

**STATE OF DELAWARE DEFERRED  
COMPENSATION PLAN  
Dover, Delaware**

**FINANCIAL STATEMENTS  
December 31, 2010 and 2009**

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## Independent Auditor's Report

Deferred Compensation Council  
State of Delaware Deferred Compensation Plan  
Dover, Delaware

We have audited the accompanying statements of net assets available for plan benefits of the State of Delaware Deferred Compensation Plan (the Plan) as of December 31, 2010 and 2009, and the related statements of changes in net assets available for plan benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for plan benefits as of December 31, 2010 and 2009, and the changes in its net assets available for plan benefits for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 9, 2011, on our consideration of the Plan's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing on internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Clifton Gunderson LLP*

Baltimore, Maryland  
September 9, 2011

**STATE OF DELAWARE  
DEFERRED COMPENSATION PLAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2010 and 2009**

This discussion and analysis of the State of Delaware Deferred Compensation Plan (the Plan) financial performance provides an overview of the Plan's financial activities for the years ended December 31, 2010, 2009 and 2008. It is presented as required supplemental information to the financial statements. Please read it in conjunction with the Plan's financial statements which follow this section.

**Financial Highlights**

- Net assets available for plan benefits increased by approximately \$47.6 million from \$322.4 million at December 31, 2009 to \$370.0 million at December 31, 2010. Net assets available for plan benefits increased by approximately \$74.8 million from \$247.6 million at December 31, 2008 to \$322.4 million at December 31, 2009. These increases are primarily due to contributions made to the Plan as well as earnings on investments.
- Employee contributions were \$33.0, \$36.1 million and \$37.2 million for the years ending December 31, 2010, 2009 and 2008, respectively. These fluctuations in employee contributions were primarily due to changes in the number of active plan participants from year to year and the average contribution per participant. There were 12,088, 11,656 and 13,527 active plan participants as of December 31, 2010, 2009 and 2008, respectively.
- Variable earnings investment income/(loss) decreased from a \$61.7 million gain for the year ended December 31, 2009 to a \$40.6 million gain for the year ended December 31, 2010. Variable earnings investment income/(loss) increased from a \$104.0 million loss for the year ended December 31, 2008 to a \$61.7 million gain for the year ended December 31, 2009. These changes are primarily due to changes in financial markets and the average investment balance from year to year. The Plan's overall average rate of return on variable earnings investments was 12.0%, 22.3% and (36.8)% for the years ended December 31, 2010, 2009 and 2008, respectively.
- Interest income earned on fixed earnings investments was \$112,126, \$151,097 and \$276,139 for the years ended December 31, 2010, 2009 and 2008, respectively. Changes in interest income directly relate to changes in the balance of the Stable Value Option and the funds interest rate.
- Benefits paid to participants increased from \$24.5 million for the year ended December 31, 2009 to \$26.9 million for the year ended December 31, 2010. Benefits paid to participants increased from \$21.9 million for the year ended December 31, 2008 to \$24.5 million for year ended December 31, 2009. These increases are primarily due to changes in the number of retirees and the average distribution per retiree. There were 1,274, 1,189 and 1,267 individuals who received a payment from the Plan for the years ended December 31, 2010, 2009 and 2008, respectively.

**STATE OF DELAWARE  
DEFERRED COMPENSATION PLAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2010 and 2009**

**Overview of the Financial Statements**

This financial report consists of the Statements of Net Assets Available for Plan Benefits and the Statements of Changes in Net Assets Available for Plan Benefits. These statements provide information about the financial position and activities of the Plan as a whole. The Notes to Financial Statements provide additional information that is essential to a full understanding of the financial statements. The notes are an integral part of the financial statements and include detailed information not readily evident in the basic financial statements.

The analysis below focuses on Net Assets Available for Plan Benefits (Table 1) and Changes in Net Assets Available for Plan Benefits (Table 2).

**Table 1  
Net Assets Available for Plan Benefits**

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Investments	<u>\$370,038,598</u>	<u>\$322,378,920</u>	<u>\$ 247,585,554</u>
<b>Net assets available for plan benefits</b>	<u><b>\$370,038,598</b></u>	<u><b>\$322,378,920</b></u>	<u><b>\$ 247,585,554</b></u>

**Table 2  
Changes in Net Assets Available for Plan Benefits**

	<u>2010</u>	<u>2009</u>	<u>2008</u>
<b>Additions</b>			
Employee contributions	\$ 33,032,431	\$ 36,091,378	\$ 37,204,711
Net transfers in	895,773	1,365,060	2,976,399
Interest income	112,126	151,097	276,139
Variable earnings investment income (loss)	40,588,819	61,674,313	(104,006,024)
<b>Deductions</b>			
Benefits paid to participants	26,915,564	24,481,862	21,859,605
Brokerage fees	<u>53,907</u>	<u>6,620</u>	<u>14,779</u>
<b>Increase (decrease) in net assets available for plan benefits</b>	<u><b>\$ 47,659,678</b></u>	<u><b>\$ 74,793,366</b></u>	<u><b>\$ (85,423,159)</b></u>

**STATE OF DELAWARE  
DEFERRED COMPENSATION PLAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2010 and 2009**

**Financial Contact**

The Plan's financial statements are designed to present users with a general overview of the Plan's finances and to demonstrate the trustee's accountability. If you have questions about the report or need additional financial information, contact the Director of Defined Contribution Plans of the State of Delaware Deferred Compensation Plan at 820 Silver Lake Boulevard, Dover, Delaware 19904-2464.

## **FINANCIAL STATEMENTS**

**STATE OF DELAWARE  
DEFERRED COMPENSATION PLAN  
STATEMENTS OF NET ASSETS AVAILABLE FOR PLAN BENEFITS  
December 31, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
<b>INVESTMENTS</b>		
Fixed earnings investments	\$ 8,515,205	\$ 9,059,151
Variable earnings investments	<u>361,523,393</u>	<u>313,319,769</u>
<b>NET ASSETS AVAILABLE FOR PLAN BENEFITS</b>	<u>\$ 370,038,598</u>	<u>\$ 322,378,920</u>

The accompanying notes are an integral part of the financial statements.

**STATE OF DELAWARE  
DEFERRED COMPENSATION PLAN  
STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR PLAN BENEFITS  
Years Ended December 31, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
<b>ADDITIONS TO NET ASSETS ATTRIBUTED TO:</b>		
Employee contributions	\$ 33,032,431	\$ 36,091,378
Net transfers to/from other plans	895,773	1,365,060
Investment income:		
Variable earnings investment income	40,588,819	61,674,313
Interest income on fixed investments	<u>112,126</u>	<u>151,097</u>
 Total additions	 <u>74,629,149</u>	 <u>99,281,848</u>
<b>DEDUCTIONS FROM NET ASSETS ATTRIBUTED TO:</b>		
Benefits paid to participants	26,915,564	24,481,862
Brokerage fees	<u>53,907</u>	<u>6,620</u>
 Total deductions	 <u>26,969,471</u>	 <u>24,488,482</u>
 <b>NET INCREASE</b>	 47,659,678	 74,793,366
 <b>NET ASSETS AVAILABLE FOR BENEFITS, BEGINNING OF YEAR</b>	 <u>322,378,920</u>	 <u>247,585,554</u>
 <b>NET ASSETS AVAILABLE FOR BENEFITS, END OF YEAR</b>	 <u>\$ 370,038,598</u>	 <u>\$ 322,378,920</u>

The accompanying notes are an integral part of the financial statements.

**STATE OF DELAWARE  
DEFERRED COMPENSATION PLAN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2010 and 2009**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**General**

The State of Delaware (the State) Deferred Compensation Plan (the Plan), a defined contribution plan, was established on July 1, 1971. The purpose of the Plan is to provide a vehicle through which all employees of the State of Delaware may, on a voluntary basis, provide for additional retirement income security by deferring a portion of their current earnings.

