100.0%</td>
<td>$19,978,840</td>
<td>3.40%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Period = 03/31/2010 - Present
PROPOSED COMMITTEE ACTION

Approval to revise the operating funds supplement to the UCF Investment Policy.

BACKGROUND INFORMATION

As discussed in the December 12, 2012, Finance and Facilities Committee, we will recommend a change to sub-sections of the UCF’s investment policy to allow for a reduction in our low-return Pool I investments that reside exclusively in money market instruments. Our investment policy has cash balances divided into four pools, essentially ranging from extremely low risk cash and cash equivalents in Pool I, through Pool IV, which has a combination of longer maturity bonds and some equity exposure. For context, as of November 30, 2012, the total market value of all four pools was $219,621,960. Pool I had a market value of $53,253,866, Pool II $20,110,858, Pool III $88,562,576, and Pool IV $57,694,660.

What is being proposed is a move of up to $30 million from Pool I into Pool III. To accommodate this move, the policy targets for the percentage of domestic equity allocation in Pool III would be reduced from the current 15 percent to 12 percent and the current 85 percent of the pool devoted to intermediate fixed income split into two parts, 25 percent short fixed income and 63 percent intermediate fixed income. This reallocation will allow a $30 million move from Pool I into a new 25 percent target allocation to short fixed-income in Pool III.

Based on current market conditions and the outlook for low interest rates for the intermediate term, this should position our portfolio to achieve a higher return. Of course, this shift will also increase the risk associated with moving from cash and cash equivalents to short-term income bond investments.

When the investment policy was approved in 2010, Pool I was created to be cash heavy to ensure liquidity sufficient to meet our operational needs. Actual experience since then has shown that the cash in our Special Purpose Investment Account has been sufficient to meet
our operational liquidity needs, leaving more low-earning assets in Pool I than is necessary. Therefore, reducing the Pool I balance by moving up to $30 million to Pool III should not create liquidity problems.

Supporting documentation:

UCF Operating Pool I Sub-section (Attachment A)
UCF Operating Pool III Sub-section (Attachment B)
UCF Investment Policy (Attachment C)
UCF Investment Policy Manual (Attachment D)

Prepared by: William F. Merck II, Vice President for Administration and Finance and Chief Financial Officer

Submitted by: William F. Merck II, Vice President for Administration and Finance and Chief Financial Officer
OPERATING POOL I SUB-SECTION

to the
Operating Funds Supplement to the University of Central Florida Investment Manual

This Sub-Section is a part of the Operating Funds Supplement to the University of Central Florida Investment Manual and is intended only to complement the objectives and guidelines outlined therein. The purpose of this Sub-Section is to set forth the specific investment objectives and parameters for the management of financial assets of Operating Pool I.

Operating Pool I will be designated as cash reserves for operational expenses. In addition to compliance with the provisions of the Operating Funds Supplement to the University of Central Florida Investment Manual, Operating Pool I investments must comply with the following guidelines and objectives.

I. Investment Objectives

   A. Operating Pool I should be structured to provide immediate liquidity for the University’s daily operating requirements. Investments shall be made subject to the University’s cash flow needs in accordance with the schedule provided by the Finance Committee, and shall be subject to any revisions thereafter.

   B. Investments shall be undertaken in a manner that seeks the preservation of capital and immediate liquidity in the portfolio. The objective will be to limit credit risk and interest rate risk to a level commensurate with prudent investment practices of such short-term cash reserve portfolios.

II. Guidelines

   A. Authorized Investments

   Pursuant to the investment powers of the Finance Committee as set forth in the Florida Statutes and the delegation of authority granted by the University Board of Trustees, the Finance Committee sets forth the following investment guidelines and limitations.

   1. Cash & Equivalents

   2. Pooled investment funds

      a. For purposes of Operating Pool I, pooled investment funds will be limited to registered 2a-7 mutual funds, CDARS, SPIA.

      b. Investments in any single pooled investment fund shall be limited to 50% of the market value of Operating Pool I’s assets. Holdings in pooled Investment funds shall be prudently diversified based on current market conditions, as well as the current level of Pool I assets. Such pooled funds should be guaranteed as to timely payment of principal and interest by the Federal Government or its Agencies. Maximum Investments shall be limited to applicable guarantee coverage amounts (if any).
III. Target Allocations

In order to provide for a diversified and liquidity focused portfolio, the Finance Committee will employ a number of professionally managed short-term strategies to manage and administer Operating Pool I. The Finance Committee has established the following target asset allocation for Operating Pool I.

<table>
<thead>
<tr>
<th>Asset Group</th>
<th>Target</th>
<th>Range</th>
<th>Comparison</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash &amp; Equivalents</td>
<td>100%</td>
<td>N/A</td>
<td>90 Day US T-Bills / SPIA</td>
</tr>
</tbody>
</table>

IV. Investment Performance Objectives

The following performance measures will be used as objective criteria for evaluating the effectiveness of the Investment Managers.

A. Total Portfolio Performance

1. The performance of Operating Pool I will be measured for rolling three (3) and five (5) year periods. The performance of the portfolio will be compared to the return of the target index comprised of the 90 day U.S. Treasury Bill. In addition, the performance of the portfolio will be compared to the return of the Special Purpose Investment Account (SPIA).

2. On an absolute basis, the objective is that Operating Pool I will provide the necessary stability and liquidity to meet the University’s daily operating needs.

V. Review and Amendments

It is the Finance Committee’s intention to review this Sub-Section at least annually and to amend it to reflect any changes in philosophy, objectives, or guidelines. In this regard, the Investment Manager's interest in consistency in these matters is recognized and will be taken into account when changes are being considered. If, at any time, the Investment Manager feels that the specific objectives defined herein cannot be met, or the guidelines constrict performance, the Finance Committee should be notified in writing.

By signing this document, the Vice President for Finance & Administration and Chief Financial Officer attests that this Sub-Section has been recommended by the Investment Consultant, reviewed by the Fund’s legal counsel for compliance with applicable law, and approved by the Chairman of the Finance Committee of the Board of Trustees.

University of Central Florida

_____________________________________  __________
Vice President for Finance & Administration  Date
Chief Financial Officer
OPERATING POOL III SUB-SECTION

to the
Operating Funds Supplement to the University of Central Florida Investment Manual

This Sub-Section is a part of the Operating Funds Supplement to the University of Central Florida Investment Manual and is intended only to complement the objectives and guidelines outlined therein. The purpose of this Sub-Section is to set forth the specific investment objectives and parameters for the management of financial assets of Operating Pool III.

Operating Pool III will be considered excess cash reserves that may be invested in longer term investments (up to 5 years). In addition to compliance with the provisions of the Operating Funds Supplement to the University of Central Florida Investment Manual, Operating Pool III investments must comply with the following guidelines and objectives.

I. Investment Objectives

A. Operating Pool III should be structured to provide the moderate growth and a reasonable safety of principal while generating an above benchmark total rate of return. Investments shall be made subject to the University reserve needs in accordance with the schedule provided by the Finance Committee, and shall be subject to any revisions thereafter.

B. Investments shall be undertaken in a manner that seeks to balance the growth of the portfolio against the limited time horizon of Operating Pool III. Given the limited time horizon of Operating pool III, reasonable liquidity should be maintained as a primary objective.

II. Guidelines

A. Authorized Investments

Pursuant to the investment powers of the Finance Committee as set forth in the Florida Statutes and the delegation of authority granted by the University Board of Trustees, the Finance Committee sets forth the following investment guidelines and limitations.

1. Equity
   a. Investments in equity securities shall not exceed twenty percent (20%) of the market value of Operating Pool III’s assets.

2. Fixed Income
   a. All fixed income investments shall maintain a minimum rating of “A” or higher by a major credit rating service.
   b. The weighted average quality of the fixed income portfolio shall maintain a rating of “AA” or higher.
   c. The duration of the fixed income portfolio shall not exceed the effective duration of the Merrill Lynch 1-5 Year Government/Corporate A or Better Index by 50%.
   d. The maturity of any single security at the time of purchase shall not exceed an average effective maturity of 5 years.
3. Cash & Equivalents

4. Pooled Investment Funds

   a. For purposes of Operating Pool III, pooled investment funds may include mutual funds, commingled funds, and exchange-traded funds.

III. Target Allocations

In order to provide for a diversified portfolio, the Committee will engage investment professionals to manage and administer Operating Pool III. Each Investment Manager retained will be responsible for the assets and allocation of their mandate only and, where applicable, will be provided an addendum to this Sub-Section with their specific performance objectives and investment evaluation criteria. The Finance Committee has established the following target asset allocation for Operating Pool III.

<table>
<thead>
<tr>
<th>Asset Group</th>
<th>Target</th>
<th>Range</th>
<th>Comparison</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic Equity</td>
<td>15%</td>
<td>10% - 20%</td>
<td>Russell 3000</td>
</tr>
<tr>
<td>Intermediate Fixed Income</td>
<td>85%</td>
<td>75% - 95%</td>
<td>ML 1-5yr G/C A or Better</td>
</tr>
<tr>
<td>Cash &amp; Equivalents</td>
<td>0%</td>
<td>0% - 15%</td>
<td>90 Day US T-Bills</td>
</tr>
</tbody>
</table>

$30,000,000 From Pool I

<table>
<thead>
<tr>
<th>Asset Group</th>
<th>Target</th>
<th>Range</th>
<th>Comparison</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic Equity</td>
<td>12%</td>
<td>7% - 17%</td>
<td>Russell 3000</td>
</tr>
<tr>
<td>Short Fixed Income</td>
<td>25%</td>
<td>20% - 30%</td>
<td>ML 1-3yr Treasury</td>
</tr>
<tr>
<td>Intermediate Fixed Income</td>
<td>63%</td>
<td>53% - 73%</td>
<td>ML 1-5yr G/C A or Better</td>
</tr>
<tr>
<td>Cash &amp; Equivalents</td>
<td>0%</td>
<td>0% - 15%</td>
<td>90 Day US T-Bills</td>
</tr>
</tbody>
</table>

The Finance Committee will monitor the aggregate asset allocation of the portfolio, and will rebalance to the target asset allocation based on market conditions. If at the end of any calendar quarter, the allocation of an asset class falls outside of its allowable range, barring extenuating circumstances such as pending cash flows or allocation levels viewed as temporary, the asset allocation will be rebalanced into the allowable range. To the extent possible, cash contributions into and withdrawals from the portfolio will be executed proportionally based on the most current market values available. The Finance Committee does not intend to exercise short-term changes to the target allocation.

