

**REQUEST FOR PROPOSALS FOR PROFESSIONAL SERVICES TO PROVIDE
INVESTMENT MANAGEMENT SERVICES
ISSUED BY THE OFFICE OF THE STATE TREASURER
CONTRACT NUMBER: TRE17102-INVSTMNGRSRVCS**

I. Overview

The Office of the State Treasurer (“OST”), on behalf of the Cash Management Policy Board (“Board”), is seeking proposals from qualified firms (“Vendors”) interested in providing investment management services to the State of Delaware (“State”) as detailed in the extended Appendix A. The selected Vendors collectively will manage the State’s \$1.6 billion fixed-asset portfolio in accordance with the management structure (referred to herein as “investment architecture”) and investment objectives and guidelines approved by the Board.

This Request for Proposal (“RFP”) is issued pursuant to 29 *Del. C.* §§ 6981, 6982 and 6986.

Timetable: The tentative timetable for this RFP process is as follows:

EVENT	DATE
RFP published	September 12, 2017
Deadline for Vendor questions	September 26 (4:00 p.m. EST)
Deadline for State responses – Q&A closed	October 3 (4:00 p.m. EST)
Deadline for Vendor proposal submission	October 17 (4:00 p.m. EST)
Finalist presentations	November 6 – November 10
Estimated Award notification	December 15
Implementation	February 1, 2018 or thereafter

Proposal to Remain Open: Vendors that submit a proposal in response to this RFP shall be deemed automatically to have consented and irrevocably agreed to keep any such proposal open for twelve (12) months after the deadline for Vendor proposal submission.

Contract Term: The term of the contract between each successful Vendor and the State shall be five (5) years with an option for a maximum of three (3) extensions for a period of one (1) year each.

Vendor Eligibility: Any Vendor that does not meet the following criteria will not qualify for this RFP process:

- (1) Vendor must have continuous performance of at least 10 years; and,
- (2) A minimum of \$5 billion in assets under management as of June 30, 2017.

Pre-Bid Meeting: There is no pre-bid meeting scheduled at this time.

Designated Contact: This RFP process will be managed by OST's Policy Advisor ("Designated Contact"):

Susan Steward
Policy Advisor for the Office of the State Treasurer
Office of the State Treasurer
820 Silver Lake Boulevard, Suite 100
Dover, Delaware 19904
susan.steward@state.de.us

II. Background

Delaware's investment portfolio is governed by the policies promulgated by the Board and set out in the Cash Management Policy Board Guidelines attached as Appendix B ("Guidelines"). In general, the portfolio has been constructed in accordance with and governed by three objectives: security, liquidity, and yield.

The investment architecture currently relies on a total of nine (9) investment managers: four (4) of whom are designated as "liquidity managers" and five (5) of whom are designated as "reserve managers". The only material distinction between liquidity and reserve managers is the tenor of the securities that they are permitted to hold. With minor exceptions, liquidity managers cannot hold securities with a term in excess of two (2) years; whereas reserve managers can hold securities with a term of up to ten (10) years (provided that the average duration of their total holdings cannot exceed seven (7) years).

The aggregate assets within the portfolio have averaged approximately \$1.6 billion over the past several years. During the average fiscal year, portfolio balances reach a high of \$1.8 billion in the months of June-July and a low of \$1.4 billion in the month of February. A Board resolution in place since 2013 requires OST to maintain the balance of the portfolio equally among the liquidity and reserve managers (within a tolerance of 5%) ("50/50 Mandate"). In addition, the Guidelines require draws to be made pro rata from liquidity and reserve managers.

The portfolio is comprised strictly of high quality fixed-income assets, the character and tenor of which are prescribed by the Guidelines. The Guidelines also set concentration limits based on security type, industry, issuer and domicile of issuer. The Guidelines represent what the Board deems the appropriate level of credit and default risk for the portfolio. At this time, the Board has no intent to change the character of these security parameters of the portfolio.

The Board has, however, recently undertaken a review of the liquidity needs of the State of Delaware. That study, conducted by NEPC, LLC ("Consultant") and OST, reviewed the State's monthly draws from and contributions to the liquidity and reserve managers over the course of the most recent ten (10) years, including the period of the 2007-2009 financial crisis and ensuing Great Recession. The study demonstrated that the State's operating requirements have been met with an average of roughly 25% of the overall portfolio holdings, or \$400 million. A portion of the roughly \$1.2 billion that comprises nearly 75% of the remaining portfolio was required in only one instance in the study

period, and then only for a very brief time and in an amount less than \$100 million. A graph summarizing the draws from and contributions to the liquidity and reserve managers over the study period is attached as Appendix C.

Based on the results of the liquidity study, the Board engaged the Consultant to recommend alternatives to the current investment architecture that would retain the security requirements set out in the Guidelines, meet the State's operating needs and earn a higher current return. Essentially, the Board requested an analysis of the increase in interest that could be earned on the State's portfolio by investing the State's holdings that are not required for operations in a series of longer-duration investment tranches.

The Board is aware that such a trade-off necessarily involves increasing the expected volatility in the value of the portfolio. To that end, the Board examined several variations on the portfolio architecture that assumed various portfolio durations and tiering of security maturities. While the Board is not insensitive to the public appearance of greater portfolio market value volatility, the Board believes that the expected increase in yield on holdings that are not required to meet liquidity needs of the State warrants such potential variance and reflects a fair balancing of the Board's three-part mandate.

Subject to the review of proposals of prospective Vendors pursuant to this RFP, the Board has conditionally adopted the recommendations of the Consultant to amend the architecture of the portfolio as depicted in Appendix D ("New Investment Architecture"). The resolution of the Board setting out this determination and describing in detail the parameters of the New Investment Architecture is also attached as Appendix E. The most prominent changes to the investment architecture are four-fold:

- (i) the elimination of the 50/50 Mandate in favor of a rebalancing of the portfolio to reflect the State's anticipated and unanticipated liquidity needs (i.e., an allocation of overall holdings of 25% to liquidity managers and 75% to reserve managers);
- (ii) the reduction of the overall number of managers from nine (9) to six (6), with two (2) liquidity managers and four (4) reserve managers;
- (iii) the tiering (via benchmark guidance) of the reserve managers into a series of investment tranches with durations targeted at 1-3 years, 3-5 years, 5-7 years, and 7-10 years, whereby draws from managers will occur in such order (i.e., a "waterfall" distribution as opposed to a pro rata distribution); and
- (iv) the division between the liquidity managers of separate mandates to provide for liquidity needs of the State during two distinct cash flow cycles within the fiscal year (i.e., each manager financing a draw down and replacement cycle that will see balances peak at roughly \$400 million and trough at roughly \$0, for an average of \$200 million in holdings over the course of the cycle).

Finally, the Board is cognizant of the risks entailed in transitioning the current portfolio to the New Investment Architecture within the context of the current intent of the Federal Reserve to effect a tightening that will lift the yield for Treasury securities at both the short and long ends of the curve. The Board, however, is equally aware of the lengthy period that has elapsed since this tightening cycle has been forecast, during which time an

aversion to risk at the long end of the curve by portfolio managers has resulted in significant opportunity costs to the portfolio.

The Board does not see the New Investment Architecture as an expression of its view on the likely movement of interest rates. The greater allocation of funds to reserve managers reflects solely the Board's determination that such funds are not reasonably anticipated for the State's operations. Likewise the tiering of the funds to be managed by reserve managers is indicative of the Board's agnosticism as to the expected path of interest rates (i.e., balancing the totality of funds equally across the ten-year maximum holding period demonstrates an absence of bias as to where managers in the aggregate should position the portfolio). Moreover, the tiering of reserve funds is not mandated, but rather suggested through benchmark guidance only, allowing managers to deviate from such targets should they perceive that superior performance can be obtained outside of the benchmark durations.

The Board has instructed OST to seek feedback and critique of the New Investment Architecture from prospective Vendors as part of this RFP process. Vendors should use both the Transmittal Letter and their responses to the attached Questionnaire to discuss their assessment of the New Investment Architecture, superior alternatives to the proposed architecture that comport with the Board's three-part mandate and recommendations for the optimal means to transition the portfolio to the New Investment Architecture or other revised investment structure.

In all cases, the Board maintains the right to make changes to the current and proposed investment structure, such as allocation, number of managers, and/or duration targets that it believes are in the best interest of the State at any time. Vendors will be expected to comply with such changes and act as fiduciaries in preserving the State's interests and minimizing the impact of such changes.

III. Scope of Services

On behalf of the Board, OST seeks to enter into an agreement with investment management firms to provide fixed-income investment management services for the State's cash management portfolio. The overarching goal of this RFP is to engage Vendors that will achieve superior performance under the State's proposed New Investment Architecture and offer ongoing strategic insight as to how the Board can best balance its three-part investment mandate.

In conjunction with the provision of investment management services, Vendors are required to provide detailed reporting, attend periodic meetings with OST, the Board and/or the Consultant and render such ancillary services as are consistent with this scope of services and as are reasonably requested from time-to-time by OST, the Board and/or the Consultant.

Detailed requirements for the Scope of Services requested pursuant to this RFP are set out in Appendix A.

IV. Requirements and Evaluation Criteria

A. Required Information

1. Vendors shall provide the following information with their proposals in the order listed below. Failure to respond to any request for information within this RFP may result in rejection of the proposal. The proposal will be presented in a 3-ring binder, with each completed attachment identified in its own tab.

Tab A: Transmittal Letter. This letter must address these topics:

- A summary of the Vendor's investment management services experience, and interest in providing these services to the State of Delaware.
- A clear statement as to whether the Vendor's proposal is for the management (i) a liquidity account, (ii) a reserve account or (iii) both a liquidity and a reserve account.
- Vendors applying to manage a reserve account are encouraged, but not required, to express a preference for the management of a particular tier of the reserve architecture and/or provide a ranking of their interest in managing different tiers of the reserve architecture (i.e., ordering their interest in managing the 1-3 year, 3-5 year, 5-7 year or 7-10 year reserve tranches).
- A summary of material exception(s) to the RFP, the PSA (as defined below), or any other attachments or addenda as detailed by the Vendor in response to Attachment 5, including justifications for same.
- A statement that no investment management services related to this RFP will take place outside of the United States.

Tab B: Schedule of Fees. Provide a schedule of fees for the Vendor's investment management services expressed as a percentage of assets under management. Vendors may also provide alternative fee structures (including, but not limited to, any fixed fee arrangements). If a Vendor proposes to manage more than one account, the Vendor's proposal should be clear as to the pricing structure for the management of each account (i.e., a proposal should identify any pricing differential if the Vendor is selected to manage only one account and/or any discount if the Vendor is selected to manage more than one account). Other expenses outside of investment management fees (e.g., any fees incurred through the use of sub-advisors, mutual funds, or exchange traded vehicles) must be stated separately and explained in detail.

Tab C: SEC Registration. Provide proof of Vendor's registration, as an investment advisor with the Securities and Exchange Commission, and provide the most recent ADV, Parts 1 and 2, or otherwise indicate that the

Vendor is exempt from registration. If exempt, the Vendor must explain the nature of their exemption.

Tab D: Financial Statements. Provide the last three years of audited financial statements. If and only if audited financial statements are not available, Vendors may submit unaudited financial statements (in which case, Vendors shall explain in detail why audited financial statements are not available).

Tab E: Questionnaire. Provide a detailed set of responses to the questions posed in Attachment 1. Responses should be both complete and concise.

Tab F: Rates of Return Spreadsheet. Vendors are required to complete Attachment 2 detailing historical performance of their portfolio. Please submit both a printed version of the excel spreadsheet as Tab F as well as electronic copies.

Tab G: Confidential Information Form. Vendors should identify any material information that is considered confidential using the form of Attachment 3. Any information not within this form is automatically subject to FOIA.

Tab H: Business References. Provide at least three business references using the form provided in Attachment 4.

Tab I: Exception Form. Provide a detailed listing of any exceptions to the proposed RFP, or any other part of this RFP in a schedule in the form of Attachment 5. Specifically, include a “redlined” or similar comparative version (the “Redline”) of the State-approved Professional Services Agreement (“PSA”), a copy of which is affixed hereto as Appendix F, reflecting all proposed changes to the PSA, which changes may be accepted or rejected in OST’s discretion. Successful Vendors who do not propose changes to the PSA are deemed to have consented and irrevocably agreed to the terms of the PSA.

Tab J: Non-Collusion Statement. Vendors responding to this RFP must complete and return a statement of non-collusion in the form of Attachment 6.

Tab K: Employing Delawareans Report. Vendors responding to this RFP must complete and return Attachment 7, for the total employees of the firm and those that may be Delaware residents.

2. Prior to award, the successful Vendor shall furnish OST with proof of (i) all necessary business licenses, including a valid State of Delaware business license, (ii) certification(s) necessary to perform services as identified in the

Scope of Services set out in Appendix A, and (iii) proof of insurance identified in Section 10 of the form of PSA attached hereto as Appendix F.

B. Evaluation Criteria

An evaluation team (“Evaluation Team”) that may be composed of representatives from the Board, OST, other State organizations and the Consultant will evaluate the Vendor proposals on a variety of quantitative and qualitative criteria. Neither the lowest price nor highest scoring proposal will necessarily be selected.

OST and the Evaluation Team reserve full discretion to determine the responsiveness, competence, professionalism, financial strength, and organizational fit of prospective Vendors. Vendors agree to and shall provide in a timely manner any and all information that OST or the Evaluation Team may request to evaluate Vendors and their submissions.

1. Criteria Weight

All proposals shall be evaluated using the same criteria and scoring weights set out in the table below:

Evaluation Criteria for Proposals	Point Value
Firm Background including history, ownership, organization, client and asset base, and investment team	20
Historical Performance including a review of the returns submitted under Tab F, measured net of fees and adjusted for risk	25
Prospective Management and Strategic Insights including portfolio construction, execution, expected return and risk, benchmark evaluation, value creation, and review of investment intent, architectural structure and guidelines	25
Reporting and Compliance including reporting capabilities, electronic access, custody, internal data controls, and guideline adherence	10
Pricing as submitted under Tab B	20
TOTAL POINTS	100

Vendors are encouraged to review the evaluation criteria and to provide responses that address each of the scored items. The Evaluation Team will not be able to make assumptions about the Vendor’s capabilities, therefore responses should be detailed and concise within the proposal.

2. Proposal Clarification

The Evaluation Team may communicate with a Vendor in order to clarify uncertainties or gain better understanding of a proposal. The Evaluation Team may require or permit Vendors to modify or supplement their proposals as a

result of such communication. Vendors must provide all requested information in a timely manner, which shall mean on or before any deadline established by the Evaluation Team.

3. Communication with References and Past or Present Clients

The Evaluation Team may communicate with all references provided by a Vendor, and may use information gained thereby in the evaluation process. In addition, the Evaluation Team may communicate with any known past or present client of a Vendor outside of the reference list, and any information gained may be used in the evaluation process. Vendors that submit a proposal in response to this RFP shall be deemed to have (a) waived any confidentiality or other restrictions that may limit in any way a reference or client's ability to convey information relevant to the evaluation process and (b) to all such communications with references or clients.

4. Oral Presentations

The Evaluation Team may invite selected Vendors to make in-person oral presentations to the Evaluation Team. *Any costs associated with oral presentations will be borne by the Vendor.*

5. On-site Visits

The Evaluation Team may make site visits to key Vendor processing and/or administrative facilities as part of the evaluation process. *Any costs associated with site visits will be borne by the State.* Vendors that submit a proposal in response to this RFP shall be deemed to have consented to any such site visit.

V. RFP Issuance and Submission of Proposals

A. RFP Issuance

1. Public Notice

Public notice of this RFP has been provided in accordance with 29 *Del. C.* § 6981.

2. Publication of this RFP

This RFP is published in electronic form only. It is available at the following websites:

<http://bids.delaware.gov/>

<http://treasurer.delaware.gov/requests-proposals/>

<http://nast.org>

3. Assistance to Vendors with a Disability

Vendors with a disability may receive reasonable accommodation regarding the means of communicating this RFP or participating in the procurement

process. For more information, contact the Designated Contact no later than fourteen days prior to the deadline for receipt of proposals.

4. RFP Designated Contact

All communication about this RFP shall be made via email to the Designated Contact at the following address:

Susan Steward
Policy Advisor for the Office of the State Treasurer
Office of the State Treasurer
820 Silver Lake Boulevard, Suite 100
Dover, Delaware 19904
susan.steward@state.de.us

Vendors should rely only on written statements issued by the Designated Contact.

The Vendor must designate a single point of contact, who will be responsible for coordinating all internal Vendor communication. The Designated Contact will only communicate with that one person for each Vendor.

5. Contact with Consultants and Legal Counsel

The State may retain consultants or legal counsel to assist in the review and evaluation of this RFP and the Vendors' responses. Vendors shall not contact the State's consultant or legal counsel on any matter related to the RFP unless so instructed in writing by the Designated Contact.

6. Contact with Other State Employees

Direct contact with State employees other than the Designated Contact regarding this RFP is expressly prohibited without prior written consent of the Designated Contact. Vendors directly contacting State employees risk elimination of their proposal from further consideration. Exceptions exist only for organizations currently doing business in the State that require contact in the normal course of business.

7. Organizations Ineligible to Bid

Any individual, business, organization, corporation, consortium, partnership, joint venture or other entity currently debarred, suspended or otherwise ineligible to conduct business in the State for any reason is not eligible to respond to this RFP.