**Contributions**

Under Plan provisions, employees of the State, the Delaware Transit Corporation and the Delaware Solid Waste Authority are eligible to contribute into the Plan through payroll deductions. There were 35,067 and 34,677 employees eligible to participate in the Plan as of December 31, 2010 and 2009, respectively. As of December 31, 2010 and 2009, there were 12,088 and 11,656 employees participating in the Plan. In accordance with Section 457 of the Internal Revenue Code (IRC), the Plan limits the amount of an individual's annual contribution to 100% of annual gross includable compensation, not to exceed \$16,500 for the calendar years ended 2010 and 2009. Special "catch-up" rules for participants age 50 and older may permit an additional annual deferral of up to \$5,500 for calendar years 2010 and 2009 in certain circumstances.

The Plan also allows special limitation (or Section 457 Catch Up) for certain participants. The allowability of these contributions is as follows:

For one or more of the Participant's last three taxable years ending before the Participant attains Normal Retirement Age, notwithstanding the limits set above, the maximum amount that may be contributed shall be the lesser of:

- (A) Twice the dollar (\$16,500 for calendar years 2010 and 2009) amount in effect under the Basic Limitation as set forth in; or
- (B) The underutilized limitation. For such purposes, the underutilized amount is the sum of:
  - (1) An amount equal to (i) the Basic Limitation identified above (\$16,500 for calendar years 2010 and 2009) of the taxable year plus each calendar year beginning after December 31, 2001 during which the Participant was an Employee under the Plan reduced by (ii) the Participant's annual deferrals under the Plan during such years.
  - (2) An amount equal to such limitation as established under Section 457(b)(2) of the Code for each taxable year beginning after December 31, 1978 and before January 1, 2002 in which the Participant was eligible to participate less the amount of the Participant's annual deferrals to Pre-2002 Coordination Plans for such prior taxable year or years (disregarding any age 50 catch up deferrals). In determining the underutilized limitation for taxable years prior to 2002, the special rules set forth in Treas. Reg § 1.457-4(c)(3)(iv) shall be applied.

**STATE OF DELAWARE  
DEFERRED COMPENSATION PLAN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2010 and 2009**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Amounts contributed by employees are deferred for federal and state income tax purposes until benefits are paid to the employees. The State does not make any contributions to the Plan. The State does offer a separate 401(a) “match” plan.

Under provisions of the Small Business Job Protection Act of 1996 (SBJPA), which became effective for Plan years beginning after December 31, 1996, assets of IRC Section 457 plan must be held in a trust, custodial account, or annuity contract, for the exclusive benefit of employees and beneficiaries and will no longer be solely the property of the employer and subject only to claims of the employer’s general creditors. At December 31, 2010 and 2009, the Plan met the requirements of the SBJPA.

**Participant Accounts**

Employees electing to participate in the Plan may contribute to any of the following options:

- A stable value investment option administered by Fidelity Management Trust Company
- Variable earnings investments consisting of various publicly-traded mutual funds

Participants are fully vested in their accounts at all times.

**Payment of Benefits**

Employees may withdraw the value of the funds contributed to the Plan upon termination of employment with the employer, retirement, death, or financial hardship. Employees, or their beneficiaries, may select various payout options which include lump sum or periodic payments.

**Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting using the economic resources measurement focus.

**Use of Estimates in Preparing Financial Statements**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America may require management to make estimates and assumptions that affect amounts reported in financial statements and accompanying notes. Actual results may differ from those estimates.

**Investment Valuation**

Investments in the fixed earnings and stable value options are valued based on the fixed earnings rates as reported by the investment carriers or manager and approved by Plan management. The investment valuation includes contributions received plus investment

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NOTES TO FINANCIAL STATEMENTS  
December 31, 2010 and 2009**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Investment Valuation** (continued)

income earned to date less applicable charges and amounts withdrawn. Variable earnings investments in publicly-traded mutual funds are presented at fair value based on published quotations. The stable value fund is reported at contract value, which approximates fair value. All purchases and sales of investments are recorded on a trade-date basis.

**Contributions**

Contributions are recognized when amounts are withheld from employees.

**Variable Earnings Investment Income**

Variable earnings investment income consists of dividends earned and realized and unrealized gains and losses attributed to the mutual funds supporting the variable earnings investments. Dividends are recorded on the ex-dividend date.

**Interest Income**

Interest income for the fixed investments is recorded as earned on the accrual basis.

The interest rate for the stable value investment option ranged from 1.16% to 1.53% for the year ended December 31, 2010, and 1.65% to 3.55% for the year ended December 31, 2009. At December 31, 2010 and 2009, the actual crediting rate was 1% and 1.65%, respectively.

**Distributions**

Distributions are recorded at the time withdrawals are made from participant accounts.

**Participants Accounts**

Earnings are credited to individual participants' accounts based upon the investment performance of each specific option selected.

**Related Party Transactions**

Certain members of the Deferred Compensation Council are participating or retired members of the Plan.

**STATE OF DELAWARE  
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**NOTE 2 – INVESTMENTS AND DEPOSITS**

Delaware code Title 29 Section 6057 outlines the types of allowable investments of the Plan. These investments include the following:

- 1) Savings accounts in Federally insured banking institutions
- 2) United States government bonds or debt instruments
- 3) Life insurance and annuity contracts, provided the company offering such contracts are subject to regulation by the Insurance Commission of the State
- 4) Investment Funds registered under the Investment Company Act of 1940
- 5) Securities which are traded on the New York Exchange National Association of Securities Dealers Automated Quotations (NASDAQ) and American Stock Exchange

The Deferred Compensation Council has overall responsibility for ensuring the assets of the Plan are in compliance with all applicable laws governing the operation of the Plan and establishing the related investment guidelines and policies.

The Council has authorized the Plan to invest in the following investment types:

- Low risk mutual funds which include money market securities and/or stable value investments with a short-term (1-4 years) average duration.
- Balanced mutual funds which include domestic and international stocks, bonds and cash.
- Equity mutual funds that differ in investment style (growth vs. value) and capitalization bias (large cap, mid cap and small cap).
- Intermediate bond mutual funds which include mutual funds that own investment grade debt securities with an intermediate term (3-10 years) average duration.
- International mutual funds which include mutual funds that invest in securities of countries outside the U.S. and diversify their investments across a broad range of markets and securities.

The fair or contract value of investments held in the name of the Plan at December 31, 2010 and 2009 were as follows:

Investments marked with an asterisk (\*) represent individual investment options, which exceed 5% of the net assets available for plan benefits. Investments marked with two asterisks (\*\*) represent international mutual funds.

	<u>2010</u>	<u>2009</u>
<b>Fixed Earnings Investments:</b>		
Stable value option	\$ 8,515,205	\$ 9,059,151
<b>Variable Earnings Investments:</b>		
Fidelity Money Market Trust Retirement Money Market Portfolio	25,412,475 *	28,279,282 *
Fidelity Equity-Income II Fund	15,612,022	15,722,116
Fidelity Freedom 2020 Fund	32,659,536 *	26,982,416 *
Vanguard Institutional Index Fund	16,463,112	15,124,540