IV. Investment Performance Objectives

The following performance measures will be used as objective criteria for evaluating the effectiveness of the Investment Managers.

A. Total Portfolio Performance

1. The performance of Operating Pool III will be measured for rolling three (3) and five (5) year periods. The performance of the portfolio will be compared to the return of
the target index consisting of 15% Russell 3000 and 85% ML 1-5 Year Government/Corporate A or Better index defined in Section III - Target Allocations.

2. On a relative basis, it is expected that Operating Pool III’s performance will rank in the top 40th percentile of the appropriate peer universe over three (3) and five (5) year time periods.

3. On an absolute basis, the objective is that the return of Operating Pool III will provide a total return that exceeds the Consumer Price Index plus 2%.

B. Equity Performance

1. The combined equity portion of the portfolio is expected to perform at a rate at least equal to the Russell 3000 index.

2. On a relative basis, the equity portfolio is expected to rank in the top 40th percentile of the appropriate peer universe over three (3) and five (5) year time periods.

3. Individual components of the equity portfolio will be compared to the specific benchmarks defined in each Investment Manager addendum.

C. Fixed Income Performance

1. The combined short-term fixed income portion of the portfolio is expected to perform at a rate at least equal to the Merrill Lynch 1-3 Year Treasury index.

2. The combined intermediate fixed income portion of the portfolio is expected to perform at a rate at least equal to the Merrill Lynch 1-5 Year Government/Corporate A or Better index.

3. On a relative basis, the fixed income portfolio is expected to rank in the top 40th percentile of the appropriate peer universe over three (3) and five (5) year time periods.

4. Individual components of the fixed income portfolio will be compared to the specific benchmarks defined in each Investment Manager addendum or pooled investment fund document.

V. Review and Amendments

It is the Finance Committee’s intention to review this Sub-Section at least annually and to amend it to reflect any changes in philosophy, objectives, or guidelines. In this regard, the Investment Manager’s interest in consistency in these matters is recognized and will be taken into account when changes are being considered. If, at any time, the Investment Manager feels that the specific objectives defined herein cannot be met, or the guidelines constrict performance, the Finance Committee should be notified in writing.
By signing this document, the Vice President for Finance & Administration and Chief Financial Officer attests that this Sub-Section has been recommended by the Investment Consultant, reviewed by the Fund’s legal counsel for compliance with applicable law, and approved by the Chairman of the Finance Committee of the Board of Trustees.

University of Central Florida

______________________________  __________
Vice President for Finance & Administration  Date

______________________________
Chief Financial Officer
APPLICABILITY/ACCOUNTABILITY:

This policy is applicable to the University of Central Florida funds being held to meet current expenses and the excess of funds required to meet current expenses. This policy is also applicable to the university’s various Direct Support Organizations that do not have an investment policy approved by its board.

POLICY STATEMENT:

The university establishes its investment parameters in accordance with sections 1011.42(5) and 218.415, Florida Statutes, and the UCF Investment Policy Manual. The vice president for administration and finance or designee will consolidate, where practicable and allowable, cash balances and investments from all funds covered by this policy to minimize risk exposure and maintain liquidity while maximizing investment earnings.

PROCEDURES:


RELATED INFORMATION:

FS 218.415, Local Government Investment Policies
FS 1011.42(5), University Depositories, investment of funds awaiting clearing
Florida Statutes Website:
http://www.leg.state.fl.us/statutes/index.cfm?Mode=ViewStatutes&Submenu=1
CONTACTS:

For questions regarding the investment policy, contact the Treasurer’s Office (407) 882-1112 or the Vice President for Administration & Finance (407) 823-2351.

INITIATING AUTHORITY: Vice President for Administration and Finance
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General Information

The following are detailed procedures related to UCF policy 3-113, accessible on the policy website, http://policies.ucf.edu/.

The University establishes its investment parameters in accordance with sections 1011.42(5) and 218.415, Florida Statutes, and complies with all applicable state ordinances and covenants. The Vice President for Administration and Finance and Chief Financial Officer (Vice President) or designee will consolidate, where practicable and allowable, cash balances and investments from all funds covered by this policy to minimize risk exposure and maintain liquidity while maximizing investment earnings.

Investment Objectives

As required by F. S. 218.415, the investment objectives of the University for invested funds shall be to provide for safety of capital, liquidity of funds, and investment income, in that order. The optimization of investment returns shall be secondary to the requirements for safety and liquidity. Funds may be divided in four different pools of funds as follows: Pool I will be designated as cash reserves for operational expenses, based on specific criteria to be determined by the Finance Committee; Pool II will be designated to cover the University's medium term requirements such as debt service for the next year; Pool III will be considered excess cash reserves that may be invested in longer term investments (up to five years). Pool IV will be designated for long term investments such as the UCF Foundation, Inc. Safety and optimization of investment returns may be the investment objectives of funds invested in Pool IV only (liquidity is secondary).

1. Safety - Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks the preservation of capital in the overall portfolio. The objective will be to limit credit risk and interest rate risk to a level commensurate with the risks associated with prudent investment practices and the performance benchmarks stated herein, if applicable.

2. Credit Risk - The University will limit credit risk (the risk of loss due to the failure of the security issuer or backer) by diversifying the investment portfolio so that potential losses on individual securities will be minimized and by limiting investments to specified credit ratings.

3. Liquidity - The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature to meet anticipated demands (static liquidity). Since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets (dynamic liquidity). The portfolio may be placed in local government investment pools, money market mutual funds or similar funds that perform similar to money market funds that offer same-day liquidity for short-term funds.

4. Yield - The investment portfolio shall be designed with the objective of attaining a market rate of return, as measured by specified benchmarks, throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment
is of secondary importance compared to the safety and liquidity objectives described above. The core investments are limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed. Securities shall not be sold prior to maturity with the following exceptions:

A. A security with declining credit risk may be sold early to minimize loss of principal.

B. A security swap that would improve the quality, yield, or target duration in the portfolio.

C. Liquidity needs of the portfolio require that the security be sold.

D. Adverse market or economic conditions.

5. Transparency - The University shall operate its portfolio in a transparent manner, making its periodic reports both available for public inspection and designed in a manner which communicates clearly and fully information about the portfolio, including market pricing, adjusted book value, and yields.

Performance Measurement

As a benchmark for investment returns, the University’s investment portfolio, net of fees, should strive to equal or exceed the returns provided by the State Treasurer’s Special Purpose Investment Account (SPIA). However, achieving this benchmark is secondary to the requirements for safety and liquidity.

Prudence and Ethical Standards

1. Prudence - The standard of prudence to be used by investment officials shall be the Prudent Person Rule and shall be applied in the context of managing an overall portfolio. University personnel, acting in accordance with this investment policy shall be relieved of personal responsibility for an individual security’s credit risk or market price changes, provided deviations from expectations are reported to the University’s governing board in a timely fashion and the liquidity and the sale of securities are carried out in accordance with the terms of this policy. The Prudent Person Rule states that: "Investments should be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived from the investment."

2. Ethics and Conflicts of Interest - The Vice President and other authorized personnel shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. These investment officials shall disclose annually, in a written statement, any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance
of the investment portfolio. They shall refrain from undertaking personal investment transactions with the same individual(s) with whom business is conducted on behalf of the University.

3. Delegation of Authority - Authority to manage the investment program is granted to the Vice President. The Vice President may delegate authority to the Administration & Finance Associate Vice Presidents or the Assistant Vice President for Finance and Controller. Additional authorized personnel include any other person or position approved by the University’s governing board. The University may seek professional advice and therefore may contract with a federally registered investment advisory firm that specializes in public funds fixed income management, and it may also seek advice and counsel from the Finance Committee to assist with investment decisions. The Finance Committee will approve and, from time to time as they deem necessary, amend this investment policy. No person may engage in an investment transaction except as provided under the terms of this policy. The Vice President shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

Broker Dealers, Safekeeping and Custody

1. Authorized Financial Dealers and Institutions – The University shall list financial institutions consisting of banks and other depository institutions authorized to provide depository and investment services. In addition, a list will be maintained of security broker/dealers consisting of "primary" dealers or regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15C3-1 (uniform net capital rule) that are providing services to the University or that the University contemplates using. Both lists shall be reviewed by the Finance Committee and the Vice President at least annually.

2. Annual Review - An annual review of the financial conditions and registration of qualified financial institutions and broker/dealers will be conducted by the Vice President or investment advisor under the direction of the University. The distribution of trading among the approved broker/dealers of securities which at the time of purchase had maturities greater than seven days shall be reported annually to the Finance Committee.

3. Delivery vs. Payment - Securities transactions between a broker-dealer and the safekeeping agent or custodian involving purchase or sale of securities by transfer of money or securities must be made on a "delivery vs. payment" basis, if applicable, to ensure that the custodian will have the security or money, as appropriate, in hand at the conclusion of the transaction.

4. Safekeeping, Custody & Perfection of Interest - Securities shall be held with a third party; and all securities purchased by, and all collateral obtained by, the University should be properly designated as an asset of the University. No withdrawal of securities, in whole or in part, shall be made from safekeeping or custody, except by an authorized staff member of the University.
Authorized Investments

This investment policy is authorized by the University’s Board of Trustees. The following investments are authorized to be utilized in achieving the objectives of this policy. Investments not listed are prohibited. The investment portfolio must be structured in such manner as to provide sufficient safety and liquidity to pay obligations as they come due. Investment maturities should anticipate cash flow requirements.

