

CONTRACT NO.: OEO 16 01 - INVESTCSLT  
CONTRACT TITLE: PUBLIC FUNDS INVESTMENT ADVISORY/CONSULTANCY SERVICES  
ISSUED BY THE CASH MANGEMENT POLICY BOARD

PROFESSIONAL SERVICES AGREEMENT  
for  
PUBLIC FUNDS INVESTMENT ADVISORY/CONSULTANCY SERVICES  
ISSUED BY THE CASH MANGEMENT POLICY BOARD  
Contract No. OEO 16 01-INVESTMENTADVISOR

This Professional Services Agreement ("Agreement") is entered into as of January 1, 2016 ("Effective Date") and will end on December 31, 2018 by and between the State of Delaware, Office of the State Treasurer ("Delaware"), and NEPC, LLC, a Delaware limited liability company ("Vendor"), with offices at 255 State Street, Boston, Massachusetts 02109.

WHEREAS, Delaware desires to obtain those services set out in the Statement of Work on Appendix 1 to this Agreement for public funds investment advisory/consultancy services on behalf of the State of Delaware Cash Management Policy Board ("Board");

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

WHEREAS, Delaware 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, Delaware and Vendor agree as follows:

**1. Services and Term.**

- 1.1. Vendor shall perform for Delaware the services as specified on Appendix 1 to this Agreement, attached hereto and made a part hereof, as well as such services or work as Delaware may request from time to time and for which the parties shall mutually agree (collectively, "Services").
- 1.2. If and when Delaware desires any addition or deletion to the Services or a change in the Services, it shall notify Vendor, who shall then submit to Delaware a "Change Order" for approval authorizing said change. The Change Order shall state whether the change shall cause an alteration in the price or the time required by Vendor for any aspect of its performance under this Agreement. To the extent set out herein, pricing of changes shall be consistent with those established within this Agreement. Any such changes in pricing shall be reflected in an amended and updated Appendix 2 to this agreement. No work for which additional compensation may be charged by Vendor shall be furnished, without the written authorization of Delaware.
- 1.3. The initial three-year term of this Agreement shall be from January 1, 2016 through December 31, 2018; provided that the initial term can be extended at Delaware's sole option for up to two 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.

## **2. Payment for Services and Expenses.**

- 2.1. Delaware will pay Vendor for the performance of Services in accordance with the payment schedule set out on Appendix 2 attached hereto and made a part hereof.
- 2.2. Delaware's obligation to pay Vendor for the performance of Services will not exceed the fee amounts set out on Appendix 2. It is expressly understood that the Services must be completed by Vendor and it shall be Vendor's responsibility to ensure that hours and tasks are properly budgeted so that all Services are completed for the agreed upon fees.
- 2.3. Unless otherwise provided on Appendix 2, all payments will be sent to the Vendor's identified address on record with the State of Delaware's Division of Accounting as identified in the completion of the electronic W-9.
- 2.4. Vendor shall submit quarterly invoices to Delaware in sufficient detail to identify the Services provided during the previous quarter. Delaware agrees to pay those invoices within thirty (30) days of receipt. In the event that Delaware disputes all or any portion of an invoice, Delaware agrees to provide Vendor with a detailed statement of Delaware's position on the invoice, or disputed portion of the invoice, within thirty (30) days of receipt.
- 2.5. Unless provided otherwise in Appendix 1, all expenses incurred in the performance of the Services are to be paid by Vendor. If Appendix 1 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. Delaware is a sovereign entity, and 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. Delaware shall have the right to set aside 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:

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

**Copy to:  
Rebecca Zink  
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 Appendix 3, 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 Delaware.
- 3.3. In the event that Vendor fails to complete the Services or any portion thereof within the time specified in Appendix 3, or with such additional time as may be granted in writing by Delaware, or fails to perform the Services, or any separable part thereof, with such diligence as will insure its completion within the time specified in Appendix 3 or any extensions thereof, Delaware shall suspend the payments scheduled as set forth in Appendix 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, its subcontractors and its and their 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 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 Delaware caused by Vendor's failure to ensure compliance with DTI standards.
- 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 Delaware 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. Delaware'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 the Board and Delaware. All of the Services

shall be performed by such employee or by Vendor's associates and employees under the personal supervision of such employee.

- 4.6. Designation of persons for each position is subject to review and approval by Delaware. Should the staff need to be diverted off the project for what are now unforeseeable circumstances, Vendor will notify Delaware 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 assigned to this project staff position at no cost to Delaware. Replacement staff persons are subject to review and approval by Delaware. If Vendor fails to make a required replacement within 30 days, Delaware may terminate this Agreement for default. Upon receipt of written notice from Delaware that an employee of Vendor is unsuitable to Delaware for good cause, Vendor shall remove such employee from the performance of services and substitute in his/her place a suitable employee.
- 4.7. Vendor shall furnish to Delaware'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 Delaware in the performance of Services and will be available for consultation with Delaware at such reasonable times with advance notice 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 Delaware or any other political subdivision of Delaware.
- 4.10. Vendor will not use Delaware's name, either express or implied, in any of its advertising or sales materials without Delaware's express written consent.
- 4.11. Vendor and all subcontractors represent that they are properly licensed and authorized to transact business in the State of Delaware as provided in 30 *Del. C.* §2502.
- 4.12. Vendor shall have no responsibility or authority to (i) manage or in any way direct the investment of Delaware assets, or (ii) enter into any agreement with any investment manager on behalf of, or otherwise bind, Delaware in any respect.. Nothing contained herein shall require Delaware to engage any investment manager recommended by Vendor or to follow any advice provided by Vendor. Vendor has no responsibility or authority for voting any proxies solicited by or with respect to issuers of securities in which the assets of Delaware may be invested from time to time. Vendor has no responsibility for the selection of brokers or dealers to effect transactions in Delaware's account.