8. Exclusions

The Evaluation Team reserves the right to refuse to consider any proposal from a Vendor that:

- a. Has been, or has an employee who has been, convicted for commission of a criminal offense as an incident to obtaining or attempting to obtain a public or private contract or in the performance of the contract;
- b. Has been, or has an employee who has been, convicted under state or federal statutes of embezzlement, theft, forgery, bribery, falsification or destruction of records, receiving stolen property, or other offense indicating a lack of business integrity or business honesty;
- c. Has been, or has an employee who has been, convicted or has had a civil judgment entered for a violation under state or federal antitrust statutes;
- d. Has violated, or has an employee who has violated, contract provisions as a state contractor such as:
 - 1. Knowing failure without good cause to perform in accordance with the specifications or within the time limit provided in the contract; or
 - 2. Failure to perform or unsatisfactory performance in accordance with terms of one or more contracts;
- e. Has violated, or has an employee who has violated, ethical standards set out in law or regulation; or
- f. Has violated, or has an employee who has violated, any other regulation of the State of Delaware determined to be serious and compelling as to affect responsibility as a state contractor.

9. No Press Releases or Public Disclosure

OST reserves the right to pre-approve any news or broadcast advertising releases concerning this RFP, the resulting contract, the work performed, or any reference to the State with regard to any project or contract performance. Any such news or advertising release pertaining to this RFP or any resulting contract or services shall require the prior express written permission of OST.

Notwithstanding the foregoing, the State will not prohibit or otherwise prevent successful Vendors from direct marketing to the State's agencies, departments, municipalities, and/or any other political subdivisions; provided, however, that no Vendor shall use the State's seal or imply the State's preference or recommendation for the goods or services to be provided.

10. RFP Not an Offer

This RFP does not constitute an offer by OST, the Board or the State.

11. Right to Cancel RFP

OST reserves the right to cancel this RFP at any time during the procurement process, for any reason or for no reason. OST makes no commitments,

expressed or implied, that this process will result in a business transaction with any Vendor.

12. Revisions to the RFP

If it becomes necessary to revise any part of the RFP, an addendum will be posted with the original RFP at:

<http://bids.delaware.gov/>
<http://treasurer.delaware.gov/requests-proposals/>
<http://nast.org>

B. Submission of Proposals

1. Form of Proposal

Vendors may submit one proposal for providing investment management services to the State as follows:

- (i) One liquidity account only;
- (ii) One reserve account only; or,
- (iii) One liquidity account and one reserve account.

Vendors may not submit proposals to manage multiple liquidity accounts or multiple reserve accounts.

2. Acknowledgement of Understanding of Terms

By submitting a proposal, a Vendor shall be deemed to acknowledge that it has carefully read all sections of this RFP, including all forms, schedules and attachments hereto, and has fully informed itself as to all existing conditions and limitations, including, without limitation, any minimum requirements herein.

A Vendor must describe in detail on Attachment 5 any areas where it will be unable to provide services as requested. In addition, if a Vendor is willing to provide the services exactly as requested, but believes that there would be benefits (such as cost savings or improved service) to making adjustments to the services outlined, the Vendor should describe the adjustments and the benefits on Attachment 5. Acceptance or rejection of any or all such exceptions is within the discretion of OST.

Upon receipt of Vendor proposals, each Vendor shall be presumed to be thoroughly familiar with all specifications and requirements of this RFP. A Vendor's failure to consult with counsel or closely examine and understand any form, instrument or document shall in no way relieve a Vendor from any obligation with respect to this RFP.

Vendors must respond to all mandatory requirements presented in this RFP. The words "shall", "will" and "must" are used herein to designate a mandatory requirement. Failure to respond to a mandatory requirement may, in OST's discretion, cause the disqualification of a Vendor's proposal.

3. Proposal Deliveries

The Vendor will submit seven paper copies and seven electronic copies on CD, DVD or USB drive. One of the seven hard copy proposals will be clearly labeled as the “master” copy.

The deadline for submissions is 4:00 p.m. EST on October 17, 2017.

Submissions must be sent so as to be received by the Designated Contact by the submission deadline. The proposal package delivery address is:

Susan Steward
Policy Advisor to the Office of the State Treasurer
Office of the State Treasurer
820 Silver Lake Boulevard, Suite 100
Dover, Delaware 19904
susan.steward@state.de.us

Vendors bear the risk of delays in delivery.

4. Proposal Modifications

Any changes, amendments or modifications to a proposal must be made in writing, submitted in the same manner as the original proposal and conspicuously labeled as a change, amendment or modification to a previously submitted proposal. Except as expressly permitted above, changes, amendments or modifications to proposals shall not be permitted, accepted or considered after the hour and date specified as the deadline for submission of proposals.

5. Proposal Costs and Expenses

OST, the Board and the State will not pay or be responsible for any costs incurred by any Vendor associated with any aspect of responding to this RFP, including proposal preparation, printing or delivery, presentation, system demonstrations or negotiation process.

6. Proposal Expiration Date

Prices quoted in the proposal to this RFP shall remain fixed and binding on the Vendor for no less than twelve (12) months from the proposal submission deadline. The State reserves the right to ask for an extension of time if needed.

7. Late Proposals

Proposals received after the specified date and time will not be accepted or considered. Late proposals will be destroyed or returned to Vendor at Vendor's request and at Vendor's cost. To document compliance with the deadline, each proposal will be date- and time-stamped upon receipt. The determination of whether a submission is timely shall reside with OST.

8. Proposal Opening

The Designated Contact will open proposal packages in the presence of OST witnesses, and will establish a list of all Vendors submitting proposals. There will be no public opening of proposals.

9. Non-Conforming Proposals

Non-conforming proposals will not be considered. Non-conforming proposals are defined as those that do not meet the requirements of this RFP. The determination of whether a submission is non-conforming shall reside with OST.

10. Concise Proposals

OST discourages overly lengthy and costly proposals and prefers that proposals be prepared in a straightforward and concise manner. Unnecessarily elaborate brochures or other promotional materials beyond those sufficient to present a complete and effective proposal are not desired. OST's interest is in the quality and responsiveness of the proposal.

11. Realistic Proposals

Proposals must be realistic and must represent the best estimate of time, materials and other costs, including the impact of inflation and any economic or other factors that are reasonably predictable. OST expects that Vendors can fully satisfy the obligations of the proposal in the manner and timeframe defined within the proposal. The State shall bear no responsibility for a Vendor's failure to accurately estimate the costs or resources required to meet the obligations defined in the proposal.

12. Confidentiality of Documents

Subject to applicable law or the order of a court of competent jurisdiction to the contrary, all documents submitted as part of a Vendor's proposal will be treated as confidential during the evaluation process. As such, proposals will not be available for review by anyone other than OST, the Evaluation Team or their designated agents prior to award. There shall be no disclosure of any of Vendor's information to a competing Vendor prior to award unless such disclosure is required by law or by order of a court of competent jurisdiction.

The State and its constituent agencies, including OST, are required to comply with the State's Freedom of Information Act, [29 Del. C. § 10001, et seq. \("FOIA"\)](#). Under FOIA, the State's records are public records (unless otherwise declared by FOIA or other law to be exempt from disclosure) and are subject to inspection and copying by any person upon a written request. Once a proposal is received by OST and a decision on a contract award is made, the content of selected and non-selected Vendor proposals may become subject to FOIA's public disclosure obligations.

The State of Delaware wishes to create a business-friendly environment and procurement process. As such, the State respects that Vendors desire to protect intellectual property, trade secrets, and confidential business information (collectively referred to herein as "confidential business

information”). If a Vendor feels that it cannot submit a proposal without including confidential business information, it must adhere to the procedure set forth below. Failure to comply with the following procedure may result in a submission being rejected as non-conforming or non-responsive, and any applicable protection for the Vendor’s confidential business information may be lost.

In order to allow the State to assess its ability to protect confidential business information, Vendors will be permitted to designate appropriate portions of their proposal as confidential business information.

Vendors may submit portions of a proposal considered to be confidential business information in a separate, sealed envelope labeled “Confidential Business Information” and include the specific RFP number. The envelope must contain a letter from the submitting Vendor’s legal counsel describing the documents in the envelope, representing in good faith that the information in each document is not “public record” within the meaning of *29 Del. C. § 10002* and briefly stating the reasons that each document meets such definitions.

Upon receipt of a proposal accompanied by such a separate, sealed envelope, the Designated Contact will open the envelope to determine whether the procedure described above has been followed. A Vendor’s allegation as to its confidential business information shall not be binding on OST. OST shall independently determine the validity of any Vendor designation as set forth in this section. Any Vendor submitting a proposal or using the procedures discussed herein expressly accepts OST’s absolute right and duty to independently assess the legal and factual validity of any information designated as confidential business information. Accordingly, Vendors assume the risk that confidential business information included within a proposal may enter the public domain.

13. Price and Payments Not Confidential

Vendors are advised that the pricing terms of any PSA awarded to a successful Vendor, as well as any payments made to such Vendor, shall be matters of public record and/or subject to disclosure under FOIA.

14. No Joint Ventures

Multi-Vendor proposals (joint ventures) will not be considered.

15. RFP Question and Answer Process

Vendors are fully responsible for the completeness and accuracy of their proposals, and for examining this RFP and all attachments and addenda. Failure to do so will be at the sole risk of the Vendor. Should a Vendor find discrepancies, omissions, or unclear or ambiguous requirements or language, Vendor shall contact the Designated Contact via email and provide a written request for clarification no later than the deadline for submission of Vendor questions. Vendor questions must refer to the specific page, section, paragraph

and text of the RFP or attachments, as appropriate. The Vendor will submit questions solely to the Designated Contact.

Questions and answers will be compiled into a comprehensive document with Vendor names removed, which will be placed on the same websites as the original RFP prior to the close of the question and answer period. All issues that remain unresolved after the close of the question and answer period should be addressed in the proposal, with exceptions taken as appropriate.

Protests based on any discrepancy, omission, or unclear or ambiguous requirements or language will be deemed waived and disallowed unless timely brought to the attention of the Designated Contact as provided above.

16. Exceptions to the RFP and PSA

Any exceptions to the RFP, the PSA or any other attachments or addenda, along with corresponding explanations and alternatives, must be noted and explained on Attachment 5 and submitted when and as required herein. Vendors that fail to timely and other wise adequately preserve and assert exceptions, including exceptions related to the form of PSA, shall be deemed to have waived all such exceptions and related arguments. OST has discretion with respect to the acceptance or rejection of exceptions.

17. Right to Reject Proposals

OST reserves the right to accept or reject any or all proposals, or any part of any proposal, and to waive defects, technicalities or specifications, whether in this RFP or a Vendor's response, to sit and act as sole judge of the merit and qualifications of each proposal, or to solicit new proposals on the same project or a modified project that may include portions of the originally proposed project as OST may deem necessary or appropriate.

18. Right to Discontinue Negotiations.

A Vendor's submission of a proposal in connection with this RFP may result in OST's decision to engage such Vendor in negotiations to reach agreement on the terms of a binding PSA. The commencement of negotiations shall not constitute a commitment by OST to continue negotiations or execute a PSA.

19. Notification of Withdrawal of Proposal

Vendor may withdraw a timely proposal by written request to the Designated Contact, provided that such request is received by the Designated Contact prior to the proposal due date.

20. Proposal Constitutes an Offer

All proposals received are considered firm offers and may not be withdrawn or modified except as expressly permitted herein.

21. Award

Pursuant to 29 *Del. C.* § 2716(a)(2), the Board has the statutory responsibility and duty to approve by majority vote the retention of investment managers. No

award resulting from this RFP process shall be effective unless and until authorized or approved in accordance with 29 *Del. C. § 2716(a)(2)*.

A contract award ("Award") will be communicated to a successful Vendor and published only after (a) the Board by majority vote authorizes or approves the issuance of an Award to the Vendor and (b) OST and the Vendor execute a PSA on terms and conditions acceptable to OST in its discretion. No Vendor will acquire any legal or equitable rights or privileges until the occurrence of both events.

Vendors submitting proposals to manage both a liquidity account and a reserve account may be awarded a mandate to manage both such accounts or only one account.

VI. Contract Process

1. Formal Contract

Vendors selected as finalists and invited via written notification from OST (the "Invitations") to enter into written agreements will be expected to enter into formal PSAs with OST in the form attached hereto as Appendix F.

2. Modification of Contract Terms

OST, in its discretion, may consider and accept proposed modifications to the PSA. OST has the absolute right to reject any proposed PSA modifications that were not timely raised and preserved as required herein. A Vendor's attempt to negotiate new or different terms that were not detailed on Attachment 5 and reflected in the Redline may result in the termination of negotiations with, and/or the disqualification of, such Vendor.

3. Supplemental Terms

The PSA may be supplemented with licenses or other ancillary agreements specifically identified by the Vendor and agreed to by OST in its discretion. The terms and conditions of any such ancillary agreements are subject to negotiation with the Vendor during the time frame set out below.

4. Time Frame

A Vendor who receives an Invitation shall promptly execute a PSA as set out above within twenty (20) business days from the date of the Invitation. If no final PSA has been executed by such date, OST reserves the right to cancel the Invitation and enter into negotiations with another Vendor.

5. Provision of Services

Absent OST's prior written request or approval, no Vendor is to begin any service prior to the issuance of an Award.

6. Cancellation of RFP Award

If the Vendor to whom the Award is made fails to commence providing services when due under the PSA, or if OST determines prior to the commencement of

the initial term of the PSA that an Award was the result of collusion, fraud or other illegal or unlawful activity, the Award may be annulled, and an Award may be made to another Vendor.

7. Collusion or Fraud

Any evidence of agreement or collusion among Vendors acting to illegally restrain freedom from competition by agreement to offer a fixed price, or otherwise, will render the proposals of, Awards to and PSAs with such Vendors void.

By responding to this RFP, the Vendor shall be deemed to have represented and warranted that: (i) its proposal is not made in connection with any competing Vendor submitting a separate response to this RFP; (ii) its approval is in all respects fair and without collusion or fraud; (iii) the Vendor did not participate in the RFP development process and had no knowledge of the specific contents of the RFP prior to its issuance; and (iv) no employee or official of OST participated directly or indirectly in the Vendor's proposal preparation.

8. Lobbying and Gratuities

Lobbying or providing gratuities shall be strictly prohibited. Vendors found to be lobbying, providing gratuities to, or in any way attempting to influence a State employee or agent of OST concerning this RFP shall have their proposals immediately rejected or Awards and PSAs annulled.

The selected Vendor will warrant that no person or selling agency has been employed or retained to solicit or secure a contract resulting from this RFP upon agreement or understanding for a commission, or a percentage, brokerage or contingent fee. For breach or violation of this warranty, OST shall have the right to annul any Award or PSA resulting from this RFP without liability or, at OST's discretion, deduct from the contract price or otherwise recover the full amount of such commission, percentage, brokerage or contingent fee.

9. Solicitation of State Employees

During the RFP process, Vendors shall not, directly or indirectly, solicit any employee of OST to leave OST's employ in order to accept employment with the Vendor, its affiliates, or any person acting in concert with Vendor, without prior written approval of OST. Solicitation of OST employees during the RFP process by a Vendor may result in rejection of the Vendor's proposal or annulment of any Award.

VII. Attachments and Appendices

Responses required for:

<u>Attachment 1</u>	Questionnaire
<u>Attachment 2</u>	Rates of Return Spreadsheet
<u>Attachment 3</u>	Confidential Information Form
<u>Attachment 4</u>	Business References
<u>Attachment 5</u>	Exception Form
<u>Attachment 6</u>	Non-Collusion Statement
<u>Attachment 7</u>	Employing Delawareans Report

For information purposes:

<u>Appendix A</u>	Scope of Services
<u>Appendix B</u>	Cash Management Policy Board Investment Guidelines
<u>Appendix C</u>	Liquidity Analysis Cash Flows
<u>Appendix D</u>	New Investment Architecture
<u>Appendix E</u>	Cash Management Policy Board Resolution 2017-01
<u>Appendix F</u>	Professional Services Agreement

Attachment 1: Questionnaire

CONTRACT NUMBER: TRE17102-INVSTMNGRSRVCS

Firm Background

1. History/Values. Describe in detail the history of your firm, including your founding values and core principles.
2. Ownership. Describe your firm's current ownership structure. Include any pending agreements or announced plans to merge, sell or significantly change the ownership structure of the firm or any material portion thereof. Describe any material changes in ownership during the past five years.
3. Organization. Provide an organizational chart for your firm. Clearly identify the total number of employees in each of the major categories, such as portfolio management, research, portfolio administration, marketing/client service, etc.
4. Growth Plan. Describe your firm's growth plans over the next 3-5 years, including proposed:
 - a) AUM growth
 - b) Earnings growth
 - c) New product introductions
 - d) Expansion of investment team
5. Investment Team. Describe in detail the composition and investment experience of those individuals who would be assigned to the management of the proposed strategy(ies). For each individual, include a complete resume with both work and academic experience. Highlight an individual's experience with accounts managed on behalf of public sector clients as well as the total accounts and nature of same historically and currently managed by such individual. What level of access will OST have with respect to each of the persons identified?
6. Litigation. Describe any regulatory review of the firm or other material litigation, action or sanctions against your firm, its subsidiaries, or contracted third party processors that is presently pending or that was resolved (favorably or unfavorably) in the prior five years.

7. Assets and Accounts. Provide the following information as it relates to your firm's total investment management business. Comment on any large losses or gains.

