University of California

Statement No. 53 of the Governmental Accounting Standards Board, *Accounting and Financial Reporting for Derivative Instruments*, June 2008

Issues Resolution Memorandum 53.1

(Updated: February 11, 2010)

Overview of the Statement and UC's Approach to Implementation

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1. INTRODUCTION

GASB Statement No. 53, issued in June 2008, addresses the recognition, measurement, and disclosure requirements for derivative instruments entered into by the University. This document outlines the University's approach to the application of GASB Statement No. 53 to the University's financial statements.

Accounting, reporting and disclosure for derivative instruments is complex and will likely require close communication with external auditors. This summary discussion provides only an overview for identifying, classifying, measuring, recording and disclosing derivative instruments. Its broad objective is to ensure any potential derivative instruments are identified in a timely manner throughout the organization. Once identified, additional evaluation support may be provided by UCOP Financial Management, Treasurer's Office, External Finance, external auditors, or in certain cases, from outside expertise, especially with respect to certain quantitative approaches. This summary should be read in conjunction with Statement No. 53. It is not a substitute for further detail provided in that Statement.

Although not a comprehensive listing, common types of derivative instruments include:

- Interest rate swaps,
- Commodity swaps,
- Interest rate locks,
- Options
  - Caps
  - Floors
  - Collars
- Swaptions,
- Forward contracts (not exchange-traded)
- Futures contracts (exchange traded)

Derivative instruments are financial arrangements that may be used by the University, primarily by the Chief Investment Officer or Chief Financial Officer, to manage specific risks or to make investments. However, other contracts arranged through Strategic Sourcing or Procurement could also include features that would qualify as derivative instruments. By entering into these arrangements, the University receives and makes payments based on market prices without actually entering into the related financial or commodity transactions. Derivative instruments associated with changing financial and commodity prices result in changing cash flows and fair values that can be used as effective risk management or investment tools.

The University may enter into derivative instruments as investments; as hedges of identified financial risks associated with assets or liabilities, or expected transactions (that is, hedgeable items that might include the interest rate on a future debt issuance); or to lower the costs of borrowings. Derivative instruments have the effect of effectively fixing cash flows or synthetically fixing prices. For example, the University may issue variable-rate debt and enter into a derivative instrument designed to synthetically fix the debt's interest rate, thereby hedging the risk that rising interest rates will negatively affect cash flows. The University

may also enter into derivative instruments to offset the changes in fair value of hedgeable items, such as foreign currency fluctuations.

A key provision in this Statement is that derivative instruments covered in its scope, with the exception of synthetic guaranteed investment contracts (SGICs) that are fully benefit-responsive, are reported at fair value. For many derivative instruments, historical prices are zero because their terms are developed so that the instruments may be entered into without a payment being received or made.

Derivative instruments that are entered into for investment purposes with the objective of making a profit, or are determined to be "ineffective" hedges, are both reported as if they were investment derivative instruments and not hedging derivative instruments. Alternatively, derivative instruments associated with hedgeable items, such as an interest rate swap contract associated with variable rate bonds, that are determined to be "effective" in reducing exposures to identified financial risks, such as the changing interest rates with variable rate bonds, are considered hedging derivative instruments. Effectiveness is determined by considering whether the changes in cash flows or fair values of the potential hedging derivative instrument substantially offset the changes in cash flows or fair values of the hedgeable item. If so, hedge accounting should be applied.

Regardless of whether the derivative instrument is a) used for investment purposes, b) are determined to be "ineffective" hedges, or c) are determined to be "effective" hedges where hedge accounting is applied, the fair value must be reported on the statement of net assets as either an investment (if entered into by the Chief Investment Officer), or other asset or liability if not entered into by the Chief Investment Officer (the rationale is discussed in further detail in the document).

However, the reporting of the changes in fair value is very different. Changes in fair value of derivative instruments that are a) used for investment purposes, or b) are determined to be "ineffective" hedges do not qualify for hedge accounting treatment and are reported within the nonoperating section of the statement of revenues, expenses and changes in net assets as part of net appreciation or depreciation in the fair value of investments. Alternatively, the changes in fair value of derivative instruments that are determined to be hedging ("effective") derivative instruments requires hedge accounting treatment. Under hedge accounting, the changes in fair values of the hedging derivative instrument are recorded in the statement of net assets as deferred inflows or outflows that the University will report as a separate line item after other current or noncurrent assets and/or liabilities. Deferred inflows and outflows is a fundamentally new concept introduced by the GASB and is not the same as deferred expenses or deferred revenues. This document also discusses this new concept and the financial reporting approach.

Much of Statement No. 53 is devoted to describing the methods of evaluating effectiveness and the calculations can be complex. In certain cases, the University may need the assistance of outside expertise. The consistent critical terms method considers the terms of the potential hedging derivative instrument and the hedgeable item. If relevant terms match or in certain instances are similar, a potential hedging derivative instrument is determined to be effective. The other methods are based on quantitative analyses. The synthetic instrument method considers whether a fixed rate or price has been established within a prescribed range. The dollar-offset method evaluates changes in expected cash flows or fair values over time between the potential hedging derivative instrument and the hedgeable item. The regression

analysis method considers the relationship between changes in the cash flows or fair values of the potential hedging derivative instrument and the hedgeable item. In these methods, critical and quantitative values are evaluated to determine whether a potential hedging derivative instrument is effective. Quantitative methods other than those specified in the Statement are permitted, provided that they address whether the changes in cash flows or fair values of the potential hedging derivative instrument substantially offset the changes in cash flows or fair values of the hedgeable item.

The objectives, terms, and risks of hedging derivative instruments are required disclosures in the footnotes to the financial statements. Disclosures also include a summary of derivative instrument activity that provides an indication of the location of fair value amounts reported on the financial statements. The disclosures for investment derivative instruments are similar to the disclosures for other investments (GASB Statement No. 40).

In summary, under GASB Statement No. 53, the University is required to:

- Identify the contracts or financial instruments that may give rise to the existence of derivative instruments,
- Determine whether the contract or financial instrument is a derivative instrument under GASB Statement 53,
- Determine whether the derivative instrument is an investment derivative (i.e., entered into for profit),
- Evaluate whether a hedging derivative is effective or ineffective to determine whether hedge accounting applies,
- Based upon the evaluation, record the fair value and changes in fair value of the derivative instrument, as appropriate,
- Determine whether the hedge is a cash flow or fair value hedge,
- Ensure the required disclosures are contained in the footnotes,
- Identify any terminated hedges during the year and record as appropriate,
- Re-evaluate outstanding effective hedges at the end of each year to reconfirm effectiveness and whether hedge accounting continues to be appropriate. (Note: once a derivative instrument is evaluated and determined to be ineffective, it cannot subsequently become effective, therefore no subsequent evaluation of an ineffective hedge is required.)
- Record the change in fair value for an effective hedge as a deferred inflow or outflow and for an ineffective hedge as net appreciation/(depreciation) in the fair value of investments.

GASB Statement No. 53:

- Prescribes new reporting requirements, rather than amending previous guidance, although there was some previous guidance in GASB Statement No. 40 and Technical Bulletin 2003-1.
- Is effective for FY 2009–2010. Depending on the evaluation of effectiveness and materiality, the implementation may require a) a restatement of July 1, 2008 net assets and b) a restatement of the SRECNA for 2008-09 and the SNA at June 30, 2009. Depending on the circumstances and population of derivative instruments, this could be complex. See additional discussion in "Implementation/Transition Requirements."
- Applies to the separately audited UCRP financial statements.
- Applies to the separately audited UC Retirement Savings Plans, including the 403(b), Defined Contribution Plan, Supplemental Defined Contribution Plan and 457(b) Plan.
- Applies to the UCRHBT.
- Applies to the campus foundations.
- Applies to the separately audited Medical Center financial statements.
- Applies to the separately audited Health and Welfare Plan financial statements.

GASB Statement No. 53 may be ordered from the GASB's website at www.gasb.org. The Implementation Guide from the GASB for this Statement is also be available from the GASB's website.

2. WHAT ARE THE TYPICAL SITUATIONS THAT SHOULD BE REVIEWED EACH YEAR, AND BY WHOM?

Please review the list on Exhibit 1, *Examples of Financial Instruments or Contracts that Meet the Definition of a Derivative Instrument under GASB Statement No. 53*, that outline a variety of transactions, along with a determination of whether they are, are not, or could possibly be derivative transactions requiring review and documentation by management. While the list should not be considered to be finite, there should be a procedure in place to identify and review the indicated types of transactions at the respective location.

Situations to be Reviewed at Year-End by the Office of the President and Treasurer's Office

Financial Management in the Office of the President and the Treasurer's Office must implement a procedure during the year, and at year end, to identify and review for the following types of transactions:

- Options to purchase or sell an exchange traded security,
- Options to purchase or sell a security not traded on an exchange,
- Futures contracts,
- Forward contracts to purchase or sell securities other than the equity securities of the parties involved in the transaction,
- Non-exchange traded forward contracts to purchase or sell a commodity,
- Interest rate swaps,
- Currency swaps,
- Swaptions,
- Stock-purchase warrants,
- Financial guarantee contracts where payment occurs if there is a change in another hedgeable item such as a decrease in a specified debtor's creditworthiness,
- Credit-indexed contracts where payment occurs if a credit index (or the creditworthiness of a specified debtor varies in a specified way),
- Interest rate caps,
- Interest rate floors,
- Interest rate collars,
- Synthetic guaranteed-investment contracts.

Situations to be Reviewed at Year-End by the Campus Controllers

Campus Controllers must implement a procedure during the year, or at least at year end, to identify and review for the following types of transactions:

- Futures contracts (for example, natural gas),
- Non-exchange traded forward contracts to purchase or sell a commodity (for example, natural gas),
- Financial guarantee contracts where payment occurs if there is a change in another hedgeable item such as a decrease in a specified debtor's creditworthiness,
- Credit-indexed contracts where payment occurs if a credit index (or the creditworthiness of a specified debtor varies in a specified way),

Situations to be Reviewed at Year-End by the Campus Foundations

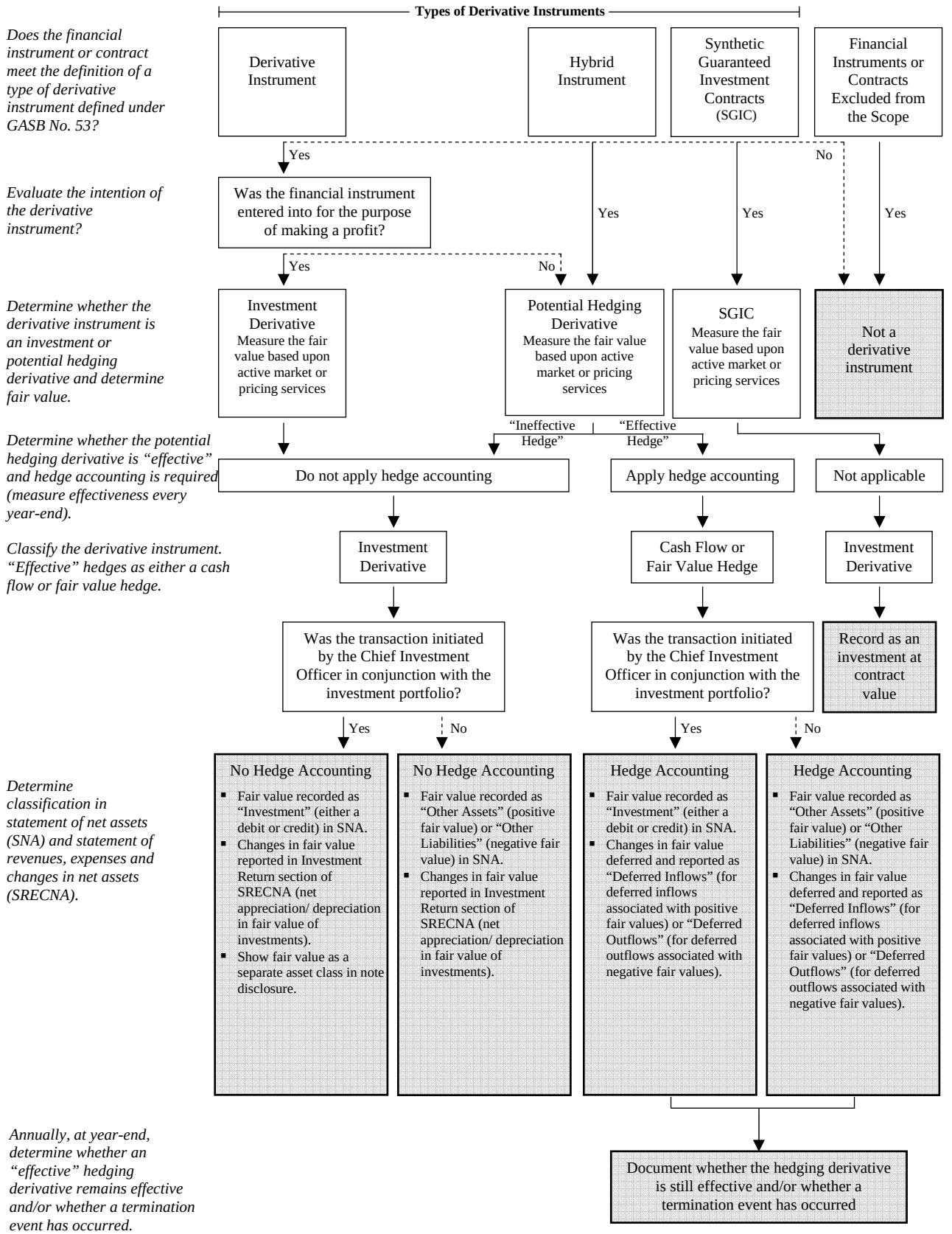
Campus Foundations must implement a procedure during the year, or at least at year end, to identify and review for the following types of transactions that are directly entered into by Campus Foundation management.

- Options to purchase or sell an exchange traded security,
- Options to purchase or sell a security not traded on an exchange,
- Futures contracts,
- Forward contracts to purchase or sell securities other than the equity securities of the parties involved in the transaction,
- Non-exchange traded forward contracts to purchase or sell a commodity,
- Interest rate swaps,
- Currency swaps,
- Swaptions,
- Stock-purchase warrants,
- Financial guarantee contracts where payment occurs if there is a change in another hedgeable item such as a decrease in a specified debtor's creditworthiness,
- Credit-indexed contracts where payment occurs if a credit index (or the creditworthiness of a specified debtor varies in a specified way),
- Interest rate caps,
- Interest rate floors,
- Interest rate collars,
- Synthetic guaranteed-investment contracts.

If the campus foundation invests with the Treasurer's Office, from their financial reporting perspective they are investing in the General Endowment Pool (GEP) or STIP that are commingled funds managed by an external manager, in this case the University's Chief

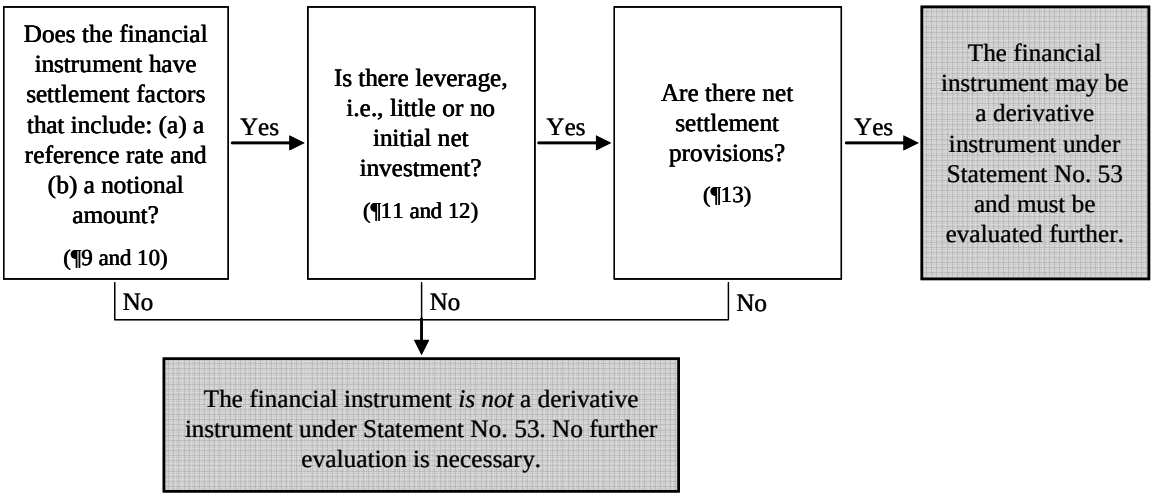
Investment Officer. For these circumstances, there is not a requirement to "look through" to the GEP or STIP specific investments for any underlying derivative transactions since the campus foundation's ownership interest is expressed in terms of shares and a Net Asset Value per share. Similarly, to the extent the campus foundations utilize external managers where the ownership interest is expressed in terms of shares and a Net Asset Value per share, there is not a requirement to "look through" to the specific investments at the fund level for any underlying derivative transactions. Only derivative transactions entered into directly by the Campus Foundation, or in circumstances where an external manager is retained to manage a pool containing only the foundation's assets (in effect, an internal investment pool), are required to be identified and reviewed.

3. HIGH LEVEL OVERVIEW OF THE EVALUATION PROCESS REQUIRED BY GASB STATEMENT NO. 53



4. DOES THE FINANCIAL INSTRUMENT OR CONTRACT MEET THE DEFINITION OF A TYPE OF DERIVATIVE INSTRUMENT REQUIRING FURTHER EVALUATION UNDER GASB STATEMENT NO. 53?

Step 1: Determine whether the financial instrument or other contracts contain ALL of the characteristics of a derivative instrument.



Please refer to Exhibit 2, *Initial Year GASB Statement No. 53 Evaluation Checklist.*

Does the financial instrument have settlement factors that include a) a reference rate and b) a notional amount?

The financial instrument must have settlement factors that include (1) one or more reference rates, and (2) one or more notional (or face) amounts or payment provisions or both. Those terms determine the amount of the settlement or settlements and, in some cases, whether or not a settlement is required (¶7a).

Reference Rate (¶9)

Characteristics of a derivative instrument require a reference rate. A reference rate is a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, or other variable (including the occurrence or nonoccurrence of a specified event such as a scheduled payment under a contract). A reference rate may be a price or rate of an asset or liability, but is not the asset or liability itself, and may be any variable that has changes that are observable or otherwise objectively verifiable, such as:

(1) A security price or security price index,

(2) A commodity price or commodity price index,

(3) An interest rate or interest rate index,

(4) A credit rating or credit index,

(5) An exchange rate or exchange rate index,

(6) An insurance index or catastrophe loss index, or

(7) A climatic or geological condition (such as temperature, earthquake severity, or rainfall), another physical variable, or a related index.

Common reference rates are the London Interbank Offered Rate (LIBOR), the Securities Industry and Financial Markets Association (SIFMA) swap index, the AAA general obligations index published by Municipal Market Data, or a commodity pricing point.

Notional (or Face) Amount (¶10)

The notional amount is the number of currency units, shares, bushels, pounds, or other units specified in the derivative instrument. The notional amount and reference rate are key factors of a derivative instrument's settlement payment. The notional amount is similar to the principal amount of a bond.

Other Payment Provisions

Other factors, such as the change in a reference rate over time also may enter the calculation of a settlement payment. A payment provision may specify a payment to be made if the reference rate behaves in a specified manner, such as the three-month average of fuel prices at a certain pricing point that exceeds a certain price.

Is there leverage? (¶11 and ¶12)

Characteristics of a derivative instrument require leverage, i.e., no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors (¶7b).

Leverage is achieved by either a small or no initial net investment that allows for the derivative instrument to have changing cash flows or fair values that replicate an instrument that normally would require a much larger investment. For example, an interest rate swap may require no initial net investment. The swap's fair value, however, will change as if the holder of the swap had made an initial net investment in a fixed-rate instrument with a principal amount equal to the swap's notional value.

Derivative instruments do not require initial net investments that are equal to the notional amounts (or the notional amounts plus a premium or minus a discount) or that are determined by applying the notional amount to the reference rate. Many derivative instruments require no initial net investment.

Some derivative instruments require an initial net investment as compensation for the time value of an option (for example, a premium on an option) or for terms that are more or less favorable than market conditions (for example, a premium on a forward purchase contract with a price less than the current forward price). Other derivative instruments require a mutual exchange of currencies or other assets at inception, in which case the net investment is the difference between the fair values of the assets exchanged.

Are there net settlement provisions? (¶7c)

Characteristics of a derivative instrument require or permit net settlement, i.e., it can readily be settled net by a means outside the contract, or it provides for delivery of an asset that puts the recipient in a position not substantially different from net settlement.

A financial instrument or other contract meets the net settlement characteristic if its settlement provisions meet one of the following criteria:

(1) Neither the University or the counterparty is required to deliver an asset that is associated with the reference rate and that has a principal amount, stated amount, face value, number of shares, or other denomination that is equal to the notional amount (or the notional amount plus a premium or minus a discount) of the financial instrument. For example, most interest rate swaps do not require that either party deliver cash or interest-bearing assets with a principal amount equal to the notional amount of the contract (¶13a).

(2) Either the University or the counterparty is required to deliver an asset of the type described in 1) above, but there is a market mechanism that facilitates net settlement. An example of that type of market mechanism is a futures exchange that offers a ready opportunity to enter into an offsetting contract (¶13b).

(3) Either the University or the counterparty is required to deliver an asset of the type described in 1) above, but that asset is readily convertible to cash or is itself a derivative instrument. An example of that type of contract is a forward contract that requires delivery of a bond. Another example is a swaption—an option to require delivery of a swap contract, which is a derivative instrument (¶13c).

Step 2: Determine whether the financial instrument or other contract is a hybrid instrument that is a derivative instrument.

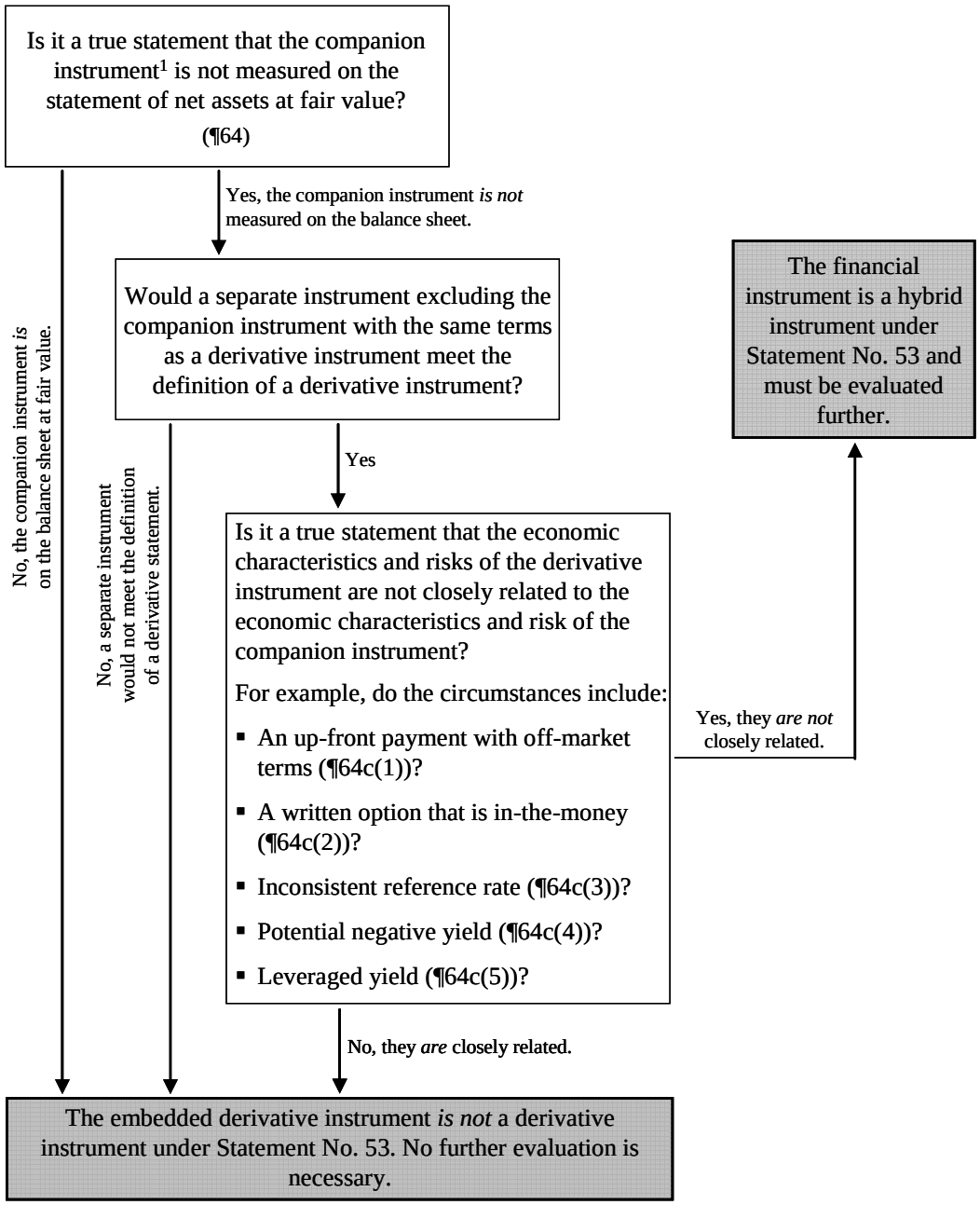
Is there an embedded derivative instrument that accompanies, or is incorporated within, a companion document?

It is likely that the University will need to more closely review the pertinent guidance in GASB Statement No. 53 and possibly seek additional outside expertise in order to evaluate whether there are embedded derivative instruments in a companion document. However, in order for management to be able to identify a situation that may require additional expertise, the general guidance is as follows:

Derivative instruments often are stand-alone instruments, such as futures contracts. A derivative instrument also may accompany a companion instrument such as a debt instrument (for example, an interest rate swap contract may accompany a companion instrument such as variable rate bonds), a lease, an insurance contract, or a sale or purchase contract.

An embedded derivative instrument may be a call option in a bond, a cap or floor in a sale or purchase contract, or an interest rate swap within a debt instrument. Alternatively, some derivative instruments may include investing or borrowing transactions. These instruments may give rise to hybrid instruments, which consist of a derivative instrument and a companion instrument (¶63).

An embedded derivative instrument that is a component of a hybrid instrument should be recognized and measured in accordance with Statement No. 53. Such a derivative instrument also may be a hedging derivative if it meets the requirements of this Statement. The companion instrument should be recognized and measured in accordance with the reporting requirements that are applicable to that companion instrument—such as the financial reporting requirements for a debt instrument, a lease, or an insurance contract (¶65).



1 A companion instrument is the element of a hybrid instrument, such as a borrowing, that as a separate investment would be measured on a basis other than fair value. A hybrid instrument consists of an embedded derivative instrument and a companion instrument. The interest rate swap with Deutsche Bank is an example of a hybrid instrument.

A transaction may include on-behalf payments that are included in derivative instrument payments. The University may enter into a derivative instrument with off-market terms that are intended to recover costs assumed by the counterparty on behalf of the University. For example, the University enters into a pay-fixed, receive-variable interest rate swap with a fixed rate that has been increased to compensate the counterparty for legal and advisory fees. Those costs should be separated and reported as expenditures or expenses consistent with the manner in which those payments would have been reported if the University had made payment directly (¶66).

***Step 3: Determine whether a Synthetic Guaranteed Investment Contract (SGIC) exists* (¶67).**

Fully benefit-responsive Synthetic Guaranteed Investment Contracts (SGIC's)—the combination of the underlying investments and the wrap contract—should be reported at contract value. An SGIC is fully benefit-responsive if ALL of the following criteria are met:

(1) The SGIC prohibits the University from assigning or selling the contract or its proceeds to another party without the consent of the issuer.

(2) Prospective interest crediting rate adjustments are provided to plan participants and the University on a designated pool of investments by a financially responsible third party. Those adjustments provide assurance that probable future rate adjustments that would result in an interest crediting rate of less than zero is remote. The pool of investments in total meets both of the following criteria:

   (a) Is of high credit quality such that the possibility of credit loss is remote, and

   (b) May be prepaid or otherwise settled in such a way that the University and plan participants would recover contract value.

(3) The terms of the SGIC require all permitted participant-initiated transactions with the government to occur at contract value with no conditions, limits, or restrictions. Permitted participant-initiated transactions are those transactions allowed by the University, such as withdrawals for benefits, loans, or transfers to other investment choices.

(4) Some events may limit the University's ability to transact with participants at contract value. Examples are premature termination of contracts, layoffs, plan terminations, bankruptcies, and early retirement incentives. The probability of such an event occurring within one year of the date of the financial statements is remote.

(5) The University allows participants reasonable access to their investments. The following conditions do not affect the benefit responsiveness of an SGIC:

   (a) In plans with a single investment choice, restrictions on access to assets by active participants are consistent with the objective of the plan (for example, retirement benefits).

   (b) Participants' access to their account balances is limited to certain specified times during the plan year (for example, semiannually or quarterly) to control the administrative costs of the plan.

(c) Administrative provisions that place short-term restrictions (for example, three or six months) on transfers to competing fixed-income investment options to limit arbitrage among those investment options (that is, equity wash provisions).

If plan participants are allowed access at contract value to all or a portion of their account balances only upon termination of their participation in the plan, participants would not have reasonable access to their investments.

Step 4: Determine whether the financial instrument may be excluded from the scope of Statement No. 53.

Certain financial instruments are specifically excluded from the scope of Statement No. 53. The specifically excluded circumstances include:

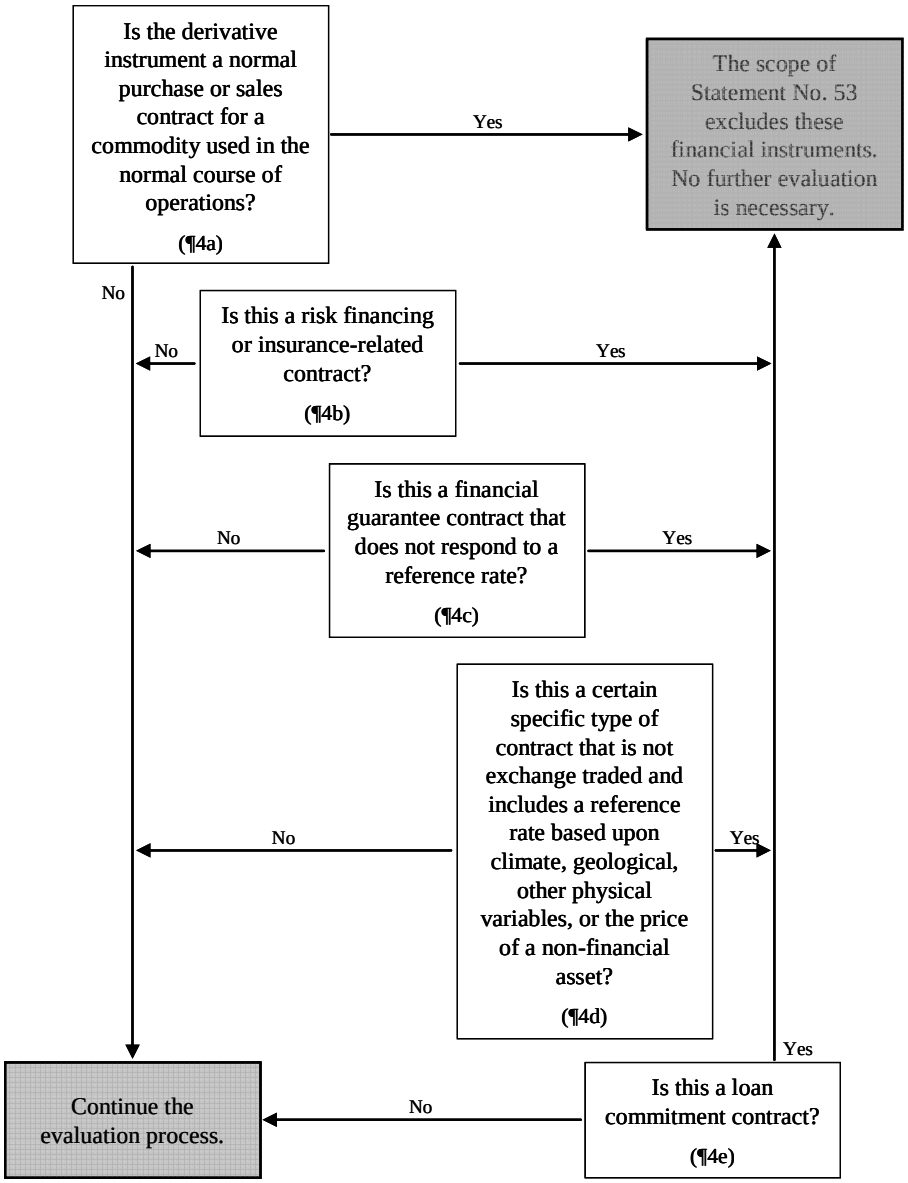
(1) Normal purchases and normal sales contracts,

(2) Insurance contracts,

(3) Certain financial guarantee contracts,

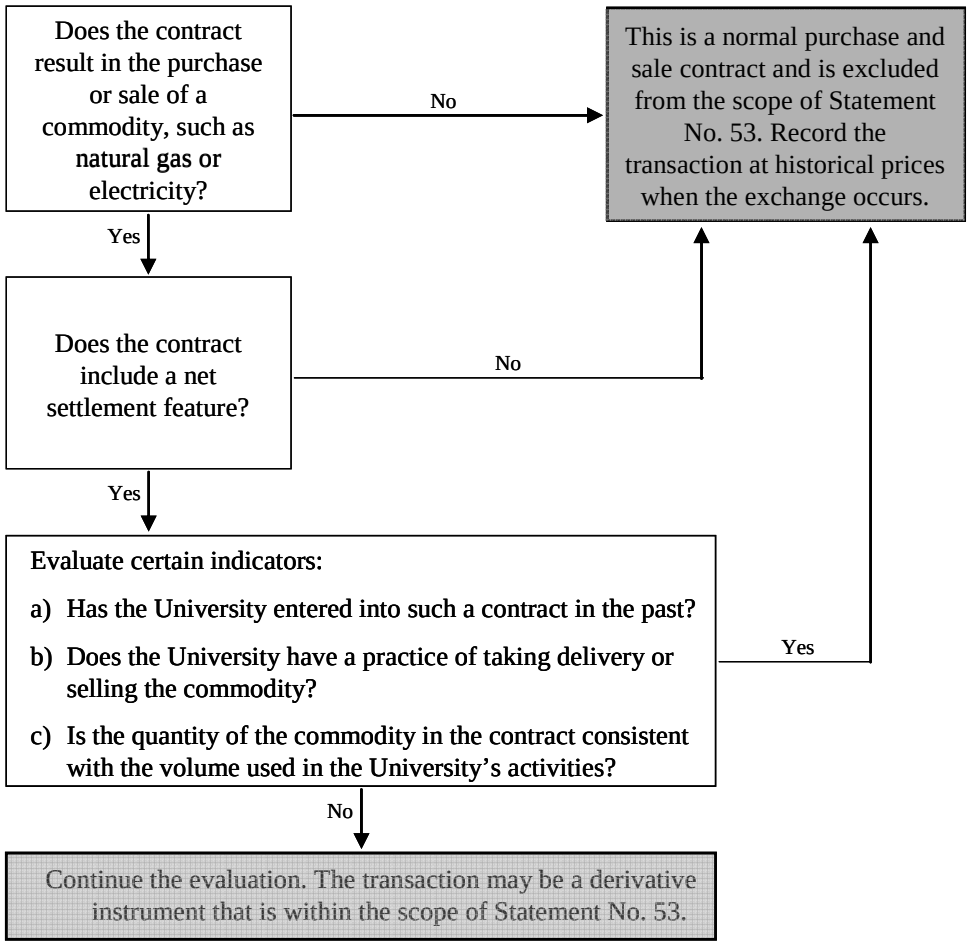
(4) Certain contracts that are not exchange-traded, and

(5) Loan commitments.



Is the derivative instrument a normal purchase or sales contract for a commodity used in the normal course of the University's operations?

The GASB concluded that contracts intended to result in the purchase or sale of a commodity in the normal course of the University's operations should not be included in the scope of this Statement (¶96).



The University may enter into contracts that may meet the definition of a derivative instrument, but the contracts are intended to result in the purchase or sale of a commodity, such as natural gas or electricity, used in the normal course of operations. These contracts are distinguished from other purchases and sales contracts by their net settlement feature. That is, the University may have a choice to take or make delivery of the commodity or exchange the cash value of the contract to terminate the University's rights or obligations. These contracts are not included in the scope of this Statement, provided that it is probable the University will take or make delivery of the commodity specified in the derivative instrument. Indicators of normal purchases and normal sales contracts are:

(1) The University has entered into such a contract in the past, and

(2) The University has a practice of taking delivery or selling the commodity, and

(3) The quantity of the commodity in the contract is consistent with the volume used in the University's activities (¶14).

For example, the University enters into a contract to purchase natural gas from a natural gas utility's regional transportation pipeline. Settlement provisions of the contract permit the University either to take delivery of the gas or to pay or receive a settlement price. The University routinely enters into similar contracts and takes delivery of the gas. The volume of gas specified in the contract is consistent with the volume expected to be used by the University for this time period. This contract is a normal purchase contract and, therefore, is outside the scope of this Statement.

Is this a risk financing or insurance-related contract?

Risk financing and insurance related activities are excluded from the scope of Statement No. 53.

The Board recognized that insurance contracts covered under the scope of GASB Statements No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, and No. 30, *Risk Financing Omnibus*, should be excluded from the scope of this Statement. These contracts should be reported according to the guidance in those Statements (¶97).

Risk management activities include transactions that incorporate risk control and risk financing. Risk financing activities include risk retention (self-insurance), risk transfer to and from an insurer (a commercial insurance company or public risk pool) and risk transfer to a noninsurer.

Insurance contracts that are not accounted for under Statement 10 or Statement No. 30 and meet the definition of a derivative instrument, however, are included in the scope of Statement 53 (¶15).

Is this a financial guarantee contract that does not provide for payments in response to changes in a reference rate?

Financial guarantee contracts that are considered insurance are not to be included in the scope of this Statement. The University may enter into financial guarantee contracts, such as bond insurance contracts. While in most cases the University is a purchaser, the GASB also is aware of instances in which pension funds are the writers of financial guarantee contracts. In deliberations, the GASB distinguished between financial guarantee contracts that are insurance and those that are derivative instruments by determining that insurance contracts cover events of default while derivative instrument contracts provide payments based on reference rates, such as declining credit ratings (¶16 and 98).

Financial guarantee contracts that provide for payments to be made to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due under the terms of a debt instrument are not included in the scope of this Statement. In this circumstance, the financial guaranty transaction that covers the event of default is not considered to be a derivative instrument because its value is based upon the occurrence or non-occurrence of a discrete and identifiable event.

Financial guarantee contracts, however, that provide for payments to be made in response to changes in a reference rate are included in the scope of this Statement if they otherwise meet the definition of a derivative instrument. For example, a financial guarantee contract that provides for payments to be made if the credit rating of a debtor falls below a particular level is within the scope of this Statement.

Is this a contract that is not exchange traded and its reference rate is based upon climate, geological, other physical variables, or the price or value of a nonfinancial asset?

A contract is not included in the scope of this Statement if the contract is not exchange-traded and its reference rate is based on one of the following:

(1) A climatic, geological, or other physical variable

(2) A price or value of a nonfinancial asset. The nonfinancial asset should not be readily convertible to cash. For example, a government enters into a contract for the purchase of a fleet of vehicles. If either party to the contract fails to perform its obligations, the contract provides for liquidated damages as a percentage of the value of the vehicles. The liquidated damages provision is related to the acquisition of the seller's nonfinancial assets. Even though the contract meets the definition of a derivative instrument, it is not subject to the scope of this Statement (¶17).