**STATE OF DELAWARE  
DEFERRED COMPENSATION PLAN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2010 and 2009**

**NOTE 2 – INVESTMENTS AND DEPOSITS (CONTINUED)**

	2010	2009
<b>Variable Earnings Investments</b> (Continued):		
Fidelity Freedom 2010 Fund	\$ 18,609,014 *	\$ 16,600,709 *
Fidelity Freedom 2030 Fund	17,408,096	13,790,025
Fidelity US Treasury Money Market Fund	83,222	-
Fidelity Diversified International Fund	5,296,889 **	5,410,759 **
Fidelity Freedom 2015 Fund	15,345,974	11,656,006
Fidelity Puritan Fund	5,547,297	4,976,311
PIMCO Total Return Fund	10,803,138	9,236,097
Fidelity Capital Appreciation Fund	4,904,831	4,238,773
Fidelity Freedom 2025 Fund	13,180,337	9,050,806
Brokeragelink	6,633,990	5,595,627
Legg Mason Value Institutional Fund	2,885,418	2,905,042
Fidelity Dividend Growth Fund	4,534,921	3,752,825
Fidelity Contrafund	7,110,014	5,534,380
Vanguard Windsor Administrative Fund	3,796,747	3,156,232
Fidelity Low-Priced Stock Fund	4,668,611	3,685,602
Janus Worldwide Fund	3,098,753 **	2,685,850 **
Fidelity Balanced Fund	3,307,840	3,280,410
Fidelity Freedom 2040 Fund	6,539,968	4,823,517
Fidelity Fund	3,010,047	2,693,274
Fidelity Select Money Market Portfolio	5,360,201	6,035,401
Fidelity Freedom 2035 Fund	6,387,330	4,276,004
Fidelity Freedom 2000 Fund	1,788,393	1,663,114
Fidelity Growth Company Fund	2,194,313	1,859,965
Fidelity Leveraged Company Stock Fund	1,523,734	1,654,118
Fidelity Cash Reserves	3,042,597	3,082,494
Fidelity Value Fund	1,771,033	1,398,806
Fidelity Freedom Income Fund	2,149,994	1,517,497
Fidelity Mid Cap Stock Fund	1,693,386	1,416,675
Fidelity Latin America Fund	1,700,076 **	2,083,441 **
Domini Social Equity Fund	1,242,178	1,193,856
Spartan U.S. Equity Index Fund-Fidelity Advantage Class	1,490,492	1,531,188
Oakmark Equity & Income Fund	2,201,880	1,823,896
Fidelity Blue Chip Growth Fund	1,876,898	1,597,492
Fidelity Four In One Index	1,681,352	1,436,378
Fidelity International Discovery Fund	1,168,712 **	1,133,893 **
Fidelity Canada Fund	1,694,256 **	1,376,396 **
Fidelity Select Technology Portfolio	1,825,060	1,373,697
Fidelity Select Energy Portfolio	1,273,857	1,213,839
Fidelity Freedom 2005 Fund	1,348,596	1,191,857
Fidelity Equity-Income Fund	836,584	848,168
Baron Growth Fund	1,162,213	1,084,197
Fidelity Money Market Trust Retirement Government Money Market Portfolio	914,525	1,015,671
Fidelity Southeast Asia Fund	406,017 **	324,568 **
Fidelity Capital & Income Fund	1,330,541	1,264,622
Fidelity Select Defense and Aerospace Portfolio	799,654	654,432
Vanguard Morgan Growth Administrative Fund	943,649	796,070
Fidelity U.S. Government Reserves	1,742,213	2,155,347
Fidelity Small Cap Stock Fund	1,194,381	918,995
Fidelity U.S. Bond Index Fund	1,101,389	996,794

**STATE OF DELAWARE  
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**NOTE 2 – INVESTMENTS AND DEPOSITS (CONTINUED)**

	2010	2009
<b>Variable Earnings Investments</b> (Continued):		
Fidelity Government Income Fund	\$ 1,554,005	\$ 1,661,432
Fidelity Asset Manager 20%	1,052,970	999,110
Fidelity Select Biotechnology Portfolio	915,297	869,362
Spartan Total Market Index Fund-Fidelity Advantage Class	974,448	871,843
Spartan International Index Fund-Fidelity Advantage Class	810,463 **	684,136 **
Fidelity Asset Manager 70%	955,668	755,853
Fidelity Emerging Markets Fund	860,207 **	690,387 **
Fidelity Export and Multinational Fund	800,782 **	746,951 **
Fidelity Corporate Bond	749	-
Fidelity Select Natural Gas Portfolio	698,845	893,590
Fidelity Select Energy Service Portfolio	771,418	529,885
Fidelity Select Healthcare Portfolio	761,852	662,402
Calvert Street Large Cap Blend	66,173	-
Fidelity Strategic Income Fund	1,179,124	904,063
American Beacon Large Cap Value Institutional	775,954	684,154
Fidelity Intermediate Bond Fund	903,490	922,745
Fidelity Select Gold Portfolio	2,234,403	1,281,394
Fidelity China Region Fund	987,416 **	976,847 **
Fidelity Real Estate Investment Portfolio	798,270	589,400
Fidelity New Markets Income Fund	1,355,566	903,612
Fidelity International Small Cap Fund	576,303 **	468,427 **
Fidelity Select Electronics Portfolio	652,668	550,996
Fidelity Select Natural Resources Portfolio	670,448	654,759
Alger Capital Appreciation Institutional Fund I	900,044	751,102
Neuberger Berman Genesis Trust Fund	903,390	765,538
Fidelity Fifty	510,690	512,254
Fidelity Ginnie Mae Fund	967,878	877,822
Franklin Mutual Discovery CL A	570,128 **	603,778 **
Fidelity Growth Discovery Fund	564,783	493,311
Alger Midcap Growth Institutional Fund I	557,015	492,727
AIM Basic Balanced Investment Fund	319,634	302,712
USAA Income Fund	601,812	768,038
Fidelity Freedom 2045 Fund	2,233,630	1,445,958
Fidelity Asset Manager 85%	686,470	592,951
Fidelity Growth & Income Portfolio	584,470	440,970
Fidelity Select Wireless Portfolio	557,778	435,636
Fidelity Independence Fund	707,571	702,414
Fidelity Asset Manager 50%	911,797	447,341
Wells Fargo Advantage Small Cap Value Fund Z	606,771	488,354
Fidelity Large Cap Stock Fund	434,517	337,090
Fidelity Convertible Securities Fund	441,356	435,160
Mutual Shares Class A	437,408	416,955
Fidelity Mega Cap Stock Fund	268,164	202,069
Oakmark Select Fund I	413,791	372,327
Fidelity Short Term Bond Fund	510,854	416,711
FPA Crescent Portfolio	664,412	574,762
Fidelity Select Medical Delivery Portfolio	356,470	337,804
Templeton Growth Fund A	289,323 **	265,270 **

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**NOTE 2 – INVESTMENTS AND DEPOSITS (CONTINUED)**

	2010	2009
<b>Variable Earnings Investments (Continued):</b>		
Ariel Appreciation Fund	\$ 522,144	\$ 371,779
Morgan Stanley Institutional Emerging Markets P	185,726 **	149,786 **
Royce Low Priced Stock Institutional Fund	610,890	467,256
Allianz NFJ Small Cap Value Administrative Fund	646,326	456,232
Templeton Global Bond Fund A	1,741,717 **	1,265,454 **
Fidelity Europe Capital Appreciation Fund	207,262 **	228,802 **
Fidelity Investment Grade Bond Fund	550,430	468,199
PIMCO High Yield Admin Fund	629,752	500,415
Fidelity Select Medical Equipment and Systems Portfolio	529,019	443,367
Templeton Developing Markets Fund A	431,493 **	282,889 **
Fidelity OTC Portfolio	492,156	451,747
Spartan Extended Market Index Fund-Fidelity Advantage Class	612,476	411,946
Fidelity Select Computers Portfolio	315,247	266,770
Fidelity Select Software & Computer Services Portfolio	455,320	365,414
Fidelity Blue Chip Value Fund	309,473	252,332
Fidelity Mid Cap Value Fund	361,688	293,393
USAA Growth Fund	152,925	223,780
Janus Flexible Bond Fund T	492,369	593,449
Lord Abbett Mid Cap Value Fund A	420,342	301,147
Fidelity Global Balanced Fund	591,095 **	337,687 **
Fidelity International Real Estate	252,585 **	149,263 **
Fidelity Overseas Fund	164,084 **	158,282 **
Artisan International Investment Fund	187,034 **	165,124 **
Fidelity Large Cap Value Fund	241,275	235,736
Templeton Foreign Fund A	441,818 **	253,820 **
Ariel Fund	234,836	211,843
Fidelity Value Discovery Fund	455,999	327,376
Wells Fargo Advantage Growth Fund-Investor Class	317,452	242,741
Fidelity Intermediate Government Income Fund	359,335	516,163
Fidelity Nordic Fund	300,828 **	174,818 **
Fidelity Pacific Basin Fund	331,227 **	224,783 **
Managers Bond Fund	652,471	588,082
Janus Adviser Forty Fund S	555,851	579,467
Fidelity Select Utilities Growth Portfolio	156,782	124,457
Baron Asset Fund	151,482	172,064
Fidelity Japan Smaller Companies Fund	114,728 **	103,634 **
Fidelity High Income Fund	436,577	350,747
Franklin Small-Mid Cap Growth Fund A	217,588	138,910
Fidelity Freedom 2050 Fund	1,069,303	689,759
DWS Dreman High Return Equity Fund A	126,767	139,579
Fidelity Trend Fund	245,570	175,854
Fidelity Utilities Fund	135,479	119,962
PIMCO Long-Term U.S. Government Admin Fund	696,577	499,802
Calvert Small Cap Value Fund A	2,967	-
Fidelity Select Consumer Staples Portfolio	568,728	445,894
Templeton World Fund A	328,005 **	213,147 **
Fidelity International Small Cap Opportunities Fund	122,596 **	86,249 **
Fidelity Europe Fund	90,380 **	146,151 **