Prior to conducting transactions as authorized by this policy the Vice President shall determine the approximate maturity date based on cash-flow needs and market conditions, analyze and select one or more optimal types of investments, and competitively bid the security in question when feasible and appropriate. Except as otherwise required by law, the bid deemed to best meet the investment objectives shall be selected.

Investments shall be limited to securities selected from the following types:

1. The United States Treasury and Agency securities - Securities that are issued by the United States Treasury or those for which the full faith and credit of the United States government guarantees fully all principal and interests payments.
   A. Credit Ratings
      Ratings are not required for U.S. Treasury securities. Agencies backed by the full faith and credit of the United States government, such as Government National Mortgage Association (GNMA), must have at least two AAA/Aaa/AAA long-term credit ratings from Standard & Poor’s, Moody’s or Fitch respectively. The Finance Committee may direct the University to use other ratings that may be more appropriate for the prevailing economic situation.
   B. Interest Rate Risk Restrictions
      The United States Treasury and Agency securities backed by the full faith and credit of the United States government. At the time of purchase, securities must have a maturity no greater than five years from the date of settlement to the maximum possible maturity date. The forward delivery period on such securities may not exceed 60 days.

2. Government Sponsored Enterprises (GSE) - Securities issued by the Federal Farm Credit Bank, the Federal Home Loan Mortgage Corporation, the Federal Home Loan Bank, the Federal National Mortgage Association, or the Federal Agricultural Mortgage Corporation. Any other GSE shall be considered as corporate debt for the purposes of this policy and shall be authorized under the criteria set forth in section 7, Corporations.
   A. Credit Ratings
      Authorization of the listed GSE in section 7 is predicated upon these institutions maintaining at least two AAA/Aaa/AAA long-term credit ratings from Standard & Poor’s, Moody’s or Fitch respectively. The Finance Committee may direct the University to use other ratings that may be more appropriate for the prevailing economic situation.
B. Interest Rate Risk Restrictions
At the time of purchase, securities must have a maturity no greater than five years from the date of settlement to the maximum possible maturity date. The forward delivery period on such securities may not exceed 60 days.

3. The State Board of Administration’s Local Government Investment Pool (SBA), the State Treasurer’s Special Purpose Investments Account (SPIA) or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in s. 163.01.

   A. Credit Rating
   Local Government Investment Pools - At the time of purchase, the local government investment pool must carry a AAA rating from Standard & Poor’s (if applicable). The Finance Committee may direct the University to use other ratings that may be more appropriate for the prevailing economic situation.

   B. Interest Rate Risk Restrictions
   At the time of purchase, shares in the local government investment pool must be fully redeemable on the next business day.

4. Money Market Mutual Funds - Shares of any money market fund that is registered as an investment company under the federal "Investment Company Act of 1940", as amended.

   A. Credit Rating
   At the time of purchase, money market funds must carry a AAA rating from Standard & Poor’s. The Finance Committee may direct the University to use other ratings that may be more appropriate for the prevailing economic situation.

   B. Interest Rate Risk Restrictions
   At the time of purchase, shares in the money market fund must be fully redeemable on the next business day.

5. Interest-bearing time deposits or savings accounts in Qualified Public Depositories (QPD) as defined in s. 280.02.

   A. Credit Rating or Limitations
   Bank deposits for the University must comply with Chapter 280.16 Florida Statutes. Such deposits in QPD’s must be collateralized according to the statutory requirements.

6. Repurchase Agreements - Securities referred to in section 4 or 5 and that can otherwise be purchased under this policy may be subject to a repurchase agreement. Such securities subject to this agreement must have a coupon rate that is fixed from the time of settlement until its maturity date, and must be marketable. Such securities must be delivered to the University or to a third-party custodian or third-party trustee for safekeeping on behalf of the public entity. The collateral securities of any repurchase agreement must be collateralized at no less than one hundred two percent and marked to market no less frequently than weekly. All approved institutions and dealers transacting repurchase agreements shall execute and perform as
stated in the master repurchase agreement. All repurchase agreement transactions shall adhere to the requirements of the master repurchase agreement.

A. Credit Ratings
   At the time of purchase the counter-party to any such agreement must carry short-term credit ratings which conform to those required by section 7.

B. Interest Rate Risk Restrictions
   For repurchase agreements, at the time of purchase such agreement must have a maturity no greater than one year from the date of settlement. The forward delivery period on such securities may not exceed 60 days.

7. Corporations - United States dollar denominated debt instruments issued by a corporation or bank which is organized and operated within the United States.

A. Credit Ratings
   At the time of purchase, all non-money market instruments must carry at least two long-term credit ratings from Standard & Poor’s, Moody’s or Fitch’s of at least AAA/Aaa/AAA respectively. For money market instruments, which comply with rule 2a7 at the time of purchase, such securities must carry at least two short-term credit ratings and no short-term credit rating may fall below A1+ from Standard & Poor’s, P1 from Moody’s, or F1+ from Fitch. The Finance Committee may direct the University to use other ratings that may be more appropriate for the prevailing economic situation.

   Should a security’s credit rating drop below these standards after purchase, the University’s authorized personnel shall act as Prudent Persons in managing the risks associated with this security, and shall timely notify the Finance Committee of such an event.

B. Interest Rate Risk Restrictions
   At the time of purchase, such securities must have a maturity no greater than three years from the date of settlement to the maximum possible maturity date. The forward delivery period on such securities may not exceed 60 days.

8. Other investments authorized by law or by ordinance for a county or a municipality.

9. Other investments authorized by law or by resolution for a school district or a special district.

10. Direct Support Organizations (DSO) duly authorized by the University’s Board of Trustees. An agreement or memorandum of understanding must be executed prior to the placement of funds with any DSO.

11. Mutual funds, unit investment trusts or professionally managed securities or other investment vehicles specifically authorized by the Finance Committee.
Portfolio Composition

The portfolio managed by the University, as opposed to funds placed with the Foundation, shall be maintained as a short-term maturity portfolio. The following restrictions apply in the management and investment of the University portfolio:

1. The effective maturity of floating rate securities shall be considered as the time until the next full reset of the coupon. The maximum effective duration of a floating rate security shall be five years from the date of purchase.

2. To provide sufficient liquidity and stability of principal, at least 25% of the fund investments shall have an effective duration of one year or less.

University Endowment

The preferred recipient of gifts for the University is the UCF Foundation, Inc. However, there may be special circumstances whereby a monetary gift or other asset is received by the University directly, or the University may choose to establish a quasi-endowment with funds available for such purpose from other sources. In these instances, the University may choose to enter into an agreement with the UCF Foundation, Inc. to manage the investment of a portion or all of a particular University endowment or quasi-endowment. The Foundation has several investment options. The decision as to which of the options to be utilized for University funds would be specified in a contractual document between the University and the Foundation, with specific instructions as to the authorization and manner in which receipts and disbursements would be processed. The University’s assets may be pooled with Foundation assets for investment purposes, but with procedures in place for detailed accounting and reporting of the University’s shares in the pool. These investments may deviate from the balance of this policy’s direction to limit investments to no more than five years duration.

Risk and Diversification

The University portfolio shall be diversified to the extent practicable to control the risk of loss resulting from over concentration of assets in a specific maturity, issuer, instrument, dealer, or bank through which financial instruments are bought and sold. The diversification strategies laid out in this policy shall be reviewed and revised periodically, as deemed necessary by the Vice President and any revisions shall require the approval of the Finance Committee.

Investments that vary in length to maturity will be made to correlate with the University’s cash flow projections. The correlation will be made conservatively, considering the University’s projected need for liquidity. As the University develops a history with these guidelines, it is anticipated that the Finance Committee will refine and further define the maturity risks and diversification requirements. It is anticipated that the Assistant Vice President for Finance and Controller will provide annual cash flow projections, taking into consideration revenue receipt timing, payroll disbursements, debt service schedules and other historical operational expenditures. This information will be used as a basis for informed decisions regarding the
allocation of cash balances into categories of investments with varying maturities. The investment vehicles used in the four categories will be determined by the Vice President in consultation with an investments consultant, the chair of the Finance Committee and other appropriate University staff.

In order to ensure liquidity and diversify risk to principal, multiple depository banks, in addition to the bank(s) currently under contract with the University to provide treasury services, may be utilized to hold and invest short term cash.

**Qualified Public Depositories, Investment Institutions and Dealers**

The Assistant Vice President for Finance and Controller will maintain the current approved list of qualified public depositories (as defined in Florida Statute 280.02), investment institutions and dealers for the purchase and sale of securities.

**Third Party Custodial Agreements**

Securities will be held with a third party; and all securities purchased by, and all collateral obtained by the University will be properly designated as an asset of the University. If a bank serves in the capacity of Investment Manager, said bank could also perform the required custodial and reporting services. No withdrawal of securities, in whole or in part, shall be made from safekeeping, except by those designated within the Investment Management and Custodial Agreement between the Custodian and the University. Securities transactions between a broker-dealer and the custodian involving purchase or sale of securities by transfer of money or securities must be made on a "delivery vs. payment" basis, if applicable, to ensure that the custodian will have the security or money, as appropriate, in hand at the conclusion of the transaction.

**Master Repurchase Agreement**

The Assistant Vice President for Finance and Controller or the Investment Manager, if applicable, will maintain a master repurchase agreement and require all approved institutions and dealers transacting repurchase agreements to adhere to the requirements of the master repurchase agreement. The master repurchase agreement is a separate document.

**Bid Requirement**

The University shall require purchases and sales to be executed in a competitive bid environment wherein at least three (3) offers or bids are requested for each security. Exceptions to this approach may be made when (1) prices for purchases or sales are compared to systems providing current market prices and deemed reasonable, (2) when the security to be purchased is unique to one institution or (3) the security has recently been issued and is trading at the same price by all financial institutions.
Internal Controls

The Assistant Vice President for Finance and Controller shall establish a system of internal controls and operational procedures, which will be documented in writing. The internal controls will be reviewed by the University Audit staff and are subject to audit by the Auditor General of the State of Florida. The controls will be designed to prevent losses of public funds arising from fraud, employee error, imprudent actions by employees and misrepresentation by third parties. The internal controls and operational procedures is a separate document.

