

Contact: Patrice Sayre

MODIFICATION OF BANKING RELATIONSHIPS

Action Requested: Consider approval of changes to the financial institutions, subject to the limitations specified with respect to purpose and maximum amount.

Executive Summary:

FINANCIAL INSTITUTIONS

Iowa Code §12C.2 requires that the Board of Regents approve financial institutions that serve as depositories of its public funds. Approval must be entered by written resolution or order into the Board's minutes, distinctly naming each approved depository and specifying the maximum amount which may be kept on deposit. Regent Policy Manual §7.08(J.2) requires that changes in investment relationships be reviewed by the Audit/Compliance and Investment Committee (ACIC) and approved by the Board before institutions are permitted to use their services.

Because of the unprecedented volatility in the market for shorter-term fixed-income securities, Commonfund (CF), an intermediate fund authorized by the Board in September 2005, imposed a 30% redemption restriction on the fund as of September 26, 2008. Regents universities withdrew the maximum allowable and must find financial institutions to hold these transitional funds.

As noted at the September 17, 2008, Audit/Compliance and Investment Committee meeting, Regents institutions are backed by the State Sinking Fund, an added protection layer beyond FDIC limits.

Given the recent economic conditions, all three universities propose changes to the banking relationships approved by the Board at its September 2008 meeting to accommodate funds that have been withdrawn from Commonfund.

- ◆ The University of Iowa proposes to increase the maximum balances for Wells Fargo, Bank of America, and US Bank;
- ◆ Iowa State University proposes to increase the maximum balances for Wells Fargo and US Bank; and
- ◆ The University of Northern Iowa reports that its funds are in the Wells Fargo Advantage Cash Investment Money Market Fund.

These proposed changes are illustrated on the following page.

FINANCIAL INSTITUTIONS AS OF OCTOBER 2008

UNIVERSITY OF IOWA	<u>Maximum Deposit</u>	<u>In Iowa</u>	<u>Outside Iowa</u>
Wells Fargo Bank – Iowa (DDA) ^{1, 6, 7, 9}	<u>\$700,000,000</u>	X	
	<u>\$400,000,000</u>		
Bank of America – Des Moines (DDA) ^{1,5}	<u>\$450,000,000</u>	X	
	<u>\$150,000,000</u>		
Hills Bank & Trust Company – Iowa City ⁹	<u>\$25,000,000</u>	X	
Iowa State Bank and Trust <u>Midwest One Bank – Iowa City (DDA)</u>	<u>\$25,000,000</u>	X	
University of Iowa Community Credit Union ^{1,9}	<u>\$25,000,000</u>	X	
US Bank Iowa – Cedar Rapids (DDA)	<u>\$25,000,000</u>	X	
US Bank – Iowa City (DDA) ⁵	<u>\$325,000,000</u>	X	
	<u>\$25,000,000</u>		
Wells Fargo Bank – Atlantic ²		X	
Wells Fargo Bank – Minnesota ^{4, 8}			X
Wells Fargo Bank – Van Wert, Ohio ²			X
IOWA STATE UNIVERSITY	<u>Maximum Deposit</u>	<u>In Iowa</u>	<u>Outside Iowa</u>
Bankers Trust – Des Moines (DDA) ^{1, 2,}	<u>\$150,000,000</u>	X	
Wells Fargo Bank – Des Moines (DDA) ⁶	<u>\$100,000,000</u>	X	
	<u>\$20,000,000</u>		
First National Bank – Ames	<u>\$25,000,000</u>	X	
	<u>\$1,000,000</u>		
US Bank – Ames (DDA)	<u>\$100,000,000</u>	X	
	<u>\$1,000,000</u>		
Wells Fargo Bank – Minneapolis, Minnesota ^{4, 6, 8}			X
Bank of America – Des Moines (DDA) ³	<u>\$100,000,000</u>	X	
UNIVERSITY OF NORTHERN IOWA	<u>Maximum Deposit</u>	<u>In Iowa</u>	<u>Outside Iowa</u>
Wells Fargo Bank – Cedar Falls (DDA Account)	<u>\$30,000,000</u>	X	
Regions Bank – Cedar Falls (DDA Account)	<u>\$20,000,000</u>	X	
Wells Fargo Bank – Minnesota ^{4, 8}			X
Regions Bank – Taylorville, Illinois ²			X
IOWA SCHOOL FOR THE DEAF	<u>Maximum Deposit</u>	<u>In Iowa</u>	<u>Outside Iowa</u>
US Bank – Council Bluffs	<u>\$3,000,000</u>	X	
Wells Fargo Bank – Des Moines ⁶		X	
IOWA BRAILLE AND SIGHT SAVING SCHOOL	<u>Maximum Deposit</u>	<u>In Iowa</u>	<u>Outside Iowa</u>
Regions Bank – Vinton	<u>\$1,600,000</u>	X	
US Bank – Cedar Rapids	<u>\$350,000</u>	X	

DDA = Demand Deposit Account

1. Concentration.
2. Controlled Disbursement Account.
3. Credit Card Processor.
4. Custodial Accounts for University Investments.
5. Lockbox Included.
6. Paying Agent.
7. Trust Accounts for Bond Issues.
8. Trust Accounts for Fund Managers.
9. Savings Account.