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**NOTE 2 – INVESTMENTS AND DEPOSITS (CONTINUED)**

	<u>2010</u>	<u>2009</u>
<b>Variable Earnings Investments (Continued):</b>		
PIMCO Low Duration Admin Fund	\$ 416,220	\$ 318,026
American Funds New Perspective R5	289,897	238,646
Oakmark Fund I	332,377	162,353
Fidelity Disciplined Equity Fund	161,444	159,242
Neuberger Berman Partners Trust Fund	128,425	140,246
Fidelity Select Materials Portfolio	269,367	143,134
Dreyfus Premier Core Value CL I	141,604	117,720
Fidelity Select Communications Equipment Portfolio	272,932	229,167
American Beacon International Equity Plan Ahead CL	51,299 **	114,875 **
Fidelity Inflation-Protected Bond Fund	601,827	504,145
Fidelity Nasdaq Composite Index	116,660	151,396
Fidelity Small Cap Independence Fund	161,227	115,027
Fidelity Mid Cap Growth Fund	154,198	128,795
Dreyfus Mid Cap Growth Fund A	80,557	-
PIMCO Global Bond (Unhedged) Admin Fund	339,528 **	217,971 **
Fidelity Select Telecommunications Portfolio	154,371	108,486
Fidelity Worldwide Fund	157,726 **	127,905 **
Fidelity Select Leisure Portfolio	215,841	119,956
Fidelity Japan Fund	37,436 **	35,225 **
Morgan Stanley Institutional U.S. Large Cap Growth I	129,894	89,807
Neuberger Berman Guardian Trust CL	124,919	116,677
USAA International Fund	120,382 **	121,953 **
Morgan Stanley Institutional Mid Cap Growth Fund P	165,733	117,452
Allianz CCM Capital Appreciation Administrative Fund	82,705	66,128
Van Kampen Growth & Income Class A	287,394	224,242
Alger Small Cap Growth Institutional Fund I	114,919	110,506
Artisan Mid Cap Investment Fund	276,057	165,927
Dreyfus Founders Discovery Fund F	-	72,604
Fidelity Small Cap Value Fund	338,523	148,377
Fidelity Select Financial Services Portfolio	184,084	153,113
Spartan Short-Term Treasury Bond Index Fund-Investor Class	361,198	314,991
Fidelity Large Cap Growth Fund	121,268	74,282
Wells Fargo Advantage Government Security Fund	92,302	152,265
Fidelity Select Brokerage and Investment Management Portfolio	108,621	95,337
USAA Emerging markets Fund	117,567 **	119,209 **
Rice Hall James Micro Cap Portfolio	88,405	64,374
Wells Fargo Advantage Opportunity Fund	110,332	101,478
Fidelity Select Chemicals Portfolio	372,479	219,984
Wells Fargo Advantage Discovery Fund-Investor Class	38,161	53,175
Dreyfus Founders Mid Cap Growth Fund F	46,508	63,077
AIM Dynamics Investment Mutual Fund	83,230	75,728
Fidelity Select Banking Portfolio	141,365	103,769
Janus Adviser Balanced Fund S	98,586	160,255
AIM Basic Value Fund A	93,910	68,922
Fidelity Mortgage Securities Portfolio	78,776	72,313
Fidelity Small Cap Growth Fund	185,879	105,537
Allianz CCM Mid Cap Administrative Fund	44,300	45,586
Fidelity Select Pharmaceuticals Portfolio	170,094	111,991

**STATE OF DELAWARE  
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**NOTE 2 – INVESTMENTS AND DEPOSITS (CONTINUED)**

	<u>2010</u>	<u>2009</u>
<b>Variable Earnings Investments</b> (Continued):		
USAA Cornerstone Strategy Fund	\$ 97,002	\$ 91,912
Fidelity Select Insurance Portfolio	78,001	57,967
Morgan Stanley Institutional Core Plus FI P	39,877	34,745
AIM Small Capital Growth Investment Fund	83,495	63,006
Morgan Stanley Institutional Small Co Growth Fund P just LONG	81,479 101,055	59,493 57,742
Fidelity Focused Stock Fund	95,762	73,169
Fidelity Strategic Dividend and Income Fund	62,779	41,796
Fidelity Stock Selector	50,859	71,697
Morgan Stanley Institutional Active International Alloc Fund P	31,005 **	42,477 **
Templeton Foreign Smaller Companies Fund A	63,341 **	37,317 **
AIM Global Aggressive Growth Fund A	44,982 **	72,859 **
Western Asset Core Bond FI CL	118,986	64,475
Fidelity Select Home Finance Portfolio	57,391	32,459
AIM Diversified Dividend Investment Fund	51,610	60,886
Dreyfus Founders Equity Growth Fund A	68,051	41,127
Credit Suisse Small Cap Core Comm Fund	-	28,772
American Century Large Company Value Investor	57,512	47,275
Wells Fargo Advantage Common Stock Z Fund	96,145	51,820
Fidelity Select Construction and Housing Portfolio	59,186	49,815
Fidelity Real Estate Income Fund	113,684	80,413
Neuberger Berman Socially Resp Trust Fund	87,792	42,724
American Beacon Small Cap Value Plan	67,135	47,114
American Century Small Company Investor	33,583	27,155
Fidelity Select Industrials Portfolio	115,184	44,863
Credit Suisse Large Cap Blend A	58,341	39,062
Fidelity Select IT Services Portfolio	39,217	9,685
Fidelity Floating Rate High Income Fund	157,557	73,805
Fidelity Select Transportation Portfolio	335,231	91,028
Dreyfus Founders Equity Growth Fund F	37,469	30,308
Fidelity Total Bond Fund	394,334	218,858
Old Mutual Mid Cap Fund Z	39,648	29,093
USAA GNMA Trust Fund	218,945	196,527
TCW Select Equities Fund N	51,402	43,923
Fidelity Select Air Transportation Portfolio	80,430	40,391
USAA Income Stock Fund	58,121	51,215
AIM Mid Cap Core Equity Fund A	60,664	44,620
Fidelity Industrial Equipment Portfolio	17,343	14,896
Credit Suisse Large Capital Growth Fund	-	42,663
Fidelity Select Retailing Portfolio	130,757	68,406
Managers Special Equity Fund I	23,124	25,925
Calvert Social Investment Balanced CL A	35,950	27,863
Wells Fargo Advantage Ultra S/T Income Fund	32,700	27,520
McKee International Equity Inst CL	22,977 **	20,385 **
Janus Adviser Large Cap Growth Fund S	-	-

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**NOTE 2 – INVESTMENTS AND DEPOSITS (CONTINUED)**