Continuing Education

The Vice President and the Administration & Finance Associate Vice President will annually (during each calendar year) complete eight hours of continuing education in subjects or courses of study related to investment practices and products.

Reporting

1. Methods - The Vice President, or designee, shall or shall have prepared and provide to the Finance Committee an investment report at least quarterly, including a management summary that provides an analysis of the status of the current investment portfolio and transactions made over the last quarter. An outside investment advisor or other third party may be utilized to prepare the report. The management summary will be prepared in a manner that will allow the University to ascertain whether investment activities during the reporting period have conformed to the investment policy. This investment report shall include a list of securities in the portfolio by class or type, book value, income earned, and market value as of the report date. Such reports shall be available to the public.

2. Performance Standards - The investment portfolio will be managed in accordance with the parameters specified within this policy. The portfolio should obtain a market average rate of return during a market/economic environment of stable interest rates. The appropriate benchmark against which the portfolio performance shall be measured shall be the 90-day Treasury Bill rate. At a minimum, portfolio performance shall be measured by comparing its year-to-date earnings to budgeted year-to-date earnings and its monthly “effective rate of return” to the 90-day Treasury Bill rate of return. Benchmarks may change over time based on the portfolio’s weighted average maturity.

3. Marking to Market - The market value of the portfolio shall be calculated at least quarterly and a statement of the market value of the portfolio shall be issued at least quarterly. Information will be included in the report provided to the Finance Committee during scheduled meetings.
Implementation Considerations

1. Exemption - Any investment currently held that does not meet the guidelines of this policy shall be exempted from the requirements of this policy. At maturity or liquidation, such monies shall be reinvested only as provided by this policy.

2. Amendments - This policy shall be reviewed on an annual basis. Any changes must be approved by the Finance Committee.
**Glossary**

**Benchmark.** A comparative base for measuring the performance or risk tolerance of the investment portfolio. A benchmark should represent a close correlation to the level of risk and the average duration of the portfolio’s investments.

**Bid.** The price offered by a buyer of securities.

**Collateral.** Securities, evidence of deposit, or other property that a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

**Delivery vs. Payment.** Delivery versus payment is delivery of securities to a third party with an exchange of money for the securities. The transaction is not complete until both parties provide their commitments.

**Diversification.** Dividing investment funds among a variety of securities offering independent returns.

**DSO.** Direct Support Organization, pursuant to Section 1004.28 Florida Statutes, as certified by the University Board of Trustees.

**Federal Deposit Insurance Corporation (FDIC).** A federal agency that insures bank deposits, currently up to $100,000 per deposit.

**Federal Farm Credit Bank (FFCB).** The Federal Farm Credit Banks Funding Corporation issues debt securities as fiscal agent for the Farm Credit System, which is a nationwide network of borrower-owned lending institutions and service organizations specializing in agricultural and rural America. The mission of this government-sponsored enterprise is to ensure the availability of sound, dependable funding for agricultural producers, cooperatives, and certain farm related business.

**Federal Home Loan Bank (FHLB).** Government sponsored wholesale banks that lend funds and provide correspondent banking services to member commercial banks, thrift institutions, credit unions and insurance companies. The mission of the FHLBs is to liquify the housing related assets of its members who must purchase stock in their district bank.

**Federal Home Loan Mortgage Corporation (FHLMC).** FHLMC, commonly referred to as Freddie Mac, is a government sponsored enterprise that provides liquidity to the mortgage markets, much like FNMA and FHLB.

**Federal National Mortgage Association (FNMA).** FNMA was chartered under the Federal National Mortgage Association Act in 1938. FNMA is a federal corporation working under the auspices of the Department of Housing and Urban Development (HUD). It is the largest single provider of residential mortgage funds in the United States. Fannie Mae, as the corporation is called, is a private stockholder-owned corporation. The Corporation’s purchases include a variety of adjustable mortgages and second loans, in addition to fixed-rate mortgages. FNMA’s securities
are also highly liquid and are widely accepted. FNMA assumes and guarantees that all security holders will receive timely payment of principal and interest.

**LIBOR.** London Interbank Offer Rate.

**Liquidity.** A liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value. In the money market, a security is said to be liquid if the spread between bid and asked prices is narrow and reasonable size can be done at those quotes.

**Market Value.** The price at which a security is trading and could presumably be purchased or sold.

**Master Repurchase Agreement.** A written contract covering all future transactions between the parties to repurchase agreements that establishes each party’s rights in the transactions. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller-borrower.

**Maturity.** The date upon which the principal or stated value of an investment becomes due and payable.

**Portfolio.** Collection of securities held by an investor.

**Prudent Person Standard.** An investment standard in which investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

**Qualified Public Depository.** Any bank, savings bank, or savings association that is organized under the laws of the United States or the State of Florida; has its principal place of business or a branch office to receive deposits in Florida; has deposit insurance under the provisions of the Federal Deposit Insurance Act; meets the requirements of Chapter 280, Florida Statutes (Florida Security for Public Deposits Act); and has been designated by the Chief Financial Officer of the State of Florida as a qualified public depository.

**Repurchase agreement (REPO).** A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a fixed date. The security “buyer” in effect lends the “seller” money for the period of the agreement, and the terms of the agreement are structured to compensate him for this. Dealers use REPOS extensively to finance their positions. Exception: When the Fed is said to be doing REPOS, it is lending money that is increasing bank reserves.

**Safekeeping.** A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank’s vaults for protection.

**Spread.** (1) The yield or price difference between the bid and offer on an issue. (2) The yield or price difference between different issues.
**State Board of Administration’s Local Government Investment Pool (SBA).** The aggregate of all funds from political subdivisions that are placed in the custody of the State Board of Administration for investment and reinvestment.

**State Treasury Special Purpose Investment Account (SPIA).** The aggregate of all funds from governmental entities that are placed in the custody of the State Treasury for investment and reinvestment.

**Treasury Bills.** A non-interest bearing discount security issued by the U.S. Treasury to finance the national debt. Most bills are issued to mature in one month, three months, or six months.

**Yield.** The rate of annual income return on an investment, expressed as a percentage. (1) Income yield is obtained by dividing the current dollar income by the current market price for the security. (2) Net yield or yield to maturity is the current income yield minus any premium above par or plus any discount from par in purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond.
Key Financial Ratios
June 30, 2012

UNIVERSITY OF CENTRAL FLORIDA
The following ratios and related benchmarks are derived from *Strategic Financial Analysis for Higher Education*, Sixth Edition published by KPMG, Prager, Sealy & Co., LLC, and BearingPoint. This book is widely used in the higher education industry, and the most recent edition includes guidance specifically for public institutions of higher education.

The following four core ratios help answer these key questions:

- **Primary Reserve Ratio** - Are the resources sufficient and flexible enough to support the university's mission? This ratio provides a snapshot of financial strength and flexibility by indicating how long the institution could function using its expendable reserves without relying on additional net assets generated by operations. A ratio of 40 percent (provides about five months of expenses) or better is advisable to give institutions the flexibility to manage the enterprise.

- **Net Operating Revenues Ratio** - Do the operating results indicate that the university is living within available resources? A positive ratio indicates that the institution experienced an operating surplus for the year. A target range of 0.25 percent to 4 percent is a goal, over an extended time period. The result will likely vary from year to year.

- **Return on Net Assets** - Does financial asset performance support the strategic direction of the university? Institutions should establish a real rate of return target in the range of approximately 3 percent to 4 percent. The real return plus the actual inflation index, the Higher Education Price Index, published by Commonfund Institute will provide the nominal rate of return.

- **Viability Ratio** - Is debt managed strategically to advance the university's mission? Analysis of financial statements over the past three fiscal years indicates that this ratio should fall between 0.50 – 1.50, and higher for the strongest creditworthy institutions.

**Composite Financial Index** - When combined, these four ratios deliver a single measure of the overall financial health of the university, hereafter referred to as the Composite Financial Index.

**Debt Burden Ratio** - Although not a core strategic financial ratio, the Debt Burden Ratio is a key tool in measuring debt affordability and should be considered as a key financial indicator for any institution using debt. This ratio examines the institution's dependence on borrowed funds and the relative cost of borrowing to overall expenditures.
Primary Reserve Ratio

- This ratio indicates the university and component units have the ability to cover approximately five months of expenses from reserves, which slightly exceeds the target range (44 percent x 12 months = five months). A target of 40 percent or better is considered an advisable reserve.

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This ratio is calculated as follows:

\[
\text{Primary Reserve Ratio} = \frac{\text{Expendable Net Assets}*}{\text{Total Expense}}
\]

** Excludes expendable net assets restricted for capital.

** Includes blended-component units (UCF Finance Corporation and University of Central Florida College of Medicine Self-Insurance Program).
Net Operating Revenues Ratio

- This ratio indicates whether or not the university and component units' operating activities provided a surplus for the year. The actual ratio is within the target range.
- This ratio does not include capital revenue sources.

This ratio is calculated as follows:

Net Operating Revenues Ratio

<table>
<thead>
<tr>
<th>Net Operating Revenues Ratio</th>
<th>University and Component Units</th>
<th>University*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating and Non-Operating Net Income (Loss)</td>
<td>FY08 FY09 FY10 FY11 FY12</td>
<td>FY08 FY09 FY10 FY11 FY12</td>
</tr>
<tr>
<td>Operating and non-operating net income (loss)</td>
<td>$3 (11) 53 46 15</td>
<td>31 22 43 28 14</td>
</tr>
<tr>
<td>Operating Revenues plus Non-Operating Revenues</td>
<td>$797 795 875 952 936</td>
<td>693 718 754 820 818</td>
</tr>
</tbody>
</table>

* Includes blended-component units (UCF Finance Corporation and University of Central Florida College of Medicine Self-Insurance Program).
This ratio measures whether the university has improved financially by measuring total economic return or the return on net assets that occurred as a result of the university’s activities. The real rate of return adjusts the nominal rate for the effects of inflation using the Higher Education Price Index.

