Oregon Investment Council

September 29, 2010 - 9:00 AM

PERS Headquarters
11410 S.W. 68th Parkway
Tigard, OR 97223

Oregon Investment Council

Harry Demorest
Chair

Office of The State Treasurer
Ted Wheeler
State Treasurer

Ronald Schmitz
Chief Investment Officer

OREGON INVESTMENT COUNCIL

2010 Meeting Schedule

Meetings Begin at 9:00 am
at
PERS Headquarters Building
11410 SW 68th Parkway
Tigard, OR 97223

January 27, 2010

February 24, 2010

April 28, 2010

May 26, 2010

July 28, 2010

September 29, 2010

October 27, 2010

December 1, 2010

OREGON INVESTMENT COUNCIL

Agenda
-----REVISED-----
September 29, 2010
9:00 AM

PERS Headquarters
11410 S.W. 68th Parkway
Tigard, Oregon

Time	A. Action Items	Presenter	Tab
9:00-9:05	**1. Review & Approval of Minutes** July 28, 2010 Regular Meeting July 28, 2010 Alternatives Workshop	**Ron Schmitz** *Chief Investment Officer*	**1**
9:05-9:45	**2. Sheridan Production Partners** *OPERF Opportunity Portfolio*	**John Hershey** *Alternatives Investment Officer* **Lisa Stewart** *CEO, Sheridan Production Partners* **Tom Martin** *Pacific Corporate Group*	**2**
9:45-10:30	**3. Apollo Financial Credit Investment I, LP** *OPERF Opportunity Portfolio*	**John Hershey** **Marc Rowan** *Senior Managing Director* **Jamshid Ehsani** *Consultant to Apollo* **Sundeep Rana** *Pacific Corporate Group*	**3**
10:30-10:45	**---------------------BREAK---------------------**		
10:45-11:30	**4. OPERF Real Estate Strategy & Lone Star Follow-Up**	**Brad Child** *Senior Investment Officer* **Nori Lietz** *PCA Real Estate Advisors*	**4**
11:30-11:40	**5. Common School Fund Annual Review & HIED Endowment Fund Update**	**Mike Mueller** *Deputy CIO* **John Meier** *Strategic Investment Solutions*	**5**
11:40-11:50	**6. OIC Consultant Recommendations**	**Mike Mueller**	**6**

11:50-12:00	**7. Public Equity Recommendation**	**Kevin Nordhill** *Senior Equity Investment Officer* **John Meier**	**7**
12:00-12:15	**7a. OSTF & OITP Policy Revisions**	**Perrin Lim** *Senior Fixed Income Investment Officer*	

B. Information Items

8. Asset Allocations & NAV Updates a. Oregon Public Employees Retirement Fund b. SAIF Corporation c. Common School Fund d. HIED Pooled Endowment Fund	**Ron Schmitz**	**8**
9. Calendar—Future Agenda Items	**Ron Schmitz**	**9**
10. Other Items	**Council** **Staff** **Consultants**	

C. Public Comment Invited

15 Minutes

TAB 1 – REVIEW & APPROVAL OF MINUTES

July 28, 2010 Regular Meeting

July 28, 2010 Alternatives Workshop

RONALD D. SCHMITZ
CHIEF INVESTMENT OFFICER
INVESTMENT DIVISION

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STATE OF OREGON
OFFICE OF THE STATE TREASURER
350 WINTER STREET NE, SUITE 100
SALEM, OREGON 97301-3896

OREGON INVESTMENT COUNCIL
JULY 28, 2010
MEETING MINUTES

Members Present:	Paul Cleary, Harry Demorest, Katy Durant, Keith Larson, Dick Solomon, Treasurer Ted Wheeler
Staff Present:	Andrea Belz, Darren Bond, Tony Breault, Brad Child, Garrett Cudahey, Jay Fewel, Sam Green, Ellen Hanby, Andy Hayes, John Hershey, Julie Jackson, Perrin Lim, Tom Lofton, Ben Mahon, Mike Mueller, Kevin Nordhill, Jen Peet, Tom Rinehart, Ron Schmitz, James Sinks, Michael Viteri
Consultants Present:	Allan Emkin, John Linder, and Mike Moy (PCA), Mike Beasley and John Meier (SIS), David Fann, Kara King, and Sundeep Rana (PCG), Nori Gerardo Lietz (Partners Group)
Legal Counsel Present:	Dee Carlson, Oregon Department of Justice Deena Bothello, Oregon Department of Justice

The OIC meeting was called to order at 9:02 am by Harry Demorest, Chair.

I. 9:02 a.m.: Review and Approval of Minutes

MOTION: Mr. Demorest brought approval of the May 26, 2010 OIC minutes (as amended) to the table. Mr. Solomon moved to approve the minutes. The motion was seconded by Ms. Durant and passed by a vote of 5/0.

II. 9:04 a.m.: Blackstone Capital Partners IV, L.P. – Private Equity

Staff recommended a commitment of $200 million to Blackstone Capital Partners VI, L.P which is a $12.0 billion target fund pursuing a generalist, value-oriented buyout strategy. Fund VI will be a continuation of the successful strategy employed in prior Blackstone Capital Partners funds, focusing on building a portfolio of 25-40 companies diversified across transaction structures, geographic locations, and sector allocations.

Jay Fewel, Senior Investment Officer introduced Tony James, President and COO and Ken Whitney, Senior Managing Director of Blackstone Capital Partners. Depending on market conditions and opportunities, the Fund may invest via a variety of transaction structures, including traditional buyouts, corporate partnerships, platform buildups, strategic minority stakes, growth equity, and distressed investments. Typical investment sizes will be between $300 million and $800 million, with the exception of growth equity investments which will usually be smaller. The Fund will continue Blackstone's focus on building post-acquisition value through earnings growth, operational improvements, and cost savings via aggregated procurement strategies.

OPERF has not committed to prior Blackstone funds, and a commitment to Fund VI would commence a new manager relationship. Staff believes that Blackstone has developed into a durable, institutionalized organization that will stand the test of time, and has demonstrated a proven formula for building value, and during multiple market cycles. In addition to Blackstone's appeal on a stand-alone basis, this recommendation is also based on a desire to improve/diversify the structure of the current large Buy-Out portfolio.

There was a brief question and answer period following the presentation-then the meeting moved in to Executive Session.

9:55 a.m.: *Executive Session*-Blackstone Capital Partners IV, L.P.

The executive session was held pursuant to ORS 192.660(f) (j).

10:05 a.m.: *Meeting Moved out of Executive Session*

Staff recommended that the OIC authorize a $200 million commitment to Blackstone Capital Partners VI, L.P., subject to the satisfactory negotiation of terms and conditions, and completion of requisite legal documents by DOJ legal counsel working in concert with OST staff. Mr. Larson moved approval of the staff recommendation. Treasurer Wheeler seconded the motion. The motion was passed unanimously by a vote of 5/0.

III. 10:28 a.m.: Annual OPERF Real Estate Review

Brad Child, Senior Real Estate Investment Officer and Nori Gerardo Lietz of the PCA Real Estate Advisors presented the 2009 Real Estate review and the 2010 Real Estate overview.

Mr. Child went through the 2009 year in review, including the 2009 fund activity and the 2010 fund activity, year-to-date. Many factors affected the real estate portfolio last year:

- The global economic downturn
- Value declines related to the overall market trends
- Leverage

The OPERF Real Estate composite under-performed the NCREIF index over the three year and five year periods but out-performed the NCREIF index over the seven year and ten year periods.

Ms. Lietz presented a brief market overview. She then gave a summary of the portfolio investments: Direct Property, Value Added, Opportunistic and REIT portfolios as well as outlining manager performance. Ms. Lietz also reviewed the current real estate markets in Western Europe, Asia Pacific, and emerging markets and analyzed the impact on the U.S. market.

The general investment themes for the second half of 2010 are:

- **VALUE:**
    - o Capitalize on distress across all phases of the crisis through investments in distressed debt, distressed equity, and secondaries.

- **GROWTH:**
    - o Capitalize on strong mid and long term fundamentals in the emerging markets, through equity.

There was a brief question and answer period following the presentation.

ACTION: Staff was directed to add this topic to the OIC meeting agenda for the October meeting, so there would be time for additional discussion and questions.

IV. 11:35 a.m.: Angelo Gordon Pan Asia Real Estate Fund II

Brad Child introduced Keith Barket, Senior Managing Director, and Aliana Spungen, Managing Director of Angelo Gordon & Company. Angelo, Gordon & Co. is forming AG Asia Realty Fund II, L.P. to pursue an opportunistic real estate investment strategy primarily in mainland China, South Korea and Japan. They anticipate making 25 to 30 investments (ranging from $25 million to $100 million of equity) across different property sectors. including: residential development, retail, office, industrial, multifamily and hotel. The fund intends to focus on acquisitions, particularly in Japan and South Korea, of distressed or sub-performing assets resulting from owner liquidity issues and an inability to obtain debt financing, as well as opportunistic development strategies, particularly in China.

There was a brief question and answer period following the presentation.

MOTION: OST Staff and PCA Real Estate Advisors recommended a $100 million commitment to AG Asia Realty Fund II, L.P. OST Staff recommended that OPERF's commitment be no more than 20% of total AG Asia Realty Fund II commitments. It appears that the fund will raise more than $500 million. Staff recommended, however, that if total commitments to the fund are less than $500 million, that OPERF's commitment be reduced to 20 percent of the total raised. Said commitment is subject to the satisfactory negotiation of the requisite legal documents by legal counsel working in concert with OST Staff and Department of Justice. Ms. Durant moved approval of the staff recommendation. Mr. Solomon seconded the motion. The motion was passed unanimously by a vote of 5/0.

V. 12:06 p.m.: Higher Education Endowment Fund

Mike Mueller, Deputy Chief Investment Officer, presented. As reported to the OIC in December of last year, the HIED Board commenced with an asset/liability study in 2010, which resulted in proposed changes, approved by the HIED Board at their meeting on July 9, 2010.

The HIED board is has focused on defining fund assets in three broad categories:

1. Growth Assets
2. Inflation Hedging Assets
3. Diversifying Assets

Based on this rubric, SIS and staff presented the following recommendation to the HIED Board:

Asset Group	Current Target	New Target	New Range
Growth Assets	67%	60%	50-75%
Inflation Hedging Assets	3%	15%	7-20%
Diversifying Assets	30%	25%	20-30%

Staff and SIS plan to return to the HIED Board and the OIC in September with proposed policy changes and an implementation plan. Part of the analysis to be provided will be an assessment of the cost-effectiveness of implementing the "hard asset" allocation.

MOTION: Staff and SIS recommended a change in the asset allocation for the HIED Pooled Endowment Fund subject to revised policies and an implementation plan being presented to the OIC in September. Mr. Solomon moved approval of the staff recommendation. Ms. Durant seconded the motion. The motion was passed by a vote of 4/0 (Mr. Larson was not present for the vote).

VI. 12:07 p.m.: OIC Policy Updates

Mike Mueller briefly provided an update on an OIC Policy revision that was missed during the April 2010 update.

MOTION: Staff recommended approval of OST Policy 4.03.01 that was not part of the policy updates covered at the April 28, 2010 meeting. Treasurer Wheeler moved approval of the staff recommendation. Ms. Durant seconded the motion. The motion was passed unanimously by a vote of 5/0.

VII. 12:09 p.m.: Annual Proxy Voting Update

Robert McCormick, Vice President of Proxy Research and Operations, Glass, Lewis and Co. provided a summary of the votes that Glass, Lewis & Co. cast on the OIC's behalf for the period January 1 to June 30, 2010, and provided a review of the recent proxy voting season in accordance with OST Policy 4.05.06.

ACTION: Treasurer Wheeler requested to see a performance measurement tool that can be used to track how votes made on behalf of the OIC affect a company's performance.

