

**MINUTES OF THE
OREGON 529 COLLEGE SAVINGS BOARD
MEETING OF April 23, 2009**

Members Present: Ben Westlund, Chair
Kirby Dyess
Lyn Hennion
Scott Sandbo
Carl Vance

Network Staff: Michael Parker, Executive Director
Stephanie Swetland, Executive Assistant
Lynn Nagasako, Legal Counsel

Treasury Staff: Tom Lofton, Office of the Treasurer
Ben Mahon, Office of the Treasurer
Kevin Nordhill, Office of the Treasurer
James Sinks, Office of the Treasurer
Michael Viteri, Office of the Treasurer

Others Present: David Connelly, MFS Investment Management
Keith Dubanevich, Department of Justice
Tim Findlay, TGF Productions, Inc.
Bill Finnegan, MFS Investment Management
Scott Gardner, Gardner Financial Group
Becky Gratsinger, RV Kuhns & Associates
Kenneth Henry, OppenheimerFunds, Inc.
Susan Kay, MFS Investment Management
Keith Ketterling, Stoll Berne
Corrie Oliva, RV Kuhns & Associates
Suzanne Pardington, The Oregonian
Adrienne Ruffle, OppenheimerFunds, Inc.
Bruce Sheinhaus, OppenheimerFunds, Inc.
Ben Taylor, RV Kuhns & Associates
Stephanie Yao Liong, The Oregonian
Donna Winn, OppenheimerFunds, Inc.

Chair Ben Westlund convened the meeting at 1:02 p.m.

Kirby Dyess moved to approve the minutes of the February 26, 2009 Board meeting, seconded by Scott Sandbo. All approved.

Michael Parker, Executive Director of the Oregon 529 College Savings Network, stated that the Investment Policies of the Oppenheimer and MFS plans need to be revised to reflect the current funds in each of the plans, as well as their benchmarks. Legal staff wanted to ensure that the Board approve both the policies and the funds in the plans. There have been no changes to the actual policies.

Board Member Carl Vance inquired if the Board really wanted to list the individual funds in the plans, because housekeeping would have to be done every time a fund is changed. He believes an investment policy would typically list the asset allocation policy but not the individual funds.

Mr. Parker replied that the Board would be hearing a presentation shortly regarding the recommendation for an investment consultant. One of the first things the consultant will be doing for the Board is conducting a complete review of the investment policies. The current change is on the existing policies, and they will most likely be updated later this year.

Chair Westlund read the resolution with regard to the investment policies into the record:

Whereas, the Board has, through Board action from time to time, revised portions of its Investment Policies governing the Oregon College Savings Plan and the MFS 529 Savings Plan,

Whereas, the Board desires to update these written investment policies to incorporate all these changes in the appropriate written investment policy,

Be it resolved that the Board hereby ratifies and approves the updated and revised investment policies of the Board governing the Oregon College Savings Plan and the MFS 529 College Savings Plan that are attached to the minutes of this meeting.

Mr. Vance moved to adopt the motion, seconded by Scott Sandbo. All approved.

Ben Mahon, an Investment Officer of the Investment Division of the Office of the State Treasurer, discussed the Investment Division's memorandum to the Board regarding the selection of an investment consultant. The memorandum is included in the Network's physical records of this Board meeting. Mr. Mahon explained the Request For Proposal (RFP) process and how the recommended consultant was chosen. A scoring rubric was used to formulate the assessment based on a number of factors, including organizational stability, experience of key individuals, vendor search experience, investment policy and asset allocation analysis expertise, performance measurement capabilities, manager research and research capabilities and other resources devoted to the 529 universe. Five firms made presentations to the selection team. The presentation team recommends unanimously that the Board retain RV Kuhns and Associates, based on the team's conviction in the consultant after thorough review of all five presenters.

RV Kuhns provided the Board with a written presentation, which is also part of the Network's record for this Board meeting. Becky Gratsinger, CEO of RV Kuhns and Associates, explained that, if RV Kuhns is chosen by the Board, she would be senior advisor for the team as it works through transition issues and reviewing the current 529 program. Ms. Gratsinger stated that strategic consulting is the only business that RV Kuhns does. They are the sixth largest consulting firm in the U.S. and are 100% employee owned and have no conflicts of interest. RV Kuhns believes that better advice is given from a team than an individual, and they have a system in place that provides the client with the benefit of team collaboration as well as clarity of message. RV Kuhns has extensive experience with large defined contribution plans and prides itself on uncovering all sources of fees.

Chair Westlund read the investment consultant resolution into the record:

Be it resolved that the Board hereby approves and authorizes the hiring of RV Kuhns and Associates as our investment consultant to the Board.

