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Oregon issues subpoenas, widens probe of OppenheimerFunds in the wake of 529 fund declines

Investigation now considering two bond funds, which are being eliminated from Oregon's plan

SALEM – The state of Oregon has expanded the scope of its investigation in response to declines in conservative portfolios in the Oregon 529 College Savings Network.

The investigation, at the behest of the Office of the State Treasurer and being overseen by the Oregon Attorney General, initially focused on only the OppenheimerFunds Core Bond Fund. It now also includes the OppenheimerFunds Limited Term Government Bond Fund.

The Oregon 529 College Savings Board voted to terminate both of those funds at its meeting on Jan 22.

“Oregonians need to know that we are taking this matter very seriously,” said State Treasurer Ben Westlund, who is also a parent, an investor in the program and now sits as chairman of the Oregon 529 board. “I am grateful at the pace and quality of the investigation, and we will review all of our options upon its completion.”

Attorney General John Kroger’s office has issued subpoenas for information to determine whether any actions on the part of OppenheimerFunds violated Oregon’s Unlawful Trade Practices Act or Oregon Securities Law. OppenheimerFunds is cooperating with the inquiry.

“This is a very high priority. If there is any evidence of wrongdoing, the Oregon Department of Justice will pursue legal action to recoup the losses,” said Attorney General John Kroger.

The Attorney General is coordinating its investigation with attorney general offices in Illinois, Maine and New Mexico. Those states also included the OppenheimerFunds Core Bond Fund as part of 529 college savings plans.

The Core Bond Fund saw steep declines in the second half of 2008, and fell in value by 38 percent. Both the Core Bond Fund and Limited Term Government Bond Fund were underlying funds in several OppenheimerFunds portfolios.

Under the direction of the Oregon 529 College Savings Board, the state is working to replace those two funds with indexed bond funds.

Overall, the Oregon 529 College Savings Network dropped in value by about 23 percent in 2008. As of Dec. 31, the roughly 100,000 accounts in the network had a combined value of about \$770 million.

The Oregon 529 College Savings Network allows families to invest for college and receive an Oregon tax deduction of as much as \$4,000 a year. The dollars and any investment gains can be used tax-free for higher education expenses.

State Treasurer Westlund notes that investments can lose money, and families should weigh all options and risks before investing.

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