VIII. 12:25 p.m.: Annual Audit Update

Andrea Belz, Chief Audit Executive presented an update on the investment-related audit engagements completed by OST's Internal Audit Services during the past year, in accordance with OST Policy 4.01.12.

IX. 12:28 p.m.: Asset Allocation and NAV Updates

Mr. Schmitz reviewed the Asset Allocations and NAV's for the period ended June 30, 2010. All asset classes are within their allocation ranges.

X. 12:29 p.m.: Calendar – Future Agenda Items

Mr. Schmitz highlighted future agenda topics.

XI. 12:30 p.m.: Other Business

There was no other business discussed.

12:32 p.m.: Public Comments

There were no public comments.

The meeting adjourned at 12:32 p.m.

Respectfully submitted,

Julie Jackson

Julie Jackson
Executive Support Specialist

RONALD D. SCHMITZ
CHIEF INVESTMENT OFFICER
INVESTMENT DIVISION

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OREGON INVESTMENT COUNCIL
JULY 28, 2010
ALTERNATIVES WORKSHOP MEETING SUMMARY

Members Present:	Harry Demorest, Katy Durant, Keith Larson, Dick Solomon, Treasurer Ted Wheeler
Staff Present:	Darren Bond, Tony Breault, Brad Child, Garrett Cudahey, Sam Green, Andy Hayes, John Hershey, Ben Mahon, Mike Mueller, Kevin Nordhill, Tom Rinehart, Ron Schmitz, James Sinks, Michael Viteri
Consultants Present:	Allan Emkin, John Linder, Mike Moy, and Neil Rue (PCA), Mike Beasley and John Meier (SIS), Kara King, and Sundeep Rana (PCG)
Legal Counsel Present:	Dee Carlson, Oregon Department of Justice
Guests:	Ted Sickinger, Oregonian Traci Wei, Wilbur Ross

The Alternatives Workshop was called to order at 1:32 pm by Harry Demorest, Chair.

Time	Agenda Item	
1:32 pm	1	MODELING ALTERNATIVES PRESENTATION: Ron Schmitz introduced Neil Rue and John Linder from PCA. The topics that were covered included the following:

- Market Volatility and Public Plan Sponsors
- Various Responses by Plan Sponsors
- The Basic Concept of Strategic (vs. Asset) Classes
- The OIC's Opportunity Portfolio –History & Background
- A Proposal for Reconfiguring the Opportunity Portfolio
- Recommendations

At the conclusion of the presentation, there was a brief question and answer period.

The meeting adjourned at 3:03 pm.

Respectfully Submitted,

Julie Jackson

Julie Jackson
Executive Assistant

TAB 2 – SHERIDAN PRODUCTION PARTNERS

Sheridan Production Partners I-B II L.P.

Purpose

Staff recommends approval of a commitment to Sheridan Production Partners I-B II L.P. ("SP-II") in the amount of $100 million for the OPERF Opportunity Portfolio.

Background

In April 2007, the OIC approved a commitment of $100 million to Sheridan Production Partners I-B L.P. ("SP-I"). This proposed commitment would be a "re-up" to an existing relationship.

Sheridan was formed in 2006 through a 50/50 joint venture between Warburg Pincus (an OPERF private equity relationship) and Lisa Stewart, CEO of Sheridan and former CEO of El Paso's Exploration and Production ("E&P") business (El Paso is a publicly traded oil and gas company).

Discussion/investment considerations

<u>Opportunity:</u>
The current and forecasted global demand for oil and natural gas drives the sizeable investment opportunity in the North American E&P sector. As existing basis decline in production, the majors and large independent has been pressured by Wall Street to seek less mature, higher growth opportunities to growth rates. As a result, there is a growing supply of mature, producing assets resulting from the continued disposition by the majors, in addition to independents and smaller producers.

<u>Strategy:</u>
The strategy of the fund is to acquire mature producing properties with large proven reserves that have not been exceptionally maintained or are on the decline. Levering their management and operational expertise, Sheridan will seek to optimize the operation of these assets by reinvesting in properties to accelerate their production and enhance recovery. At any given time, Sheridan has over 100 reinvestment or refurbishment projects in various stages of implementation. To mitigate volatility in oil and gas prices, Sheridan will hedge a significant proportion of its current and acquired production. The hedged strategy should yield targeted IRR returns in the mid-teens, inclusive of a current yield component. To optimize returns and to take advantage of the high cash flow characteristics of its assets, SP-II, expects to apply leverage at the Fund level.

<u>Investment considerations:</u>

Pros:

- *Experienced operating team.* Ms. Stewart has assembled a strong operating management team. In contrast to a typical private equity firm, Sheridan has built a fully functional oil and gas operating company with senior and mid-level management in addition to field operations and Sheridan's overall employee count now exceeds 200. The team has invested over $7.3 billion successfully over multiple market cycles.
- *Active market.* The market for mature and often under-capitalized properties has become more active as public E&P companies generally seek to redeploy financial and human resources

towards basins with greater growth potential. The total market opportunity has averaged over $20 billion per year since 1996 and is not dependent on a particular commodity price market.

- *Reinvestment/refurbishment opportunities.* Many of the properties that are being divested by public E&P companies are often under invested thereby providing Sheridan opportunities to improve operations through low risk reinvestment/refurbishment projects. Through its own team of dedicated geoscientists, reservoir engineers, landmen and production engineers, Sheridan manages assets to optimize production by identifying and implementing reinvestment projects. At any given time, Sheridan manages in excess of 100 “high return on reinvestment” projects that are in various stages of refurbishment. For example, as of December 31, 2009, Fund I had reinvested $133.9 million in over 300 projects to lower operating costs and to enhance production, and/or increase ultimate recovery. These projects are estimated to have generated an asset level rate of return in excess of 50%.
- *Past performance/financial commitment.* Fund I has generated inception-to-date net IRRs of 18.5% and a multiple of 1.3x. Moreover, the GP is committing $50 million, which is approximately 4% of the Fund, which is greater than the typical 1% GP commitment.

Cons:

- *Leverage.* Similar to Fund I, SP-II expects to issue debt and preferred equity securities to leverage their investment program. Given the dislocation of the credit markets, it may be difficult to obtain leverage on acceptable terms at the time of asset acquisition. Sheridan expects to target 50% leverage. [Mitigant: The GP believes this is a prudent amount of leverage and certainly less than a typical private equity fund’s targeted leverage.]
- *Hedging and commodity price volatility.* Sheridan typically hedges the near term expected production levels at the time of acquisition to lock in margins from oil and gas price volatility. However, it remains exposed to commodity price volatility to longer term production which cannot usually be cost effectively hedged. [Mitigant: As longer dated hedges mature, Sheridan may elect to “roll over” those hedges to continue to protect any near term production margins from commodity price volatility.]
- *Operational risks.* The Fund operates an oil and gas company and is subject to operational and environmental risks. [Mitigant: Sheridan has insured its oil and gas properties in accordance with industry practices and intends to carry casualty loss and control of well insurance to mitigate the operational risks attendant to the oil and gas industry.]

Terms:

The fund will have a typical management fee for funds of this structure, which are initially based on committed capital, and an incentive fee (carry). In addition, there is a hurdle rate that will need to be achieved before a “catch-up” of incentive fees. [See confidential PCG memo for exact terms]

Recommendation

Staff and PCG recommend a commitment of $100 million to Production Partners I-B II L.P. subject to the negotiation of the requisite legal documents with staff working in concert with the Department of Justice.

MEMORANDUM

TO: Oregon Public Employees' Retirement Fund ("OPERF")

FROM: PCG Asset Management LLC ("PCG AM")

DATE: September 14, 2010

RE: Sheridan Production Partners II-B, L.P.

Strategy:

Sheridan Production Partners II-B, L.P. (the "Fund" or "Partnership" or "Fund II") is being formed for tax exempt investors alongside Sheridan Production Partners II-A, L.P. ("Fund II-A") for taxable investors by Sheridan Production Partners II LLC ("Sheridan" or the "General Partner" or the "Firm") and Warburg Pincus LLC ("Warburg Pincus"). Fund II will continue the strategy of Sheridan Production Partners I ("Fund I"), raised in 2007 with $1.3 billion of limited partner commitments, of investing directly in a diversified, upstream portfolio of mature, domestic, oil and gas producing assets. Fund II will continue the joint venture relationship with Warburg Pincus LLC ("Warburg Pincus") begun with the formation of Fund I.

Similar to Fund I, Fund II's objective is to generate attractive, long term, risk adjusted returns, as well as current income, through the acquisition and operation of mature oil and gas assets where disciplined reinvestment can be utilized to optimize operations, improve production, and prove out additional reserves, and commodity price volatility can be mitigated through hedging production. Target investments will range in size from $100 million to $500 million; however, the investment team may pursue select opportunities involving larger packages of assets. The Fund will target a pre-tax net IRR in the mid-teens and a net multiple of two times invested capital. Since inception in 2006, Sheridan has evolved into a comprehensive operating company with 230 employees, including all associated technical, operational, financial, and support disciplines and is headquartered in Houston, Texas with district offices in Midland, Texas and Tulsa, Oklahoma, as well as multiple field offices in Texas and Oklahoma.

The Fund is targeting $1.3 billion in commitments with a hard cap of $1.75 billion. The Firm plans to hold one close on or about September 30, 2010, but there is a possibility of additional closings up to three months after the first close. The General Partner and related entities, including professionals from Warburg Pincus, will contribute a minimum of $50 million, or nearly 4%, to the Fund.

Conclusion:

The Fund offers OPERF an opportunity to participate in a differentiated portfolio of private equity investments. PCG AM's review of the General Partner and the proposed Fund indicates that the potential returns available justify the risks associated with an investment in the Fund. PCG AM recommends that OPERF consider a commitment of up to $125 million to the Fund. PCG AM's recommendation is contingent upon the following:

(1) Satisfactory negotiation or clarification of certain terms of the investment;

(2) Satisfactory completion of legal documents;

(3) Satisfactory continuation and finalization of due diligence;

(4) No material changes to the investment opportunity as presented; and

(5) Confidentiality maintained regarding the commitment of OPERF to the Partnership until such time as all the preceding conditions are met.