Is this a loan commitment contract?

The University may extend loan commitments, such as mortgage loans, that may meet the definition of a derivative instrument. Such loan commitments are not included in the scope of this Statement (¶18).

However, if material, the University should disclose significant outstanding loan commitments under the guidance provided in NCGA Interpretation 6, Notes to the Financial Statements Disclosure, which states that additional disclosures should be made if the University has contingencies—such as significant commitments (¶100).

5. If Determined to be a Derivative Instrument Requiring Further Evaluation Under GASB 53, how is a Hedging Derivative Instrument Established and what is a Hedgeable Item? (¶26-29)

There are a number of assets, liabilities, and expected transactions that expose the University to the risk of adverse changes in cash flows and fair values. Hedging is one method the University may employ to reduce identified financial risks (for example, to counter increases in interest costs, to offset price increases in the acquisition of commodities, or to protect against fair value losses). Derivative instruments utilized in hedging relationships are designed to reduce identified financial risks by offsetting changes in cash flows or fair values of the associated item.

***How is a hedging derivative instrument established?* (¶27)**

A hedging derivative instrument is established if ***both*** of the following criteria are met:

- *The derivative instrument is associated with a **hedgeable item.*** Association is established by consideration of the facts and circumstances of the derivative instrument, including whether:

    (1) The notional amount of the derivative instrument is consistent with the principal amount or quantity of the hedgeable item.

    (2) The derivative instrument will be reported in the same fund, if applicable, as the hedgeable item.

    (3) The term or time period of the derivative instrument is consistent with the term or time period of the hedgeable item.

- *The potential hedging derivative instrument is **effective** in significantly reducing the identified financial risk.* Effectiveness is established if the changes in cash flows or fair values of the potential hedging derivative instrument substantially offset the changes in cash flows or fair values of the hedgeable item.

***What is a hedgeable item?* (¶28-29):**

Hedgeable items expose the University to identified financial risks that can be expressed in terms of exposure to adverse changes in cash flows or fair values. Hedgeable items can be all or a specific portion of:

- A single asset or liability, for example, an entire bond issue or a specific portion of a bond issue.

- Groups of similar assets or liabilities. If similar assets or similar liabilities are aggregated and hedged as a group, all of the individual assets or individual liabilities in the group are required to be exposed to the same identified financial risk that is being hedged.

- An expected transaction, such as interest rates on a future debt offering. For an expected transaction to be a hedgeable item, the occurrence of the expected transaction should be probable, supported by observable facts such as:

    1) The frequency, volume, and amount of past transactions,

    2) The financial, operational, and legal ability of the government to carry out the transaction,

    3) The extent of loss or disruption to the University's activities that could result if the transaction does not occur,

    4) The University's budget or other planning documents

If an expected transaction is a hedgeable item, the evaluation of effectiveness should consider the probable terms of the expected transaction compared to the terms of the potential hedging derivative instrument.

Assets and liabilities that are measured at fair value—such as investments in many debt securities—do not qualify as hedgeable items.

6. CATEGORIZATION OF DERIVATIVE INSTRUMENTS AS AN INVESTMENT, HEDGING DERIVATIVE ("EFFECTIVE" OR "INEFFECTIVE") OR A SYNTHETIC GUARANTEED INVESTMENT CONTRACT

This Statement requires the University to report the changes in the fair values of derivative instruments in their statement of revenues, expenses and changes in net assets, *unless* a derivative instrument is effective in significantly reducing an identified financial risk associated with a hedgeable item. The GASB believes that derivative instruments that do not significantly reduce such a risk are, in substance, investments for financial reporting purposes. Therefore, like most investments, their changes in fair values should be reported in the University's statement of revenues, expenses and changes in net assets within the investment revenue classification by including the change in the net appreciation (depreciation) in the fair value of investments (¶106).

When a derivative instrument is effective in significantly reducing an identified financial risk by offsetting changes in cash flows or fair values of an associated hedgeable item, this Statement requires reporting the hedging derivative instrument's fair value change as either a deferred inflow (current or noncurrent if a positive fair value) or a deferred outflow (current or noncurrent if a negative fair value). (¶106).

Summary of the Categories of Derivative Instruments—Investments, Hedging Derivatives that are "Ineffective," Hedging Derivatives that are "Effective," and Synthetic Guaranteed Investment Contracts (SGIC's)

If the financial instrument or contract qualifies as a derivative instrument, it should be reported on the statement of net assets, measured at fair value, except for the measurement of fully benefit-responsive SGIC's that are reported at contract value.

Derivative instruments must be analyzed and placed within three broad categories:

Investments AND "Ineffective" Hedges-No Hedge Accounting	"Effective" Hedges-Requires Hedge Accounting	Synthetic Guaranteed Investment Contracts
▪ Entered into primarily for the purpose of obtaining profit, OR a derivative instrument that does not meet the criteria of a hedging derivative instrument ("ineffective" hedge) (¶20).	▪ Associated with a hedgeable item and significantly reduces an identifiable risk by substantially offsetting changes in cash flows or fair values of the hedgeable item ("effective hedge") (¶20).	▪ Combines underlying investments with a "wrap contract" (1) that, among other stipulations, provides assurance that the adjustments to the interest crediting rate of a SGIC will not result in a future interest crediting rate that is less than zero is remote (¶67).
▪ Measure at fair value using criteria in (¶21).	▪ Measure at fair value using criteria in (¶21).	▪ Measure at contract value (¶67).
▪ Do not apply hedge accounting. Report the change in fair value in SRECNA as "net (appreciation)/depreciation in fair value of investments" (¶21).	▪ Apply hedge accounting. Defer the change in fair value on the SNA (¶20). ▪ Apply hedge accounting beginning in the period that a hedging derivative instrument is established and until a termination event occurs (¶31).	
▪ Do not re-measure "effectiveness" prospectively. Once a derivative is ineffective, it can never become effective. (¶31a).	▪ Re-measure "effectiveness" at the end of each fiscal year. See Termination of Hedge Accounting if an "effective" hedge becomes "ineffective" (¶22-25).	

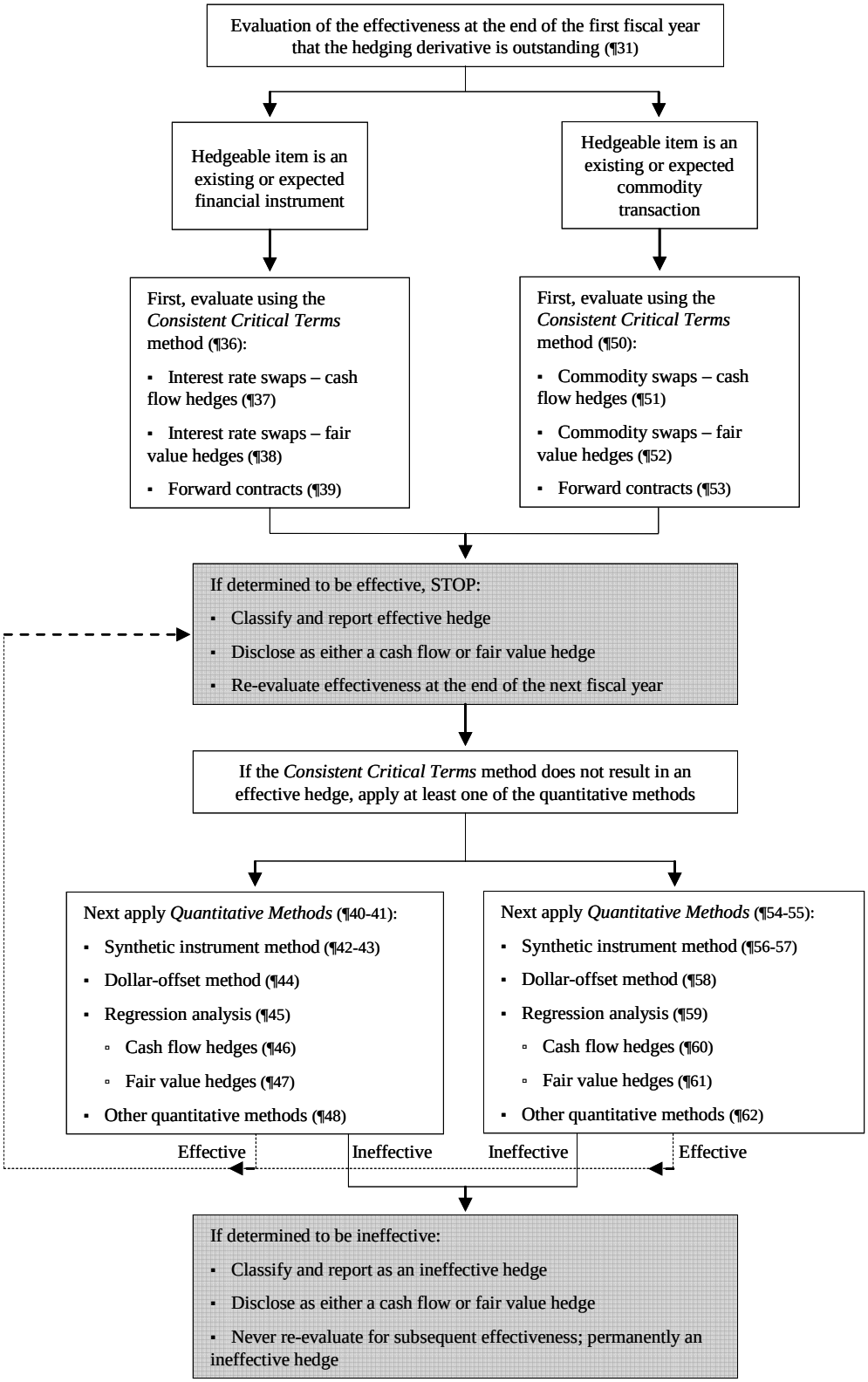
7. How is Fair Value of a Derivative Instrument Determined?

Fair value should be measured by the market price if there is an active market for the derivative instrument. However, in certain circumstances there may not be an active market and the University will need to utilize a pricing service in order to place a fair value on the derivative instrument. If a pricing service is used, management should satisfy themselves that the fair value is determined based upon methods described in paragraph 21 of Statement No. 53.

Paragraph 21 of Statement No. 53 states, "Fair value should be measured by the market price if there is an active market for the derivative instrument. If a market price is not available, a forecast of expected cash flows may be used, provided that the expected cash flows are discounted. Formula-based methods and mathematical methods are acceptable, for example, matrix pricing, the zero-coupon method, and the par-value method. Matrix pricing is a mathematical technique used principally to value debt securities by relying on the securities' relationship to other benchmark quoted securities without relying exclusively on quoted prices for the specific securities. The zero-coupon method calculates the future net settlement payments based on current forward rates implied by the yield curve. The par-value method compares, for example, the fixed rate on an interest rate swap with the current fixed rates that could be achieved in the marketplace. Fair values of options may be based on an option pricing model, such as the Black–Scholes–Merton model. That model considers probabilities, volatilities, time, settlement prices, and other variables. Fair values developed by pricing services are acceptable, provided that those values are developed using the methods described in this paragraph."

If the University's counterparty provides the fair value to the University, there may be a conflict of interest. In these circumstances, fair value should be developed and provided to the University by an independent third party provider, or the University should have the counterparty's fair value independently reviewed.

8. General Methods of Evaluating Effectiveness and Categorizing as a Cash Flow or Fair Value Hedge (¶31-62)



Please refer to Exhibit 2, *Initial Year GASB Statement No. 53 Evaluation Checklist.*

Potential hedging derivative instruments should be evaluated for effectiveness as of the end of each fiscal year end as outlined below and using a method described in paragraphs 36–62 of GASB 53. The extent to which these methods are required to be applied in the evaluation of effectiveness is as follows (¶31):

Evaluation of effectiveness at the end of the first fiscal year that it is outstanding:

- If a potential hedging derivative instrument is first evaluated using the ***consistent critical terms method*** and does not meet the criteria for effectiveness using that method, at least one of the ***quantitative methods*** also should be applied before concluding that the potential hedging derivative instrument is ineffective.

- If a potential hedging derivative instrument is evaluated using a quantitative method and does not meet the criteria for effectiveness of that method, the University may, but is not required to, apply another quantitative method(s) before concluding that the potential hedging derivative instrument is ineffective.

- If it is determined that a potential hedging derivative instrument is ineffective at the end of the first fiscal year that it is outstanding, evaluation of effectiveness in subsequent fiscal years should not be performed for financial reporting purposes.

Evaluation of effectiveness in subsequent fiscal years, to the extent the same hedging derivative instrument remains outstanding (¶31):

- All potential hedging derivative instruments that were determined to be hedging derivative instruments ("effective" hedges) in the prior fiscal year should be re-evaluated as of the end of the current fiscal year using the method that was applied in the prior reporting period.
- If that method is applied and the hedging derivative instrument ("effective" hedge) no longer meets the criteria for effectiveness of that method, the University may, but is not required to, apply another method(s) before concluding that the hedging derivative instrument is no longer effective.

One-sided hedges. Some potential hedging derivative instruments are designed to offset changes in cash flows or fair values of the hedgeable item in one direction. Examples are options (such as caps and floors) that provide increases in cash flows or fair values if a market price exceeds or declines below a certain price or rate. In such cases, effectiveness should be evaluated consistent with the objective of the potential hedging derivative instrument (¶32).

Effectiveness generally should be evaluated by considering overall changes in fair values or cash flows of the potential hedging derivative instrument. Some potential hedging derivative instruments, however, have characteristics that permit separate evaluation of time value or interest. That separation may be significant in the evaluation of effectiveness if the hedging portion of the potential hedging derivative instrument excludes either the time value or the interest portion. Separation is permissible if either of the following criteria are met (¶3):

- The potential hedging derivative instrument is an option and effectiveness is evaluated by consideration of only the change in either:

    (1) The option's intrinsic value, excluding the option's change in time value from the assessment of effectiveness, or

    (2) The option's minimum value, excluding the option's change in volatility value from the assessment of effectiveness. The option's minimum value is its intrinsic value adjusted for the effect of discounting. The volatility value is a key input in an option's fair value.

- The potential hedging derivative instrument is a forward contract and effectiveness is evaluated by consideration of only the change in spot prices, excluding either the change in time value or the interest portion.

For example, the changes in fair value of an option may be designed to offset the changes in fair value of a fixed-price contract, provided that the option's time value is excluded from the evaluation of effectiveness. This separation allows an evaluation of effectiveness that places the potential hedging derivative instrument on an equal basis with the hedgeable item.

9. HOW ARE THE FAIR VALUE AND CHANGES IN FAIR VALUE REPORTED IN THE PRIMARY FINANCIAL STATEMENTS?

The financial reporting classification of derivative instruments depends on the category of the derivative instrument, whether it was entered into by the Chief Investment Officer for purposes of making a profit or hedging of another type of investment security currently held, the hedgeable item, and the fair value.

Based upon the categorization, classification of the fair value and changes in fair value in the SNA and SRECNA is as follows:

Category of Derivative	Fair Value on SNA Recorded As:	Changes in Fair Values Recorded As:
Investment Derivatives:		
Entered into by the Chief Investment Officer (2):		
Entered into for purposes of making a profit (e,g., an investment related activity entered into by the Chief Investment Officer).	Investments (3)-Current or Noncurrent (positive fair value) Investments (3)-Current or Noncurrent (negative fair value) (The fair value would be reported as a separate line by itself in the investments footnote, not included as a net adjustment to an asset class line item.)	Net (appreciation) in FV of investments (if positive fair value) Net depreciation in FV of investments (if negative fair value)
"Effective" hedging derivatives that are designed to hedge a currently held type of investment security. (This is a hedging derivative that then must be identified and segregated as either a fair value hedge or a cash flow hedge) (1).	Investments (3)-Current or Noncurrent (positive fair value) Investments (3)-Current or Noncurrent (negative fair value) (The fair value would be reported as a separate line by itself in the investments footnote, not included as a net adjustment to an asset class line item.)	Deferred inflow account - Current or Noncurrent (if positive fair value) Deferred outflow account - Current or Noncurrent (if negative fair value)

Category of Derivative	Fair Value on SNA Recorded As:	Changes in Fair Values Recorded As:
Investment Derivatives:		
"Ineffective" derivatives that were designed to relate to a currently held type of investment security, although are not determined to be effective hedges.	Investments (3)-Current or Noncurrent (positive fair value) Investments (3)-Current or Noncurrent (negative fair value) (The fair value would be reported as a separate line by itself in the investments footnote, not included as a net adjustment to an asset class line item .)	Net (appreciation) in FV of investments (if positive fair value) Net depreciation in FV of investments (if negative fair value)
Not entered into by the Chief Investment Officer:		
"Effective" derivatives that hedge debt. (This is a hedging derivative that then must be identified and segregated as either a fair value hedge or a cash flow hedge) (1).	Other assets-Current or Noncurrent (positive fair value) Other liabilities-Current or Noncurrent (negative fair value)	Deferred inflow account - Current or Noncurrent (if positive fair value) Deferred outflow account - Current or Noncurrent (if negative fair value)
"Effective" derivatives that hedge other types of assets or liabilities (e.g. do not hedge a currently held type of investment security or existing debt). (This is a hedging derivative that then must be identified and segregated as either a fair value hedge or a cash flow hedge) (1).	Other Assets - Current or Noncurrent (positive fair value) Other Liabilities - Current or Noncurrent (negative fair value)	Deferred inflow account - Current or Noncurrent (if positive fair value) Deferred outflow account - Current or Noncurrent (if negative fair value)
"Ineffective" hedges that do not relate to a currently held type of investment security.	Other assets-Current or Noncurrent (positive fair value) Other liabilities-Current or Noncurrent (negative fair value)	Net (appreciation) in FV of investments (if positive fair value) Net depreciation in FV of investments (if negative fair value)
SGIC's	Investments (3)-Current or Noncurrent	N/A

Notes:

(1) For footnote disclosure, hedging derivatives must be segregated between fair value hedges and cash flow hedges.

(2) For the campus foundations and UCRS, it is highly probable that all derivatives would fall into the category of "entered into by the Chief Investment Officer."

(3) May also require recording similar transactions on the "Investments of Cash Collateral" line item. For the University, UCRS and campus foundations, to the extent transactions in Security Lending Pools are directly entered into by the Chief Investment Officer, and not through commingled funds where ownership is represented by shares and a NAV, derivative instruments associated with these investments, if any, must be identified and reported appropriately, consistent with the guidance for all other investments.

Classification of the fair value, and deferral if an effective hedge, of a derivative instrument in the statement of net assets will be based upon the following general rules (general support for the following is ARB 43):

- A derivative instrument that matures within one year will be classified as a current asset or liability.
- A derivative instrument that allows the counterparty to terminate the derivative instrument at fair value at any time must be classified as current when its fair value is a liability, as is required for liabilities due on demand.
- Options that are written by the University and are exercisable within one year will be classified as a current liability.
- A derivative instrument that would otherwise be classified as a current liability will be shown as noncurrent if the derivative instrument is designated as a hedge of long-term debt.
- A derivative instrument that would otherwise have been classified as a current asset because a) its fair value is an asset, and b) its final maturity is within one year will be presented as noncurrent if the derivative instrument is designated as a hedge of a forecasted transaction involving the 1) acquisition or construction of a long-term asset, or 2) the liquidation of long-term debt.

Please see Exhibit 3, *Examples of Accounting for Derivative Instruments*.

10. TERMINATION OF HEDGE ACCOUNTING (¶22-25)

What must be done at each year-end to determine whether a hedge is still effective or whether there has been a termination event?

Hedge accounting is applied to a derivative instrument if it is determined to be an "effective" hedge at the end of the first fiscal year. Effectiveness must be formally documented at the end of the first fiscal year, not at the inception of the transaction. However, at the end of each fiscal year thereafter, the "effective" hedging derivative instrument must be re-evaluated and documented to determine its continued effectiveness in order to continue to be able to apply hedge accounting. A hedge that is initially considered to be effective may terminate for a variety of circumstances.

In conjunction with the annual evaluation and re-evaluation, there will need to be a thorough discussion of the specific facts and circumstances in order to determine the proper treatment for financial reporting purposes.

Please refer to Exhibit 4, *Subsequent Year GASB 53 Evaluation Checklist.*

Hedge accounting should cease to be applied upon the occurrence of one of the following termination events (¶22):

1) *The hedging derivative instrument is no longer effective as determined by applying the criteria for effective hedges.*

2) *The likelihood that a hedged expected transaction will occur is no longer probable.* An expected transaction is probable of occurring if it exposes the University to the risk of adverse changes in cash flows or fair values. An expected transaction may also be a firm commitment – a binding agreement for the exchange of a specified quantity of resources at a specified price on a specific future date or dates.

3) *The hedged asset or liability, such as a hedged bond, is sold or retired but <u>not</u> reported as a current refunding or advanced refunding resulting in a defeasance of debt.*

4) *The hedging derivative itself is terminated.*

If a termination event described in 1-4 above occurs, the balance in the deferred outflow or inflow account associated with the application of hedge accounting to the "effective" hedging derivative instrument should be reported on the statement of revenue, expenses and changes in net assets on the line "net (appreciation)/depreciation in fair value of investments" (if reported as a separate line due to materiality, the caption on the line within the nonoperating section of the statement of revenue, expenses and changes in net assets should be "Increase (decrease) upon hedge termination."). (¶23).

While the balance in the deferred outflow or inflow accounts are written off to "net appreciation/(depreciation) in fair value of investments," the derivative instrument at this point, if still outstanding as it may be in 1, 2 and 3 above, is treated as an investment hedge because it is now an "ineffective" hedge. If entered into by the Chief Investment Officer, these hedges now are reported at fair value in the "Investments" section of the statement of net assets with changes in fair value recorded through the statement of revenue, expenses and

changes in net assets as "net (appreciation)/ depreciation in the fair value of investments. If NOT entered into by the Chief Investment Officer, these hedges now must be reported at fair value in Other Assets or Liabilities with changes in fair value recorded through the statement of revenue, expenses and changes in net assets as "net (appreciation)/ depreciation in the fair value of investments."

A derivative instrument from a terminated hedge may be employed as a hedging derivative instrument in a new hedge IF the derivative instrument meets the criteria for "effectiveness" on a different hedgeable asset or liability (¶23).

5) *A current refunding or advanced refunding resulting in the defeasance of the hedged debt is executed.*

If a termination event described in 5 occurs, the balance in the deferral account that holds the deferred fair value associated with the application of hedge accounting to the "effective" hedge derivative instrument, such as an interest rate swap, should be included in the net carrying amount of the old debt for purposes of calculating the difference between that amount and the reacquisition price of the old debt in accordance with paragraphs 4 and 5 of GASB Statement No. 23. In effect, the deferred account is included in the calculation of the "deferred financing costs" that accompanies each refinancing transaction. This approach should be applied regardless of whether the hedging derivative instrument is terminated.

While the balance in the deferral account is removed and incorporated into the calculation of the "deferred financing costs" that would accompany the refinancing transaction, the derivative instrument at this point, if still outstanding as it may be, is treated as an investment hedge because it is now an "ineffective" hedge since the hedgeable item is no longer in existence. This ineffective derivative must now reported as an investment, or other asset or liability, depending on whether entered into by the Chief Investment Officer, or not; at fair value, with changes in fair value recorded through the statement of revenue, expenses and changes in net assets as "net (appreciation)/ depreciation in the fair value of investments.

6) *The hedged <u>expected</u> transaction occurs, such as the purchase of an energy commodity or the sale of bonds.*

If a termination event described in 6 occurs, the disposition of the balance in the deferral account that holds the deferred fair value associated with the application of hedge accounting to the "effective" hedge derivative instrument depends on whether the hedged expected transaction results in a) a financial instrument or b) a commodity.

- <u>If the expected transaction results in a financial instrument</u>, the accounting treatment of the deferral account depends on whether the University is re-exposed to the hedged risk:
    - If the University is re-exposed to the hedged risk, the balance in the deferral account that holds the deferred fair value should be removed and recognized in the statement of revenue, expenses and changes in net assets as "net (appreciation)/depreciation in fair value of investments."

- If the University is not re-exposed to the hedged risk, the balance in the deferral account that holds the deferred fair value should be reported in the statement of revenue, expenses and changes in net assets consistent with the hedged item.

If the expected transaction results in a commodity, the balance of the deferral account that holds the deferred fair value should be removed by reporting the balance as an adjustment to the actual transaction.

11. DEFERRED INFLOWS AND OUTFLOWS—A FUNDAMENTAL CLASSIFICATION CHANGE BROUGHT ABOUT BY THE GASB'S CONCEPT STATEMENT NO. 4

What is a GASB Concept Statement?

The GASB has issued four Concepts Statements that are intended to provide a conceptual framework of interrelated objectives and fundamental concepts that the GASB can use as a basis for establishing consistent financial reporting standards.

According to the GASB, Concepts Statements identify the objectives and fundamental principles of financial reporting that can be applied to address numerous financial accounting and reporting issues. They provide the GASB with the basic conceptual foundation for considering the merits of alternative approaches to financial reporting and help the GASB develop well-reasoned financial reporting standards. These Statements also assist preparers, auditors, and users in better understanding the fundamental concepts underlying financial reporting standards. Concepts Statements are not used to prescribe the financial reporting standards that apply to a particular item or event.

What principles in Concept Statement No. 4 affect financial reporting for derivatives?

Concepts Statement No. 4 established definitions for the seven elements of historically based financial statements of state and local governments. Elements are the fundamental components of financial statements. The elements of a statement of financial position are defined as follows:

- Assets are resources with present service capacity that the government presently controls.
- Liabilities are present obligations to sacrifice resources that the government has little or no discretion to avoid.
- A deferred outflow of resources is a consumption of net assets by the government that is applicable to a future reporting period.
- A deferred inflow of resources is an acquisition of net assets by the government that is applicable to a future reporting period.
- Net position is the residual of all other elements presented in a statement of financial position

The elements of the resource flows statements are defined as follows:

- An outflow of resources is a consumption of net assets by the government that is applicable to the reporting period.
- An inflow of resources is an acquisition of net assets by the government that is applicable to the reporting period.

How does the GASB define deferred outflows of resources?

A *deferred outflow of resources* is a consumption of net assets by the University that is applicable to a future reporting period.

A deferred outflow of resources is reported in a statement of financial position. For a deferred outflow of resources, the outflow is applicable to a future reporting period rather than to the current reporting period.

How does the GASB define deferred inflows of resources?

A *deferred inflow of resources* is an acquisition of net assets by the University that is applicable to a future reporting period.

A deferred inflow of resources is reported in a statement of financial position. For a deferred inflow of resources, the inflow is applicable to a future reporting period rather than to the current reporting period.

Discussion of deferred outflows and inflows of resources

Definitions of deferred outflows and inflows of resources were developed because the GASB identified these items as having different inherent characteristics and being mutually exclusive from assets and liabilities. The GASB asserts that users of financial statements will better understand these items when it is made clear that they are not assets and liabilities. An item cannot meet the definition of both an asset and a deferred outflow of resources or both a liability and a deferred inflow of resources.

Some items that in current practice are described as deferred items, such as deferred revenues and expenses, meet the definitions of assets and liabilities rather than the definitions of deferred outflows and inflows of resources. An example of an item that in current practice may be considered a deferred item that meets the definition of an asset is prepaid rent. It meets the definition of an asset because it is an item with present service capacity (use of the rented item) that is controlled by the University. It does not meet the definition of a deferred outflow of resources because the prepayment of rent did not result in a consumption of net assets. The asset, cash, decreased at the same time as the asset, prepaid rent, increased. Thus, net assets are unchanged. An example of an item that in current practice may be considered a deferred item that meets the definition of a liability is deferred revenue reported because grant funds were received in advance of the University meeting the eligibility requirements. The University has a liability—a present obligation to sacrifice resources that it has little or no discretion to avoid, and this liability can only be satisfied by performing under the terms of the grant agreement or returning the grant advance. This deferred revenue does not meet the definition of a deferred inflow of resources because an acquisition of net assets has not occurred. The asset, cash, increased at the same time that the liability to perform under the terms of the grant increased. Thus, net assets are unchanged

The Concepts Statement limits the recognition of deferred outflows of resources and deferred inflows of resources to instances identified by the GASB in authoritative pronouncements because the Board was concerned about the application of these elements to items that have not been subjected to appropriate due process procedures.

Practical application of Concepts Statement No. 4 to financial reporting for derivatives

Given that deferred inflows are **not** liabilities and deferred outflows are not assets, and that they are mutually exclusive of assets and liabilities, the preferred accounting, according to the GASB, would be to separate them from assets and liabilities in the statement of net assets. A sample presentation for deferred outflows might then look as follows:

Cash and cash equivalents	$ 150,000
Investments	275,000
Prepaid expenses	101,000
Total assets before deferred outflows	526,000
Deferred outflows	146,000
Total assets and deferred outflows	$ 672,000

The same presentation would be used on the liability side of the statement of net assets for any deferred inflows.

However, the GASB was not prescriptive regarding how to report deferred inflows and deferred outflows in the statement of net assets, but they were clear that they are NOT assets and liabilities and should not be classified as such. An alternative treatment that the University will utilize would be as follows.

Cash and cash equivalents	$ 150,000
Investments	275,000
Prepaid expenses	101,000
Deferred outflows	146,000
Total assets and deferred outflows	$ 672,000

This presentation would also be used on the liability side of the statement of net assets for any deferred inflows.

Introduction of deferred inflows and outflows also required the GASB to recommend a change in the caption from Statement of Net Assets to Statement of Financial Position. In addition, the previous caption of "Net Assets" would change to "Net Position."

Depending on materiality, the University may include deferred outflows and inflows with other liabilities or assets for financial reporting purposes. If that is the case, there will be appropriate disclosure.

12. DISCLOSURES

Please see Exhibit 5, *Draft Primary Statements and Footnote Disclosure*

Summary schedule of information (¶69)

The University must provide a summary of the derivative instrument activity during the fiscal year and balances at the end of the fiscal year, divided into the following categories—hedging derivative instruments (distinguishing between fair value hedges and cash flow hedges) and investment derivative instruments. Within each category, derivative instruments must be aggregated by type (for example, receive-fixed swaps, pay-fixed swaps, swaptions, rate caps, basis swaps, or futures contracts).

Information presented in the summary should include:

1. Notional amount.
2. Changes in fair value during the fiscal year and the classification in the financial statements where those changes in fair value are reported.
3. Fair values as of the end of the fiscal year and the classification in the financial statements where those fair values are reported. If derivative instrument fair values are based on other than quoted market prices, the methods and significant assumptions used to estimate those fair values should be disclosed.
4. Fair values of derivative instruments reclassified from an "effective" hedging derivative instrument to an "ineffective" investment derivative instrument. There also should be disclosure of the deferral amount that was reported in the statement of revenue, expenses and changes in net assets as "net (appreciation)/ depreciation in the fair value of investments" upon the reclassification.

Hedging Derivative Instruments ("Effective" Hedges) (¶70-75)

Note disclosure requirements outlined below should be presented for all "effective" hedging derivative instruments. (¶70)

1) *Objectives* (¶71). For hedging derivative instruments, the University should disclose its objectives for entering into the instruments, the context needed to understand those objectives, the strategies for achieving those objectives, and the types of derivative instruments entered into.

2) *Terms* (¶72). For hedging derivative instruments, the University should disclose significant terms, including:

    a. Notional amount
    b. Reference rates, such as indexes or interest rates
    c. Embedded options, such as caps, floors, or collars
    d. The date when the hedging derivative instrument was entered into and when it is scheduled to terminate or mature

e. The amount of cash paid or received, if any, when a forward contract or swap (including swaptions) was entered into.

3) *Risks* (¶73). For hedging derivative instruments, the University should disclose, if applicable, its exposure to the following risks that could give rise to financial loss. Risk disclosures are limited to hedging derivative instruments that are reported as of the end of the fiscal year. Disclosures required by this paragraph may contain information that also is required by other paragraphs. However, these disclosures should be presented in the context of a hedging derivative instrument's risk:

a. *Credit risk* (¶73a). If a hedging derivative instrument reported by the University as an asset exposes the University to credit risk, the University should disclose that exposure as credit risk and disclose the following information:

(i) The credit quality ratings of counterparties as described by nationally recognized statistical rating organizations—rating agencies—as of the end of the reporting period. If the counterparty is not rated, the disclosure should indicate that fact.

(ii) The maximum amount of loss due to credit risk, based on the fair value of the hedging derivative instrument as of the end of the reporting period, that the University would incur if the counterparties to the hedging derivative instrument failed to perform according to the terms of the contract, without respect to any collateral or other security, or netting arrangement.

(iii) The University's policy of requiring collateral or other security to support hedging derivative instruments subject to credit risk, a summary description and the aggregate amount of the collateral or other security that reduces credit risk exposure, and information about the University's access to that collateral or other security.

(iv) The University's policy of entering into master netting arrangements, including a summary description and the aggregate amount of liabilities included in those arrangements. Master netting arrangements are established when (a) each party owes the other determinable amounts, (b) the University has the right to set off the amount owed with the amount owed by the counterparty, and (c) the right of setoff is legally enforceable.

(v) The aggregate fair value of hedging derivative instruments in asset (positive) positions net of collateral posted by the counterparty and the effect of master netting arrangements.

(vi) Significant concentrations of net exposure to credit risk (gross credit risk reduced by collateral, other security, and setoff) with individual counterparties and groups of counterparties. A concentration of credit risk exposure to an individual counterparty may not require disclosure if its existence is apparent from the disclosures required by other parts of this paragraph, for example, the University has entered into only

one interest rate swap. Group concentrations of credit risk exist if a number of counterparties are engaged in similar activities and have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

b. *Interest rate risk* (¶73b). If a hedging derivative instrument increases the University's exposure to interest rate risk, the University should disclose that increased exposure as interest rate risk and also should disclose the hedging derivative instrument's terms that increase such a risk. The determination of whether a hedging derivative instrument increases interest rate risk should be made after considering, for example, the effects of the hedging derivative instrument and any hedged debt.

c. *Basis risk* (¶73c). If a hedging derivative instrument exposes the University to basis risk, the University should disclose that exposure as basis risk and also should disclose the hedging derivative instrument's terms and payment terms of the hedged item that creates the basis risk.

d. *Termination risk* (¶73d). If a hedging derivative instrument exposes the University to termination risk, the University should disclose that exposure as termination risk and also the following information, as applicable:

   (i) Any termination events that have occurred

   (ii) Dates that the hedging derivative instrument may be terminated

   (iii) Out-of-the-ordinary termination events contained in contractual documents, such as "additional termination events" contained in the schedule to the International Swap Dealers Association master agreement.

e. *Rollover risk* (¶73e). If a hedging derivative instrument exposes the University to rollover risk, the University should disclose that exposure as rollover risk and also should disclose the maturity of the hedging derivative instrument and the maturity of the hedged item.

f. *Market-access risk* (¶73f). If a hedging derivative instrument creates market-access risk, the University should disclose that exposure as market-access risk.

g. *Foreign currency risk* (¶73g). If a hedging derivative instrument exposes the University to foreign currency risk, the University should disclose the U.S. dollar balance of the hedging derivative instrument, organized by currency denomination and by type of derivative instrument.

4) *Hedged debt* (¶74). If the hedged item is a debt obligation, the University should disclose the hedging derivative instrument's net cash flows based on the requirements established by Statement No. 38, Certain Financial Statement Note Disclosures, paragraphs 10 and 11.

5) *Other quantitative method of evaluating effectiveness* (¶75). If effectiveness is evaluated by application of a quantitative method not specifically identified in this Statement (paragraphs 48 and 62), the University should disclose the following information:

   a. The identity and characteristics of the method used
   b. The range of critical terms the method tolerates
   c. The actual critical terms of the hedge.

Investment Derivative Instruments

For investment derivative instruments, the University should disclose their exposure to the following risks that could give rise to financial loss. Risk disclosures are limited to investment derivative instruments that are reported as of the end of the fiscal year. These disclosures should be presented in the context of an investment derivative instrument's risk:

1) *Credit risk* (¶76a). If an investment derivative instrument exposes the University to credit risk (that is, the University reports the investment derivative instrument as an asset), the University should disclose that exposure. That disclosure should be consistent with the requirements of paragraph 73a of Statement no. 53.

2. *Interest rate risk* (¶76b). If an investment derivative instrument exposes the University to interest rate risk, the University should disclose that exposure consistent with the disclosures required by Statement 40, paragraphs 14 and 15. Further, an investment derivative instrument that is an interest rate swap is an additional example of an investment that has a fair value that is highly sensitive to interest rate changes as discussed in Statement 40, paragraph 16. The fair value, notional amount, reference rate, and embedded options should be disclosed.

3. *Foreign currency risk* (¶76c). If an investment derivative instrument exposes a government to foreign currency risk, the government should disclose that exposure consistent with the disclosures required by Statement 40, paragraph 17.

Contingent Features

The University should disclose contingent features that are included in derivative instruments held at the end of the fiscal year, such as the University's obligation to post collateral if the credit quality of the University's hedgeable item declines. For derivative instruments with contingent features reported as of the fiscal yearend, disclosure should include (¶77):

a. The existence and nature of contingent features and the circumstances in which the features could be triggered (¶77a),

b. The aggregate fair value of derivative instruments that contain those features (¶77b),

c. The aggregate fair value of assets that would be required to be posted as collateral or transferred in accordance with the provisions related to the triggering of the contingent liabilities (¶77c),

d. The amount, if any, that has been posted as collateral by the government as of the end of the reporting period (¶77d).

Hybrid Instruments

If the University reports a hybrid instrument, disclosures of the companion instrument should be consistent with disclosures required of similar transactions, for example, disclosures for debt instruments. In that case, the existence of an embedded derivative with the companion instrument should be indicated in the disclosures of the companion instrument. For example, if the University has entered into a hybrid instrument that consists of a borrowing for financial reporting purposes and an interest rate swap, the University's disclosure should indicate the existence of the interest rate swap within the debt disclosure (¶78).