This ratio indicates the university and component units generated slight real growth in total wealth over the year. The actual ratio did not meet the target primarily due to reduced operating and capital state funding, a decrease in realized and unrealized gains on investments, and increased expenses as a result of a change in the capitalization threshold for purchases of tangible personal property.

This ratio is calculated as follows:

\[
\text{Return on Net Assets} = \frac{\text{Change in Net Assets}}{\text{Total Net Assets}}
\]

<table>
<thead>
<tr>
<th>Return on Net Assets Ratio (in millions)</th>
<th>University and Component Units</th>
<th>University*</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY08</td>
<td>FY09</td>
<td>FY10</td>
</tr>
<tr>
<td>----------------------------------------</td>
<td>-------------------------------</td>
<td>-------------</td>
</tr>
<tr>
<td>Change in total net assets</td>
<td>$108</td>
<td>88</td>
</tr>
<tr>
<td>Total net assets (beginning of year)</td>
<td>$889</td>
<td>997</td>
</tr>
</tbody>
</table>

* Includes blended-component units (UCF Finance Corporation and University of Central Florida College of Medicine Self-Insurance Program).
Viability Ratio

This ratio measures one of the most basic determinants of clear financial health, the availability of expendable net assets to cover debt should the university and component units need to settle its obligations. A ratio of 0.5 or greater indicates the university and component units have sufficient reserves to satisfy all liabilities, including long-term debt.

\[
\text{Viability Ratio} = \frac{\text{Expendable Net Assets}}{\text{Long-Term Debt}}
\]

<table>
<thead>
<tr>
<th>Year</th>
<th>FY08</th>
<th>FY09</th>
<th>FY10</th>
<th>FY11</th>
<th>FY12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expendable Net Assets*</td>
<td>$278</td>
<td>300</td>
<td>371</td>
<td>419</td>
<td>405</td>
</tr>
<tr>
<td>Long-term Debt</td>
<td>$575</td>
<td>565</td>
<td>525</td>
<td>508</td>
<td>532</td>
</tr>
</tbody>
</table>

**Excludes expendable net assets restricted for capital.**

**Includes blended-component units (UCF Finance Corporation and University of Central Florida College of Medicine Self-Insurance Program).**
Computing the Composite Financial Index -
Overview of Methodology

This methodology is an arithmetic means of combining the four ratios previously displayed as a measure of fundamental elements of financial health to yield a single composite financial index that represents an institution's overall financial health.

Under the methodology, the composite financial index (CFI) is calculated as follows:

• determine the value of each ratio
• divide each ratio by an industry determined relevant value to calculate a strength factor
• multiply strength factors by specific weighting factors
• total the resulting four numbers to reach a single CFI score.

These scores do not have absolute precision, but can be indicators of overall institutional well-being when evaluated in conjunction with nonfinancial indicators. However, the ranges do have enough precision to be indicators of the institutional financial health, and the CFI as well as its trend line, over a period of time, can be the single most important measure of the financial health for the institution.

• $CFI = \text{Sum of} \left( \frac{\text{Ratios}}{\text{Relevant Value}} \right) \times \text{Weight}$
## Composite Financial Index - Trend

This index is a composite of the four key ratios. The actual index is below the target and reflects the downward trend in the components below.

### University and Component Units

<table>
<thead>
<tr>
<th>Ratio</th>
<th>FY08</th>
<th>FY09</th>
<th>FY10</th>
<th>FY11</th>
<th>FY12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relevant Value</td>
<td>0.133</td>
<td>0.013</td>
<td>0.02</td>
<td>0.02</td>
<td>0.417</td>
</tr>
<tr>
<td>Weight</td>
<td>35%</td>
<td>10%</td>
<td>20%</td>
<td>20%</td>
<td>35%</td>
</tr>
<tr>
<td>Primary Reserve Ratio</td>
<td>0.92</td>
<td>0.98</td>
<td>1.19</td>
<td>1.22</td>
<td>1.16</td>
</tr>
<tr>
<td>Net Operating Revenues Ratio</td>
<td>0.03</td>
<td>(0.10)</td>
<td>0.46</td>
<td>0.37</td>
<td>0.13</td>
</tr>
<tr>
<td>Return on Net Assets Ratio</td>
<td>0.74</td>
<td>0.68</td>
<td>0.61</td>
<td>0.59</td>
<td>0.02</td>
</tr>
<tr>
<td>Viability Ratio</td>
<td>0.41</td>
<td>0.45</td>
<td>0.59</td>
<td>0.69</td>
<td>0.64</td>
</tr>
<tr>
<td>Composite Financial Index</td>
<td>2.10</td>
<td>2.01</td>
<td>2.86</td>
<td>2.87</td>
<td>1.95</td>
</tr>
</tbody>
</table>

### University*

<table>
<thead>
<tr>
<th>FY08</th>
<th>FY09</th>
<th>FY10</th>
<th>FY11</th>
<th>FY12</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.77</td>
<td>0.92</td>
<td>1.17</td>
<td>1.16</td>
<td>1.09</td>
</tr>
<tr>
<td>0.34</td>
<td>0.24</td>
<td>0.44</td>
<td>0.26</td>
<td>0.13</td>
</tr>
<tr>
<td>1.40</td>
<td>1.29</td>
<td>0.62</td>
<td>0.51</td>
<td>0.04</td>
</tr>
<tr>
<td>0.72</td>
<td>0.92</td>
<td>1.39</td>
<td>1.60</td>
<td>1.30</td>
</tr>
<tr>
<td>3.23</td>
<td>3.37</td>
<td>3.61</td>
<td>3.54</td>
<td>2.57</td>
</tr>
</tbody>
</table>

- Includes blended-component units (UCF Finance Corporation and University of Central Florida College of Medicine Self-Insurance Program).
Debt Burden Ratio

This ratio measures the percentage of total expenditures the university and component units spent on debt service.

This ratio is calculated as follows:

\[
\text{Debt Burden Ratio} = \frac{\text{Debt Service}}{\text{Adjusted Expenses}}
\]

<table>
<thead>
<tr>
<th>Debt Burden (in millions)</th>
<th>University and Component Units</th>
<th>University*</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>FY08</td>
<td>FY09</td>
</tr>
<tr>
<td>Debt Burden</td>
<td>$40</td>
<td>43</td>
</tr>
<tr>
<td>Adjusted Expenses</td>
<td>$751</td>
<td>763</td>
</tr>
</tbody>
</table>

* Includes blended-component units (UCF Finance Corporation and University of Central Florida College of Medicine Self-Insurance Program).
University of Central Florida
Board of Trustees
Finance and Facilities Committee

SUBJECT: Construction of Housing and Residence Life Support Building

DATE: January 31, 2013

PROPOSED COMMITTEE ACTION

For information only.

BACKGROUND INFORMATION

Tax exempt revenue bonds were sold in January 2012 by the State Division of Bond Finance to fund the construction of the Academic Village Expansion Project, the Greek Life Center, one Greek House, and capital improvements to the UCF housing system. The proposed Academic Village expansion project consisted of 670 residence-hall beds and support space. The support space was to be incorporated into the ground floors of the residential buildings. After the bond sale and during the guaranteed maximum pricing phase of the project, it was determined that there was insufficient funding to build all of the support space that was in the project program. As part of the revised construction documents, the support space was designed and priced as an alternate project.

The support space needs to be constructed now by the current design and construction team in order to maintain the Guaranteed Maximum Price. The price of the support building is $1,768,906 and the amount remaining in the project contingency fund is $1,684,887. The Department of Housing and Residence Life has sufficient cash reserves to fund the $84,019 shortfall.

Supporting documentation: None

Prepared by: Maribeth Ehazs, Vice President for Student Development and Enrollment Services

Submitted by: William F. Merck II, Vice President for Administration and Finance and Chief Financial Officer
University of Central Florida  
Board of Trustees  
Finance and Facilities Committee

SUBJECT: Minor Amendment to 2010 Campus Master Plan for UCFAA  

DATE: January 31, 2013

PROPOSED COMMITTEE ACTION

Approve a minor amendment to the University of Central Florida campus master plan to change the Future Land Use, Capital Improvements, Urban Design, and Recreation Open Space Elements to support the proposed Wayne Densch Center for Student-Athlete Leadership, formerly known as the Academic Performance Center.

BACKGROUND INFORMATION

The purpose of the proposed amendment is to change the name of the proposed facility from Athletic Academic Performance Center to Wayne Densch Center for Student-Athlete Leadership and move the site to the east side of BrightHouse Networks Stadium. (See attached locator map.) As more particularly outlined in the attached memorandum, the amendment would constitute a minor amendment that needs only Board of Trustees approval for adoption.

Supporting documentation:

Memorandum from James Davis (Attachment A)  
Project Location (Attachment B)  
Capital Improvements List (Attachment C)  
Urban Design Map (Attachment D)  
Future Land Use Map (Attachment E)  
Recreation and Open Space Map (Attachment F)

Prepared by: W. Scott Cole, Vice President and General Counsel

Submitted by: William F. Merck II, Vice President for Administration and Finance and Chief Financial Officer
MEMORANDUM

TO: Scott Cole
FROM: James Davis
SUBJECT: Minor Amendment to 2010 Campus Master Plan
DATE: January 15, 2013

The University of Central Florida proposes a minor amendment to its 2010 Campus Master Plan to change the Future Land Use, Capital Improvements, Urban Design and Recreation Open Space Elements to support the Wayne Densch Center for Student-Athlete Leadership.

The proposed facility will be erected east of Bighthouse Networks Stadium. The proposed 22,500 square foot building will provide academic support to serve all UCF student-athletes and will house a leadership institute, an office suite for NCAA compliance, and student career services. The new location of this facility will be in close proximity to future athletics improvements.