Sheridan Production Partners II

A Unique Oil and Gas Investment Opportunity

September 2010

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Overview

- Unique Low-risk Opportunity with Attractive Returns
  - Net return in mid teens, 2x net multiple
  - Low-risk free cash flow generated through acquisition and operations of mature oil and gas properties
- Compelling Long-term Property Market Dynamics
  - Liquid market
  - Not favored by public and private equity markets
- Superb Management Team with Excellent Track Record
  - $7.3 billion of successful U.S. oil and gas acquisitions
  - Demonstrated ability to build and manage large E&P company
- Leveraged by Warburg Pincus' Leading Private Equity Franchise
  - Over $3.5 billion invested in 19 exploration and production companies over 20 years
  - Realized IRR of 35% and 3.4x multiple through 6/30/10

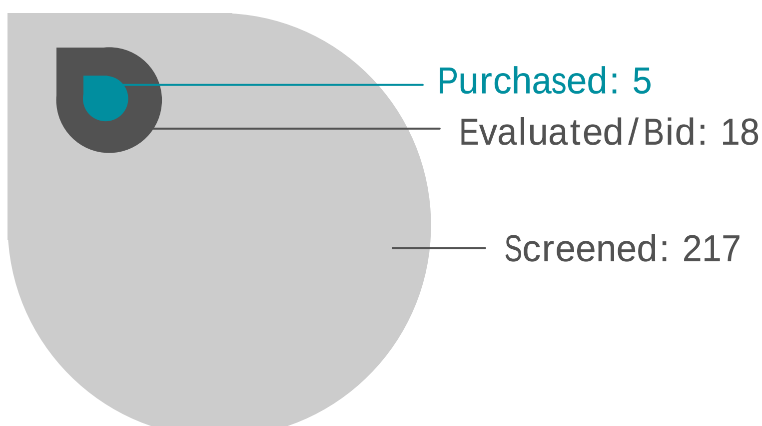
SHERIDAN

Acquisition of Quality Assets

	Closing Date	Purchase Price, MM$	Orig. Proved Mmboe	6/30/10 Proved Mmboe	Method
Sage Energy	Aug. 2007	$165	8.0	8.8	Pre-empt
Aethon	Nov. 2007	757	61.2	66.4	Auction[1]
South Texas	Sept. 2009	141	7.3	7.0	Negotiated
West Howard Glasscock	Sept. 2009	47	8.3	9.0	Negotiated[2]
EXCO Mid-con	Nov. 2009	532	42.0	41.3	Negotiated
		$1,642	126.8	132.5	

[1] Won on terms, not price
[2] Follow-On to Aethon acquisition

Deal Flow # of Transactions 2007 - 2009

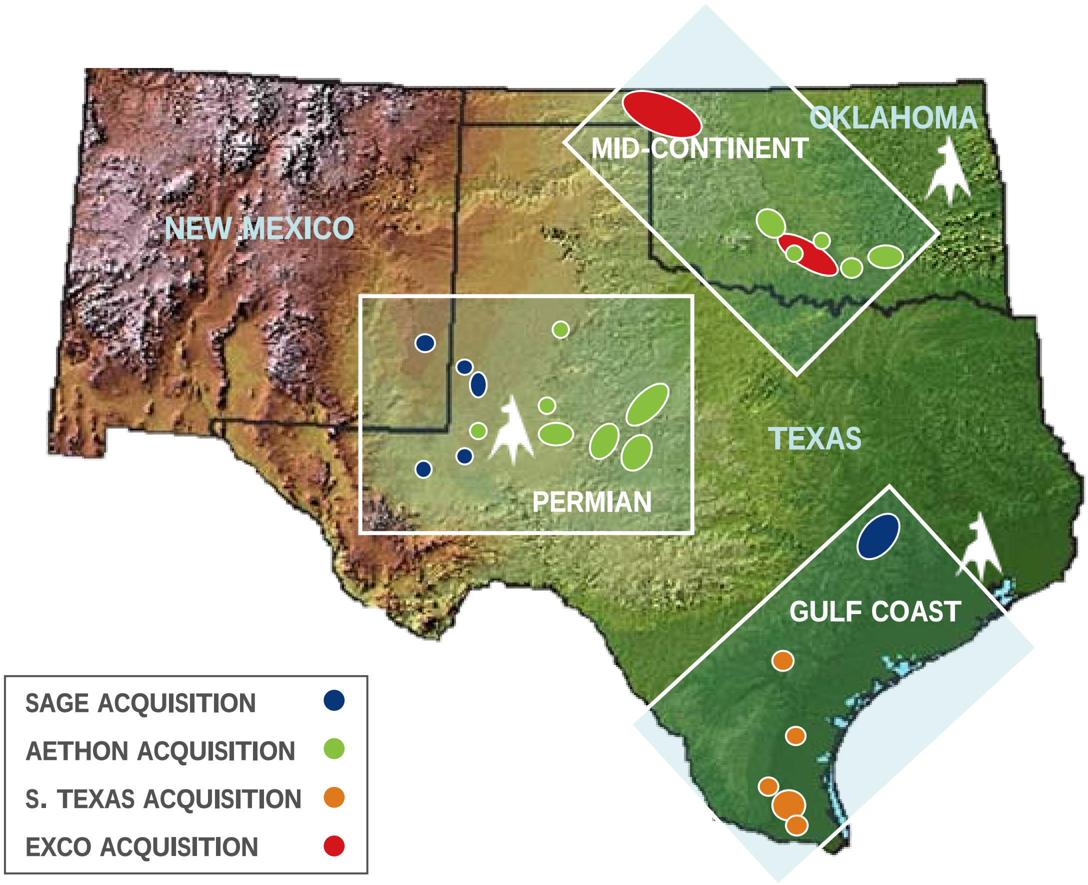


SHERIDAN

A Balanced Portfolio

June 30, 2010

- Proved Reserves
  - 132.5 Mmboe
- 74% Proved Developed
- 18.8 Year R/P
- 2,200 operated wells
- Reserves 60% oil



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Experienced Acquisitions and Operating Team

Management:

Lisa Stewart
Jim Bass
Eric Harry
Matt Assiff
Tim Blaine
Mark McCool

Acquisitions:

Mark Miertschin
Tommy Boullt
Matt Heintz
Tracy Garner
Niki Patel

Technical Staff:

Rod Steward
Blaine Yeary
Rick Crist
Cathy Walker
Mark Deer
Jim Bentley
John Joyce
Ben Jacobson
Chris Tomlinson
Mark Humphries

Operations:

Mid-Continent:
Rodney Myers
Tulsa, OK

Gulf Coast:
Mike Dorcy
Houston, TX

Permian Basin:
Johnny Allison
Midland, TX

SHERIDAN

Intensive Focus on Operational Excellence: A Cultural Transformation

- In-depth geologic and engineering understanding
- Integrated involvement of Field Staff:
  - LOE analysis leads to cost reduction
  - Targeted investments reduce failure rate
- Focus on environmental and safety stewardship
- Track results compared to expectations
- Financial incentives designed to align interests with LPs

In Partnership with Warburg Pincus and Governed by an Investment Committee

Private Equity's Leading Energy Franchise

ANTERO RESOURCES

Bill Barrett Corporation

KOSMOS ENERGY

MEG Energy Corp.

NEWFIELD

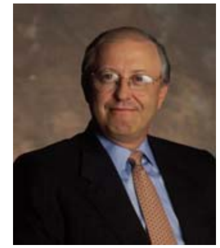
SPINNAKER EXPLORATION

Jeffrey Harris
- 15 years in energy
- 26 years at WP

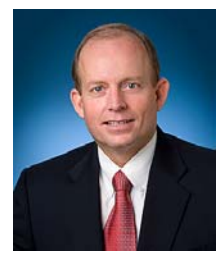
Chansoo Joung
- 21 years in energy
- 4 years at WP

In Seon Hwang
- 9 years in energy
- 7 years at WP

Independent Directors



John Seitz
- Former CEO, Anadarko Petroleum
- Founder and Vice-chair, Endeavour International
- Director, ION Geophysical
- Trustee, American Geological Institute



John Yearwood
- President and CEO, Smith International
- Former President, Americas Oilfield Services, Schlumberger

SHERIDAN

Generating Reinvestment Opportunities

Sage Acquisition

North Vacuum Abo North Unit	• Infill Drilling

Aethon Acquisition

NE Verden Unit	• Waterflood optimization • Infill Drilling
West Howard Glasscock Unit	• Redevelopment of waterflood • Facility upgrades
Jameson Reef Unit	• Reactivations / Infill drilling
Fitts West Unit	• Low pressure gas gathering • Infill drilling

5 years of reinvestment project inventory

SHERIDAN

Tracking Performance — One Well at a Time

ShORTS Report (Sheridan Operating Results Tracking System)

	Project Count	Total Investment (MM$)	Current Year Volume Gain (net Mboe)	PV10 (MM$)[1]	Rate of Return[1]
2008					
Drill and Enhance	164	44.2	399	122.8	100%[2]
Maintenance		24.0		(23.6)	
2008 TOTAL	**164**	**68.2**		**99.2**	**53%**
2009					
Drill and Enhance	143	35.4	361	100.1	100%[2]
Maintenance		22.7		(22.3)	
2009 TOTAL	**143**	**58.1**		**77.8**	**59%**

Summary Economic Indicators

	2008	2009
ROI[1]	2.51	2.38
Payout (yrs)[1]	2.55	2.16
DEV Cost ($/BOE)	7.46	8.67

1. Econs based on current year actual commodity prices and costs, $60 oil / $6 gas thereafter.
2. Project returns capped at 100%.

SHERIDAN

Strong, Early Financial Performance
June 30, 2010

MM$/Mmboe

Contributions	$1,057
Fair Value Retained Earnings	333
Distributions	(121)
June 30, 2010	$1,269

2007 Proved Reserves	69.2
Production	(9.3)
Acquisitions	57.0
Reserves Added	15.6
June 30, 2010	132.5

Net LP IRR Inception to June 30, 2010: 18.5%

Fair Value Assumes

- Commodity Prices: forward NYMEX strip through 2015; $85/bbl, $6.50/Mmbtu thereafter
- Liquidation value at date of estimate, no future G&A or Management Fees

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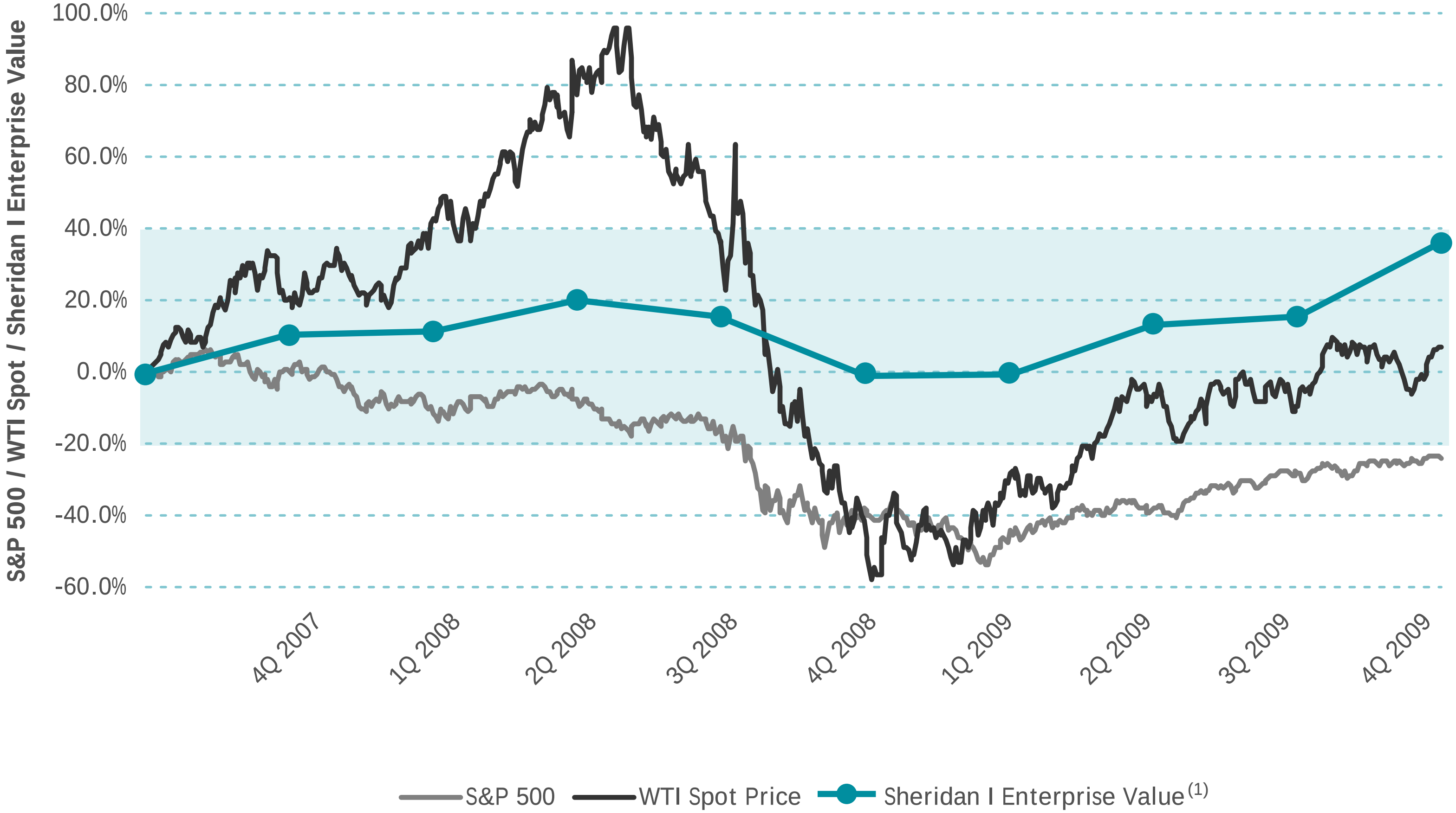
Hedging to Protect Returns



(1) For comparative purposes, Sheridan I Enterprise Value represents changes in the sum of the fair value of assets, hedges, and cumulative distributions since Sheridan I's 2007 acquisitions, and excludes limited partner capital calls and leverage used to fund acquisitions in the latter half of 2009

SHERIDAN

Positive Macro Outlook

- Current pricing levels in M&A market are attractive
- Supply and demand trends remain very strong
- Service and equipment costs have reverted to “pre-cycle” levels
- Positive long-term commodity price trend intact
- Upstream MLPs weakened
- Substantial barriers to entry around Sheridan strategy

SHERIDAN

Key Terms and Timing

The Fund	• Sheridan Production Partners II (through separate vehicles for taxable and tax-exempt investors)
Fund Economics	• Management fee of 1.5% on committed capital – 8% preferred return – Profit split 80:20 after return of capital – Quarterly distributions
GP Investment	• Estimated to be $65 million
Closing	• September 30, 2010

SHERIDAN

Sheridan Production Partners II

A Unique Oil and Gas Investment Opportunity

August 2010

TAB 3 – APOLLO FINANCIAL CREDIT INVESTMENT I, LP

Financial Credit Investment I L.P.