Year	Assets Gained	Assets Lost	Assets at End of Period	Accounts Gained	Accounts Lost	Accounts at End of Period
2017 YTD						
2016						
2015						
2014						
2013						
2012						

8. Client Base. Provide the following information as it relates to your firm's total investment management business as of June 30, 2017:

Client Type	Number of Accounts	AUM (\$MM)
Corporate		
Public		
Taft-Hartley		
Endowment/Foundation		
Individuals		
Family Offices		
Mutual Funds		
Other		
Total Firm		

9. Strategies. List the official name of all of your firm's strategies, and its GIPS compliant composite, and identify those applicable to the services being procured in response to this RFP. Identify and explain the closure or termination of any strategies in the past 10 years.

10. Physical Office. Provide the address of the physical location from which the strategy(ies) will be managed.

Prospective Management and Strategic Insights

In this section, you should provide responses to the questions based on section(s) of the portfolio that you are seeking to manage as described in the table below. In some instances, questions may be directed at your assessment of the portfolio architecture as a whole. Again, refer to the table below in connection with such responses.

Portfolio Type	Duration	Estimated Average Value
Liquidity (2 Managers)	0-3 years (1 st Cycle)	\$200M
	0-3 years (2 nd Cycle)	\$200M
Reserve (4 Managers)	1-3 years (1 st Tier)	\$300M
	3-5 years (2 nd Tier)	\$300M
	5-7 years (3 rd Tier)	\$300M
	7-10 years (4 th Tier)	\$300M

1. Construction. Describe your investment philosophy, process and procedures for portfolio construction, methodology for reinvestment and use of the duration targets. Specify any circumstances under which your firm would deviate from such approach.
2. Challenges and Concerns. Given the current market environment and your outlook for the future, what do you perceive to be the greatest challenges to meeting or exceeding benchmark index returns for your strategy(ies)? What concerns do you have, if any, with the Board's Guidelines and/or Resolution as it relates to your strategy(ies)?
3. Execution. Who on your investment team is responsible for yield curve positioning, duration, sector allocation, and security selection? Describe how those decisions are made?
4. Return/Risk. What is the targeted risk / return profile of the proposed strategy(ies)? How is portfolio risk measured, monitored and controlled?
5. Benchmark(s). Provide the benchmark(s) typically used to measure relative performance of the proposed strategy(ies).
6. Excess Returns. What unique attributes or competitive advantage does your firm or your proposed strategy(ies) have that distinguishes it from its competitors in the fulfillment of this RFP?

7. Value Creation. Within your investment process, roughly what portion of the "value added" comes from each of the following decisions?
- a. _____% Yield Curve Positioning
 - b. _____% Duration
 - c. _____% Sector Allocation
 - d. _____% Security Selection
 - e. _____% Other: _____(Describe)
8. Performance Parameters. Describe the investment environments in which your firm's strategy(ies) can be expected to outperform and underperform. Specifically, discuss how you manage downside risk in situations including a widening of credit spreads and/or an increase in yields.
9. Capacity. Describe any capacity constraints that may limit your firm's ability to successfully manage the proposed strategy(ies). Have you identified an asset level at which you will cap investment?
10. Overall Management. Describe any other qualifications that make your institution the best candidate to manage the proposed strategy(ies).

For the next three questions, refer to the Background (Section II of the RFP), Appendix E, and Appendix B, respectively.

11. Rationale for New Investment Architecture. Overall, do you agree or disagree with the Board's balancing of its three-part mandate for security, liquidity and yield? Is the Board's rationale for adopting the New Investment Architecture sound? Why/why not?
12. Modifications to Proposed Investment Architecture. Understanding the Board's objectives for the State of Delaware's funds, what aspects of the New Investment Architecture do you consider most problematic, if any? What changes to the architecture would you recommend to better meet the mandate of the Board? Specifically, address what you consider to be the pros and cons of (i) the 25%/75% allocation of funds between the liquidity and reserve managers, (ii) the unique mandates for each of the liquidity managers, (iii) the number of liquidity and reserve managers, and, (iv) the targeted duration of the reserve fund tiers. Please detail instances of other clients who have considered comparable cash management structuring issues and the investment architectures that they adopted.
13. Guidelines. In general, are the Guidelines too prescriptive (i.e., are managers allowed sufficient flexibility to generate excess returns)? As compared to your other public sector cash management clients, what aspects of the Guidelines, appear "off market", if any? What asset categories would you allow that are not currently permitted under the Guidelines? Would you alter

the concentration limits in any material manner? Are there any conditions you could relax that would not lower the security profile of the portfolio but would be expected to generate additional yield?

Reporting and Compliance

1. **Reporting.** What steps are taken to ensure the accuracy of your portfolio reports? Are reports audited before they are made available to clients? If so, by whom? How soon can such information be made available at month, quarter and year end? Provide a sample of your standard monthly and quarterly reports for the strategy(ies) being proposed.
2. **Pricing.** With regard to your firm's pricing procedures, what is the pricing frequency and level of pricing independence? How does your firm price potentially illiquid securities that pose pricing difficulties?
3. **Electronic Access.** Do you provide online access for retrieving daily, month-end, and quarterly reports as well as daily portfolio holdings?
4. **Client Correspondence.** Do you communicate with clients through general newsletters, monthly performance letters or other generic media? If yes, please provide examples of such correspondence for the past 12 months.
5. **Custody.** Currently, OST uses Northern Trust as custodian for all investment accounts. Does your firm have experience working with Northern Trust as custodian? Do you foresee any issues regarding this relationship or the reporting requirements that may be imposed by the custodian?
6. **Guideline Compliance.** How does your firm ensure compliance with its clients' investment guidelines?
7. **Internal Data Controls.** Discuss the internal controls employed by the firm to verify receipt of data and transmission of data for reporting and evaluation by clients. Provide any disaster recovery measures taken by the firm to ensure timely access and avoidance of interruption of services for clients to receive data related to the firm's investments and/or performance.

Attachment 2: Rates of Return Spreadsheet

CONTRACT NUMBER: TRE17102-INVSTMNGRSRVCS

This attachment is available as an excel spreadsheet for Vendors to download and submit with this proposal. Please download and complete Attachment 2 from:

<http://bids.delaware.gov>

<http://treasurer.delaware.gov/requests-proposals/>

Attachment 3: Confidential or Proprietary Information Form

CONTRACT NUMBER: TRE17102-INVSTMNGRSRVCS

- ☐ By checking this box, the Vendor acknowledges that its proposal does not contain any information it declares to be confidential or proprietary for the purpose of production under 29 Delaware Code, Chapter 100, Delaware Freedom of Information Act.

Confidentiality or Proprietary Information

Note: Use additional pages as necessary.

Attachment 4: Business References

CONTRACT NUMBER: TRE17102-INVSTMNGRSRVCS

List a minimum of three business references, including the following information:

- Business Name and Mailing address
- Contact Name and phone number
- Number of years doing business with
- Type of work performed

Please do not list any State of Delaware employee as a business reference. If you have held a State of Delaware contract within the last 5 years, provide a separate list of the contract(s).

1.	Contact Name & Title:	
	Business Name:	
	Address:	
	Email:	
	Phone # / Fax #:	
	Current Vendor (YES or NO):	
	Years Associated & Type of Work Performed:	
2.	Contact Name & Title:	
	Business Name:	
	Address:	
	Email:	
	Phone # / Fax #:	
	Current Vendor (YES or NO):	
	Years Associated & Type of Work Performed:	
3.	Contact Name & Title:	
	Business Name:	
	Address:	
	Email:	
	Phone # / Fax #:	
	Current Vendor (YES or NO):	
	Years Associated & Type of Work Performed:	

Attachment 5: Exception Form

CONTRACT NUMBER: TRE17102-INVSTMNGRSRVCS

Proposals must include all exceptions to the specifications, terms or conditions contained in this solicitation. If the Vendor is submitting the proposal without exceptions, please state so below.

- ☐ By checking this box, the Vendor acknowledges that they take no exceptions to the specifications, terms or conditions found in this solicitation.

[illegible]

Note: Use additional pages as necessary.

Attachment 6: Non-collusion Statement

CONTRACT NUMBER: TRE17102-INVSTMNGRSRVCS

This is to certify that the undersigned Vendor has neither directly nor indirectly, entered into any agreement, participated in any collusion or otherwise taken any action in restraint of free competitive bidding in connection with this proposal submitted this date to the State of Delaware.

This is to further certify that the signed delivery of this bid represents the Vendor's acceptance of the terms and conditions of this invitation to bid including all specifications and special provisions. This statement is signed by an official of the Vendor who is authorized to enter the Vendor into a legal agreement with the State of Delaware.

Please type the following information.

NAME OF VENDOR _____

ADDRESS OF VENDOR _____

AUTHORIZED OFFICIAL _____

TITLE OF OFFICIAL _____

SIGNATURE OF OFFICIAL _____

FEDERAL EMPLOYER IDENTIFICATION. NUMBER _____ DELAWARE BUSINESS LICENSE NUMBER _____

THIS PAGE MUST BE SIGNED AND NOTARIZED.

Sworn and subscribed before me this ____ day of _____, 2016.

Notary Public _____ My commission expires _____

City of _____ County of _____ State of _____

Name of Notary Public _____ Signature _____

Attachment 7: Employing Delawareans Report

CONTRACT NUMBER: TRE17102-INVSTMNGRSRVCS

As required by House Bill # 410 (Bond Bill) of the 146th General Assembly and under Section 30, no bid for any public works or professional services contract shall be responsive unless the prospective vendor discloses its reasonable, good-faith determination of:

1. Number of employees reasonably anticipated to be employed on the project: _____
2. Number of such employees who are bona fide legal residents¹ of Delaware: _____
3. Percentage of such employees who are bona fide legal residents of Delaware: _____
4. Total number of employees of the vendor: _____
5. Total percentage of employees who are bona fide residents of Delaware: _____

If subcontractors are to be used:

1. Number of employees who are residents of Delaware: _____
2. Percentage of employees who are residents of Delaware: _____

¹ "Bona fide legal resident" shall mean any resident who has established residence of at least 90 days in the State.

Appendix A: Scope of Services

CONTRACT NUMBER: TRE17102-INVSTMNGRSRVCS

SCOPE OF SERVICES

- I. Investment Management Services: Provide investment management services for the State's public funds investment portfolio as a fiduciary for the Board and OST in accordance with the established Guidelines found in Appendix B. Further explanation regarding the existing and proposed investment architecture for Cash Accounts is provided in the Background section of the RFP and the Board's Resolution No. 2017-01 Approving and Memorializing Investment Architecture for the State's Cash Accounts attached to the RFP as Appendix E ("Resolution").

Vendors may be requested to provide assistance with/or undertake such other matters as requested by the Board, OST, and/or Consultant as are consistent with and/or ancillary to the foregoing services. Matters may include the review of proposed changes to the Guidelines and/or the Resolution, identification of revisions to the Guidelines and/or the Resolution that would improve the Vendor's execution of its strategy, and analysis of and quantification of the impact on the portfolio of any modifications to the Guidelines and/or the Resolution.

- II. Reporting: As a strategic partner in managing Delaware's investments, Vendors are expected to provide the Board, OST, and/or Consultant with proactive reporting on economic and market conditions affecting the portfolio. Vendors will be required to prepare and deliver to the Consultant and OST monthly, quarterly, annual and event-driven reports as described in the table below. Reports are to be made available in electronic form.

Reports and Requirements for Investment Manager

Report Type	Minimum Requirements
Monthly	Asset listing that contains descriptions and values of all securities held in the portfolio. The asset listing should include (a) original purchase cost, (b) amortized cost, (c) market value, (d) accrued interest receivable, and (e) unrealized gains and losses.
	A complete listing of all transactions, including the monthly custodial market value, amortized cost, and accrued interest receivable reconciliation.
	Time weighted rates of return for the month, quarter-to-date, year-to-date, and since inception based upon audited and reconciled market values, and provided on both a market and amortized cost basis.
	A listing of securities held by investment type and analysis of compliance with Investment Guidelines (Appendix B).
Quarterly	Economic and market commentary on events that impacted the strategy, values and performance of the portfolio.
	Detail changes in the strategy and/or key decisions regarding the management of the portfolio during the quarter.
	Time weighted rates of return for the quarter, year-to-date, and since inception based upon audited market values.
	Provide detailed performance attribution reports that identify the sources of investment return during the quarter.
Event-Driven	Any and all organizational developments that result in any changes to the Vendor's organization, investment philosophy, decision-making process, financial condition, ownership, and/or professional staff.

- III. Meetings & Presentations: From time to time, Vendors may be required to attend meetings or make presentations to the Board, OST, and/or the Consultant, as requested. The agenda for such meetings will generally consist of:
- Strategy Review*—Discussion of the Vendor's strategies and objectives, investment style, and compliance with guidelines that apply to the management of that portfolio.
 - Performance Review*—Discussion of the Vendor's investment performance and risk for the quarter, year-to-date, and since inception periods, including discussion of investment strategies and positioning that impacted the portfolio's results.
 - Organizational Review*—Discussion of recent and material developments at the Vendor's organization including ownership, organizational structure, financial condition, significant litigation, investment philosophy, investment decision-making process, professional staff, and client-servicing responsibilities.

Appendix B: Cash Management Policy Board Guidelines

CONTRACT NUMBER: TRE17102-INVSTMNGRSRVCS

STATEMENT OF OBJECTIVES AND GUIDELINES FOR THE INVESTMENT OF STATE OF DELAWARE FUNDS

Originally adopted January 18, 1982

Revised August 10, 2016

1.0 Statutory Authorization

1.1 Role of the Cash Management Policy Board. The Cash Management Policy Board ("Board") was created by 63 Del. Laws, c. 142, to establish policies (a) for the investment of all money belonging to the State or on deposit from its political subdivisions, other than money deposited in any State Pension Fund or the State Deferred Compensation Program, ("State Funds") and (b) to determine the terms, conditions, and other matters relating to those investments including the designation of permissible investments (29 Del. C. §2716(a)).

1.2 Role of the Office of the State Treasurer. The investment of State Funds is to be made by the Office of the State Treasurer ("OST") in accordance with the objectives and guidelines outlined herein ("Guidelines") (29 Del. C. §2716(e)(2)).

2.0 Accounts

2.1 Designation of Accounts. For purposes of these Guidelines, State Funds are to be allocated and held in a variety of accounts as outlined below ("Accounts"):

2.1.1 Collection and Disbursement Accounts. Cash required to meet the State's anticipated near-term operating requirements is to be held in "Collection and Disbursement Accounts." These accounts will be managed and invested in accordance with the general provisions of these Guidelines and the specific provisions of Section 5.0 below by qualified financial institutions ("Cash Management Banks") selected by the Board through a competitive bid process.

2.1.2 Liquidity Accounts. Cash not required for the State's near-term operating requirements but readily available for anticipated funding needs of the State will be held in "Liquidity Accounts." State Funds in these accounts will be managed and invested in accordance with the general provisions of these Guidelines and the specific provisions of Section 6.0 below by qualified investment managers ("Liquidity Managers") selected by the Board through a competitive bid process.

2.1.3 Reserve Accounts. Cash that is not anticipated to be needed for the State's near-term operating requirements or funding needs, but can be made available for unanticipated needs is to be held in "Reserve Accounts". State Funds in these accounts will be managed and invested in accordance with the general provisions of these Guidelines and the specific provisions of Section 7.0 below by qualified investment managers ("Reserve Managers") selected by the Board through a competitive bid process.

2.1.4 Endowment Accounts. "Endowment Accounts" consist of State Funds set-aside for specified legislative purposes with the intent of growing the corpus of such funds over time. State Funds in these accounts will be managed and invested in accordance with the general provisions of these Guidelines and the specific provisions of Section 8.0 below by qualified investment managers selected by the Board through a competitive bid process ("Endowment Managers").

2.1.5 Operating Accounts. “Operating Accounts” consist of State Funds set aside for specified purposes to be made available as and when required to meet such purposes. State Funds in these accounts will be managed and invested in accordance with the general provisions of these Guidelines and the specific provisions of Section 9.0 below by Liquidity Managers or such other financial institutions as determined by the Board.

2.2 List of Accounts. OST shall maintain on its website a current listing of all Accounts and the Cash Management Banks, Liquidity Managers, Reserve Managers, and Endowment Managers approved by the Board to manage State Funds in such Accounts.

3.0 Allocation of State Funds

3.1 General Allocation. The Board is responsible for setting the policy as to the allocation of State Funds among the Accounts (29 Del. C. §2716(a)(2)).

3.2 Allocation among Accounts

3.2.1 Cash Accounts. Unless otherwise determined by the Board, OST shall use its discretion to allocate State Funds among the Collection and Disbursement Accounts, Liquidity Accounts, and Reserve Accounts (collectively, “Cash Accounts”) in accordance with the general purposes of such Accounts as described in Section 2.0 of these Guidelines and the investment objectives more particularly described in Sections 5.0 – 7.0 below. In general, OST attempts to minimize the number of transfers of State Funds in and out of both Liquidity Accounts and Reserve Accounts. In the former case, OST maintains balances of funds with the Cash Management Banks sufficient to meet the State’s daily requirements over the near-term, allowing Liquidity Account balances to fluctuate based on the reasonably predictable cyclical pattern of the State’s annual collections and disbursements. In the latter instance, OST allocates State Funds to and from Reserve Accounts only as unforeseen need for, or receipt of, funds occurs that deviates meaningfully from the State’s historical pattern of collections and disbursements. Notwithstanding the foregoing, the Board may express a fixed allocation of State Funds to be held in each of the Cash Accounts to reflect then-prevailing market conditions or other considerations related to the probable income from and/or level of risk related to the investment of State Funds. (29 Del. C. §2716(a)). In such cases, OST may be required to make more frequent allocations among the Cash Accounts.