Please find below an analysis of the statutory thresholds and university responses that reflect the nature of the amendment request as a minor amendment. The thresholds are referenced under section 1013.30(9), F.S.

An amendment to a campus master plan must be reviewed and adopted under subsections (6)-(8) if such amendment, alone or in conjunction with other amendments, would:

(a) Increase density or intensity of use of land on the campus by more than ten percent;

University response: This previously approved facility is requesting a building name and location change and is not exceeding any existing approved square footage. The ten percent threshold will not be impacted.

(b) Decrease the amount of natural areas, open space, or buffers on the campus by more than ten percent; or

University response: The proposed amendment will not affect natural areas, open space or buffers by more than ten percent. This previously approved facility is requesting a building name and location change and is not exceeding any existing approved square footage. The ten percent threshold will not be impacted.

Attachment A
(c) Rearrange land uses in a manner that will increase the impact of any proposed campus development by more than ten percent on a road or on another public facility or service provided or maintained by the state, the county, the host local government, or any affected local government.

University response: The proposed development associated with the land use change from Recreation and Open Space to Mixed Use will not impact a road or other public facility or service.

In summary, the proposed land use change does not exceed the amendment threshold criteria in 1013.30(9), F.S. and may therefore be treated as a minor amendment.

Thank you for your time and attention to this matter. If you require additional information, please contact James Davis at (407) 823-5270.
Figure 3-1
Urban Design and Capital Improvements

Comprehensive Master Plan Update
University of Central Florida
Orlando, Florida
2010-2020

Legend
- Capital Improvements List
- Boundary
- Proposed Building Sites
- Proposed Road Widening
- Existing Buildings

All maps are diagrammatic and conceptual. The various areas shown are approximate and not to survey accuracy. The intent of these maps is to illustrate general areas of existing or potential use.
University of Central Florida
Board of Trustees
Finance and Facilities Committee

SUBJECT: Revisions to Articles and Bylaws of the University of Central Florida Research Foundation, Inc.

DATE: January 31, 2013

PROPOSED COMMITTEE ACTION

Approve Second Amended and Restated Articles and Bylaws of the University of Central Florida Research Foundation, Inc. to make corrections and to provide consistency among UCF Direct Support Organizations.

BACKGROUND INFORMATION

It was discovered that the Articles and Bylaws of the University of Central Florida Research Foundation, Inc. were modified in 2006 to 1) remove four “permanent” directors, and 2) change the UCF president’s sole authority to appoint “additional” directors. In addition, the modifications removed the non-permanent directors “term of office” provision and the requirement for re-appointment of non-permanent directors by vote of the “permanent” directors.

The Research Foundation is requesting approval by the Board of Trustees of the attached Second Amended and Restated Articles and Bylaws. The Research Foundation voted in favor of adopting these amendments which correct the items listed above, as well as provide other requested amendments.

Summary of Amendments to Articles

- The Recitals are amended to reflect changes to the Articles since the date of incorporation.
- Article I is amended to update the corporate address.
- Article III is amended to reflect that the UCF Board of Trustees oversees the Research Foundation, as well as to update the purposes of the Research Foundation.
- Article IV is amended to reflect that conveyances of State of Florida assets will be approved by UCF.
- Article VII is amended to cancel the 2006 modifications, and reinstate a nine-member board accountable to the UCF President. In addition, the nine-member board now consists of:
  1. UCF President or his designee
  2. Provost or his designee
  3. Vice President for Research and Commercialization
  4. designee of the Vice President for Medical Affairs
  5. designee of the UCF President
  6. designee of the Chair of the UCF Board of Trustees and
  7. three additional directors as may be appointed by the UCF President.
• Article X is amended to reflect that a majority vote of the entire board must accompany approval by the UCF President and the Board of Trustees to amend the Articles and Bylaws.

• Other amendments are made to improve clarity and correct clerical errors.

Summary of Amendments to Bylaws

• Article I, Section 1, is amended to cancel the 2006 modifications and provide the nine-member board composition described above. In addition, the terms of membership of the board are defined as well as the discretion of members to remove and replace their designees or appointments.

• Article I, Section 3, is amended to include electronic mail to notice meetings and telephone or video conferencing for meeting attendance.

• Article II is cancelled, the substance of which is included in Article I.

• New Article II, Section 3(b), re-defines the authority provided to the Vice President of the Research Foundation.

• New Article II, Section 3(c), is amended to remove reference to a corporate seal, which does not exist.

• New Article II, Section 3, is amended to limit officers to holding one position.

• New Article II, Section 5, is amended to change the approval requirements for checks. Checks greater than $25,000 now need the approval of one (1) officer and one (1) director, and checks equal to or less than $25,000 require the approval of two (2) officers.

• New Article III is amended to make the executive committee optional, and in the absence of an elected executive committee, provides that the entire board shall constitute such a committee.

• New Article IV removes reference to a corporate seal which does not exist.

• New Article V is amended to reflect that a majority vote of the entire board must accompany approval by the Board of Trustees to amend the Bylaws in accordance with the Articles.

• New Article IX is added to include reference to state ethics and financial disclosure laws, procedures for handling any violations of Article IX, and associated penalties.

• Other amendments are made to improve clarity and correct clerical errors.

Supporting documentation:

Second Amended and Restated Articles and Bylaws of the University of Central Florida Research Foundation, Inc.

Prepared by: Kevin Buckley, Associate General Counsel

Submitted by: W. Scott Cole, Vice President and General Counsel
SECOND AMENDED AND RESTATED
BYLAWS
OF THE
UNIVERSITY OF CENTRAL FLORIDA RESEARCH FOUNDATION, INC.
/k/a The Research Foundation of The University of Central Florida, Inc.
(A Not-For-Profit Corporation)

ARTICLE I
Board of Directors

Section 1. Membership, Term of Office, and Chair. The Board of Directors shall consist of not less than six (6) and not more than nine (9) voting members. The first and second members shall be the University of Central Florida President and Provost, or their respective designees. The third member shall be the Vice President for Research. The fourth member shall be appointed by the Vice President for Medical Affairs. The fifth member shall be appointed by the University President. The sixth member shall be appointed by the Chair of the University Board of Trustees. Additional members of the Board shall only be appointed by the University President.

The University President and Provost, and their respective designees, shall serve as Directors for such time as the President and Provost, individually, continue to serve as the President and Provost of the University. The Director appointed by the Chair of the University Board of Trustees shall serve for such time as the Chair of the University Board of Trustees continues to serve as the Chair. The Vice President for Research shall serve as a Director for such time as he or she continues to serve as the Vice President for Research of the University. The Director appointed by the Vice President for Medical Affairs shall serve for such time as the Vice President for Medical Affairs continues to serve as a Vice President of the University. The remaining Directors shall serve a two-year term and shall be eligible for re-appointment by majority vote of the University President, University Provost, and Vice President for Research, or their designees where applicable.

The respective appointments or designations to the Board shall serve at the pleasure of the University President, University Provost, Chair of the University Board of Trustees, or Vice President for Medical Affairs, and until a successor is appointed. The University President, University Provost, Chair of the University Board of Trustees, and Vice President for Medical Affairs shall have full discretionary power to replace their individual appointments or designations to the Board. Notice of any such replacement shall be provided to the University President and the President of the Corporation.

The Vice President for Research shall serve as Chair of the Board.

Section 2. Powers and Duties of the Board of Directors. The property, affairs, activities, and concerns of the Corporation shall be vested in the Board. All management functions shall be exercised by the Board, subject to delegation by the Board to the Officers and the Executive Committee. The University President shall have authority and responsibility to monitor and control the use of University resources and the University name in accordance with applicable Florida laws and University rules and policies, as amended from time-to-time.

Section 3. Meetings. A regular annual meeting of the Board shall be held between August 1 and September 30 at a date and time set by the Board. Other regular meetings may be held at dates and times set by the Board. Notice of the meetings, signed by the Secretary, shall be given by personal delivery, U.S. Mail, or electronic mail to the last recorded address of each Director at least ten (10) days before the time appointed for the meeting. Special meetings of the Board may be called by the President or Secretary of this Corporation, two (2) or more Directors, or the University President. Notice of any special meeting of the Board shall be given at least ten (10) days prior thereto by personal delivery, U.S. Mail, or electronic mail to each Director at his or her address as shown by the records of the Corporation and to
the Chair of the University Board of Trustees. Any Director may waive notice of any meeting. The attendance of a Director at any meeting shall constitute a waiver of notice of such meeting, except where a Director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. Business to be transacted at the meeting need not be specified in the notice or waiver, unless specifically required by law or by these Bylaws. Proxies, general or special, shall not be accepted for any purpose in the meetings of the Board. The use of telephone or video conferencing for meeting attendance, quorum and voting is permissible so long as the meeting is held in accordance with the Florida Government-in-the-Sunshine Law.

Section 4. Quorum. A majority of the Board shall constitute a quorum for the transaction of business at any meeting of the Board. If a quorum is not present, a majority of those present may adjourn the meeting from time-to-time without further notice.

Section 5. Manner of Acting. The act of a majority of the Directors present at a meeting at which a quorum is present shall be the act of the Board, unless the act of a greater number is required by law or by these Bylaws.

Section 6. Vacancies. Whenever any vacancy occurs on the Board by death, resignation, or otherwise, it shall be filled without undue delay. In the case of the University President, Provost, and Vice President for Research, the person who is acting as the University President, Provost, or Vice President for Research will fill the vacancy.

Section 7. Order of Business. The order of business shall be as follows at all meetings of the Board and Executive Committee:

a) Calling of the roll.
b) Proof of notice of meeting or waiver of notice.
c) Reading of the minutes.
d) Receiving communications.
e) Election of Officers and Directors, if necessary.
f) Reports of Officers.
g) Reports of committees.
h) Unfinished business.
i) New business.

Any question as to the priority of business shall be decided by the Chair without debate. This order of business may be altered or suspended at any meeting by a majority vote of the Directors present.