Purpose

Staff recommends approval of a commitment to Financial Credit Investment I L.P. ("Financial Credit") in the amount of $100 million for the OPERF Opportunity Portfolio.

Discussion/investment considerations

Opportunity:

European regulators are encouraging European banks to divest their non-core assets, which include such assets as life settlement policy portfolios. As such, a large European commercial bank is selling a mult-billion face value portfolio of universal life insurance policies.

Market:

The life settlements market is a $100 billion plus market comprised of traded life insurance policies. When an individual policy holders' estate planning or personal beneficiary strategy changes or they no longer wish to continue to fund the premiums of a universal life insurance policy, they may either surrender that policy to their life insurance provider or they may sell that policy in the secondary market. As the value received in the secondary market is typically greater than surrender value, the life settlements market has grown steadily over the years as more policy holders opt to sell their policy rather than surrender it. Some of the market growth was driven by the downturn in the economy as more and more policy holders sought liquidity and/or no longer wished to continue to fund annual premiums.

Strategy:

Apollo is forming a small group of institutional investors (a "club deal") to form a single purpose investment fund to acquire a large portfolio from a European commercial bank. Apollo believes it will acquire the portfolio at an attractive distressed value of the face amount of the portfolio. In addition to the purchase price outlay, Apollo's strategy is to continue to fund the insurance premiums (in part through a credit facility). There is expected to be a brief "J-curve" until the portfolio throws off positive cash flow.

Investment considerations:

Pros:

- *Distressed pricing.* Due to the new European financial regulatory environment, a large European bank is a motivated seller of its life settlements portfolio, thereby generating a distressed pricing (buying) opportunity. Expected returns range from 15-22% IRR with a 5x multiple of invested capital, a particularly attractive return in a low interest rate environment.
- *Low volatility.* Because the strategy is based on relatively stable actuarial tables, the expected returns should be relatively predictable and the portfolio value should exhibit relatively low volatility.

- *Low correlation.* Because mortality is uncorrelated with capital markets, the returns should be largely uncorrelated to stock and bond markets, a particularly valuable source of portfolio diversification for OPERF.
- *Deep underwriting of underlying policies.* The senior Apollo team (formerly of SwissRe) has done extensive underwriting of the individual policies, down to the (no names) medical record level basis. Moreover, Apollo has a history of investing in insurance industry opportunities.
- *Apollo Partners financial commitment.* Individual partners of Apollo are expected to invest approximately $37 million alongside the Limited Partners, which is approximately 7% of the fund.

Cons:

- *Mortality risk.* Underwriting based on actuarial tables which are revised from time to time (next scheduled revision is in 2012). In the past, the market has been surprised by the degree of revision (longer average life), which directly impacts returns. [Mitigant: Given past surprises, the current and expected actuarial tables are generally thought to be more conservatively based.]
- *Past origination practices.* The life settlements market has received negative press in the past due to the practices of some life insurance agents to fraudulently induce policy holders to sell their policies on the secondary market. [Mitigant: These policies are high face value policies that were originated for sophisticated high net worth policy holders, not less wealthy, less sophisticated holders.]
- *Life insurance companies opposition and rescission risk.* Most life insurance carriers would prefer policy holders surrender their policies rather than sell them on the secondary market. As such, they have resisted the development of the life settlements market. [Mitigant: These policies are past the two year “contestability” period that insurance companies have to contest policy validity. Most states regulate the life insurance industry and have consistently ruled in favor of the life settlements market and against the life insurance carriers.]

<u>Terms:</u>

The fund will have a lower than typical management fee for funds of this structure, which will be deemed a “monitoring fee” (based on committed capital) as there is only the single investment in the fund. In addition, there is an incentive fee (carry) that is lower than is typical in private equity. Finally, there is a hurdle rate that will need to be achieved before a “catch-up” of incentive fees. [See confidential PCG memo for exact terms]

Recommendation

Staff and PCG recommend a commitment of $100 million to Financial Credit Investment I L.P. subject to the negotiation of the requisite legal documents with staff working in concert with the Department of Justice.

MEMORANDUM

TO: Oregon Public Employees Retirement Fund ("OPERF")

FROM: PCG Asset Management LLC ("PCG AM")

DATE: September 21, 2010

RE: Financial Credit Investment I, L.P.

Strategy:

Apollo Global Management, LLC (together with Financial Credit Investment Advisors I, L.P., the "General Partner," and their affiliated investment management entities, "Apollo Management") has established Financial Credit Investment I, L.P. (the "Partnership"), and assembled a team (the "FCI Team") of professionals to invest in a specific portfolio (the "Portfolio") of life insurance policies.

The General Partner and its affiliates will commit to make $37.5 million of capital contributions and are seeking additional investors to fund the remaining capital commitments. The Partnership will carry out substantially all of its activities through an Irish private limited liability company for tax efficiency purposes. The General Partner has requested Limited Partners provide verbal indications on commitments by the end of September with fully signed documents by early October 2010.

Conclusion:

The Partnership offers OPERF an opportunity to participate in a differentiated portfolio of investments. PCG AM's review of the General Partner and the proposed Partnership indicates that the potential returns available justify the risks associated with an investment in the Partnership (subject to the stipulations numbered below). PCG AM recommends that OPERF consider a commitment of up to $100 million to the Partnership. PCG AM's recommendation is contingent upon the following:

(1) Satisfactory negotiation or clarification of certain terms of the investment, including, but not limited to, tax considerations, FCI Team employment contracts, and Partnership fees and expenses;

(2) Satisfactory completion of legal documents;

(3) Satisfactory continuation and finalization of due diligence, including, but not limited to, the Partnership securing adequate commitments to execute the General Partner's stated strategy;

(4) No material changes to the investment opportunity as presented; and

(5) Confidentiality maintained regarding the commitment of OPERF to the Partnership until such time as all the preceding conditions are met.

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Life Settlement Discussion

It should not be assumed that investments made in the future will be profitable or will equal the performance of investments in this document.

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Additional information may be available upon request.

APOLLO

Agenda

1. Life Settlement Overview

2. Life Settlement Market

1. Life Settlement Overview

Life Settlement Asset Class

Apollo is creating a new investment partnership (the "Partnership") for the purpose of acquiring and managing a specific portfolio of life settlements

- **The Partnership believes that an investment in the life settlement asset class offers investors the opportunity to achieve:**
  - Mid-teens stressed IRRs and twenties "market convention" IRRs
    - Stressed IRRs based on conservative mortality assumptions
  - Low standard deviation
  - Long duration returns with high multiples of invested capital
  - Low correlation to other financial assets
  - Tax efficient ownership structures

- **Market dislocation offers unique opportunity for well capitalized buyers**
  - Many traditional buyers are gone
  - Limited number of investors able to write large checks
  - High barriers to entry given specialized knowledge base
  - Attractive return levels with lower risk profile than in the past

- **Apollo has investment experience in life insurance**
  - Dedicated longevity team recruited to lead Apollo's efforts in the space (team formerly at Swiss Re)
  - Athene life reinsurance, an Apollo sponsored investment
  - Long-term experience in the sector through Apollo sponsored investment NFP (National Financial Partners)
  - Deep regulatory expertise

Note: Market convention IRRs based on 50/50 AVS/21st blend.
The projected IRR information throughout this presentation is presented gross and does not reflect the effect of management and monitoring fees, incentive compensation, certain expenses, and fees. Apollo's estimate of potential return from a potential investment is not a guarantee as to the quality of the investment or a representation as to the adequacy of the firm's methodology for estimating returns.

What is a Life Settlement?

- A life settlement ("Life Settlement") is a life insurance policy that is sold by the original policy-holder to a third party investor who then becomes the new owner and beneficiary of the policy
  - Buyer, typically an institutional investor, pays ongoing premiums and receives the policy death benefit upon the insured's mortality
  - Insured is typically a high net worth, health impaired individual who is 65 years of age or older
  - Seller receives a payment greater than the policy's cash surrender value but less than the policy death benefit

- The Life Settlement industry has been active since the 1990s and it is estimated that ~$50 billion[1] in Life Settlements have been traded

- The appeal for sellers includes:
  - A favorable alternative to lapsing or surrendering an unwanted or unaffordable policy
  - Ability to achieve a liquidity premium over and above the cash surrender value available from the insurance carrier

- The appeal for buyers includes:
  - Returns with low-correlation to equity or fixed income markets
  - Attractive returns in light of current market conditions
  - Portfolio diversification

Transaction Schematic

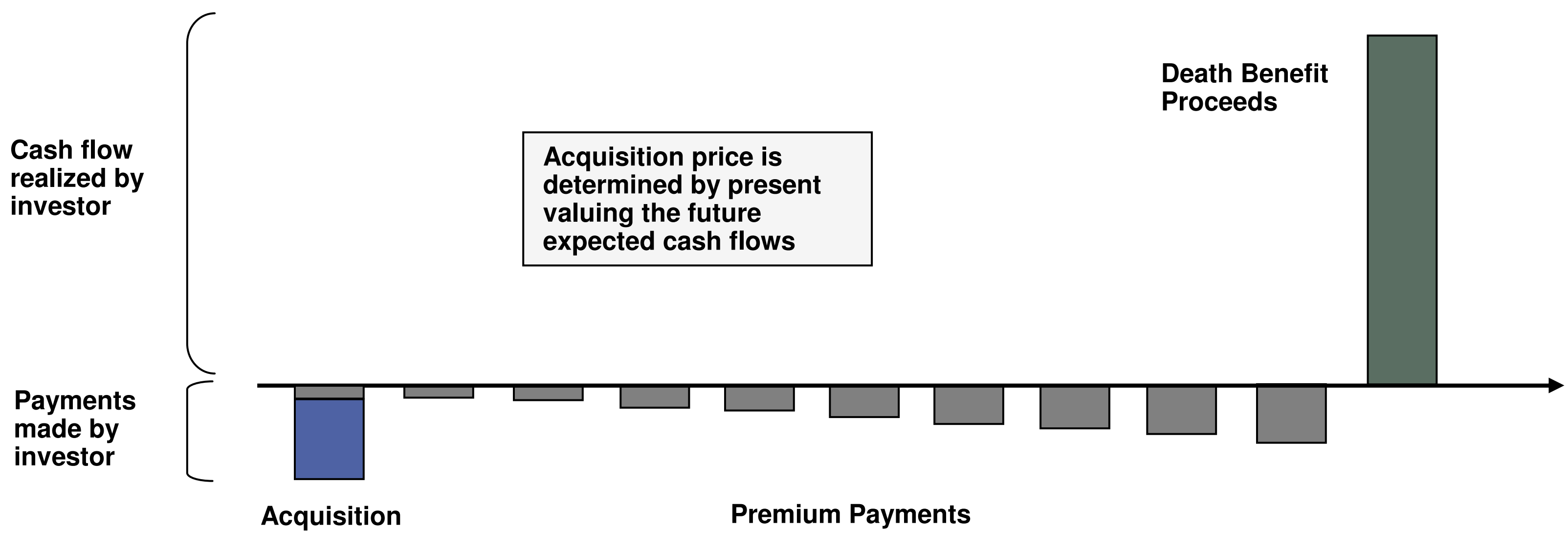
[1] *Conning, LISA, Coventry, LPHI, AM Best*