Synthetic Guaranteed Investment Contracts

If the University reports a SGIC that is fully benefit-responsive, as described in paragraph 67, it should disclose the following information in the notes to the financial statements as of the end of the reporting period (¶79):

a. A description of the nature of the SGIC,

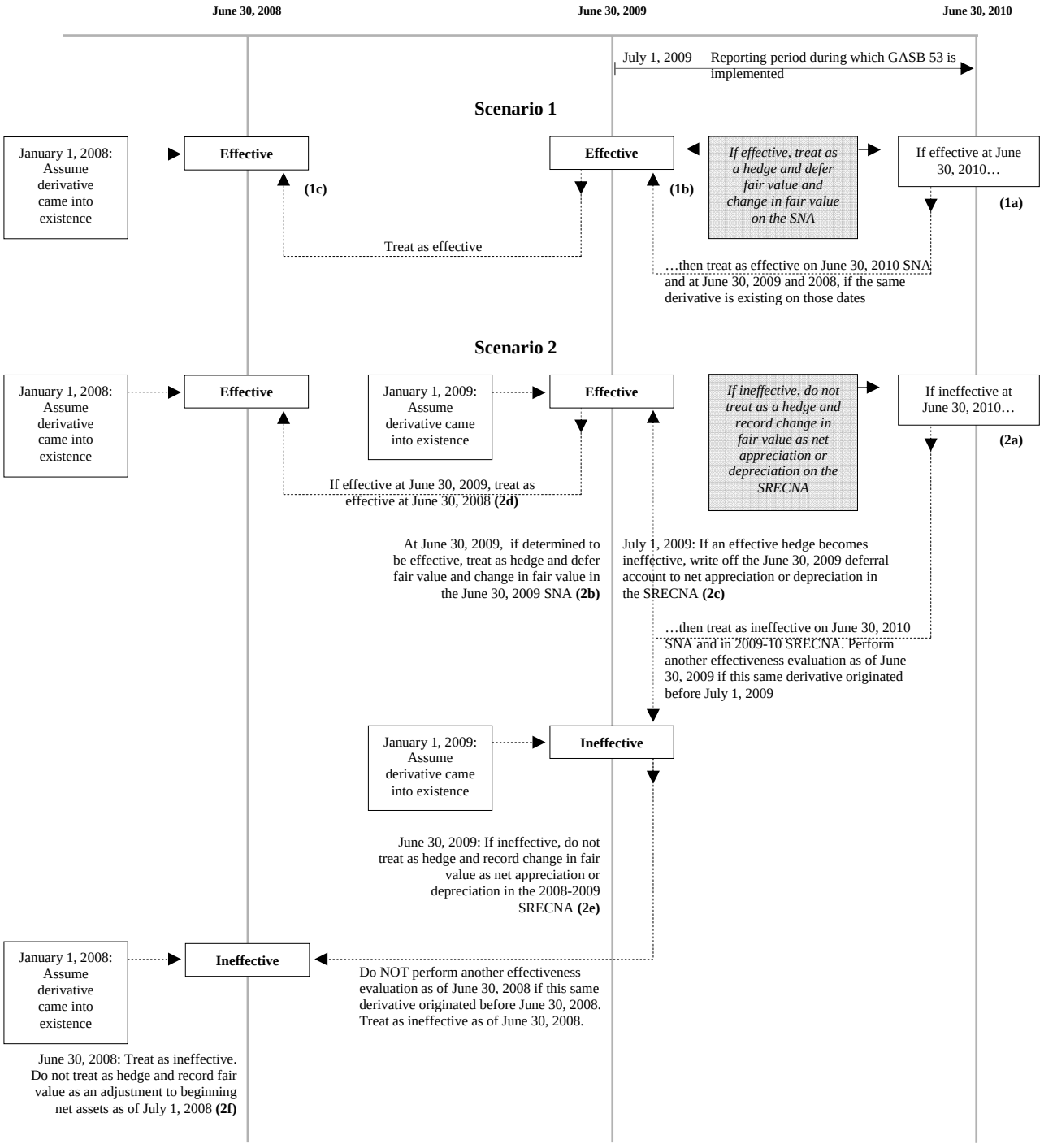
b. The SGIC's fair value (including separate disclosure of the fair value of the wrap contract and the fair value of the corresponding underlying investments).

Please see Exhibit 6, *New Accounting Codes to be Established*.

13. IMPLEMENTATION/TRANSITION REQUIREMENTS

Outline of Circumstances Requiring a Restatement of the June 30, 2009 SNA, 2008-2009 SRECNA, or July 1, 2008 Beginning Net Assets

Important: Only derivatives that are outstanding at July 1, 2009 are within the scope of GASB Statement No. 53 for restatement purposes.



Notes for Scenario 1

(1a) For a derivative instrument existing on or before July 1, 2009 that continues to be existing at June 30, 2010, where the June 30, 2010 evaluation determines the derivative is effective, then:

- Report the derivative as a hedging derivative at June 30, 2010 (record the fair value on the SNA and the change in fair value is reported as a deferred inflow or outflow on the SNA).

(1b) For implementation of GASB Statement No. 53, if a derivative existing at June 30, 2010 is effective, it is treated as being effective for all prior periods. Therefore, treat this derivative as a hedging derivative at June 30, 2009, if existing at June 30, 2009.

- Scenario 1b results in a restatement (gross up) of only the June 30, 2009 SNA (fair value of the hedge that is deferred).

(1c) If the same derivative discussed in 1a and 1b was outstanding at June 30, 2008, there is no effect on the 2008-2009 SRECNA since only the 2009 and 2010 SNAs are restated due to hedging treatment.

Notes for Scenario 2

(2a) If the June 30, 2010 evaluation determines the derivative is ineffective, then:

- Do NOT report the derivative as a hedging derivative at June 30, 2010 (record the fair value on the SNA and the change in fair value is reported as net appreciation or depreciation in the 2009-10 SRECNA).

If the same derivative discussed in 2a originated prior to July 1, 2009, then perform another evaluation of this derivative as of June 30, 2009.

(2b) If the results of the evaluation of this derivative at June 30, 2009 determines that is effective at June 30, 2009, then:

- Report the derivative as a hedging derivative at June 30, 2009 (record the fair value on the SNA the change in fair value is reported as a deferred inflow or outflow on the SNA).

- Scenario 2b results in a restatement (gross up) of only the June 30, 2009 SNA (fair value of the hedge that is deferred).

- **(2c)** This circumstance indicates that a derivative that was effective at June 30, 2009 became ineffective in the following fiscal year. As a result, the balance at June 30, 2009 in the deferral account must be written off to net appreciation or deprecation in the 2009-2010 SRECNA.

- **(2d)** In this circumstance, if the derivative discussed in 2a and 2b originated prior to July 1, 2008, then treat as if it was also effective at June 30, 2008. Do NOT perform another evaluation of the effectiveness as of June 30, 2008. There is no restatement of the 2008 SNA; as a result, there is no affect during the restatement period of July 1, 2008 – June 30, 2009.

(2e) If the results of the evaluation of this derivative at June 30, 2009 determines that it was ineffective at June 30, 2009, then:

- Do NOT report the derivative as a hedging derivative on the June 30, 2009 SNA (record the fair value on the SNA and the change in fair value is reported as net appreciation or depreciation in the SRECNA).

- Scenario 2e results in a restatement of the June 30, 2009 SNA (for the fair value of the hedge) and the SRECNA for the year ending June 30, 2009 (for the change in fair value of the hedge reported as net appreciation or depreciation).

(2f) If the same derivative discussed in 2a, 2b and 2e originated prior to July 1, 2008, do NOT perform another evaluation of this derivative as of June 30, 2008.

- If the derivative was effective at June 30, 2009, as discussed in scenario 2b above, then treat as if it was also effective at June 30, 2008. Do NOT perform another evaluation of the effectiveness as of June 30, 2008. The 2008 SNA is not included in the comparative June 2009 and June 30, 2010 financial statements; as a result, there is no affect during the restatement period of July 1, 2008 – June 30, 2009.

- If the derivative was ineffective at June 30, 2009, then treat as if it was also ineffective at June 30, 2008. Do NOT perform another evaluation of the effectiveness as of June 30, 2008. Do not report as a hedging derivative at June 30, 2008 and record the fair value at June 30, 2008 as an adjustment to the beginning net assets at July 1, 2008.

New Accounting Codes to be Established

Please see Exhibit 6, *New Accounting Codes to be Established*.

14. NEXT STEPS/REQUIRED ACTIONS

Responsibility *(C, OP)*	Required Completion Date	Action Item/Task
OP, TO, C, CF, HRB	December 2009	**Update inventory of derivative instruments as of June 30, 2009.** Provide to Kevin Kendall (campuses and Treasurer's Office) or Amal Smith (campus foundations). Use the format in Exhibit 8 by February 15, 2010. *Note:* Exhibit 8 provides the June 30, 2009 inventory of derivative instruments prepared by UCOP as of 29-Jan-10. A blank Excel template is available for download on the UCOP GASB website.
OP	December 2009/ January 2010	**Assign new accounting codes**—Assign new accounting codes to record derivative instruments (Exhibit 6).
OP	December 2009/ January 2010	**Add accounting codes to CFR driver tables**—Add new accounting codes to support accounting and reporting of derivative instruments to CFR driver tables.
OP, TO, C, CF, HRB	December 2009/ January 2010	**Discuss next steps** with UCOP Financial Management and the Treasurer's Office using the June 30, 2009 updated inventory as a framework. Develop a detailed implementation plan for June 30, 2010 that will incorporate an analysis of effectiveness, categorization as a fair value or cash flow hedge, etc.
OP	December 2009/ January 2010	**Establish new accounting codes in campus ledger**—Establish new accounting codes to support accounting and reporting of derivative instruments in campus ledgers.
OP	December 2009/ February 2010	**Develop footnote reports**—Develop CFR footnote report to accumulate derivative instrument information (see Exhibit 7).
OP, CF, HRB	January/ February 2010	**Determine whether restatement may be necessary** for any of the following: 1. July 1, 2008 beginning net assets. 2. SRECNA for fiscal year 2008-09. 3. SNA at June 30, 2009. Provide details to Kevin Kendall (campuses and Treasurer's Office) or Amal Smith (campus foundations).
OP, CF	February/ March 2010	**Draft required footnotes and disclosure language for June 30, 2010 financial statements.** May require a restructuring of investment and debt footnotes.
	February/ March 2010	**Revise appropriate required schedules in the Campus Foundation Reporting Package.** Discuss new requirements with PwC and Campus Foundations.
OP, CF, HRB	March/April 2010	**Review any restatement of prior year financial statements and draft footnote disclosures** for June 2010 financial statements with PwC during interim. Ensure all circumstances are clarified.
OP, C, HRB, CF	April 2010	**Fiscal Closing Calendar—**Add a step to the fiscal closing calendar to review all derivative transactions outstanding at year end for proper accounting and reporting.
OP,CF, HRB	July 2010	**Record any restatement entries** and communicate to OP and PwC.

15. EXHIBITS

EXHIBIT 1—Examples of Financial Instruments or Contracts that Meet the Definition of a Derivative Instrument under GASB Statement No. 53

EXHIBIT 2— Initial Year GASB Statement No. 53 Evaluation Checklist

EXHIBIT 3—Examples of Accounting for Derivative Instruments

EXHIBIT 4—Subsequent Year GASB Statement No. 53 Evaluation Checklist

EXHIBIT 5—Draft Accounting Policy and Derivative Instrument Footnote

EXHIBIT 6—New Accounting Codes to be Established

EXHIBIT 7—CFR Footnote Disclosure Report

~~**EXHIBIT 8—Inventory of Derivative Contracts as of June 30, 2008**~~

EXHIBIT 8—Inventory of Derivative Contracts as of June 30, 2009

EXHIBIT 1: EXAMPLES OF FINANCIAL INSTRUMENTS OR CONTRACTS THAT MEET THE DEFINITION OF A DERIVATIVE INSTRUMENT UNDER GASB STATEMENT NO. 53

The list below outlines a variety of transactions with a determination of whether they are, are not, or could possibly be derivative transactions requiring review and documentation. The yellow highlight indicates those that are, or may be, derivative transactions.

Where UCOP Financial Management/Treasurer's Office is noted in green, it is likely these types of transactions must be identified and reviewed at the Office of the President. Similarly, where Campus Controllers is noted in red, it is likely these types of transactions must be identified and reviewed at the campuses. Finally, where Campus Foundations is noted in blue, it is likely these types of transactions must be identified and reviewed at the campus foundations as they prepare their separate financial statements.

While this should not be considered a complete list, there should be a procedure in place to identify and review these types of transactions at the respective location.

		Settlement Factors		Leverage		Preliminary Conclusion	
	Contract	Reference Rate (GASB 53 ¶7a(1))	Notional or Payment Provision (GASB 53 ¶7a(2))	Smaller Initial Net Investment (GASB 53 ¶7b)	Net Settlement (GASB 53 ¶7c)	Does the financial instrument or contract meet the criteria to be a derivative instrument?	Is there an exception such that the derivative instrument is excluded from the scope of GASB 53? (GASB 53 ¶14-18 exceptions)
1.	Equity security	No	Yes	No. An initial net investment is required to purchase an equity security.	No	No	No
2.	Debt security or loan	No	Yes	No. A debt security or loan requires an initial net investment of the principal amount or (if purchased at a discount or premium) an amount calculated to yield a market rate of interest.	No	No	No
3.	Lease	Yes. The underlying value of a lease is the value of the leased property.	Yes. A lease's notional amount is its periodic rent.	Yes. A benefit of a lease is that it requires a smaller initial net investment.	No. A lease requires a payment equal to the value of the right to use the property.	No	No

	Contract	Settlement Factors: Reference Rate (GASB 53 ¶7a(1))	Settlement Factors: Notional or Payment Provision (GASB 53 ¶7a(2))	Leverage: Smaller Initial Net Investment (GASB 53 ¶7b)	Net Settlement (GASB 53 ¶7c)	Preliminary Conclusion: Does the financial instrument or contract meet the criteria to be a derivative instrument?	Is there an exception such that the derivative instrument is excluded from the scope of GASB 53? (GASB 53 ¶14-18 exceptions)
4.	Mortgage-backed security	Yes	Yes	No. This type of security requires an initial net investment equal to the fair value of the instrument.	No	No	No
5.	Interest-only (IO) security/Principal-only (PO) security.	Yes	Yes	No. An initial net investment is required to purchase an IO/PO security.	No	No	No
6.	Option to purchase or sell real estate.	Yes. Price of the real estate.	Yes. A specified property.	Yes. The option premium is less than the value of the real estate.	No. Unless there are explicit market settlement terms.	No	No.
7.	Option to purchase or sell an exchange traded security. ***UCOP Financial Mgmt/Treasurer*** ***Campus Foundations***	Yes. Price of the security.	Yes. A specified number of securities.	Yes. The option premium is less than the value of the security.	Yes. The underlying value is readily convertible to cash as the security is traded on an exchange.	Yes	No
8.	Option to purchase or sell a security not traded on an exchange. ***UCOP Financial Mgmt/Treasurer*** ***Campus Foundations***	Yes. Price of the security.	Yes. A specified number of securities.	Yes. The option premium is less than the value of the security.	It depends on whether or not the security can be net settled (explicit terms).	Possibly, depending on whether there is a net settlement feature.	Possibly, depending on whether it is a normal purchase or sale of a commodity used in the normal course of business.

	Contract	Settlement Factors: Reference Rate (GASB 53 ¶7a(1))	Settlement Factors: Notional or Payment Provision (GASB 53 ¶7a(2))	Leverage: Smaller Initial Net Investment (GASB 53 ¶7b)	Net Settlement (GASB 53 ¶7c)	Preliminary Conclusion: Does the financial instrument or contract meet the criteria to be a derivative instrument?	Is there an exception such that the derivative instrument is excluded from the scope of GASB 53? (GASB 53 ¶14-18 exceptions)
9.	Futures contract ***Campus Controllers*** ***UCOP Financial Mgmt/Treasurer*** ***Campus Foundations***	Yes. Price of a commodity (***Campus Controllers)*** or financial instrument (***UCOP Financial Mgmt/Treasurer)***.	Yes. A specified quantity or face amount.	Yes	Yes. A clearinghouse (a market mechanism) exists to facilitate net settlement.	Yes	Possibly, depending on whether it is a normal purchase or sale of a commodity used in the normal course of business.
10.	Forward contract to purchase or sell securities other than the equity securities of the parties involved in the transaction. ***UCOP Financial Mgmt/Treasurer*** ***Campus Foundations***	Yes. Price of a security.	Yes. A specified number of securities or a specified principal or face amount.	Yes	It depends. The contract may (qualifies) or may not (does not qualify) be able to be net settled. The contract or security may (qualifies) or may not (does not qualify) be able to be readily converted into cash.	Possibly, depending on contract terms.	No
11.	A non-exchange-traded forward contract to purchase or sell a commodity. ***Campus Controllers*** ***UCOP Financial Mgmt/Treasurer*** ***Campus Foundations***	Yes. Price of the commodity.	Yes. A specified quantity or face amount.	Yes	It depends on whether the notional amount of the underlying contract is readily convertible to cash.	Possibly	Possibly, depending on whether it is a normal purchase or sale of a commodity used in the normal course of business.

	Contract	Settlement Factors: Reference Rate (GASB 53 ¶7a(1))	Settlement Factors: Notional or Payment Provision (GASB 53 ¶7a(2))	Leverage: Smaller Initial Net Investment (GASB 53 ¶7b)	Net Settlement (GASB 53 ¶7c)	Preliminary Conclusion: Does the financial instrument or contract meet the criteria to be a derivative instrument?	Is there an exception such that the derivative instrument is excluded from the scope of GASB 53? (GASB 53 ¶14-18 exceptions)
12.	Interest rate swap ***UCOP Financial Mgmt/Treasurer*** ***Campus Foundations***	Yes. A benchmark interest rate.	Yes. A specified amount.	Yes	Yes. Periodic payments.	Yes	No
13.	Currency swap ***UCOP Financial Mgmt/Treasurer*** ***Campus Foundations***	Yes. An exchange rate.	Yes. A specified currency amount.	Yes	Yes	Yes	No
14.	Swaption ***UCOP Financial Mgmt/Treasurer*** ***Campus Foundations***	Yes. Value of the swap.	Yes. The notional amount of the swap.	Yes	Yes	Yes	No
15.	Stock-purchase warrant ***UCOP Financial Mgmt/Treasurer*** ***Campus Foundations***	Yes. Price of stock.	Yes. A specified number of shares.	Yes	For UC, it depends on whether (1) the warrant (a) contains a net share or net cash settlement provision or (b) can be net settled through a market mechanism or (2) the underlying shares are readily convertible to cash.	Possibly, depending on the net settlement terms.	No
16.	Mortgage loan commitment	Yes. Interest Rate.	Yes. Principal amount of the loan commitment.	Yes	Yes, if the loan commitment can readily be net settled or readily convertible into cash.	Yes	Yes. This type of contract is specifically excluded under GASB 53, paragraph18.

	Contract	Settlement Factors: Reference Rate (GASB 53 ¶7a(1))	Settlement Factors: Notional or Payment Provision (GASB 53 ¶7a(2))	Leverage: Smaller Initial Net Investment (GASB 53 ¶7b)	Net Settlement (GASB 53 ¶7c)	Preliminary Conclusion: Does the financial instrument or contract meet the criteria to be a derivative instrument?	Is there an exception such that the derivative instrument is excluded from the scope of GASB 53? (GASB 53 ¶14-18 exceptions)
17.	Traditional property and insurance casualty.	No	No	No	No	No. The payment of benefits is the result of an identifiable insurable event (for example, theft or fire) instead of changes in a variable.	Yes. This type of contract is specifically excluded by GASB 53 ¶15.
18.	Traditional life insurance	Yes. The mortality of the insured	Yes. Contract value, i.e., the death benefit.	Yes. Initial net investment is less than the notional.	No	No. The payment of death benefits is the result of an identifiable insurable event (death of the insured) instead of changes in a variable.	No
19.	Financial guarantee contract payment occurs if a specific debtor fails to pay the guaranteed party.	Yes. Failure by the debtor to make payment.	-	-	-	-	Yes. This type of contract is specifically excluded GASB 53 ¶16.
20.	Financial guarantee contract payment occurs if there is a change in another hedgeable item such as a decrease in a specified debtor's creditworthiness. ***Campus Controllers*** ***UCOP Financial Mgmt/Treasurer***	Yes. Decrease in specified debtor's creditworthiness.	Yes	Yes	Yes	Yes	No

	Contract	Settlement Factors: Reference Rate (GASB 53 ¶7a(1))	Settlement Factors: Notional or Payment Provision (GASB 53 ¶7a(2))	Leverage: Smaller Initial Net Investment (GASB 53 ¶7b)	Net Settlement (GASB 53 ¶7c)	Preliminary Conclusion: Does the financial instrument or contract meet the criteria to be a derivative instrument?	Is there an exception such that the derivative instrument is excluded from the scope of GASB 53? (GASB 53 ¶14-18 exceptions)
21.	Credit-indexed contract payment occurs if a credit index (or the creditworthiness of a specified debtor) varies in a specified way. ***Campus Controllers*** ***UCOP Financial Mgmt/Treasurer***	Yes. Credit index or credit rating.	Yes. A specified payment amount (which may (1) vary, depending on the degree of change, or (2) be fixed).	Yes	Yes, for the delta in fair value.	Yes	No.
22.	Royalty agreement	Yes	Yes. Payment is based on a percentage of output.	Yes. Payment occurs if sales are made.	No. The hedgeable item is not readily convertible to cash, as it is not traded on an exchange.	No	Yes. It is based on the sales of one of the parties, which is an exception under GASB 53 ¶17b.
23.	Interest rate cap ***UCOP Financial Mgmt/Treasurer*** ***Campus Foundations***	Yes. An interest rate.	Yes. A specified amount.	Yes	Yes	Yes	No
24.	Interest rate floor ***UCOP Financial Mgmt/Treasurer*** ***Campus Foundations***	Yes. An interest rate.	Yes. A specified amount.	Yes	Yes	Yes	No

	Contract	Settlement Factors: Reference Rate (GASB 53 ¶7a(1))	Settlement Factors: Notional or Payment Provision (GASB 53 ¶7a(2))	Leverage: Smaller Initial Net Investment (GASB 53 ¶7b)	Net Settlement (GASB 53 ¶7c)	Preliminary Conclusion: Does the financial instrument or contract meet the criteria to be a derivative instrument?	Is there an exception such that the derivative instrument is excluded from the scope of GASB 53? (GASB 53 ¶14-18 exceptions)
25.	Interest rate collar ***UCOP Financial Mgmt/Treasurer*** ***Campus Foundations***	Yes. An interest rate.	Yes. A specified amount.	Yes	Yes	Yes	No
26.	Synthetic guaranteed-investment contracts ***UCOP Financial Mgmt/Treasurer*** ***Campus Foundations***	Yes. Formula which by interest is calculated.	Yes. A specified amount.	Yes	Yes	Yes	No
27.	Non-exchange traded contract, payment occurs if a weather variable occurs.	Yes. A climatic or geologic variable or other physical attribute.	Yes. A specified amount.	Yes. Payment occurs if a weather variable occurs.	No. The hedgeable item is not readily convertible to cash as the security is not traded on an exchange.	No	Yes. It is based on climatic or geologic variable or other physical variable, which is excluded by GASB 53 ¶17a.
28.	Repurchase agreement that is neither negotiable or transferable.	Yes. Price of a security.	Yes. A specified principal or face amount.	No	No	No	No

EXHIBIT 2: Initial Year GASB Statement No. 53 Evaluation Checklist

Summary

Financial Instrument or Contract Reviewed:

Evaluation as of :

Evaluation Prepared By: Reviewed By:

Interest rate swap	_____	Swaptions	_____
Commodity swap	_____	Forward contracts	_____
Interest rate lock	_____	Futures contracts	_____
Options:		Other:	_____
Caps	_____	Describe	
Floors	_____		
Collars	_____		

Is this financial instrument is a derivative instrument under GASB 53?

	Reference Questions	Check as Appropriate
Derivative instrument	1-3	
Hybrid instrument	4-7	
Synthetic Guaranteed Investment Contract	8-14	
If a derivative instrument, is it excluded from scope?	15-19	
This is not a derivative instrument		

Is this an investment derivative or a potential hedging derivative?		**Check one**
Investment derivative	20	
Potential hedging derivative:		
Existing or expected financial instrument?	21	
Existing or expected commodity?	21	

For existing or expected financial instruments:	21-29	**Check one**
Effective hedge (hedge accounting applies): (1)		
Cash flow hedge		
Fair value hedge		
Indicate method used to document effectiveness		
Ineffective hedge (hedge accounting does not apply)		

For existing or expected commodity transactions:	30-37	**Check one**
Effective hedge (hedge accounting applies): (1)		
Cash flow hedge		
Fair value hedge		
Indicate method used to document effectiveness: *Dollar Offset Method & Regression Analysis Method*		
Ineffective hedge (hedge accounting does not apply)		

(1) Once determined to be an effective hedge, an eveluation must be performed each subsequent year to validate continued effectiveness, unless Consistent Critical Terms Method is used.

EXHIBIT 2: Initial Year GASB Statement No. 53 Evaluation Checklist

Initial Year Evaluation Checklist for:

Refer to the GASB Statement No. 53 Outline for details

Note: A ttach comments as necessary for further discussion of the conclusion. Certain questions may not result in simple "yes" or "no" answers and the substance of the financial instrument or contract must be considered in in order to arrive at the conclusion.

Determine whether the financial instrument or contract qualifies as a derivative instrument. If so, evaluate whether it is a hedging derivative. If a hedging derivative, determine whether it is a cash flow or fair value hedge.

Does this Meet the Definition of a Derivative Instrument? (¶7-13)

	YES/ NO	Source Document/ X - Reference
1. Does the financial instrument have settlement factors that include a) a reference rate and b) a notional amount?		
2. Is there leverage, i.e. little or no initial net investment?		
3. Are there net settlement provisions?		

If "yes," to question 1-3, the financial instrument or contract is a derivative instrument. However, continue the evaluation beginning with question 15 to determine whether the type of financial instrument or contract is excluded from the scope of Statement No. 53.

If "no" to any one of questions 1-3, the financial instrument or contract is not be a derivative instrument. However, continue the evaluation beginning with question 4 to assess whether a hybrid instrument is involved.

If Not, Does this Meet the Definition of a Hybrid Instrument? (¶64)

4. Is this a situation where there may be a derivative instrument that accompanies, or is incorporated within, a companion document?		

If "yes," to question 4, the financial instrument or contract may be a hybrid instrument and must be further evaluated. Continue the evaluation beginning with question 5 to determine whether the type of financial instrument or contract is is a hybrid instrument.

If "no" to question 4, the financial instrument or contract is not a hybrid instrument. However, continue the evaluation beginning with question 8 to determine whether an SGIC is involved.

5. Is it a true statement that the companion instrument is not measured at fair value on the Statement of Net Assets?		
6. Would a separate instrument with the same terms as a derivative instrument meet the definition of a derivative instrument using questions 1-3 above?		
7. Is it a true statement that the economic characteristics and risks of the derivative instrument are not closely related to the economic characteristics and risks of the companion instrument?		

If "yes" to all questions of 5-7 the financial instrument or contract is a hybrid instrument. However, continue the evaluation beginning with question 15 to determine whether the type of financial instrument or contract is excluded from the scope of Statement No. 53.

If "no" to any one of questions 4-6, the financial instrument or contract is not a hybrid instrument However, continue the evaluation beginning with question 8 to assess whether an SGIC is involved.

If Not, Does this Meet the Definition of a Synthetic Guaranteed Investment Contract (SGIC)? (¶67)

8. Does the SGIC prohibit the University from assigning or selling the contract or its proceeds to another party without the consent of the issuer? _____ _____
9. Are prospective interest crediting rate adjustments provided to plan partcipants and UC on a designated pool of investments by a financially responsible third party? _____ _____
10. Do the adjustments provide assurance that probable future rate adjustments would result in an interest crediting rate of less than zero is remote? _____ _____
11. Do the pool of investments in total meet both of the following criteria?
    * The pool is of high credit quality such that the possibility of credit loss is remote?
    * The pool may be prepaid or otherwise settled in such a way that UC and its plan participants would recover contract value? _____ _____
12. Do the terms of the SGIC require all permitted participant-initiated transactions with UC to occur at contract value with no conditions, limits, or restrictions? (permitted participant-initiated transactions are those transactions allowed by UC, such as withdrawals for benefits, loans, or transfers to other investment choices) _____ _____
13. Some events may limit UC's ability to transact with participants at contract value. Examples are premature termination of contracts, layoffs, plan terminations, bankruptcies, and early retirement incentives. Is the probability of such an event occurring within one year of the date of the financial statements remote? _____ _____
14. Does UC allow participants reasonable access to their investments? _____ _____

If "yes" to all questions of 8-14 the financial instrument or contract is an SGIC under Statement No. 53. Measure at contract value and disclose in accordance with that Statement. The evaluation does not continue.

If "no" to any of questions 8-14, the financial instrument or contract is not an SGIC under Statement No. 53. The evaluation does not continue.

If this Meets the Definition of a Derivative Instrument, is it Excluded from the Scope of GASB Statement No. 53? (¶14-18)

15. Is the derivative instrument a normal purchase or sale contract for a commodity used in the normal course of operations? Consider whether the contract results in the purchase or sale of a commodity such as natural gas or electricity, whether the contract includes a net settlement feature, whether the University has entered into such a contract in the past, whether the University has a practice of taking delivery or selling a commodity, and whether the quantity of the commodity in the contract is consistent with the volume used in the University's activities. _____ _____
16. Is this a risk financing or insurance related contract? _____ _____
17. Is this a financial guarantee contract that does not respond to changes in a reference rate? _____ _____

18. Is this a specific type of contract that is not exchange traded and includes a reference rate based upon climate, geological, other physical variables, or the price of a nonfinancial asset?

19. Is this a loan commitment contract?

If "yes" to any one of questions 15-19, the financial instrument or contract is excluded from the scope of Statement No. 53 and the evaluation does not continue.

However, if "no" to all of questions 14-19, the financial instrument or contract is a derivative instrument that must be further evaluated under Statement No. 53 to determine whether it is an "investment derivative" or a "hedging derivative," and if a "hedging derivative," whether it is "effective" or "ineffective" hedge. Begin the next stage of the evaluation with question 20.

Determine Whether the Derivative Instrument is an "Investment Derivative" or a Potential "Hedging Derivative" (¶20)

20. Was the derivative instrument or contract entered into for the purpose of making a profit?

If "yes" to question 20, the financial instrument or contract is an investment derivative under Statement No. 53. Apply investment derivative financial reporting treatment and disclosures as outlined in the IRM.

If "no" to question 20, the financial instrument or contract is a hedging derivative and must be further evaluated to determine whether it is an "effective" or "ineffective" hedge. Begin the next stage of the evaluation with question 21.

21. Is the hedgeable item an existing or expected financial instrument?

If "yes" to question 21, continue the evaluation with question 22.

If "no" to question 21, the hedgeable item item is an existing or expected commodity transaction. Skip to question 30.

Evaluate Whether the Potential Hedging Derivative Where the Hedgeable Item is a Existing or Expected Financial Instrument is an "Effective" or Ineffective" Hedge. (¶34-48)

If the derivative instrument is an interest rate swap or forward contract, determine whether it is "effective" under the Consistent Critical Terms Method by continuing with question 22a, 23a or 24a.

Based upon the answers to the following, determine whether the Consistent Critical Terms Method of evaluating an interest rate swap or forward contract results in an "effective" hedge:

EXISTING OR EXPECTED FINANCIAL INSTRUMENTS

Consistent Critical Terms Method

For an "effective" interest rate swap-cash flow hedge (¶37):

22a. Is the notional amount of the interest rate swap the same as the principal amount of the hedgeable item throughout the life of the hedging relationship? This criterion is met if the notional amount of the interest rate swap and principal amount of the hedgeable item are equal for each hedged interest payment, even if the hedged item amortizes or otherwise adjusts subsequent to the inception of the hedge.

22b. Upon association with the hedgeable item, does the interest rate swap have a zero fair value? (the value of a derivative instrument that is either entered into or exited with no consideration being exchanged. A zero fair value should be within a dealer's normal bid/offer spread.)

22c. Is the formula for computing net settlements under the interest rate swap the same for each net settlement? (That is, the fixed rate is the same throughout the term of the interest rate swap. Likewise, each variable payment of the interest rate swap is based on the same variable, such as the same reference rate or index.)

22d. Is the reference rate of the interest rate swap's variable payment consistent with one of the following:
(1) The reference rate or payment of the hedgeable item. For example, an interest rate swap provides variable payments to the University equal to the total variable payments of variable-rate bonds—a cost-of-funds hedge.
(2) A benchmark interest rate as specified in paragraph 35 if interest rate risk is the hedged risk. The reference rate cannot be multiplied by a coefficient, such as 68 percent of LIBOR, but it may be adjusted by addition or subtraction of a constant, such as the SIFMA swap index plus 10 basis points, provided that the constant is specifically attributable to the effects of state-specific tax rates.

22e. Do interest receipts or payments of the interest rate swap occur during the term of the hedgeable item, and no interest receipts or payments of the interest rate swap occur after the term of the hedgeable item? (For example, an interest rate swap that hedges the first 10 years of a 15-year variable-rate bond meets this criterion.)

22f. Is it true that the reference rate of the interest rate swap does not have a floor or cap unless the hedgeable item has a floor or cap? If the hedgeable item has a floor or cap, does the interest rate swap have a floor or cap on the variable interest rate that is comparable to the floor or cap on the hedgeable item? (Comparable does not necessarily mean equal. For example, an interest rate swap's reference rate is the SIFMA swap index, while the hedgeable bond's variable rate is the SIFMA swap index plus 2 percent. A 10 percent cap on the interest rate swap would be comparable to a 12 percent cap on the bonds and would meet this criterion as both caps produce equal changes in cash flows if the SIFMA swap index exceeds 10 percent.)

22g. Is the time interval of the reference rate, commonly referred to as the designated maturity, employed in the variable payment of the interest rate swap the same as the time interval of the rate reset periods of the hedgeable item? (Examples that meet this criterion include an interest rate swap with a variable payment referenced to (1) the SIFMA swap index—a seven-day index—that hedges variable-rate bonds with a rate reset every seven days and (2) an interest rate swap with a variable payment referenced to the one-month LIBOR index that hedges taxable variable-rate bonds with a monthly rate reset.)

22h. Are the frequency of the rate resets of the variable payment of the swap and the hedgeable item the same? (For example, this criterion is met by an interest rate swap with a reference rate that resets monthly and hedges bonds with a variable interest rate that also resets monthly.)

22i. Are the rate reset dates of the interest rate swap within six days of the rate reset dates of the hedgeable item? (For example, this criterion is met by an interest rate swap with a reference rate that resets on the 15th day of the month that hedges bonds with a variable interest rate that resets on the 18th day of the month.)

22j. Are the periodic interest rate swap payments within 15 days of the periodic payments of the hedgeable item?

If "yes" to all of questions 22a-j, the interest rate swap is an "effective" cash flow hedge under the Consistent Critical Terms Method. Apply hedging derivative financial reporting treatment and disclosures as outlined in the IRM.

If "no" to any one of questions 22 a-j, the interest rate swap is not an "effective" cash flow hedge under the Consistent Critical Terms Method and must be further evaluated. Begin the next stage of the evaluation with question 23.

For an "effective" interest rate swap-fair value hedge (¶38):

23a. Is the notional amount of the interest rate swap the same as the principal amount of the hedgeable item throughout the life of the hedging relationship? (This criterion is met if the notional amount of the interest rate swap and principal amount of the hedgeable item are equal over the entire term of the hedgeable item, even if the hedgeable item amortizes or otherwise adjusts subsequent to the inception of the hedge.)

23b. Upon association with the hedgeable item, does the interest rate swap have a zero fair value?

23c. Is the formula for computing net settlements under the interest rate swap the same for each net settlement? (That is, the fixed rate is the same throughout the term of the interest rate swap. Likewise, each variable payment of the interest rate swap is based on the same variable, such as the same reference rate or index.)

23d. Is it true that the interest rate swap that hedges interest rate risk has a variable payment based on a benchmark interest rate without multiplication by a coefficient, such as 68 percent of LIBOR? (The benchmark interest rate, however, may be adjusted by addition or subtraction of a constant, such as the SIFMA swap index plus 10 basis points, provided that the constant is specifically attributed to the effect of state-specific tax rates.)

23e. Is it true that the hedgeable item is not prepayable? (that is, the hedgeable item is not able to be settled by either party prior to its scheduled maturity). This criterion does not apply to a call option in an interest-bearing hedgeable item that is matched by a mirror-image call option in an interest rate swap if both of the following criteria are met:
(1) A mirror-image call option matches the terms of the call option in the hedgeable item. The terms include maturities, strike price, related notional amounts, timing and frequency of payments, and dates on which the instruments may be called.
(2) The University is the writer of one call option and the holder (or purchaser) of the other call option.

23f. Is the expiration date of the interest rate swap on or about the maturity date of the hedgeable item so that the University will not be exposed to interest rate risk or market risk?

23g. Is it true that the reference rate of the interest rate swap has neither a floor nor a cap?

23f. Does the reference rate of the interest rate swap reset at least every 90 days so that the variable payment or receipt is considered to be at a market rate?

If "yes" to all of questions 22a-f, the interest rate swap is an "effective" fair value hedge under the Consistent Critical Terms Method. Apply hedging derivative financial reporting treatment and disclosures as outlined in the IRM.

If "no" to any one of questions 23 a-f, the interest rate swap is not an "effective" fair value hedge under the Consistent Critical Terms Method and must be further evaluated. Begin the next stage of the evaluation with question 24a.

For an "effective" forward contract-cash flow hedge (¶39):

24a. Is the object of the hedge an existing single asset or liability, or group of assets and liabilities, that are currently measured at fair value on the SRECNA, such as debt or equity securities denominated in a foreign currency?

If "yes" to question 24a, the derivative instrument is an investment derivative. Apply investment derivative financial reporting treatment and disclosures as outlined in the IRM.

If "no" to question 24a, continue to 24b.

24b. Is the object of the hedge an expected single asset or liability, or group of assets and liabilities, that are not currently measured at fair value on the SRECNA, such as the future purchase of debt or equity securities denominated in a foreign currency?

If "yes" to question 24b, a hedgeable item exists and therefore continue the evaluation to 24c to determine whether the potential hedging derivative is "effective".

If "no" to question 24b, the derivative instrument is an investment derivative. Apply investment derivative financial reporting treatment and disclosures as outlined in the IRM.

24c. Is the forward contract for the purchase or sale of the same quantity or notional amount and at the same time as the hedgeable item?

24d. Upon association with the hedgeable item, does the forward contract have a zero fair value?

24e. Is the reference rate of the forward contract consistent with the reference rate of the hedgeable item?

If "yes" to all of questions 24c-e, the forward contract is an "effective" cash flow hedge under the Consistent Critical Terms Method. Apply hedging derivative financial reporting treatment and disclosures as outlined in the IRM. Discontinue the evaluation.

If "no" to any one of questions 24a-c, the forward contract is not an "effective" cash flow hedge under the Consistent Critical Terms Method. Do not apply hedging derivative financial reporting treatment. Apply investment derivative financial reporting treatment and disclosures as outlined in the IRM. Discontinue the evaluation.

Quantitative Methods

If the interest rate swap or forward contract is not "effective" under the Consistent Critical Terms Method, continue the evaluation using at least one of the quantitative methods discussed below.

Synthetic instrument method-cash flow hedge (¶42-43):

25a. Is the notional amount of the potential hedging derivative instrument the same as the principal amount of the associated variable-rate asset or liability throughout the life of the hedging relationship? (This criterion is met if the notional amount of the swap and principal amount of the hedgeable item match for each hedged interest payment, even if the hedged item amortizes or otherwise adjusts subsequent to the inception of the hedge.)

25b. Upon association with the variable-rate asset or liability, does the potential hedging derivative instrument have a zero fair value or is the forward price at-the-market?

25c. Is the formula for computing net settlements under the potential hedging derivative instrument the same for each net settlement; that is, the same fixed rate, reference rate, and constant adjustment, if any, throughout the term of the potential hedging derivative instrument?

25d. Do the interest receipts or payments of the potential hedging derivative instrument occur during the term of the variable-rate asset or liability, and no interest receipts or payments occur after the term of the variable-rate asset or liability? (For example, a swap that hedges the first 10 years of a 15-year variable-rate bond meets this criterion.)

If "yes" to all of questions 25a-d, the Synthetic Instrument Method may be applied to evaluate the effectiveness of a potential hedging derivative. Continue with question 26.

If "no" to any one of questions 25a-d, the Synthetic Instrument Method may not be applied to evaluate the effectiveness of a potential hedging derivative. Skip to question 27 for another quantitative method.

26. Under the synthetic instrument method, a potential hedging derivative instrument is effective if the actual synthetic rate is substantially fixed. The results of this analysis should be evaluated as follows:

26a. Is the actual synthetic rate within a range of 90 to 111 percent of the fixed rate of the potential hedging derivative instrument?

26b. If the actual synthetic rate is outside the required range for the current reporting period, the actual synthetic rate should be calculated on a life-to-date basis. Is the actual synthetic rate on a life-to-date basis within the required range?

26c. If a short time period has elapsed since inception of the hedge and the actual synthetic rate is outside the required range, the evaluation may include hypothetical payments, as if the hedge had been established at an earlier date. Effectiveness should then be reevaluated. For example, the first reporting period ends 90 days into a 10-year hedge, and when the government prepares its financial statements, it finds that the actual synthetic rate for the 90-day period is outside the 90 to 111 percent range. In that case, hypothetical payments from periods prior to the establishment of the hedge may be added to the evaluation. Does that analysis show a synthetic rate within the required range?