## **5. Delaware Responsibilities.**

- 5.1. Delaware 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 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 Delaware's Designated Contact.

5.3. The 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 Delaware'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 Delaware relating to the Services to be performed hereunder shall become the property of Delaware and shall be delivered to Delaware's Designated Contact upon completion or termination of this Agreement, whichever comes first. 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. Confidential Information.**

To the extent permissible under 29 *Del. C.* §10001, et seq., the parties to this Agreement shall preserve in strict confidence any information, reports or documents obtained, assembled or prepared in connection with the performance of this Agreement.

## **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 Delaware 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), all to the extent that such rights are assignable.

## **9. Indemnification; Discharge of Liability.**

- 9.1. 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 the negligent or other wrongful conduct of the Vendor, its agents or employees, or Vendor's breach of any material provision of this Agreement.
- 9.2. If Delaware notifies Vendor in writing of a third party claim against Delaware that any work product of Vendor developed, designed or delivered in connection with this Agreement infringes a copyright or a trade secret of any third party, Vendor will defend such claim at its expense and will pay any costs or damages that may be finally awarded against Delaware.

## **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. Medical/Professional Liability - \$1,000,000.00 per occurrence/\$3,000,000 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 each person and \$300,000 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 Delaware 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, referencing the contract number stated herein, shall be filed with the State. The certificate holder is as follows:

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

10.4. In no event shall the State of Delaware 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 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 Delaware's request for specific individuals.
- 11.3. Vendor shall be solely responsible for, and shall indemnify, defend and save Delaware 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 subcontractors, 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 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. Delaware will not provide or pay for any liability or medical insurance, retirement contributions or any other benefits for or on behalf of Delaware or any of its officers, employees or other agents.
- 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 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. Delaware may suspend performance by Vendor under this Agreement for such period of time as Delaware, at its sole discretion, may prescribe by providing written notice to Vendor at least 30 working days prior to the date on which Delaware wishes to suspend. Upon such suspension, Delaware 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. Vendor shall not perform further work under this Agreement after the effective date of suspension until receipt of written notice from Delaware to resume performance.
- 12.2. In the event Delaware 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 shall 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 based on appropriated funds and approval by Delaware.

### **13. Termination.**

13.1. This Agreement may be terminated in whole or in part by either party in the event of substantial failure of the other party to fulfill its obligations under this Agreement through no fault of the terminating party; but only after the other party is given:

- a. Not less than 20 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 Delaware for its convenience, but only after Vendor is given:

- a. Not less than 20 calendar days written notice of intent to terminate; and
- b. An opportunity for consultation with Delaware prior to termination.

13.3. If termination for default is effected by Delaware, Delaware will pay Vendor that portion of the 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, and
- b. Any payment due to Vendor at the time of termination may be adjusted to the extent of any additional costs occasioned to Delaware by reason of Vendor's default.
- c. Upon termination for default, Delaware may take over the work and perform or cause to be performed the same to completion by agreement with another party or otherwise.
- d. In the event Vendor shall cease conducting business, Delaware shall have the right to make an unsolicited offer of employment to any employees of Vendor assigned to the performance of the Agreement, notwithstanding the provisions of Section 11.2.

13.4. If after termination for failure of Vendor to fulfill contractual obligations it is determined that Vendor has not so failed, the termination shall be deemed to have been effected for the convenience of Delaware.

13.5. The rights and remedies of Delaware and Vendor provided in this section are in addition to any other rights and remedies provided by law or under this Agreement.

13.6. Gratuities.

- a. Delaware may, by written notice to Vendor, terminate this Agreement if it is found after notice and hearing by Delaware 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 13.6.a hereof, Delaware 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.

13.7. 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 Delaware may immediately terminate this Agreement, and absent such action this Agreement shall be terminated as to any obligation of the State of Delaware 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.

13.8. Notwithstanding any other provisions of this Agreement, this Agreement shall terminate and Delaware's obligations under it shall be extinguished 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 Delaware shall be void.

14.2. Services specified by this Agreement shall not be subcontracted by Vendor, without prior written approval of Delaware.

14.3. Approval by Delaware of Vendor's request to subcontract or acceptance of or payment for subcontracted work by Delaware 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 all applicable provisions of this Agreement.

14.4. Vendor shall be and remain liable for all damages to Delaware caused by negligent performance or non-performance of work under this Agreement by Vendor, its subcontractor or its sub-subcontractor.

14.5. The compensation otherwise due to Vendor pursuant to Appendix 2 shall not be affected by Delaware's approval of the Vendor's request to subcontract.

#### **15. Complete Agreement.**

15.1. This Agreement and its Appendices shall constitute the entire agreement between Delaware 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 whatsoever 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 Appendix, 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 and other relevant costs required in the performance of this Agreement.
- 16.2. Neither this Agreement nor any appendix 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, which would conflict in any manner or degree with the performance of services required to be performed under this Agreement. Vendor further covenants, to its knowledge and ability, that in the performance of said services no person having any such interest shall be employed.
- 16.5. Vendor acknowledges that Delaware has an obligation 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 Delaware declaring Vendor in breach of the Agreement, terminating the Agreement, and designating Vendor as non-responsible.