Life Settlement Pricing

- Policies are priced on an individual basis. The price is determined based on the probability weighted present value of the cash flows (premium and death benefit) using the investor's IRR target. The probabilities are based on mortality tables adjusted for the life expectancy of the insured. Other considerations, such as legal and regulatory risks, are also evaluated and factored in on an individual policy and a portfolio basis

- Portfolios are then valued based on the aggregation of individual policy prices and the impact of additional factors including, but not limited to, carrier distribution, impairment exposure, origination and documentation quality

Single Policy Cash Flow



Case Study*

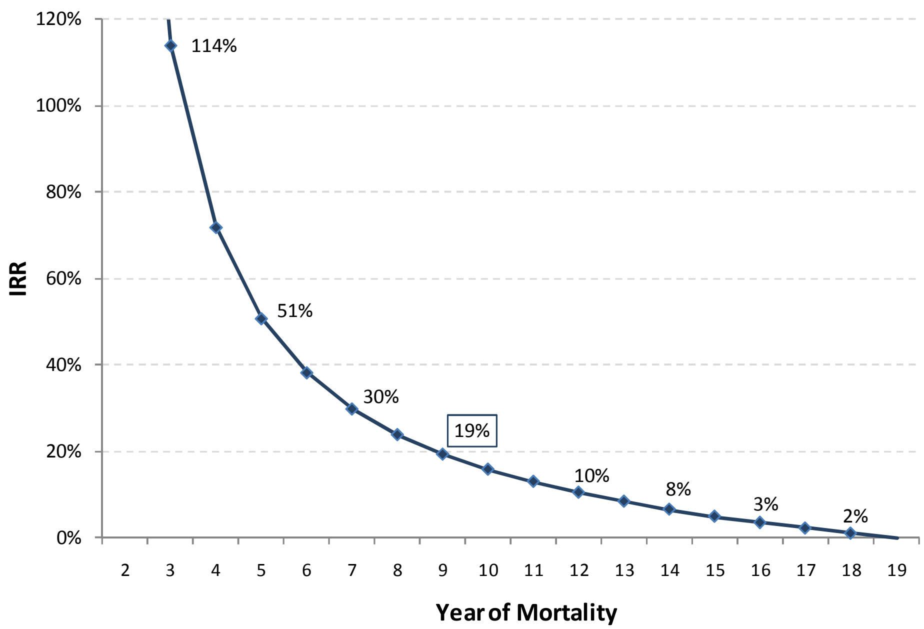
- The returns of an individual policy are sensitive to the actual mortality experienced
- Policy IRR typically falls at a decreasing rate as an insured ages resulting in limited downside
- The analysis below is an illustration of the cash flows and return profile of an individual policy

Death Benefit	5,000,000
Purchase Price	(300,000)
Purchase Price as a % of Death Benefit	6.00%
Year of Mortality (End of Year)	9

Year	Purchase Price	Premium	Death Benefit	Total Annual Cash Flow
0	(300,000)	(119,000)		(419,000)
1		(130,000)		(130,000)
2		(140,000)		(140,000)
3		(160,000)		(160,000)
4		(153,000)		(153,000)
5		(148,000)		(148,000)
6		(173,000)		(173,000)
7		(186,000)		(186,000)
8		(201,000)		(201,000)
9			5,000,000	5,000,000

IRR	19.3%

IRR vs. Mortality



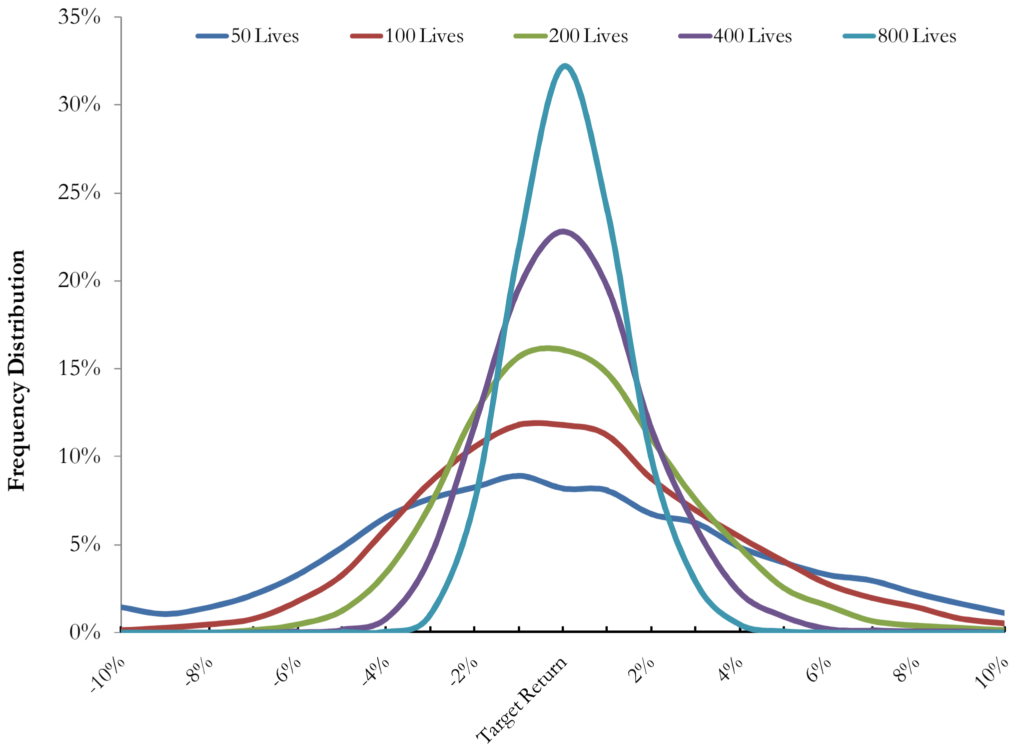
Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
IRR at Year of Mortality	1093%	230%	114%	72%	51%	38%	30%	24%	19%	16%	13%	10%	8.4%	6.6%	4.9%

** The returns from an investment vehicle will be dependent upon a pool of life insurance policies, all of which will behave differently (with different timelines, premiums and purchase prices) and affect the overall returns. The illustration above is based on a number of assumptions and therefore, actual returns may be substantially less than those illustrated. No representation is being made by the inclusion of the hypothetical illustration presented herein that the returns for an Apollo sponsored investment vehicle investing in life settlements will achieve similar performance. There can be no assurance that the strategy described herein will meet its objectives. The projected IRR information throughout this presentation is presented gross and does not reflect the effect of management and monitoring fees, incentive compensation, certain expenses, and fees. Apollo's estimate of potential return from a potential investment is not a guarantee as to the quality of the investment or a representation as to the adequacy of the firm's methodology for estimating returns.*

Portfolio Returns – Importance of Scale

- Capital is deployed on a portfolio basis to smooth cash flows and dampen the volatility of results
- The number of lives in a portfolio of Life Settlements can have a significant impact on the uncertainty of future cash flows

IRR Results vs. Number of Lives



Source: AM Best.

2. The Life Settlement Market

Life Settlement Origination Process

The Life Settlement Cycle

1. Individual purchases life insurance policy for planning purposes

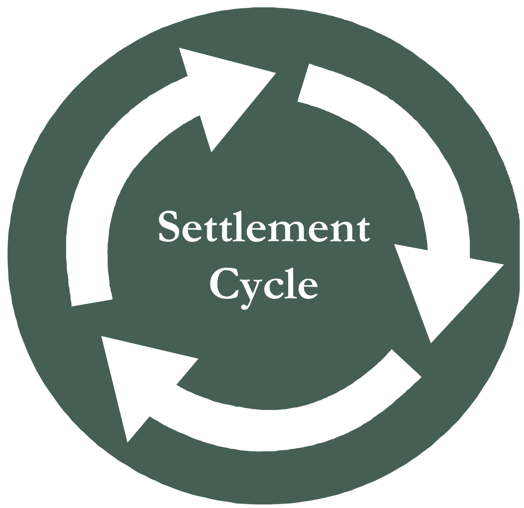
2. Original need for policy no longer exists. Contacts the insurance agent for options available

3. Insurance agent works with policy owner and other resources (e.g. life settlement broker) to determine the greatest value to the owner

4. If the greatest value is from the settlement market, the agent and broker assist the owner to sell the policy

5. Settlement provider purchases policy on behalf of longevity investors

6. Proceeds from sale of policy paid to policy owner



Life Settlement Landscape

- The Life Settlement marketplace includes a number of different participants

	Agents / Brokers	Providers	Servicers	Banks	Investors
Participants	NFP Summit Trinity Financial Life Insurance Agents Settlements Invescor Advanced	Coventry Peachtree Life Partners Maple Life, Life Settlement Solutions Legacy Benefits Cantor Fitzgerald	Wells Fargo USBank BOA MLF LexServe Northstar Montgomery Track Life	Deutsche Bank Credit Suisse JP Morgan Goldman Sachs Wells Fargo Royal Bank of Scotland West LB Mizuho	AIG Closed-end Funds Hedge Funds Financial Institutions, etc.
Dynamics	➢ Agents initiate policies for LS transactions directly from insureds; typically work for the insured ➢ Brokers intermediate between LS buyers and providers ➢ Highly fragmented market with numerous small groups and individuals ➢ Some states unregulated, may not require license	➢ Work for the purchaser or funder and ensures compliance with all laws and regulations ➢ Approximately 40 states require Life Settlement transactions to be conducted through providers who must be licensed at a state level	➢ Handle all cash flow administration, policy payments, medical monitoring, life tracking and claims ➢ Critical for optimizing portfolio cash flows and performance	➢ Focused on cash and synthetic / derivative transactions in the life asset marketplace ➢ High current focus on pension-facing longevity derivative trades ➢ Few offer origination platforms	➢ Early investment driven by tax-advantaged German closed end funds ➢ Entrance by institutional investors in recent years ➢ Current uptick in interest due to high risk-adjusted returns and low correlation

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How Has the Life Settlement Market Evolved?