Be it further resolved that the Board hereby authorizes the Chair to do and perform such acts and things, including the negotiation of terms and conditions of personal services contract with the consultant and to execute and deliver documents, including a personal services contract, on terms he may, in his discretion, deem reasonable, necessary or proper in order to carry into effect any of the provisions of these resolutions.

Kirby Dyess moved to adopt the resolution, seconded by Lyn Hennion. All approved.

Mr. Parker explained that, due to the difficult economic times, he was able to renegotiate the personal services contract with TGF Productions, Inc. Tim Findlay of TGF has agreed to lower his commission by 33% for the next two years to allow the Network to put more money into the promotion of the Oregon College Savings Plan. Mr. Findlay stated that he is committed to servicing the Plan and the Board. His reduction of fees is a response to the Network's situation in today's economy and to be supportive of and continue working with the Network.

Chair Westlund read the contract amendment into the record:

Be it resolved that the Board hereby approves and authorizes amendment of the Personal Services Contract between the Board and TGF Productions, dated May 16, 2007, to reduce the commission payable to TGF from 15 to 10 percent for the invoiced amount for any media buy as identified in the contract.

Be it further resolved that the Board hereby authorizes the Chair to execute the above amendment and to do and perform such other acts and things, including negotiation of the terms of the amendment and to execute and deliver such other documents as may, in his discretion, be deemed reasonable, necessary or proper in order to carry into effect any of the provisions of these resolutions.

Kirby Dyess moved to approve the resolution, seconded by Scott Sandbo. All approved.

Tom Lofton of the Investment Division of the Office of the State Treasurer reported on the transition out of the Oppenheimer Core Bond Fund and Limited Term Bond Fund. The NAV calculation process for the funds leaving Core Bond was monitored, as well as verifying that the necessary liquidity was generated in an orderly manner so the underlying asset values in the Fund wouldn't be stressed. Lastly, when the transfer took place, the NAV of the fund was monitored. Mr. Lofton was pleased with Oppenheimer's communication with the Investment Division during the transfer and fully satisfied with how the transfer was done.

Bruce Sheinhaus of OppenheimerFunds stated that Oppenheimer was able to do an orderly liquidation from Core Bond Fund and Limited Term Bond Fund over the last weekend in March, 2009. The funds were moved into the Vanguard and Dreyfus funds, as directed by the Board. One of the reasons the transfer was able to be completed in an orderly fashion was because the Board gave Oppenheimer significant notice, and they were able to build up a cash position over time. That cash was then moved from the existing funds over to the new funds.

Keith Dubanevich, Special Counsel to Attorney General John Kroger, updated the Board regarding the investigation against Oppenheimer. Mr. Dubanevich stated that since the last Board meeting, the Department of Justice had completed its investigation and made a recommendation to Chair Westlund that the Department of Justice initiate litigation against Oppenheimer. This recommendation was made only after a good faith effort was made to reach a resolution with Oppenheimer, which was unsuccessful. The lawsuit was filed in Marion County Circuit Court on April 13, 2009.

Mr. Parker updated the Board on where the Network was at in the RFP process for a new program manager for the Oregon College Savings Plan. The RFP was issued on April 1, and a pre-proposal conference call was held on April 13 for any proposed bidders who had additional questions regarding the RFP. Mr. Parker believed the Network would receive a number of quality bids, given the response he had seen.

Mr. Mahon discussed the written summary of an MFS on-site visit that was conducted in March 2009 as part of the Investment Division's due diligence process. The summary is part of the Network's physical record for this Board meeting. Mr. Mahon met with the portfolio managers of three Large Cap Value funds and three other strategy funds. He felt that MFS is in a better

position than most in the industry when coping with the current market implications of less assets, as they are very stable at the top levels of the organization. Across the product suite, performance has been good. MFS integrates the equity and fixed income teams, which allows for greater insight, and the analyst pool compares favorably to its peers as a whole. Mr. Mahon discussed the teams, assets, process and risk management of the Large Cap Value, Limited Maturity Fund, Research Bond Fund and Research Equity Fund.

Donna Winn of OppenheimerFunds provided a response to the comments that were made by the Attorney General's Office earlier in the meeting. She stated that OppenheimerFunds was very disappointed by the actions of the Oregon Attorney General's Office in filing a lawsuit against OFI. Ms. Winn stated that for the last several months, OFI had cooperated fully with the State of Oregon in its inquiry into OFI's role as Program Manager for the funds at issue. She said despite this cooperation and ongoing dialogue with the State, Oregon proceeded to file its suit without so much as a single meeting with OFI to discuss their concerns or potential solutions. She stated that OFI was deeply concerned with the investigative process followed by Oregon and its decision to file a suit at that time, and while OFI would have preferred reasonable, good faith discussion and resolution, they are prepared to defend themselves and their reputation vigorously against these claims, which lack legal merit. She concluded by saying that OFI is willing to meet with the Attorney General at any time.