3.2.2 Endowment Accounts and Operating Accounts, Unless otherwise determined by the Board, OST shall allocate State Funds to the Endowment Accounts and Operating Accounts in accordance with the general purposes of such Accounts described in Section 2.0 of these Guidelines and the investment objectives more particularly described in Sections 8.0 and 9.0 below.

3.3 Allocation among Banks and Managers

3.3.1 Cash Management Banks. Unless otherwise determined by the Board, OST shall further allocate State Funds in the Collection and Disbursement Accounts among the Cash Management Banks in such proportions as OST determines in its discretion are necessary or desirable to meet the State’s anticipated near-term anticipated operating liquidity requirements.

3.3.2 Liquidity Managers. Unless otherwise determined by the Board and subject to the provisions of subsection 3.3.5 below, OST shall further allocate State Funds in the Liquidity Accounts pro rata among the Liquidity Managers based on the aggregate amount of State Funds in such Accounts.

3.3.3 Reserve Managers. Unless otherwise determined by the Board, OST shall further allocate State Funds in the Reserve Accounts pro rata among the Reserve Managers based on the aggregate amount of State Funds in such Accounts.

3.3.4 Endowment Managers. Unless otherwise determined by the Board, OST shall further allocate State Funds in the Endowment Accounts pro rata among the Endowment Managers based on the aggregate amount of State Funds in such Accounts.

3.3.5 Special Allocation of State Funds in Operating Accounts. Unless otherwise determined by the Board, OST shall further allocate State Funds in Operating Accounts pro rata among the Liquidity Managers or such other financial institutions as directed by the Board pursuant to subsection 2.1.5.

4.0 General Investment Standards and Objectives

4.1 Standard of Care. In general, the banks and managers engaged as fiduciaries to manage State Funds shall exercise the judgment and care over the investment of such funds with the care, skill, prudence, and diligence under the circumstances then prevailing that prudent professional investment managers, acting in like capacity and familiar with such matters, would use in the investment of State Funds.

4.2 General Objectives. Subject to the more specific policies set out in Sections 5.0, 6.0, 7.0, 8.0, and 9.0 of these Guidelines, State Funds shall be invested in a manner that ensures the safety of, provides liquidity for, and maximizes return on such funds. For purposes of these Guidelines, the foregoing priorities have the following meanings:

4.2.1 Safety. Safety is defined as the ability, under ordinary market conditions, to ensure against the loss of the original investment amount of State Funds. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the portfolio.

4.2.2 Liquidity. Liquidity is defined as the capacity to realize, convert to cash, an asset in a timely fashion, at or near its value. An asset is said to be liquid when the act of selling has little impact on the asset's price. State Funds shall remain sufficiently liquid to meet all anticipated operating requirements and funding needs, and should be managed and invested for availability to meet unanticipated needs with minimal losses associated with illiquidity.

4.2.3 Return. Return is defined as the gain or loss on an investment over a specified period. Gains on investments are considered to be any income received from the security plus the earnings an asset generates in excess of its initial cost. The State Funds portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints of safety and liquidity set out herein.

5.0 Collection and Disbursement Accounts

5.1 Investment Objectives. The funds in the Collection and Disbursement Accounts must be immediately available to support the State's daily governmental programs and activities. The primary investment objectives are therefore safety and liquidity of such funds; return is a secondary priority.

5.2 Permissible Investments. Cash Management Banks shall maintain State Funds in either collateralized demand deposit accounts or open-end money market mutual funds, in each case, subject to the provisions of subsections 5.2.1 and 5.2.2, respectively, in order to mitigate the risk of State Funds being exposed to the credit risk of such financial institution.

5.2.1 Demand Deposit Accounts. State Funds held by Cash Management Banks in demand deposit accounts shall be collateralized by the pledge and transfer by such financial institution

of government securities that meet the definitions set out in subsections 6.3.1 and 6.3.2 (“Eligible Collateral”) to a custody account held at a Federal Reserve Bank for the benefit of the State (“Fed Custody Account”). The market value of Eligible Collateral in a Fed Custody Account shall be set at a level equivalent to the highest daily intra-day balances of State Funds held or expected to be held at such financial institution plus such additional amount of Eligible Collateral as OST may request such bank to pledge and transfer as may be required to ensure against volatility in daily balances. A Cash Management Bank may adjust collateral levels at a Fed Custody Account as frequently as may be required to comply with the foregoing requirement, so long as OST is provided with same day notice of any additions to or reductions of Eligible Collateral in the Custody Account. In addition, a Cash Management Bank shall provide OST with a detailed report of the Eligible Collateral held in any Fed Custody Account by 5:00 P.M. on the close of each business day.

5.2.2 Money Market Mutual Funds. State Funds held by Cash Management Banks in money market mutual funds shall be invested solely in government securities that meet the definitions set out in subsections 6.3.1 and 6.3.2 and which are rated in the highest rating category by at least one Nationally Recognized Statistical Rating Organization (“NRSRO” – defined as Fitch, Moody’s, Morningstar and S&P).

5.3 Call Reports. Each Cash Management Bank shall provide OST with a Consolidated Report of Condition and Income (FFIEC 031) with respect to such financial institution on a quarterly basis by the last day of the month following the end of such calendar quarter.

6.0 Liquidity Accounts

6.1 Investment Objectives. The primary investment objectives of the Liquidity Accounts are to maintain the safety of State Funds while ensuring the liquidity of such funds to be drawn down to the Cash Management Banks for the support of the anticipated funding needs of the State. As variations in the State’s otherwise predictable pattern of annual collections and disbursements do occur and can be material, Liquidity Managers must be prepared to meet unanticipated liquidity demands of the State in addition to those anticipated by OST. After the achievement of those goals, the State seeks to maximize the return on such investments.

6.2 Maturity Restrictions. The maximum maturity for any investment of State Funds in the Liquidity Accounts shall be two years from the date of settlement. Notwithstanding the foregoing, securities identified in subsections 6.3.4, 6.3.9, and 6.3.10 that are subject to periodic reset of coupon or interest rate may have an average life not to exceed three years as measured from the date of settlement.

6.3 Permissible Investments and Percentage of Account Limitations. State Funds held in Liquidity Accounts can be invested solely in the types of securities set out in this subsection 6.3. Each Liquidity Manager is further subject to limit the aggregate value of State Funds invested in each type of security held in the account under such manager’s discretion to the “Percentage Limit” of such security type identified in this subsection 6.3, measured as a percentage of the total Liquidity Account value of State Funds under such manager’s discretion.

6.3.1 United States Treasury Obligations

6.3.1.1 Definition: Bills, bonds, and notes issued by the U.S. Treasury.

6.3.1.2 Percentage Limit: No limit.

6.3.2 United States Government Agency Obligations

6.3.2.1 Definition: Any obligation of, or obligation that is insured as to principal

and interest by, the U.S. or any agency or corporation thereof (excluding bills, bonds and notes issued by the U.S. Treasury), and any obligation and security of U.S.-sponsored enterprises, including, the Export-Import Bank of the United States, Farmers Home Administration, Federal Farm Credit Banks, Federal Home Loan Banks, Federal Home Loan Mortgage Corporation, Federal Land Banks, and the Government National Mortgage Association.

6.3.2.2 Percentage Limit: 50% in total; 20% in any one issuer.

6.3.3 Certificates of Deposit and Time Deposits

6.3.3.1 Definition: Certificates of deposit and time deposits denominated in U.S. dollars and issued or endorsed by either (i) a bank or a savings and loan association organized and supervised under federal or any state laws and regulated by the Federal Reserve or a trust company which is a member of the Federal Reserve system or (ii) a bank organized and supervised under the laws of Japan, Canada, United Kingdom, the Netherlands, Germany, France, Switzerland, Australia, New Zealand, Sweden, or Norway. Any such banking institution must have assets of not less than \$100 billion and be rated not lower than A1/P-1/F1 Short Term by at least two NRSROs.

6.3.3.2 Percentage Limit: 50% in total (domestic & non-domestic combined); 25% in all non-domestic banking institutions; 5% in any one issuer.

6.3.4 Corporate Debt Instruments

6.3.4.1 Definition: Commercial paper, variable rate notes, and non-convertible bonds and debentures denominated in U.S. dollars and issued by a U.S. corporation or a non-domestic corporation subject to the laws of Japan, Canada, United Kingdom, the Netherlands, Germany, France, Switzerland, Australia, New Zealand, Sweden, or Norway. Such securities must be rated by at least two NRSROs and (i) in the case of commercial paper, must be rated not lower than "A-2" by S&P, "P-2" by Moody's and "F2" by Fitch and the senior long-term debt of the issuer must be rated not lower "A-" by S&P, "A3" by Moody's and "A-" by Fitch (excluding asset-backed commercial paper that is rated A1 or better) and (ii) in the case of notes, bonds and debentures, must be rated not lower than "A-" by S&P, "A3" by Moody's and "A-" by Fitch; provided that, any security that meets the foregoing rating standards and is backed fully by an irrevocable, unconditional letter of credit issued by a banking institution shall not be permissible hereunder unless such banking institution meets the definition of subsection 6.3.3.1 (in which case, any such securities will be deemed to be securities of both the corporate issuer and the banking institution for purposes of calculating the Percentage Limits set forth in subsections 6.3.4.2 and 6.3.3.2, respectively).

6.3.4.2 Percentage Limit: 50% in total; 25% in all non-domestic corporations; 25% in any one industry; 5% in any one issuer.

6.3.5 Repurchase Agreements

6.3.5.1 Definition: Securities permissible pursuant to subsections 6.3.1 and 6.3.2 acquired from a primary dealer designated by the NY Federal Reserve Bank, or a domestic bank which meets the definition set out in subsection 6.3.3.1, subject to a written repurchase agreement from such dealer or bank; provided that, (i) in the case of securities held in book-entry form in the Federal Reserve System, all deliveries of such securities must be made through the Federal Reserve book-entry system to an account designated by the State's custodian for such purpose and (ii); in the case of securities held in certificated form, all deliveries of such securities must be made to such address as designated by the State's custodian.

6.3.5.2 Percentage Limit: 50% in total; provided that any securities purchased subject to repurchase agreements shall be subject to the respective Percentage Limit for such security

type as set forth in this subsection 6.3 and valued for such purposes at the lesser of fair market value and 102 percent of the maturity value of the securities pursuant to the repurchase agreement and marked-to-the-market daily as requested by the investment manager.

6.3.6 Money Market Funds

6.3.6.1 Definition: Open-end money market mutual funds that are invested solely in government securities (as defined in subsections 6.3.1 and 6.3.2) and which are rated in the highest rating category by at least one NRSRO.

6.3.6.2 Percentage Limit: No limit.

6.3.7 Canadian Treasury Bills

6.3.7.1 Definition: Marketable securities issued by the government of Canada; provided that such securities are U.S. dollar denominated.

6.3.7.2 Percentage Limit: 25% in total.

6.3.8 Canadian Agency Securities

6.3.8.1 Definition: Any obligation of any Canadian government-sponsored agency that is insured as to principal and interest by the Canadian Government; provided that the obligation is U.S. dollar denominated commercial paper having a maximum maturity of 270 days from the date of settlement.

6.3.8.2 Percentage Limit: 25% in total; 10% in any one agency.

6.3.9 Mortgage-Backed Securities

6.3.9.1 Definition: Government National Mortgage Association (GNMA), Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Association (FHLMC) mortgage-backed securities issued in the form of pass-throughs; provided that, such securities have (i) been issued and guaranteed by the US Government or Government Agency and (ii) an average life not to exceed two years from the date of settlement (unless such securities are subject to periodic reset of coupon or interest rate, in which case the average life may not exceed three years from the date of settlement).

6.3.9.2 Percentage Limit: 10% in total, including securities defined in subsection 6.3.10.1.

6.3.10 Asset-Backed Securities

6.3.10.1 Definition: Securities collateralized by pools of auto loan receivables, credit card receivables, and equipment loans; provided that such securities have (i) the highest credit rating from at least two NRSROs and (ii) an average life not to exceed two years from the date of settlement (unless such securities are subject to periodic reset of coupon or interest rate, in which case the average life may not exceed three years from the date of settlement).

6.3.10.2 Percentage Limit: 10% in total, including securities defined in subsection 6.3.9.1.

7.0 Reserve Accounts

7.1 Investment Objectives. The Reserve Accounts have been established to provide funding over an intermediate horizon but must be available to meet unanticipated operating requirements of the State as they arise. The primary investment objectives are to maintain the safety of and maximize the return on such funds. Liquidity of such funds is a secondary consideration, but Reserve Managers are expected to invest State Funds in a manner to mitigate losses in connection with the need to liquidate investments for unforeseen operating requirements.

7.2 Maturity Restrictions. The maximum maturity for any investment of State Funds in the Reserve Accounts shall be ten years from the date of settlement; provided that, the maximum average maturity of each account managed by a Reserve Manager shall be seven years.

7.3 Permissible Investments and Percentage of Account Limitations. State Funds held in Reserve Accounts can be invested solely in the types of securities set out in this subsection 7.3. Each Reserve Manager is further subject to limit the aggregate value of State Funds invested in each type of security held in the account under such manager's discretion to the "Percentage Limit" of such security type identified in this subsection 7.3, measured as a percentage of the total Reserve Account value of State Funds under such manager's discretion.

7.3.1 United States Treasury Obligations

7.3.1.1 Definition: Bills, bonds, and notes issued by the U.S. Treasury.

7.3.1.2 Percentage Limit: No Limit.

7.3.2 United States Government Agency Obligations

7.3.2.1 Definition: Any obligation of, or obligation that is insured as to principal and interest by, the U.S. or any agency or corporation thereof (excluding bills, bonds and notes issued by the U.S. Treasury), and any obligation and security of U.S.-sponsored enterprises, including, the Export-Import Bank of the United States, Farmers Home Administration, Federal Farm Credit Banks, Federal Home Loan Banks, Federal Home Loan Mortgage Corporation, Federal Land Banks, and the Government National Mortgage Association.

7.3.2.2 Percentage Limit: 50% total; 20% in any one issuer.

7.3.3 Certificates of Deposit and Time Deposits

7.3.3.1 Definition: Certificates of deposit and time deposits denominated in U.S. dollars and issued or endorsed by either (i) a bank or a savings and loan association organized and supervised under federal or any state laws and regulated by the Federal Reserve or a trust company which is a member of the Federal Reserve system or (ii) a bank organized and supervised under the laws of Japan, Canada, United Kingdom, the Netherlands, Germany, France, Switzerland, Australia, New Zealand, Sweden, or Norway. Any such banking institution must have assets of not less than \$100 billion and be rated not lower than A1/P-1/F1 Short Term by at least two NRSROs.

7.3.3.2 Percentage Limit: 50% in total (domestic & non-domestic combined); 25% in all non-domestic banking institutions; 5% in any one issuer.

7.3.4 Corporate Debt Instruments

7.3.4.1 Definition: Commercial paper, variable rate notes, and non-convertible bonds and debentures denominated in U.S. dollars and issued by a U.S. corporation or a non-domestic corporation subject to the laws of Japan, Canada, United Kingdom, the Netherlands, Germany, France, Switzerland, Australia, New Zealand, Sweden, or Norway; provided that such securities must be rated by at least two NRSROs and (i) in the case of commercial paper, must be rated not lower than "A-2" by S&P, "P-2" by Moody's and "F2" by Fitch and the senior long-term debt of the issuer must be rated not lower than "A-" by S&P, "A3" by Moody's and "A-" by Fitch (excluding asset-backed commercial paper that is rated A1 or better) and (ii) in the case of notes, bonds and debentures, must be rated not lower than "A-" by S&P, "A3" by Moody's and "A-" by Fitch; provided that, any security that meets the foregoing rating standards and is backed fully by an irrevocable, unconditional letter of credit issued by a banking institution shall not be permissible hereunder unless such banking institution meets the definition of subsection 7.3.3.1 (in which case, any such securities will be deemed to be securities of both the corporate issuer and the banking institution for purposes of calculating the Percentage Limits set forth in subsections 7.3.4.2 and 7.3.3.2, respectively).

7.3.4.2 Percentage Limit: 50% in total; 25% in all non-domestic corporations; 25% in any one industry; 5% in any one issuer.

7.3.5 Repurchase Agreements

7.3.5.1 Definition: Securities permissible pursuant to subsections 7.3.1 and 7.3.2 acquired from a primary dealer designated by the NY Federal Reserve Bank, or a domestic bank which meets the definition set out in subsection 7.3.3.1, subject to a written repurchase agreement from such dealer or bank; provided that, (i) in the case of securities held in book-entry form in the Federal Reserve System, all deliveries of such securities must be made through the Federal Reserve book-entry system to an account designated by the State's custodian or such purpose and (ii); in the case of securities held in certificated form, all deliveries of such securities must be made must be made to such address as designated by the State's custodian.

7.3.5.2 Percentage Limit: 50% in total; provided that any securities purchased subject to repurchase agreements shall be subject to the respective Percentage Limit for such security type as set forth in this subsection 7.3 and valued for such purposes at the lesser of fair market value and 102 percent of the maturity value of the securities pursuant to the repurchase agreement and marked-to-the-market daily as requested by the investment manager.

7.3.6 Money Market Funds

7.3.6.1 Definition: Open-end money market mutual funds that are invested solely in government securities (as defined in subsections 7.3.1 and 7.3.2) and which are rated in the highest rating category by at least one NRSRO.

7.3.6.2 Percentage Limit: 100% in total.

7.3.7 Canadian Treasury Bills

7.3.7.1 Definition: Marketable securities issued by the government of Canada, provided that such securities are U.S. dollar denominated.