If "yes" to any of questions 26a-c, the derivative instrument is an "effective" cash flow hedge under the Synthetic Instrument Method. Apply hedging derivative financial reporting treatment and disclosures as outlined in the IRM.

If "no" to any one of questions 26a-c, the derivative instrument is not an "effective" cash flow hedge under the Synthetic Instrument Method and must be further evaluated. Skip to question 27 for another quantitative method.

Dollar-offset method-fair value or cash flow hedge (¶44):

27. The dollar-offset method evaluates effectiveness by comparing the changes in expected cash flows or fair values of the potential hedging derivative instrument with the changes in expected cash flows or fair values of the hedgeable item. This evaluation may be made using changes in the current period or on a life-to-date basis. Do changes in either the hedgeable item or the potential hedging derivative instrument divided by the other result within a range of 80 to 125 percent in absolute terms?

If "yes" to question 27, the derivative instrument is an "effective" as either a cash flow or fair value hedge under the Dollar Offset Method. Apply hedging derivative financial reporting treatment and disclosures as outlined in the IRM.

If "no" to question 27, the derivative instrument is not an "effective" cash flow or fair value hedge under the Dollar Offset Method and must be further evaluated. Skip to question 28 for another quantitative method.

Regression analysis method (¶45-47):

Cash flow hedges. If a potential hedging derivative instrument is employed as a cash flow hedge, the relationship analyzed should be relevant cash flows, rates, or fair values of the potential hedging derivative instrument and the hedgeable item. See ¶46.

Fair value hedges. If a potential hedging derivative instrument is employed as a fair value hedge, the relationship analyzed should be the changes in fair values of the potential hedging derivative instrument and the hedgeable item.

28. For either a cash flow or fair value hedge, under the regreession analysis method:

28a. Is the R-squared of the regression analysis is at least 0.80?

28b. Does the F-statistic calculated for the regression model demonstrate that the model is significant using a 95 percent confidence interval?

28c. Is the regression coefficient for the slope is between –1.25 and –0.80?

If "yes" to all of questions 28a-c, the derivative instrument is either an "effective" cash flow hedge or fair value hedge under the Regression Analysis Method. Apply hedging derivative financial reporting treatment and disclosures as outlined in the IRM.

If "no" to any one of questions 28a-c, the derivative instrument is not an "effective" cash flow or fair value hedge under the Regression Analysis Method and must be further evaluated. Skip to question 29 for another quantitative method.

Other Quantitative Methods (¶48):

The University may use a quantitative method to evaluate effectiveness not specifically identified in Statement No. 53 if the method meets all of the following criteria:

29a. Through identification and analysis of critical terms, does the method demonstrates that the changes in cash flows or fair values of the potential hedging derivative instrument substantially offset the changes in cash flows or fair values of the hedgeable item? _____ _____

29b. Can replicable evaluations of effectiveness be generated that are sufficiently complete and documented such that different evaluators using the same method and assumptions would reach substantially similar results? _____ _____

29c. Have the substantive characteristics of the hedgeable item and the potential hedging derivative instrument that could affect their cash flows or fair values been considered? _____ _____

If "yes" to all of questions 29a-c, another quantitative method may be used to demonstrate effectiveness.

If "no" to any of questions 29a-c, another quantitative method may not be used to demonstrate effectiveness.

EXISTING OR EXPECTED COMMODITY TRANSACTIONS

Based upon the answers to the following, determine whether the Consistent Critical Terms Method of evaluating a commodity asset or expected transaction results in an "effective" hedge:

Consistent Critical Terms Method

For an "effective" commodity swap-cash flow hedge (¶51):

30a. Is the commodity swap for the purchase or sale of the same quantity (notional amount) of the same hedgeable item at the same time and delivery location as the hedgeable item? _____ _____

30b. Upon association with the hedgeable item, does the commodity swap have a zero fair value? _____ _____

30c. Is the reference rate of the commodity swap consistent with the reference rate of the hedgeable item. (For example, a commodity swap hedges the University's natural gas purchases at the Henry Hub pricing point. That commodity swap also should have a reference rate based on the Henry Hub pricing point to meet this criterion.) _____ _____

30d. Is it true that the reference rate of the commodity swap does not have a floor or cap unless the hedgeable item has a floor or cap? (Floors and caps place limits on expected cash flows. If the hedgeable item has a floor or cap, the commodity swap has a comparable floor or cap on the variable commodity price.) _____ _____

If "yes" to all of questions 30a-d, the interest rate swap is an "effective" cash flow hedge under the Consistent Critical Terms Method. Apply hedging derivative financial reporting treatment and disclosures as outlined in the IRM.

If "no" to any one of questions 30 a-d, the interest rate swap is not an "effective" cash flow hedge under the Consistent Critical Terms Method and must be further evaluated. Begin the next stage of the evaluation with question 31.

For an "effective" commodity swap-fair value hedge (¶52):

31a. Is the commodity swap for the purchase or sale of the same quantity (notional amount) of the same hedgeable item at the same time and delivery location as the hedgeable item?

31b. Upon association with the hedgeable item, does the commodity swap have a zero fair value?

31c. Is it true that the hedgeable item is not prepayable? (that is, the hedgeable item is not able to be settled by either party prior to its scheduled maturity). This criterion does not apply to a call option in an interest-bearing hedgeable item that is matched by a mirror-image call option in a commodity swap if both of the following criteria are met:
(1) A mirror-image call option matches the terms of the call option in the hedgeable item. The terms include maturities, strike price, related notional amounts, timing and frequency of payments, and dates on which the instruments may be called.
(2) The University is the writer of one call option and the holder (or purchaser) of the other call option.

31d. Is the expiration date of the commodity swap on or about the maturity date of the hedgeable item so that the University will not be exposed to interest rate risk or market risk?

31e. Is it true that the reference rate of the commodity swap has neither a floor nor a cap?

31f. Does the reference rate of the commodity swap reset at least every 90 days so that the variable payment or receipt is considered to be at a market rate?

If "yes" to all of questions 31a-f, the commodity swap is an "effective" fair value hedge under the Consistent Critical Terms Method. Apply hedging derivative financial reporting treatment and disclosures as outlined in the IRM.

If "no" to any one of questions 31 a-f, the commodity swap is not an "effective" fair value hedge under the Consistent Critical Terms Method and must be further evaluated. Begin the next stage of the evaluation with question 33a.

For an "effective" commodity forward contract-cash flow hedge (¶53):

32a. Is the forward contract for the purchase or sale of the same quantity or notional amount and at the same time as the hedgeable item?

32b. Upon association with the hedgeable item, does the forward contract have a zero fair value?

32c. Is the reference rate of the forward contract consistent with the reference rate of the hedgeable item?

If "yes" to all of questions 32a-c, the commodity forward contract is an "effective" cash flow hedge under the Consistent Critical Terms Method. Apply hedging derivative financial reporting treatment and disclosures as outlined in the IRM.

If "no" to any one of questions 32 a-c, the commodity forward contract is not an "effective" cash flow hedge under the Consistent Critical Terms Method and must be further evaluated. Begin the next stage of the evaluation with question 33a.

Quantitative Methods

If the commodity swap or forward contract is not "effective" under the Consistent Critical Terms Method, continue the evaluation using at least one of the quantitative methods discussed below.

Synthetic instrument method-cash flow hedge (¶56-57):

33a. Is the notional amount of the potential hedging derivative instrument the same as the quantity of the hedgeable item? _____ _____

33b. Upon association with the hedgeable item, does the potential hedging derivative instrument have a zero fair value or is the forward price at-the-market? _____ _____

If "yes" to all of questions 33 a-b, the Synthetic Instrument Method may be applied to evaluate the effectiveness of a potential hedging derivative. Continue with question 34.

If "no" to any one of questions 33 a-b, the Synthetic Instrument Method may not be applied to evaluate the effectiveness of a potential hedging derivative. Skip to question 35 for another quantitative method.

34. Under the synthetic instrument method, a potential hedging derivative instrument is effective if the actual synthetic rate is substantially fixed. The results of this analysis should be evaluated as follows:

34a. Is the actual synthetic rate within a range of 90 to 111 percent of the fixed rate of the potential hedging derivative instrument? _____ _____

Dollar-offset method-fair value or cash flow hedge (¶58):

35. The dollar-offset method evaluates effectiveness by comparing the changes in expected cash flows or fair values of the potential hedging derivative instrument with the changes in expected cash flows or fair values of the hedgeable item. This evaluation may be made using changes in the current period or on a life-to-date basis. Do changes in either the hedgeable item or the potential hedging derivative instrument divided by the other result within a range of 80 to 125 percent in absolute terms? _____ _____

If "yes" to question 35, the derivative instrument is an "effective" as either a <u>cash flow or fair value hedge</u> under the Dollar Offset Method. Apply hedging derivative financial reporting treatment and disclosures as outlined in the IRM.

If "no" to question 35, the derivative instrument is not an "effective" cash flow <u>or fair value hedge</u> under the Dollar Offset Method and must be further evaluated. Skip to question 36 for another quantitative method.

Regression analysis method (¶59):

Cash flow hedges. If a potential hedging derivative instrument is employed as a cash flow hedge, the relationship analyzed should be relevant cash flows, rates, or fair values of the potential hedging derivative instrument and the hedgeable item. See ¶60.

Fair value hedges. If a potential hedging derivative instrument is employed as a fair value hedge, the relationship analyzed should be the changes in fair values of the potential hedging derivative instrument and the hedgeable item.

For either a cash flow or fair value hedge, under the regreession analysis method:

36a. Is the R-squared of the regression analysis is at least 0.80? _____ _____

36b. Does the F-statistic calculated for the regression model demonstrate that the model is significant using a 95 percent confidence interval? _____ _____

36c. Is the regression coefficient for the slope is between –1.25 and –0.80? _____ _____

Synthetic instrument method-cash flow hedge (¶56-57):

33a. Is the notional amount of the potential hedging derivative instrument the same as the quantity of the hedgeable item? _____ _____

33b. Upon association with the hedgeable item, does the potential hedging derivative instrument have a zero fair value or is the forward price at-the-market? _____ _____

If "yes" to all of questions 33 a-b, the Synthetic Instrument Method may be applied to evaluate the effectiveness of a potential hedging derivative. Continue with question 34.

If "no" to any one of questions 33 a-b, the Synthetic Instrument Method may not be applied to evaluate the effectiveness of a potential hedging derivative. Skip to question 35 for another quantitative method.

34. Under the synthetic instrument method, a potential hedging derivative instrument is effective if the actual synthetic rate is substantially fixed. The results of this analysis should be evaluated as follows:

34a. Is the actual synthetic rate within a range of 90 to 111 percent of the fixed rate of the potential hedging derivative instrument? _____ _____

Dollar-offset method-fair value or cash flow hedge (¶58):

35. The dollar-offset method evaluates effectiveness by comparing the changes in expected cash flows or fair values of the potential hedging derivative instrument with the changes in expected cash flows or fair values of the hedgeable item. This evaluation may be made using changes in the current period or on a life-to-date basis. Do changes in either the hedgeable item or the potential hedging derivative instrument divided by the other result within a range of 80 to 125 percent in absolute terms? _____ _____

If "yes" to question 35, the derivative instrument is an "effective" as either a <u>cash flow or fair value hedge</u> under the Dollar Offset Method. Apply hedging derivative financial reporting treatment and disclosures as outlined in the IRM.

If "no" to question 35, the derivative instrument is not an "effective" cash flow <u>or fair value hedge</u> under the Dollar Offset Method and must be further evaluated. Skip to question 36 for another quantitative method.

Regression analysis method (¶59):

Cash flow hedges. If a potential hedging derivative instrument is employed as a cash flow hedge, the relationship analyzed should be relevant cash flows, rates, or fair values of the potential hedging derivative instrument and the hedgeable item. See ¶60.

Fair value hedges. If a potential hedging derivative instrument is employed as a fair value hedge, the relationship analyzed should be the changes in fair values of the potential hedging derivative instrument and the hedgeable item.

For either a cash flow or fair value hedge, under the regreession analysis method:

36a. Is the R-squared of the regression analysis is at least 0.80? _____ _____

36b. Does the F-statistic calculated for the regression model demonstrate that the model is significant using a 95 percent confidence interval? _____ _____

36c. Is the regression coefficient for the slope is between –1.25 and –0.80? _____ _____

If "yes" to all of questions 36a-c, the derivative instrument is either an "effective" cash flow hedge or fair value hedge under the Regression Analysis Method. Apply hedging derivative financial reporting treatment and disclosures as outlined in the IRM.

If "no" to any one of questions 36a-c, the derivative instrument is not an "effective" cash flow or fair value hedge under the Regression Analysis Method and must be further evaluated. Skip to question 37 for another quantitative method.

Other Quantitative Methods (¶62):

The University may use a quantitative method to evaluate effectiveness not specifically identified in Statement No. 53 if the method meets all of the following criteria:

37a. Through identification and analysis of critical terms, does the method demonstrates that the changes in cash flows or fair values of the potential hedging derivative instrument substantially offset the changes in cash flows or fair values of the hedgeable item? _____ _____

37b. Can replicable evaluations of effectiveness be generated that are sufficiently complete and documented such that different evaluators using the same method and assumptions would reach substantially similar results? _____ _____

37c. Have the substantive characteristics of the hedgeable item and the potential hedging derivative instrument that could affect their cash flows or fair values been considered? _____ _____

If "yes" to all of questions 37 a-c, another quantitative method may be used to demonstrate effectiveness.

If "no" to any of questions 37 a-c, another quantitative method may not be used to demonstrate effectiveness.

EXHIBIT 3: EXAMPLES OF ACCOUNTING FOR DERIVATIVE INSTRUMENTS—GASB STATEMENT NO. 53

	Debit (Credit)		Increase (Decrease)	
Transaction	**Statement of Net Assets**	**SRECNA**	**Statement of Cash Flows**	**Reconciliation of Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities**
1. Investment derivatives (entered into by the Chief Investment Officer for purposes of making a profit, not related to a currently held investment security) **1a.** Determine that the FV of an investment derivative is a positive $500 and matures within one year.	DR Investments-FV Derivatives-CIO AGC 160280 (Current) $500 AGC 161180 (Noncurrent) $0 (FV shown as a separate line item in footnote investment summary)	CR Net (App)/Dep in FV of Investments-Derivatives-CIO AGC 208276 ($500)	N/A – No cash involved.	N/A – Not an operating activity.
1b. Derivative is sold or terminated for $600.	DR A/R-Other-Investment Sales AGC 160564 $600 CR A/R-Other-Investment Sales-Settlements AGC 160565 ($600) DR Cash $600 CR Investments-FV Derivatives-CIO AGC 160280 (Current) ($500) AGC 161180 (Noncurrent) ($0) (FV shown as a separate line item in footnote investment summary)	CR Net (App)/Dep in FV of Investments-Terminated Derivatives-CIO AGC 208278 ($100)	Proceeds from sales and maturities of investments $600	N/A – Not an operating activity.
OR				
1c. Determine that the FV of an investment derivative is a negative $1000, matures in greater than one year, and the counterparty cannot terminate the derivative instrument at any time. (If the counterparty could terminate the derivative at any time AND the FV was a negative (liability), the liability must be classified as a current liability.	CR Investments-FV Derivatives-CIO AGC 160280 (Current) ($0) AGC 161180 (Noncurrent) ($1000) (FV shown as a separate line item in footnote investment summary)	DR Net (App)/Dep in FV of Investments-Derivatives-CIO AGC 208276 $1000	N/A – No cash involved.	N/A – Not an operating activity.

Transaction	Debit (Credit)		Increase (Decrease)	
	Statement of Net Assets	SRECNA	Statement of Cash Flows	Reconciliation of Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities
1d. Derivative that had a previously recorded negative FV of $1000 is terminated for a $700 payment.	DR Investments-FV Derivatives-CIO AGC 160280 (Current) $0 AGC 161180 (Noncurrent) $1000 DR A/P-Other Investment Purchases-Settlements AGC 164140 $700 CR A/P-Other Investment Purchases AGC 164130 ($700) CR Cash ($700) (FV shown as a separate line item in footnote investment summary)	CR Net (App)/Dep in FV of Investments-Terminated Derivatives-CIO AGC 208278 ($300)	Purchase of investments ($700)	N/A – Not an operating activity.
2. Hedging derivatives that are "effective hedges" of a currently held type of investment security entered into by the Chief Investment Officer **2a.** Determine that a hedging derivative that hedges other types of hedgeable assets is effective, has a positive FV of $500 and expires beyond one year.	DR Investments-FV Derivatives-CIO AGC 160280 (Current) $0 AGC 161180 (Noncurrent) $500 (FV shown as a separate line item in footnote investment summary) CR Def Inflows-FV Derivative Deferral-CIO AGC 164811 (Current) ($0) AGC 165611 (Noncurrent) ($500)	N/A – Change in FV is Deferred.	N/A – No cash involved.	N/A – Not an operating activity.

	Debit (Credit)		Increase (Decrease)	
Transaction	**Statement of Net Assets**	**SRECNA**	**Statement of Cash Flows**	**Reconciliation of Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities**
2b. In year 2, the FV swings to a negative fair value of $200 and now expires within one year.	DR – Def Inflows-FV Derivative Deferral-CIO AGC 164811 (Current) $0 AGC 165611 (Noncurrent) $500 CR Investments-FV Derivatives-CIO AGC 160280 (Current) ($0) AGC 161180 (Noncurrent) ($500) (FV shown as a separate line item in footnote investment summary) DR Def Outflows-FV Derivative Deferral-CIO AGC 160911 (Current) $200 AGC 161981 (Noncurrent) $0 CR Investments-FV Derivatives-CIO AGC 160280 (Current) ($200) AGC 161180 (Noncurrent) ($0) (FV shown as a separate line item in footnote investment summary)	N/A – Change in FV is Deferred.	N/A – No cash involved.	N/A – Not an operating activity.
2c. Derivative is sold or terminated for $600.	DR A/R-Other-Investment Sales AGC 160564 $600 CR A/R-Other-Investment Sales-Settlements AGC 160565 ($600) DR Cash $600 DR Investments-FV Derivatives-CIO AGC 160911 (Current) $200 AGC 161180 (Noncurrent) $0 (FV shown as a separate line item in footnote investment summary) CR –Def Outflows-FV Derivative Deferral-CIO AGC 160911 (Current) ($200) AGC 161981 (Noncurrent) ($0)	CR Net (App)/Dep in FV of Investments-Terminated Derivatives-CIO AGC 208278 ($600)	Proceeds from sales and maturities of investments $600	N/A – Not an operating activity.

Transaction	Debit (Credit)		Increase (Decrease)	
	Statement of Net Assets	SRECNA	Statement of Cash Flows	Reconciliation of Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities
3. Investment derivatives as a result of being an "ineffective hedge"—although entered into by the Chief Investment Officer and designed to relate to a currently held type of investment security **3a.** Determine that the FV of an investment derivative that results from a hedging derivative that is considered to be ineffective is a positive $500 and matures within one year.	DR Investments-FV Derivatives-CIO AGC 160280 (Current) $500 AGC 161180 (Noncurrent) $0 (FV shown as a separate line item in footnote investment summary)	CR Net (App)/Dep in FV of Investments-Derivatives-CIO AGC 208276 ($500)	N/A – No cash involved.	N/A – Not an operating activity.
3b. Derivative is sold or terminated for $600.	DR A/R-Other-Investment Sales AGC 160564 $600 CR A/R-Other-Investment Sales-Settlements AGC 160565 ($600) DR Cash $600 CR Investments-FV Derivatives-CIO AGC 160280 (Current) ($500) AGC 161180 (Noncurrent) ($0) (FV shown as a separate line item in footnote investment summary)	CR Net (App)/Dep in FV of Investments-Terminated Derivatives-CIO AGC 208278 ($100)	Proceeds from sales and maturities of investments $600	N/A – Not an operating activity.
OR				
3c. Determine that the FV of an investment derivative that results from a hedging derivative that is considered to be ineffective, is a positive $1000, matures in greater than one year, and the counterparty cannot terminate the derivative instrument at any time. (If the counterparty could terminate the derivative at any time AND the FV was a negative (liability), the liability must be classified as a current liability.	DR Investments-FV Derivatives-CIO AGC 160280 (Current) $0 AGC 161180 (Noncurrent) $1000 (FV shown as a separate line item in footnote investment summary)	CR Net (App)/Dep in FV of Investments-Derivatives-CIO AGC 208276 ($1000)	N/A – No cash involved.	N/A – Not an operating activity.

Transaction	Debit (Credit)		Increase (Decrease)	
	Statement of Net Assets	SRECNA	Statement of Cash Flows	Reconciliation of Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities
3d. Derivative that had a previously recorded FV of $1000 is terminated for a $700 payment.	DR A/P-Other Investment Purchases-Settlements AGC 164140 $700 CR A/P-Other Investment Purchases AGC 164130 ($700) CR Investments-FV Derivatives-CIO AGC 160280 (Current) ($0) AGC 161180 (Noncurrent) ($1000) (FV shown as a separate line item in footnote investment summary) CR Cash ($700)	DR Net (App)/Dep in FV of Investments-Terminated Derivatives-CIO AGC 208276 $1700	Purchase of investments ($700)	N/A – Not an operating activity.
4. Investment derivatives as a result of being an "ineffective hedge"—NOT entered into by the Chief Investment Officer **4a.** Determine that the FV of an investment derivative that results from a hedging derivative that is considered to be ineffective is a positive $500 and matures within one year.	DR Other Assets-FV Derivatives-Non CIO AGC 160861 (Current) $500 AGC 161977 (Noncurrent) $0	CR Net (App)/Dep in FV of Investments-Derivatives-Non CIO AGC 208277 ($500)	N/A – No cash involved.	N/A – Not an operating activity.
4b. Derivative is sold or terminated for $600.	DR A/R-Other-Investment Sales AGC 160564 $600 CR A/R-Other-Investment Sales-Settlements AGC 160565 ($600) DR Cash $600 CR Other Assets-FV Derivatives-Non CIO AGC 160861 (Current) ($500) AGC 161977 (Noncurrent) ($0)	CR Net (App)/Dep in FV of Investments-Terminated Derivatives-Non CIO AGC 208279 ($100)	Proceeds from sales and maturities of investments $600	N/A – Not an operating activity.
OR				

Transaction	Debit (Credit)		Increase (Decrease)	
	Statement of Net Assets	SRECNA	Statement of Cash Flows	Reconciliation of Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities
4c. Determine that the FV of an investment derivative that results from a hedging derivative that is considered to be ineffective, is a positive $1000, matures in greater than one year, and the counterparty cannot terminate the derivative instrument at any time. (If the counterparty could terminate the derivative at any time AND the FV was a negative (liability), the liability must be classified as a current liability.	DR Other Assets-FV Derivatives-Non CIO AGC 160861 (Current) $0 AGC 161977 (Noncurrent) $1000	CR Net (App)/Dep in FV of Investments-Derivatives-Non CIO AGC 208277 ($1000)	N/A – No cash involved.	N/A – Not an operating activity.
4d. Derivative that had a previously recorded FV of $1000 is terminated for a $700 payment.	DR A/P-Other Investment Purchases-Settlements AGC 164140 $700 CR A/P-Other Investment Purchases AGC 164130 ($700)		Purchase of investments ($700)	N/A – Not an operating activity.
	CR Other Assets-FV Derivatives-Non CIO AGC 160861 (Current) ($0) AGC 161977 (Noncurrent) ($1000) CR Cash ($700)	DR Net (App)/Dep in FV of Investments-Terminated Derivatives-Non CIO AGC 208277 $1700		
5. Hedging derivatives that are "effective hedges" of debt		N/A – Change in FV is Deferred.	N/A – No cash involved other than the contract payments that are included as part of interest paid on debt that is not part of this discussion.	N/A – Not an operating activity.
5a. Determine that a hedging derivative that hedges debt is effective, has a positive FV of $500, matures in 25 years and cannot be terminated by the counterparty.	DR Other Assets-FV Derivatives-Non CIO AGC 160861 (Current) $0 AGC 161977 (Noncurrent) $500 CR Def Inflows- FV Derivative Deferral-Non CIO AGC 164812 (Current) ($0) AGC 165612 (Noncurrent) ($500)			

	Debit (Credit)		Increase (Decrease)	
Transaction	**Statement of Net Assets**	**SRECNA**	**Statement of Cash Flows**	**Reconciliation of Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities**
5b. In year 2, the FV swings to a negative fair value of $200.	DR Def Inflows-FV Derivative Deferral-Non CIO AGC 164812 (Current) $0 AGC 165612 (Noncurrent) $500 CR Other Assets-FV Derivatives-Non CIO AGC 160861 (Current) ($0) AGC 161977 (Noncurrent) ($500) DR Def Outflows-FV Derivative Deferral-Non CIO AGC 160912 (Current) $0 AGC 161982 (Noncurrent) $200 CR Other Liabilities-FV Derivatives-Non CIO AGC 164777 (Current) ($0) AGC 165593 (Noncurrent) ($200)	N/A – Change in FV is Deferred.	N/A – No cash involved.	N/A – Not an operating activity.
5c. Derivative is sold or terminated for $600.	DR A/R-Other-Investment Sales AGC 160564 $600 CR A/R-Other-Investment Sales-Settlements AGC 160565 ($600) DR Cash $600 DR Other Liabilities-FV Derivatives-Non CIO AGC 164777 (Current) $0 AGC 165593 (Noncurrent) $200 CR Def Outflows- FV Derivative Deferral-Non CIO AGC 160912 (Current) ($0) AGC 161982 (Noncurrent) ($200)	CR Net (App)/Dep in FV of Investments-Terminated Derivatives-Non CIO AGC 208279 ($600)	Proceeds from sales and maturities of investments $600	N/A – Not an operating activity.

Transaction	Debit (Credit)		Increase (Decrease)	
	Statement of Net Assets	SRECNA	Statement of Cash Flows	Reconciliation of Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities
6. Hedging derivatives that are "effective hedges" of other types of hedgeable assets **6a.** Determine that a hedging derivative that hedges other types of hedgeable assets is effective, has a positive FV of $500, matures in 25 years and cannot be terminated by the counterparty.	DR Other Assets-FV Derivatives-Non CIO AGC 160861 (Current) $0 AGC 161977 (Noncurrent) $500 CR Def Inflows-FV Derivative Deferral-Non CIO AGC 164812 (Current) ($0) AGC 165612 (Noncurrent) ($500)	N/A – Change in FV is Deferred.	N/A – No cash involved.	N/A – Not an operating activity.
6b. In year 2, the FV swings to a negative fair value of $200.	DR Def Inflows-FV Derivative Deferral-Non CIO AGC 164812 (Current) $0 AGC 165612 (Noncurrent) $500 CR Other Assets-FV Derivatives-Non CIO AGC 160861 (Current) ($0) AGC 161977 (Noncurrent) ($500) DR Def Outflows-FV Derivative Deferral-Non CIO AGC 160912 (Current) $0 AGC 161982 (Noncurrent) $200 CR Other Liabilities-FV Derivatives-Non CIO AGC 164777 (Current) ($0) AGC 165593 (Noncurrent) ($200)	N/A – Change in FV is Deferred.	N/A – No cash involved.	N/A – Not an operating activity.

Transaction	Debit (Credit)		Increase (Decrease)	
	Statement of Net Assets	SRECNA	Statement of Cash Flows	Reconciliation of Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities
6c. Derivative is sold or terminated for $600.	DR A/R-Other-Investment Sales AGC 160564 $600 CR A/R-Other-Investment Sales-Settlements AGC 160565 ($600) DR Cash $600 DR Other Liabilities-FV Derivative-Non CIO AGC 164777 (Current) $0 AGC 165593 (Noncurrent) $200 CR Def Outflows-FV Derivative Deferral-Non CIO AGC 160912 (Current) ($0) AGC 161982 (Noncurrent) ($200)	CR Net (App)/Dep in FV of Investments-Terminated Derivatives-Non CIO AGC 208279 ($600)	Proceeds from sales and maturities of investments $600	N/A – Not an operating activity.
7. Synthetic Guaranteed Investment Contracts				
7a. Record contract value at the time of purchase for $1000.	DR A/P-Other Investment Purchases-Settlements AGC 164140 $1000 CR A/P-Other Investment Purchases AGC 164130 ($1000) DR Investments-FV Derivatives-CIO AGC 160280 (Current) $0 AGC 161180 (Noncurrent) $1000 CR Cash ($1000)		Purchase of Investments $1000.	N/A – Not an operating activity.

Transaction	Debit (Credit)		Increase (Decrease)		
	Statement of Net Assets	SRECNA	Statement of Cash Flows		Reconciliation of Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities
7b. Record investment income for $50 and increase contract value.	DR Cash $50 DR Investments-FV Derivatives-CIO AGC 160280 (Current) $0 AGC 161180 (Noncurrent) $50 DR A/P-Other Investment Purchases-Settlements AGC 164140 $50 CR A/P-Other Investment Purchases AGC 164130 ($50) CR Cash ($50)	CR Investment Income-Other AGC 208230 ($50)	Investment Income $50 Purchase of Investments ($50)		N/A – Not an operating activity.

Note: All examples are coded for Current Funds, but the actual coding used will depend on the fund group.

EXHIBIT 4: Subsequent Year GASB Statement No. 53 Evaluation Checklist

Subsequent Year End Checklist Summary

Financial Instrument or Contract Reviewed:
Evaluation as of :
Evaluation Prepared By: **Reviewed By:**

Conclusion on whether a termination event has occured under GASB Statement No. 53:

Conclusion from the review of potential termination events	**Reference Questions**	**Check One**
The hedging derivative is no longer "effective."	1	
The likelihood that a hedged expected transaction will occur is no longer probable.	2	
The hedged asset or liability been sold or retired but NOT as a refunding resulting in defeasance of debt.	3	
The hedging derivative itself been terminated.	4	
There been a refunding resulting in the defeasance of hedged debt.	5	
The hedged expected transaction occurred.	6	
The hedge is still "effective."	N/A	
Disposition of deferral account		**Check One**
This remains a hedging derivative and hedge accounting should be continued.		
Discontinue hedge accounting. Write off the deferral account to "net (appreciation)/depreciation in fair value of investments."		
Discontinue hedge accounting. Include the deferral account in the calculation of "deferred cost of financing" under Statement No. 23.		
Other disposition. See GASB 53, paragraph 25 for details on the procedures to discontinue hedge accounting with respect to the deferral account		
Disposition of fair value account		**Check One**
This remains a hedging derivative because it remains "effective."		
Report on the SNA as an investment derivative because it has become "ineffective."		
Remove from the SNA in conjunction with the cash receipt or payment upon termination.		
Report on the SNA as a hedging derivative because it has become "effective" in conjunction with another hedgeable item.		

EXHIBIT 4: Subsequent Year GASB Statement No. 53 Evaluation Checklist

Subsequent Year End Evaluation Checklist for **Name of Financial Instrument or Contract Reviewed**

Refer to the GASB Statement No. 53 outline for details

Note: See attached comments for further discussion of the conclusion. Certain questions do not result in simple "yes" or "no" answers and the substance of the financial instrument or contract must be considered in in order to arrive at the conclusion.

At the end of the each subsequent fiscal year, evaluate whether the outstanding hedging derivative has encountered a termination event under GASB Statement No. 53.

Has a Termination Event Occurred? If so, Determine Disposition of the Deferral Account.

	YES/ NO	Source Document/ X - Reference
1. Remeasure "effectiveness." Has it been determined that the hedging derivative is no longer "effective?"		
2. Has it been determined that the likelihood that a hedged expected transaction will occur is no longer probable?		
3. Has the hedged asset or liability been sold or retired but NOT as a refunding resulting in defeasance of debt.		

If "yes," to questions 1, 2 or 3, discontinue hedge accounting. Write off the deferral account to "net (appreciation)/depreciation in fair value of investments." The fair value of the derivative instrument itself should now be treated and reported on the SNA as an investment derivative because it has now become "ineffective," UNLESS it has become "effective" due to its association with a new hedgeable item (perform the analysis required for new hedges at the end of the first year to make this assessment). If it has become "ineffective," future changes in fair value are recorded as "net (appreciation)/depreciation in the fair value of investments."

If "no" to any one of questions 1-3, it is possible that this remains a hedging derivative and hedge accounting should be continued, depending on the continued evaluation in questions 4-6.

4. Has the hedging derivative itself been terminated?		

If "yes" to question 4, discontinue hedge accounting. Write off the deferral account to "net (appreciation)/depreciation in fair value of investments." The fair value of the derivative instrument is removed from the SNA in conjunction with the cash receipt or payment upon termination.

If "no" to questions 4, it is possible that this remains a hedging derivative and hedge accounting should be continued, depending on the continued evaluation in questions 5-6.

5. Has there been a refunding resulting in the defeasance of hedged debt?		

If "yes," to question 5, discontinue hedge accounting. Include the deferral account in the calculation of "deferred cost of financing" under Statement No. 23. The fair value of the derivative instrument is removed from the SNA in conjunction with the cash receipt or payment upon termination.

If "no" to question 5, it is possible that this remains a hedging derivative and hedge accounting should be continued, depending on the continued evaluation in questions 6.

6. Has the hedged expected transaction occurred, such as the purchase of an energy commodity or the sale of bonds?		

If "yes," to question 6, a termination event has occured. See GASB 53, paragraph 25 for details on the procedures to discontinue hedge accounting with respect to the deferral account and contact Financial Management for assistance. The fair value of the derivative instrument itself should now be treated and reported on the SNA as an investment derivative because it has become "ineffective," UNLESS it has become "effective" due to its association with a new hedgeable item (perform the analysis required for new hedges at the end of the first year to make this assessment). If it has become "ineffective," future changes in fair value are recorded as "net (appreciation)/depreciation in the fair value of investments."

If "no" or "N/A" to question 6, this is still a hedging derivative and continue hedge accounting.

EXHIBIT 5: DRAFT ACCOUNTING POLICY AND DERIVATIVE INSTRUMENT FOOTNOTE

INITIAL DRAFT—ACCOUNTING POLICY

Derivative financial instruments. Derivative instruments are recorded at fair value. Futures contracts, foreign currency exchange contracts and forward contracts to purchase securities on a to-be-announced basis are valued at the last sales price on the last day of the fiscal year, as quoted on a recognized exchange or an industry standard pricing service. Financial institutions or independent advisors have estimated the fair value of the interest rate swaps using quoted market prices when available or a forecast of expected discounted future net cash flows.

The University has entered into interest rate swap agreements to limit the exposure of its variable rate debt to changes in market interest rates. Interest rate swap agreements involve the exchange with a counterparty of fixed and variable rate interest payments periodically over the life of the agreement without exchange of the underlying notional principal amounts. The net differential to be paid or received is recognized over the life of the agreements as an adjustment to interest expense. The University's counterparties are major financial institutions.

The fair value of derivatives is recorded as either assets or liabilities in the statement of net assets. Certain derivatives are determined to be hedging derivatives and designated as either a fair value or cash flow hedge. Under hedge accounting, changes in the fair value of hedging derivatives are considered to be deferred inflows (for hedging derivatives with positive fair values) or deferred outflows (for hedging derivatives with negative fair values). Deferred inflows are included with other liabilities and deferred outflows with other assets in the statement of net assets.

Changes in the fair value of derivatives that are not hedging derivatives are recorded as net appreciation or depreciation of investments in the statement of revenues, expenses and changes in net assets.

(Add additional language if there are other types of derivatives, such as options or swaptions, etc.)

FROM DRAFT FINANCIAL REPORT

Investments. Investments are recorded at fair value. Securities, including derivative investments, are generally valued at the last sale price on the last business day of the fiscal year, as quoted on a recognized exchange or an industry standard pricing service, when available. Securities for which no sale was reported as of the close of the last business day of the fiscal year are valued at the quoted bid price of a dealer who regularly trades in the security being valued. Certain securities may be valued on a basis of a price provided by a single source.

As a result of inactive or illiquid markets, investments in non-agency mortgage-backed fixed income securities are valued on the basis of their estimated future principal and interest payments using appropriate risk-adjusted discount rates. The University believes this approximates the fair value of these investments.

Investments also include private equities, absolute return funds and real estate. Private equities include venture capital partnerships, buyout and international funds. Interests in private equity and real estate partnerships are based upon valuations provided by the general partners of the respective partnerships as of March 31, adjusted for cash receipts, cash disbursements and securities distributions through June 30. Investments in absolute return partnerships are valued as of May 31, adjusted for cash receipts and cash disbursements through June 30. Interests in certain direct investments in real estate are estimated based upon independent appraisals. The University believes the carrying amount of these financial instruments and real estate is a reasonable estimate of fair value at June 30. Because the private equity, real estate and absolute return partnerships, along with direct investments in real estate, are not readily marketable, their estimated value is subject to uncertainty and, therefore, may differ significantly from the value that would be used had a ready market for such investments existed.

Investments in registered investment companies are valued based upon the reported net asset value of those companies. Mortgage loans, held as investments, are valued on the basis of their future principal and interest payments, discounted at prevailing interest rates for similar instruments. Insurance contracts are valued at contract value, plus reinvested interest, which approximates fair value. Estimates of the fair value of interests in externally held irrevocable trusts where the University is the beneficiary of either the income or the remainder that will not become a permanent endowment upon distribution to the University are based upon the present value of the expected future income or, if available, the University's proportional interest in the fair value of the trust assets.

Investments denominated in foreign currencies are translated into U.S. dollar equivalents using year-end spot foreign currency exchange rates. Purchases and sales of investments and their related income are translated at the rate of exchange on the respective transaction dates. Realized and unrealized gains and losses resulting from foreign currency changes are included in the University's statement of revenues, expenses and changes in net assets.

Investment transactions are recorded on the date the securities are purchased or sold (trade date). Realized gains or losses are recorded as the difference between the proceeds from the sale and the average cost of the investment sold. Dividend income is recorded on the ex-dividend date and interest income is accrued as earned. Gifts of securities are recorded based on fair value at the date of donation.

2. INVESTMENTS

The Regents, as the governing Board, is responsible for the oversight of the University's, UCRS' and UCRHBT's investments and establishes investment policy, which is carried out by the Chief Investment Officer. These investments are associated with the Short Term Investment Pool (STIP), Total Return Investment Pool (TRIP), General Endowment Pool (GEP), UCRS, UCRHBT, other investment pools managed by the Chief Investment Officer, or are separately invested. Pursuant to The Regents' policies on campus foundations, the Board of Trustees for each campus foundation may determine that all or a portion of their investments will be managed by the Chief Investment Officer. Asset allocation guidelines are provided to the campus foundations by the Investment Committee of The Regents.

STIP allows participants to maximize the returns on their short-term cash balances by taking advantage of the economies of scale of investing in a large pool with a broad range of maturities and is managed to maximize current earned income. Cash to provide for payroll, construction expenditures and other operating expenses for campuses and medical centers is invested in STIP. The available cash in UCRS or endowment investment pools awaiting investment, or cash for administrative expenses, is also invested in STIP.

Investments authorized by The Regents for STIP include fixed income securities with a maximum maturity of five and one-half years. In addition, for STIP, The Regents has also authorized loans, primarily to faculty members residing in California, under the University's Mortgage Origination Program with terms up to 40 years.

TRIP allows participant campuses the opportunity to maximize the return on their long-term working capital by taking advantage of the economies of scale of investing in a large pool across a broad range of asset classes. TRIP is managed to a total return objective and is intended to supplement STIP. Investments authorized by The Regents for TRIP include a diversified portfolio of equity and fixed income securities.

GEP is an investment pool in which a large number of individual endowments participate in order to benefit from diversification and economies of scale. GEP is a balanced portfolio and the primary investment vehicle for endowed gift funds. Where donor agreements place constraints on allowable investments, assets associated with endowments are invested in accordance with the terms of the agreements.

Other investment pools primarily facilitate annuity and life income arrangements. Separate investments are those that cannot be pooled due to investment restrictions or income requirements, or represent the University's estimated interest in externally held irrevocable trusts.

