

STATE OF DELAWARE

INVESTMENT COMMITTEE MEETING MINUTES

June 13, 2006

The Investment Committee met at Walker's Mill at 8:30 a.m. on June 13, 2006. Present were Committee members Jan M. King, Chair, A. Dale Stratton, Philip S. Reese, Clark Phippen and Mark Stalnecker. Also present were Theodore H. Ashford, Robert D. Gooderham, Marsha Kramarck, David C. Craik, Alice L. Simon, Garry A. Musto and Linda M. Drew.

Mr. Ashford updated the Committee on his recent meetings with the management of Carlyle Riverstone III, L.P. and the outlook for the fund.

Mr. Gooderham reviewed preliminary fiscal and calendar year performance through 5/31/06 for individual managers and the total fund, stating that while the domestic convertible managers lagged their benchmark due to their small cap tilt, the international convertible account has had strong year-to-date returns on both a relative and absolute basis.

Mr. Gooderham reviewed the status of allocation changes approved at the 4/18/06 and 5/16/06 meetings.

Mr. Gooderham distributed copies of a chart illustrating projected cash outflows from the Fund as percentage of Total Fund assets, noting that the analysis was in response to a question raised by the Committee at the April 18, 2006 meeting. Using cash flow projections provided by the Pension Office, the data illustrated that the current policy range for liquid assets is more than sufficient to fund projected outflows.

Ms. Stratton moved, Mr. Phippen seconded, and the Committee unanimously approved a motion to enter Executive Session at 9:15 a.m. for consideration of personnel matters, trade secrets and confidential financial information.

The Committee returned to public session at 12:45 p.m. by unanimous vote, on the motion of Ms. Stratton, seconded by Mr. Stalnecker.

Ms. Stratton moved, Mr. Reese seconded, and the Committee unanimously approved a motion to recommend to the full Board: (1) adoption of a new benchmark mix effective 7/1/06 and (2) a revised fee schedule for Ashford Consulting Group also to be effective 7/1/06.

Mr. Ashford reviewed recent correspondence from Accel Partners advising limited partners of secondary partnership interests.

Mr. Ashford reported that Carlyle has requested approval of a Consent to terminate two limited partnerships in which Delaware is a co-investor as both have made final distributions of assets. Mr. Phippen moved, Mr. Stalnecker seconded, and the Committee unanimously approved termination of the Carlyle limited partnerships.

Mr. Ashford reported that the Pension Office staff has requested several securities from terminated venture capital partnerships be deemed worthless. Under the approved procedure for worthless securities, the Committee, on the motion of Ms. Stratton, and seconded by Ms. King, unanimously voted to approve transfer of the securities to the T. Rowe Price Venture Distribution account for further determination of their status.

Ms. Stratton moved, Ms. King seconded, and the Committee unanimously approved a motion to approve securities lending through Northern Trust with a requirement that all borrowers must have a credit rating of A1/P1 or better.

Mr. Gooderham reported that several securities currently held in the Mercantile Cash and Managed Cash accounts will not mature prior to the transition to Northern Trust. Ms. Stratton moved, Ms. King seconded, and the Committee unanimously approved a motion to authorize transfer of designated securities in the Managed Cash account at Mercantile be transferred to the Northern Trust cash pool.

Mr. Ashford distributed copies of the annual update of the manager and asset class fee analysis which will be reviewed at the next meeting.

There being no further business to come before the Committee, the meeting was, on the motion of Ms. Stratton, seconded by Mr. Reese and unanimously approved, adjourned at 1:20 p.m.

Respectfully submitted,

/S/Theodore H. Ashford  
Theodore H. Ashford

/S/Jan M. King  
Jan M. King, Chairperson