7.3.7.2 Percentage Limit: 25% in total.

7.3.8 Canadian Agency Securities

7.3.8.1 Definition: Any obligation of any Canadian government-sponsored agency that is insured as to principal and interest by the Canadian Government; provided that the obligation is U.S. dollar denominated commercial paper having a maximum maturity of 270 days from the date of settlement.

7.3.8.2 Percentage Limit: 25% in total; 10% in any one agency.

7.3.9 Mortgage-Backed Securities

7.3.9.1 Definition: Government National Mortgage Association (GNMA), Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Association (FHLMC) mortgage-backed securities issued in the form of pass-throughs; provided that they have (i) been issued and guaranteed by the US Government or Government Agency and (ii) an average life not to exceed ten years (from the date of settlement of purchase).

7.3.9.2 Percentage Limit: 10% in total, including securities defined in subsection 7.3.10.1.

7.3.10 Asset Backed Securities

7.3.10.1 Definition: Securities collateralized by pools of auto loan receivables, credit card receivables, and equipment loans; provided that (i) such securities have the highest credit rating from the highest credit rating from at least two NRSROs and (ii) an average life not to exceed two years from the date of settlement (unless such securities are subject to periodic reset of coupon or interest rate, in which case the average life may not exceed three years from the date of settlement).

7.3.10.2 Percentage Limit: 10% in total, including securities defined in subsection 7.3.9.1.

7.3.11 Municipal Obligations

7.3.11.1 Definition: Taxable and tax-exempt securities issued by state and local governments and public authorities in the U.S., excluding securities issued by the State of Delaware, its local governments and public authorities; provided that such securities must be rated by at least two NRSROs and must be rated not lower than “A-” by S&P, “A3” by Moody’s and “A-” by Fitch.

7.3.11.2 Percentage Limit: 20% in total; 5% in any one issuer.

8.0 Endowment Accounts

8.1 Investment Objectives. Endowment Accounts are funded with State Funds to be preserved and grown over time with a portion of the investment income and/or appreciation thereon withdrawn periodically to provide for specified legislative purposes. The primary objective of such Accounts is to create a perpetual fund whereby returns are maximized over the long term while ensuring safety of the corpus and the availability of amounts prescribed to meet the periodic liquidity requirements of the permitted withdrawals.

8.2 Permissible Investments and Percentage of Account Limitations. State Funds held in Endowment Accounts can be invested solely in the types of securities set out in this subsection 8.2. Each Endowment Manager is further subject to (i) limit the aggregate value of State Funds invested in each type of security held in the account under such manager’s discretion to the “Percentage Maximum” of such security type identified in this subsection 8.2, measured as a percentage of the total account value of State Funds under such manager’s discretion, and (ii) maintain a minimum of the aggregate value of State Funds invested in each type of security held in the account under such manager’s discretion to the “Percentage Minimum” of such security type identified in this subsection 8.2, measured in each case as a percentage of the total account value of State Funds under such manager’s discretion.

8.2.1 Money Market Funds

8.2.1.1 Definition: Open-end money market mutual funds that are invested solely in government securities (as defined in subsections 6.3.1 and 6.3.2) and which are rated in the highest rating category by at least one NRSRO.

8.2.1.2 Percentage Maximum: 30% in total.

8.2.1.3 Percentage Minimum Limit: 5% in total.

8.2.2 Domestic and International Equities

8.2.2.1 Definition: Common and preferred stocks of companies domiciled both within the U.S. and outside the U.S. that trade on U.S. or foreign exchanges and over the counter. Ownership in a publicly traded company, whether common or preferred, that trades on globally recognized exchanges, and issued by corporations, both foreign and domestic.

8.2.2.2 Percentage Maximum: 75% in total; no more than 35% of which are in international equities.

8.2.2.3 Percentage Minimum: 45% in total; no more than 35% of which are in international equities.

8.2.3 Domestic and International Fixed Income

8.2.3.1 Definition: Debt securities of U.S. and non-U.S. governments, public agencies, corporations and other non-government entities.

8.2.3.2 Percentage Maximum: 55% in total, including securities permitted under subsection 8.2.4.

8.2.3.3 Percentage Minimum: 25% in total, including securities permitted under subsection 8.2.4.

8.2.4 Alternative Investments

8.2.4.1 Definition: Securities not otherwise permissible pursuant to subsections 8.2.1 – 8.2.3 that a prudent manager would deem appropriate for portfolios of like character with comparable investment objectives, excluding hedge funds or other blind pool funds that incorporate leverage as part of their investment strategies.

8.2.4.2 Percentage Maximum: 25% in total.

8.2.4.3 Percentage Minimum: none.

9.0 Operating Accounts

9.1 Investment Objectives. State agencies and other public authorities maintain various operating accounts with the intent of segregating such funds for accounting and reporting purposes. In addition, operating accounts may be created by the State to meet particular purposes and/or to comply with state statutes, bond trust agreements and/or Federal guidelines. The investment objectives with respect to such funds are to ensure safety and maximize return while providing for the liquidity requirements specifically identifiable to the use of such funds.

9.2 Maturity Restrictions. Unless otherwise determined by the Board, the maximum maturity for any investment of State Funds in the Operating Accounts shall be two years from the date of settlement. In some circumstances, State Funds in an Operating Account may be set aside to fund a known, specific future liability; in such cases, the Board grants OST the discretion to set the maturity restrictions with respect to securities purchased with such funds to correspond to the due date of the corresponding liability. **9.3 Permissible Investments and Percentage of Account Limitations.** Unless otherwise determined by the Board, Operating Accounts shall be governed by the Permissible Investment and Percentage of Account Limitations for the Liquidity Accounts set out in subsections 6.2 and 6.3.

10.0 Restrictions & Violations

10.1 Investment Restrictions. Notwithstanding any other provision, none of the banks or managers engaged to manage or invest State Funds may:

10.1.1 Purchase any securities other than those expressly permitted under Sections 5.0 – 9.0 of these Guidelines;

10.1.2 Make investments for the purpose of exercising control or management of an issuer;

10.1.3 Purchase any securities on margin, except for use of short-term credit necessary for clearance of purchases and sales of portfolio securities;

10.1.4 Make short sales of securities or maintain a short position or write, purchase or sell puts, calls, straddles, spreads or combinations thereof;

10.1.5 Make loans to other persons, other than in connection with repurchase agreements as provided herein;

10.1.6 Mortgage, pledge, hypothecate or in any manner transfer as security for indebtedness any securities owned or held;

10.1.7 Invest in securities with legal or contractual restrictions on resale or for which no readily available market exists (except for repurchase agreements or variable rate master demand notes as provided herein and 144a private placements considered not to be illiquid, but, instead, readily marketable by issuing dealers);

10.1.8 Act as an underwriter of securities on behalf of the State of Delaware; or

10.1.9 Buy or sell any authorized investment when it is a party or any related or affiliated party in the transaction on both sides.

10.2 Purchases in Violation of Guidelines. In the event that a bank or manager purchases any security that at the time of purchase violates Sections 5.0 – 9.0, the bank or manager shall remove the security from the State's portfolio as soon as possible and will bear all costs associated with the purchase and sale of such security. The bank or manager shall further ensure that the State recognizes no investment gain or loss on the purchase and sale of such security and/or shall effect such transactions as shall be necessary to eliminate any such gain or loss on the books and records of the State's Account with such bank or manager. A bank or manager shall report immediately any such violation and the action(s) taken to correct such violation to OST.

10.3 Holding Impermissible Securities Following a Downgrade. In the event that a bank or manager holds any security that complied with Sections 5.0 – 9.0 at the time of purchase, but which ceases to qualify as a permissible investment as the result of a downgrade, the bank or investment manager shall remove the security from the State's portfolio immediately without any consideration as to the investment gains or losses occasioned thereby. In such case, the State shall bear all costs associated with the purchase and sale of such security and shall recognize any investment gain or loss on such transactions on the books and records of the State's Account with such bank or manager. A bank or manager shall report immediately any such violation and the action(s) taken to correct such violation to OST.

10.4 Holding Impermissible Securities Following a Drawdown. In the event that a manager's account exceeds the percentage of account limitations set forth in Sections 6.0 - 9.0 hereof as the result of a portfolio withdrawal. The manager shall provide to OST within 2 business days, a detailed plan for remediation of the allocation to within the permissible percentage of account limitation. Such plan shall include: any expected paydowns on structured securities, expected maturities and expected cash flow items. The manager and OST shall work together to determine a prudent path for remediation, with care taken to manage the overall portfolio risk and implications of any book gains or losses within the portfolio.

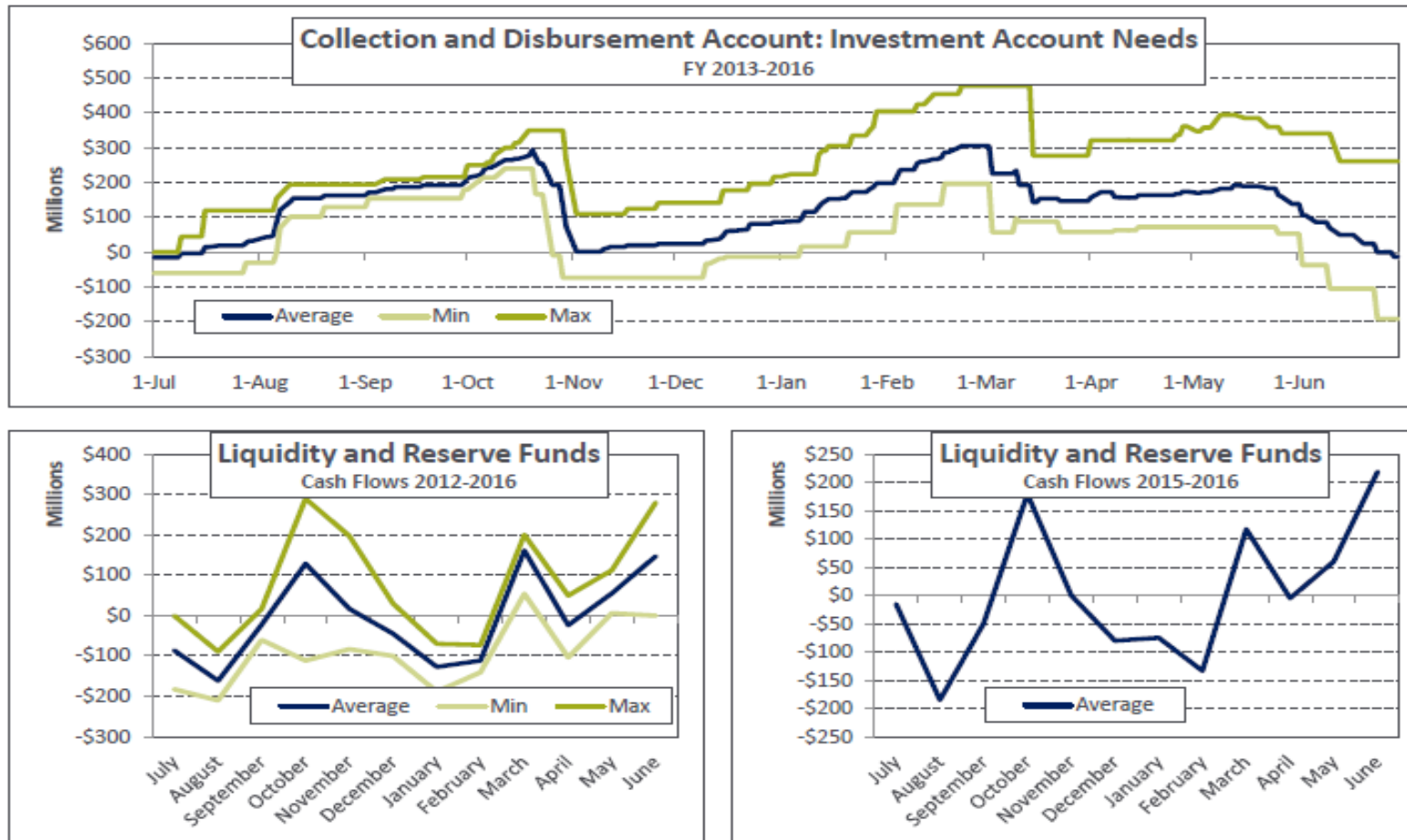
10.5 Mutual or Commingled Fund Exceptions to Guidelines. The Board recognizes that (i) mutual funds and other types of commingled investment vehicles can provide, under some circumstances, lower costs and better diversification than can be obtained with a separately managed fund pursuing the same investment objectives and (ii) such funds cannot customize their investment policies to conform to the guidelines set out herein. In such cases, the policies of such funds shall supersede these guidelines and are exempt from the policies and restrictions specified herein.

Originally adopted January 18, 1982

Appendix C: Liquidity Analysis Cash Flows

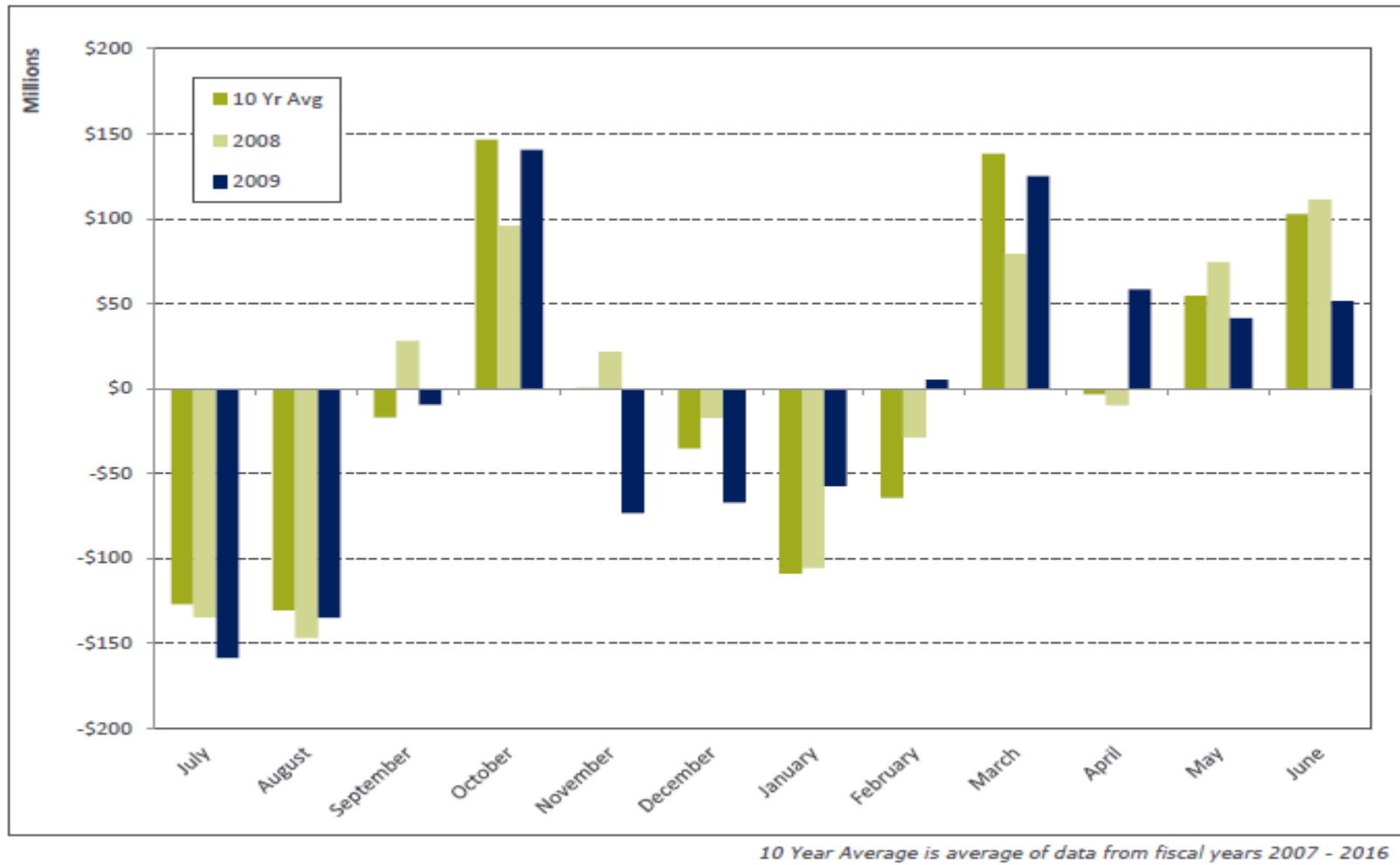
CONTRACT NUMBER: TRE17102-INVSTMNGRSRVCS

Cash Flow Projections



Sources: NEPC, OST

Stressed Case Analysis – Financial Crisis – Reserve and Liquidity Fund Monthly Cash Flows



Sources: NEPC, OST

Appendix D: New Investment Architecture

CONTRACT NUMBER: TRE17102-INVSTMNGRSRVCS

Current Structure		
Liquidity Managers	Target Portfolio Amount (millions)	Benchmark Proxy
Manager 1	\$200	Current (75% 6 Month Treasury Bills/25% BofA ML 1-3 Yr. Govt/Corporate A or Better)
Manager 2	\$200	
Manager 3	\$200	
Manager 4	\$200	
Total Liquidity	\$800	
Reserve Managers		
Manager 1	\$232	75% BofA 1-3 Yr. Govt/Corporate A or Better/25% 6 Month Treasury Bill
Manager 2	\$142	
Manager 3	\$142	
Manager 4	\$142	
Manager 5	\$142	
Total Reserve	\$800	
Total Reserve and Liquidity	\$1,600	