Bruce Sheinhaus of OppenheimerFunds presented the Oppenheimer first quarter report. He covered unique beneficiary growth, asset and account growth, portfolio accounts and assets, contribution and redemption details, beneficiary and account owner demographics, residency statistics, client call statistics, and client use of the webpage. The report is part of the Network's physical record of this Board meeting.

Ken Henry of OppenheimerFunds provided an overview of the first quarter performance. The equity markets were quite weak, with the benchmark coming in at -10.8%. Small caps and international markets were even worse, with benchmarks coming in at -14.95% and -13.85%, respectively. There was a wide disparity between Large Cap Growth and Large Cap Value, as Large Cap Growth was down 4.12% while Large Cap Value was down 16.77%. This was driven a lot by the downdraft in financials. The Fixed Income markets were essentially flat. Six of the seven equity funds that make up various components of the age-based portfolios outperformed their relative benchmark, and five of the seven outperformed their benchmark by approximately 300 basis points or more. The seventh fund was essentially flat to its benchmark. Mr. Henry also gave a brief summary of the performance of the age-based portfolios.

Susan Kay of MFS began the quarterly presentation for MFS. The report is part of the Network's physical record of this Board meeting. Ms. Kay noted that their acquisition of 529 assets matches the sales rate nationally. First quarter sales for 2009 have increased over the first quarter sales of 2008. MFS is focusing on increasing client seminars from two to three or four per month, working with Merrill Lynch, Morgan Stanley, and Edward Jones to promote the MFS 529 product, and providing training for the Western wholesalers in August.

In response to a question from Carl Vance regarding the naming conventions for the MFS portfolios, Dave Connelly of MFS stated that the question is basically what is meant by relative risk. In the suite of asset allocation funds, it means risk relative to each of the portfolios, and looking at overall equity risk is an aggressive level of risk. The performance history of the funds is also used, as they line up in terms of steps from a more conservative level of risk to a moderate, to a growth and to a more aggressive level. The example that resonates rather than using standard deviations is to look at the calendar year returns of each of the allocation funds both in a positive equity environment and in a downturn market. When reviewed, the returns of the four allocation portfolios in both types of environments has been consistent with their design.

Bill Finnegan of MFS informed the Board that each year Barron's comes out with its ranking of the top performing fund families. MFS finished fourth in the one-year ranking, but they are most

proud of the fact that they placed fourth in the five-year ranking and fifth in the ten-year ranking. They are the only fund family that has been in the top five for all time periods.

Dave Connelly explained some of the events that occurred in the market during the first quarter, which resulted in the equity markets being able to erase a significant portion of the losses they had suffered in early March of 2009, while the overall U.S. equity market was off about 11%, the International market was off 14%, and the Fixed Income market was flat. Mr. Connelly reviewed the performance of the asset allocation funds, and their relative performance was consistent with their design. Although all of the portfolios experienced losses, they still outperformed their benchmarks by between 120-328 basis points. The increased diversification that MFS has built into the portfolios helped to bolster their performance.

Chair Westlund adjourned the meeting at 3:12 p.m.

OREGON QUALIFIED TUITION SAVINGS PROGRAM

MFS 529 SAVINGS PLAN

INVESTMENT POLICIES (Revised and Adopted April 23, 2009)

Program Objective

The objective of the Oregon Qualified Tuition Savings Program (the “Program”) is to create a higher education tuition savings program qualified as a “qualified tuition program” under section 529 of the Internal Revenue Code:

- that increases the ability of families and individuals to save for higher education;
- that utilizes the private sector to administer and invest the contributions to the program under the guidance of the Oregon Qualified Tuition Savings Board (the “Board”); and
- in which the contributions and earnings are held by the program in trust for the benefit of designated beneficiaries and account owners for the uses and purposes set forth in ORS 348.841 to 348.873, and for no other benefit, use or purpose.

Part of the Program is being implemented through the MFS 529 Savings Plan (the “Plan”). These investment policies relate only to the Plan. A separate and distinct statement of investment policies will govern any other plan that comprises a part of the Program.

Any capitalized term used in this statement of investment policies but not defined herein shall have the meaning ascribed to it in the MFS 529 Savings Plan Participant Agreement and Disclosure Statement.