Investments authorized by The Regents for GEP, UCRS, other investment pools and separate investments include equity securities, fixed income securities and certain other asset classes. The equity portion of the investment portfolios include both domestic and foreign common and preferred stocks which may be included in actively or passively managed strategies, along with a modest exposure to private equities. The University's investment portfolios may include foreign currency denominated equity securities. The fixed income portion of the investment portfolios may include both domestic and foreign securities, along with certain securitized investments, including mortgage-backed and asset-backed securities. Fixed income investment guidelines permit the use of futures and options on fixed income instruments in the ongoing management of the portfolios. Real estate investments are authorized for both GEP and the UCRS. Absolute return strategies, which may incorporate short sales, plus derivative positions to implement or hedge an investment position, are also authorized for the GEP and UCRS.

Derivative instruments, including futures, forward contracts, options and swap contracts are authorized for portfolio rebalancing in accordance with The Regents' asset allocation policy and as substitutes for physical securities. They are not used for speculative purposes. Depending on their objective and circumstances, they are categorized as either investment or hedging derivatives.

The Regents has also authorized certain employee account balances in defined contribution plans included as part of the UCRS' investments to be invested in mutual funds. The participants' interest in mutual funds is not managed by the Chief Investment Officer and totaled $____ billion and $2.92 billion at June 30, 2010 and 2009, respectively.

Investments authorized by The Regents for the UCRHBT are restricted to a portfolio of high-quality money market instruments in a commingled fund that is managed externally. The average credit quality of the portfolio is A-1/P-1 with an average maturity of __ days. The fair value of UCRHBT's investment in this portfolio was $____ million and $38.4 million at June 30, 2010 and 2009, respectively.

Campus foundations' investments in pools managed by the Chief Investment Officer are classified for investment type purposes as either commingled balanced funds or commingled money market funds in the campus foundations' column depending on whether they are invested in GEP or STIP, respectively. Similarly, UCRS' investment in STIP is classified in the commingled money market category in the UCRS column.

The composition of investments and derivative instruments, by investment type, at June 30, 2010 and 2009 is as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA		UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS		UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM	
	2010	2009	2010	2009	2010	2009
Equity securities:						
Domestic		$ 1,185,621		$ 146,234		$ 12,154,737
Foreign		1,061,202		68,064		7,493,036
Equity securities		**2,246,823**		**214,298**		**19,647,773**
Fixed or variable income securities:						
U.S. government guaranteed:						
U.S. Treasury bills, notes and bonds		1,113,945		99,449		2,368,476
U.S. Treasury strips		69,125				101,463
U.S. TIPS		272,345				2,649,386
U.S. government-backed securities		3,331		3,267		12,964
U.S. government-backed–asset-backed securities				266		
U.S. government guaranteed		**1,458,746**		**102,982**		**5,132,289**
Other U.S. dollar denominated:						
Corporate bonds		4,053,628		76,231		2,245,234
Commercial paper		1,283,124				
U.S. agencies		839,915		9,730		2,598,653
U.S. agencies–asset-backed securities		199,159		62,373		864,140
Corporate–asset-backed securities		217,404		9,808		1,382,042
Supranational/foreign		793,404		676		1,085,083
Other		55		1,753		
Other U.S. dollar denominated		**7,386,689**		**160,571**		**8,175,152**
Foreign currency denominated:						
Government/sovereign		126,096				
Corporate		3,627				37,143
Foreign currency denominated		**129,723**				**37,143**
Commingled funds:						
Absolute return funds		1,234,209		397,568		1,898,974
Balanced funds				590,966		
U.S. equity funds		103,231		329,822		624,697
Non-U.S. equity funds		317,171		395,502		1,684,201
U.S. bond funds		42,106		205,569		
Non-U.S. bond funds				32,289		
Real estate investment trusts		66		42,362		56,463
Money market funds		54,323		409,199		1,312,351
Commingled funds		**1,751,106**		**2,403,277**		**5,576,686**
Derivative instruments:						
Investment derivatives						
Hedging derivatives						
Derivative instruments						
Private equity		452,630		268,599		1,845,065
Mortgage loans		754,266		13,305		
Insurance contracts						962,168
Real estate		226,516		113,990		982,105
Externally held irrevocable trusts		157,800		17,464		
Other investments		7,047		230,136		(5,658)
Campus foundations' investments with the University	()	(922,180)				
UCRS investment in STIP	()	(245,594)				
Total investments		**13,403,572**		**3,524,622**		**$42,352,723**
Less: Current portion	()	(2,036,487)	()	(359,426)		
Noncurrent portion		**$11,367,085**		**$3,165,196**		

Investment Risk Factors

There are many factors that can affect the value of investments. Some, such as custodial credit risk, concentration of credit risk and foreign currency risk may affect both equity and fixed income securities. Equity securities respond to such factors as economic conditions, individual company earnings performance and market liquidity, while fixed income securities are particularly sensitive to credit risks and changes in interest rates. Alternative investment strategies and their underlying assets and rights are subject to an array of economic and market vagaries that can limit or erode value.

Credit Risk

Fixed income securities are subject to credit risk, which is the chance that a bond issuer will fail to pay interest or principal in a timely manner, or that negative perceptions of the issuer's ability to make these payments will cause security prices to decline. These circumstances may arise due to a variety of factors such as financial weakness, bankruptcy, litigation and/or adverse political developments. Certain fixed income securities, primarily obligations of the U.S. government or those explicitly guaranteed by the U.S. government, are not considered to have credit risk.

A bond's credit quality is an assessment of the issuer's ability to pay interest on the bond, and ultimately, to pay the principal. Credit quality is evaluated by one of the independent bond-rating agencies, for example Moody's Investors Service (Moody's) or Standard and Poor's (S&P). The lower the rating, the greater the chance—in the rating agency's opinion—that the bond issuer will default, or fail to meet its payment obligations. Generally, the lower a bond's credit rating, the higher its yield should be to compensate for the additional risk.

The investment guidelines for STIP recognize that a limited amount of credit risk, properly managed and monitored, is prudent and provides incremental risk adjusted return over its benchmark (the benchmark for STIP, the two-year Treasury note, has no credit risk). No more than 5 percent of the total market value of the STIP portfolio may be invested in securities rated below investment grade (BB, Ba or lower). The average credit quality of STIP must be A or better and commercial paper must be rated at least A-1, P-1 or F-1.

The University recognizes that credit risk is appropriate in balanced investment pools such as TRIP, UCRS and GEP by virtue of the benchmarks chosen for the fixed income portion of those pools.

Fixed income benchmarks for TRIP include the Barclays Capital Aggregate Credit Index, Barclays Capital Aggregate Securitized Index, the Merrill Lynch High-Yield Cash Pay Index and the Barclays Capital Aggregate Government Index. The TRIP fixed income benchmark is comprised of 60 percent high grade corporate bonds, 13.3 percent mortgage/asset- backed securities, and 13.3 percent below investment grade securities, all of which carry some degree of credit risk. The remaining 13.3 percent is government-issued bonds.

Fixed income benchmarks for UCRS and GEP include the Citigroup Large Pension Fund Index and Barclays Capital Aggregate Index and are comprised of approximately 30 percent high grade corporate bonds and 30-35 percent mortgage/asset-backed securities, all of which carry some degree of credit risk. The remaining 35-40 percent is government-issued bonds.

Credit risk in TRIP, UCRS and GEP is managed primarily by diversifying across issuers. In addition, portfolio guidelines for UCRS and GEP mandate that no more than 10 percent of the market value of fixed income securities may be invested in issues with credit rating below investment grade. Further, the weighted average credit rating must be A or higher.

In addition, the investment policy for both UCRP and GEP allows for dedicated allocations to non-investment grade and emerging market bonds, investment in which entails credit, default and/or sovereign risk.

Investment Risk Factors

There are many factors that can affect the value of investments. Some, such as custodial credit risk, concentration of credit risk and foreign currency risk may affect both equity and fixed income securities. Equity securities respond to such factors as economic conditions, individual company earnings performance and market liquidity, while fixed income securities are particularly sensitive to credit risks and changes in interest rates. Alternative investment strategies and their underlying assets and rights are subject to an array of economic and market vagaries that can limit or erode value.

Credit Risk

Fixed income securities are subject to credit risk, which is the chance that a bond issuer will fail to pay interest or principal in a timely manner, or that negative perceptions of the issuer's ability to make these payments will cause security prices to decline. These circumstances may arise due to a variety of factors such as financial weakness, bankruptcy, litigation and/or adverse political developments. Certain fixed income securities, primarily obligations of the U.S. government or those explicitly guaranteed by the U.S. government, are not considered to have credit risk.

A bond's credit quality is an assessment of the issuer's ability to pay interest on the bond, and ultimately, to pay the principal. Credit quality is evaluated by one of the independent bond-rating agencies, for example Moody's Investors Service (Moody's) or Standard and Poor's (S&P). The lower the rating, the greater the chance—in the rating agency's opinion—that the bond issuer will default, or fail to meet its payment obligations. Generally, the lower a bond's credit rating, the higher its yield should be to compensate for the additional risk.

The investment guidelines for STIP recognize that a limited amount of credit risk, properly managed and monitored, is prudent and provides incremental risk adjusted return over its benchmark (the benchmark for STIP, the two-year Treasury note, has no credit risk). No more than 5 percent of the total market value of the STIP portfolio may be invested in securities rated below investment grade (BB, Ba or lower). The average credit quality of STIP must be A or better and commercial paper must be rated at least A-1, P-1 or F-1.

The University recognizes that credit risk is appropriate in balanced investment pools such as TRIP, UCRS and GEP by virtue of the benchmarks chosen for the fixed income portion of those pools.

Fixed income benchmarks for TRIP include the Barclays Capital Aggregate Credit Index, Barclays Capital Aggregate Securitized Index, the Merrill Lynch High-Yield Cash Pay Index and the Barclays Capital Aggregate Government Index. The TRIP fixed income benchmark is comprised of 60 percent high grade corporate bonds, 13.3 percent mortgage/asset- backed securities, and 13.3 percent below investment grade securities, all of which carry some degree of credit risk. The remaining 13.3 percent is government-issued bonds.

Fixed income benchmarks for UCRS and GEP include the Citigroup Large Pension Fund Index and Barclays Capital Aggregate Index and are comprised of approximately 30 percent high grade corporate bonds and 30-35 percent mortgage/asset-backed securities, all of which carry some degree of credit risk. The remaining 35-40 percent is government-issued bonds.

Credit risk in TRIP, UCRS and GEP is managed primarily by diversifying across issuers. In addition, portfolio guidelines for UCRS and GEP mandate that no more than 10 percent of the market value of fixed income securities may be invested in issues with credit rating below investment grade. Further, the weighted average credit rating must be A or higher.

In addition, the investment policy for both UCRP and GEP allows for dedicated allocations to non-investment grade and emerging market bonds, investment in which entails credit, default and/or sovereign risk.

The credit risk profile for fixed or variable income securities and investment derivative instruments at June 30, 2010 and 2009 is as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA		UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS		UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM	
	2010	2009	2010	2009	2010	2009
Fixed or variable income securities:						
U.S. government guaranteed		$1,458,746		$102,982		$5,132,289
Other U.S. dollar denominated:						
AAA		1,286,231		83,573		4,499,623
AA		595,114		11,091		149,758
A		2,143,284		25,743		694,734
BBB		1,690,608		23,214		1,115,705
BB		181,839		4,376		607,875
B		120,359		2,705		774,471
CCC or below		68,744		7,828		331,681
A-1 / P-1 / F-1		1,283,124		112		
Not rated		17,386		1,929		1,305
Foreign currency denominated:						
AA		126,096				
A						
B		3,627				37,143
Commingled funds:						
U.S. bond funds: Not rated		42,106		205,569		
Non-U.S. bond funds: Not rated				32,289		
Money market funds: Not rated		54,323		409,199		1,312,351
Investment derivatives:						
AAA						
AA						
A						
BBB						
BB						
B						
CCC or below						
Mortgage loans: Not rated		754,266		13,305		
Insurance contracts: Not rated						962,168

Custodial Credit Risk

Custodial credit risk is the risk that in the event of the failure of the custodian, the investments may not be returned.

The University's and UCRS' securities are registered in the University's name by the custodial bank as an agent for the University. Other types of investments represent ownership interests that do not exist in physical or book-entry form. As a result, custodial credit risk is remote.

Investment derivative instruments are TBD. (RBY INVESTIGATING AND IRM TO BE MODIFIED)

Some of the investments at certain of the campus foundations are exposed to custodial credit risk. These investments may be uninsured, or not registered in the name of the campus foundation and held by a custodian.

Custodial credit risk exposure related to investments and investment derivative instruments is as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA		UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS		UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM	
	2010	2009	2010	2009	2010	2009
Equity securities:						
Domestic	$	$		$ 53,477		$5,132,289
Foreign				855		
Fixed or variable income securities:						
U.S. government guaranteed:						
U.S. Treasury bills, notes and bonds				61,717		
U.S. government-backed– asset-backed securities						
Other U.S. dollar denominated:						
U.S. agencies				6,010		
Other				1,562		
Investment derivatives						

Concentration of Credit Risk

Concentration of credit risk is the risk associated with a lack of diversification, such as having substantial investments in a few individual issuers, thereby exposing the organization to greater risks resulting from adverse economic, political, regulatory, geographic or credit developments.

The U.S. and non-U.S. equity portions of the University and UCRS portfolios may be managed either passively or actively. For the portion managed passively, the concentration of individual securities is exactly equal to their concentration in the benchmark. While some securities have a larger representation in the benchmark than others, the University considers that passive management results in an absence of concentration of credit risk. For the portion managed actively, asset class guidelines do not specifically address concentration risk, but do state that the U.S. equity asset class, in the aggregate, will be appropriately diversified to control overall risk and will exhibit portfolio characteristics similar to the asset class benchmark (including concentration of credit risk). Concentration risk for individual portfolios is monitored relative to their individual benchmarks and agreed-upon risk parameters in their guidelines.

Investment guidelines addressing concentration of credit risk related to the investment-grade fixed income portion of the University and UCRS portfolios include a limit of no more than 3 percent of the portfolio's market value to be invested in any single issuer (except for securities issued by the U.S. government or its agencies). These same guidelines apply to STIP. For high-yield and emerging market debt, the corresponding limit is 5 percent.

Each campus foundation may have its own individual investment policy designed to limit exposure to a concentration of credit risk.

Investments in issuers other than U.S. government guaranteed securities that represent 5 percent or more of total investments at June 30, 2010 and 2009 are as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA		UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS	
	2010	2009	2010	2009
Fannie Mae				$44,151
Baupost Bermuda Value Partners-IV				29,186
Silchester International Value Equity Trust				25,796

Interest Rate Risk

Interest rate risk is the risk that the value of fixed income securities will decline because of changing interest rates. The prices of fixed income securities with a longer time to maturity, measured by effective duration, tend to be more sensitive to changes in interest rates and, therefore, more volatile than those with shorter durations. Effective duration is the approximate change in price of a security resulting from a 100 basis point (1 percentage point) change in the level of interest rates. It is not a measure of time.

Interest rate risk for STIP is managed by constraining the maturity of all individual securities to be less than five and one-half years. There is no restriction on weighted average maturity of the portfolio as it is managed relative to the liquidity demands of the investors. The nature and maturity of individual securities in STIP allow for the use of weighted average maturity as an effective risk management tool, rather than the more complex measure, effective duration.

Portfolio guidelines for the fixed income portion of TRIP limit weighted average effective duration to the effective duration of the benchmarks (Barclays Capital Aggregate Credit Index, Barclays Capital Aggregate Securitized Index, the Merrill Lynch High-Yield Cash Pay Index and Barclays Capital Aggregate Government Index), plus or minus 10 percent. Similarly, portfolio guidelines for the fixed income portion of UCRS and GEP limit weighted average effective duration to the effective duration of their benchmarks (Citigroup Large Pension Fund Index and Lehman Aggregate Index), plus or minus 20 percent. These portfolio guidelines constrain the potential price movement due to interest rate changes of the portfolio to be similar to that of the benchmark. There are similar restrictions for the high-yield and emerging market debt portfolios relative to their benchmarks.

The effective durations for fixed or variable income securities and investment derivative instruments at June 30, 2010 and 2009 are as follows:

	UNIVERSITY OF CALIFORNIA		UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS		UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM	
	2010	2009	2010	2009	2010	2009
Fixed or variable income securities:						
U.S. government guaranteed:						
U.S. Treasury bills, notes and bonds	2.0		4.2		1.9	
U.S. Treasury strips	9.1				12.1	
U.S. TIPS	4.1				5.0	
U.S. government-backed securities	6.0		3.9		6.0	
U.S. government-backed–asset-backed securities			3.9			
Other U.S. dollar denominated:						
Corporate bonds	3.0		3.6		5.8	
Commercial paper	0.0				0.0	
U.S. agencies	2.0		4.0		3.5	
U.S. agencies–asset-backed securities	2.8		2.1		4.4	
Corporate–asset-backed securities	7.0		0.5		5.5	
Supranational / foreign	7.1		5.0		6.8	
Other	5.4		4.1			
Foreign currency denominated:						
Government/sovereign	6.7					
Corporate	4.1				4.1	
Commingled funds:						
U.S. bond funds	4.3		5.1			
Non-U.S. bond funds			2.8			
Money market funds	0.0		1.6		1.7	
Investment derivatives						
Mortgage loans	0.0		5.2			
Insurance contracts					0.0	

The University considers the effective durations for commercial paper, mortgage loans, insurance contracts and money market funds, with the exception of STIP, to be zero. The terms of the mortgage loans include variable interest rates, insurance contracts can be liquidated without loss of principal and money market funds consist of underlying securities that are of a short-term, liquid nature.

Investments may also include various mortgage-backed securities, collateralized mortgage obligations, structured notes, variable-rate securities, callable bonds and investment derivatives that may be considered to be highly sensitive to changes in interest rates due to the existence of prepayment or conversion features, although the effective durations of these securities may be low.

At June 30, 2010 and 2009, the fair values of such investments are as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA		UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS		UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM	
	2010	2009	2010	2009	2010	2009
Mortgage-backed securities		$ 471,171		$ 56,339		$ 1,908,498
Collateralized mortgage obligations		11,251		5,592		253,604
Other asset-backed securities		7,187		7,871		85,175
Variable-rate securities		389,792				25,017
Callable bonds		795,288		420		2,095,604
Investment derivatives						
Total		**$1,674,689**		**$70,222**		**$4,367,898**

Mortgage-Backed Securities. These securities are issued primarily by Fannie Mae, Ginnie Mae and Freddie Mac and include short embedded prepayment options. Unanticipated prepayments by the obligees of the underlying asset reduce the total expected rate of return.

Collateralized Mortgage Obligations. Collateralized mortgage obligations (CMOs) generate a return based upon either the payment of interest or principal on mortgages in an underlying pool. The relationship between interest rates and prepayments makes the fair value highly sensitive to changes in interest rates. In falling interest rate environments, the underlying mortgages are subject to a higher propensity of prepayments. In a rising interest rate environment, the opposite is true.

Other Asset-Backed Securities. Other asset-backed securities also generate a return based upon either the payment of interest or principal on obligations in an underlying pool, generally associated with auto loans or credit cards. As with CMOs, the relationship between interest rates and prepayments makes the fair value highly sensitive to changes in interest rates.

Variable-Rate Securities. These securities are investments with terms that provide for the adjustment of their interest rates on set dates and are expected to have fair values that will be relatively unaffected by interest rate changes. Variable-rate securities may have limits on how high or low the interest rate may change. These constraints may affect the market value of the security.

Callable Bonds. Although bonds are issued with clearly defined maturities, an issuer may be able to redeem, or call, a bond earlier than its maturity date. The University must then replace the called bond with a bond that may have a lower yield than the original. The call feature causes the fair value to be highly sensitive to changes in interest rates.

Investment Derivatives. TBD.

At June 30, 2010 and 2009, the effective durations for these securities and investment derivative instruments are as follows:

	UNIVERSITY OF CALIFORNIA		UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS		UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM	
	2010	2009	2010	2009	2010	2009
Mortgage-backed securities	4.5		2.0		5.9	
Collateralized mortgage obligations	1.7		2.0		2.4	
Other asset-backed securities	1.1		0.5		0.7	
Variable-rate securities	0.1				1.8	
Callable bonds	2.4		8.6		3.2	
Investment derivatives						

Foreign Currency Risk

The University's strategic asset allocation policy for TRIP, UCRS and GEP includes allocations to non-U.S. equities and non-dollar denominated bonds. The benchmarks for these investments are not hedged, therefore foreign currency risk is an essential part of the investment strategies. Portfolio guidelines for U.S. investment-grade fixed income securities also allow exposure to non-U.S. dollar denominated bonds up to 10 percent of the total portfolio market value. Exposure to foreign currency risk from these securities is permitted and it may be fully or partially hedged using forward foreign currency exchange contracts. Under the University's investment policies, such instruments are not permitted for speculative use or to create leverage. Similar limits on foreign exchange exposure apply to the high-yield debt and emerging market debt portfolios (10 percent and 20 percent, respectively).

At June 30, 2010 and 2009, the foreign currency risk expressed in U.S. dollars, organized by currency denomination and investment type, is as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA		UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS		UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM	
	2010	2009	2010	2009	2010	2009
Equity securities:						
Euro		$ 330,165		$ 15,892		$ 2,299,494
Japanese Yen		222,312		10,634		1,589,171
British Pound		196,468		10,246		1,392,245
Canadian Dollar		79,350		3,025		596,213
Swiss Franc		79,115		6,610		542,002
Australian Dollar		60,646		2,566		456,496
Hong Kong Dollar		33,380		7,626		215,023
Swedish Krona		20,083				145,396
Singapore Dollar		16,431		416		108,269
Danish Krone		8,102		1,063		59,108
Norwegian Krone		7,259		1,036		49,041
Other		7,891		8,950		40,578
Subtotal		**1,061,202**		**68,064**		**7,493,036**
Fixed income securities:						
Euro		63,598				36,740
Japanese Yen		48,038				
British Pound		9,576				403
Canadian Dollar		2,852				
Danish Krone		1,005				
Polish Zloty		926				
Swiss Franc		828				
Swedish Krona		768				
Other		2,132				
Subtotal		**129,723**				**37,143**
Commingled funds (various currency denominations):						
Balanced funds				152,012		
Non-U.S. equity funds		317,171		373,638		1,684,201
Non-U.S. bond funds				25,485		
Real estate investment trusts				17,005		
Subtotal		**317,171**		**568,140**		**1,684,201**
Investment derivatives:						
Euro						
Japanese Yen						
British Pound						
Canadian Dollar						
Danish Krone						
Polish Zloty						
Swiss Franc						
Swedish Krona						
Other						
Subtotal						
Private equity:						
Euro		1,114				17,400
Swedish Krona		42				937
Real estate:						
Hong Kong Dollar		1,716				16,443
Japanese Yen		1,505				14,423
Other		3,031				29,041
Subtotal		**7,408**				**78,244**
Total exposure to foreign currency risk		**$1,515,504**		**$636,204**		**$9,292,624**

Alternative Investment Risks

Alternative investments are defined as marketable alternatives (hedge funds), limited partnerships, private equity and venture capital funds. Alternative investments include ownership interests in a wide variety of vehicles including partnerships and corporations that may be domiciled in the United States or off-shore. Generally, there is little or no regulation of these investment vehicles by the Securities and Exchange Commission or the applicable state agencies. Managers of these investments employ a wide variety of strategies and have areas of concentration including absolute return, venture capital or early stage investing, private equity or later stage investing and the underlying investments may be leveraged to enhance the total investment return. Each asset class has guidelines and policies regarding the use of leverage. Such underlying investments may include financial assets such as marketable securities, non-marketable securities, derivatives and other synthetic and structured investments as well as tangible and intangible assets. Generally, these alternative investments do not have a ready market and ownership interests in these investment vehicles may not be traded without the approval of the general partner or fund management. These investments are subject to the risks generally associated with equities and fixed income instruments with additional risks due to leverage and the lack of a ready market for acquisition or disposition of ownership interests.

The University's Investment Pools

The composition of the University of California's investments at June 30, 2010, by investment pool, is as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA				
	STIP	TRIP	GEP	OTHER	TOTAL
Equity securities:					
Domestic		$	$	$	$
Foreign					
Fixed or variable income securities:					
U.S. government guaranteed	$				
Other U.S. dollar denominated					
Foreign currency denominated					
Commingled funds					
Private equity					
Mortgage loans					
Real estate					
Externally held irrevocable trusts					
Other investments			()		
Subtotal					
Campus foundations' investments with the University	()		()	()	()
UCRS investment in STIP	()				()
Total investments	**$**	**$**	**$**	**$**	**$**

The total investment return based upon unit values, representing the combined income plus net appreciation or depreciation in the fair value of investments, for the year ended June 30, 2010 was ____ percent for TRIP, ____ percent for GEP and ____ percent for UCRS. The investment return for STIP distributed to participants, representing combined income and realized gains or losses, during the same period, was ____percent. Other investments consist of numerous, small portfolios of investments, or individual securities, each with its individual rate of return.

Related Party Relationships with the University

UCRS and campus foundations may invest available cash in STIP. Shares are purchased or redeemed in STIP at a constant value of $1 per share. Actual income earned, including any realized gains or losses on the sale of STIP investments, is allocated to UCRS and campus foundations based upon the number of shares held. Unrealized gains and losses associated with the fluctuation in the fair value of investments included in STIP are recorded by the University of California as the manager of the pool.

The campus foundations may purchase or redeem shares in GEP or other investment pools at the unitized value of the portfolio at the time of purchase or redemption. Actual income earned is allocated to the campus foundations based upon the number of shares held.

UCRS

UCRS had $____ million and $245.6 million invested in STIP at June 30, 2010 and 2009, respectively. These investments are also excluded from the University's statement of net assets and are included in the UCRS' statement of plans' fiduciary net assets. They are categorized as commingled funds in the composition of investments. STIP investment income in the University's statement of revenues, expenses and changes in net assets is net of income earned by, and distributed to, UCRS totaling $____ million and $9.1 million for the years ended June 30, 2010 and 2009, respectively.

Campus Foundations

Campus foundations' cash and cash equivalents and investments that are invested with the University and managed by the Chief Investment Officer are excluded from the University's statement of net assets and included in the campus foundations' statement of net assets. Under the accounting policies elected by each separate foundation, certain foundations classify all or a portion of their investment in STIP as cash and cash equivalents, rather than investments. Substantially all of the campus foundations' investments managed by the Chief Investment Officer are categorized as commingled funds by the campus foundations in the composition of investments.

The fair value of the campus foundations' cash and cash equivalents and investments that are invested with the University, by investment pool, at June 30, 2010 and 2009 is as follows:

(in thousands of dollars)

	2010	2009
STIP		$ 380,856
GEP		433,661
Other investment pools		107,663
Campus foundations' investments with the University		**922,180**
Classified as cash and cash equivalents by campus foundations	()	(65,122)
Classified as investments by campus foundations		**$857,058**

Endowment investment income in the University's statement of revenues, expenses and changes in net assets is net of income earned by, and distributed to, the campus foundations totaling $____ million and $26.4 million for the years ended June 30, 2010 and 2009, respectively.

Agency Relationships with the University

STIP and GEP are external investment pools and include investments in behalf of external organizations that are associated with the University, although not significant or financially accountable to the University. These organizations are not required to invest in these pools. As with UCRS and campus foundations, participants purchase or redeem shares in STIP at a constant value of $1 per share and purchase or redeem shares in GEP at the unitized value of the portfolio at the time of purchase or redemption. Actual income earned is allocated to participants based upon the number of shares held.

The fair value of these investments in each investment pool and the related liability associated with these organizations that are included in the University's statement of net assets at June 30, 2010 and 2009 are as follows:

(in thousands of dollars)

	2010	2009
Short-term investments:		
STIP		$ 68,834
GEP		116,897
Other investment pools		15,125
Total agency assets		**$200,856**
Funds held for others		**$200,856**

The composition of the net assets at June 30, 2010 and 2009 for STIP and GEP is as follows:

(in thousands of dollars)

	STIP		GEP	
	2010	2009	2010	2009
Investments		$ 7,527,562		$ 5,154,338
Investment of cash collateral		1,388,274		719,873
Securities lending collateral	()	(1,393,223)	()	(722,439)
Other assets (liabilities), net		497,146		(75,071)
Net assets		**$8,019,759**		**$5,076,701**

The changes in net assets for STIP and GEP for the years ending June 30, 2010 and 2009 are as follows:

(in thousands of dollars)

	STIP		GEP	
	2010	2009	2010	2009
Net assets, beginning of year		$ 9,393,622		$ 6,397,763
Investment income		286,597		148,365
Net appreciation (depreciation) in fair value of investments		89,756	()	(1,303,982)
Transfer to TRIP		(1,518,000)		
Participant contributions (withdrawals), net		(232,216)	()	(165,445)
Net assets, end of year		**$8,019,759**		**$5,076,701**

4. DERIVATIVE FINANCIAL INSTRUMENTS

The University may use derivatives—including futures, foreign currency exchange, options and interest rate swap contracts—as a substitute for investment in equity and fixed income securities, to reduce the effect of fluctuating foreign currencies on foreign currency-denominated investments, or to limit its exposure of variable rate bonds to changes in market interest rates. Forward contracts are also used to purchase securities on a to-be-announced basis. The Board of Trustees for each campus foundation may also authorize derivatives in its investment policy.

The University enters into futures contracts for the purpose of acting as a substitute for investment in equity and fixed income securities. A futures contract is an agreement between two parties to buy and sell a security or financial index, interest rate or foreign currency at a set price on a future date. They are standardized contracts that can be easily bought and sold and are exchange-traded. Upon entering into such a contract, the University is required to pledge to the broker an amount of cash or securities equal to the minimum initial margin requirements of the exchange on which the contract is traded. Pursuant to the contract, the University agrees to receive from, or pay to, the counterparty an amount of cash equal to the daily fluctuation in the value of the contract. These contracts are settled on a daily basis, with the resulting realized gain or loss included in the statement of revenues, expenses and changes in net assets. The settlement amount at the end of each day for each of the contracts, or variation margin, is included in investments and represents the fair value of the contracts.

Forward contracts are similar to futures contracts, although they are not exchange-traded. Foreign currency exchange contracts are forward contracts used to hedge against foreign currency exchange rate risks on non-U.S. dollar denominated investment securities and to increase or decrease exposure to various foreign currencies. Forward contracts are also used to purchase certain mortgage-backed securities on a to-be-announced basis when the price cannot be determined until the coupon rate is known.

An option contract gives the University the right, but not the obligation, to buy or sell a specified security or index at a fixed price during a specified period for a nonrefundable fee (the "premium"). The maximum loss to the University is limited to the premium originally paid for covered options. The University records premiums paid for the purchase of these options in the statement of net assets as an investment which is subsequently adjusted to reflect the fair value of the options, with unrealized gains and losses included in the statement of revenues, expenses and changes in net assets. Neither the University nor UCRS held any option contracts at June 30, 2009 or June 30, 2008.

A swap is a contractual agreement entered into between the University and a counterparty under which each agrees to exchange periodic fixed or variable payments for an agreed period of time based upon a notional amount of principal or value of the underlying contract. The payments correspond to an equity index, interest rate or currency. The University entered into interest rate swap agreements in connection with its variable rate bonds.

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2010 and 2009, categorized by type, and the changes in fair value of such derivatives for the years then ended are as follows:

University of California

(in thousands of dollars)

	NOTIONAL AMOUNT		FAIR VALUE–POSITIVE (NEGATIVE)			CHANGES IN FAIR VALUE		
CATEGORY	2010	2009	CLASSIFICATION	2010	2009	CLASSIFICATION	2010	2009
INVESTMENT DERIVATIVES								
Futures contracts:								
Domestic equity futures:								
Long positions	$	$		$	$		$	$
Short positions								
Foreign equity futures:								
Long positions								
Short positions								
Futures contracts, net			**Investments**			**Net appreciation/(depreciation)**		
Foreign currency exchange contracts, net:								
Long positions								
Short positions								
Foreign currency exchange contracts, net			**Investments**			**Net appreciation/(depreciation)**		
CASH FLOW HEDGES								
Forward contracts on a to-be-announced basis			Investments			Deferred (inflows)/outflows		
Interest rate swaps:								
Pay fixed, receive variable		280,990	Other assets (liabilities)		(48,104)	Deferred (inflows)/outflows		(23,941)

University of California Campus Foundations

(in thousands of dollars)

	NOTIONAL AMOUNT		FAIR VALUE–POSITIVE (NEGATIVE)			CHANGES IN FAIR VALUE		
CATEGORY	2010	2009	CLASSIFICATION	2010	2009	CLASSIFICATION	2010	2009
INVESTMENT DERIVATIVES								
Futures contracts:								
Domestic equity futures:								
Long positions	$	$		$	$		$	$
Short positions								
Foreign equity futures:								
Long positions								
Short positions								
Futures contracts, net			**Investments**			**Net appreciation/(depreciation)**		
Foreign currency exchange contracts, net:								
Long positions								
Short positions								
Foreign currency exchange contracts, net			**Investments**			**Net appreciation/(depreciation)**		
HEDGING DERIVATIVES								
Fair Value Hedges								
TBD:								
TBD			Other assets (liabilities)			Deferred (inflows)/outflows		
Cash Flow Hedges								
Forward contracts on a to-be-announced basis			Investments			Deferred (inflows)/outflows		

University of California Retirement System

(in thousands of dollars)

	NOTIONAL AMOUNT		FAIR VALUE–POSITIVE (NEGATIVE)			CHANGES IN FAIR VALUE		
CATEGORY	2010	2009	CLASSIFICATION	2010	2009	CLASSIFICATION	2010	2009
INVESTMENT DERIVATIVES								
Futures contracts:								
Domestic equity futures:								
Long positions	$	$		$	$		$	$
Short positions								
Foreign equity futures:								
Long positions								
Short positions								
Futures contracts, net			**Investments**			**Net appreciation/(depreciation)**		
Foreign currency exchange contracts, net:								
Long positions								
Short positions								
Foreign currency exchange contracts, net			**Investments**			**Net appreciation/(depreciation)**		
HEDGING DERIVATIVES								
Fair Value Hedges								
TBD:								
TBD			Other assets (liabilities)			Deferred (inflows)/outflows		
Cash Flow Hedges								
Forward contracts on a to-be-announced basis			Investments			Deferred (inflows)/outflows		

(If applicable, discuss and disclose the fair values of derivatives that were reclassified from "effective" to "ineffective" and the deferral amount that was written off to "net appreciation or depreciation in the fair value of investments.")

Futures contracts used as a substitute for investment in equity and fixed income securities are considered to be investment derivative instruments. Foreign currency exchange contracts hedge changes in cash flows due to changes in foreign currency rates, although they hedge assets that are measured at fair value. As a result, they are also considered to be investment derivative instruments.

Objectives and Terms of Hedging Derivative Instruments

The objectives and terms of the hedging derivative instruments outstanding at June 30, 2010, along with the credit rating of the associated counterparty, are as follows:

(in thousands of dollars)

	OBJECTIVE	NOTIONAL AMOUNT	EFFECTIVE DATE	MATURITY DATE	CASH PAID OR RECEIVED	TERMS	COUNTERPARTY CREDIT RATING	TYPE
UNIVERSITY OF CALIFORNIA								
Foward contracts on a to-be-announced basis	Hedge of changes in cash flows by fixing the exchange rate for future delivery of mortgage-backed securities issued by:				$ TBD	Exchange of U.S. dollars for purchase of fixed income securities with a specified return investment return		
	Freddie Mac	$ TBD	2010	2010	TBD		Aa1 / AA	
	Fannie Mae	TBD			TBD		Aa1/AA	
Pay fixed, receive variable interest rate swap	Hedge of changes in cash flows on variable-rate Medical Center Pooled Revenue Bonds		2007	2032	None	Pay fixed 3.5897%; receive 58% of 1-Month LIBOR* plus 0.48%	Aa1/AA	
Pay fixed, receive variable interest rate swap	Hedge of changes in cash flows on variable-rate Medical Center Pooled Revenue Bonds		2008	2047	None	Pay fixed 4.6873%; receive 67% of 3-Month LIBOR* plus 0.73%**	Aa1/AA-	
UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS								
Foward contracts on a to-be-announced basis	Hedge of changes in cash flows by fixing the exchange rate for future delivery of mortgage-backed securities issued by:				TBD	Exchange of U.S. dollars for purchase of fixed income securities with a specified return investment return		
	TBD	TBD	TBD	TBD	TBD		TBD	
	TBD	TBD			TBD		TBD	
UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM								
Foward contracts on a to-be-announced basis	Hedge of changes in cash flows by fixing the exchange rate for future delivery of mortgage-backed securities issued by:				TBD	Exchange of U.S. dollars for purchase of fixed income securities with a specified return investment return		
	Freddie Mac	TBD	2010	2010	TBD		Aa1 / AA	
	Fannie Mae	TBD			TBD		Aa1/AA	

* London Interbank Offered Rate (LIBOR)

** Weighted average spread

Derivative Financial Instrument Risk Factors

Credit Risk

The University could be exposed to credit risk if the counterparty to the contracts is unable to meet the terms of the contracts. Contracts with positive fair values are exposed to credit risk. The University faces a maximum possible loss equivalent to the amount of the derivative's fair value, less any collateral held by the University provided by the counterparty. Contracts with negative fair values are not exposed to credit risk.

Counterparty credit risk is limited to the variation margin in futures contracts, or to the ability of the counterparty to meet the terms of an option contract that the University may exercise. Either risk is remote for exchange-traded contracts. Additional risk may arise from futures contracts traded in non-U.S. markets as the foreign futures contracts are cleared on, and subject to, the rules of foreign boards of trade. In addition, funds provided for foreign futures contracts may not be afforded the same protection as funds received in respect of U.S. transactions. The University seeks to control counterparty credit risk in all derivative contracts that are not exchange-traded through counterparty credit evaluations and approvals, counterparty credit limits and exposure monitoring procedures undertaken by the Chief Investment Officer.

Although the University has entered into the interest rate swaps with creditworthy financial institutions to hedge its variable-rate debt, there is credit risk for losses in the event of non-performance by counterparties or unfavorable interest rate movements.

There are no collateral requirements related to the interest rate swap with the $____ million notional amount. Depending on the fair value related to the swap with the $_____ million notional amount, the University may be entitled to receive collateral from the counterparty to the extent the positive fair value exceeds $35.0 million, or be obligated to provide collateral to the counterparty if the negative fair value of the swap exceeds $50.0 million. At June 30, 2010, the University had not provided collateral to the counterparty, nor received collateral from the counterparty.

(ADD COMMENTS RELATIVE TO 73a5.)

Custodial Credit Risk

Custodial credit risk is the risk that in the event of the failure of the custodian, the exchange-traded investments related to futures and foreign currency exchange contracts may not be returned. (REVISE FINAL DETERMINATION IS MADE.)

Custodial credit risk exposure to hedging derivative investments is as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA		UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS		UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM	
	2010	2009	2010	2009	2010	2009
Foward contracts on a to-be-announced basis						

Interest Rate Risk

There is a risk the value of hedging derivative instruments will decline because of changing interest rates. The prices of hedging derivative instruments with a longer time to maturity, measured by weighted average maturity, tend to be more sensitive to changing interest rates and, therefore, more volatile than those with shorter maturities.

The weighted average maturity expressed in days for hedging derivative instruments with interest rate risk at June 30, 2010 and 2009 is as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA		UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS		UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM	
	2010	2009	2010	2009	2010	2009
Foward contracts on a to-be-announced basis						

Basis Risk

There is a risk that the basis for the variable payment received on interest rate swaps will not match the variable payment on the bonds that exposes the University to basis risk whenever the interest rates on the bonds are reset. The interest rate on the bonds is a tax-exempt interest rate, while the basis of the variable receipt on the interest rate swaps is taxable. Tax-exempt interest rates can change without a corresponding change in the LIBOR rate due to factors affecting the tax-exempt market which do not have a similar effect on the taxable market. However, there is no basis or tax risk related to the swap with the $_____ million notional amount since the variable rate the University pays to the bond holders matches the variable rate payments received from the swap counterparty.