Proposed Structure		
Liquidity Managers	Target Portfolio Amount (millions)	Benchmark Proxy
Manager L1	\$200	Current (75% 6 Month Treasury Bills/25% BofA ML 1-3 Yr. Govt/Corporate A or Better)
Manager L2	\$200	
Total Liquidity	\$400	
Reserve Managers		
Manager 1	\$300	BofA 1-3 Yr Govt/Coprporate A or Better
Manager 2	\$300	BofA 3-5 Yr. Govt/Corporate A or Better
Manager 3	\$300	BofA 5-7 Yr. Govt/Corporate A or Better
Manager 4	\$300	BofA 7-10 Yr. Govt/Corporate A or Better
Total Reserve	\$1,200	
Total Reserve and Liquidity	\$1,600	

Sources: NEPC, OST

Appendix E: Cash Management Policy Board Resolution 2017-01

CONTRACT NUMBER: TRE17102-INVSTMNGRSRVCS

DELAWARE CASH MANAGEMENT POLICY BOARD

RESOLUTION NO. 2017-1 APPROVING AND MEMORIALIZING INVESTMENT ARCHITECTURE FOR THE STATE'S CASH ACCOUNTS²

WHEREAS, the Cash Management Policy Board (hereinafter the “**Board**”) is authorized and empowered by 29 *Del. C. § 2716(a)* to establish policies (a) for the investment of all money belonging to the State of Delaware (the “**State**”) or on deposit from its political subdivisions, except money deposited in any State pension fund or deferred compensation program, and (b) to determine the terms, conditions and other matters relating to the investment of State Funds, including the designation of permissible investments, the allocation between short- and long-term investments, the selection of investment managers (“**Managers**”) and the allocation of funds among the Managers; and

WHEREAS, the Board has promulgated investment objectives and guidelines for the investment of State Funds, as memorialized in 1 *Del. Admin. C. § 1201* (the “**Guidelines**”); and

WHEREAS, under the Guidelines, unless otherwise determined by the Board, the Office of the State Treasurer (“**OST**”) has discretionary authority to allocate State Funds among the Cash Accounts in accordance with the general purposes of the Accounts and the investments objectives for those Accounts set forth in the Guidelines; and

WHEREAS, under the Guidelines, unless otherwise determined by the Board, OST is required to allocate State Funds in the Liquidity and Reserve Accounts pro rata among the Liquidity and Reserve Managers selected by the Board based on the aggregate amount of State Funds in such Accounts; and

WHEREAS, the Guidelines include general investment objectives, investment maturity restrictions and permissible investments for the Liquidity and Reserve Accounts; and

WHEREAS, under the Guidelines, the maximum maturity for the investment of State Funds in the Reserve Accounts is ten (10) years from the date of settlement, provided that the maximum average maturity of each account managed by a Reserve Manager may not exceed seven (7) years from the date of settlement; and

WHEREAS, the Guidelines do not expressly prescribe (a) the specific amounts or percentages of State Funds that must remain in the Cash Accounts, (b) the number of Liquidity or Reserve Accounts that will be maintained to manage State Funds, (c) the

² Capitalized terms used but not defined herein shall have the meanings ascribed to such terms in the Guidelines (as defined herein).

number of Managers that are required or authorized to provide investment services for the Liquidity and Reserve Accounts, or (d) the benchmarks or benchmark proxies that will be used by OST and the Board to assess the performance of State Funds and the Managers; and

WHEREAS, on May 24, 2017, at a public meeting of the Board at which a quorum of the members of the Board was present, OST recommended to the Board and the Board approved the investment architecture attached hereto as **Exhibit A** (the “**Investment Architecture**”), which Investment Architecture (a) establishes certain practices and procedures related to the Cash Accounts and the investment of State Funds and (b) contemplates and may necessitate one or more revisions to the Guidelines; and

WHEREAS, the Investment Architecture is designed and intended and should be interpreted to enhance the State’s ability to address anticipated and unanticipated liquidity needs and preserve and maximize returns on State Funds; and

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD:

1. The Investment Architecture attached hereto as **Exhibit A** is approved and adopted by the Board; provided, however, that the Investment Architecture shall not be effective or binding on OST or the Managers until January 1, 2018 or such other date as the Board may establish (the “**Effective Date**”).
2. OST and its officers and employees are authorized and directed to take such action as may be necessary or appropriate to effectuate or carry out the purpose and intent of this Resolution, including, without limitation, any action that may be necessary to formally revise the Guidelines if and as necessary under Chapter 101 of Title 29 of the Delaware Code, and the execution and delivery of any documents, instruments, agreements or amendments as may be necessary, advisable or appropriate to implement the Investment Architecture, and the taking of any such action shall conclusively evidence the appropriateness or necessity of any such documents, instruments or agreements.
3. The Board reserves the right, whether prior to or after the Effective Date, to make any changes to the Investment Architecture that it believes are in the best interest of the State.
4. All acts, transactions or agreements undertaken prior to the adoption of this Resolution by any member of the Board or any officers or employees of OST in connection with the matters authorized by this Resolution and all actions incidental thereto are hereby ratified, confirmed and adopted by Board.

EXHIBIT A

INVESTMENT ARCHITECTURE FOR CASH ACCOUNTS³

The following Investment Architecture shall govern the management of the State's Cash Accounts. The Investment Architecture is intended to provide the Office of State Treasurer ("OST") and the Managers of such Accounts with a flexible framework to maintain the safety and availability of State Funds to meet the State's immediate and intermediate funding needs and maximize the return on State Funds.

I. Allocation Among Cash Accounts

The Investment Architecture contemplates that, on an annual average basis, (a) approximately \$100 million of State Funds will be held in Collection and Disbursement Accounts and used to meet the State's anticipated near-term operating requirements, (b) approximately \$400 million of State Funds not needed for near-term operating requirements will be held in Liquidity Accounts and used to meet anticipated funding needs of the State and (c) approximately \$1.2 billion of State Funds will be held in Reserve Accounts and made available if an as needed to satisfy the State's unanticipated funding needs.

II. Allocation Among Liquidity Accounts and Managers

There shall be two (2) Liquidity Accounts, each with its own Liquidity Manager. State Funds in the Liquidity Accounts will be allocated to two (2) Liquidity Managers. Each Liquidity Manager may receive allocations and manage State Funds totaling up to approximately \$200 million on an annual average basis. The Liquidity Accounts will be managed in accordance with sections 4 and 6 of the Guidelines.

OST may in its discretion draw on State Funds in one Liquidity Account or both Liquidity Accounts to meet anticipated funding needs within a given fiscal year. Discretionary draws need not be made on a pro rata basis. One or both of the Liquidity Accounts may be completely liquidated during certain periods of the fiscal year.

OST shall have discretion to replenish the Liquidity Accounts as revenues are received throughout the fiscal year. Refunding of the Liquidity Accounts need not be made on a pro rata basis.

³ Capitalized terms used but not defined herein shall have the meanings ascribed to such terms in the Guidelines or Resolution No. 2017-1 adopted and approved by the Cash Management Policy Board, as appropriate.

III. Allocation Among Reserve Accounts and Managers

There shall be four (4) “Tiers” of Reserve Accounts, with each Tier having a unique investment duration target. The Tier 1 Reserve Account has a duration target of one (1) to three (3) years.⁴ The Tier 2 Reserve Account has a duration target of three (3) to five (5) years. The Tier 3 Reserve Account has a duration target of five (5) to seven (7) years. The Tier 4 Reserve Account has a duration target of seven (7) to ten (10) years.

State Funds in the Reserve Accounts will be allocated to four (4) Reserve Managers. Each Reserve Manager will manage one (1) Tier and may receive allocations and manage State Funds totaling up to approximately \$300 million on an annual average basis. The Reserve Accounts will be managed in accordance with sections 4 and 7 of the Guidelines.

In the event the State has unanticipated funding needs, draws from the Reserve Accounts should be made first from the lowest-numbered available Tier, except as noted below. When the lowest-numbered available Tier has been exhausted, OST may draw on and utilize State Funds in the Reserve Account with the next lowest-numbered available Tier. OST shall have discretion to draw from the Reserve Accounts, regardless of Tier number, to access cash or near-maturity investments in an effort to minimize losses or transactional costs.

OST shall have discretion to replenish the Reserve Accounts as revenues are received throughout the fiscal year. Refunding of the Reserve Accounts need not be made on a pro rata basis or with preference for any particular Tier.

IV. Benchmark Proxies

Liquidity Managers. The benchmark proxy for the Liquidity Managers shall be: 75% invested in 6 month U.S. Treasury Bills, and 25% invested in Bank of America Merrill Lynch (“BofA ML”) 1- to 3-year government/corporate bonds rated “A” or better.

Tier 1 Reserve Manager. The Benchmark Proxy for the Tier 1 Reserve Manager shall be: 100% invested in BofA ML 1- to 3-year government/corporate bonds rated “A” or better.

Tier 2 Reserve Manager. The Benchmark Proxy for the Tier 1 Reserve Manager shall be: 100% invested in BofA ML 3- to 5-year government/corporate bonds rated “A” or better.

Tier 3 Reserve Manager. The Benchmark Proxy for the Tier 1 Reserve Manager shall be: 100% invested in BofA ML 5- to 7-year government/corporate bonds rated “A” or better.

⁴ The Tier 1 Reserve Account includes the “Budget Reserve Account” provided for in art. VIII, § 6 of the Delaware Constitution of 1897. The Budget Reserve Account has a present balance of approximately \$237 million (including a \$5 million cushion approved by the Board), which State Funds may not be drawn down by OST or used to satisfy unanticipated needs absent a 3/5 vote of the members of each house of the General Assembly.

Tier 4 Reserve Manager. The Benchmark Proxy for the Tier 1 Reserve Manager shall be: 100% invested in BofA ML 7- to 10-year government/corporate bonds rated “A” or better.

V. Modification of Allocation Amounts

The allocation amounts set forth herein are based on current Cash Account balances and revenue and expense projections and present economic conditions and may need to be modified to account for materially changed circumstances. OST shall have discretion to increase or decrease on a temporary or permanent basis any allocation amount provided that such change does not alter the allocation amount by more than 10 percent (10%). OST shall seek Board approval to increase or decrease any allocation amount by more than 10 percent (10%). OST may temporarily alter an allocation amount on an emergency basis pending Board approval.

Appendix F: Professional Services Agreement

CONTRACT NUMBER: TRE17102-INVSTMNGRSRVCS

PROFESSIONAL SERVICES AGREEMENT for INVESTMENT MANAGEMENT SERVICES ISSUED BY THE CASH MANAGEMENT POLICY BOARD

This Professional Services Agreement ("Agreement") is entered into by and between the Office of State Treasurer ("OST") for the State of Delaware, on behalf of the Delaware Cash Management Policy Board ("Board"), and [REDACTED], ("Vendor"), with a primary offices at [REDACTED].

WHEREAS, OST desires to obtain those services set out in the Statement of Work on Exhibit 1 to this Agreement [REDACTED];

WHEREAS, Vendor desires to provide such services to OST on the terms set forth below;

WHEREAS, OST and Vendor represent and warrant that each party has full right, power and authority to enter into and perform under this Agreement;

FOR AND IN CONSIDERATION OF the premises and mutual agreements herein, OST and Vendor agree as follows:

1. Services and Term.

- 1.1. Vendor shall perform for OST the services as set forth below or any attachment hereto or as specified on Exhibit 1 to this Agreement, attached hereto and made a part hereof, as well as such services or work as OST may request from time to time and for which the parties shall mutually agree (collectively, "Services").
- 1.2. The initial five-year term of this Agreement shall be from [REDACTED], 20[REDACTED] through [REDACTED], 20[REDACTED]; provided that the initial term can be extended at OST's sole option for up to three additional one-year terms upon written notice to Vendor no later than 60 days prior to the expiration of the initial term or an optional term, as the case may be.
- 1.3. Vendor is hereby appointed as a fiduciary of OST, the Board and the State of Delaware. Vendor is authorized to invest and manage that certain portfolio of assets identified on Exhibit 1 hereto, together with all interest, earnings, accruals and capital growth thereon. Vendor hereby accepts such appointment, assumes full responsibility for the investment and management of such assets, and agrees to execute its duties according to the terms, condition and standards set forth in this Agreement and all attachments hereto and in accordance with all applicable laws and regulations. Vendor shall have the discretion and authority to invest and reinvest the assets in accordance with its fiduciary duties, the investment objectives and guidelines and performance standards established by the Board, as the same may be amended from time to time, this Agreement and all attachments and all applicable laws and regulations. Vendor acknowledges that it is a fiduciary with respect to the investment and management of the assets and covenants, warrants and promises to discharge all of its duties and exercise all of its powers hereunder (a) solely in the interest of OST, the Board and the State of Delaware and (b)

with the care, skill, prudence and diligence under the circumstances prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims, in conformance with the laws of the State of Delaware.

- 1.4. Ownership of the assets shall remain with the State of Delaware. Vendor shall not, under any circumstances, take possession, custody, title or ownership of any assets. Vendor shall not have the right to have securities registered in its own name, or in the name of its nominee, nor shall Vendor in any manner acquire or become possessed of any income or proceeds distributable by reason of selling, holding or controlling any assets under this Agreement. Vendor shall have no responsibility with respect to the collection of income, physical acquisition or the safekeeping of the assets. All such duties of collection, physical acquisition or safekeeping shall be the sole obligation of the designated custodian. All transactions authorized by this Agreement shall be settled through the custodian at the best price possible under the circumstances. OST and the Board shall have responsibility for the establishment and maintenance of proper arrangements regarding the custody of the securities or other assets managed by Vendor. Vendor shall review all performance and other reports provided by the custodian and shall promptly notify OST in writing of any material errors or discrepancies. Vendor shall cooperate with the custodian to reconcile the account(s) each month.
- 1.5. Upon execution of this Agreement, OST shall provide Vendor with a list of authorized OST personnel ("Authorized Persons") who will be permitted to advise, inform and direct Vendor on OST's behalf, together with signature specimens of certain Authorized Persons who are authorized to execute specific tasks. OST shall notify Vendor of any changes to such list in writing. Until notified of a change, Vendor may rely and act upon instructions and notices received from an Authorized Person identified on the then-current list furnished by OST. Vendor may request a current list at any time. All instructions or notices to Vendor from any Authorized Person shall be in writing and transmitted as provided in Section 18 (Notices) or via electronic mail containing a PDF or other electronic copy of an instruction form or notice signed by an Authorized Person. All such authorized instructions or notices shall bind Vendor upon receipt. If Vendor receives instructions or notices from a source other than an Authorized Person, Vendor shall not comply with them and shall immediately notify OST of such unauthorized instructions or notices.
- 1.6. OST may decrease or increase the assets managed by Vendor hereunder immediately upon transmission of instructions to Vendor. Any such instructions shall set forth the amount, effective date and other details of any such increase or decrease.
- 1.7. Vendor shall meet with OST at such times and places as OST may reasonably request. Vendor shall regularly consult with OST and its staff to provide full information regarding portfolio management strategy and analysis. This interface shall include regular telephone communication, exchange of written data and analysis and other interaction as requested by OST. Vendor shall keep OST staff informed as to portfolio investment ideas, strategy and execution, as well as ongoing evaluation of strategy and performance. Upon OST's or the Board's request, Vendor shall attend meetings with OST or the Board to review and apprise OST or the Board of its investment activities pursuant to this Agreement. Upon request, Vendor shall furnish to OST and/or the Board information regarding assets or asset classes and an overview of specific market conditions.

2. Payment for Services and Expenses.

- 2.1. OST will pay Vendor for the performance of Services in accordance with the payment schedule set out on Exhibit 2 attached hereto and made a part hereof.
- 2.2. OST's obligation to pay Vendor for the performance of Services will not exceed the fee amounts set out on Exhibit 2. It is expressly understood that the Services must be completed by Vendor and it shall be Vendor's responsibility to ensure sufficient competency and efficiency so that all Services are completed for the agreed upon fees.
- 2.3. Unless otherwise provided on Exhibit 2, all payments will be sent to the Vendor's identified address on record with Delaware's Division of Accounting as identified in the completion of the electronic W-9.
- 2.4. Vendor shall submit quarterly invoices to OST in sufficient detail to identify the Services provided during the previous quarter. OST agrees to pay those invoices within thirty (30) days of receipt. In the event that OST disputes all or any portion of an invoice, OST agrees to provide Vendor with a detailed statement of OST's position on the invoice, or disputed portion of the invoice, within thirty (30) days of receipt.
- 2.5. Unless provided otherwise in Exhibit 2, all expenses incurred in the performance of the Services are to be paid by Vendor. If Exhibit 2 specifically provides for expense reimbursement, Vendor shall be reimbursed only for reasonable expenses incurred by Vendor in the performance of the Services, including, but not necessarily limited to, travel and lodging expenses, communications charges, and computer time and supplies.
- 2.6. OST shall not be liable for the payment of federal, state and local sales, use and excise taxes, including any interest and penalties from any related deficiency, which may become due and payable as a consequence of this Agreement.
- 2.7. OST shall have the right to setoff or subtract from any payment to be made to Vendor all damages, costs and expenses caused by Vendor's negligence, resulting from or arising out of errors or omissions in Vendor's provisions of Services hereunder.
- 2.8. Invoices shall be submitted to:

**Director of Cash and Debt Management
Office of the State Treasurer
820 Silver Lake Blvd., Suite 100
Dover DE 19904**

3. Time Schedule.

- 3.1. A project schedule is set out on Exhibit 3, if applicable, attached hereto and made part hereof.
- 3.2. Any delay of Services or change in the sequence of Services, as applicable, must be approved in writing by OST.
- 3.3. In the event that Vendor fails to complete the Services or any portion thereof within the time specified in Exhibit 3, or with such additional time as may be granted in writing by OST, or fails to perform the Services, or any separable part thereof, with such diligence

as will insure its completion within the time specified in Exhibit 3 or any extensions thereof, OST shall suspend the payments scheduled as set forth in Exhibit 2.