- 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, Delaware shall have the right to annul this Agreement without liability or at its discretion deduct from the Agreement price or otherwise recover the full amount of such commission, percentage, brokerage or contingent fee.
- 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 Division of Archives, pursuant to the Delaware Public Records Law, 29 *Del. C.* Ch. 5. During the term of this Agreement, authorized representatives of Delaware may inspect or audit Vendor' performance and records pertaining to this Agreement at the Vendor business office during normal business hours.
- 16.9. 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.
- 16.10. Vendor may act as investment consultant or advisor for others, and nothing in this Agreement shall in any way be deemed to restrict the right of Vendor to perform investment advisory, consulting or other services for any other person or entity, and the performance of such services for others shall not be deemed to violate or give rise to any duty or obligation to Delaware or its trustees.
- 16.11. Vendor shall be permitted to give advice and take action with respect to Delaware which differs from the advice made or recommended or actions taken with respect to such other accounts and clients even though the investment objectives may be the same or similar. Vendor shall not be obligated to give Delaware treatment more favorable than or preferential to that provided to such other accounts and clients.
- 16.12. Nothing in this Agreement shall limit or restrict Vendor or any of its shareholders, officers, affiliates or employees from buying, selling, or trading in any securities for their own account or accounts. Delaware acknowledges that Vendor and its shareholders, officers, affiliates and employees, and its other clients, may at any time have, acquire, increase, decrease, or dispose of positions in investments which are at the same time being acquired or disposed of for the account of Delaware.
- 16.13. Pursuant to Regulation S-P adopted by the Security Exchange Commission, all non-public personal information provided by Delaware (including the Board) 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. All recommendations, advice, or other work produce of Vendor developed under the terms of this Agreement and disclosed to Delaware, shall be treated as confidential by Delaware, except as permitted or required by applicable law or judicial or regulatory process to be disclosed.

## **17. Assignment of Antitrust Claims.**

As consideration for the award and execution of this Agreement by Delaware, 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 the State of Delaware, relating to the goods or Services and other work product purchased or acquired by Delaware pursuant to this Agreement.

**18. Governing Law.**

This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, except where federal law has precedence. Vendor consents to jurisdiction and venue in the State of 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: Stephen McVay ("Designated Contact")  
820 Silver Lake Blvd., Ste. 100  
Dover, DE 19904

VENDOR:  
Michael Manning, CFA, CAIA  
Managing Partner  
NEPC, LLC  
255 State Street  
Boston, MA 02109

**20. Acknowledgements.**

Delaware acknowledges and agrees that:

20.1. Vendor has not made and cannot make any promise, guarantee or other statement or representation regarding the future investment performance of Delaware's investments, 20.2. The past performance of the accounts of other clients of Vendor is not necessarily indicative of the future performance of Delaware's investments,

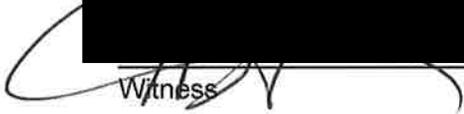
20.3. In the performance of its services under this Agreement, Vendor shall be entitled to rely on information furnished by the Delaware's investment managers, it being understood that Vendor shall have no liability for the accuracy or completeness of any information furnished or representation made by such investment managers, provided Vendor conducted due diligence and evaluation of such investment managers with reasonable care;

20.4. Vendor's services do not include tax or regulatory advice, or interpretation of legal documents; and

20.5. To the extent permitted by applicable law, Vendor will not be liable for any losses or expenses incurred as a result of any action or omission by the Delaware's investment managers, custodians or unrelated third parties.

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

Original On File  


  
Witness

**STATE OF DELAWARE:**  
**Office of the State Treasurer**

Kenneth A. Simler, State Treasurer  
Print Name and Title

Original On File  


Signature  
12/15/2015  
Date

Original On File  


Witness 

**NEPC, LLC:**  
Michael P. Manning, Managing Partner  
Print Name and Title

Original On File  


Signature  
12/11/15  
Date

The following attachments and appendices shall be considered part of this Agreement:

Appendix 1 – Statement of Work

**CONTRACT NO.:** OEO 16 01 - INVESTCSLT  
**CONTRACT TITLE:** PUBLIC FUNDS INVESTMENT ADVISORY/CONSULTANCY SERVICES  
ISSUED BY THE CASH MANGEMENT POLICY BOARD

SCOPE OF SERVICES

- I. General Advice: Generally act in a fiduciary capacity as investment advisor to the Cash Management Policy Board (“Board”) and Treasury. Prepare research and recommendations for consideration by the Board and its Investment Sub-Committee on matters affecting investments. Provide monthly Economic/Market Outlook reports as well as special reports as market conditions merit, including any associated recommendations for investment guideline changes. Prepare updates on regulatory developments and financial services industry trends impacting the current investment portfolio and/or the State’s custodial and portfolio management services.
- II. Structural Review: Review current overall structure of the State of Delaware’s cash management architecture, including the construction and composition of the Board and its investment and banking sub-committees, as well as the State’s custodial and portfolio management vendors. Provide examples, analyses and a comprehensive review of other state structures and identify trends in the construction and formation of same. Recommend changes and assist state authorities, the Board and Treasury staff in the consideration and implementation of any proposed changes requested by the Board.
- III. Guidelines Review: Provide a comprehensive review of the guidelines for the investment of State of Delaware funds in the form attached hereto as Exhibits 1 and 2. Provide a comprehensive peer comparison of guidelines adopted by similarly positioned governments and/or public bodies as well as a range of guidelines adopted by other public entities with both greater and lesser degrees of risk tolerance. Areas for review include but are not limited to the following:
  - a. Philosophy and Risk Tolerance
  - b. Liquidity and Reserve Fund Architecture
  - c. Permissible Securities Asset Allocation Criteria and Concentration Limits
  - d. Investment Performance Objectives
    - Benchmarks
    - Relative Performance Incentives
  - e. Standards of Care
    - Prudence
    - Ethics and Conflicts of Interest