Termination Risk

There is termination risk for interest rate swaps associated with variable-rate bonds in the event of non-performance by counterparties in an adverse market resulting in cancellation of the synthetic interest rate and returning the interest rate payments to the variable interest rates on the bonds. In addition, depending on the agreement, certain interest rate swaps may be terminated if the insurer's credit quality rating, as issued by Moody's or Standard & Poor's, fall below certain thresholds. For the interest rate swap with the $_____ million notional amount, the termination threshold is reached when credit quality ratings for either the underlying Medical Center Pooled Revenue Bonds or swap counterparty falls below either Baa2 or BBB. For the swap with the $_____ million notional amount, the termination threshold is reached when credit quality ratings for the underlying Medical Center Pooled Revenue Bonds fall below Baa3/BBB, or the swap counterparty's ratings fall below Baa1/BBB+. At termination, the University may also owe a termination payment if there is a realized loss based on the fair value of the swap.

Foreign Currency Risk

The foreign currency risk related to hedging derivative instruments expressed in U.S. dollars, organized by currency denomination and investment type at June 30, 2010 and 2009 is as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA		UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS		UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM	
	2010	2009	2010	2009	2010	2009
Hedging derivatives:						
Euro		$		$		$
British Pound						
Japanese Yen						
Canadian Dollar						
Swiss Franc						
Australian Dollar						
Hong Kong Dollar						
Swedish Krona						
Singapore Dollar						
Norwegian Krone						
Danish Krone						
South Korean Won						
Thai Bhat						
South African Rand						
New Zealand Dollar						
Other						
Total exposure to foreign currency risk		**$**		**$**		**$**

EXHIBIT 6: NEW ACCOUNTING CODES TO BE ESTABLISHED

New accounting codes need to be established in the general ledgers and Corporate Financial Systems to enable mapping to our financial statements. At this time, codes in the Current, Endowment, 415(m) and UCRS Funds are being established. If a review of transactions indicates that codes are needed in another fund group, contact UCOP Financial Management. The new codes will roll up into the financial statements as follows:

UNIVERSITY OF CALIFORNIA

STATEMENT OF NET ASSETS

	Current Fund Group	Endowment Fund Group	415(m)
Roll up in *Investments - Current:*			
CA-Short-Term Investments – FV Derivatives - CIO	AGC 160280	AGC 150280	AGC 590280
CA-Short-Term Investments – Variation Margin, Derivatives - CIO	AGC 160270	AGC 150270	AGC 590270
Roll up in *Investment – Noncurrent:*			
NA-Investments – FV Derivatives - CIO	AGC 161180	AGC 151180	AGC 591180
Roll up in *Investment of Cash Collateral - Current:*			
CA-Investment of Cash Collateral – FV Derivatives - CIO	AGC 160420	AGC 150420	AGC 590420
Roll up in *Investment of Cash Collateral - Noncurrent:*			
NA-Investment of Cash Collateral – FV Derivatives - CIO	AGC 161720	AGC 151720	AGC 591720
Roll up in *Other Current Assets:*			
CA-Other – FV Derivatives – Non CIO	AGC 160861		
CA-Other-Collateral Paid Based Upon Derivative Liability Positions	AGC 160862	AGC 150862	AGC 590862
Roll up in *Other Noncurrent Assets:*			
NA-Other – FV Derivatives – Non CIO	AGC 161977		
Roll up in *Other Current Liabilities:*			
CL-Other – FV Derivatives – Non CIO	AGC 164777		
CL-Other-Accounts Payable – Variation Margin, Derivatives - CIO	AGC 164778	AGC 154778	AGC 594778
CL-Other-Collateral Received Based Upon Derivative Assets Positions	AGC 164779	AGC 154779	AGC 594779
Roll up in *Other Noncurrent Liabilities:*			
NL-Other– FV Derivatives – Non CIO	AGC 165593		

STATEMENT OF NET ASSETS

	Current Fund Group	Endowment Fund Group	415(m)
Roll up in *Current Deferred Outflows:*			
CA-Def Outflows – FV Derivative Deferral – CIO	AGC 160911	AGC 150911	AGC 590911
CA-Def Outflows – FV Derivative Deferral – Non CIO	AGC 160912		
Roll up in *Noncurrent Deferred Outflows:*			
NA-Def Outflows – FV Derivative Deferral – CIO	AGC 161981	AGC 151981	AGC 591981
NA-Def Outflows – FV Derivative Deferral – Non CIO	AGC 161982		
Roll up in *Current Deferred Inflows:*			
CL-Def Inflows – FV Derivative Deferral – CIO	AGC 164811	AGC 154811	AGC 594811
CL-Def Inflows – FV Derivative Deferral – Non CIO	AGC 164812		
Roll up in *Noncurrent Deferred Inflows:*			
NL-Def Inflows – FV Derivative Deferral – CIO	AGC 165611	AGC 155611	AGC 595611
NL-Def Inflows – FV Derivative Deferral – Non CIO	AGC 165612		

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	Current Fund Group	Endowment Fund Group	415(m)
Roll up in *Net Appr/Depr in FV of Investments:*			
Net Appr/Depr in FV of Investments- Derivatives-CIO	AGC 208276	TC 9076	AGC 598276
Net Appr/Depr in FV of Investments- Derivatives-Non CIO	AGC 208277		
Net Appr/Depr in FV of Investments-Terminated Derivatives-CIO	AGC 208278	TC 9078	AGC 598278
Net Appr/Depr in FV of Investments-Terminated Derivatives-Non CIO	AGC 208279		

	Retirement of Indebtedness
Roll up in *Interest Expense:*	
Amortization of Hybrid Derivative	TC 2269

UNIVERSITY OF CALIFORNIA RETIREMENT PLAN (UCRP)

STATEMENT OF NET ASSETS

	UCRP-UC	UCRP-LANL	UCRP-LLNL	UCRP-LBNL
Roll up in *Investments:*				
Investments – FV Derivatives - CIO	AGC 510260	AGC 480260	AGC 470260	AGC 460260
Investments – Variation Margin, Derivatives - CIO	AGC 510261	AGC 480261	AGC 470261	AGC 460261
Roll up in *Investment of Cash Collateral:*				
Investment of Cash Collateral – FV Derivatives - CIO	AGC 510411	AGC 480411	AGC 470411	AGC 460411
Roll up in *Other Assets:*				
Collateral Paid Based Upon Derivative Liability Positions	AGC 510920	AGC 480920	AGC 470920	AGC 460920
Def Outflows – FV Derivative Deferral – CIO	AGC 510930	AGC 480930	AGC 470930	AGC 460930
Roll up in *Other Liabilities:*				
Accounts Payable – Variation Margin, Derivatives - CIO	AGC 514910	AGC 484910	AGC 474910	AGC 464910
Collateral Received Based Upon Derivative Assets Positions	AGC 514920	AGC 484920	AGC 474920	AGC 464920
Def Inflows – FV Derivative Deferral – CIO	AGC 514930	AGC 484930	AGC 474930	AGC 464930

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	UCRP-UC	UCRP-LANL	UCRP-LLNL	UCRP-LBNL
Roll up in *Net Appr/Depr in FV of Investments:*				
Net Appr/Depr in FV of Investments- Derivatives-CIO	AGC 515214	AGC 485214	AGC 475214	AGC 465214
Net Appr/Depr in FV of Investments-Terminated Derivatives-CIO	AGC 515215	AGC 485215	AGC 475215	AGC 465215

UNIVERSITY OF CALIFORNIA RETIREMENT SAVINGS PLANS (UCRSP PLANS)

STATEMENT OF NET ASSETS

	403(b) Plan	DCP Plan	457(b) Plan	SDCP Plan	Clearing Plan
Roll up in *Investments:*					
Investments – FV Derivatives - CIO	AGC 400260	AGC 410260	AGC 420260	AGC 430260	AGC 490260
Investments – Variation Margin, Derivatives - CIO	AGC 400261	AGC 410261	AGC 420261	AGC 430261	AGC 490261
Roll up in *Investment of Cash Collateral:*					
Investment of Cash Collateral – FV Derivatives - CIO	AGC 400411	AGC 410411	AGC 420411	AGC 430411	AGC 490411
Roll up in *Other Assets:*					
Collateral Paid Based Upon Derivative Liability Positions	AGC 400920	AGC 410920	AGC 420920	AGC 430920	AGC 490920
Def Outflows – FV Derivative Deferral – CIO	AGC 400930	AGC 410930	AGC 420930	AGC 430930	AGC 490930
Roll up in *Other Liabilities:*					
Accounts Payable – Variation Margin, Derivatives - CIO	AGC 404910	AGC 414910	AGC 424910	AGC 434910	AGC 494910
Collateral Received Based Upon Derivative Assets Positions	AGC 404920	AGC 414920	AGC 424920	AGC 434920	AGC 494920
Def Inflows – FV Derivative Deferral – CIO	AGC 404930	AGC 414930	AGC 424930	AGC 434930	AGC 494930

STATEMENT REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	403(b) Plan	DCP Plan	457(b) Plan	SDCP Plan	Clearing Plan
Roll up in *Net Appr/Depr in FV of Investments:*					
Net Appr/Depr in FV of Investments- Derivatives-CIO	AGC 405214	AGC 415214	AGC 425214	AGC 435214	AGC 495214
Net Appr/Depr in FV of Investments-Terminated Derivatives-CIO	AGC 405215	AGC 415215	AGC 425215	AGC 435215	AGC 495215

UNIVERSITY OF CALIFORNIA RETIREMENT SAVINGS FUNDS (UCRSP FUNDS)

STATEMENT OF NET ASSETS

	403(b) DCP-Equity	403(b) DCP-Bond	403(b) DCP-ICC	403(b) DCP-TIPS	UC Domestic Equity Index	UC Intnl Equity Index
Roll up in *Investments:*						
Investments – FV Derivatives - CIO	AGC 530260	AGC 540260	AGC 550260	AGC 620260	AGC 800260	AGC 810260
Investments – Variation Margin, Derivatives - CIO	AGC 530261	AGC 540261	AGC 550261	AGC 620261	AGC 800261	AGC 810261
Roll up in *Investment of Cash Collateral:*						
Investment of Cash Collateral – FV Derivatives - CIO	AGC 530411	AGC 540411	AGC 550411	AGC 620411	AGC 800411	AGC 810411
Roll up in *Other Assets:*						
Collateral Paid Based Upon Derivative Liability Positions	AGC 530920	AGC 540920	AGC 550920	AGC 620920	AGC 800920	AGC 810920
Def Outflows – FV Derivative Deferral – CIO	AGC 530930	AGC 540930	AGC 550930	AGC 620930	AGC 800930	AGC 810930
Roll up in *Other Liabilities:*						
Accounts Payable – Variation Margin, Derivatives - CIO	AGC 534910	AGC 544910	AGC 554910	AGC 624910	AGC 804910	AGC 814910
Collateral Received Based Upon Derivative Assets Positions	AGC 534920	AGC 544920	AGC 554920	AGC 624920	AGC 804920	AGC 814920
Def Inflows – FV Derivative Deferral – CIO	AGC 534930	AGC 544930	AGC 554930	AGC 624930	AGC 804930	AGC 814930

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	403(b) DCP-Equity	403(b) DCP-Bond	403(b) DCP-ICC	403(b) DCP-TIPS	UC Domestic Equity Index	UC Intnl Equity Index
Roll up in *Net Appr/Depr in FV of Investments:*						
Net Appr/Depr in FV of Investments-Derivatives-CIO	AGC 535214	AGC 545214	AGC 555214	AGC 625214	AGC 805214	AGC 815214
Net Appr/Depr in FV of Investments-Terminated Derivatives-CIO	AGC 535215	AGC 545215	AGC 555215	AGC 625215	AGC 805215	AGC 815215

PERS–VERIP

STATEMENT OF NET ASSETS

	PERS-VERIP
Roll up in *Investments:*	
Investments – FV Derivatives - CIO	AGC 580260
Investments – Variation Margin, Derivatives - CIO	AGC 580261
Roll up in *Investment of Cash Collateral:*	
Investment of Cash Collateral – FV Derivatives - CIO	AGC 580411
Roll up in *Other Assets:*	
Collateral Paid Based Upon Derivative Liability Positions	AGC 580920
Def Outflows – FV Derivative Deferral – CIO	AGC 580930
Roll up in *Other Liabilities:*	
Accounts Payable – Variation Margin, Derivatives - CIO	AGC 584910
Collateral Received Based Upon Derivative Assets Positions	AGC 584920
Def Inflows – FV Derivative Deferral – CIO	AGC 584930

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	PERS-VERIP
Roll up in *Net Appr/Depr in FV of Investments:*	
Net Appr/Depr in FV of Investments- Derivatives-CIO	AGC 585214
Net Appr/Depr in FV of Investments-Terminated Derivatives-CIO	AGC 585215

EXHIBIT 7: Draft CFR Footnote Disclosure Report

Footnote Disclosure: Derivative Financial Instruments
For the year ended June 30, XXXX, with comparative totals for June 30, XXXX
CFR XXXX (in thousands of dollars)
Debit (Credit)

FAIR VALUE OF ALL DERIVATIVE FINANCIAL INSTRUMENTS ON SNA AT YEAR END	Current Year	Prior Year
Fair Value of Derivatives Entered into by the CIO Recorded in Investments		
CA-Investments – FV Derivatives - CIO	AGC XXXXXX	AGC XXXXXX
CA-Investments – Variation Margin, Derivatives - CIO	AGC XXXXXX	AGC XXXXXX
Subtotal Current Assets	Sum	Sum
NA-Investments – FV Derivatives - CIO	AGC XXXXXX	AGC XXXXXX
Subtotal - Fair Value of Derivatives Entered into by the CIO, Net	Sum	Sum
Fair Value of Derivatives Not Entered into by the CIO Recorded in Other Assets/(Liabilities)		
CA-Other Assets – FV Derivatives – Non CIO	AGC XXXXXX	AGC XXXXXX
NA-Other Assets – FV Derivatives – Non CIO	AGC XXXXXX	AGC XXXXXX
CL- Other Liab – FV Derivatives – Non CIO	AGC XXXXXX	AGC XXXXXX
NL- Other Liab – FV Derivatives – Non CIO	AGC XXXXXX	AGC XXXXXX
Subtotal - Fair Value of Derivatives Not Entered into by the CIO, Net	Sum	Sum
Fair Value of Derivatives In Securities Lending Cash Collateral Pools		
CA-Investment of Cash Collateral – FV Derivatives - CIO	AGC XXXXXX	AGC XXXXXX
NA-Investment of Cash Collateral – FV Derivatives - CIO	AGC XXXXXX	AGC XXXXXX
Subtotal - Fair Value of Derivatives in Securities Lending Cash Collateral Pools, Net	Sum	Sum
COLLATERAL ASSOCIATED WITH ALL DERIVATIVE INSTRUMENTS		
CL-Collateral Received Based Upon Derivative Assets Positions	AGC XXXXXX	AGC XXXXXX
CA-Collateral Paid Based Upon Derivative Liability Positions	AGC XXXXXX	AGC XXXXXX
DEFERRED FAIR VALUE OF HEDGING DERIVATIVES ON SNA AT YEAR END		
Current Deferred Outflows Associated with Negative Fair Values		
CA-Def Outflows – FV Derivative Deferral – CIO	AGC XXXXXX	AGC XXXXXX
CA-Def Outflows – FV Derivative Deferral – Non CIO	AGC XXXXXX	AGC XXXXXX
Subtotal Fair Value of Derivatives in Current Deferred Outflows	Sum	Sum
Noncurrent Deferred Outflows Associated with Negative Fair Values		
NA-Def Outflows – FV Derivative Deferral – CIO	AGC XXXXXX	AGC XXXXXX
NA-Def Outflows – FV Derivative Deferral – Non CIO	AGC XXXXXX	AGC XXXXXX
Subtotal Fair Value of Derivatives in Noncurrent Deferred Outflows	Sum	Sum
Current Deferred Inflows Associated with Positive Fair Values		
CL-Def Inflows – FV Derivative Deferral – CIO	AGC XXXXXX	AGC XXXXXX
CL-Def Inflows – FV Derivative Deferral – Non CIO	AGC XXXXXX	AGC XXXXXX
Subtotal Fair Value of Derivatives in Current Deferred Inflows	Sum	Sum
Noncurrent Deferred Inflows Associated with Positive Fair Values		
NL-Def Inflows – FV Derivative Deferral – CIO	AGC XXXXXX	AGC XXXXXX
NL-Def Inflows – FV Derivative Deferral – Non CIO	AGC XXXXXX	AGC XXXXXX
Subtotal Fair Value of Derivatives in Noncurrent Deferred Inflows	Sum	Sum

EXHIBIT 7: Draft CFR Footnote Disclosure Report

Footnote Disclosure: Derivative Financial Instruments
For the year ended June 30, XXXX, with comparative totals for June 30, XXXX
CFR XXXX (in thousands of dollars)
Debit (Credit)

CHANGE DURING THE YEAR IN FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS

Change in Fair Value of Investment Derivatives Entered into by the CIO		
Net Appr/Depr in FMV of Investments- Derivatives-CIO - BOY	AGC XXXXXX	AGC XXXXXX
Net Appr/Depr in FMV of Investments- Derivatives-CIO - EOY	AGC XXXXXX	AGC XXXXXX
	Sum	Sum
Change in Fair Value of Investment Derivatives Not Entered into by the CIO		
Net Appr/Depr in FMV of Investments- Derivatives-Non CIO - BOY	AGC XXXXXX	AGC XXXXXX
Net Appr/Depr in FMV of Investments- Derivatives-Non CIO - EOY	AGC XXXXXX	AGC XXXXXX
	Sum	Sum
Change in Fair Value of Hedging Derivatives Entered into by the CIO		
CA-Def Outflows – FV Derivative Deferral – CIO - BOY	AGC XXXXXX	AGC XXXXXX
NA-Def Outflows – FV Derivative Deferral – CIO -BOY	AGC XXXXXX	AGC XXXXXX
CL-Def Inflows – FV Derivative Deferral – CIO - BOY	AGC XXXXXX	AGC XXXXXX
NL-Def Inflows – FV Derivative Deferral – CIO - BOY	AGC XXXXXX	AGC XXXXXX
CA-Def Outflows – FV Derivative Deferral – CIO - BOY	AGC XXXXXX	AGC XXXXXX
NA-Def Outflows – FV Derivative Deferral – CIO -BOY	AGC XXXXXX	AGC XXXXXX
CL-Def Inflows – FV Derivative Deferral – CIO - BOY	AGC XXXXXX	AGC XXXXXX
NL-Def Inflows – FV Derivative Deferral – CIO - BOY	AGC XXXXXX	AGC XXXXXX
	Sum	Sum
Change in Fair Value of Hedging Derivatives Not Entered into by the CIO		
CA-Def Outflows – FV Derivative Deferral – Non CIO - BOY	AGC XXXXXX	AGC XXXXXX
NA-Def Outflows – FV Derivative Deferral – Non CIO -BOY	AGC XXXXXX	AGC XXXXXX
CL-Def Inflows – FV Derivative Deferral – Non CIO - BOY	AGC XXXXXX	AGC XXXXXX
NL-Def Inflows – FV Derivative Deferral – Non CIO - BOY	AGC XXXXXX	AGC XXXXXX
CA-Def Outflows – FV Derivative Deferral – Non CIO - BOY	AGC XXXXXX	AGC XXXXXX
NA-Def Outflows – FV Derivative Deferral – Non CIO -BOY	AGC XXXXXX	AGC XXXXXX
CL-Def Inflows – FV Derivative Deferral – Non CIO - BOY	AGC XXXXXX	AGC XXXXXX
NL-Def Inflows – FV Derivative Deferral – Non CIO - BOY	AGC XXXXXX	AGC XXXXXX
	Sum	Sum
Former Hedging Derivatives Reclassified to Investment Derivatives During the Year		
Chief Investment Officer	OC XXXX	OC XXXX
Other Than Chief Investment Officer	OC XXXX	OC XXXX
Subtotal Hedging to Investment Derivatives	Sum	Sum

EXHIBIT 8: Inventory of Derivative Contracts
University of California (includes UCRS)
At June 30, 2009 (in thousands of dollars)
Debit (Credit)
Inventory as of 29-Jan-10

				Financial Information							
				Notional Amount				Fair Value Asset (Liability)		Changes in Fair Value	
Category/Type	Account	Brief Description of Objective	Description of Terms	2009	Effective Date	Received at	Termination Date	SNA Classification	2009	SNA or SRECNA Classification	2009
Investment Derivatives											
Futures Contracts											
Domestic Futures - Long Positions											
MSCI EAFE EMINI INDEX FUTURES	EBM1	Equitize cash to match index performance	Long domestic stock index future	13,550		None	9/18/2009	Investments	(75)	Net (appreciation) depreciation in fair value	111
MSCI EAFE EMINI INDEX FUTURES	EBM2	Equitize cash to match index return	Long domestic stock index future	2,736		None	9/18/2009	Investments	(15)	Net (appreciation) depreciation in fair value	21
RUSSELL 1000 MINI INDEX FTRS	EB5F	Equitize cash for profit	Long domestic stock index future	1,501		None	9/18/2009	Investments	(9)	Net (appreciation) depreciation in fair value	30
RUSSELL 1000 MINI INDEX FTRS	EBT2	Equitize cash for profit	Long domestic stock index future	11,828		None	9/18/2009	Investments	-	Net (appreciation) depreciation in fair value	228
RUSSELL 2000 MINI INDEX FTRS	EB8B	Equitize cash for profit	Long domestic stock index future	659		None	9/18/2009	Investments	(1)	Net (appreciation) depreciation in fair value	18
RUSSELL 2000 MINI INDEX FTRS	EBN4	Equitize cash to match Index Return	Long domestic stock index future	69,740		None	9/18/2009	Investments	(110)	Net (appreciation) depreciation in fair value	1,348
RUSSELL 2000 MINI INDEX FTRS	EBT2	Equitize cash for profit	Long domestic stock index future	10,617		None	9/18/2009	Investments	-	Net (appreciation) depreciation in fair value	280
S+P 500 E MINI INDEX FUTURES	EBT2	Equitize cash for profit	Long domestic stock index future	94,754		None	9/18/2009	Investments	(590)	Net (appreciation) depreciation in fair value	2,431
S+P 500 INDEX FUTURES	EBM1	Equitize cash to match index performance	Long domestic stock index future	40,511		None	9/17/2009	Investments	(162)	Net (appreciation) depreciation in fair value	162
S+P 500 INDEX FUTURES	EBM2	Equitize cash to match index return	Long domestic stock index future	5,722		None	9/17/2009	Investments	(41)	Net (appreciation) depreciation in fair value	41
S+P 500 INDEX FUTURES	EBN4	Equitize cash to match Index Return	Long domestic stock index future	709,513		None	9/17/2009	Investments	(4,418)	Net (appreciation) depreciation in fair value	7,130
S+P MIDCAP 400 EMINI IDX FTRS	EBN4	Equitize cash to match Index Return	Long domestic stock index future	72,030		None	9/18/2009	Investments	(250)	Net (appreciation) depreciation in fair value	1,183
S+P MIDCAP 400 EMINI IDX FTRS	EBT2	Equitize cash for profit	Long domestic stock index future	14,706		None	9/18/2009	Investments	(51)	Net (appreciation) depreciation in fair value	457
Net (appreciation) depreciation from closed positions									-	Net (appreciation) depreciation in fair value	(4,019)
Subtotal: Domestic Futures - Long Positions				**1,047,867**					**(5,721)**		**9,421**
Foreign Futures - Long Positions											
AEX INDEX FUTURES	EB4B	To make additional profit - refer to manager's disclosure	Long foreign stock index future	6,067		None	7/17/2009	Investments	(82)	Net (appreciation) depreciation in fair value	104
CAC 40 INDEX FUTURES	EB4B	To make additional profit - refer to manager's disclosure	Long foreign stock index future	18,695		None	7/17/2009	Investments	(306)	Net (appreciation) depreciation in fair value	549
FTSE 100 INDEX FUTURES	EB4B	To make additional profit - refer to manager's disclosure	Long foreign stock index future	15,074		None	9/18/2009	Investments	(325)	Net (appreciation) depreciation in fair value	325
FTSE MIB INDEX FUTURES	EB4B	To make additional profit - refer to manager's disclosure	Long foreign stock index future	16,064		None	9/18/2009	Investments	(225)	Net (appreciation) depreciation in fair value	225
IBEX 35 INDEX FUTURES	EB4B	To make additional profit - refer to manager's disclosure	Long foreign stock index future	20,990		None	7/17/2009	Investments	780	Net (appreciation) depreciation in fair value	(780)
SGX MSCI SINGAPORE INDEX FTRS	EB4B	To make additional profit - refer to manager's disclosure	Long foreign stock index future	501		None	7/30/2009	Investments	1	Net (appreciation) depreciation in fair value	(11)
ASX SPI 200 INDEX FUTURES	EBT3	Equitize cash for profit	Long foreign stock index future	9,619		None	9/17/2009	Investments	120	Net (appreciation) depreciation in fair value	13
CAC 40 INDEX FUTURES	EBT3	Equitize cash for profit	Long foreign stock index future	10,983		None	9/18/2009	Investments	(180)	Net (appreciation) depreciation in fair value	234
DAX INDEX FUTURES	EBT3	Equitize cash for profit	Long foreign stock index future	7,774		None	9/18/2009	Investments	(105)	Net (appreciation) depreciation in fair value	131
FTSE 100 INDEX FUTURES	EBT3	Equitize cash for profit	Long foreign stock index future	16,880		None	9/18/2009	Investments	(155)	Net (appreciation) depreciation in fair value	444
FTSE MIB INDEX FUTURES	EBT3	Equitize cash for profit	Long foreign stock index future	1,740		None	9/18/2009	Investments	(1)	Net (appreciation) depreciation in fair value	70
HANG SENG INDEX FUTURES	EBT3	Equitize cash for profit	Long foreign stock index future	3,327		None	7/30/2009	Investments	(28)	Net (appreciation) depreciation in fair value	(23)
IBEX 35 INDEX FUTURES	EBT3	Equitize cash for profit	Long foreign stock index future	2,590		None	7/17/2009	Investments	(8)	Net (appreciation) depreciation in fair value	(71)
S+P TSE 60 INDEX FUTURES	EBT3	Equitize cash for profit	Long foreign stock index future	12,527		None	9/17/2009	Investments	(155)	Net (appreciation) depreciation in fair value	372
TOPIX INDEX FUTURES	EBT3	Equitize cash for profit	Long foreign stock index future	11,498		None	9/11/2009	Investments	81	Net (appreciation) depreciation in fair value	(33)
Net (appreciation) depreciation from closed positions									-	Net (appreciation) depreciation in fair value	70,080
Subtotal: Foreign Futures - Long Positions				**154,329**					**(587)**		**71,630**
Subtotal: Long Positions				**1,202,196**					**(6,308)**		**81,051**
Domestic Futures - Short Positions											
S+P 500 E MINI INDEX FUTURES	EB4B	To make additional profit - refer to manager's disclosure	Short domestic stock index future	(17,074)		None	9/18/2009	Investments	106	Net (appreciation) depreciation in fair value	(469)
Net (appreciation) depreciation from closed positions										Net (appreciation) depreciation in fair value	5,082
Subtotal: Domestic Futures - Short Positions				**(17,074)**					**106**		**4,613**
Foreign Futures - Short Positions											
ASX SPI 200 INDEX FUTURES	EB4B	To make additional profit - refer to manager's disclosure	Short foreign stock index future	(17,819)		None	9/17/2009	Investments	(222)	Net (appreciation) depreciation in fair value	(218)
DAX INDEX FUTURES	EB4B	To make additional profit - refer to manager's disclosure	Short foreign stock index future	(5,070)		None	9/18/2009	Investments	68	Net (appreciation) depreciation in fair value	(99)
HANG SENG INDEX FUTURES	EB4B	To make additional profit - refer to manager's disclosure	Short foreign stock index future	(4,872)		None	7/30/2009	Investments	41	Net (appreciation) depreciation in fair value	238
OMX 30 INDEX FUTURES	EB4B	To make additional profit - refer to manager's disclosure	Short foreign stock index future	(277)		None	7/17/2009	Investments	3	Net (appreciation) depreciation in fair value	2
S+P TSE 60 INDEX FUTURES	EB4B	To make additional profit - refer to manager's disclosure	Short foreign stock index future	(756)		None	9/17/2009	Investments	6	Net (appreciation) depreciation in fair value	(6)
TOPIX INDEX FUTURES	EB4B	To make additional profit - refer to manager's disclosure	Short foreign stock index future	(1,725)		None	9/11/2009	Investments	(17)	Net (appreciation) depreciation in fair value	17
Net (appreciation) depreciation from closed positions				-					-	Net (appreciation) depreciation in fair value	(21,542)
Subtotal: Foreign Futures - Short Positions				**(30,519)**					**(119)**		**(21,609)**
Subtotal: Short Positions				**(47,593)**					**(13)**		**(16,996)**
Total Futures Contracts				**1,154,603**					**(6,321)**		**64,055**

EXHIBIT 8: Inventory of Derivative Contracts
University of California (includes UCRS)
At June 30, 2009 (in thousands of dollars)
Debit (Credit)
Inventory as of 29-Jan-10

			Collateral (Posted) Received		Investment Risk Factors				
Category/Type	Counterparty	Credit Rating	2009	2008	Describe Credit Risk	Describe Interest Rate Risk	Describe Basis Risk	Describe Termination Risk	Currency Risk
Investment Derivatives									
Futures Contracts			-	-					
Domestic Futures - Long Positions			-	-					
MSCI EAFE EMINI INDEX FUTURES	N/A	N/A	-	-	N/A	N/A	N/A	N/A	N/A
MSCI EAFE EMINI INDEX FUTURES	N/A	N/A	-	-	N/A	N/A	N/A	N/A	N/A
RUSSELL 1000 MINI INDEX FTRS	N/A	N/A	-	-	N/A	N/A	N/A	N/A	N/A
RUSSELL 1000 MINI INDEX FTRS	N/A	N/A	-	-	N/A	N/A	N/A	N/A	N/A
RUSSELL 2000 MINI INDEX FTRS	N/A	N/A	-	-	N/A	N/A	N/A	N/A	N/A
RUSSELL 2000 MINI INDEX FTRS	N/A	N/A	-	-	N/A	N/A	N/A	N/A	N/A
RUSSELL 2000 MINI INDEX FTRS	N/A	N/A	-	-	N/A	N/A	N/A	N/A	N/A
S+P 500 E MINI INDEX FUTURES	N/A	N/A	-	-	N/A	N/A	N/A	N/A	N/A
S+P 500 INDEX FUTURES	N/A	N/A	-	-	N/A	N/A	N/A	N/A	N/A
S+P 500 INDEX FUTURES	N/A	N/A	-	-	N/A	N/A	N/A	N/A	N/A
S+P 500 INDEX FUTURES	N/A	N/A	-	-	N/A	N/A	N/A	N/A	N/A
S+P MIDCAP 400 EMINI IDX FTRS	N/A	N/A	-	-	N/A	N/A	N/A	N/A	N/A
S+P MIDCAP 400 EMINI IDX FTRS	N/A	N/A	-	-	N/A	N/A	N/A	N/A	N/A
			-	-					
Net (appreciation) depreciation from closed positions		N/A	-	-	N/A	N/A	N/A	N/A	N/A
Subtotal: Domestic Futures - Long Positions									
Foreign Futures - Long Positions									
AEX INDEX FUTURES	Barclays	AA-/A-1+	-	-	N/A	N/A	N/A	N/A	EUR
CAC 40 INDEX FUTURES	Barclays	AA-/A-1+	-	-	N/A	N/A	N/A	N/A	EUR
FTSE 100 INDEX FUTURES	Barclays	AA-/A-1+	-	-	N/A	N/A	N/A	N/A	GBP
FTSE MIB INDEX FUTURES	Barclays	AA-/A-1+	-	-	N/A	N/A	N/A	N/A	EUR
IBEX 35 INDEX FUTURES	Barclays	AA-/A-1+	-	-	N/A	N/A	N/A	N/A	EUR
SGX MSCI SINGAPORE INDEX FTRS	Barclays	AA-/A-1+	-	-	N/A	N/A	N/A	N/A	SGD
ASX SPI 200 INDEX FUTURES	N/A	N/A	-	-	N/A	N/A	N/A	N/A	AUD
CAC 40 INDEX FUTURES	N/A	N/A	-	-	N/A	N/A	N/A	N/A	EUR
DAX INDEX FUTURES	N/A	N/A	-	-	N/A	N/A	N/A	N/A	EUR
FTSE 100 INDEX FUTURES	N/A	N/A	-	-	N/A	N/A	N/A	N/A	GBP
FTSE MIB INDEX FUTURES	N/A	N/A	-	-	N/A	N/A	N/A	N/A	EUR
HANG SENG INDEX FUTURES	N/A	N/A	-	-	N/A	N/A	N/A	N/A	HKD
IBEX 35 INDEX FUTURES	N/A	N/A	-	-	N/A	N/A	N/A	N/A	EUR
S+P TSE 60 INDEX FUTURES	N/A	N/A	-	-	N/A	N/A	N/A	N/A	CAD
TOPIX INDEX FUTURES	N/A	N/A	-	-	N/A	N/A	N/A	N/A	JPY
Net (appreciation) depreciation from closed positions		N/A	-	-	N/A	N/A	N/A	N/A	Various
Subtotal: Foreign Futures - Long Positions									
Subtotal: Long Positions									
Domestic Futures - Short Positions									
S+P 500 E MINI INDEX FUTURES	Barclays	AA-/A-1+	-	-	N/A	N/A	N/A	N/A	N/A
Net (appreciation) depreciation from closed positions		N/A	-	-	N/A	N/A	N/A	N/A	N/A
Subtotal: Domestic Futures - Short Positions									
Foreign Futures - Short Positions									
ASX SPI 200 INDEX FUTURES	Barclays	AA-/A-1+	-	-	N/A	N/A	N/A	N/A	AUD
DAX INDEX FUTURES	Barclays	AA-/A-1+	-	-	N/A	N/A	N/A	N/A	EUR
HANG SENG INDEX FUTURES	Barclays	AA-/A-1+	-	-	N/A	N/A	N/A	N/A	HKD
OMX 30 INDEX FUTURES	Barclays	AA-/A-1+	-	-	N/A	N/A	N/A	N/A	SEK
S+P TSE 60 INDEX FUTURES	Barclays	AA-/A-1+	-	-	N/A	N/A	N/A	N/A	CAD
TOPIX INDEX FUTURES	Barclays	AA-/A-1+	-	-	N/A	N/A	N/A	N/A	JPY
Net (appreciation) depreciation from closed positions		N/A	-	-	N/A	N/A	N/A	N/A	Various
Subtotal: Foreign Futures - Short Positions									
Subtotal: Short Positions									
Total Futures Contracts									

EXHIBIT 8: Inventory of Derivative Contracts
University of California (includes UCRS)
At June 30, 2009 (in thousands of dollars)
Debit (Credit)
Inventory as of 29-Jan-10