4. Responsibilities of Vendor.

4.1. Vendor shall be responsible for the professional quality, technical accuracy, timely completion, and coordination of all Services furnished by Vendor and its principals, officers, employees and agents under this Agreement. In performing the Services, Vendor shall follow practices consistent with generally accepted professional and technical standards and comply with all applicable federal, state and local laws, ordinances, codes and regulations.

4.2. Vendor shall be responsible for ensuring that all Services, additional work, products and deliverables furnished pursuant to this Agreement comply with the standards promulgated by the State of Delaware's Department of Technology and Information ("DTI") published at <http://dti.delaware.gov/>, and as modified from time to time by DTI during the term of this Agreement. If any Service, additional work product or deliverable furnished pursuant to this Agreement does not conform to DTI standards, Vendor shall, at its expense and option either (1) replace it with a conforming equivalent or (2) modify it to conform to DTI standards. Vendor shall be and remain liable in accordance with the terms of this Agreement and applicable law for all damages to and expenses incurred by the State of Delaware ("Delaware") resulting from or attributable to Vendor's failure to comply with DTI standards.

4.2.1 Vendor shall be responsible for the professional quality, technical accuracy, timely completion, and coordination of all Services furnished to OST. Vendor shall follow practices consistent with generally accepted professional and technical policies and standards. Vendor shall be responsible for ensuring that all Services, products and deliverables furnished to OST are consistent with practices utilized by, or policies and standards promulgated by, DTI published at <http://dti.delaware.gov/information/standards-policies.shtml>.

If any service, product or deliverable furnished by Vendor does not conform to DTI's policies, standards or general practices, Vendor shall at its expense and option either (1) replace it with a conforming equivalent or (2) modify it to conform to DTI's policies, standards or practices.

4.2.2 DTI is responsible for safeguarding the confidentiality and integrity of data in Delaware's computer files regardless of the source of those data or medium on which they are stored - e.g., electronic data, computer output microfilm (COM), tape, or disk. Computer programs developed to process Delaware agency data shall not be modified without the prior knowledge and written authorization of DTI. All data generated from the original source data, shall be the property of Delaware. The control of the disclosure of those data shall be retained by Delaware and DTI.

Vendor is required to agree to the requirements in the Confidentiality (Non-Disclosure) and Integrity of Data Agreement ("Data Agreement"), which is attached as Exhibit 4 and made a part of this Agreement. Vendor employees, individually, may be required to sign the Data Agreement prior to beginning work.

- 4.2.3 As computer, network, and information security are of paramount concern, Delaware wants to ensure that computer/network hardware and software do not compromise the security of its IT infrastructure. Therefore, Vendor, is guaranteeing that any system or software meets or exceeds the Top 20 Critical Security controls located at: <http://www.sans.org/critical-security-controls/>.
- 4.2.4 It shall be Vendor's duty to assure that all products of its effort do not cause, directly or indirectly, any unauthorized acquisition of data that compromises the security, confidentiality, or integrity of information maintained by Delaware. Vendor's agreement shall not limit or modify, liability for information security breaches, and Vendor shall indemnify and hold harmless Delaware, its agents and employees, from any and all liability, suits, actions or claims, together with all reasonable costs and expenses (including attorneys' fees) arising out of such breaches. In addition to all rights and remedies available to it in law or in equity, Delaware shall subtract from any payment made to Vendor all damages, costs and expenses caused by such information security breaches that have not been previously paid to Vendor.
- 4.2.5 Multifunction peripherals must be hardened when used or connected to the network. They should be configured to harden the network protocols used, management services, processing services (print, copy, fax, and scan), logging, and physical security. Care shall be taken to ensure that any Delaware non-public data is removed from memory before service calls and/or equipment disposal.
- Electronic information storage devices (hard drives, tapes, diskettes, compact disks, USB, multifunction peripherals, *etc.*) shall be disposed of in a manner corresponding to the classification of the stored information, up to and including physical destruction.
- 4.2.6 Vendor shall comply with the Terms and Conditions for Cloud Providers and External Hosting listed in Exhibit 5.
- 4.3. It shall be the duty of the Vendor to assure that all Services are technically sound and in conformance with all pertinent federal, state and local statutes, codes, ordinances, resolutions and other regulations. Vendor will not produce a work product that violates or infringes on any copyright or patent rights. Vendor shall, without additional compensation, correct or revise any errors or omissions in its work product.
- 4.4. Permitted or required approval by OST of any Services by Vendor shall not in any way relieve Vendor of responsibility for the professional and technical accuracy and adequacy of such work. OST's review, approval, acceptance, or payment for any of Vendor's Services shall not be construed to operate as a waiver of any rights under this Agreement or of any cause of action arising out of the performance of this Agreement, and Vendor shall be and remain liable in accordance with the terms of this Agreement and applicable law for all damages to Delaware caused by Vendor's performance or failure to perform under this Agreement.
- 4.5. Vendor shall appoint a senior employee who will manage the performance of Services and act as the single point of contact to OST and the Board. All of the Services shall be performed by such employee, or by Vendor's associates and employees under the direct personal supervision of such employee.

- 4.6. Designation of persons for each position is subject to review and approval by OST. Should the staff need to be diverted off the project for what are now unforeseeable circumstances, Vendor will notify OST immediately and work out a transition plan that is acceptable to both parties, as well as agree to an acceptable replacement plan to fill or complete the work originally assigned to the diverted project staff at no cost to Delaware. Selected replacement staff are subject to review and approval by OST. If Vendor fails to make a required replacement within 30 days, OST may terminate this Agreement for default. Upon receipt of written notice from OST that an employee of Vendor is unsuitable for good cause, Vendor shall remove such employee from the performance of Services and substitute in his/her place an employee suitable to OST.
- 4.7. Vendor shall furnish to OST's Designated Contact (as defined in Section 19 below) copies of all correspondence to regulatory agencies for review prior to mailing such correspondence.
- 4.8. Vendor agrees that its officers and employees will cooperate with OST in the performance of Services and will be available for consultation with OST at such reasonable times with advance notice so as to not conflict with their other responsibilities.
- 4.9. Vendor has or will retain such employees as it may need to perform the Services. Such employees shall not be employed by OST, Delaware or any political subdivision of Delaware.
- 4.10. Vendor will not use OST's or Delaware's names, either express or implied, in any of its advertising or sales materials without OST's or Delaware's express written consent.
- 4.11. Vendor represents that it is properly licensed, registered and authorized to transact business in Delaware as provided in 30 *Del. C.* §2502 and other applicable laws and regulations.
- 4.12. Vendor will provide audited or unaudited financial statements to OST as requested, whether or not the vendor is a privately-held or publicly-held company.

5. OST Responsibilities.

- 5.1. OST agrees that its officers and employees will cooperate with Vendor in the performance of Services and will be available for consultation with Vendor at such reasonable times with advance notice so as to not conflict with their other responsibilities.
- 5.2. The Services performed by Vendor shall be subject to review for compliance with the terms of this Agreement by OST's Designated Contact.
- 5.3. OST's Designated Contact may delegate any or all responsibilities under the Agreement to appropriate staff members, and shall so inform Vendor by written notice before the effective date of each such delegation. The review by OST's Designated Contact may be reported in writing to the Vendor but shall not relieve Vendor from the responsibility for the professional and technical accuracy of all Services delivered under this Agreement.

6. Work Product.

- 6.1. All materials, information, documents, and reports, whether finished, unfinished, or draft, developed, prepared, completed, or acquired by Vendor for OST relating to the Services to be performed hereunder shall become the property of Delaware and shall be delivered to OST's Designated Contact upon completion or termination of this Agreement, whichever comes first. OST, the Board and Delaware shall have the right to reproduce all documentation provided in connection with or otherwise supplied pursuant to this Agreement.
- 6.2. Vendor may retain title and interest to the data furnished and/or generated by Vendor pursuant to this Agreement but only to the extent that retention of such title and interest does not conflict with Delaware's rights to the materials, information and documents developed in performing the Services. Delaware shall have a perpetual, nontransferable, non-exclusive paid-up right and license to use, copy, modify and prepare derivative works of all materials in which Vendor retains title, whether individually by Vendor or jointly with Delaware. The parties will cooperate with each other and execute such other documents as may be reasonably deemed necessary to achieve the objectives of this Section.

7. [Reserved.]

8. Warranty.

- 8.1. Vendor warrants that the Services will be performed in a good and workmanlike manner. Vendor agrees to re-perform any Services or correct any other work product not in compliance with this warranty.
- 8.2. Third-party products within the scope of this Agreement are warranted solely under the terms and conditions of the licenses or other agreements by which such products are governed. With respect to all third-party products and services purchased by Vendor for OST in connection with the provision of the Services, Vendor shall pass through or assign to Delaware the rights Vendor obtains from the manufacturers and/or vendors of such products and services (including warranty and indemnification rights), to the extent that such rights are assignable.

9. Indemnification; Limitation of Liability.

- 9.1. Vendor shall indemnify and hold harmless OST, the Board, Delaware and their respective officers, members, agents and employees, from any and all liability, suits, actions or claims, together with all reasonable costs and expenses (including attorneys' fees), arising out of the negligent, reckless, intentional or other tortious, fraudulent, illegal, unlawful or otherwise wrongful conduct of the Vendor or its officers, agents or employees, including, without limitation, Vendor's breach of its fiduciary duties or this Agreement.
- 9.2. If OST notifies Vendor in writing of a third-party claim against OST, the Board, Delaware, or their respective officers, members, agents and employees, arising out of or relating in any way to Vendor's performance under this Agreement, including, without limitation, any claim (a) based on Vendor's disclosure of or failure to safeguard any personal financial or other private or confidential information, or (b) that the work product of Vendor developed, designed or delivered in connection with this Agreement infringes a copyright, trademark, patent or other intellectual property right of any third party, Vendor will, at OST's option, defend such claim at its expense. Vendor will pay any costs or damages that may be finally awarded against OST, the Board, Delaware, or their respective

officers, members, agents or employees, without regard to whether OST exercises the option referenced in the preceding sentence.

- 9.3. Except for fees that may be due and owing as set forth in Section 2 above and Exhibit 2 hereto, and notwithstanding anything to the contrary in this Agreement, neither OST, the Board, Delaware or any other department, agency or instrumentality thereof, nor any officers, members, agents or employees of the foregoing, shall have any liability for fees (including attorneys' fees), expenses or damages, whether indirect or indirect, compensatory or punitive, actual or consequential, in or for actions, claims, causes of action or rights, including indemnification rights, arising out of or related in any way to performance of this Agreement, whether legal or equitable, including, without limitation, claims alleging breach of contract or sounding in negligence or other tortious conduct of or in any way attributable to OST, the Board, Delaware or any other department, agency or instrumentality thereof, or any officers, members, agents or employees of the foregoing.
- 9.4. OST, the Board, Delaware and their respective officers, members, agents and employees expressly reserve all rights, claims, arguments, defenses and immunities, including, without limitation, claims or defenses based on sovereign immunity, qualified immunity and other statutory or common law rights, claims, defenses or immunities.

10. Insurance.

- 10.1. Vendor shall maintain the following insurance during the term of this Agreement:
- a. Worker's Compensation and Employer's Liability Insurance in accordance with applicable law;
 - b. Comprehensive General Liability—\$1,000,000.00 per occurrence/\$3,000,000 per aggregate;
 - c. Professional Liability—\$5,000,000.00 per occurrence/\$5,000,000 per aggregate;
 - d. Miscellaneous Errors and Omissions—\$1,000,000.00 per occurrence/\$3,000,000 per aggregate; and
 - e. Automotive Liability Insurance covering all automotive units used in the work with limits of not less than \$100,000 for each person and \$300,000 for each accident as to bodily injury and \$25,000 as to property damage to others.
- 10.2. Should any of the above described policies be cancelled before the expiration date thereof, notice will be delivered to OST in accordance with the policy provisions.
- 10.3. Before any work is done pursuant to this Agreement, the Certificate of Insurance and/or copies of the insurance policies specified in Section 10.1 and its subsections, referencing the contract number stated herein, shall be provided to OST. The certificate holder is as follows:

**Office of the State Treasurer
820 Silver Lake Blvd., Suite 100
Dover DE 19904**

- 10.4. In no event shall OST, the Board, Delaware, or their respective officers, members, agents or employees, be named as an additional insured on any policy required under this Agreement.

11. Independent Contractor.

- 11.1. It is understood that in the performance of the Services, Vendor shall be, and is, an independent contractor, and is not an agent or employee of OST, the Board or Delaware and shall furnish such Services in its own manner and method except as required by this Agreement.
- 11.2. Vendor has and shall retain the right to exercise full control over the employment, direction, compensation and discharge of all persons employed by Vendor in the performance of the Services; provided, however, that it will, subject to scheduling and staffing considerations, attempt to honor OST's request for specific individuals.
- 11.3. Vendor shall be solely responsible for, and shall indemnify, defend and hold OST, the Board, Delaware and their respective officers, members, agents and employees harmless from all matters relating to the payment of its employees, including compliance with Social Security, withholding and all other wages, salaries, benefits, taxes, exactions, and regulations of any nature whatsoever.
- 11.4. Vendor acknowledges that Vendor and any agents or employees employed by Vendor shall not, under any circumstances, be considered employees of Delaware, and that they shall not be entitled to any of the compensation, benefits or rights afforded employees of Delaware, including, but not limited to, sick leave, vacation leave, holiday pay, Public Employees' Retirement System benefits, or health, life, dental, long-term disability or workers' compensation insurance benefits.
- 11.5. Vendor shall be responsible for providing liability insurance for its personnel.
- 11.6. As an independent contractor, Vendor has no authority to bind or commit OST, the Board or Delaware. Nothing herein shall be deemed or construed to create a joint venture, partnership, or fiduciary or agency relationship between the parties for any purpose.

12. Suspension.

- 12.1. OST may suspend performance by Vendor under this Agreement for such period of time as OST, at its sole discretion, may prescribe by providing written notice to Vendor at least 30 working days prior to the date on which OST wishes to suspend. Upon such suspension, OST shall pay Vendor its compensation, based on the percentage of the project completed and earned until the effective date of suspension, less all previous payments and subject to any rights of offset or recoupment that OST, the Board or Delaware may have against Vendor. Vendor shall not perform further work under this Agreement after the effective date of suspension until receipt of written notice from OST to resume performance.
- 12.2. In the event OST suspends performance by Vendor for any cause other than the error or omission of the Vendor, for an aggregate period in excess of 30 days, Vendor may be entitled to an equitable adjustment of the compensation payable to Vendor under this Agreement to reimburse Vendor for additional costs occasioned as a result of such suspension of performance by Delaware, contingent on appropriated funds and OST's

approval of requested adjustment, which adjustment may be approved or denied in OST's sole and absolute discretion.

13. Termination.

- 13.1. This Agreement may be terminated by either party for default, which shall mean the failure of the other party to fulfill a material obligation under this Agreement, through no fault of the terminating party; but only after the other party is given:
 - a. Not less than ten (10) calendar days' written notice of intent to terminate; and
 - b. An opportunity for consultation with the terminating party prior to termination.
- 13.2. This Agreement may be terminated in whole or in part by OST for its convenience, but only after Vendor is given thirty (30) calendar days' written notice of intent to terminate.
- 13.3. If termination is effected, OST will pay Vendor that portion of compensation which has been earned as of the effective date of termination, but:
 - a. No amount shall be allowed for anticipated profit on performed or unperformed Services or other work;
 - b. Any payment due to Vendor at the time of termination may be adjusted or withheld to the extent of any offset or recoupment rights, including, without limitation, amounts for liability or costs occasioned to OST, the Board or Delaware by reason of Vendor's default or otherwise attributable to the conduct of Vendor or its officers, agents or employees; and
 - c. In the event Vendor ceases conducting business, OST shall have the right to make an unsolicited offer of employment to any officers or employees of Vendor assigned to the performance of the Agreement.
- 13.4. In connection with any notice issued under this Section 13, OST may immediately retain another vendor to perform the Services. Vendor shall at all times cooperate in the transition and shall perform such services as OST in its sole and absolute discretion shall determine are necessary or appropriate to enable the transition of portfolio assets from Vendor to a successor vendor or vendors. Vendor's obligation to provide transition services shall survive termination and shall continue until such date as is communicated in writing to Vendor that such services are no longer needed.
- 13.5. If after termination for breach it is determined that Vendor has not so failed, the termination shall be deemed to have been effected for convenience.
- 13.6. The termination of this Agreement shall not terminate any rights or obligations that are intended to extend beyond termination.
- 13.7. The rights and remedies of OST provided in this section are in addition to any other rights and remedies provided by law or under this Agreement.
- 13.8. Gratuities.