- Significant market growth from 2005 to 2008 without due attention to mortality risks ($12+ billion traded in 2007)

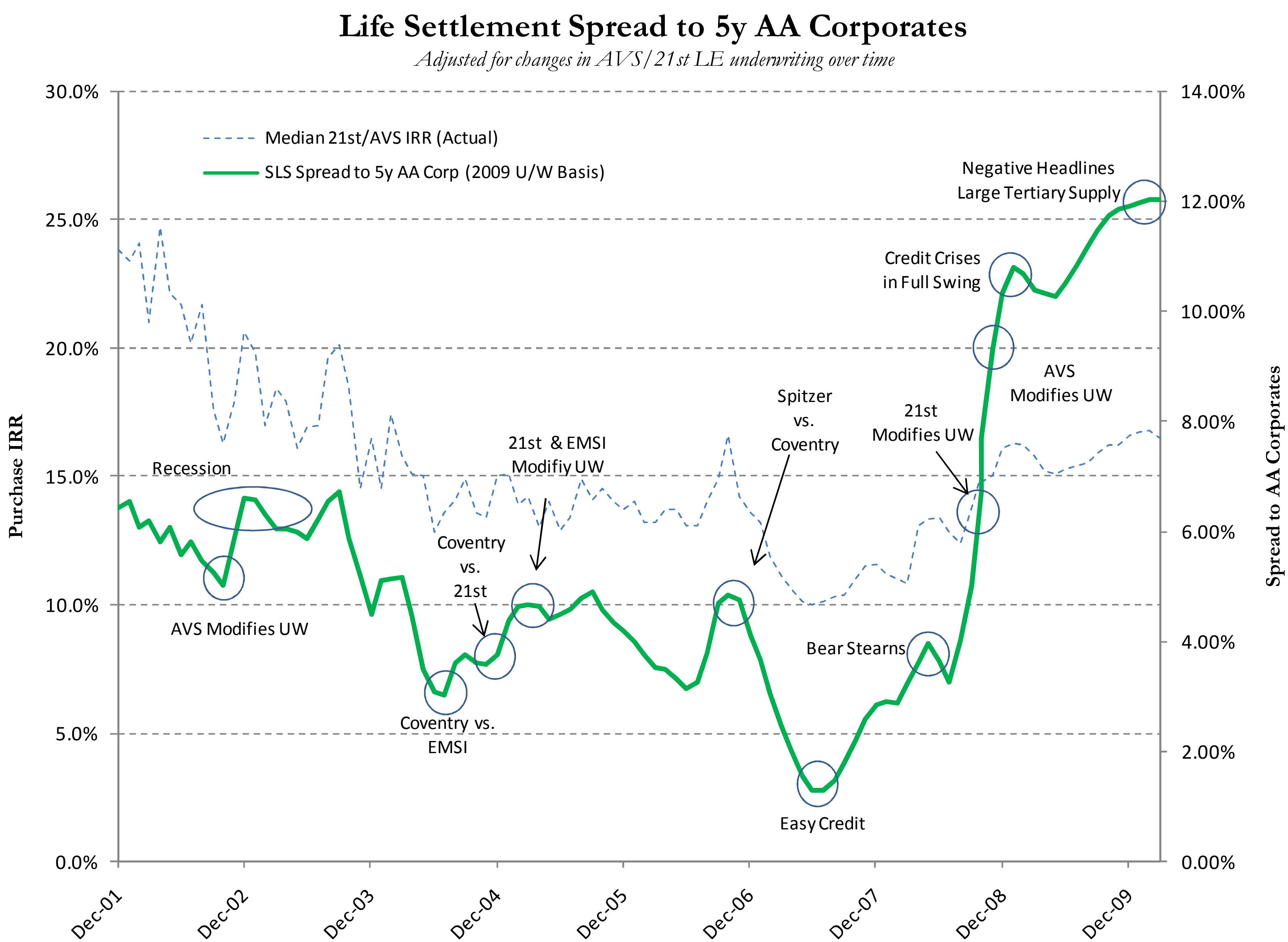
- Two major shocks affected investors in 2008: (i) the global credit crisis/liquidity squeeze, and (ii) a significant lengthening of Life Expectancies (LE) by major underwriters[1]

	Pre 2005	2005-07	2008-09	2010	2011+
Market Size[2]	**Growing** $2-3 billion p.a.	**Robust** $6-12 billion p.a.	**Sluggish** 8-11% billion p.a. Distressed opportunities begin to appear Valuations improve while headlines remain negative	**Uptick** $9 billion run rate Tertiary amounts now dominate and new origination picks up Yield spreads remain at historical wides	**Improvement** $9- 15 billion run rate Secondary purchases resume healthy pace Transaction mix dramatically shifts toward tertiary buying
Favored	Seller	Seller	Buyer	Buyer	Buyer & Seller
LE	20-50%+ differences common; significantly shorter than today	21st and EMSI have major shifts longer; 15-25% differences still common	21st and AVS have major shifts longer; Fasano stable	General convergence after industry gathers experience; underwritings exceed one million	LEs expected to remain converged; no major extensions anticipated
IRR	12-17%	10-15%	13-16%	14-17%	--

1) AVS and 21st Services
2) Sources: AM Best, Conning, LPHI, LISA, AIG FP, Coventry, LSS, Maple, Peachtree, Peninsula, Cantor, ISM Fund Elite, Life Policy Dynamics; The primary insurance market refers to the issuance of new life insurance policies. The secondary market refers to the purchase of existing life insurance policies from LS providers, whereby the tertiary market refers to the purchase of existing life insurance policies from third-party investors. IRRs are based on market data the Partnership obtained through the Partnership's research and Partnership's opinion. The IRR information is presented gross and does not reflect the effect of management/monitoring fees, incentive compensation, certain expenses and taxes..

APOLLO

Life Settlement Yield – Optimal Entry Point



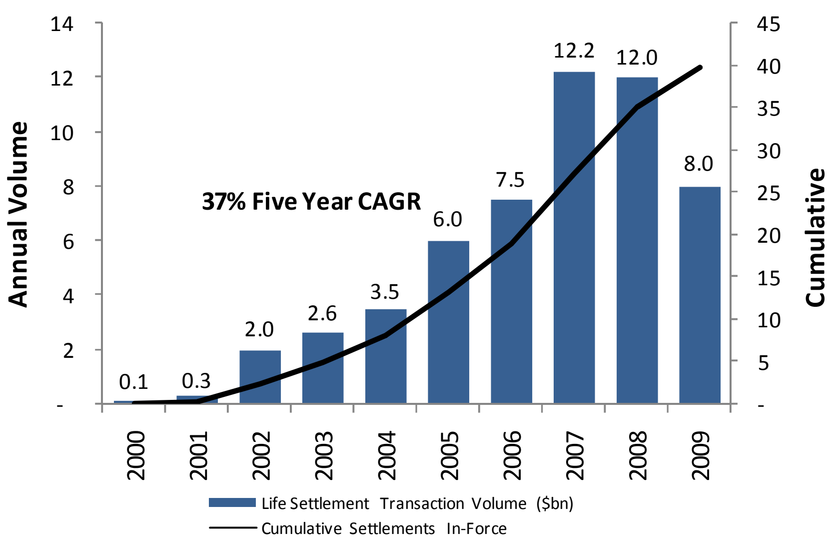
Sources: Barcap AA Corporate Index, Barcap U.S. 5 year U.S. Treasury Bellweather Index, AIG FP, Coventry, LSS, Maple, Peachtree, Peninsula, Cantor, ISM Fund Elite, Life Policy Dynamics; Coventry First is the industry's largest provider; EMSI and 21st are Life Expectancy underwriters; Spitzer refers to the NY Attorney General

Life Settlement Market - Size and Growth

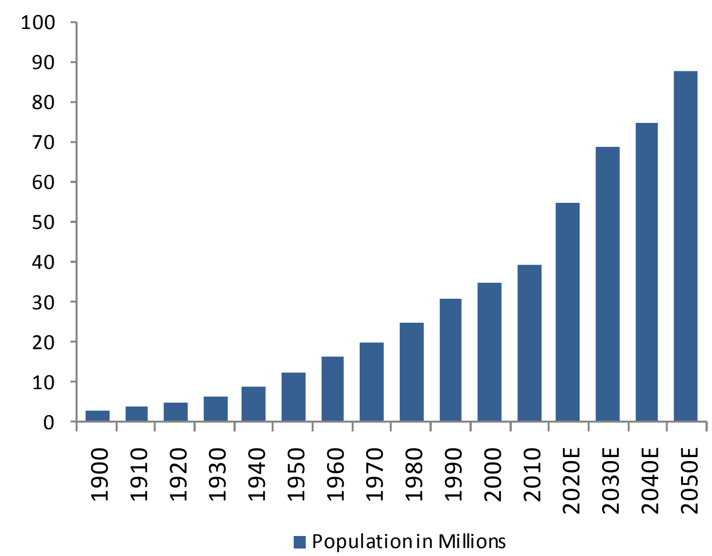
- Over the past decade the Life Settlement market has grown substantially

- Growth drivers include:
  - **Large Addressable Market:** Credit Suisse estimates the Life Settlement market will exceed $160bn by 2016[1]
  - **Liquidity Option for Policy Owners:** Over $1 Trillion[2] of life insurance is estimated to be in force for the 65+ population in the US, of which, over $125bn is eligible for Life Settlement by policyholders[3]
  - **Regulation & Transparency:** Most states currently regulate Life Settlements. This offers policyholders additional transparency and consumer safeguards. In addition, several states have enacted laws to provide mandatory education to policyholders about Life Settlement options, and several more are introducing such legislation

Annual Life Settlements Volume [4]

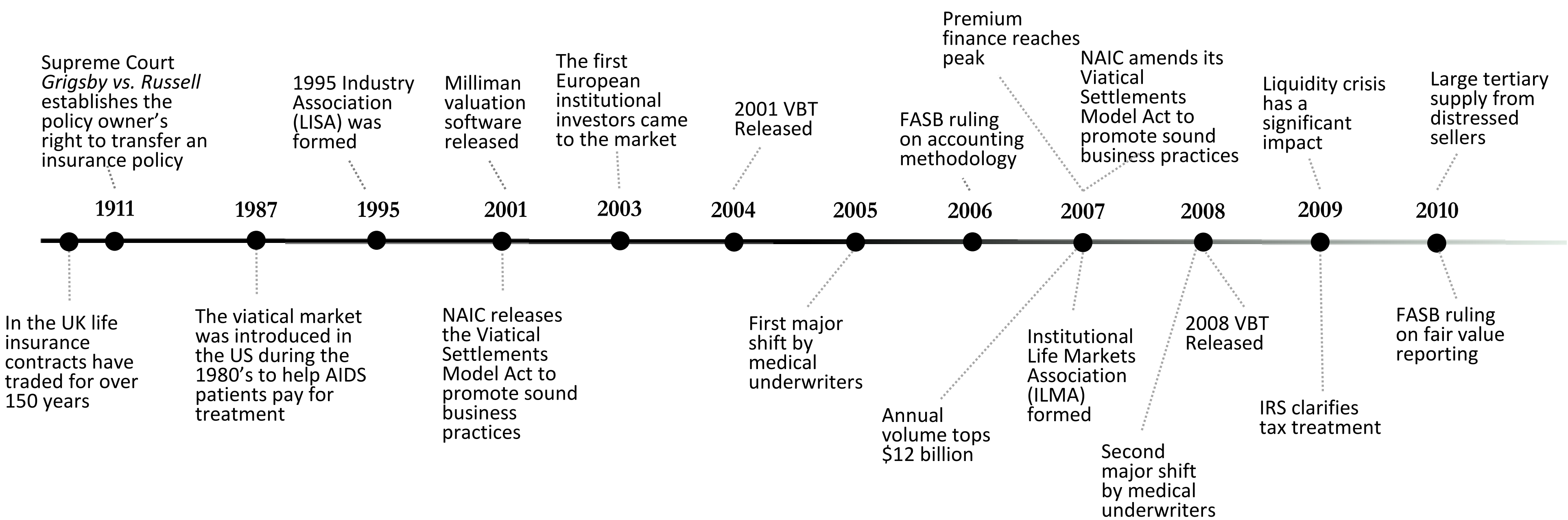


US Population over 65 Years of Age [5]



Sources: [1] *Conning, Tillinghast TOAMS II, LIMRA 2006* Industry Statistics: Use and Misuse, *CDC NCHS* , *see footnote (2)* [2] *'04-07 Survey of Consumer Finances, '05 LIMRA* Trends in Life Insurance Ownership, *Conning* [3] *LIMRA 2006* Industry Statistics: Use and Misuse [4] *AM Best, Conning, LPHI, LISA* [5] *US Census Bureau*

