Interest Rate Risk Management Policy

Appendix B

**EXPOSURE CONTROLS**

***Maximum Percentage of Floating Rate Debt*** – The University’s outstanding debt portfolio will have no more than 40% of the principal amount in floating rate debt, as described in its Debt Policy. This percentage is calculated to factor in the effects of interest rate derivatives.

***Counterparty Credit Exposure*** – All derivative counterparties will be rated A3 or better by Moody’s and A- or better by Standard & Poors. The maximum allowable credit exposure, determined by the net mark-to-market of all trades with a single counterparty, will be $25 million for counterparties rated Aa2/AA or better and $10 million for counterparties rated less than Aa2/AA.

The University may takes steps to reduce its exposure to a counterparty by either (i) requiring the counterparty to post collateral in the full amount of the exposure (all the while abiding by the terms of any Credit Support Annex between the University and the counterparty), (ii) terminating all or a portion of its outstanding contract(s) with the counterparty, or (iii) requiring the counterparty to obtain swap insurance or provide another form of third-party security agreeable to the University.

In determining counterparty credit exposure, the University will also consider the counterparty’s credit exposure to other University related organizations (e.g., University of Virginia Investment Management Company.)