- a. OST may, by written notice to Vendor, terminate this Agreement without liability if it is found that gratuities (in the form of entertainment, gifts, or otherwise) were offered or given by Vendor or any agent or representative of Vendor to any officer or employee of Delaware with a view toward securing a contract or securing favorable treatment with respect to the awarding or amending or making of any determinations with respect to the performance of this Agreement.
 - b. In the event this Agreement is terminated as provided in Section 13.6(a) hereof, OST shall be entitled to pursue the same remedies against Vendor it could pursue in the event of a breach of this Agreement by Vendor.
 - c. The rights and remedies of Delaware provided in Section 13.6 shall not be exclusive and are in addition to any other rights and remedies provided by law or under this Agreement.
- 13.9. Validity and enforcement of this Agreement is subject to appropriations by the General Assembly of the specific funds necessary for contract performance. Should such funds not be so appropriated OST may immediately terminate this Agreement without liability, and absent such action this Agreement shall be terminated as to any obligation of OST requiring the expenditure of money for which no specific appropriation is available, at the end of the last fiscal year for which no appropriation is available or upon the exhaustion of funds.
- 13.10. Notwithstanding any other provisions of this Agreement, this Agreement shall terminate without liability and OST's obligations under it shall cease at the end of the fiscal year in which Delaware fails to appropriate monies for the ensuing fiscal year sufficient for the payment of all amounts which will then become due.

14. Assignment; Subcontracts.

- 14.1. Any attempt by Vendor to assign or otherwise transfer any interest in this Agreement without the prior written consent of OST shall be void.
- 14.2. Services specified by this Agreement shall not be subcontracted by Vendor without the prior written approval of OST.
- 14.3. Approval by OST of Vendor's request to subcontract or acceptance of or payment for subcontracted work by OST shall not in any way relieve Vendor of responsibility for the professional and technical accuracy and adequacy of the work. All subcontractors shall adhere to and be bound by all applicable provisions of this Agreement.
- 14.4. Vendor shall be and remain liable for all damages to OST, the Board, or Delaware caused by negligent performance or non-performance of work under this Agreement by Vendor or any subcontractor.
- 14.5. The compensation otherwise due to Vendor pursuant to Exhibit 2 shall not be affected by OST's approval of the Vendor's request to subcontract.

15. Complete Agreement.

- 15.1. This Agreement and its Exhibits shall constitute the entire Agreement between OST and Vendor with respect to the subject matter of this Agreement and shall not be modified or changed without the express written consent of the parties. The provisions of this Agreement supersede all prior oral and written quotations, communications, agreements and understandings of the parties with respect to the subject matter of this Agreement.
- 15.2. If the scope of any provision of this Agreement is too broad in any respect to permit enforcement to its full extent, then such provision shall be enforced to the maximum extent permitted by law, and the parties hereto consent and agree that such scope may be judicially modified accordingly and that the whole of such provisions of the Agreement shall not thereby fail, but the scope of such provision shall be curtailed only to the extent necessary to conform to the law.
- 15.3. If any term or provision of this Agreement is found by a court of competent jurisdiction to be invalid, illegal or otherwise unenforceable, the same shall not affect the other terms or provisions hereof or the whole of this Agreement, but such term or provision shall be deemed modified to the extent necessary in the court's opinion to render such term or provision enforceable, and the rights and obligations of the parties shall be construed and enforced accordingly, preserving to the fullest permissible extent the intent and agreements of the parties herein set forth.
- 15.4. Each Exhibit, except as its terms otherwise expressly provide, shall be a complete statement of its subject matter and shall supplement and modify the terms and conditions of this Agreement for the purposes of that engagement only. No other agreements, representations, warranties or other matters, whether oral or written, shall be deemed to bind the parties hereto with respect to the subject matter hereof.

16. Miscellaneous Provisions.

- 16.1. In performance of this Agreement, Vendor shall comply with all applicable federal, state and local laws, ordinances, codes and regulations. Vendor shall solely bear the costs of permits required and other relevant costs incurred in the performance of this Agreement.
- 16.2. Neither this Agreement nor any Exhibit may be modified or amended except by the mutual written agreement of the parties. No waiver of any provision of this Agreement shall be effective unless it is in writing and signed by the party against which it is sought to be enforced.
- 16.3. The delay or failure by either party to exercise or enforce any of its rights under this Agreement shall not constitute or be deemed a waiver of that party's right thereafter to enforce those rights, nor shall any single or partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right.
- 16.4. Vendor covenants that it presently has no interest, and that it will not acquire any interest, direct or indirect, that conflicts or would conflict in any manner or degree with the performance of Services required under this Agreement. Vendor further covenants that, in the performance of said Services, no person having any such interest shall be employed.
- 16.5. Vendor acknowledges that OST, the Board and Delaware have obligations to ensure that public funds are not used to subsidize private discrimination. Vendor recognizes that its refusal to hire or do business with an individual or company due to reasons of race, color,

gender, ethnicity, disability, national origin, age, or any other protected status, may result in OST declaring Vendor in breach of the Agreement, terminating the Agreement without penalty and/or taking such additional action as may be warranted under the circumstances.

- 16.6. Vendor warrants that no person or selling agency has been employed or retained to solicit or secure this Agreement upon an agreement or understanding for a commission, or a percentage, brokerage or contingent fee. For breach or violation of this warranty, OST shall have the right to annul this Agreement without liability.
- 16.7. This Agreement was drafted with the joint participation of both parties and shall be construed neither against nor in favor of either, but rather in accordance with the fair meaning thereof.
- 16.8. Vendor shall maintain all public records, as defined by 29 *Del. C.* § 502(1), relating to this Agreement and its deliverables for the time and in the manner specified by the Delaware Public Archives, pursuant to the Delaware Public Records Law, 29 *Del. C.* Ch. 5. During the term of this Agreement, authorized representatives of OST may inspect or audit Vendor's performance and records pertaining to this Agreement at the Vendor's business offices during normal business hours.
- 16.9. At the option of OST, the parties shall attempt in good faith to resolve any dispute arising out of or relating to this Agreement promptly by negotiation between officials or executives who have authority to settle the controversy. All offers, promises, conduct and statements, whether oral or written, made in the course of the negotiation by any of the parties, their agents, employees, experts and attorneys are confidential, privileged and inadmissible for any purpose, including impeachment, in any proceeding involving the parties, provided evidence that is otherwise admissible or discoverable may not be rendered inadmissible. If the matter is not resolved by negotiation, or if OST in its discretion elects to proceed directly to mediation, then the matter will proceed to mediation as set forth below.
- 16.10. Any disputes, claims or controversies arising out of or relating to this Agreement that are not resolved through resolution pursuant to Section 15.3, must be submitted to mediation if OST in its discretion so elects. Any such proceedings held pursuant to this provision shall be governed by Delaware law and venue shall be in Delaware. The parties shall maintain the confidential nature of the proceedings and shall keep the terms of any resulting settlement or award confidential to the extent permissible under applicable law. Each party shall bear its own costs of mediation, including attorneys' fees and half of the mediator's fees and expenses.
- 16.11. The rights and remedies of Delaware provided for in this Agreement are in addition to any other rights and remedies provided by law or at equity.
- 16.12. Pursuant to Regulation S-P adopted by the Securities and Exchange Commission, all non-public consumer financial information provided by OST to Vendor under this Agreement shall be kept confidential by Vendor and not disclosed to others, except to the extent disclosure is (i) permitted by Regulation S-P or authorized by Delaware; (ii) required by applicable law or judicial or regulatory process; or (iii) necessary to carry out the purposes of this Agreement.

17. Assignment of Antitrust Claims.

As consideration for the award and execution of this Agreement by OST, Vendor hereby grants, conveys, sells, assigns, and transfers to Delaware all of its right, title and interest in and to all known or unknown causes of action it presently has or may now or hereafter acquire under the antitrust laws of the United States and Delaware, relating to the goods or Services and other work product purchased or acquired by OST, the Board or Delaware pursuant to this Agreement.

18. Governing Law.

This Agreement shall be governed by and construed in accordance with Delaware laws, without regard to conflict of laws rules or principles, and, if applicable, federal law. Vendor consents to jurisdiction and venue in Delaware.

19. Notices.

Any and all notices required by the provisions of this Agreement shall be in writing and shall be mailed, certified or registered mail, return receipt requested. All notices shall be sent to the following addresses:

DELAWARE:

Office of the State Treasurer
Attn: Nohora Gonzalez
820 Silver Lake Blvd., Suite 100
Dover, DE 19904

VENDOR:

(Vendor contact address)

IN WITNESS THEREOF, the parties hereto have caused this Agreement to be duly executed as of the date and year first above written.

STATE OF DELAWARE: Office of the State Treasurer

Signature

Typed or printed name

Title

Date

VENDOR:

Signature

Typed or printed name

Title

Date

Witness

Witness

The following five exhibits shall be considered part of this Agreement:

- Exhibit 1 – Statement of Work **[Incorporate Fully Negotiated Scope of Services]**
- Exhibit 2 – Payment Schedule **[Incorporate Fully Negotiated Fee Schedule]**
- Exhibit 3 – Project Schedule **[Incorporate Fully Negotiated Project Schedule – if applicable]**
- Exhibit 4 -- Confidentiality (Non-Disclosure) and Integrity of Data Agreement
- Exhibit 5 -- Cloud Computing & Offsite Hosting Standards

Exhibit 4: Confidentiality (Non-Disclosure) & Integrity of Data

CONTRACT NUMBER: TRE17102-INVSTMNGRSRVCS

CONFIDENTIALITY (NON-DISCLOSURE) AND INTEGRITY OF DATA AGREEMENT

The Department of Technology and Information is responsible for safeguarding the confidentiality and integrity of data in State computer files regardless of the source of those data or medium on which they are stored; e.g., electronic data, computer output microfilm (COM), tape, or disk. Computer programs developed to process State Agency data will not be modified without the knowledge and written authorization of the Department of Technology and Information. All data generated from the original source data, shall be the property of the State of Delaware. The control of the disclosure of those data shall be retained by the State of Delaware and the Department of Technology and Information.

I/we, as an employee(s) of _____ or officer of my firm, when performing work for the Department of Technology and Information, understand that I/we act as an extension of DTI and therefore I/we are responsible for safeguarding the States' data and computer files as indicated above. I/we will not use, disclose, or modify State data or State computer files without the written knowledge and written authorization of DTI. Furthermore, I/we understand that I/we are to take all necessary precautions to prevent unauthorized use, disclosure, or modification of State computer files, and I/we should alert my immediate supervisor of any situation which might result in, or create the appearance of, unauthorized use, disclosure or modification of State data.

Penalty for unauthorized use, unauthorized modification of data files, or disclosure of any confidential information may mean the loss of my position and benefits, and prosecution under applicable State or Federal law.

This statement applies to the undersigned Contractor and to any others working under the Contractor's direction.

I, the Undersigned, hereby affirm that I have read DTI's Policy on Confidentiality (Non-Disclosure) and Integrity of Data and understood the terms of the above Confidentiality (Non-Disclosure) and Integrity of Data Agreement, and that I/we agree to abide by the terms above.

Vendor Name:

Authorizing Official Name (print):

Authorizing Official Signature:

Date:

Exhibit 5: Cloud Computing & Offsite Hosting Standards

CONTRACT NUMBER: TRE17102-INVESTMNRSRVCS

NON-PUBLIC DATA OWNED BY THE STATE OF DELAWARE State of Delaware Cloud and/or Offsite Hosting Specific Terms and Conditions

	Terms and Conditions Clauses 1-13 are mandatory for every engagement. Exceptions will be considered non-compliant and non-responsive.
1	Data Ownership: The State of Delaware shall own all right, title and interest in its data that is related to the services provided by this contract. The Service Provider shall not access State of Delaware User accounts, or State of Delaware Data, except (i) in the course of data center operations, (ii) response to service or technical issues, (iii) as required by the express terms of this contract, or (iv) at State of Delaware's written request.
2	Data Protection: Protection of personal privacy and sensitive data shall be an integral part of the business activities of the Service Provider to ensure that there is no inappropriate or unauthorized use of State of Delaware information at any time. To this end, the Service Provider shall safeguard the confidentiality, integrity, and availability of State information and comply with the following conditions: a) All information obtained by the Service Provider under this contract shall become and remain property of the State of Delaware. b) At no time shall any data or processes which either belongs to or are intended for the use of State of Delaware or its officers, agents, or employees, be copied, disclosed, or retained by the Service Provider or any party related to the Service Provider for subsequent use in any transaction that does not include the State of Delaware.
3	Data Location: The Service Provider shall not store or transfer non-public State of Delaware data outside of the United States. This includes backup data and Disaster Recovery locations. The Service Provider will permit its personnel and contractors to access State of Delaware data remotely only as required to provide technical support.
4	Encryption: a) The Service Provider shall encrypt all non-public data in transit regardless of the transit mechanism. b) For engagements where the Service Provider stores sensitive personally identifiable or otherwise confidential information, this data shall be encrypted at rest . Examples are social security number, date of birth, driver's license number, financial data, federal/state tax information, and hashed passwords. The Service Provider's encryption shall be consistent with validated cryptography standards as specified in National Institute of Standards and Technology FIPS140-2 , Security Requirements. The key location and other key management details will be discussed and negotiated by both parties. When the Service Provider cannot offer encryption at rest, they must maintain, for the duration of the contract, cyber security liability insurance coverage for any loss resulting from a data breach in accordance with the Cloud and Offsite Hosting Policy . Additionally, where encryption of data at rest is not possible, vendor must describe existing security measures that provide a similar level of protection.

5	Breach Notification and Recovery: Delaware Code requires public breach notification when citizens' personally identifiable information is lost or stolen. Reference: 6 Del. C. § 12B-102 . Additionally, unauthorized access or disclosure of non-public data is considered to be a breach. The Service Provider will provide notification without unreasonable delay and all communication shall be coordinated with the State of Delaware. When the Service Provider or their sub-contractors are liable for the loss, the Service Provider shall bear all costs associated with the investigation, response and recovery from the breach including but not limited to credit monitoring services with a term of at least 3 years, mailing costs, website, and toll free telephone call center services. The State of Delaware shall not agree to any limitation on liability that relieves a Contractor from its own negligence or to the extent that it creates an obligation on the part of the State to hold a Contractor harmless.
6	Notification of Legal Requests: The Service Provider shall contact the State of Delaware upon receipt of any electronic discovery, litigation holds, discovery searches, and expert testimonies related to, or which in any way might reasonably require access to the data of the State. The Service Provider shall not respond to subpoenas, service of process, and other legal requests related to the State of Delaware without first notifying the State unless prohibited by law from providing such notice.
7	<p>Termination and Suspension of Service: In the event of termination of the contract, the Service Provider shall implement an orderly return of State of Delaware data in CSV or XML or another mutually agreeable format. The Service Provider shall guarantee the subsequent secure disposal of State of Delaware data.</p> <p>a) Suspension of services: During any period of suspension or contract negotiation or disputes, the Service Provider shall not take any action to intentionally erase any State of Delaware data.</p> <p>b) Termination of any services or agreement in entirety: In the event of termination of any services or agreement in entirety, the Service Provider shall not take any action to intentionally erase any State of Delaware data for a period of 90 days after the effective date of the termination. After such 90 day period, the Service Provider shall have no obligation to maintain or provide any State of Delaware data and shall thereafter, unless legally prohibited, dispose of all State of Delaware data in its systems or otherwise in its possession or under its control as specified in section 7d) below. Within this 90 day timeframe, vendor will continue to secure and back up State of Delaware data covered under the contract.</p> <p>c) Post-Termination Assistance: The State of Delaware shall be entitled to any post-termination assistance generally made available with respect to the Services unless a unique data retrieval arrangement has been established as part of the Service Level Agreement.</p> <p>d) Secure Data Disposal: When requested by the State of Delaware, the provider shall destroy all requested data in all of its forms, for example: disk, CD/DVD, backup tape, and paper. Data shall be permanently deleted and shall not be recoverable, according to National Institute of Standards and Technology (NIST) approved methods and certificates of destruction shall be provided to the State of Delaware.</p>
8	Background Checks: The Service Provider shall conduct criminal background checks and not utilize any staff, including sub-contractors, to fulfill the obligations of the contract who has been convicted of any crime of dishonesty, including but not limited to criminal fraud, or otherwise convicted of any felony or any misdemeanor offense for which incarceration for a minimum of 1 year is an authorized penalty. The Service Provider shall promote and maintain an awareness of the importance of securing the State's information among the Service Provider's employees and agents.
9	Data Dictionary: Prior to go-live, the Service Provider shall provide a data dictionary in accordance with the State of Delaware Data Modeling Standard .
10	Security Logs and Reports: The Service Provider shall allow the State of Delaware access to system security logs that affect this engagement, its data and or processes. This includes the ability for the State of Delaware to request a report of the records that a specific user accessed over a specified period of time.

11	Contract Audit: The Service Provider shall allow the State of Delaware to audit conformance including contract terms, system security and data centers as appropriate. The State of Delaware may perform this audit or contract with a third party at its discretion at the State's expense. Such reviews shall be conducted with at least 30 days advance written notice and shall not unreasonably interfere with the Service Provider's business.
12	Sub-contractor Disclosure: The Service Provider shall identify all of its strategic business partners related to services provided under this contract, including but not limited to, all subcontractors or other entities or individuals who may be a party to a joint venture or similar agreement with the Service Provider, who will be involved in any application development and/or operations.
13	Operational Metrics: The Service Provider and the State of Delaware shall reach agreement on operational metrics and document said metrics in the Service Level Agreement. Examples include but are not limited to: <ul style="list-style-type: none"> a) Advance notice and change control for major upgrades and system changes b) System availability/uptime guarantee/agreed-upon maintenance downtime c) Recovery Time Objective/Recovery Point Objective d) Security Vulnerability Scanning

ACKNOWLEDGEMENT

This signed document is hereby incorporated into TRE17102-INVSTMNGRSRVCS, an Agreement between the State and the Vendor to provide Direct Deposit of Payroll and Pension. By signing this Attachment, the vendor agrees to abide by all of the above Terms and Conditions.

Vendor Name: _____

Authorizing Official Name (print): _____

Authorizing Official Signature: _____

Date: _____

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END OF RFP**