	<u>2010</u>		<u>2009</u>
<b>Variable Earnings Investments</b> (Continued):			
Morgan Stanley Institutional Global Value Equity Fund P	\$ 13,917 **	\$	9,803 **
Loomis Sayles Small Cap Value Retail CL	15,326		14,568
American Beacon Short Term Bond Plan Ahead CL	32,854		26,060
Fidelity Select Multimedia Portfolio	54,417		16,935
Wells Fargo Advantage Large Cap Gr Investment Fund	24,345		18,956
Morgan Stanley Institutional International Equity P	27,156 **		22,558 **
Fidelity Total International Equity Fund	20,216 **		356 **
Fidelity International Value Fund	26,502 **		21,355 **
AIM Constellation Fund A	70,001		38,445
Fidelity Institutional Short-Intermediate Government Fund	235,065		207,449
Neuberger Berman Focus Trust Fund	23,802		17,223
Fidelity Select Automotive Portfolio	250,304		90,738
Janus Adviser Flexible Bond Fund S	57,817		53,643
Fidelity Select Environmental Portfolio	72,732		38,930
Calvert Social Investment Equity CL A	43,235		33,401
Janus Adviser Worldwide Fund S	56,126 **		57,359 **
Fidelity Ultra short Bond Fund	121,302		86,391
Fidelity Strategic Real Return Fund	41,535		31,651
Fidelity Focused High Income	14,906		12,645
Fidelity Select Consumer Discretionary Portfolio	65,062		18,494
Credit Suisse Mid Cap Core Comm Fund	-		4,210
Calvert New Vision Small Cap CL A	-		2,177
AIM Large Capital Growth Fund A	2,730		1,829
Morgan Stanley Institutional Balanced P Fund	14,253		13,184
Neuberger Berman Mid Cap Growth Trust Fund	6,430		5,394
Wells Fargo Advantage Short-Term Bond Fund-Investor Class	16,151		130,740
DWS Growth & Income Fund S	47,806		24,722
Calvert World Values International Equity CL A	2,900 **		2,493 **
Calvert Capital Accumulation CL A	32,075		1,949
Spartan Intermediate Treasury Bond Index Fund-Investor Class	425,648		287,678
American Century Ultra Investment Fund	17,206		13,259
Old Mutual Strategic Small Company Fund Z	11,571		7,726
Fidelity New Millennium Fund	19,412		11,511
TCW Small Cap Growth Fund N	39,542		46,278
Spartan Long term Treasury Bond Index Fund-Investor Class	180,497		115,578
Managers AMG Essex Large Cap Growth Fund	-		20,468
Fidelity Large Cap Growth Enhanced Index Fund	1,795		1,237
Fidelity Large Cap Core Enhanced Index Fund	1,054		350
Fidelity Asset Manager 30% Fund	52,109		6,775
Fidelity Asset Manager 40% Fund	2,671		94
Fidelity International Growth Fund	15,776 **		10,970 **
Fidelity International Capital Appreciation Fund	178,718 **		150,561 **

**STATE OF DELAWARE  
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**NOTE 2 – INVESTMENTS AND DEPOSITS (CONTINUED)**

	<b>2010</b>	<b>2009</b>
<b>Variable Earnings Investments</b> (Continued):		
Fidelity Small Cap Discovery Fund	\$ 442,095	\$ 152,005
Fidelity Dynamic Strategies	141,210	2,734
Fidelity Global Commodity Stock Fund	139,675 **	89,028 **
Alliance Bernstein Balanced Investor Fund	96,120	76,883
Fidelity Growth Strategies	7,310,515	6,063,082
John Hancock Small Company A Fund	66,446	56,324
Neuberger Berman Core Bond Investor Fund	31,296	60,145
Janus Flexible Bond Fund J	111,980	8,313
Perkins Mid Cap Value Fund J	1,036,378	896,861
Janus Overseas Fund S	824,716 **	691,257 **
Janus S Fund	42,404	29,442
Aberdeen Asset Management International Equity Institutional Service Fund	10,297 **	3,110 **
Aberdeen Asset Management Global FX Income Fund	25,621	22,735
Fidelity Asset Manager 60% Fund	92,058	32,462
Fidelity Large Cap Value Enhanced Index Fund	7,881	3,858
Dreyfus Long Term Growth and Income Investor Class	23,994	19,340
Fidelity 130/30 Large Cap Fund	1,327	1,223
Fidelity Europe, Middle East and Africa Fund	96,297 **	45,892 **
Fidelity Magellan Fund	112,863	70,514
Fidelity Mid Cap Enhanced Index Fund	20,698	16,541
Fidelity Small Cap Enhanced Index Fund	17,409	12,868
Old Mutual Focused Z Fund	112,110	102,961
Total Variable earnings investments	361,523,393	313,319,769
<b>Total Investments</b>	<b>\$ 370,038,598</b>	<b>\$ 322,378,920</b>

**Custodial credit risk** is the risk that, in the event of a failure of the counterparty, the Plan would not be able to recover the value of its deposits, investments, or collateral securities that were in the possession of an outside party. Investment securities are exposed to custodial credit risk if they are uninsured or not registered in the name of the Plan and are held by either the counterparty or the counterparty's trust department or agent, but not in the Plan's name. Investments in Fidelity fixed earnings investments are held in the Plan's name by Fidelity, agent of the Plan; the remaining investments are held in a trust account for the benefit of the Plan. As a result, the investments of the Plan are not exposed to custodial credit risk.

**Interest rate risk** is the risk that changes in interest rates that will adversely affect the value of an investment.

**STATE OF DELAWARE  
DEFERRED COMPENSATION PLAN  
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**NOTE 2 – INVESTMENTS AND DEPOSITS (CONTINUED)**

As of December 31, 2010 and 2009, the Plan had the following investments and maturities in its fixed earnings investments and mutual funds which include investments in bonds:

	2010		2009	
	Fair Value	Weighted Avg. Maturity	Fair Value	Weighted Avg. Maturity
<b>Fixed Earnings Investments:</b>				
Stable value option	\$ 8,515,205	2.86	\$ 9,059,151	2.60
<b>Variable Earnings Investments:</b>				
Fidelity Capital & Income Fund	1,330,541	7.40	1,264,622	6.20
Fidelity Mortgage Securities Portfolio	78,776	3.43	72,313	3.70
Fidelity Freedom Income Fund	2,149,994	6.65	1,517,497	5.94
Fidelity Freedom 2000 Fund	1,788,393	6.65	1,663,114	5.94
Fidelity Freedom 2010 Fund	18,609,014	6.66	16,600,709	5.94
Fidelity Freedom 2020 Fund	32,659,536	6.66	26,982,416	5.94
Fidelity Freedom 2030 Fund	17,408,096	6.65	13,790,025	5.94
Fidelity High Income Fund	436,577	6.00	350,747	5.70
Fidelity Freedom 2040 Fund	6,539,968	6.65	4,823,517	5.94
Fidelity Freedom 2005 Fund	1,348,596	6.65	1,191,857	5.94
Fidelity Freedom 2015 Fund	15,345,974	6.65	11,656,006	5.94
Fidelity Freedom 2025 Fund	13,180,337	6.64	9,050,806	5.94
Fidelity Freedom 2035 Fund	6,387,330	6.65	4,276,004	5.94
Fidelity Focused High Income	14,906	7.10	12,645	6.30
Fidelity Freedom 2045 Fund	2,233,630	6.65	1,445,958	5.94
Fidelity Freedom 2050 Fund	1,069,303	6.64	689,759	5.94
PIMCO Total Return Fund	10,803,138	6.55	9,236,097	6.46
Calvert Social Investment Balanced CL A	35,950	3.80	27,863	5.01
Oakmark Equity & Income Fund	2,201,880	3.52	1,823,896	4.70
PIMCO Global Bond (Unhedged) Admin Fund	339,528	6.47	217,971	6.91
PIMCO High Yield Admin Fund	629,752	6.36	500,415	8.64
PIMCO Low Duration Admin Fund	416,220	2.86	318,026	3.03
Templeton Global Bond Fund A	1,741,717	4.25	1,265,454	7.18
USAA Cornerstone Strategy Fund	97,002	7.17	91,912	6.89
USAA GNMA Trust Fund	218,945	3.39	196,527	3.44
USAA Income Fund	601,812	5.08	768,038	4.62
Managers Bond Fund	652,471	11.37	588,082	11.48
Western Asset Core Bond FI CL	118,986	4.77	64,475	8.00
AIM Basic Balanced Investment Fund	319,634	5.49	302,712	6.50
Fidelity Corporate Bond Fund	749	6.73	-	N/A