Life Settlement Market - Historical Timeline



Opportunity to Capitalize on Market Dislocation

- Relative to certain asset classes which have rebounded since the credit crisis, the Life Settlement market continues to experience dislocation
- Traditional Life Settlement investors, such as large financial institutions, are looking to sell non-core assets such as Life Settlements
- Certain hedge funds have been looking to sell part or all their Life Settlement portfolios to avoid funding premiums
- More policy-holders are looking to monetize their life insurance policies for cash-needs today
- The complexity of the asset class limits the universe of investors who are able and willing to take the time to diligence and understand the investment opportunity
- There are very few investors who have the size to acquire a number of the larger portfolios on the market as well as fund any ongoing premium requirements

The Partnership believes that market dislocation has created an opportunity to earn an attractive return and a high multiple of invested capital

Certain Risks & Mitigating Factors

	Risks	Mitigants
Longevity Risk	➢ Insureds outlive life expectancy estimates leading to higher premium costs and delayed cash inflows ➢ Actual mortality does not reflect actuarial predictions leading to portfolio revaluation	➢ Conservative and diversified approach to life expectancy ➢ Portfolio diversification ➢ Stressed assumptions ➢ Stochastic analysis
Origination Risk	➢ Policy contested by carrier due to legal, technical or contractual problems ➢ Violation of insurable interest laws ➢ Regulatory infractions ➢ Fraud by brokers, insureds, or originators	➢ In-depth regulatory monitoring to ensure best-practices approach ➢ Full legal review of origination methods including ownership, right to sell and trustee review ➢ Stringent portfolio selection from high quality programs ➢ Strict broker, provider and collateral manager selection including pre-screening and origination practices diligence ➢ Application review for fraud and inconsistency
Business Operational Risk	➢ Poor portfolio servicing ➢ Insured behavior invalidates policy	➢ Extra control via integrated servicing platform ➢ Purchase of policies after contestability period ➢ Working with best of class service providers
Credit Risk	➢ Carrier fails to pay mortality payments due to insolvency or financial distress	➢ While US carriers have failed, life insurance policy claims are senior to other creditors; no legitimate claim has ever gone unpaid in the U.S. ➢ Diversification across carriers ➢ Minimize non-investment grade carriers and / or hedging via credit protection ➢ State guarantee funds provide some protection
Headline Risk	➢ Negative media reports	➢ Working with best of class legal/regulatory advisors to reduce potential challenges ➢ We are second/third buyer and a few steps removed from the initial seller ➢ Consumer friendly economic alternative for sellers ➢ We only buy seasoned policies beyond the contestability period (2+ years)

Certain Risk Factors

Any person subscribing for an investment must be able to bear the risks involved and must meet the suitability requirements set forth in the investment vehicle's (the "partnership") confidential offering memorandum. Some or all alternative investment programs may not be suitable for certain investors. No assurance can be given that the investment objectives set forth herein will be achieved. No guarantee or representation may be made that the investment will meet its objectives, or avoid losses. The partnership will be newly-established and, accordingly, have no operating history. The partnership will be dependent on the services of certain key personnel, and, were certain or all of them to become unavailable, the partnership may prematurely terminate. An investment in the partnership will be illiquid. Apollo and/or its affiliates will receive performance-based compensation; such compensation may result in riskier investments.

Prior to investing in the partnership, please carefully review the risk factors set forth in the partnership's private placement memorandum.

TAB 4 – OPERF REAL ESTATE STRATEGY & LONE STAR FOLLOW-UP

OPERF Portfolio Review Discussion Issues

Background

Part of the Real Estate presentation at the July 2010 OIC meeting contained discussion issues relating to OPERF's real estate portfolio philosophy/strategy and its direction. Time did not allow for discussion among OIC members, OPERF's real estate consultant and staff. At the OIC's direction, time is being provided at the September 2010 OIC meeting for discussion of the issues outlined below. No policy changes are being recommended by staff or consultant at this time.

Real Estate Discussion Issues

Discussion of the following issues will frame how the OIC wishes to position the real estate portfolio within the greater OPERF portfolio (risks and returns) and address some of the constraints to achieving those goals.

<u>Income vs. Capital Gains:</u>

Our real estate portfolio buckets (policy targets) are: 50% to CORE; 20% to Value Added and 30% to Opportunistic. The CORE sector, including REIT securities, targets both income and capital gains. The Opportunistic and Value-added sectors target primarily capital gains with little emphasis on current income. We have almost no exposure to mortgage lending that might focus primarily on income production and have little or no capital gain expectations.

Target returns for mortgage investments are generally in the low to mid single digit range. Equity CORE real estate investments with modest leverage should total returns (income and appreciation) of around 10%. Opportunistic and Value-added investments generally target mid to upper teen returns on a ten-year IRR basis. The higher returns are generally accompanied by higher risk (of either loss or much lower returns) and may rely on higher use of leverage or financial engineering (deal structuring).

The results of our policy mix was a portfolio return of **+18.4%** for the two years ending 12/31/2007 and a **-11.5%** for the two years ending 12/31/2009. The past two years have encouraged some state pension funds to restructure their real estate portfolios to income producing investments at the expense of capital gains.

Should OPERF reshape its real estate portfolio with more debt products producing income but no capital gain (such as first mortgages) or preferred equity real estate securities to reduce risk even if it is at a cost of reduced total return? Should the Real Estate Core sector be increased and the higher risk Value-added and/or Opportunistic sectors be reduced?

Considerations:

- *OPERF has a Fixed Income portfolio that is structured to generate PERS' annual cash flow needs. The real estate portfolio can be better used to achieve capital growth.*

- *OPERF generated a surplus for the PERS account early in this decade. PERS was 86% funded at the end of 2009. A stabilized cash flow portfolio from mortgages and net-leased real estate may not yield enough to rebuild the account to a surplus. Investments offering potentially higher returns can be pursued but may present higher risk elements such as higher use of leverage or real estate development.*

- *The next five years should be a period of recovery for real estate investments. While base returns may be more assured by becoming more conservative, it would preclude much of the expected upside in the future as we come out of the current distressed pricing environment.*

- *The emphasis on deal structures and transactions places greater reliance on the fund manager selection and the manager's ability to perform rather than solely on the underlying asset's economic performance.*

Staff recommends retaining the current risk/return policy limits.

Global Expansion:

Real estate truly is a local investment (location, location, location…). The location diversification benefit extends to real estate investments outside the U.S. borders. OPERF's global (Ex-U.S.) exposure is about 30% to 33% of total net asset value. This has allowed for diversification and exposure to emerging markets where growth is more likely than in the U.S., Japan or Europe. It also has allowed OPERF to participate in recovery of distressed markets outside our borders with global investment managers such as Fortress, Rockpoint and Lone Star. This exposure adds several areas of risk: political risk (e.g., tax law changes, property being taken through nationalization and country rule of law risk), market and partner due diligence risk (how best to do business there), currency risk, and a myriad of other legal structuring issues. OPERF's past performance has been aided by the addition of global investments in its portfolio. 19 OPERF real estate funds had returns greater than 10% during 2009. 16 of these 19 funds held some or all of their investments outside the U.S.

Should OPERF continue investing globally or retreat to within U.S. borders?

Considerations:

- *Modern transportation and communications have "flattened the world." OPERF's top ten performing opportunity funds for 2009 all held international investments.*

- *Global markets provide the opportunity to diversify the real estate portfolio into economies that are performing better than the U.S. or have better growth prospects.*

- *Between DOJ, our SAAGs and the GPs' legal teams, the international legal and tax issues seem to have been well handled in the past. Our consultants, and a growing number of GPs, seem to be well equipped to handle the international economic due diligence required of these opportunities.*

- *Currency fluctuations compared to the U.S. dollar can have either a positive or negative impact on global investment returns. Currency hedging techniques can mitigate the downside risk, but at a cost.*

- *Real estate investments are long term in nature and generally illiquid. It may be difficult to exit from investments where a country is in the midst of economic or political turmoil.*

Staff recommends continuing to include global real estate investments in the OPERF real estate portfolio.

Portfolio Structuring Issues:

OPERF currently has about 75 real estate investment accounts with about 40 managers requiring attention of two OPERF investment managers. In general, State Street/Private Edge reporting, GP Quarterly reporting, Treasury Investment Accounting and OPERF's Real Estate consultant all add up to adequate oversight. In the past year, investment problems have taken substantial staff time working with both our general partners and other limited partners. Hopefully, these kinds of problems will not be a continued drain on staff time. However, deal size and controls on the number of relationships are issues for consideration as the real estate portfolio grows.

Should OPERF pursue larger real estate commitments ($500 million and above) to keep the number of managed accounts reasonable? In doing so, should OPERF seek a higher degree of LP control by investing in "Club" deals with few investors working closely with the managing partner?

Considerations:

- *Very large real estate commitments ($500+ million) may present areas of concern such as, manager qualifications, ability to exit (i.e. large property liquidity) and concentration risks.*
  - *Should the OPERF Real Estate Portfolio have more than 75 active accounts?*
  - *Large deals are "Lumpy" (i.e. may be difficult to exit due to few buyers).*

- *Large deals may offer better pricing due to fewer competitors.*
- *If the manager fails, can a replacement be found?*
- *At what aggregate commitment to a manager do we have too many eggs in a basket?*

- *Some limited partners are encouraging the formation of "club deals" (a GP and one to three other LPs). In these club deals, the LPs would have more control over the investment vehicle and be involved in some major decisions similar to OPERF's involvement in its direct separate accounts.*
  - *In "Club" deals, OPERF may provide 33% or more of the committed equity.*
  - *OPERF investments may be impacted by LP decisions previously in the hands of the GP.*
  - *More specialized staff may be required and more approval authority may need to be delegated from the OIC in the future to allow us to be more active partners with such deals.*

Staff recommends seeking platforms and deal structures that will accommodate larger commitments. Separate accounts and "Club" deals should be pursued where they offer greater investment control to OPERF.

Lone Star Fund VII, L.P.
Lone Star Real Estate Fund II, L.P.

Purpose

OIC to consider an additional commitment of up to $400 million to the above referenced Opportunistic real estate funds.

Background

On September 30, 2009, the OIC approved Staff's recommendation of a $100 million commitment to Lone Star Fund VII, L.P. ("LS Fund VII") and $300 million to Lone Star Real Estate Fund II, L.P. ("LS Real Estate Fund II"). The two global funds targeted a combined equity of $20 billion. Their combined portfolios are "opportunistic" in nature. Lone Star Real Estate Fund II will house all commercial real estate activity and Lone Star Fund VII will focus on residential distressed debt and acquisition of real estate rich entities such as banks. Both target IRR return at the investment level of 25% and will be run side-by-side. Staff and consultant recommended two commitments, overweighting Lone Star's historic strength in commercial real estate in Lone Star Real Estate Fund II and underweighting the residential and entity investments in Lone Star Fund VII. Since 1995, Lone Star has offered seven funds, investing a total of over $24 billion. OPERF has invested in all of the previous funds. Over all, these funds are projected to produce a total net IRR to OPERF in excess of 25%.

The OIC's $400 million approval was made subject to OPERF receiving the right to increase its commitment by an additional $400 million near the end of the capital raising period. Unless an extension is requested by the general partner and approved by the funds' LP Advisory Committees, the capital raising period is scheduled to end on November 30, 2010.

Fund Update:

Each fund had a target capital raise of $10 billion. Currently, each fund has a $4 billion target with a $5 billion hard cap. In September 2009, management fees for investors of our commitment size were 90 bps during the investment period and 45 bps post investment period if the fund raised up to $5 billion Fees were higher for smaller investors. The fees were scheduled to drop (to 70 bps and 35 bps, respectively) if capital was raised to the $10 billion target. The hurdle rate before GP carried interest was 10% for investors with commitments of at least $400M but less for smaller investors. The expected reduced fund sizes have not changed the fee structure for OPERF.