ARTICLE II

Officers

Section 1. Number. The Officers of this Corporation shall be a President, a Vice President, a Secretary, and a Treasurer. Additional Officers may be appointed by the Board.

Section 2. Method of Election and Removal. The Board shall elect all Officers at its regular annual meeting, or other regular or special meeting, and such Officers shall serve for a term of one (1) year. A majority of a quorum present shall be necessary to constitute an election. The election of the President of the Corporation shall be upon the recommendation of the University President. The Board may remove any Officer at any special meeting by a vote of majority of a quorum present, provided that notice of the pending removal is set forth in the notice of the special meeting, or provided that all Directors waive notice of such special meeting.

Section 3. Duties of Officers. The duties and powers of the Officers of the Corporation shall be as follows:
a) **President.** The President shall be a member ex officio, with the right to vote, of all committees. At the regular annual meeting of the Board and at such other times as he or she deems proper, he or she shall communicate to the Board such matters and make such suggestions as may in his or her opinion tend to promote the prosperity and usefulness of the Corporation. The President shall act as the Chief Executive Officer of the Corporation and shall do and perform such other duties as may be assigned to him by the Board. The President is authorized to execute all certificates, contracts, deeds, notes and other documents or legal instruments authorized or issued by the Board in the name of the Corporation, with the Secretary attesting. The President of the Corporation shall also report to the University President, or his or her designee. As required for the efficient operation of the Corporation, the President may authorize others to serve as signatories for specific categories of agreements, e.g., research contracts and research grants.

b) **Vice President.** The Vice President shall be authorized to act on matters delegated to him or her by the President of the Corporation and shall take such actions as necessary to allow for the efficient operation of the Corporation.

c) **Secretary.** The Secretary shall keep full and accurate minutes of all the meetings of the Board and Executive Committee in a book provided for that purpose and shall transmit all notices required by these Bylaws. The Secretary shall perform all duties incident to the management of the office of Secretary of the Board. The Secretary may sign documents with the President in the name of this Corporation. The Secretary shall have charge of all official records of the Corporation, which shall be at all reasonable times open to the inspection of any Director. The Secretary shall exercise such authority to collect revenues and make routine expenditures, which authority shall be delegated by the Board, the Executive Committee, or the President of the Corporation.

d) **Treasurer.** The Treasurer shall receive and keep the funds of the Corporation and pay out the same only in accordance with the guidelines established by the Board. The Treasurer shall perform all duties incident to the management of the office of Treasurer of the Board. The Treasurer shall deposit all monies, checks, and other credits to the account of the Corporation in such bank or banks or other depositories as the Board may designate. The Treasurer shall review all receipts and vouchers for payment made to and all vouchers and checks made by the Corporation. He or she shall render to the Board an account and statement of all transactions at the annual meeting of the Board and at such other times as the Board may determine. The Treasurer shall regularly maintain a full and accurate account of all monies received and paid out on accounts administered by the Corporation. The Treasurer shall at all reasonable times exhibit his or her books and accounts to any Director.

In no case shall an individual Officer hold more than one position.

Section 4. **Bond.** The Officers of the Corporation shall, if required by the Board, give to the Corporation such security for the faithful discharge of their duties as the Board may direct.

Section 5. **Checks.** Checks or drafts over Twenty-five thousand dollars ($25,000) on the funds of the Corporation shall be signed by one (1) Officer and one (1) Director. Checks or drafts equal to or under Twenty-five thousand dollars ($25,000) shall be signed by two (2) Officers.

Section 6. **Audit.** The President of the Corporation shall arrange for the auditing, at least annually, of the books, records, and accounts of the Corporation.

Section 7. **Vacancies.** All vacancies in any Officer position shall be filled by the Board without undue delay at its regular annual meeting or at any other regular or special meeting.

Section 8. **Compensation.** The Officers shall receive no special salary or compensation for being Officers of the Corporation, other than their usual salaries as employees of the University. The
compensation and benefits of all employees of the Corporation shall be set by the President of the Corporation with the approval of the Executive Committee or the Board.

ARTICLE III

Committees

Section 1. Executive Committee. The Board may elect at its regular annual meeting, or other regular or special meeting, an Executive Committee consisting of four (4) Directors, one (1) of which shall be the University President, or his or her designee, and one (1) which shall be the appointee of the Chair of the University Board of Trustees. The Executive Committee shall have such powers as may be delegated to it by the Board. A majority of the Executive Committee shall be sufficient to exercise all of its powers. Proxies, general or special, shall not be accepted in the meetings of the Executive Committee. Between meetings of the Board, the Executive Committee shall have the authority of the full Board, provided that the Executive Committee shall not have the authority to do the following unless specifically empowered by the Board to do so:

a) Take any action inconsistent with a prior act of the Board;
b) Alter Articles of the Corporation or these Bylaws;
c) Fill vacancies; or
d) Authorize the purchase, sale or lease of land or buildings or grant a mortgage on real estate to secure a debt.

In the absence of an elected Executive Committee, the entire Board shall constitute such Executive Committee. Section 2. Standing Committees. The Board, on its own motion or upon the recommendation of the President of the Corporation, may appoint such committees comprising Directors and Officers as it may deem necessary and advisable to assist in the conduct of the Corporation's affairs.

Section 3. Special Committees. The Board may, at any time, appoint other committees comprising Directors and Officers on any subject for which there are no standing committees.

Section 4. Committee Quorum. A majority of any committee shall constitute a quorum for the transaction of business, unless any committee shall by majority of its entire membership decide otherwise.

Section 5. Committee Vacancies. The various committees shall have the power to fill vacancies in their membership with the exception of the Executive Committee. Vacancies on the Executive Committee shall be filled by the Board.

ARTICLE IV

Seal

Reserved.

ARTICLE V

Amendments

These Bylaws may be amended by majority vote of the entire Board at any duly organized meeting, subject to the approval of the University of Central Florida Board of Trustees, and in accordance with the Articles of the Corporation.

ARTICLE VI

Page 4 of 6
Fiscal Year

The fiscal year of the Corporation shall commence on July 1 of each year and end on June 30.

ARTICLE VII

Employment

Any person employed by the Corporation shall not be considered to be an employee of the State of Florida or the University solely by virtue of such employment with the Corporation.

ARTICLE VIII

Indemnification

Section 1. Indemnification. Pursuant to Sections 607.0850 and 617.028, Florida Statutes, any person who was or is a party, or is threatened to be made a party, to any threatened, pending, or completed action, suit, or proceeding whether civil, criminal, administrative, or investigative (other than an action by, or in the right of, the Corporation, by reason of the fact that he or she is or was a Director or Officer of the Corporation) shall be indemnified against expenses (including attorneys fees), judgments, fines, and amounts paid in settlement actually and reasonably incurred by him or her in connection with such action, suit, or proceeding, including any appeal thereof, but only if he or she acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, the best interest of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful.

Section 2. Authorization of Indemnification. Any indemnification hereunder shall be made by the Corporation only upon a determination that indemnification of the Director or Officer is proper in a specific case because he or she has met the standard of conduct set forth in Section 1 of this Article VIII. Such determination shall be made by the Board by a majority vote of a quorum consisting of Directors who were not parties to such action, suit or proceeding or, if such quorum is not obtainable, by a majority vote of a committee duly designated by the Board (in which Directors who are parties may participate) consisting solely of two (2) or more Directors not at the time parties to the action, suit or proceeding or by a committee comprised of individuals who were not parties to such action, suit or proceeding where such committee is selected by a majority vote of the full Board (in which Directors who are parties may participate).

ARTICLE IX

Ethics and Financial Disclosure

Section 1. Ethical Duties Generally. It is the duty of each Director and Officer to fully comply with the Government-in-the-Sunshine Law set forth in Section 286, et seq., Florida Statutes, the Public Records Law set forth in Section 119, et seq., Florida Statutes, and to the extent it applies, the Code of Ethics for Public Officers and Employees set forth in Chapter 112, Part III, Florida Statutes.

Section 2. Procedure for Filing and Handling Complaint. Any allegation of violation of any provision of this Article IX shall be referred to the President of the Corporation or such other person as the University President shall designate. The President of the Corporation, or such other person as may be designated by the University President, shall be responsible for undertaking an initial investigation of the factual and legal basis for the complaint. The President of the Corporation, or such other person designated by the University President, shall make a recommendation to the Chair as to whether sufficient probable cause exists to bring the complaint before the Board for its consideration, and if deemed
appropriate as to an appropriate penalty.

Section 3. Penalties. Any Director, Officer, or employee who knowingly violates any provision of this Article IX may be punished by: (a) written reprimand, and/or (b) in the case of a Director or Officer, recommendation that the Board terminate the Director’s or Officer’s affiliation with the Corporation. Any employee who knowingly violates any provision of this Article IX may be subject to discipline, up to and including termination of employment.

The undersigned, as Secretary of the Corporation, hereby certifies that the foregoing Second Amended and Restated Bylaws of University of Central Florida Research Foundation, Inc. were approved by no less than a two-thirds (2/3) vote of the entire Board at the special meeting held on June 11, 2012.

[Signature]
Betsy Gray, Secretary
SECOND AMENDED AND RESTATED
ARTICLES OF INCORPORATION
OF THE
UNIVERSITY OF CENTRAL FLORIDA RESEARCH FOUNDATION, INC.
(f/k/a The Research Foundation of The University of Central Florida, Inc.
(A Not-For-Profit Corporation)

RECITALS

The undersigned, as Secretary of the University of Central Florida Research Foundation Inc.,
(f/k/a Research Foundation of the University of Central Florida Incorporated, (Corporation) does hereby
certify that:

The original Articles of Incorporation of the Corporation were filed on May 3, 1991 with the
Florida Secretary of State; and

On December 27, 2004, the Board of Directors of the Corporation voted to amend and restate the
Articles of Incorporation as reflected by its First Amended and Restated Articles of Incorporation as
provided under Section X of those Articles by a vote of no less than 2/3 of the members of the Board of
Directors; and

On April 28, 2006, and implemented July 11, 2006, an amendment and restatement to the Articles
of Incorporation as reflected by a First Amendment to the First Amended and Restated Articles of
Incorporation was provided; and

On June 11, 2012, the Board of Directors of the Corporation voted to amend and restate the
Articles of Incorporation as reflected in these Second Amended and Restated Articles of Incorporation as
provided under Section X of the current Articles of Incorporation by a vote of no less than 2/3 of the
members of the entire Board of Directors; and

Any amendments to these Second Amended and Restated Articles of Incorporation have been
adopted pursuant to Section 617.1007(4), Florida Statutes and there are no discrepancies between the
Corporation’s Articles of Incorporation and these Second Amended and Restated Articles of
Incorporation other than inclusion of these amendments and other matters of historic interest.