The mutual funds in the chart listed on the following pages do not have a weighted average maturity. Fidelity provided the following information related to the duration of their investments as of December 31, 2010 and 2009:

**STATE OF DELAWARE  
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**NOTE 2 – INVESTMENTS AND DEPOSITS (CONTINUED)**

Fair Value	2010							
	Maturity							
	1-3 Yr	3-5 Yr	5-7 Yr	7-10 Yr	10-15 Yr	15-20 Yr	20-30 Yr	30+ Yr
	%	%	%	%	%	%	%	%
<b>Variable Earnings Investments:</b>								
Aberdeen Global Fixed Income Instl Svc	11.04	25.73	13.28	12.05	5.98	5.99	20.46	5.47
American Beacon Balanced Inv	8.65	24.36	8.76	13.95	3.50	6.26	30.40	4.12
American Beacon Shrt-Trm Bd Inv	43.81	41.68	0.00	0.69	1.65	0.40	9.49	2.28
Calvert Balanced A	17.53	9.79	11.24	9.26	3.73	8.35	21.40	18.71
Dreyfus LifeTime Growth & Income Inv	39.44	23.93	14.42	21.99	0.00	0.00	0.00	0.22
DWS Growth & Income S	0.00	0.00	0.00	0.00	0.00	100.00	0.00	0.00
DWS Strategic Value A	0.00	0.00	0.00	0.00	0.00	100.00	0.00	0.00
Fidelity Asset Manager 20%	6.71	39.96	8.38	18.39	1.10	0.98	15.02	9.46
Fidelity Asset Manager 30%	6.71	39.96	8.38	18.39	1.10	0.98	15.02	9.46
Fidelity Asset Manager 40%	6.71	39.97	8.38	18.38	1.10	0.97	15.02	9.46
Fidelity Asset Manager 50%	6.71	39.97	8.38	18.38	1.10	0.97	15.02	9.46
Fidelity Asset Manager 60%	6.71	39.97	8.38	18.38	1.10	0.97	15.02	9.46
Fidelity Asset Manager 70%	6.71	39.97	8.38	18.38	1.10	0.97	15.02	9.46
Fidelity Asset Manager 85%	6.71	40.00	8.38	18.37	1.10	0.97	15.01	9.46
Fidelity Balanced	23.45	17.65	16.16	16.57	0.63	1.02	17.09	7.44
Fidelity Capital & Income	3.18	28.90	31.98	20.18	3.87	4.47	6.69	0.73
Fidelity Convertible Securities	10.44	33.17	10.17	1.15	5.42	14.28	14.75	10.62
Fidelity Corporate Bond	12.15	18.92	17.67	21.63	0.22	0.00	24.49	4.94
Fidelity Dividend Growth	0.00	38.94	19.45	0.00	0.00	0.00	7.10	34.51
Fidelity Dynamic Strategies	11.62	25.35	11.24	12.17	3.24	4.11	27.93	4.34
Fidelity EMEA	100.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Fidelity Equity-Income	0.00	18.97	24.17	0.00	23.95	14.26	6.15	12.51
Fidelity Floating Rate High Income	14.14	47.77	33.60	3.93	0.50	0.07	0.00	0.00
Fidelity Focused High Income	2.67	21.27	31.79	33.90	3.28	4.15	1.53	1.41
Fidelity Four-in-One Index	22.59	26.93	7.55	18.22	1.65	2.00	16.76	4.29
Fidelity Freedom 2000	34.37	29.13	10.88	13.86	1.00	1.52	6.15	3.10
Fidelity Freedom 2005	27.27	30.95	12.84	16.06	1.10	1.78	6.83	3.16
Fidelity Freedom 2010	20.07	32.89	14.52	18.28	1.16	2.09	7.68	3.32
Fidelity Freedom 2015	19.01	33.15	14.59	18.42	1.19	2.12	8.07	3.46
Fidelity Freedom 2020	13.90	34.20	16.59	19.50	1.44	2.37	8.52	3.47
Fidelity Freedom 2025	9.41	35.08	18.30	20.12	1.73	2.63	9.15	3.58

**STATE OF DELAWARE  
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**NOTE 2 – INVESTMENTS AND DEPOSITS (CONTINUED)**

Fair Value	2010							
	Maturity							
	1-3 Yr	3-5 Yr	5-7 Yr	7-10 Yr	10-15 Yr	15-20 Yr	20-30 Yr	30+ Yr
	%	%	%	%	%	%	%	%
<b>Variable Earnings Investments:</b> (Continued)								
Fidelity Freedom 2030	7.45	35.37	18.62	19.35	2.02	2.96	10.25	3.99
Fidelity Freedom 2035	6.25	35.00	21.24	19.35	2.43	2.99	9.28	3.46
Fidelity Freedom 2040	5.86	34.66	23.02	19.59	2.64	2.91	8.34	2.98
Fidelity Freedom 2045	5.27	34.17	25.73	19.95	2.96	2.77	6.90	2.26
Fidelity Freedom 2050	4.38	33.41	29.95	20.49	3.47	2.56	4.62	1.13
Fidelity Freedom Income	33.72	29.33	10.92	14.03	1.00	1.54	6.32	3.15
Fidelity Global Balanced	7.09	21.29	15.20	33.67	3.10	9.47	6.68	3.50
Fidelity GNMA Fund	0.00	0.07	0.88	3.61	0.47	7.10	85.36	2.51
Fidelity Government Income	30.29	13.61	17.99	10.89	6.41	4.53	14.86	1.42
Fidelity High Income	4.71	36.99	30.59	21.01	3.43	0.91	1.55	0.82
Fidelity Inflation-Protected Bond	16.46	18.18	15.76	18.47	4.91	23.37	2.78	0.08
Fidelity Instl Shrt-Interm Govt	58.48	32.03	0.83	2.00	0.55	0.16	5.02	0.93
Fidelity Intermediate Bond	19.32	37.18	10.10	24.75	1.19	0.10	3.00	4.36
Fidelity Intermediate Government Inc	33.36	22.58	18.13	15.09	1.09	0.13	8.63	0.97
Fidelity Investment Grade Bond	12.98	34.85	7.96	17.24	0.97	0.77	16.64	8.58
Fidelity Leveraged Company Stock	3.43	37.60	20.16	0.00	14.67	1.21	21.31	1.62
Fidelity Low-Priced Stock	30.89	69.11	0.00	0.00	0.00	0.00	0.00	0.00
Fidelity Money: Retirement Govt MMkt	100.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Fidelity New Markets Income	3.75	12.46	13.10	22.52	11.31	14.63	18.47	3.77
Fidelity Puritan	20.82	17.94	18.03	17.00	0.63	1.13	17.06	7.39
Fidelity Real Estate Income	6.72	13.68	16.23	11.11	5.27	20.68	18.99	7.34
Fidelity Retirement Money Market	100.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Fidelity Select Automotive	27.39	0.00	0.00	0.00	6.59	65.96	0.06	0.00
Fidelity Short-Term Bond	71.55	18.80	0.48	1.40	0.86	0.33	3.49	3.09
Fidelity Spartan Extended Mkt Index Inv	0.00	0.00	100.00	0.00	0.00	0.00	0.00	0.00
Fidelity Spartan Interm Tr Bd Idx Inv	0.00	0.00	54.01	45.99	0.00	0.00	0.00	0.00
Fidelity Spartan L/T Tr Bd Idx Inv	0.00	0.00	0.00	0.00	22.30	19.37	58.33	0.00
Fidelity Spartan S/T Tr Bd Idx Inv	61.60	38.40	0.00	0.00	0.00	0.00	0.00	0.00
Fidelity Spartan Total Market Index Inv	0.00	0.00	100.00	0.00	0.00	0.00	0.00	0.00
Fidelity Strategic Dividend & Income	0.39	20.93	12.70	8.57	0.00	2.86	0.00	54.55
Fidelity Strategic Income	13.79	22.66	19.86	21.96	4.44	4.65	10.05	2.59