				Financial Information							
				Notional Amount				Fair Value Asset (Liability)		Changes in Fair Value	
Category/Type	Account	Brief Description of Objective	Description of Terms	2009	Effective Date	Received at	Termination Date	SNA Classification	2009	SNA or SRECNA Classification	2009
Foreign Currency Exchange Contracts											
Long Positions											
AUSTRALIAN DOLLAR	EB4B	To make additional profit - refer to manager's disclosure	BOUGHT AUD at FX rate 1.28252	80	5/27/2009	None	9/16/2009	Investments	2	Net (appreciation) depreciation in fair value	(2)
AUSTRALIAN DOLLAR	EB4B	To make additional profit - refer to manager's disclosure	BOUGHT AUD at FX rate 1.248949	564	6/2/2009	None	9/16/2009	Investments	2	Net (appreciation) depreciation in fair value	(2)
AUSTRALIAN DOLLAR	EB4B	To make additional profit - refer to manager's disclosure	BOUGHT AUD at FX rate 1.258036	23,468	6/3/2009	None	9/16/2009	Investments	267	Net (appreciation) depreciation in fair value	(267)
AUSTRALIAN DOLLAR	EB4B	To make additional profit - refer to manager's disclosure	BOUGHT AUD at FX rate 1.27079	300	6/16/2009	None	9/16/2009	Investments	6	Net (appreciation) depreciation in fair value	(6)
CANADIAN DOLLAR	EB4B	To make additional profit - refer to manager's disclosure	BOUGHT CAD at FX rate 1.110945	3,458	5/27/2009	None	9/16/2009	Investments	(149)	Net (appreciation) depreciation in fair value	149
CANADIAN DOLLAR	EB4B	To make additional profit - refer to manager's disclosure	BOUGHT CAD at FX rate 1.1123	1	5/28/2009	None	9/16/2009	Investments	(0)	Net (appreciation) depreciation in fair value	0
CANADIAN DOLLAR	EB4B	To make additional profit - refer to manager's disclosure	BOUGHT CAD at FX rate 1.090144	1	5/29/2009	None	9/16/2009	Investments	(0)	Net (appreciation) depreciation in fair value	0
CANADIAN DOLLAR	EB4B	To make additional profit - refer to manager's disclosure	BOUGHT CAD at FX rate 1.093312	2,849	6/2/2009	None	9/16/2009	Investments	(166)	Net (appreciation) depreciation in fair value	166
CANADIAN DOLLAR	EB4B	To make additional profit - refer to manager's disclosure	BOUGHT CAD at FX rate 1.094563	2,214	6/10/2009	None	9/16/2009	Investments	(126)	Net (appreciation) depreciation in fair value	126
SWISS FRANC	EB4B	To make additional profit - refer to manager's disclosure	BOUGHT CHF at FX rate 1.083499	8,318	5/27/2009	None	9/16/2009	Investments	(23)	Net (appreciation) depreciation in fair value	23
SWISS FRANC	EB4B	To make additional profit - refer to manager's disclosure	BOUGHT CHF at FX rate 1.0668	1,677	6/1/2009	None	9/16/2009	Investments	(30)	Net (appreciation) depreciation in fair value	30
SWISS FRANC	EB4B	To make additional profit - refer to manager's disclosure	BOUGHT CHF at FX rate 1.070814	4,656	6/2/2009	None	9/16/2009	Investments	(67)	Net (appreciation) depreciation in fair value	67
SWISS FRANC	EB4B	To make additional profit - refer to manager's disclosure	BOUGHT CHF at FX rate 1.08285	597	6/23/2009	None	9/16/2009	Investments	(2)	Net (appreciation) depreciation in fair value	2
SWISS FRANC	EB4B	To make additional profit - refer to manager's disclosure	BOUGHT CHF at FX rate 1.07999	546	6/26/2009	None	9/16/2009	Investments	(3)	Net (appreciation) depreciation in fair value	3
SWISS FRANC	EB4B	To make additional profit - refer to manager's disclosure	BOUGHT CHF at FX rate 1.081869	472	6/29/2009	None	9/16/2009	Investments	(2)	Net (appreciation) depreciation in fair value	2
SWISS FRANC	EB4B	To make additional profit - refer to manager's disclosure	BOUGHT CHF at FX rate 1.07902	2,125	6/30/2009	None	9/16/2009	Investments	(15)	Net (appreciation) depreciation in fair value	15
DANISH KRONE	EB4B	To make additional profit - refer to manager's disclosure	BOUGHT DKK at FX rate 5.2498	566	6/2/2009	None	9/16/2009	Investments	(7)	Net (appreciation) depreciation in fair value	7
DANISH KRONE	EB4B	To make additional profit - refer to manager's disclosure	BOUGHT DKK at FX rate 5.366806	13	6/16/2009	None	9/16/2009	Investments	0	Net (appreciation) depreciation in fair value	(0)
DANISH KRONE	EB4B	To make additional profit - refer to manager's disclosure	BOUGHT DKK at FX rate 5.312582	33	6/30/2009	None	9/16/2009	Investments	(0)	Net (appreciation) depreciation in fair value	0
EURO CURRENCY	EB4B	To make additional profit - refer to manager's disclosure	BOUGHT EUR at FX rate 0.720077	43	6/8/2009	None	9/16/2009	Investments	0	Net (appreciation) depreciation in fair value	(0)
EURO CURRENCY	EB4B	To make additional profit - refer to manager's disclosure	BOUGHT EUR at FX rate 0.708511	148	6/10/2009	None	9/16/2009	Investments	(1)	Net (appreciation) depreciation in fair value	1
EURO CURRENCY	EB4B	To make additional profit - refer to manager's disclosure	BOUGHT EUR at FX rate 0.722575	296	6/16/2009	None	9/16/2009	Investments	4	Net (appreciation) depreciation in fair value	(4)
POUND STERLING	EB4B	To make additional profit - refer to manager's disclosure	BOUGHT GBP at FX rate 0.627795	14	5/26/2009	None	9/16/2009	Investments	0	Net (appreciation) depreciation in fair value	(0)
POUND STERLING	EB4B	To make additional profit - refer to manager's disclosure	BOUGHT GBP at FX rate 0.623158	11	5/27/2009	None	9/16/2009	Investments	0	Net (appreciation) depreciation in fair value	(0)
POUND STERLING	EB4B	To make additional profit - refer to manager's disclosure	BOUGHT GBP at FX rate 0.627052	32	5/28/2009	None	9/16/2009	Investments	1	Net (appreciation) depreciation in fair value	(1)
POUND STERLING	EB4B	To make additional profit - refer to manager's disclosure	BOUGHT GBP at FX rate 0.622115	3,437	5/29/2009	None	9/16/2009	Investments	84	Net (appreciation) depreciation in fair value	(84)
POUND STERLING	EB4B	To make additional profit - refer to manager's disclosure	BOUGHT GBP at FX rate 0.602862	27	6/2/2009	None	9/16/2009	Investments	(0)	Net (appreciation) depreciation in fair value	0
POUND STERLING	EB4B	To make additional profit - refer to manager's disclosure	BOUGHT GBP at FX rate 0.615338	16	6/3/2009	None	9/16/2009	Investments	0	Net (appreciation) depreciation in fair value	(0)
POUND STERLING	EB4B	To make additional profit - refer to manager's disclosure	BOUGHT GBP at FX rate 0.613392	26	6/10/2009	None	9/16/2009	Investments	0	Net (appreciation) depreciation in fair value	(0)
POUND STERLING	EB4B	To make additional profit - refer to manager's disclosure	BOUGHT GBP at FX rate 0.610682	9,827	6/10/2009	None	9/16/2009	Investments	55	Net (appreciation) depreciation in fair value	(55)
POUND STERLING	EB4B	To make additional profit - refer to manager's disclosure	BOUGHT GBP at FX rate 0.603184	15	6/11/2009	None	9/16/2009	Investments	(0)	Net (appreciation) depreciation in fair value	0
POUND STERLING	EB4B	To make additional profit - refer to manager's disclosure	BOUGHT GBP at FX rate 0.608558	33	6/12/2009	None	9/16/2009	Investments	0	Net (appreciation) depreciation in fair value	(0)
POUND STERLING	EB4B	To make additional profit - refer to manager's disclosure	BOUGHT GBP at FX rate 0.613821	54	6/15/2009	None	9/16/2009	Investments	1	Net (appreciation) depreciation in fair value	(1)
POUND STERLING	EB4B	To make additional profit - refer to manager's disclosure	BOUGHT GBP at FX rate 0.609027	20	6/17/2009	None	9/16/2009	Investments	0	Net (appreciation) depreciation in fair value	(0)
POUND STERLING	EB4B	To make additional profit - refer to manager's disclosure	BOUGHT GBP at FX rate 0.613465	2,251	6/23/2009	None	9/16/2009	Investments	23	Net (appreciation) depreciation in fair value	(23)
POUND STERLING	EB4B	To make additional profit - refer to manager's disclosure	BOUGHT GBP at FX rate 0.609345	153	6/24/2009	None	9/16/2009	Investments	1	Net (appreciation) depreciation in fair value	(1)
HONG KONG DOLLAR	EB4B	To make additional profit - refer to manager's disclosure	BOUGHT HKD at FX rate 7.7453	717	6/2/2009	None	9/16/2009	Investments	0	Net (appreciation) depreciation in fair value	(0)
HONG KONG DOLLAR	EB4B	To make additional profit - refer to manager's disclosure	BOUGHT HKD at FX rate 7.744923	158	6/2/2009	None	9/16/2009	Investments	(0)	Net (appreciation) depreciation in fair value	0
HONG KONG DOLLAR	EB4B	To make additional profit - refer to manager's disclosure	BOUGHT HKD at FX rate 7.747497	40	6/30/2009	None	9/16/2009	Investments	0	Net (appreciation) depreciation in fair value	(0)
JAPANESE YEN	EB4B	To make additional profit - refer to manager's disclosure	BOUGHT JPY at FX rate 96.150845	2,238	6/2/2009	None	9/16/2009	Investments	(6)	Net (appreciation) depreciation in fair value	6
JAPANESE YEN	EB4B	To make additional profit - refer to manager's disclosure	BOUGHT JPY at FX rate 95.913458	22,651	6/2/2009	None	9/16/2009	Investments	(115)	Net (appreciation) depreciation in fair value	115
JAPANESE YEN	EB4B	To make additional profit - refer to manager's disclosure	BOUGHT JPY at FX rate 96.018251	4,286	6/30/2009	None	9/16/2009	Investments	(17)	Net (appreciation) depreciation in fair value	17
JAPANESE YEN	EB4B	To make additional profit - refer to manager's disclosure	BOUGHT JPY at FX rate 96.2854	275	6/30/2009	None	9/16/2009	Investments	(0)	Net (appreciation) depreciation in fair value	0
SWEDISH KRONA	EB4B	To make additional profit - refer to manager's disclosure	BOUGHT SEK at FX rate 7.628163	6,154	6/10/2009	None	9/16/2009	Investments	(96)	Net (appreciation) depreciation in fair value	96
SWEDISH KRONA	EB4B	To make additional profit - refer to manager's disclosure	BOUGHT SEK at FX rate 7.77987	188	6/26/2009	None	9/16/2009	Investments	1	Net (appreciation) depreciation in fair value	(1)
SWEDISH KRONA	EB4B	To make additional profit - refer to manager's disclosure	BOUGHT SEK at FX rate 7.680144	270	6/29/2009	None	9/16/2009	Investments	(2)	Net (appreciation) depreciation in fair value	2
SWEDISH KRONA	EB4B	To make additional profit - refer to manager's disclosure	BOUGHT SEK at FX rate 7.4964	2,718	6/2/2009	None	9/16/2009	Investments	(89)	Net (appreciation) depreciation in fair value	89
SINGAPORE DOLLAR	EB4B	To make additional profit - refer to manager's disclosure	BOUGHT SGD at FX rate 1.45125	578	5/29/2009	None	9/16/2009	Investments	1	Net (appreciation) depreciation in fair value	(1)
SINGAPORE DOLLAR	EB4B	To make additional profit - refer to manager's disclosure	BOUGHT SGD at FX rate 1.440164	74	6/2/2009	None	9/16/2009	Investments	(0)	Net (appreciation) depreciation in fair value	0
SINGAPORE DOLLAR	EB4B	To make additional profit - refer to manager's disclosure	BOUGHT SGD at FX rate 1.449521	39	6/10/2009	None	9/16/2009	Investments	0	Net (appreciation) depreciation in fair value	(0)
SINGAPORE DOLLAR	EB4B	To make additional profit - refer to manager's disclosure	BOUGHT SGD at FX rate 1.461456	10	6/23/2009	None	9/16/2009	Investments	0	Net (appreciation) depreciation in fair value	(0)
SINGAPORE DOLLAR	EB4B	To make additional profit - refer to manager's disclosure	BOUGHT SGD at FX rate 1.448403	13	6/30/2009	None	9/16/2009	Investments	0	Net (appreciation) depreciation in fair value	(0)
POUND STERLING	EB4E	initiated and executed by State Street in order to have local	BOUGHT GBP at FX rate 0.604595	575	6/19/2009	None	7/1/2009	Investments	(2)	Net (appreciation) depreciation in fair value	2
EURO CURRENCY	EB6Q	To hedge out currency risk with high yield securites	BOUGHT EUR at FX rate 0.736819	443	5/15/2009	None	8/12/2009	Investments	15	Net (appreciation) depreciation in fair value	(15)
EURO CURRENCY	EB6Q	To hedge out currency risk with high yield securites	BOUGHT EUR at FX rate 0.742992	607	5/18/2009	None	8/12/2009	Investments	26	Net (appreciation) depreciation in fair value	(26)
EURO CURRENCY	EB6Q	To hedge out currency risk with high yield securites	BOUGHT EUR at FX rate 0.717772	351	5/27/2009	None	8/12/2009	Investments	2	Net (appreciation) depreciation in fair value	(2)
EURO CURRENCY	EB6Q	To hedge out currency risk with high yield securites	BOUGHT EUR at FX rate 0.717901	587	6/19/2009	None	8/12/2009	Investments	4	Net (appreciation) depreciation in fair value	(4)
EURO CURRENCY	EB6Q	To hedge out currency risk with high yield securites	BOUGHT EUR at FX rate 0.716497	1,136	6/23/2009	None	8/12/2009	Investments	6	Net (appreciation) depreciation in fair value	(6)
AUSTRALIAN DOLLAR	EB9S	Maintain cash in desired currency exposure	BOUGHT AUD at FX rate 1.252427	331	5/29/2009	None	7/6/2009	Investments	4	Net (appreciation) depreciation in fair value	(4)
AUSTRALIAN DOLLAR	EB9S	Maintain cash in desired currency exposure	BOUGHT AUD at FX rate 1.265502	7,997	6/22/2009	None	7/6/2009	Investments	182	Net (appreciation) depreciation in fair value	(182)
CANADIAN DOLLAR	EB9S	Maintain cash in desired currency exposure	BOUGHT CAD at FX rate 1.15192	11,763	6/22/2009	None	7/6/2009	Investments	(95)	Net (appreciation) depreciation in fair value	95
SWISS FRANC	EB9S	Maintain cash in desired currency exposure	BOUGHT CHF at FX rate 1.068012	502	6/1/2009	None	7/6/2009	Investments	(9)	Net (appreciation) depreciation in fair value	9
SWISS FRANC	EB9S	Maintain cash in desired currency exposure	BOUGHT CHF at FX rate 1.08539	8,685	6/22/2009	None	7/6/2009	Investments	(17)	Net (appreciation) depreciation in fair value	17
EURO CURRENCY	EB9S	Maintain cash in desired currency exposure	BOUGHT EUR at FX rate 0.706639	1,139	5/29/2009	None	7/6/2009	Investments	(10)	Net (appreciation) depreciation in fair value	10
EURO CURRENCY	EB9S	Maintain cash in desired currency exposure	BOUGHT EUR at FX rate 0.704788	352	6/1/2009	None	7/6/2009	Investments	(4)	Net (appreciation) depreciation in fair value	4
EURO CURRENCY	EB9S	Maintain cash in desired currency exposure	BOUGHT EUR at FX rate 0.720773	20,004	6/22/2009	None	7/6/2009	Investments	220	Net (appreciation) depreciation in fair value	(220)
EURO CURRENCY	EB9S	Maintain cash in desired currency exposure	BOUGHT EUR at FX rate 0.712527	20,236	6/23/2009	None	7/6/2009	Investments	(12)	Net (appreciation) depreciation in fair value	12
EURO CURRENCY	EB9S	Maintain cash in desired currency exposure	BOUGHT EUR at FX rate 0.712935	428	6/30/2009	None	8/6/2009	Investments	0	Net (appreciation) depreciation in fair value	(0)
POUND STERLING	EB9S	Maintain cash in desired currency exposure	BOUGHT GBP at FX rate 0.620224	650	5/29/2009	None	7/6/2009	Investments	14	Net (appreciation) depreciation in fair value	(14)
POUND STERLING	EB9S	Maintain cash in desired currency exposure	BOUGHT GBP at FX rate 0.611434	12,649	6/22/2009	None	7/6/2009	Investments	88	Net (appreciation) depreciation in fair value	(88)
POUND STERLING	EB9S	Maintain cash in desired currency exposure	BOUGHT GBP at FX rate 0.611812	12,641	6/23/2009	None	7/6/2009	Investments	96	Net (appreciation) depreciation in fair value	(96)

EXHIBIT 8: Inventory of Derivative Contracts
University of California (includes UCRS)
At June 30, 2009 (in thousands of dollars)
Debit (Credit)
Inventory as of 29-Jan-10

					Investment Risk Factors				
			Collateral (Posted) Received						
Category/Type	Counterparty	Credit Rating	2009	2008	Describe Credit Risk	Describe Interest Rate Risk	Describe Basis Risk	Describe Termination Risk	Currency Risk
Foreign Currency Exchange Contracts									
Long Positions									
AUSTRALIAN DOLLAR	RBS	A+/A-1	-	-	N/A	N/A	N/A	N/A	AUD
AUSTRALIAN DOLLAR	RBS	A+/A-1	-	-	N/A	N/A	N/A	N/A	AUD
AUSTRALIAN DOLLAR	RBS	A+/A-1	-	-	N/A	N/A	N/A	N/A	AUD
AUSTRALIAN DOLLAR	RBS	A+/A-1	-	-	N/A	N/A	N/A	N/A	AUD
CANADIAN DOLLAR	RBS	A+/A-1	-	-	N/A	N/A	N/A	N/A	CAD
CANADIAN DOLLAR	RBS	A+/A-1	-	-	N/A	N/A	N/A	N/A	CAD
CANADIAN DOLLAR	RBS	A+/A-1	-	-	N/A	N/A	N/A	N/A	CAD
CANADIAN DOLLAR	RBS	A+/A-1	-	-	N/A	N/A	N/A	N/A	CAD
CANADIAN DOLLAR	RBS	A+/A-1	-	-	N/A	N/A	N/A	N/A	CAD
SWISS FRANC	RBS	A+/A-1	-	-	N/A	N/A	N/A	N/A	CHF
SWISS FRANC	RBS	A+/A-1	-	-	N/A	N/A	N/A	N/A	CHF
SWISS FRANC	RBS	A+/A-1	-	-	N/A	N/A	N/A	N/A	CHF
SWISS FRANC	RBS	A+/A-1	-	-	N/A	N/A	N/A	N/A	CHF
SWISS FRANC	RBS	A+/A-1	-	-	N/A	N/A	N/A	N/A	CHF
SWISS FRANC	RBS	A+/A-1	-	-	N/A	N/A	N/A	N/A	CHF
SWISS FRANC	RBS	A+/A-1	-	-	N/A	N/A	N/A	N/A	CHF
DANISH KRONE	RBS	A+/A-1	-	-	N/A	N/A	N/A	N/A	DKK
DANISH KRONE	RBS	A+/A-1	-	-	N/A	N/A	N/A	N/A	DKK
DANISH KRONE	RBS	A+/A-1	-	-	N/A	N/A	N/A	N/A	DKK
EURO CURRENCY	RBS	A+/A-1	-	-	N/A	N/A	N/A	N/A	EUR
EURO CURRENCY	RBS	A+/A-1	-	-	N/A	N/A	N/A	N/A	EUR
EURO CURRENCY	RBS	A+/A-1	-	-	N/A	N/A	N/A	N/A	EUR
POUND STERLING	RBS	A+/A-1	-	-	N/A	N/A	N/A	N/A	GBP
POUND STERLING	RBS	A+/A-1	-	-	N/A	N/A	N/A	N/A	GBP
POUND STERLING	RBS	A+/A-1	-	-	N/A	N/A	N/A	N/A	GBP
POUND STERLING	RBS	A+/A-1	-	-	N/A	N/A	N/A	N/A	GBP
POUND STERLING	RBS	A+/A-1	-	-	N/A	N/A	N/A	N/A	GBP
POUND STERLING	RBS	A+/A-1	-	-	N/A	N/A	N/A	N/A	GBP
POUND STERLING	RBS	A+/A-1	-	-	N/A	N/A	N/A	N/A	GBP
POUND STERLING	RBS	A+/A-1	-	-	N/A	N/A	N/A	N/A	GBP
POUND STERLING	RBS	A+/A-1	-	-	N/A	N/A	N/A	N/A	GBP
POUND STERLING	RBS	A+/A-1	-	-	N/A	N/A	N/A	N/A	GBP
POUND STERLING	RBS	A+/A-1	-	-	N/A	N/A	N/A	N/A	GBP
POUND STERLING	RBS	A+/A-1	-	-	N/A	N/A	N/A	N/A	GBP
POUND STERLING	RBS	A+/A-1	-	-	N/A	N/A	N/A	N/A	GBP
POUND STERLING	RBS	A+/A-1	-	-	N/A	N/A	N/A	N/A	GBP
HONG KONG DOLLAR	RBS	A+/A-1	-	-	N/A	N/A	N/A	N/A	HKD
HONG KONG DOLLAR	RBS	A+/A-1	-	-	N/A	N/A	N/A	N/A	HKD
HONG KONG DOLLAR	RBS	A+/A-1	-	-	N/A	N/A	N/A	N/A	HKD
JAPANESE YEN	RBS	A+/A-1	-	-	N/A	N/A	N/A	N/A	JPY
JAPANESE YEN	RBS	A+/A-1	-	-	N/A	N/A	N/A	N/A	JPY
JAPANESE YEN	RBS	A+/A-1	-	-	N/A	N/A	N/A	N/A	JPY
JAPANESE YEN	RBS	A+/A-1	-	-	N/A	N/A	N/A	N/A	JPY
SWEDISH KRONA	RBS	A+/A-1	-	-	N/A	N/A	N/A	N/A	SEK
SWEDISH KRONA	RBS	A+/A-1	-	-	N/A	N/A	N/A	N/A	SEK
SWEDISH KRONA	RBS	A+/A-1	-	-	N/A	N/A	N/A	N/A	SEK
SWEDISH KRONA	RBS	A+/A-1	-	-	N/A	N/A	N/A	N/A	SEK
SINGAPORE DOLLAR	RBS	A+/A-1	-	-	N/A	N/A	N/A	N/A	SGD
SINGAPORE DOLLAR	RBS	A+/A-1	-	-	N/A	N/A	N/A	N/A	SGD
SINGAPORE DOLLAR	RBS	A+/A-1	-	-	N/A	N/A	N/A	N/A	SGD
SINGAPORE DOLLAR	RBS	A+/A-1	-	-	N/A	N/A	N/A	N/A	SGD
SINGAPORE DOLLAR	RBS	A+/A-1	-	-	N/A	N/A	N/A	N/A	SGD
POUND STERLING	State Street	A1	-	-	N/A	N/A	N/A	N/A	GBP
EURO CURRENCY	JPMorgan Chase Bank	Aa1/AA-	-	-	N/A	N/A	N/A	N/A	EUR
EURO CURRENCY	Citibank, N.A.	Aa1/AA-	-	-	N/A	N/A	N/A	N/A	EUR
EURO CURRENCY	Deutsche Bank AG - London Branch	Aa1/AA-	-	-	N/A	N/A	N/A	N/A	EUR
EURO CURRENCY	JPMorgan Chase Bank	Aa1/AA-	-	-	N/A	N/A	N/A	N/A	EUR
EURO CURRENCY	Deutsche Bank AG - London Branch	Aa1/AA-	-	-	N/A	N/A	N/A	N/A	EUR
AUSTRALIAN DOLLAR	Bank of America Secs LLC	A1/A	-	-	N/A	N/A	N/A	N/A	AUD
AUSTRALIAN DOLLAR	BNP Paribas	Aa1/AA	-	-	N/A	N/A	N/A	N/A	AUD
CANADIAN DOLLAR	BNP Paribas	Aa1/AA	-	-	N/A	N/A	N/A	N/A	CAD
SWISS FRANC	UBS AG	Aa2/A-1	-	-	N/A	N/A	N/A	N/A	CHF
SWISS FRANC	Royal Bank of Scotland	Aa3/A-1+	-	-	N/A	N/A	N/A	N/A	CHF
EURO CURRENCY	Bank of America Secs LLC	A1/A	-	-	N/A	N/A	N/A	N/A	EUR
EURO CURRENCY	UBS AG	Aa2/A-1	-	-	N/A	N/A	N/A	N/A	EUR
EURO CURRENCY	BNP Paribas	Aa1/AA	-	-	N/A	N/A	N/A	N/A	EUR
EURO CURRENCY	UBS AG	Aa2/A-1	-	-	N/A	N/A	N/A	N/A	EUR
EURO CURRENCY	Royal Bank of Scotland	Aa3/A-1+	-	-	N/A	N/A	N/A	N/A	EUR
POUND STERLING	Citigroup	A1/A-1+	-	-	N/A	N/A	N/A	N/A	GBP
POUND STERLING	Society Generale Securities Corp	Aa1/A-1+	-	-	N/A	N/A	N/A	N/A	GBP
POUND STERLING	Bank of America Secs LLC	A1/A	-	-	N/A	N/A	N/A	N/A	GBP

EXHIBIT 8: Inventory of Derivative Contracts

University of California (includes UCRS)

At June 30, 2009 (in thousands of dollars)

Debit (Credit)

Inventory as of 29-Jan-10

				Financial Information							
				Notional Amount				Fair Value Asset (Liability)		Changes in Fair Value	
Category/Type	Account	Brief Description of Objective	Description of Terms	2009	Effective Date	Received at	Termination Date	SNA Classification	2009	SNA or SRECNA Classification	2009
POUND STERLING	EB9S	Maintain cash in desired currency exposure	BOUGHT GBP at FX rate 0.607236	558	6/30/2009	None	8/6/2009	Investments	(0)	Net (appreciation) depreciation in fair value	0
HONG KONG DOLLAR	EB9S	Maintain cash in desired currency exposure	BOUGHT HKD at FX rate 7.7485	2,696	6/22/2009	None	7/6/2009	Investments	(0)	Net (appreciation) depreciation in fair value	0
JAPANESE YEN	EB9S	Maintain cash in desired currency exposure	BOUGHT JPY at FX rate 95.8675	13,864	6/22/2009	None	7/6/2009	Investments	(88)	Net (appreciation) depreciation in fair value	88
JAPANESE YEN	EB9S	Maintain cash in desired currency exposure	BOUGHT JPY at FX rate 95.2315	13,956	6/23/2009	None	7/6/2009	Investments	(181)	Net (appreciation) depreciation in fair value	181
SWEDISH KRONA	EB9S	Maintain cash in desired currency exposure	BOUGHT SEK at FX rate 7.9808	2,861	6/22/2009	None	7/6/2009	Investments	86	Net (appreciation) depreciation in fair value	(86)
SINGAPORE DOLLAR	EB9S	Maintain cash in desired currency exposure	BOUGHT SGD at FX rate 1.4581	1,386	6/22/2009	None	7/6/2009	Investments	10	Net (appreciation) depreciation in fair value	(10)
Net (appreciation) depreciation from closed positions				-						Net (appreciation) depreciation in fair value	(13,377)
Subtotal: Foreign Currency Exchange Contract - Long Positions				**245,149**					**(132)**		**(13,245)**

EXHIBIT 8: Inventory of Derivative Contracts
University of California (includes UCRS)
At June 30, 2009 (in thousands of dollars)
Debit (Credit)
Inventory as of 29-Jan-10

			Collateral (Posted) Received		Investment Risk Factors				
Category/Type	Counterparty	Credit Rating	2009	2008	Describe Credit Risk	Describe Interest Rate Risk	Describe Basis Risk	Describe Termination Risk	Currency Risk
POUND STERLING	Royal Bank of Scotland	Aa3/A-1+	-	-	N/A	N/A	N/A	N/A	GBP
HONG KONG DOLLAR	Royal Bank of Scotland	Aa3/A-1+	-	-	N/A	N/A	N/A	N/A	HKD
JAPANESE YEN	Citigroup	A1/A-1+	-	-	N/A	N/A	N/A	N/A	JYP
JAPANESE YEN	Credit Suisse First Boston	Aa1/A-1	-	-	N/A	N/A	N/A	N/A	JYP
SWEDISH KRONA	Citigroup	A1/A-1+	-	-	N/A	N/A	N/A	N/A	SEK
SINGAPORE DOLLAR	Societe Generale Securities Corp	Aa1/A-1+	-	-	N/A	N/A	N/A	N/A	SGD
Net (appreciation) depreciation from closed positions	N/A	N/A	-	-	N/A	N/A	N/A	N/A	Various
Subtotal: Foreign Currency Exchange Contract - Long									

EXHIBIT 8: Inventory of Derivative Contracts
University of California (includes UCRS)
At June 30, 2009 (in thousands of dollars)
Debit (Credit)
Inventory as of 29-Jan-10

			Financial Information									
				Notional Amount				Fair Value Asset (Liability)		Changes in Fair Value		
Category/Type	Account	Brief Description of Objective	Description of Terms	2009	Effective Date	Received at	Termination Date	SNA Classification	2009	SNA or SRECNA Classification	2009	
Short Positions												
AUSTRALIAN DOLLAR	EB4B	To make additional profit - refer to manager's disclosure	SOLD AUD at FX rate 1.281951	(474)	5/26/2009	None	9/16/2009	Investments	(15)	Net (appreciation) depreciation in fair value	15	
AUSTRALIAN DOLLAR	EB4B	To make additional profit - refer to manager's disclosure	SOLD AUD at FX rate 1.257063	(168)	6/10/2009	None	9/16/2009	Investments	(2)	Net (appreciation) depreciation in fair value	2	
AUSTRALIAN DOLLAR	EB4B	To make additional profit - refer to manager's disclosure	SOLD AUD at FX rate 1.265387	(75)	6/23/2009	None	9/16/2009	Investments	(1)	Net (appreciation) depreciation in fair value	1	
AUSTRALIAN DOLLAR	EB4B	To make additional profit - refer to manager's disclosure	SOLD AUD at FX rate 1.284202	(203)	6/23/2009	None	9/16/2009	Investments	(7)	Net (appreciation) depreciation in fair value	7	
AUSTRALIAN DOLLAR	EB4B	To make additional profit - refer to manager's disclosure	SOLD AUD at FX rate 1.263424	(55)	6/24/2009	None	9/16/2009	Investments	(1)	Net (appreciation) depreciation in fair value	1	
AUSTRALIAN DOLLAR	EB4B	To make additional profit - refer to manager's disclosure	SOLD AUD at FX rate 1.241554	(6)	6/30/2009	None	9/16/2009	Investments	0	Net (appreciation) depreciation in fair value	(0)	
CANADIAN DOLLAR	EB4B	To make additional profit - refer to manager's disclosure	SOLD CAD at FX rate 1.100969	(22,186)	6/1/2009	None	9/16/2009	Investments	1,144	Net (appreciation) depreciation in fair value	(1,144)	
CANADIAN DOLLAR	EB4B	To make additional profit - refer to manager's disclosure	SOLD CAD at FX rate 1.133826	(187)	6/15/2009	None	9/16/2009	Investments	4	Net (appreciation) depreciation in fair value	(4)	
CANADIAN DOLLAR	EB4B	To make additional profit - refer to manager's disclosure	SOLD CAD at FX rate 1.134619	(212)	6/16/2009	None	9/16/2009	Investments	5	Net (appreciation) depreciation in fair value	(5)	
CANADIAN DOLLAR	EB4B	To make additional profit - refer to manager's disclosure	SOLD CAD at FX rate 1.154971	(467)	6/23/2009	None	9/16/2009	Investments	2	Net (appreciation) depreciation in fair value	(2)	
CANADIAN DOLLAR	EB4B	To make additional profit - refer to manager's disclosure	SOLD CAD at FX rate 1.153237	(1,346)	6/30/2009	None	9/16/2009	Investments	9	Net (appreciation) depreciation in fair value	(9)	
SWISS FRANC	EB4B	To make additional profit - refer to manager's disclosure	SOLD CHF at FX rate 1.074226	(6,007)	6/10/2009	None	9/16/2009	Investments	68	Net (appreciation) depreciation in fair value	(68)	
SWISS FRANC	EB4B	To make additional profit - refer to manager's disclosure	SOLD CHF at FX rate 1.088227	(734)	6/16/2009	None	9/16/2009	Investments	(1)	Net (appreciation) depreciation in fair value	1	
DANISH KRONE	EB4B	To make additional profit - refer to manager's disclosure	SOLD DKK at FX rate 5.3341	(7)	5/27/2009	None	9/16/2009	Investments	(0)	Net (appreciation) depreciation in fair value	0	
DANISH KRONE	EB4B	To make additional profit - refer to manager's disclosure	SOLD DKK at FX rate 5.288028	(35)	6/2/2009	None	9/16/2009	Investments	0	Net (appreciation) depreciation in fair value	(0)	
DANISH KRONE	EB4B	To make additional profit - refer to manager's disclosure	SOLD DKK at FX rate 5.27999	(27)	6/10/2009	None	9/16/2009	Investments	0	Net (appreciation) depreciation in fair value	(0)	
DANISH KRONE	EB4B	To make additional profit - refer to manager's disclosure	SOLD DKK at FX rate 5.367987	(61)	6/23/2009	None	9/16/2009	Investments	(1)	Net (appreciation) depreciation in fair value	1	
DANISH KRONE	EB4B	To make additional profit - refer to manager's disclosure	SOLD DKK at FX rate 5.29834	(88)	6/26/2009	None	9/16/2009	Investments	0	Net (appreciation) depreciation in fair value	(0)	
DANISH KRONE	EB4B	To make additional profit - refer to manager's disclosure	SOLD DKK at FX rate 5.294163	(76)	6/29/2009	None	9/16/2009	Investments	0	Net (appreciation) depreciation in fair value	(0)	
EURO CURRENCY	EB4B	To make additional profit - refer to manager's disclosure	SOLD EUR at FX rate 0.708378	(611)	6/2/2009	None	9/16/2009	Investments	4	Net (appreciation) depreciation in fair value	(4)	
EURO CURRENCY	EB4B	To make additional profit - refer to manager's disclosure	SOLD EUR at FX rate 0.721062	(153)	6/23/2009	None	9/16/2009	Investments	(2)	Net (appreciation) depreciation in fair value	2	
EURO CURRENCY	EB4B	To make additional profit - refer to manager's disclosure	SOLD EUR at FX rate 0.710868	(634)	6/26/2009	None	9/16/2009	Investments	2	Net (appreciation) depreciation in fair value	(2)	
EURO CURRENCY	EB4B	To make additional profit - refer to manager's disclosure	SOLD EUR at FX rate 0.710153	(615)	6/29/2009	None	9/16/2009	Investments	2	Net (appreciation) depreciation in fair value	(2)	
EURO CURRENCY	EB4B	To make additional profit - refer to manager's disclosure	SOLD EUR at FX rate 0.708398	(1,189)	6/30/2009	None	9/16/2009	Investments	8	Net (appreciation) depreciation in fair value	(8)	
EURO CURRENCY	EB4B	To make additional profit - refer to manager's disclosure	SOLD EUR at FX rate 0.716811	(198)	5/27/2009	None	9/16/2009	Investments	(1)	Net (appreciation) depreciation in fair value	1	
EURO CURRENCY	EB4B	To make additional profit - refer to manager's disclosure	SOLD EUR at FX rate 0.712324	(14,083)	6/1/2009	None	9/16/2009	Investments	14	Net (appreciation) depreciation in fair value	(14)	
POUND STERLING	EB4B	To make additional profit - refer to manager's disclosure	SOLD GBP at FX rate 0.625763	(1,897)	5/27/2009	None	9/16/2009	Investments	(58)	Net (appreciation) depreciation in fair value	58	
POUND STERLING	EB4B	To make additional profit - refer to manager's disclosure	SOLD GBP at FX rate 0.611635	(775)	6/22/2009	None	9/16/2009	Investments	(6)	Net (appreciation) depreciation in fair value	6	
POUND STERLING	EB4B	To make additional profit - refer to manager's disclosure	SOLD GBP at FX rate 0.607781	(665)	6/23/2009	None	9/16/2009	Investments	(1)	Net (appreciation) depreciation in fair value	1	
POUND STERLING	EB4B	To make additional profit - refer to manager's disclosure	SOLD GBP at FX rate 0.599017	(4,095)	6/30/2009	None	9/16/2009	Investments	56	Net (appreciation) depreciation in fair value	(56)	
HONG KONG DOLLAR	EB4B	To make additional profit - refer to manager's disclosure	SOLD HKD at FX rate 7.74505	(149)	5/26/2009	None	9/16/2009	Investments	0	Net (appreciation) depreciation in fair value	(0)	
HONG KONG DOLLAR	EB4B	To make additional profit - refer to manager's disclosure	SOLD HKD at FX rate 7.745806	(42)	5/27/2009	None	9/16/2009	Investments	(0)	Net (appreciation) depreciation in fair value	0	
HONG KONG DOLLAR	EB4B	To make additional profit - refer to manager's disclosure	SOLD HKD at FX rate 7.746172	(76)	6/10/2009	None	9/16/2009	Investments	(0)	Net (appreciation) depreciation in fair value	0	
HONG KONG DOLLAR	EB4B	To make additional profit - refer to manager's disclosure	SOLD HKD at FX rate 7.745479	(180)	6/16/2009	None	9/16/2009	Investments	(0)	Net (appreciation) depreciation in fair value	0	
HONG KONG DOLLAR	EB4B	To make additional profit - refer to manager's disclosure	SOLD HKD at FX rate 7.745864	(15)	6/23/2009	None	9/16/2009	Investments	(0)	Net (appreciation) depreciation in fair value	0	
JAPANESE YEN	EB4B	To make additional profit - refer to manager's disclosure	SOLD JPY at FX rate 95.160976	(746)	5/27/2009	None	9/16/2009	Investments	10	Net (appreciation) depreciation in fair value	(10)	
JAPANESE YEN	EB4B	To make additional profit - refer to manager's disclosure	SOLD JPY at FX rate 97.377043	(10,073)	6/10/2009	None	9/16/2009	Investments	(102)	Net (appreciation) depreciation in fair value	102	
SWEDISH KRONA	EB4B	To make additional profit - refer to manager's disclosure	SOLD SEK at FX rate 7.583692	(262)	5/27/2009	None	9/16/2009	Investments	6	Net (appreciation) depreciation in fair value	(6)	
SWEDISH KRONA	EB4B	To make additional profit - refer to manager's disclosure	SOLD SEK at FX rate 7.516687	(8,075)	6/2/2009	None	9/16/2009	Investments	242	Net (appreciation) depreciation in fair value	(242)	
SWEDISH KRONA	EB4B	To make additional profit - refer to manager's disclosure	SOLD SEK at FX rate 8.012822	(2,131)	6/23/2009	None	9/16/2009	Investments	(73)	Net (appreciation) depreciation in fair value	73	
SWEDISH KRONA	EB4B	To make additional profit - refer to manager's disclosure	SOLD SEK at FX rate 7.677895	(1,240)	6/30/2009	None	9/16/2009	Investments	11	Net (appreciation) depreciation in fair value	(11)	
SINGAPORE DOLLAR	EB4B	To make additional profit - refer to manager's disclosure	SOLD SGD at FX rate 1.449226	(105)	5/26/2009	None	9/16/2009	Investments	(0)	Net (appreciation) depreciation in fair value	0	
SINGAPORE DOLLAR	EB4B	To make additional profit - refer to manager's disclosure	SOLD SGD at FX rate 1.446986	(41)	5/27/2009	None	9/16/2009	Investments	0	Net (appreciation) depreciation in fair value	(0)	
SINGAPORE DOLLAR	EB4B	To make additional profit - refer to manager's disclosure	SOLD SGD at FX rate 1.462843	(61)	6/16/2009	None	9/16/2009	Investments	(1)	Net (appreciation) depreciation in fair value	1	
EURO CURRENCY	EB6Q	To hedge out currency risk with high yield securites	SOLD EUR at FX rate 0.710919	(853)	6/11/2009	None	8/12/2009	Investments	2	Net (appreciation) depreciation in fair value	(2)	
EURO CURRENCY	EB6Q	To hedge out currency risk with high yield securites	SOLD EUR at FX rate 0.719922	(279)	6/9/2009	None	8/12/2009	Investments	(3)	Net (appreciation) depreciation in fair value	3	
EURO CURRENCY	EB6Q	To hedge out currency risk with high yield securites	SOLD EUR at FX rate 0.701238	(1,615)	6/2/2009	None	8/12/2009	Investments	26	Net (appreciation) depreciation in fair value	(26)	
EURO CURRENCY	EB6Q	To hedge out currency risk with high yield securites	SOLD EUR at FX rate 0.715574	(1,390)	5/22/2009	None	8/12/2009	Investments	(5)	Net (appreciation) depreciation in fair value	5	
EURO CURRENCY	EB6Q	To hedge out currency risk with high yield securites	SOLD EUR at FX rate 0.731277	(964)	5/20/2009	None	8/12/2009	Investments	(25)	Net (appreciation) depreciation in fair value	25	
EURO CURRENCY	EB6Q	To hedge out currency risk with high yield securites	SOLD EUR at FX rate 0.733369	(819)	5/12/2009	None	8/12/2009	Investments	(23)	Net (appreciation) depreciation in fair value	23	
EURO CURRENCY	EB6Q	To hedge out currency risk with high yield securites	SOLD EUR at FX rate 0.742776	(34,547)	5/8/2009	None	8/12/2009	Investments	(1,446)	Net (appreciation) depreciation in fair value	1,446	
EURO CURRENCY	EB6Q	To hedge out currency risk with high yield securites	SOLD EUR at FX rate 0.746882	(1,295)	5/8/2009	None	8/12/2009	Investments	(62)	Net (appreciation) depreciation in fair value	62	
POUND STERLING	EB6Q	To hedge out currency risk with high yield securites	SOLD GBP at FX rate 0.664452	(486)	5/8/2009	None	8/12/2009	Investments	(46)	Net (appreciation) depreciation in fair value	46	
AUSTRALIAN DOLLAR	EB9S	Hedge Currency Exposure	SOLD AUD at FX rate 1.291906	(8,154)	5/21/2009	None	7/6/2009	Investments	(360)	Net (appreciation) depreciation in fair value	360	
AUSTRALIAN DOLLAR	EB9S	Hedge Currency Exposure	SOLD AUD at FX rate 1.265582	(7,996)	6/22/2009	None	8/6/2009	Investments	(164)	Net (appreciation) depreciation in fair value	164	
AUSTRALIAN DOLLAR	EB9S	Hedge Currency Exposure	SOLD AUD at FX rate 1.240178	(444)	6/30/2009	None	8/6/2009	Investments	(0)	Net (appreciation) depreciation in fair value	0	
CANADIAN DOLLAR	EB9S	Hedge Currency Exposure	SOLD CAD at FX rate 1.13982	(11,434)	5/21/2009	None	7/6/2009	Investments	212	Net (appreciation) depreciation in fair value	(212)	
CANADIAN DOLLAR	EB9S	Hedge Currency Exposure	SOLD CAD at FX rate 1.09562	(472)	5/29/2009	None	7/6/2009	Investments	27	Net (appreciation) depreciation in fair value	(27)	
CANADIAN DOLLAR	EB9S	Hedge Currency Exposure	SOLD CAD at FX rate 1.15175	(11,765)	6/22/2009	None	8/6/2009	Investments	95	Net (appreciation) depreciation in fair value	(95)	
SWISS FRANC	EB9S	Hedge Currency Exposure	SOLD CHF at FX rate 1.0851	(8,688)	6/22/2009	None	8/6/2009	Investments	16	Net (appreciation) depreciation in fair value	(16)	
SWISS FRANC	EB9S	Hedge Currency Exposure	SOLD CHF at FX rate 1.09206	(9,123)	5/21/2009	None	7/6/2009	Investments	(38)	Net (appreciation) depreciation in fair value	38	
EURO CURRENCY	EB9S	Hedge Currency Exposure	SOLD EUR at FX rate 0.719704	(20,765)	5/21/2009	None	7/6/2009	Investments	(197)	Net (appreciation) depreciation in fair value	197	
EURO CURRENCY	EB9S	Hedge Currency Exposure	SOLD EUR at FX rate 0.714827	(20,907)	5/22/2009	None	7/6/2009	Investments	(56)	Net (appreciation) depreciation in fair value	56	
EURO CURRENCY	EB9S	Hedge Currency Exposure	SOLD EUR at FX rate 0.720921	(20,000)	6/22/2009	None	8/6/2009	Investments	(224)	Net (appreciation) depreciation in fair value	224	
EURO CURRENCY	EB9S	Hedge Currency Exposure	SOLD EUR at FX rate 0.712654	(20,232)	6/23/2009	None	8/6/2009	Investments	8	Net (appreciation) depreciation in fair value	(8)	
POUND STERLING	EB9S	Hedge Currency Exposure	SOLD GBP at FX rate 0.630219	(12,592)	5/21/2009	None	7/6/2009	Investments	(477)	Net (appreciation) depreciation in fair value	477	
POUND STERLING	EB9S	Hedge Currency Exposure	SOLD GBP at FX rate 0.629652	(12,603)	5/22/2009	None	7/6/2009	Investments	(466)	Net (appreciation) depreciation in fair value	466	
POUND STERLING	EB9S	Hedge Currency Exposure	SOLD GBP at FX rate 0.611471	(12,648)	6/22/2009	None	8/6/2009	Investments	(88)	Net (appreciation) depreciation in fair value	88	
POUND STERLING	EB9S	Hedge Currency Exposure	SOLD GBP at FX rate 0.611845	(12,640)	6/23/2009	None	8/6/2009	Investments	(96)	Net (appreciation) depreciation in fair value	96	
HONG KONG DOLLAR	EB9S	Hedge Currency Exposure	SOLD HKD at FX rate 7.7498	(2,696)	5/21/2009	None	7/6/2009	Investments	0	Net (appreciation) depreciation in fair value	(0)	
HONG KONG DOLLAR	EB9S	Hedge Currency Exposure	SOLD HKD at FX rate 7.7469	(2,697)	6/22/2009	None	8/6/2009	Investments	0	Net (appreciation) depreciation in fair value	(0)	
JAPANESE YEN	EB9S	Hedge Currency Exposure	SOLD JPY at FX rate 94.055	(14,131)	5/21/2009	None	7/6/2009	Investments	355	Net (appreciation) depreciation in fair value	(355)	