- IV. RFP Assistance: Assist with Request for Proposal (“RFP”) processes for custodial and portfolio management services, including drafting RFPs, evaluating applicant submissions, serving on selection committees and generally assisting with the selection processes.
- V. Development and Documentation of Key Processes: Provide advice and develop written policies for Board and/or Treasury with respect to these and other key processes:
- a. Amendment of polices/guidelines
  - b. Compliance with APA processes
  - c. Monitoring portfolio managers
  - d. Portfolio manager termination and transition procedures
- VI. Portfolio Reports and Monitoring: Develop processes, forms and templates for and conduct and/or publish:
- a. Monthly telephonic calls with each portfolio manager to review performance,
  - b. Monthly reports analyzing individual portfolio manager performance, aggregating and analyzing liquidity, reserve and endowment fund performance and portfolio performance as a whole,
  - c. Quarterly summaries and updates of monthly reports for presentation at Board meetings and
  - d. Annual site visits to each portfolio manager’s principal office to perform due diligence.
- VII. Meetings: Attend-all Board and sub-committee meetings. Currently, the Board meets quarterly as follows: May and November in person, and August and February telephonically. Sub-committee meetings are called as needed and are typically telephonic.
- VIII. Ancillary Services: Provide assistance with and/or undertake such other matters as are requested by the Board and/or OST as are consistent with and/or ancillary to the foregoing services.

**Exhibit 1 to Appendix 1**  
**STATEMENT OF OBJECTIVES AND GUIDELINES FOR THE INVESTMENT**  
**OF STATE OF DELAWARE FUNDS**

***Originally adopted January 18, 1982. Revised August 12, 2015***

1.0 Statutory Authorization

1.1 The Cash Management Policy Board (hereinafter the "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, except money deposited in any State Pension Fund or the State Deferred Compensation Program, 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 The objectives and guidelines, as outlined herein, apply to all cash and special purpose funds for which the State is financially accountable (the "State's Fund"). These funds are categorized as outlined below.

1.2.1 Cash Accounts. The State's available cash divided into three parts:

1.2.1.1 Collection and Disbursement Accounts: The State maintains an amount of cash in its general collection and disbursement accounts sufficient to meet its outstanding obligations.

1.2.1.2 Cash and Liquidity Accounts: The majority of the State's cash balance available for investment is maintained in the cash and liquidity accounts. These accounts will be managed and invested by investment managers, selected by the Board through competitive bid, in order to maximize the return to the State while, at the same time, providing for safety of principal and sufficient liquidity for the State to meet its cash needs. The State will manage its short-term (12- to 18-month) investments to ensure sufficient liquidity and prevent their premature sale for the purpose of covering expenditures. Short-term investments should mature at face value in sufficient amounts to meet any needs.

1.2.1.3 Reserve Cash (Intermediate) Account: To the extent cash is not expected to be needed on short notice, the Board will direct the funding of a third part. This fund shall be managed and invested by an investment manager or managers, selected by the Board after a competitive bid, in order to maximize the return on said money to the State while providing for the safety of principal. The State will manage its intermediate investments to ensure they are made under circumstances and in amounts in which the State would not be forced to liquidate them at a loss.

1.2.2 Special Purpose Accounts. There are two primary types of Special Purpose accounts:

1.2.2.1 Endowment Accounts: Endowment accounts consist of funds set-aside for specified purposes. Endowment accounts include the Delaware Land and Water Conservation Trust Fund (hereinafter, the "Land and Water Fund"), which is subject to a separate set of objectives and guidelines for investment, and the Health Fund, which is subject to these general objectives and guidelines for investment.

1.2.2.2 Authority Accounts: The State's Authorities maintain a variety of fund types, including various operating funds, bond funds and debt service reserve funds.

**2.0 Prudent Person Standard** - as mandated by 29 Del. C. §2716, the State's funds shall be invested pursuant to the prudent person standard under the guidelines set forth below. The Board will review regularly its investment policies and strategies in light of the State's experience as well as economic and financial conditions. Any modifications to these guidelines shall be promptly communicated in writing to the investment managers acting pursuant thereto. The Board will consider special exceptions to these guidelines on a case-by-case basis. To the extent certain funds are subject to additional restrictions, the most limiting of the guidelines will apply to those funds.

**3.0 Appendix A hereto lists the accounts within the State's Fund and the investment managers currently responsible for them.**

**4.0 Investment Objectives and Maturity Restrictions**

4.1 Each of the accounts within the State's Fund shall be invested consistent with the primary objective for the account and the following general guidelines:

4.1.1 Where appropriate, the manager shall maintain a pool of liquid funds that is considered sufficient to meet the uncertainty of cash demands.