Investment Policies and Strategies

The Plan will provide investors with a two-tiered approach to investing. This approach is geared to provide each Account Owner with the tools needed to meet his or her investment goals regardless of the Account Owner’s level of investing expertise. An Account Owner may invest Account assets in the Age-Based Investment Option, in one or more of the individual Investment Funds underlying the Investment Options in the Individual Investment Fund Option, or a combination of the two options.

1. First Tier: Age-Based Investment Option. The first tier is the Age-Based Investment Option. If an Account Owner selects the Age-Based Investment Option, the Program Manager will invest the Account assets or the designated portion of the Account assets in one of the Investment Funds that comprise the option based on the age of the Designated Beneficiary at

the time of the investment. The Board has sole discretion to select the Investment Funds that will comprise the Age-Based Investment Option, and to change them in accordance with the instruments governing the Plan and applicable law. The Board has designated five of the MFS mutual funds described in (2) below to be used initially in the Age-Based Investment Option. The current Investment Funds for the applicable age groups are shown below. When the Designated Beneficiary reaches the minimum age within the next age group, the Account assets invested in the Age-Based Investment Option automatically will be reinvested in the designated Investment Fund for the next age group at the beginning of the next calendar quarter.

<u>Age of Designated Beneficiary</u>	<u>MFS Mutual Fund</u>
0-5	MFS Aggressive Growth Allocation Fund
6-10	MFS Growth Allocation Fund
11-14	MFS Moderate Allocation Fund
15-18	MFS Conservative Allocation Fund
19+	MFS Limited Maturity Fund [or other fund selected by the Board from time to time]

2. Second Tier: Individual Investment Funds. The Board has sole discretion to select one or more Investment Funds to serve as underlying investments for the individual Investment Options offered pursuant to the second tier of the Plan. Initially, the Board has selected a number of separate open-end investment companies registered under the Investment Company Act of 1940 and qualified as regulated investment companies under Section 851 of the Code that are managed by Massachusetts Financial Services Company or its affiliates (“MFS mutual funds”) as the Investment Funds underlying the Investment Options available in the second tier of the MFS Plan. The current list of Investment Funds that underlie the Investment Options as of January 25, 2007 is attached as Appendix A. The Board, in its sole discretion, may amend this list from time to time. An Account Owner may elect to have assets of his or her Account invested in one or more of these Investment Options, subject to the limits described in the Plan’s governing instruments and applicable law. MFS Fund Distributors, Inc. (“MFD”) will report on the Investment Funds to the Board at each quarterly Board meeting, at which time MFD will recommend any changes in the Investment Funds underlying the Investment Options offered by the Program to assure their continued suitability. Although MFD may recommend Investment Fund changes, however, the Board has sole authority to determine which Investment Options to offer and which funds from time to time shall constitute the Investment Funds underlying the Investment Options available under the Plan.

Standards of Performance

Since each Investment Fund that underlies an Investment Option under the Plan has its own investment objective, strategy and policies, each Investment Fund will have its own performance

history. MFD will advise and assist the Board with monitoring the performance of the Investment Funds to ensure the performance is consistent with relevant performance benchmarks. The performance benchmarks as of August 1, 2002 applicable to each Investment Fund that underlies an Investment Option are listed on Appendix B, attached hereto.

Monitoring of Investments/Corrective Actions

At each quarterly Board meeting, the Board shall exercise due care, consistent with ORS 348.853(3), to monitor, review and evaluate the performance of the Investment Funds with the assistance of reports provided by MFD. Based on its review and evaluation of the Investment Funds, the Board shall make whatever adjustments and take whatever actions it deems necessary, if any, consistent with its analysis and duty of care.

Investment Restrictions

The Program will offer only Investment Options that have been selected and approved by the Board.

APPENDIX A

INVESTMENT FUNDS

(Approved as of August 1, 2002)

DOMESTIC GROWTH STOCK FUNDS

- Massachusetts Investors Growth Stock Fund
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-
- MFS Mid Cap Growth Fund
- MFS Mid Cap Value Fund
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-
- MFS New Discovery Fund

DOMESTIC CONSERVATIVE STOCK FUNDS

- Massachusetts Investors Trust
-
- MFS Total Return Fund
- MFS Value Fund

INTERNATIONAL FUNDS

- MFS International New Discovery Fund
- MFS Research International Fund
- MFS International Diversification Fund

BOND FUNDS

-
- MFS High Income Fund
- MFS Research Bond Fund
- MFS Limited Maturity Fund
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MONEY MARKET FUND

- MFS Cash Reserve Fund

ASSET ALLOCATION FUNDS

- MFS Aggressive Growth Allocation Fund
- MFS Growth Allocation Fund
- MFS Moderate Allocation Fund
- MFS Conservative Allocation Fund