EXHIBIT 8: Inventory of Derivative Contracts
University of California (includes UCRS)
At June 30, 2009 (in thousands of dollars)
Debit (Credit)
Inventory as of 29-Jan-10

	Investment Risk Factors								
			Collateral (Posted) Received						
Category/Type	Counterparty	Credit Rating	2009	2008	Describe Credit Risk	Describe Interest Rate Risk	Describe Basis Risk	Describe Termination Risk	Currency Risk
Short Positions									
AUSTRALIAN DOLLAR	RBS	A+/A-1	-	-		N/A	N/A	N/A	AUD
AUSTRALIAN DOLLAR	RBS	A+/A-1	-	-		N/A	N/A	N/A	AUD
AUSTRALIAN DOLLAR	RBS	A+/A-1	-	-		N/A	N/A	N/A	AUD
AUSTRALIAN DOLLAR	RBS	A+/A-1	-	-		N/A	N/A	N/A	AUD
AUSTRALIAN DOLLAR	RBS	A+/A-1	-	-		N/A	N/A	N/A	AUD
AUSTRALIAN DOLLAR	RBS	A+/A-1	-	-		N/A	N/A	N/A	AUD
CANADIAN DOLLAR	RBS	A+/A-1	-	-		N/A	N/A	N/A	CAD
CANADIAN DOLLAR	RBS	A+/A-1	-	-		N/A	N/A	N/A	CAD
CANADIAN DOLLAR	RBS	A+/A-1	-	-		N/A	N/A	N/A	CAD
CANADIAN DOLLAR	RBS	A+/A-1	-	-		N/A	N/A	N/A	CAD
CANADIAN DOLLAR	RBS	A+/A-1	-	-		N/A	N/A	N/A	CAD
SWISS FRANC	RBS	A+/A-1	-	-		N/A	N/A	N/A	CHF
SWISS FRANC	RBS	A+/A-1	-	-		N/A	N/A	N/A	CHF
DANISH KRONE	RBS	A+/A-1	-	-		N/A	N/A	N/A	DKK
DANISH KRONE	RBS	A+/A-1	-	-		N/A	N/A	N/A	DKK
DANISH KRONE	RBS	A+/A-1	-	-		N/A	N/A	N/A	DKK
DANISH KRONE	RBS	A+/A-1	-	-		N/A	N/A	N/A	DKK
DANISH KRONE	RBS	A+/A-1	-	-		N/A	N/A	N/A	DKK
DANISH KRONE	RBS	A+/A-1	-	-		N/A	N/A	N/A	DKK
EURO CURRENCY	RBS	A+/A-1	-	-		N/A	N/A	N/A	EUR
EURO CURRENCY	RBS	A+/A-1	-	-		N/A	N/A	N/A	EUR
EURO CURRENCY	RBS	A+/A-1	-	-		N/A	N/A	N/A	EUR
EURO CURRENCY	RBS	A+/A-1	-	-		N/A	N/A	N/A	EUR
EURO CURRENCY	RBS	A+/A-1	-	-		N/A	N/A	N/A	EUR
EURO CURRENCY	RBS	A+/A-1	-	-		N/A	N/A	N/A	EUR
EURO CURRENCY	RBS	A+/A-1	-	-		N/A	N/A	N/A	EUR
POUND STERLING	RBS	A+/A-1	-	-		N/A	N/A	N/A	GBP
POUND STERLING	RBS	A+/A-1	-	-		N/A	N/A	N/A	GBP
POUND STERLING	RBS	A+/A-1	-	-		N/A	N/A	N/A	GBP
POUND STERLING	RBS	A+/A-1	-	-		N/A	N/A	N/A	GBP
HONG KONG DOLLAR	RBS	A+/A-1	-	-		N/A	N/A	N/A	HKD
HONG KONG DOLLAR	RBS	A+/A-1	-	-		N/A	N/A	N/A	HKD
HONG KONG DOLLAR	RBS	A+/A-1	-	-		N/A	N/A	N/A	HKD
HONG KONG DOLLAR	RBS	A+/A-1	-	-		N/A	N/A	N/A	HKD
HONG KONG DOLLAR	RBS	A+/A-1	-	-		N/A	N/A	N/A	HKD
JAPANESE YEN	RBS	A+/A-1	-	-		N/A	N/A	N/A	JPY
JAPANESE YEN	RBS	A+/A-1	-	-		N/A	N/A	N/A	JPY
SWEDISH KRONA	RBS	A+/A-1	-	-		N/A	N/A	N/A	SEK
SWEDISH KRONA	RBS	A+/A-1	-	-		N/A	N/A	N/A	SEK
SWEDISH KRONA	RBS	A+/A-1	-	-		N/A	N/A	N/A	SEK
SWEDISH KRONA	RBS	A+/A-1	-	-		N/A	N/A	N/A	SEK
SINGAPORE DOLLAR	RBS	A+/A-1	-	-		N/A	N/A	N/A	SGD
SINGAPORE DOLLAR	RBS	A+/A-1	-	-		N/A	N/A	N/A	SGD
SINGAPORE DOLLAR	RBS	A+/A-1	-	-		N/A	N/A	N/A	SGD
EURO CURRENCY	Deutsche Bank AG - London Branch	P-1/A-1	-	-		N/A	N/A	N/A	EUR
EURO CURRENCY	JPMorgan Chase Bank	P-1/A-1	-	-		N/A	N/A	N/A	EUR
EURO CURRENCY	JPMorgan Chase Bank	P-1/A-1	-	-		N/A	N/A	N/A	EUR
EURO CURRENCY	JPMorgan Chase Bank	P-1/A-1	-	-		N/A	N/A	N/A	EUR
EURO CURRENCY	Deutsche Bank AG - London Branch	P-1/A-1	-	-		N/A	N/A	N/A	EUR
EURO CURRENCY	Deutsche Bank AG - London Branch	P-1/A-1	-	-		N/A	N/A	N/A	EUR
EURO CURRENCY	Deutsche Bank AG - London Branch	P-1/A-1	-	-		N/A	N/A	N/A	EUR
EURO CURRENCY	JPMorgan Chase Bank	P-1/A-1	-	-		N/A	N/A	N/A	EUR
POUND STERLING	Deutsche Bank AG - London Branch	P-1/A-1	-	-		N/A	N/A	N/A	GBP
AUSTRALIAN DOLLAR	Bank of America Secs LLC	A1/A	-	-	N/A	N/A	N/A	N/A	CAD
AUSTRALIAN DOLLAR	BNP Paribas	Aa1/AA	-	-	N/A	N/A	N/A	N/A	CAD
AUSTRALIAN DOLLAR	Royal Bank of Scotland	Aa3/A-1+	-	-	N/A	N/A	N/A	N/A	CAD
CANADIAN DOLLAR	Bank of Montreal	Aa1/A+	-	-	N/A	N/A	N/A	N/A	CAD
CANADIAN DOLLAR	Citigroup	A1/A-1+	-	-	N/A	N/A	N/A	N/A	CHF
CANADIAN DOLLAR	BNP Paribas	Aa1/AA	-	-	N/A	N/A	N/A	N/A	CHF
SWISS FRANC	Royal Bank of Scotland	Aa3/A-1+	-	-	N/A	N/A	N/A	N/A	CHF
SWISS FRANC	BNP Paribas	Aa1/AA	-	-	N/A	N/A	N/A	N/A	CHF
EURO CURRENCY	Societe Generale Securities Corp	Aa1/A-1+	-	-	N/A	N/A	N/A	N/A	EURO
EURO CURRENCY	Goldman, Sachs & Co.	A1/A-1	-	-	N/A	N/A	N/A	N/A	EURO
EURO CURRENCY	BNP Paribas	Aa1/AA	-	-	N/A	N/A	N/A	N/A	EURO
EURO CURRENCY	UBS AG	Aa2/A-1	-	-	N/A	N/A	N/A	N/A	EURO
POUND STERLING	BNP Paribas	Aa1/AA	-	-	N/A	N/A	N/A	N/A	EUR
POUND STERLING	Citigroup	A1/A-1+	-	-	N/A	N/A	N/A	N/A	EUR
POUND STERLING	Societe Generale Securities Corp	Aa1/A-1+	-	-	N/A	N/A	N/A	N/A	EUR
POUND STERLING	Bank of America Secs LLC	A1/A	-	-	N/A	N/A	N/A	N/A	EUR
HONG KONG DOLLAR	Societe Generale Securities Corp	Aa1/A-1+	-	-	N/A	N/A	N/A	N/A	EUR
HONG KONG DOLLAR	Royal Bank of Scotland	Aa3/A-1+	-	-	N/A	N/A	N/A	N/A	EUR
JAPANESE YEN	Royal Bank of Scotland	Aa3/A-1+	-	-	N/A	N/A	N/A	N/A	EUR

EXHIBIT 8: Inventory of Derivative Contracts
University of California (includes UCRS)
At June 30, 2009 (in thousands of dollars)
Debit (Credit)
Inventory as of 29-Jan-10

				Financial Information							
				Notional Amount				Fair Value Asset (Liability)		Changes in Fair Value	
Category/Type	Account	Brief Description of Objective	Description of Terms	2009	Effective Date	Received at	Termination Date	SNA Classification	2009	SNA or SRECNA Classification	2009
JAPANESE YEN	EB9S	Hedge Currency Exposure	SOLD JPY at FX rate 94.21	(14,108)	5/22/2009	None	7/6/2009	Investments	332	Net (appreciation) depreciation in fair value	(332)
JAPANESE YEN	EB9S	Hedge Currency Exposure	SOLD JPY at FX rate 95.832	(13,869)	6/22/2009	None	8/6/2009	Investments	88	Net (appreciation) depreciation in fair value	(88)
JAPANESE YEN	EB9S	Hedge Currency Exposure	SOLD JPY at FX rate 95.2075	(13,960)	6/23/2009	None	8/6/2009	Investments	179	Net (appreciation) depreciation in fair value	(179)
SWEDISH KRONA	EB9S	Hedge Currency Exposure	SOLD SEK at FX rate 7.50065	(3,044)	5/21/2009	None	7/6/2009	Investments	97	Net (appreciation) depreciation in fair value	(97)
SWEDISH KRONA	EB9S	Hedge Currency Exposure	SOLD SEK at FX rate 7.98185	(2,861)	6/22/2009	None	8/6/2009	Investments	(86)	Net (appreciation) depreciation in fair value	86
SINGAPORE DOLLAR	EB9S	Hedge Currency Exposure	SOLD SGD at FX rate 1.4712	(1,374)	5/21/2009	None	7/6/2009	Investments	(23)	Net (appreciation) depreciation in fair value	23
SINGAPORE DOLLAR	EB9S	Hedge Currency Exposure	SOLD SGD at FX rate 1.45868	(1,385)	6/22/2009	None	8/6/2009	Investments	(10)	Net (appreciation) depreciation in fair value	10
Net (appreciation) depreciation from closed positions				-						Net (appreciation) depreciation in fair value	(36,531)
Subtotal: Foreign Currency Exchange Contract - Short Positions				**(383,362)**					**(1,138)**		**(35,393)**
Total Net Foreign Currency Contract Positions				**(138,212)**					**(1,270)**		**(48,638)**

EXHIBIT 8: Inventory of Derivative Contracts
University of California (includes UCRS)
At June 30, 2009 (in thousands of dollars)
Debit (Credit)
Inventory as of 29-Jan-10

			Collateral (Posted) Received		Investment Risk Factors				
Category/Type	Counterparty	Credit Rating	2009	2008	Describe Credit Risk	Describe Interest Rate Risk	Describe Basis Risk	Describe Termination Risk	Currency Risk
JAPANESE YEN	Bank of America Secs LLC	A1/A	-	-	N/A	N/A	N/A	N/A	EUR
JAPANESE YEN	Citibank	A1/A-1+	-	-	N/A	N/A	N/A	N/A	EUR
JAPANESE YEN	Credit Suisse First Boston	Aa1/A-1	-	-	N/A	N/A	N/A	N/A	EUR
SWEDISH KRONA	UBS AG	Aa2/A-1	-	-	N/A	N/A	N/A	N/A	EUR
SWEDISH KRONA	Citibank	A1/A-1+	-	-	N/A	N/A	N/A	N/A	EUR
SINGAPORE DOLLAR	Societe Generale Securities Corp	Aa1/A-1+	-	-	N/A	N/A	N/A	N/A	EUR
SINGAPORE DOLLAR	Societe Generale Securities Corp	Aa1/A-1+	-	-	N/A	N/A	N/A	N/A	EUR
Net (appreciation) depreciation from closed positions	N/A	N/A	-	-		N/A	N/A	N/A	Various
Subtotal: Foreign Currency Exchange Contract - Shor									
Total Net Foreign Currency Contract Positions									

EXHIBIT 8: Inventory of Derivative Contracts
University of California (includes UCRS)
At June 30, 2009 (in thousands of dollars)
Debit (Credit)
Inventory as of 29-Jan-10

				Financial Information							
				Notional Amount				Fair Value Asset (Liability)		Changes in Fair Value	
Category/Type	Account	Brief Description of Objective	Description of Terms	2009	Effective Date	Received at	Termination Date	SNA Classification	2009	SNA or SRECNA Classification	2009
Options											
None											
Total Options				-					-		-
Swaps											
None											
Total Swaps				-					-		-
Interest Rate Swaps											
None											
Total Interest Rate Swaps				-					-		-
Other Investment Derivatives											
None											
Total Other Investment Deriviatives				-					-		-
Total Investment Deriviatives				**$ 1,016,390**					**$ (7,591)**		**$ 15,417**

EXHIBIT 8: Inventory of Derivative Contracts
University of California (includes UCRS)
At June 30, 2009 (in thousands of dollars)
Debit (Credit)
Inventory as of 29-Jan-10

			Collateral (Posted) Received		Investment Risk Factors				
Category/Type	Counterparty	Credit Rating	2009	2008	Describe Credit Risk	Describe Interest Rate Risk	Describe Basis Risk	Describe Termination Risk	Currency Risk
Options									
None									
Total Options									
Swaps									
None									
Total Swaps									
Interest Rate Swaps									
None									
Total Interest Rate Swaps									
Other Investment Derivatives									
None									
Total Other Investment Deriviatives									
Total Investment Deriviatives									

EXHIBIT 8: Inventory of Derivative Contracts
University of California (includes UCRS)
At June 30, 2009 (in thousands of dollars)
Debit (Credit)
Inventory as of 29-Jan-10

				Financial Information							
				Notional Amount				Fair Value Asset (Liability)		Changes in Fair Value	
Category/Type	Account	Brief Description of Objective	Description of Terms	2009	Effective Date	Received at	Termination Date	SNA Classification	2009	SNA or SRECNA Classification	2009
Hedging Derivatives											
Fair Value Hedges											
Futures Contracts											
None											
Total Futures Contracts				-					-		-
Foreign Currency Exchange Contracts											
None											
Total Foreign Currency Contracts				-					-		-
Options											
None											
Total Options				-					-		-
Swaps											
None											
Total Swaps				-					-		-
Interest Rate Swaps											
None											
Total Interest Rate Swaps				-					-		-
Other											
None											
Total Other				-					-		-
Total Fair Value Hedges				-					-		-
Cash Flow Hedges											
Futures Contracts											
None											
Total Futures Contracts				-					-		-
Foreign Currency Exchange Contracts											
None											
Total Foreign Currency Exchange Contracts				-					-		-
Options											
None											
Total Options				-					-		-
Swaps											
None											
Total Swaps				-					-		-
Interest Rate Swaps											
Medical Center Pooled Revenue Bonds	N/A	Lower borrowing costs when comnpared to fixed rate	Pay fixed 3.5897%; receive 58% of 1-	91,215	1/30/07	None	5/15/32	Other noncurrent	(8,173)	Deferred outflow-noncurrent	4,858
Medical Center Pooled Revenue Bonds	N/A	Lower borrowing costs when comnpared to fixed rate	Pay fixed 4.6873%; receive 67% of 3-	189,775	10/21/08	See analysis	5/15/46	Other noncurrent	(39,931)	Deferred outflow-noncurrent	19,083
Total Interest Rate Swaps				**280,990**					**(48,104)**		**23,941**

EXHIBIT 8: Inventory of Derivative Contracts
University of California (includes UCRS)
At June 30, 2009 (in thousands of dollars)
Debit (Credit)
Inventory as of 29-Jan-10

			Collateral (Posted) Received		Investment Risk Factors				
Category/Type	Counterparty	Credit Rating	2009	2008	Describe Credit Risk	Describe Interest Rate Risk	Describe Basis Risk	Describe Termination Risk	Currency Risk
Hedging Derivatives									
Fair Value Hedges									
Futures Contracts									
None									
Total Futures Contracts									
Foreign Currency Exchange Contracts									
None									
Total Foreign Currency Contracts									
Options									
None									
Total Options									
Swaps									
None									
Total Swaps									
Interest Rate Swaps									
None									
Total Interest Rate Swaps									
Other									
None									
Total Other									
Total Fair Value Hedges									
Cash Flow Hedges									
Futures Contracts									
None									
Total Futures Contracts									
Foreign Currency Exchange Contracts									
None									
Total Foreign Currency Exchange Contracts									
Options									
None									
Total Options									
Swaps									
None									
Total Swaps									
Interest Rate Swaps									
Medical Center Pooled Revenue Bonds	Bank of America	A2/A	None	None	There is credit risk for losses in the event of non-	There is a risk that the fair value of a swap will	There is a risk that the basis for the variable	There is termination risk for losses in the event of	None
Medical Center Pooled Revenue Bonds	Deutsche Bank	Aa1/A+	None	None	Same as above.	Same as above.	There is no basis or tax risk related to this swap	Same as above, except the termination threshold	Same as above.
Total Interest Rate Swaps									

EXHIBIT 8: Inventory of Derivative Contracts
University of California (includes UCRS)
At June 30, 2009 (in thousands of dollars)
Debit (Credit)
Inventory as of 29-Jan-10

				Financial Information							
				Notional Amount				Fair Value Asset (Liability)		Changes in Fair Value	
Category/Type	Account	Brief Description of Objective	Description of Terms	2009	Effective Date	Received at	Termination Date	SNA Classification	2009	SNA or SRECNA Classification	2009
Other											
When, As and If Issued Contracts											
FNMA TBA JUL 30 SINGLE FAM	EBN8	To lock in price and interest rate for mortgage pool	5% 01 Dec 2099	29,400	6/4/09	None	7/6/09	Investments	29,933	Net appreciation (depreciation) in fair value	(214)
FNMA TBA JUL 30 SINGLE FAM	EBN9	To lock in price and interest rate for mortgage pool	5% 01 Dec 2099	103,500	6/4/09	None	7/6/09	Investments	105,376	Net appreciation (depreciation) in fair value	(692)
FNMA TBA JUL 30 SINGLE FAM	EBN9	To lock in price and interest rate for mortgage pool	6% 01 Dec 2099	46,500	6/3/09	None	7/6/09	Investments	48,593	Net appreciation (depreciation) in fair value	35
FNMA TBA JUL 30 SINGLE FAM	EBN7	To lock in price and interest rate for mortgage pool	5% 01 Dec 2099	311,500	6/4/09	None	7/6/09	Investments	317,146	Net appreciation (depreciation) in fair value	(1,999)
FNMA TBA JUL 30 SINGLE FAM	EBN7	To lock in price and interest rate for mortgage pool	6% 01 Dec 2099	109,500	6/3/09	None	7/6/09	Investments	114,428	Net appreciation (depreciation) in fair value	81
Subtotal: When, As and If Issued				600,400					615,475		(2,789)
Total Other				**600,400**					**615,475**		**(2,789)**
Total Cash Flow Hedges				**881,390**					**567,371**		**21,152**
Total Hedging Deriviatives				**$ 881,390**					**$ 567,371**		**$ 21,152**

EXHIBIT 8: Inventory of Derivative Contracts
University of California (includes UCRS)
At June 30, 2009 (in thousands of dollars)
Debit (Credit)
Inventory as of 29-Jan-10

			Collateral (Posted) Received		Investment Risk Factors				
Category/Type	Counterparty	Credit Rating	2009	2008	Describe Credit Risk	Describe Interest Rate Risk	Describe Basis Risk	Describe Termination Risk	Currency Risk
Other									
When, As and If Issued Contracts									
FNMA TBA JUL 30 SINGLE FAM	Barclays Capital	Aa3/AA-			AAA	5.05	N/A	N/A	N/A
FNMA TBA JUL 30 SINGLE FAM	1. bought in two parts 30,500 through	A1 / AA-			AAA	5.79	N/A	N/A	N/A
FNMA TBA JUL 30 SINGLE FAM	Bank of America	A2/A			AAA	2.74	N/A	N/A	N/A
FNMA TBA JUL 30 SINGLE FAM	2. a35,000 thru Goldman Sachs	A1 / AA-			AAA	5.79	N/A	N/A	N/A
FNMA TBA JUL 30 SINGLE FAM	Bank of America	A2/A			AAA	2.74	N/A	N/A	N/A
Subtotal: When, As and If Issued									
Total Other									
Total Cash Flow Hedges									
Total Hedging Deriviatives									

EXHIBIT 8: Inventory of Derivative Contracts
University of California (includes UCRS)
At June 30, 2009 (in thousands of dollars)
Debit (Credit)
Inventory as of 29-Jan-10

				Financial Information							
				Notional Amount				Fair Value Asset (Liability)		Changes in Fair Value	
Category/Type	Account	Brief Description of Objective	Description of Terms	2009	Effective Date	Received at	Termination Date	SNA Classification	2009	SNA or SRECNA Classification	2009
Derivatives Excluded from Scope											
Commodity Contracts - Energy											
Berkeley											
TBD											
TBD											
Subtotal: Berkeley Commodity Contracts - Energy				-					-		-
San Francisco											
TBD											
TBD											
Subtotal: San Francisco Commodity Contracts - Energy				-					-		-
Davis											
TBD											
TBD											
Subtotal: Davis Commodity Contracts - Energy				-					-		-
Los Angeles											
TBD											
TBD											
Subtotal: Los Angeles Commodity Contracts - Energy				-					-		-
Riverside											
TBD											
TBD											
Subtotal: Riverside Commodity Contracts - Energy				-					-		-
San Diego											
TBD											
TBD											
Subtotal: San Diego Commodity Contracts - Energy				-					-		-
Santa Cruz											
TBD											
TBD											
Subtotal: Santa Cruz Commodity Contracts - Energy				-					-		-
Santa Barbara											
TBD											
TBD											
Subtotal: Santa Barbara Commodity Contracts - Energy				-					-		-
Irvine											
TBD											
TBD											
Subtotal: Irvine Commodity Contracts - Energy				-					-		-
Merced											
TBD											
TBD											
Subtotal: Merced Commodity Contracts - Energy				-					-		-
Total Commodity Contracts - Energy				-					-		-
Total Deriviatives Excluded from Scope				$ -					$ -		$ -

EXHIBIT 8: Inventory of Derivative Contracts
University of California (includes UCRS)
At June 30, 2009 (in thousands of dollars)
Debit (Credit)
Inventory as of 29-Jan-10

			Collateral (Posted) Received		Investment Risk Factors				
Category/Type	Counterparty	Credit Rating	2009	2008	Describe Credit Risk	Describe Interest Rate Risk	Describe Basis Risk	Describe Termination Risk	Currency Risk
Derivatives Excluded from Scope									
Commodity Contracts - Energy									
Berkeley									
TBD									
TBD									
Subtotal: Berkeley Commodity Contracts - Energy									
San Francisco									
TBD									
TBD									
Subtotal: San Francisco Commodity Contracts - Ener									
Davis									
TBD									
TBD									
Subtotal: Davis Commodity Contracts - Energy									
Los Angeles									
TBD									
TBD									
Subtotal: Los Angeles Commodity Contracts - Energy									
Riverside									
TBD									
TBD									
Subtotal: Riverside Commodity Contracts - Energy									
San Diego									
TBD									
TBD									
Subtotal: San Diego Commodity Contracts - Energy									
Santa Cruz									
TBD									
TBD									
Subtotal: Santa Cruz Commodity Contracts - Energy									
Santa Barbara									
TBD									
TBD									
Subtotal: Santa Barbara Commodity Contracts - Ener									
Irvine									
TBD									
TBD									
Subtotal: Irvine Commodity Contracts - Energy									
Merced									
TBD									
TBD									
Subtotal: Merced Commodity Contracts - Energy									
Total Commodity Contracts - Energy									
Total Deriviatives Excluded from Scope									

EXHIBIT 8: Inventory of Derivative Contracts
University of California (includes UCRS)
At June 30, 2009 (in thousands of dollars)
Debit (Credit)
Inventory as of 29-Jan-10

				Financial Information							
				Notional Amount				Fair Value Asset (Liability)		Changes in Fair Value	
Category/Type	Account	Brief Description of Objective	Description of Terms	2009	Effective Date	Received at	Termination Date	SNA Classification	2009	SNA or SRECNA Classification	2009
Other Potential Derivatives Reviewed											
Repurchase Agreements											
RBC CAP MARKETS TRIPARTY	FC15	Invested under the provision of Standard Master Repo Agre	0.64% 01 Jul 2009	125,000		None	7/1/09	Security Lending I	125,000	Net appreciation (depreciation) in fair value	-
BARCLAYS CAP TRI PARTY	FC15	Invested under the provision of Standard Master Repo Agre	0.64% 01 Jul 2009	120,000		None	7/1/09	Security Lending I	120,000	Net appreciation (depreciation) in fair value	-
BNP TRI PARTY	FC15	Invested under the provision of Standard Master Repo Agre	0.07% 01 Jul 2009	200,000		None	7/1/09	Security Lending I	200,000	Net appreciation (depreciation) in fair value	-
CSFB TRI PARTY	FC15	Invested under the provision of Standard Master Repo Agre	0.02% 01 Jul 2009	500,000		None	7/1/09	Security Lending I	500,000	Net appreciation (depreciation) in fair value	-
GOLDMAN SACS TRI PARTY	FC15	Invested under the provision of Standard Master Repo Agre	0.05% 01 Jul 2009	395,822		None	2/6/12	Security Lending I	395,822	Net appreciation (depreciation) in fair value	-
MERRILL LYNCH TRI PARTY	FC15	Invested under the provision of Standard Master Repo Agre	0.64% 01 Jul 2009	150,000		None	11/7/09	Security Lending I	150,000	Net appreciation (depreciation) in fair value	-
Total Repurchase Agreements				**1,490,822**					**1,490,822**		**-**
Guaranteed Investment Contracts											
MONUMENTAL	EBL9	Not a syntheric GICS and derivative investment	5.39% 03 Jan 2012	3,532		None	1/3/2012	Investments	3,532	Net appreciation (depreciation) in fair value	-
MONUMENTAL	EBL9	Not a syntheric GICS and derivative investment	5.51% 31 Dec 2010	15,519		None	12/31/2010	Investments	15,519	Net appreciation (depreciation) in fair value	-
MONUMENTAL	EBL9	Not a syntheric GICS and derivative investment	5.15% 31 Dec 2013	25,448		None	12/31/2013	Investments	25,448	Net appreciation (depreciation) in fair value	-
MONUMENTAL	EBL9	Not a syntheric GICS and derivative investment	4.15% 03 Jan 2012	26,435		None	1/3/2012	Investments	26,435	Net appreciation (depreciation) in fair value	-
PRUDENTIAL	EBL9	Not a syntheric GICS and derivative investment	5.15% 31 Dec 2013	15,208		None	12/31/2013	Investments	15,208	Net appreciation (depreciation) in fair value	-
PRUDENTIAL	EBL9	Not a syntheric GICS and derivative investment	5.25% 31 Dec 2014	55,941		None	12/31/2014	Investments	55,941	Net appreciation (depreciation) in fair value	-
MONUMENTAL	EBL9	Not a syntheric GICS and derivative investment	0% 15 Jul 2030	19,008		None	7/15/2030	Investments	19,008	Net appreciation (depreciation) in fair value	-
PRUDENTIAL	EBL9	Not a syntheric GICS and derivative investment	5.2% 31 Dec 2013	25,530		None	12/31/2013	Investments	25,530	Net appreciation (depreciation) in fair value	-
NEW YORK LIFE	EBL9	Not a syntheric GICS and derivative investment	5.15% 31 Dec 2010	44,234		None	12/31/2010	Investments	44,234	Net appreciation (depreciation) in fair value	-
PRINC FINANCIAL	EBL9	Not a syntheric GICS and derivative investment	5.36% 31 Dec 2013	26,506		None	12/31/2013	Investments	26,506	Net appreciation (depreciation) in fair value	-
PRINC FINANCIAL	EBL9	Not a syntheric GICS and derivative investment	5.15% 30 Dec 2010	34,083		None	12/30/2010	Investments	34,083	Net appreciation (depreciation) in fair value	-
HARTFORD LIFE	EBL9	Not a syntheric GICS and derivative investment	5.01% 09 Jan 2013	26,753		None	1/9/2013	Investments	26,753	Net appreciation (depreciation) in fair value	-
METLIFE	EBL9	Not a syntheric GICS and derivative investment	4.41% 31 Dec 2010	58,123		None	12/31/2010	Investments	58,123	Net appreciation (depreciation) in fair value	-
METLIFE	EBL9	Not a syntheric GICS and derivative investment	5.25% 31 Dec 2013	25,632		None	12/31/2013	Investments	25,632	Net appreciation (depreciation) in fair value	-
METLIFE	EBL9	Not a syntheric GICS and derivative investment	5.25% 31 Dec 2012	26,884		None	12/31/2012	Investments	26,884	Net appreciation (depreciation) in fair value	-
METLIFE	EBL9	Not a syntheric GICS and derivative investment	5.5% 31 Dec 2014	25,564		None	12/31/2014	Investments	25,564	Net appreciation (depreciation) in fair value	-
METLIFE	EBL9	Not a syntheric GICS and derivative investment	5.2% 31 Dec 2013	51,067		None	12/31/2013	Investments	51,067	Net appreciation (depreciation) in fair value	-
METLIFE	EBL9	Not a syntheric GICS and derivative investment	1% 31 Dec 2010	49,799		None	12/31/2010	Investments	49,799	Net appreciation (depreciation) in fair value	-
METLIFE	EBL9	Not a syntheric GICS and derivative investment	5% 09 Jan 2013	26,753		None	1/9/2013	Investments	26,753	Net appreciation (depreciation) in fair value	-
PRINC FINANCIAL	EBL9	Not a syntheric GICS and derivative investment	4.2% 31 Dec 2009	29,727		None	12/31/2009	Investments	29,727	Net appreciation (depreciation) in fair value	-
PRINC FINANCIAL	EBL9	Not a syntheric GICS and derivative investment	5.65% 21 Jan 2015	53,902		None	1/21/2015	Investments	53,902	Net appreciation (depreciation) in fair value	-
PRINC FINANCIAL	EBL9	Not a syntheric GICS and derivative investment	6.25% 31 Dec 2007	25,446		None	12/31/2009	Investments	25,446	Net appreciation (depreciation) in fair value	-
PRINC FINANCIAL	EBL9	Not a syntheric GICS and derivative investment	5.31% 21 Dec 2011	7,063		None	12/21/2011	Investments	7,063	Net appreciation (depreciation) in fair value	-
PRINC FINANCIAL	EBL9	Not a syntheric GICS and derivative investment	5.25% 31 Dec 2012	64,510		None	12/31/2012	Investments	64,510	Net appreciation (depreciation) in fair value	-
PRUDENTIAL	EBL9	Not a syntheric GICS and derivative investment	4.45% 31 Dec 2010	40,660		None	12/31/2010	Investments	40,660	Net appreciation (depreciation) in fair value	-
PRUDENTIAL	EBL9	Not a syntheric GICS and derivative investment	4% 31 Oct 2010	16,220		None	12/31/2010	Investments	16,220	Net appreciation (depreciation) in fair value	-
PRUDENTIAL	EBL9	Not a syntheric GICS and derivative investment	4.2% 31 Mar 2010	25,175		None	3/31/2010	Investments	25,175	Net appreciation (depreciation) in fair value	-
METLIFE	EBL9	Not a syntheric GICS and derivative investment	4.17% 03 Jan 2009	27,285		None	12/31/2009	Investments	27,285	Net appreciation (depreciation) in fair value	-
MONUMENTAL	EBL9	Not a syntheric GICS and derivative investment	4.37% 31 Dec 2009	23,633		None	12/31/2009	Investments	23,633	Net appreciation (depreciation) in fair value	-
MONUMENTAL	EBL9	Not a syntheric GICS and derivative investment	4.4% 31 Dec 2010	19,340		None	12/31/2010	Investments	19,340	Net appreciation (depreciation) in fair value	-
PRUDENTIAL	EBL9	Not a syntheric GICS and derivative investment	3.52% 13 Apr 2010	17,528		None	4/13/2010	Investments	17,528	Net appreciation (depreciation) in fair value	-
METLIFE	EBL9	Not a syntheric GICS and derivative investment	5.7% 31 Dec 2013	25,853		None	12/31/2013	Investments	25,853	Net appreciation (depreciation) in fair value	-
Total Guaranteed Investment Contracts				**958,359**				Investments	**958,359**		**-**
Total Other Potential Derivatives Reviewed				**$ 2,449,181**					**$ 2,449,181**		**$ -**
Total University of California Derivatives				**$ 4,346,961**					**$ 3,008,960**		**$ 36,569**

EXHIBIT 8: Inventory of Derivative Contracts
University of California (includes UCRS)
At June 30, 2009 (in thousands of dollars)
Debit (Credit)
Inventory as of 29-Jan-10

			Collateral (Posted) Received		Investment Risk Factors				
Category/Type	Counterparty	Credit Rating	2009	2008	Describe Credit Risk	Describe Interest Rate Risk	Describe Basis Risk	Describe Termination Risk	Currency Risk
Other Potential Derivatives Reviewed									
Repurchase Agreements									
RBC CAP MARKETS TRIPARTY	Bank of New York	AA-	N/A		A-1	0.1	N/A	N/A	N/A
BARCLAYS CAP TRI PARTY	Bank of New York	AA-	N/A		A-1	0.1	N/A	N/A	N/A
BNP TRI PARTY	Bank of New York	AA-	N/A		A-1	0.1	N/A	N/A	N/A
CSFB TRI PARTY	JP Morgan Chase Bank	P-1/A-1	N/A		A-1	0.3	N/A	N/A	N/A
GOLDMAN SACS TRI PARTY	Bank of New York	AA-	N/A		A-1	0.3	N/A	N/A	N/A
MERRILL LYNCH TRI PARTY	JP Morgan Chase Bank	P-1/A-1	N/A		A-1	0.1	N/A	N/A	N/A
Total Repurchase Agreements									
Guaranteed Investment Contracts									
MONUMENTAL			N/A		N/R	N/A	N/A	N/A	N/A
MONUMENTAL			N/A		N/R	N/A	N/A	N/A	N/A
MONUMENTAL			N/A		N/R	N/A	N/A	N/A	N/A
MONUMENTAL			N/A		N/R	N/A	N/A	N/A	N/A
PRUDENTIAL			N/A		N/R	N/A	N/A	N/A	N/A
PRUDENTIAL			N/A		N/R	N/A	N/A	N/A	N/A
MONUMENTAL			N/A		N/R	N/A	N/A	N/A	N/A
PRUDENTIAL			N/A		N/R	N/A	N/A	N/A	N/A
NEW YORK LIFE			N/A		N/R	N/A	N/A	N/A	N/A
PRINC FINANCIAL			N/A		N/R	N/A	N/A	N/A	N/A
PRINC FINANCIAL			N/A		N/R	N/A	N/A	N/A	N/A
HARTFORD LIFE			N/A		N/R	N/A	N/A	N/A	N/A
METLIFE			N/A		N/R	N/A	N/A	N/A	N/A
METLIFE			N/A		N/R	N/A	N/A	N/A	N/A
METLIFE			N/A		N/R	N/A	N/A	N/A	N/A
METLIFE			N/A		N/R	N/A	N/A	N/A	N/A
METLIFE			N/A		N/R	N/A	N/A	N/A	N/A
METLIFE			N/A		N/R	N/A	N/A	N/A	N/A
METLIFE			N/A		N/R	N/A	N/A	N/A	N/A
PRINC FINANCIAL			N/A		N/R	N/A	N/A	N/A	N/A
PRINC FINANCIAL			N/A		N/R	N/A	N/A	N/A	N/A
PRINC FINANCIAL			N/A		N/R	N/A	N/A	N/A	N/A
PRINC FINANCIAL			N/A		N/R	N/A	N/A	N/A	N/A
PRINC FINANCIAL			N/A		N/R	N/A	N/A	N/A	N/A
PRUDENTIAL			N/A		N/R	N/A	N/A	N/A	N/A
PRUDENTIAL			N/A		N/R	N/A	N/A	N/A	N/A
PRUDENTIAL			N/A		N/R	N/A	N/A	N/A	N/A
METLIFE			N/A		N/R	N/A	N/A	N/A	N/A
MONUMENTAL			N/A		N/R	N/A	N/A	N/A	N/A
MONUMENTAL			N/A		N/R	N/A	N/A	N/A	N/A
PRUDENTIAL			N/A		N/R	N/A	N/A	N/A	N/A
METLIFE			N/A		N/R	N/A	N/A	N/A	N/A
Total Guaranteed Investment Contracts									
Total Other Potential Derivatives Reviewed									
Total University of California Derivatives									