

**MINUTES OF THE
OREGON 529 COLLEGE SAVINGS BOARD
TELEPHONE MEETING
August 25, 2009**

Members Present: Ben Westlund, Chair
Lyn Hennion
Paul Kelly (joined at 3:10)
Scott Sandbo
Carl Vance

Network Staff: Michael Parker, Executive Director
Stephanie Swetland, College Savings Specialist
Lynn Nagasako, Legal Counsel

Treasury Staff: Tom Lofton, Office of the Treasurer (joined at 3:20)
Ben Mahon, Office of the Treasurer
James Sinks, Office of the Treasurer

Others Present: Kerry Alexander, TIAA-CREF
Susan Kay, MFS Investment Management (joined at 3:26)
Chris Lesky, MFS Investment Management
Colleen Rooney, MFS Investment Management
Bruce Sheinhaus, OppenheimerFunds, Inc.
Ben Taylor, RV Kuhns & Associates

Chair Ben Westlund convened the meeting at 3:06 p.m.

Board Member Scott Sandbo moved to approve the minutes of the April 23, 2009 Board meeting, seconded by Member Lyn Hennion. All approved, although Member Paul Kelly was not present on the call at the time.

Oregon College Savings Network Director Michael Parker explained that there are several areas of the contract between the State and Oppenheimer that need to be negotiated and settled out prior to the transition to TIAA-CREF. The largest issue is in relation to the Vanguard costs, which have been discussed a number of times by the Board in meetings during the last year.

Board Member Paul Kelly joined the meeting.

Mr. Parker stated that, although Vanguard is on Oppenheimer's system as part of the Oregon College Savings Plan, they don't pay any administrative costs. The contract between the State and Oppenheimer contemplates that when certain milestones are hit, Oppenheimer and the Board would negotiate to settle out the costs. In 2008, the Board had voted to charge all Vanguard account holders a \$25 fee, which would have taken care of the issue. However, since Oppenheimer won't be remaining with the State, it was determined not to put the fee into effect. Therefore, settlement of the current costs needs to be negotiated. It has been determined that the Board needs to give specific authority to staff to begin negotiating the costs of the transition and outstanding Vanguard costs.

Lynn Nagasako stated that one of the reasons the Board needs to authorize staff to negotiate a settlement with Oppenheimer regarding the Vanguard costs is because Oppenheimer wants an assurance that whoever conducts the negotiations has the authority to do so. Any agreement reached with Oppenheimer will be brought back to the Board for final approval.

Chair Westlund read the Authorization to Negotiate a Settlement of Oppenheimer's Claim of Certain Costs into the record:

WHEREAS, OFI Private Investments, Inc. (OFIPI) is alleging that the Board owes certain costs, pursuant to the Program Management Agreement (Agreement) between the Board and OppenheimerFunds, Inc. and OppenheimerFunds Distributor, Inc. (collectively and including OFIPI, Oppenheimer) dated as of June 4, 2004, that have not been paid, including but not limited to Additional Costs and Additional CUSIP Costs (both as defined under the Agreement), and amounts due in regards to Class B and Class C shares; and

WHEREAS, it would be in the best interest of the Board for a representative to negotiate with Oppenheimer to settle this dispute;

IT IS HEREBY RESOLVED, THAT the Board hereby authorizes Michael Parker to negotiate a settlement regarding the above describe costs within the limits of the Board's budget in an amount that does not jeopardize the Board's ability to pay for the ongoing administration of the Network.

IT IS FURTHER RESOLVED, THAT the Board hereby authorizes Michael Parker to do and perform such acts and things, and to execute and deliver such 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 ***and to seek final approval from the 529 Board.**

There was discussion, during which time Board Member Carl Vance inquired if it was known the maximum amount that was being alleged. Mr. Parker stated that Oppenheimer has projected an amount through the end of 2009 for the Vanguard costs, and it is between \$1.5 and \$1.7 million in total. Mr. Parker is going to attempt to negotiate an amount that the Board will pay and an amount that Oppenheimer will pay, according to his reading of the contract.

*There was some discussion about the resolution. To make its intention clear, the motion was amended to add the phrase "and to seek final approval from the 529 Board." Chair Westlund moved that the resolution, as amended, be adopted. The motion was seconded by Carl Vance. All approved.

Mr. Parker informed the Board that Oppenheimer is putting together their information on transitioning both the Oregon College Savings Plan and OppenheimerFunds 529 Plan. Oppenheimer has also appointed a Transition Manager to oversee the entire process. Both TIAA-CREF and MFS must execute agreements with Oppenheimer regarding the transitions, and the Board may need to execute agreements around the transitions also. When the transition plan(s) are together and are finalized by all parties, they will require approval from the Board. This is because there will likely be some transition costs that the Board will incur or will require its new managers to pay. The Board's consultant, RVKuhns, will also be reviewing the transition plan(s). Mr. Parker anticipates that the transition plan(s) will be drafted prior to the October Board meeting.

With regard to plan transition and execution, Chair Westlund moved to give Michael Parker the authority to negotiate with Oppenheimer the plan transition and execution and must seek final Board approval to the execution of that plan. The motion was seconded by Paul Kelly. All approved.

Mr. Parker stated that, regarding the Vanguard issues, it is his intent to start immediately negotiating and talking with Oppenheimer about the issues. Meetings have been set up with Oppenheimer, Mr. Parker and Ms. Nagasako in early and mid-September. Oppenheimer has expressed its willingness to discuss the issues and get them resolved.

Chair Westlund adjourned the meeting at 3:30 p.m.