4.1.2 The remainder of the assets will be managed to produce the highest return available, consistent with liquidity and quality constraints, given the investment manager's outlook for interest rates and the economic environment.

4.1.3 Purchases in Violation of Guidelines

4.1.3.1 In the event that an investment manager purchases any security that violates the guidelines at the time of purchase, the Board expects the investment manager to remove the security from the State's portfolio as soon as possible. The Board will not require the investment manager to sell such securities at a loss. The investment manager will, however, absorb any investment losses or extraordinary costs associated with the purchase and sale of the security.

4.1.3.2 In case of such purchases, the Board expects an investment manager to ignore the book gains and losses and sell the security. An investment manager will inform the Delaware State Treasury about these transactions immediately.

4.1.4 Holding Securities in Violation of Guidelines

4.1.4.1 In the event that an investment manager holds any security that violates the guidelines after the time of purchase, as the result of a downgrade to below the specified purchase criteria, the Board requires the investment manager to remove the security from the State's portfolio immediately.

4.1.4.2 In such downgrade of currently held investments, the Board expects an investment manager to sell the securities without any consideration to the book gains and losses. An investment manager will inform the Delaware State Treasury about these transactions immediately.

4.2 The objectives and maturity restrictions for each of the investable account types are outlined below.

4.2.1 Cash Account Investment Objectives:

4.2.1.1 The funds in the Cash Account must be available to support State governmental programs and activities. Since the amount of assets available for investment will fluctuate, the investment program adopted must allow the State to meet both anticipated and unanticipated cash demands. The primary objective of this account is, therefore, to be invested so as to provide sufficient liquidity to meet the State's needs

for funds as they arise. (In this respect, liquidity is defined as the ability to realize, when required, the amount originally invested).

4.2.1.2 In order to facilitate the management of the Cash Account, each week the Cash Management Unit of the State Treasurer's Office will provide its best estimate of revenue receipts and expected expenditures to the investment manager for the succeeding one, two, three, and four-week periods. The investment manager shall recognize that it must allow for daily variations in cash demands by maintaining a portion of the account in overnight investments.

4.2.2 Maturity Restrictions: The maximum maturity for any investment at the time of purchase for the Cash Account shall be one year.

#### 4.2.3 Liquidity Accounts

4.2.3.1 Investment Objectives: The primary investment objectives of the Liquidity Accounts are to maximize yield and to maintain safety of principal. In the event a cash withdrawal is necessary, the investment manager will be given as much advance notification as possible.

4.2.3.2 Maturity Restrictions: The maximum maturity for any investment at the time of purchase (Settlement Date) shall be two years for the Liquidity Accounts.; notwithstanding the foregoing, the term for securities identified in Sections 6.4, 6.10, and 6.11 that are subject to periodic reset of coupon or interest rate may have an average life not to exceed three years.

#### 4.2.4 Reserve Cash (Intermediate) Account

4.2.4.1 Investment Objectives: The Reserve Cash Account has been established to provide funding over an intermediate horizon. The primary investment objectives, therefore, are to maximize yield and maintain safety of principal during the investment period.

4.2.4.2 Maturity Restrictions: The maximum maturity for any investment at the time of purchase (Settlement Date) shall be ten years. The maximum average maturity of the portfolio shall be seven years.

#### 4.2.5 Endowment Accounts

4.2.5.1 Investment Objectives: Endowment accounts are established to provide a long-term funding source. The primary investment objectives are to maximize yield and maintain safety of principal.

4.2.5.2 Maturity Restrictions: The maximum maturity for any investment at the time of purchase shall be ten years. The maximum average maturity of the portfolio shall be seven years. The Board shall consider tailoring maturity restrictions to meet specific purposes for endowment accounts to be established in the future.

#### 4.2.6 Authority Operating, Bond and Debt Service Reserve Fund Accounts

4.2.6.1 Investment Objectives: State Authorities maintain various operating, bond and debt reserve funds, the investment of which is governed by statutes, bond trust agreements or Federal guidelines. The investment objectives of the operating, bond and debt service reserve funds include maximizing yield and maintaining the safety of principal. (Current tax law requires that aggregate earnings in excess of the bond yield on bond and debt service reserve funds, however, must be rebated to the Federal government).

4.2.6.2 Maturity Restrictions: The maximum maturity for any investment at the time of purchase shall be ten years, except when prudent to match a

specific investment instrument with a known specific future liability, in which case the maturity limitation shall match the maturity of the corresponding liability.

## **5.0 Investment Restrictions**

5.1 The Board has adopted the following restrictions and policies relating to the investment of its assets. The policies are fundamental and may not be changed without written approval of the Board.

5.2 The investment manager may not:

5.2.1 Purchase any securities other than money market and other securities described under Section 6, "Permissible Investments," subject to the percentage of account limitations as defined in Section 9.0, "Percentage of Account Limitations," hereof;

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

5.2.3 Purchase or sell real estate (other than money market securities secured by real estate or money market securities issued by companies which invest in real estate, or interests therein), commodities or commodity contracts, interests in oil, gas or other mineral exploration or development programs;

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

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

5.2.6 Make loans to other persons, provided that the investment manager may purchase money market securities or enter into repurchase agreements;

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

5.2.8 Invest in securities (except for repurchase agreements or variable rate master demand notes) with legal or contractual restrictions on resale or for which no readily available market exists; except for private placements considered not to be illiquid, but, instead, readily marketable by issuing dealers and the investment manager.

