

**APPROVED MINUTES FROM MEETING OF CASH MANAGEMENT POLICY BOARD
BUENA VISTA CONFERENCE CENTER
APRIL 17, 2013**

A meeting of the Cash Management Policy Board (the “Board”) was held on Wednesday, April 17 at 10:30 am in the DuPont Room of the Buena Vista Conference Center, 661 South DuPont Highway, New Castle, DE 19720.

Board Members in Attendance: Honorable Chip Flowers, State Treasurer
Honorable Tom Cook, Secretary of Finance
Honorable Jeff Bullock, Secretary of State
Controller General Mike Morton
Mr. John Flynn
Mr. Warren Engle
Mr. Mike Karia
Mr. David Marvin
Ms. Margaret Iorii (via phone)

Others in Attendance: Deputy Treasurer Erika J. Benner
Deputy Attorney General Ed Black
Deputy Attorney General Peter Jamison
Mr. Steve McVay, Investment Manager
Mr. Omar Masood, Executive Assistant to the Treasury
Ms. Kelly Callahan, Special Assistant to the State Treasurer
Mr. Bill Lane, Credit Suisse Securities (USA) LLC
Mr. Alex Kaye, Credit Suisse Securities (USA) LLC
Ms. Celia Cohen, Member of the Public

Mr. John Flynn, Chair of the Board (the “Chair”), called the meeting to order at approximately 10:36 am. The minutes of the July 31 meeting were reviewed. Hearing no objections, Mr. Flynn declared the minutes approved. The minutes of the October 4 meeting were then reviewed. Hearing no objections, Mr. Flynn declared the minutes approved.

Mr. Flynn then turned the meeting over to Mr. Engle, Banking Subcommittee Chair, to discuss two requested contract extensions. Mr. McVay further detailed the extensions. The first extension was requested for the State’s contract with Citizens Bank to provide over-the-counter deposits for state agencies. The contract would be extended one year until December 31, 2014 to allow for an early 2014 Request for Proposal (“RFP”) process. The second extension would be with BNY Mellon for incoming and outgoing electronic accounts/ACH wires. This contract would be extended one year until August 31, 2015 to allow for an RFP process in late 2014. There have been no issues unresolved with either contracted vendor. Mr. Engle made a motion to extend the contracts as detailed. Treasurer Flowers seconded the motion. With no objections, the motion carried unanimously.

Mr. Flynn then turned the meeting over to Mr. Marvin for a report from the Investment Subcommittee. Mr. Marvin distributed a packet entitled “Reflections” and discussed its contents. Mr. Flynn asked Mr. Marvin if he had a recommendation from the Investment Subcommittee. Discussion then changed to constitutional matters regarding the Board. Mr. Black gave a recommendation that either the Board or Treasurer seek an official opinion from the Attorney General on the matter. Secretary Cook made a motion that the Board seeks an opinion and Treasurer Flowers seconded the motion. Without objection, the motion carried unanimously. Treasurer Flowers then responded to the items listed in Mr. Marvin’s “Reflections” packet. He provided a detailed description of how the Delaware State Treasury was able to increase returns using the existing investment guidelines. Upon conclusion of this discussion, Controller General Morton asked that an opinion regarding the applicability of the Administrative Procedures Act (“APA”) be sought in coordination with the other opinion requested of the Attorney General.

Mr. Marvin made two recommendations for the Board’s consideration: (1) Allocations split equally (50/50) between liquidity and reserve portfolios +/- 5%; (2) Within category (liquidity/reserve), allocations split equally +/- 10%. Treasurer Flowers explained that the portfolio would not be optimized at these levels and he would not incur a loss for the State by selling off assets to reach this new level considering the major negative impact. He also expressed concern as these recommendations were made without data and analysis or input from the Delaware State Treasury regarding the State’s operational needs. Mr. Engle asked for clarification on the proposed allocations. Upon Mr. Marvin restating the numbers he proposed, Mr. Engle seconded Mr. Marvin’s motion for the recommended allocations. The vote on the motion was recorded as follows: in favor – Messrs. Engle, Flynn, Karia, and Marvin and Ms. Ioriii; opposed – Flowers; abstaining – Messrs. Bullock, Cook, and Morton. Due to the potential negative impact of the motion upon the operations of the Treasury and the cash flow of the State, Treasurer Flowers stated that such an action would not be enforced until its legality was confirmed with the Attorney General’s Office and/or the Supreme Court of the State of Delaware (specifically, whether the Board had the ability to tell the Treasurer how much state funds should be given to each bank and whether the Board’s fiduciary duties were discharged properly in this matter without having data regarding the state’s cash flow).

Mr. Marvin then made a recommendation that the Board approve the recommended slate of managers vetted by the RFP selection committee and that contracts begin at the appropriately determined time. He also recommended as part of his motion that Chandler Asset Management be treated as a Tier 2 manager. Tier 2 was not defined as anything other than Tier 1 (also not defined). Mr. Engle seconded the motion. The slate of recommended managers was as follows:

Liquidity

Cutwater Asset
Management
PFM Asset Management LLC
Wells Capital Management
Wilmington Trust Investment Advisors

Reserve

Chandler Asset Management

Federated Investors, Inc.
J.P. Morgan Asset Management
Morgan Stanley Investment Management
Schroder Investment Management North
America, Inc.

There being no objection, the motion carried with one abstention (Treasurer Flowers) and eight in favor (Messrs. Bullock, Cook, Engle, Flynn, Karia, Marvin, and Morton and Ms. Iorii).

Mr. Flynn asked for an update on the DelGIP trust and Treasurer Flowers commented that this is being reviewed by the Treasury as the Board deferred the matter to the Treasury at an earlier meeting.

There was no public comment.

There was a motion to adjourn at approximately 12:21 pm and with no objection, the meeting concluded.