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**NOTE 2 – INVESTMENTS AND DEPOSITS (CONTINUED)**

	2010							
	Maturity							
	1-3 Yr	3-5 Yr	5-7 Yr	7-10 Yr	10-15 Yr	15-20 Yr	20-30 Yr	30+ Yr
Fair Value	%	%	%	%	%	%	%	%
<b>Variable Earnings Investments:</b> (Continued)								
Fidelity Strategic Real Return	15.37	37.02	17.49	7.26	3.87	13.81	4.39	0.82
Fidelity Total Bond	7.84	35.80	7.76	19.42	1.39	1.85	17.68	8.26
Fidelity Ultra-Short Bond	76.56	11.28	0.11	2.93	1.35	1.61	3.54	2.61
Fidelity US Bond Index	24.27	26.49	8.04	16.95	1.61	2.00	16.39	4.25
Fidelity US Government Reserves	75.06	0.00	0.00	0.00	0.00	0.00	24.95	0.00
Fidelity Worldwide	0.00	59.54	40.46	0.00	0.00	0.00	0.00	0.00
FPA Crescent	37.02	24.11	18.40	0.45	1.29	0.01	4.97	13.76
Invesco Basic Balanced Inv	22.54	25.13	3.23	23.52	4.37	1.89	18.56	0.77
Janus Balanced S	19.99	31.24	10.41	29.91	1.38	0.86	4.72	1.48
Janus Flexible Bond S	23.61	29.41	11.16	28.04	1.44	0.57	4.53	1.25
Janus Flexible Bond T	23.61	29.41	11.16	28.04	1.44	0.57	4.53	1.25
Managers Bond	11.22	6.56	13.63	27.89	6.12	4.32	28.81	1.45
Morgan Stanley Inst Balanced P	7.58	10.18	6.53	25.59	14.29	11.74	20.09	4.01
Morgan Stanley Inst Core Plus FI P	8.45	7.34	6.26	24.98	15.06	13.21	21.47	3.22
Mutual Global Discovery A	32.10	37.33	30.57	0.00	0.00	0.00	0.00	0.00
Mutual Shares A	31.49	49.68	18.83	0.00	0.00	0.00	0.00	0.00
Neuberger Berman Core Bond Inv	3.46	9.60	16.98	10.77	3.24	0.00	22.65	33.30
Oakmark Equity & Income I	60.11	1.72	1.29	33.20	1.08	2.61	0.00	0.00
PIMCO Global Bond (Unhedged) Admin	25.50	11.44	13.93	17.69	10.33	3.52	14.04	3.54
PIMCO High Yield Admin	7.25	18.61	25.84	27.84	4.11	3.05	6.58	6.73
PIMCO Long-Term US Government Admin	2.71	0.83	2.55	1.76	22.74	18.16	46.35	4.92
PIMCO Low Duration Admin	21.64	14.75	6.14	4.19	2.52	1.19	14.00	35.56
PIMCO Total Return Instl	16.46	13.21	19.68	8.27	1.84	3.03	19.82	17.67
Templeton Global Bond A	45.14	9.85	6.00	12.63	8.06	8.31	7.71	2.30
Templeton World A	37.57	0.00	0.00	0.00	0.00	0.00	62.43	0.00
USAA Cornerstone Strategy	3.95	5.06	8.75	3.60	3.38	2.38	10.79	62.09
USAA GNMA	4.13	0.00	0.64	0.45	8.38	2.54	83.86	0.00
USAA Income	13.25	10.19	9.33	28.10	5.03	3.31	16.62	14.18
Wells Fargo Advantage Government Sec Inv	9.55	8.07	4.29	9.75	2.38	3.35	38.36	24.27
Wells Fargo Advantage Short-Term Bd Inv	58.28	24.63	1.41	0.88	0.28	2.39	9.82	2.33
Wells Fargo Advantage Ultra S/T Inc Inv	65.61	4.50	0.83	2.35	1.17	3.71	18.50	3.34
Western Asset Core Bond FI	10.37	4.52	6.24	13.16	6.64	5.49	32.47	21.12

**STATE OF DELAWARE  
DEFERRED COMPENSATION PLAN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2010 and 2009**

**NOTE 2 – INVESTMENTS AND DEPOSITS (CONTINUED)**

	2009								
		Maturity							
	Fair Value	1-3 Yr	3-5 Yr	5-7 Yr	7-10 Yr	10-15 Yr	15-20 Yr	20-30 Yr	30+ Yr
	%	%	%	%	%	%	%	%	%
<b>Variable Earnings Investments:</b>									
Aberdeen Global Fixed Income Instl Svc	\$ 25,621	11.42	17.38	13.90	14.87	5.09	4.52	19.06	13.75
American Beacon Shrt-Trm Bd Inv	32,854	67.51	24.53	5.47	-	0.40	1.02	-	1.07
Baron Growth	1,162,213	-	100.00	-	-	-	-	-	-
Calvert Capital Accumulation A	32,075	100.00	-	-	-	-	-	-	-
Calvert World Values International Eq A	2,900	100.00	-	-	-	-	-	-	-
Dreyfus LifeTime Growth & Income Inv	23,994	39.41	22.83	14.36	23.20	-	-	-	0.20
Fidelity Asset Manager 20%	1,052,970	22.00	28.76	10.88	11.41	1.95	1.03	14.32	9.64
Fidelity Asset Manager 30%	52,109	22.00	28.76	10.88	11.41	1.95	1.03	14.32	9.64
Fidelity Asset Manager 40%	2,671	22.00	28.76	10.87	11.41	1.95	1.03	14.32	9.64
Fidelity Asset Manager 50%	911,797	22.00	28.76	10.87	11.41	1.95	1.03	14.32	9.64
Fidelity Asset Manager 60%	92,058	22.00	28.77	10.87	11.41	1.95	1.03	14.32	9.64
Fidelity Asset Manager 70%	955,668	22.00	28.77	10.87	11.41	1.95	1.03	14.32	9.64
Fidelity Asset Manager 85%	686,470	21.98	28.82	10.87	11.40	1.95	1.03	14.31	9.64
Fidelity Balanced	3,307,840	12.02	34.48	7.26	16.11	1.29	3.87	16.32	8.64
Fidelity Cash Reserves	3,042,597	-	-	-	-	-	12.28	39.08	48.64
Fidelity Contrafund	7,110,014	-	36.49	-	-	-	10.73	52.78	-
Fidelity Convertible Securities	441,356	6.03	30.40	13.74	1.54	4.59	18.98	16.14	8.59
Fidelity Dividend Growth	4,534,921	-	26.13	58.11	-	-	-	-	15.76
Fidelity Dynamic Strategies	141,210	15.81	28.07	14.60	15.44	2.85	9.89	8.94	4.41
Fidelity Equity-Income	836,584	-	17.64	40.21	2.00	18.70	10.27	4.67	6.51
Fidelity Floating Rate High Income	157,557	17.97	67.26	11.69	2.72	0.36	-	-	-
Fidelity Four-in-One Index	1,681,352	19.08	29.72	5.56	19.27	2.08	0.85	17.90	5.53
Fidelity GNMA Fund	967,878	-	-	0.08	0.03	0.11	14.56	85.03	0.20
Fidelity Global Balanced	591,095	9.71	19.08	23.42	21.44	3.79	5.86	9.34	7.35
Fidelity Government Income	1,554,005	37.03	18.22	10.30	8.76	7.82	4.96	12.70	0.20
Fidelity Inflation-Protected Bond	601,827	16.85	24.59	15.12	13.24	4.68	25.42	0.01	0.09
Fidelity Instl Shrt-Interm Govt	235,065	57.85	39.60	0.63	0.80	0.27	0.18	0.68	-
Fidelity Intermediate Bond	903,490	24.12	37.09	6.73	20.73	0.94	0.22	4.14	6.04
Fidelity Intermediate Government Inc	359,335	35.32	34.63	5.84	22.53	0.28	0.25	1.16	-
Fidelity Investment Grade Bond	550,430	18.95	29.18	9.50	12.43	1.90	1.15	16.58	10.31
Fidelity Leveraged Company Stock	1,523,734	2.65	46.21	19.80	16.15	2.32	5.14	7.58	0.14