5.2.9 Act as an underwriter of securities; or

5.2.10 Buy or sell any authorized investment when it is a party or any related or affiliated party in the transaction on both sides, except that it may enter into a repurchase agreement with itself when the maturity does not exceed one business day and the amount does not exceed \$500,000.

**6.0 Permissible Investments.** The following investments are permissible for all funds under the review of the Cash Management Policy Board, subject to the percentage limitations summarized in Section 9.0 hereof.

6.1 United States Government Securities. Marketable securities issued by the U.S. government and supported by the full faith and credit of the U.S. Treasury either by statute or an opinion of the attorney general of the United States.

6.2 Government Agency Securities. Debt securities issued by government-sponsored enterprises, federal agencies, federal financing banks, and international institutions part of whose capital stock has been subscribed for by the United States.

6.3 Certificates of Deposit, Time Deposits, and Bankers Acceptances.

6.3.1 Domestic Institutions: Issued or endorsed by a domestic bank, or a savings and loan association, organized and supervised under federal or any state

laws, or any of its branches located in the United Kingdom, the Bahamas, or the Cayman Islands and denominated in U.S. dollars; provided, however, that:

6.3.1.1 The banking institution has assets of not less than \$5 billion;

and

6.3.1.2 The banking institution is rated not lower than "B" by Fitch, Inc. (formerly Thomson's BankWatch Service).

6.3.2 Non-Domestic Institutions: Issued or endorsed by a non-domestic bank organized and supervised under the laws of Japan, Canada, United Kingdom, the Netherlands, Germany, France, Switzerland, Australia, New Zealand, Sweden, or Norway and denominated in U.S. dollars, provided, however, that:

6.3.2.1 The banking institution has assets of not less than \$5 billion;

and

6.3.2.2 The banking institution has a Fitch, Inc. (formerly Thomson's BankWatch Service) "Peer Group Rating" not lower than II.

6.3.3 Delaware-Domiciled Institutions: The Cash Account, and only the Cash Account, may also be invested in Certificates of Deposit, Time Deposits, and Bankers Acceptances issued by or endorsed by any bank or savings association domiciled in the State of Delaware and organized and supervised under federal or State of Delaware banking laws which does not meet the requirements of Subsection 6.3.1 hereto; provided, however, that:

6.3.3.1 For each of the latest two years, the bank or association has had a return on total average assets of 0.50% or greater and an average capital ratio (defined as total equity capital to total assets) of at least 1 to 20, or the instrument is secured as set forth in Section 8, "Collateralization of State Deposits," hereto; and

6.3.3.2 Not more than the lesser of \$10 million or 25% of an issuer's total equity capital, may be invested in any one issuer. (Investments due to mature in one business day may be excluded from the computation of this percentage.)

6.3.3.3 The Board expressly affirms that, consistent with these guidelines, Delaware banks and savings associations should be considered as a source of investment.

6.4 Corporate Debt Instruments. Such instruments include commercial paper, variable rate master demand notes, and non-convertible debt securities (bonds and debentures); provided, however, that:

6.4.1 Any such instrument must be 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, and Norway and denominated in U.S. dollars; and

6.4.2 Commercial paper investments must be rated not lower than "A-2" by Standard & Poor's ("S&P") and/or "P-2" by Moody's Investors Service ("Moody's") and/or "F2" by Fitch Ratings ("Fitch"), and the senior long-term debt of the issuer must be rated not lower than "A" by S&P and/or "A" by Moody's and/or "A" by Fitch (excluding asset-backed commercial paper that is rated A1 or better). Investments in corporate bonds and debentures must be rated at least "single A-" rating by S&P, Moody's or Fitch, and no split ratings below "-single A-" rating. Single A- would equate to A- by S & P, A3 by Moody's and A- by Fitch.

6.4.3 Any such instrument may be backed fully by an irrevocable, unconditional letter of credit issued by a bank which meets the requirements of Subsections 6.3.1 or

6.3.2 hereto. The security will count as a holding of the letter of credit provider for purposes of applying the percentage limitations outlined in Section 9 hereto.

6.5 Repurchase Agreements. The underlying securities shall consist of U.S. government or government agency securities, certificates of deposit, commercial paper or bankers acceptances; provided, however, that:

6.5.1 All repurchase transactions must be governed by written repurchase agreements;

6.5.2 Agreements will be entered into only with respect to underlying securities in which the investment manager may otherwise invest as described above, and only with a recognized U.S. Government/broker or a bank which meets the requirements set out under Subsection 6.3 above;

6.5.3 In the case of repurchase collateral held in book-entry form in the Federal Reserve System, all deliveries of securities must be made, for the transfer thereof, through the Federal Reserve book-entry system to the account designated by the investment manager for such purpose. Securities held in certificated form must be delivered to the investment manager or a custodian as directed by the investment manager; and

6.5.4 Any collateral employed under this paragraph shall be counted towards the applicable maximum limits set forth within these guidelines for such type of investment, and such collateral shall be valued at market at not less than 102 percent of the maturity value of the agreement and marked-to-the-market as requested by the investment manager.