NOW, THEREFORE, it is resolved, that the Articles of Incorporation are hereby amended and
restated in their entirety as follows:

ARTICLE I

Name

The name of the Corporation is University of Central Florida Research Foundation, Inc. and its
principal place of business and mailing address shall be located at 12201 Research Parkway, Suite 501,
Orlando, Florida 32826-3246.

ARTICLE II

Enabling Law

The Corporation is organized pursuant to the Florida Not for Profit Corporation Act.
ARTICLE III

Purposes

Section 1. The Corporation is organized and shall be operated exclusively for scientific and educational purposes and not for pecuniary profit. The Corporation shall be operated exclusively for the benefit of the University of Central Florida and shall be subject to the oversight and control of the University of Central Florida Board of Trustees. The Corporation is a university direct-support organization within the definition of Section 1004.28, Florida Statutes, and as such is organized and operated exclusively to receive, hold, invest in, and administer property, including both real property and intellectual property, and to make expenditures to or for the benefit of the University of Central Florida or for the benefit of a research and development park or research and development authority affiliated with the University of Central Florida and organized under part V of chapter 159 of the Florida Statutes.

The purposes of the Corporation also include the promotion, encouragement of, and assistance to, the research and development activities (such as in the fields of engineering and biomedical research) of the University of Central Florida, including the development of research and buildings for such research activities. The purposes of the Corporation also include complementary activities, including business incubation and business marketing activities for the benefit of the University of Central Florida. The Corporation may receive income derived from or related to the development, investment in, technology transfer, licensing, and commercialization of University intellectual property and works, and to expend such income for the advancement of the University's research and development efforts.

The Corporation shall provide means by which discoveries, inventions, processes, and works of faculty, staff, and students of the University may be patented, developed, applied, commercialized and marketed in order that the results of such research shall be made available to the public and that funds be made available from such discoveries, inventions, processes, contracts and grants to further research and development efforts by the faculty, staff and students of the University of Central Florida.

Section 2. All the assets and earnings of the Corporation shall be used exclusively for the exempt purposes set forth above, including the payment of expenses incidental thereto.

ARTICLE IV

Powers

Section 1. Powers. The Corporation shall have all the powers and authority as are now or may hereafter be granted to Corporations not for profit under the laws of the State of Florida.

Section 2. Limitations on Powers. The Corporation shall not have the power to:

A. Convey, pledge, or otherwise encumber assets of the State of Florida or the University without the prior approval of the University;
B. Issue stock, nor pay dividends;
C. Allow any part of its income to inure to the benefit of directors, officers, or members of the Corporation, or to any other individuals except that the Corporation shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distribution in furtherance of the purposes set forth in Article III hereof.
D. No substantial part of the activities of the Corporation shall be the carrying on of propaganda or otherwise attempting to influence legislation and the Corporation shall not participate in or intervene to any extent in any political campaign for or against any candidate for public office; or
E. Conduct any activities not permitted to be carried on by organizations exempt under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, and its regulations
as they now exist or as they may hereafter be amended, or by an organization, contributions to which are deductible under Section 170(c)(2) of such Code, and regulations as they now exist or as they may hereafter be amended.

F. It is intended by the provisions of these Articles of Incorporation that the Corporation shall possess the status of an organization exempt from federal income taxation under the provisions of Section 501(c)(3) of the Internal Revenue Code of 1986 as amended, and its regulations as they now exist or they may hereinafter be amended. Accordingly, no part of the affairs of the Corporation shall be administered, directly or indirectly, in any manner whatsoever which might jeopardize the tax-exempt status of the Corporation.

ARTICLE V

Incorporators

The name and address of each incorporator is as follows:

<table>
<thead>
<tr>
<th>NAME</th>
<th>ADDRESS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Steven Altman</td>
<td>4000 Central Florida Blvd, ADM Presidential Suite Orlando, FL 32816-0150</td>
</tr>
<tr>
<td>Michael Bass</td>
<td>4000 Central Florida Blvd, ADM 243 Orlando, FL 32816-0150</td>
</tr>
</tbody>
</table>

ARTICLE VI

Membership

Section 1. Members. The members of the Corporation shall be the Board of Directors, who shall be the sole voting members of the Corporation.

Section 2. Other Members. The Bylaws may provide for one or more classes of other members, who shall be admitted in such manner and who shall have such rights and privileges as are set forth in the Bylaws but who shall not have the right to vote.

ARTICLE VII

Management

Section 1. The affairs of the Corporation shall be managed by a Board of Directors who shall serve without compensation. The Board of Directors shall consist of not less than six (6) and not more than nine (9) directors. The Board shall have the authority to set the exact number of Board members as may be required from time-to-time. The Board of Directors shall include the incumbent holder of the following named offices from the following named classes:

A. President, University of Central Florida, or his or her designee;
B. Provost, University of Central Florida, or his or her designee;
C. Vice President for Research, University of Central Florida;
D. Designee of the Vice President for Medical Affairs, University of Central Florida;
E. Designee of President, University of Central Florida;
F. Designee of the Chair, University of Central Florida Board of Trustees;
G. Additional directors as may be appointed to the Board by the President of the University
of Central Florida.
Directors shall be removed in accordance with the procedure provided in the Bylaws.

ARTICLE VIII
Officers

Section 1. The officers of the Corporation shall be a President, Vice President, Secretary, Treasurer, and such other officers as may be provided for in the Bylaws.

Section 2. The qualifications of officers, the time and manner of electing or appointing them, the duties of, the term of office, and the manner of removing officers shall be as set forth in the Bylaws.

ARTICLE IX
Registered Office and Registered Agent

The Corporation's Registered Office shall be located at the office of the General Counsel of the University of Central Florida, 4000 Central Florida Blvd., MH 360, Orlando, FL 32816, and the Corporation hereby designates said General Counsel as Registered Agent of the Corporation to accept service of process within this state, and to serve in such capacity until a successor is selected and duly designated.

ARTICLE X
Amendments to Bylaws and Articles of Incorporation

The Bylaws of the Corporation may be altered, amended, or repealed by a majority vote of the entire Board of Directors at any regular or special meeting of the Board, or by all directors signing a written statement manifesting their intention that the Bylaws be altered, amended, or repealed; and in all instances, with the written concurrence of the President of the University of Central Florida, and subject to the approval of the University of Central Florida Board of Trustees; provided, however, in the event of any meeting, notice thereof, which shall include the text of the proposed change to the Bylaws, shall be furnished in writing to each director of the Corporation at least ten (10) days prior to the meeting at which such Bylaws alteration shall be voted upon.

The Articles of Incorporation of the Corporation may be amended by a majority vote of the entire Board of Directors at any regular or special meeting of the Board or by all directors signing a written statement manifesting their intention that an amendment to the Articles of Incorporation be adopted, and in all instances, with the written concurrence of the President of the University of Central Florida, and subject to the approval of the University of Central Florida Board of Trustees; provided, however, with respect to any meetings, notice thereof, which shall include the text of the proposed change to the Articles of Incorporation, shall be furnished in writing to each member of the Corporation at least ten (10) days prior to the meeting at which such Amendment of the Articles of Incorporation is to be voted upon.

ARTICLE XI
Term of Existence

The Corporation shall commence corporate existence upon the date of signing these Articles of Incorporation by the incorporators and shall have perpetual existence unless it shall be dissolved pursuant to the laws of the State of Florida and these Articles of Incorporation.
ARTICLE XII

Dissolution

Upon dissolution or winding up of the Corporation, all of its assets remaining after the payment of all costs and expenses of such dissolution shall be disbursed to the University of Central Florida Foundation, Incorporated, provided that it is exempt under Section 501(c)(3) of the Internal Revenue Code of 1986 (or corresponding provisions of any subsequent revenue laws), or in the event that such organization is not in existence or the University of Central Florida Foundation, Incorporated, is not exempt under Section 501(c)(3) of the Internal Revenue Code of 1986 (or corresponding provisions of any subsequent revenue laws), the remaining assets of the Corporation shall be distributed to such scientific, educational and charitable organizations ruled exempt by the Internal Revenue Service under Section 501(c)(3) and Section 170(c)(2) of the Internal Revenue Code of 1986 (or corresponding provisions of any subsequent revenue laws), as may be selected by the last Board of Directors, subject to the approval of the University President, and none of the assets will be distributed to any members, directors, or officers of the Corporation.

The undersigned, constituting the Secretary of the Corporation, has executed these Second Amended and Restated Articles of Incorporation this 23rd day of January, 2013.

[Signature]

Betsy Gray, Secretary

Legal Content Approved

[Signature]

1/23/13
STATE OF FLORIDA  
COUNTY OF ORANGE  

Before me, a Notary Public duly authorized in the State and County aforesaid to take acknowledgments, personally appeared, to me well known to be the person described as Secretary of the Corporation, Betsy Gray, and who executed the foregoing Second Amended and Restated Articles of Incorporation, and acknowledged before me that he/she executed these Second Amended and Restated Articles of Incorporation.

[Signature]

Notary Public, State of Florida at Large  
My Commission Expires  
Dated this 23rd day of January, 2013

[Seal]

(APPROVAL SEAL)