**STATE OF DELAWARE  
DEFERRED COMPENSATION PLAN  
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December 31, 2010 and 2009**

**NOTE 2 – INVESTMENTS AND DEPOSITS (CONTINUED)**

	2009								
	Maturity	Maturity	Maturity	Maturity	Maturity	Maturity	Maturity	Maturity	
	1-3 Yr	3-5 Yr	5-7 Yr	7-10 Yr	10-15 Yr	15-20 Yr	20-30 Yr	30+ Yr	
Fair Value	%	%	%	%	%	%	%	%	
<b>Variable Earnings Investments: (Continued)</b>									
Fidelity New Markets Income	\$ 1,355,566	5.30	17.12	14.15	28.69	7.84	9.22	14.96	2.71
Fidelity Puritan	5,547,297	13.56	28.91	8.90	17.70	1.30	4.04	16.69	8.90
Fidelity Real Estate Income	113,684	14.35	15.04	15.06	4.30	6.42	21.28	21.09	2.47
Fidelity Select Air Transportation	80,430	-	-	-	-	-	100.00	-	-
Fidelity Select Chemicals	372,479	-	100.00	-	-	-	-	-	-
Fidelity Select Medical Delivery	356,470	-	-	100.00	-	-	-	-	-
Fidelity Select Natural Gas	698,845	-	1.79	-	-	-	-	98.21	-
Fidelity Short-Term Bond	510,854	69.81	17.68	1.54	1.02	0.59	0.79	4.58	4.01
Fidelity Spartan Interm Treasury Bond Index Inv	425,648	-	-	50.31	49.69	-	-	-	-
Fidelity Spartan L/T Tr Bd Idx Inv	180,497	-	-	-	-	29.65	24.53	45.82	-
Fidelity Spartan S/T Tr Bd Idx Inv	361,198	64.62	35.38	-	-	-	-	-	-
Fidelity Strategic Dividend & Income	62,779	-	-	-	-	-	-	-	100.00
Fidelity Strategic Income	1,179,124	16.34	31.20	18.95	14.58	5.09	3.29	8.30	2.25
Fidelity Strategic Real Return	41,535	16.28	42.35	13.79	6.79	0.70	16.86	2.64	0.59
Fidelity Total Bond	394,334	18.34	31.48	3.82	19.47	1.42	1.81	14.30	9.37
Fidelity Ultra-Short Bond	121,302	84.72	9.85	1.02	1.61	0.16	0.50	1.45	0.69
Fidelity US Bond Index	1,101,389	20.37	30.12	5.38	18.85	1.91	0.75	17.27	5.34
Fidelity Value Strategies	1,771,033	-	100.00	-	-	-	-	-	-
Fidelity Worldwide	157,726	41.69	48.58	9.73	-	-	-	-	-
FPA Crescent	664,412	42.48	18.42	17.37	9.04	3.09	7.18	2.43	-
Mutual Global Discovery A	570,128	49.00	45.75	2.15	3.10	-	-	-	-
Janus Balanced S	42,404	24.95	33.43	9.76	26.20	1.56	0.14	3.25	0.72
Janus Flexible Bond T	492,369	29.11	28.33	12.01	25.25	1.44	0.11	3.12	0.64
Janus Flexible Bond S	57,817	29.11	28.33	12.01	25.25	1.44	0.11	3.12	0.64
Morgan Stanley Inst Balanced P	14,253	9.81	14.32	5.47	19.26	7.78	-	42.61	0.76
Morgan Stanley Inst Core Plus FI P	39,877	6.34	12.09	4.28	20.67	5.37	2.13	46.37	2.74
Mutual Shares A	437,408	-	74.12	10.89	14.98	-	-	-	-
Neuberger Berman Core Bond Inv	31,296	3.28	13.15	4.87	31.13	3.56	0.10	33.43	10.47
Templeton World A	328,005	52.45	-	-	-	-	-	47.55	-
Wells Fargo Advantage Government Sec Inv	92,302	13.34	4.09	4.76	11.77	7.70	5.70	41.20	11.44
Wells Fargo Advantage Short-Term Bd Inv	16,151	37.72	38.35	1.28	3.30	3.15	2.82	10.43	2.96
Wells Fargo Advantage Ultra S/T Inc Inv	32,700	57.10	7.08	1.36	1.67	3.89	3.68	20.06	5.17

**STATE OF DELAWARE  
DEFERRED COMPENSATION PLAN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2010 and 2009**

**NOTE 2 – INVESTMENTS AND DEPOSITS (CONTINUED)**

**Credit risk** is the risk that the Plan will lose money because of the default of the security of the issuer or investment counterparty. The stable value option and the variable earnings mutual funds are unrated.

**Concentration of credit risk** is the risk of loss attributed to the magnitude of the Plan's investment in a single issuer. The Plan's investments are managed by several fund managers. The concentrations of investments are determined by the participants' elections to invest in the available investment options as selected by the Council. The investments that exceed 5% are identified on pages 11 through 18.

**Foreign Currency Risk** is the risk that changes in exchange rates will adversely affect the fair value of the investment. The Plan allows the option of investments in mutual funds of countries outside the U.S. that invest in securities not required to disclose the individual assets within the fund. The fair value of these investments was \$23,405,510 as of December 31, 2010. The individual funds are identified on pages 11 through 18.

**NOTE 3 – PLAN ADMINISTRATION**

The Plan administrator is Fidelity Management Trust Company (FMTC).

Participants may also select a Self-Directed brokerage account through Brokeragelink. The annual account fee for this account was waived for the years ending December 31, 2010 and 2009. The fees charged are netted against participant accounts and are not reflected as administrative expenses. Brokerage fees charged to participants during 2010 and 2009 were \$53,907 and \$6,620, respectively.

**NOTE 4 – TAX STATUS**

In the opinion of the legal counsel, the Plan is an eligible deferred compensation plan as defined by Section 457 to the IRC. Accordingly, any amount of compensation deferred under the Plan and any income attributable to the amounts so deferred shall be included in the gross income of the participant only for the taxable year in which such compensation or other income is paid or, otherwise, made available to the participant or their beneficiary.

**NOTE 5 – PLAN TERMINATION**

The State may terminate the Plan at any time, although no intent to terminate the Plan has been expressed. In the event of termination, all participants will remain fully vested.

**NOTE 6 – RISKS AND UNCERTAINTIES**

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the Statements of Net Assets Available for Plan Benefits.

**STATE OF DELAWARE  
DEFERRED COMPENSATION PLAN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2010 and 2009**

**NOTE 7 – SUBSEQUENT EVENTS**

The Plan evaluated subsequent events through September 9, 2011 the date the financial statements were available to be issued. Events or transactions occurring after December 31, 2010, but prior to September 9, 2011 that provided additional evidence about conditions that existed at December 31, 2010, have been recognized in the financial statements for the year ended December 31, 2010. Events or transactions that provided evidence about conditions that did not exist at December 31, 2010, but arose before the financial statements were available to be issued have not been recognized in the financial statements for the year ended December 31, 2010.

**Independent Auditor's Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Based on Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards***

Deferred Compensation Council  
State of Delaware Deferred Compensation Plan  
Dover, Delaware

We have audited the basic financial statements of the State of Delaware Deferred Compensation Plan (the Plan) as of and for the year ended December 31, 2010 and have issued our report thereon dated September 9, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Plan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Plan's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than remote likelihood that a misstatement of the Plan's financial statements that is more than inconsequential will not be prevented or detected by the Plan's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Plan's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Plan's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Deferred Compensation Council, Management and other oversight agencies and is not intended to be and should not be used by anyone other than these specified parties. However, under 29 Del.C., Section 10002(d), this report is a public record and its distribution is not limited.

*Clifton Gunderson LLP*

Baltimore, Maryland  
September 9, 2011