6.6 Reverse Repurchase Agreements. The investment manager may enter into reverse repurchase agreements which involve the sale of money market securities held by the State, with an agreement to repurchase the securities at an agreed upon price, date and interest payment, so long as:

6.6.1 The agreement is entered into only with a recognized U.S. government broker/dealer or a bank which meets the requirements set out under Subsection 6.3 above who is acting as a principal to the agreement;

6.6.2 The State's securities are sold at not less than 98% of their fair market value including all accrued interest; and

6.6.3 The investment manager marks-to-market as appropriate.

6.7 Money Market Funds. The money market fund(s) selected by the investment manager shall be consistent with the investment quality guidelines as stated in this document.

6.8 Canadian Treasury Bills. Marketable securities issued by the government of Canada, which are fully hedged against fluctuations in foreign exchange markets.

6.9 Canadian Agency Securities. Debt securities issued by the Export Development Corporation, a Federal Crown Corporation and an agent of Her Majesty in Right of Canada. These securities are issued as U.S. dollar denominated commercial paper having a maximum maturity of 270 days.

6.10 Mortgage-Backed Securities. The Cash Reserve (Intermediate) Account and Liquidity Account may invest in AAA-rated Government National Mortgage Association (GNMA), Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Association (FHLMC) mortgage-backed securities in the form of pass-throughs. The average life of these securities in the Liquidity Account is not to exceed two years; notwithstanding the forgoing, the term for such securities that are subject to

periodic reset of coupon or interest rate may have an average life not to exceed three years.

6.11 Asset Backed Securities. These investments include auto loan receivables, credit card receivables, home equity loans, and manufactured housing loans. These can be fixed or floating rate and purchased tranches must be rated AAA by a major rating agency. The average life of these securities must not to exceed two years; notwithstanding the forgoing, the term for such securities that are subject to periodic reset of coupon or interest rate may have an average life not to exceed three years.

6.12 Municipal Obligations. Taxable and tax-exempt securities issued by state and local governments and public authorities in the U.S. These investments are permissible only for the Cash Reserve (Intermediate) Account.

## **7.0 Additional Permissible Investments for Special Purpose Accounts Only**

7.1 Guaranteed Investment Contracts. From time to time, a situation arises whereby it is prudent to match a specific investment instrument with a known specific future liability. Guaranteed investment contracts, subject to the credit quality guidelines outlined in Subsection 6.4.2 above and with adequate exit provisions in the event of the future downgrade of the issuer, are permitted to be purchased in these circumstances.

7.2 Asset Backed Securities and Trust Certificates. Securities secured by specific collateral and specified related acquisition payments assigned by a trust agreement, contract or indenture.

**8.0 Collateralization of State Deposits.** If the State of Delaware deposits any funds in any financial institution, those funds will be subject to the following collateralization requirements. The financial institution shall:

8.1. Collateralize the State's total average monthly ledger balance(s) if, for any quarter during the most recent eight quarters, the bank has not met both of the following two criteria:

8.1.1 Return on total average assets of 0.50 percent or greater.

8.1.2 Average capital ratio (total equity to total assets) of 5.00 percent or greater.

8.2 If either criterion in Subsection 8.1 is not satisfied collateral must be pledged and shall consist of one or more of the following securities:

8.2.1 U.S. Government securities.

8.2.2 U.S. Government agency securities.

8.2.3 Federal Home Loan Board letters of credit.

8.2.4 State of Delaware securities.

8.2.5 Securities of a political subdivision of the State of Delaware with a Moody's rating of "A" or better.

8.3 Ensure that the securities pledged as collateral (except for Federal Home Loan Board letters of credit) have a market value equal to or greater than 102 percent (102%) of the total average monthly ledger balance(s) (net of FDIC insurance limits) held in all accounts. The financial institution is required to make any necessary collateral adjustments by the third business day of the following month.

8.4 Ensure that securities pledged as collateral are housed at the Federal Reserve Bank.

8.5 Provide reports on a monthly basis to the State Treasurer's Office detailing the collateral pledged.

8.6 Provide a Call Report (Consolidated Report of Condition and Income, FFIEC 031) on a quarterly basis to the State Treasurer's Office.

**9.0 Percentage of Account Limitations.** The purchase of the securities outlined in Section 6 cannot exceed the following percentage limits of the Account, valued at market. Investments due to mature in one business day may be excluded from the computation of said percentages.

- 9.1 U.S. Government. No Restrictions.
- 9.2 Government Agency. 50% total, 20% in any one agency.
- 9.3 CDs, Time Deposits and Bankers Acceptances. 50% total, 5% in any one issuer.
  - 9.3.1 Domestic. No additional restrictions.
  - 9.3.2 Non-Domestic. 25%.
  - 9.3.3 Delaware Domiciled. See Subsection 6.3.3 hereof.
- 9.4 Corporate Debt. 50% total, 25% in any one industry, 5% in any one issuer, 5% of any issuer's total outstanding securities.
  - 9.4.1 Domestic. No additional restrictions.
  - 9.4.2 Non-Domestic. 25%, 5% in any one issuer.
- 9.5 Repurchase Agreements. 50% total.
- 9.6 Reverse Repurchase Agreements. 25% total.
- 9.7 Money Market Funds. 25% total, 10% in any one fund.
- 9.8 Canadian Treasuries. 25% total, 10% in any one agency.
- 9.9 Canadian Agency Securities. 25% total, 10% in any one agency.
- 9.10 Mortgage-backed and asset backed securities. 10% total (combined with Subsection 9.13, below if applicable).
- 9.11 Municipal Obligations. 5% in any one issuer.
- 9.12 Guaranteed Investment Contracts. See Subsection 7.1 hereof.
- 9.13 Asset Backed Securities and Trust Certificates. 10% total (when combined with Subsection 9.10 above).

**10.0 Account Reviews.** The investment manager(s) shall meet with the Board periodically to review the investment outlook, structure of the accounts, and historic results. A general agenda for these meetings shall include but not be limited to:

- 10.1 A review of the investment results achieved over the prior quarter and year in relation to the account restrictions and the investment manager's investment views and internal policies in effect prior to, and during the period;
- 10.2 The investment manager's current outlook for the financial markets during the next six to twelve months;
- 10.3 The investment manager's internal investment policies that have been adopted in response to these expectations;
- 10.4 The appropriateness of the present portfolio given the expectations, internal investment policies and the State's requirements; and
- 10.6 A review of the guidelines relative to any constraint that the investment manager feels limits his/her ability to respond to market developments in a manner consistent with the investment objectives.

## **APPENDIX A**

The names of the various State Funds and their respective investment managers are listed below.

### **Current Title of Account Investment Manager**

#### Cash Accounts:

##### 1. Collection and Disbursement Accounts

- ◆ Over-the-Counter Deposits — Citizens Bank
- ◆ Electronic Transfers — BNY Mellon
- ◆ General Disbursement — PNC Bank

##### 2. Liquidity Accounts

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

##### 3. Reserve Cash (Intermediate) Account

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

##### 4. Special Purpose Accounts

- ◆ Health Fund — Schroder Investment Management North America, Inc.
- ◆ Land and Water — J.P. Morgan Investment Management  
Morgan Stanley Investment Management  
SEI Investment Management Corporation

##### 5. Custodian

- ◆ BNY Mellon

## Exhibit 2 to Appendix 1

### OBJECTIVES AND GUIDELINES FOR THE INVESTMENT OF STATE OF DELAWARE FUNDS DESIGNATED AS THE DELAWARE LAND AND WATER CONSERVATION TRUST FUND

29 Del. C. §2716

29 Del. C. §8017A

30 Del. C. §5423

#### 1.0 Statutory Authorization

1.1 The Cash Management Policy Board (hereinafter the "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, except money deposited in any State Pension Fund or the State Deferred Compensation Program, 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 The Delaware Land and Water Conservation Trust Fund was created under the 30 Del. C. §5423, including an endowment account (the "Endowment") to be invested in a manner consistent with investment guidelines as approved by the Cash Management Policy Board (the "Board").

#### 2.0 Investment Managers.

2.1 The Endowment will be invested by three Investment Managers selected by the Board, each of which Investment Managers will invest an equal share of the Endowment employing the same investment guidelines.

2.2 The spending policy and the Endowment shall be invested subject to guidelines as set forth in the Uniform Prudent Management of Institutional Funds Act ("UPMIFA").

2.3 The Investment Managers will be provided with general guidelines and will be given the latitude to invest prudently within the ranges established by the guidelines based upon their respective judgment.

2.4 Each of the Investment Managers will possess expertise in Asset Allocation, Equity Investments, Fixed Income Investments and Alternative Investments.

#### 3.0 Investment Philosophy.

3.1 The investment perspective of this Endowment is long-term.

3.2 The Investment Managers selected will receive three-year contracts so the Board can review results over a reasonable period of time.

3.2.1 Results will be reported quarterly to the Board and yearly review meetings will be expected at a minimum.

3.2.2 A Consultant to the Board will also receive investment results monthly and will advise the Board should there be extreme volatility or investment results that the consultant deems worthy of notification to the Board.

#### 4.0 Asset Allocation Guidelines.

4.1 The "target" amount of funds allocated to each Investment Manager to be invested in equities shall be sixty percent (60%) of total funds so allocated, within a range of forty-five to seventy-five percent (45-75%) of total funds. International equities are limited to thirty-five percent (35%) of the total funds invested in equities.

4.2 The "target" amount of funds allocated to each Investment Manager to be invested in a combination of fixed income securities, alternative investments, and cash

shall be forty percent (40%) of total funds so allocated, within a range of twenty-five to fifty-five percent (25-55%) of total funds. At least five percent (5%) of total funds shall be held in cash by the Office of the State Treasurer at the direction of the Cash Management Policy Board at all times.

4.3 The managers will be provided asset allocation guidelines with wide ranges so that they are able to express their specific market views. Individual securities, exchange-traded funds, mutual funds, separately-managed accounts, limited partnerships are all acceptable investment vehicles as "alternative investments." This list is not intended to be exhaustive.

## Appendix 2 – Payment Schedule

Delaware agrees to pay Vendor an annual base fee of \$200,000 (the “Fee”) for the Services performed under this Agreement, to be payable quarterly when billed in accordance with Section 2.4. The Fee is inclusive of all travel, administrative, postage and any other Services-related expenses Vendor may incur in the performance of its obligations under this Agreement and Vendor shall be solely responsible for those expenses for the entire term of this Agreement and any agreed-upon extensions thereof.

Beginning January 1, 2017, and annually thereafter for the term of the Agreement and any extensions thereof, the Fee will increase by a percentage equal to the percentage change from the prior 12 months in the Consumer Price Index–All Urban Consumers (CPI-U) – U.S. City Average, All Items (Unadjusted) as determined by the U.S. Department of Labor, provided such percentage change is positive. Should such percentage change be negative over the preceding 12 month period the Fee will remain unchanged and not subject to not adjust until the following January 1.

Appendix 3 – Project Schedule – Not Applicable in this Agreement