As of September 1, 2010, Lone Star Fund VII had invested $115 million in three transactions. Two of the investments target a 25% IRR return and one targets a 44% IRR return. Lone Star Real Estate Fund II has yet to close a transaction.

Investment Considerations

OPERF has had a 15 year history of successful investing with Lone Star. It is not surprising that they are our largest real estate investment manager with combined funds represented almost 17% of OPERF's total real estate NAV and over 20% of unfunded real estate commitments at September 1, 2010.

Investment Concentration:

OIC policy targets 30% of the total real estate portfolio to be in the Opportunistic sector with a top of range at 40%. At September 1, 2010, opportunistic holdings represented 39% with an additional unfunded commitment of $1.2 billion. The past two years have had minimal real estate activity. Some Opportunistic NAV will be harvested as markets free up and some unfunded commitments will not be called as investment periods expire. However, it appears that we will exceed the OIC policy limit for Opportunistic real estate investments even without an additional commitment to Lone Star.

Manager Concentration:

Lone Star holdings currently represent about 17% of OPERF's real estate NAV. By next year that number could crest 20%. After that, Lone Star's harvesting distributions should exceed capital calls and their percent of OPERF NAV should fall. Their portfolio is diverse both geographically and by property type. Their staff is experienced with a deep bench. However, there is a key man risk should John Grayken leave the firm or a number of other key players leave at one time (for example to start a competing firm). Any number of legal or financial distractions could lead to a less effective operation than we have seen over the past 15 years. This is not a known or expected issue but an unexpected issue that could become severe due to our large exposure to one entity.

Conclusion:

The opportunity is good based on Lone Star's past track record and its strong team that is well positioned to take advantage of the distressed markets. The risk is high in terms of portfolio and manager concentration. There currently is no fee advantage for increasing our commitment.

Recommendation

Staff and consultant recommend staying at the current commitment level and not exercising the option for additional commitment to these two Lone Star funds.

TAB 5 – COMMON SCHOOL FUND ANNUAL REVIEW
& HIGHER EDUCATION ENDOWMENT FUND UPDATE

Oregon Investment Council
Common School Fund
2010 Annual Portfolio Review

Purpose

To provide the Oregon Investment Council an update on the performance, structure, and asset allocation of the Common School Fund for the one year period ended August 31, in accordance with OIC Policy 4.08.07. Periodically, the Director of the Division of State Lands provides an update to the OIC. However, since she provided an update last year, she did not feel the need to present at this meeting.

CSF Performance

The significant manager line-up changes that were approved by the OIC, have now been in place two years. For the two-year period ended August 2010, the fund returned (0.85) percent, which was 82 basis points better than the (1.67) percent policy benchmark. While the absolute performance is still reeling from 2008, the relative performance is on track.

Five of the nine active equity managers have exceeded their benchmarks over the past two years. Over the past 12 months, only three of the nine exceeded their benchmarks. All the managers are part of the ongoing due diligence performed by the Treasury equities section.

The two CSF fixed income managers employ an active investment strategy that seeks to take advantage of the historical advantage given to market participants taking spread risk. The strategy generally involves underweighting treasury securities, relative to the index, and overweighting corporate debt. Over the past two years, the managers have each returned approximately 11.4 percent annually, exceeding the 8.7 percent of the BC Universal index by 2.7 percent.

As reflected in the most recent flash report, the three through seven year performance numbers continue to be hampered by the 2007 and 2008 relative performance, as shown below.

PERIOD	CSF Net Return	Policy Benchmark	Alpha
Calendar Year 1999	14.87	15.44	(0.57)
Calendar Year 2000	(3.63)	(4.07)	0.44
Calendar Year 2001	(7.08)	(7.59)	0.51
Calendar Year 2002	(11.15)	(11.27)	0.12
Calendar Year 2003	24.72	24.09	0.63
Calendar Year 2004	11.73	11.38	0.35
Calendar Year 2005	7.14	6.72	0.42
Calendar Year 2006	15.32	14.45	0.87
Calendar Year 2007	2.77	7.21	(4.44)
Calendar Year 2008	(32.39)	(30.31)	(2.08)
Calendar Year 2009	30.42	27.01	3.41
August 2010 YTD	(0.64)	(1.13)	0.49

Private Equity
CSF will continue to build out its private equity program, with key OPERF general partners. Total commitments to date are $145 million, with $58.7 million contributed. Performance is too early to be meaningful. General partners represented: Apollo, Oak Hill, TPG, Warburg Pincus, JP Morgan, and Oaktree earlier this year.

CSF	Policy	Target	$ Thousands	Actual
Domestic Equities	25-35%	30%	$287,739	30.4%
International Equities	25-35%	30%	305,779	32.3%
Private Equity	0-12%	10%	48,357	5.1%
Total Equity	**65-75%**	**70%**	**641,875**	**67.8%**
Fixed Income	**25-35%**	**30%**	**299,911**	**31.7%**
Cash	**0-3%**	**0%**	**4,684**	**0.5%**
TOTAL CSF			**$946,470**	**100.0%**

See additional background on the CSF, including distributions made to schools, on the following pages.

Additional Background on the Common School Fund
(courtesy of the Department of State Lands)

The act of Congress admitting Oregon to the Union in 1859 granted sections 16 and 36 in every township "for the use of schools." The provision of land for educational purposes was a practical solution for the developing nation that was "land rich, but cash poor."

In Oregon, Congress granted roughly six percent of the new state´s land--nearly 3.4 million acres--for the support of schools. Due to various circumstances, about 700,000 acres remain in state ownership today.

These lands and their mineral and timber resources, as well as other resources under the State Land Board´s jurisdiction (including the submerged and submersible lands underlying the state's tidal and navigable waterways) are managed "with the object of obtaining the greatest benefit for the people of this state, consistent with the conservation of this resource under sound techniques of land management."

- **Rangelands** are leased to ranchers for grazing sheep and cattle.
- **Forestlands** are managed for timber production.
- **Waterways** are leased for uses such as sand and gravel extraction, houseboats, marinas and log rafts. The rents and royalties received from these activities are deposited in the Common School Fund, a trust fund for the benefit of Oregon´s K-12 public schools.

Other sources of money contributing to the Common School Fund include:

- **Escheats** -- property reverting to the state on an individual's death because no heir or will exists or can be found;
- **Unclaimed property**, while the agency searches for the rightful owner;
- **Gifts** to the state not designated for some other purpose;
- **Tax revenues** from the production, storage, use, sale or distribution of oil and natural gas; and
- **5% of the proceeds** from the sale of federal lands.

The State Treasurer and the Oregon Investment Council invest the Common School Fund. In recent years, fund values have ranged from $600 million-$1 billion, depending on market conditions.

In addition, the Land Board must consider the issue of "intergenerational equity" in its distribution policies. Fund distributions cannot benefit current students at the disadvantage of future students, or vice-versa.

In early 2005, the State Land Board announced a record $45.6 million distribution of earnings from the Common School Fund to all K-12 public schools and voted to modify the future distribution policy for the fund. The turnaround in the stock market during 2004 created a significant increase in the value of the Common School Fund which reached $1 billion in February 2006.

Changes to Oregon law and the investment policies of the State Land Board beginning in the late 1980s significantly boosted earnings flowing to schools.

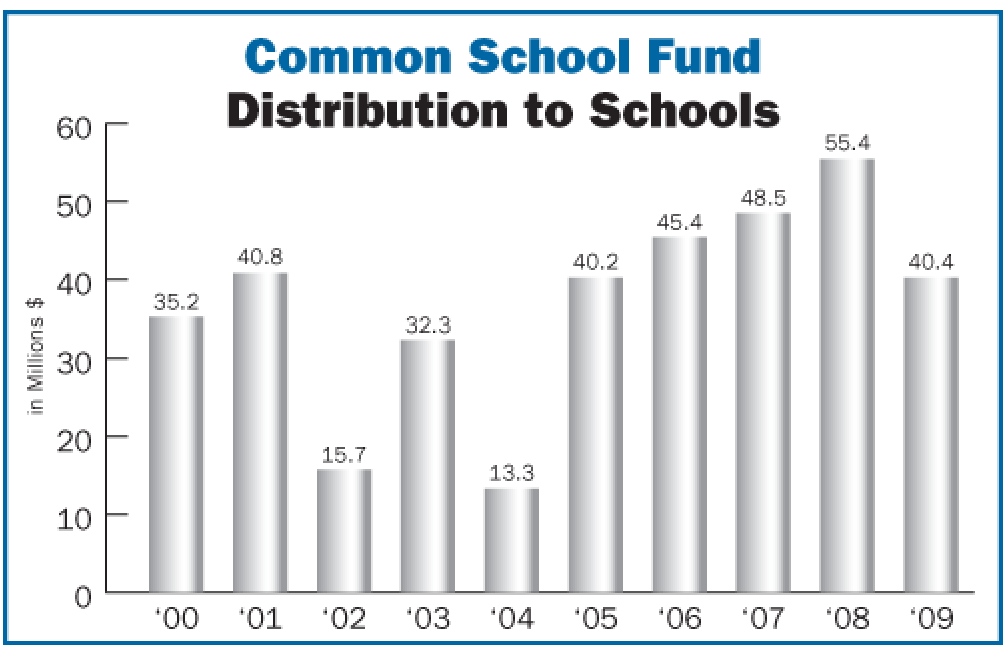
A 1988 Constitutional Amendment allowed investment of the Common School Fund in the stock market, subject to a legislatively-established investment cap of 50 percent. The 1997 Legislature increased the cap to 65 percent. That timely shift in strategy has nearly quadrupled the fund value due to growth of the stock market and revenues generated from land management.

In October 1999, the Land Board adopted a revised investment earning distribution policy with long-term growth and not a specific budget target as the objective. The policy establishes a sliding scale for annual distributions between two percent and five percent of the Common School Fund market value as of December 31 each year, depending on increases or decreases in the value of the fund. To prevent large variations in distributions from year to year, in 2005 the board voted to switch to a three-year rolling average for calculating the fund's value change after January 1, 2006.

Legislation passed in 2005 directed the Oregon Department of Education to send CSF revenues directly to Oregon's 197 K-12 public school districts.

Recent distributions:
2000 - $35.2 million
2001 - $40.8 million
2002 - $15.7 million
2003 - $32.3 million*
2004 - $13.3 million
2005 - $40.2 million
2006 - $45.4 million
2007 - $48.5 million
2008 - $55.4 million
2009 - $40.4 million
2010 - $50.4 million

* Includes a special distribution of $17.7 million comprised of the entire statutory portion of the corpus of the CSF accumulated over 50 years (requested during a special legislative session).



HIED Endowment Fund
Policy Revisions

Purpose
To update OIC Policy 4.10.01 to reflect investment policy changes approved by the OIC during July 2010.

Discussion
With consultation from staff and SIS, the HIED Board requested a change to their asset allocation policy. The OIC approved this changed on July 28, 2010. Staff agreed to return with an implementation plan and an updated investment policy.

Attached is the implementation plan formulated by SIS, which has been accepted by the HIED Board at a meeting earlier this month. Additionally, the revised policies are included as well.

Recommendation
Approve staff proposed changes as reflected in the attached policy.

HIGHER EDUCATION ENDOWMENT FUND

IMPLEMENTATION PLAN

AUGUST 2010

STRATEGIC INVESTMENT SOLUTIONS, INC.

333 Bush Street, Suite 2000
San Francisco, CA 94104
(415) 362-3484

John P. Meier, CFA
Managing Director

Asset Mix Transition

	Current %	New Target	Current $	$ at New Target	Delta
Growth Assets	66.8%	60.0%			
US Equity	29.7%	25.0%	$ 16,217	$ 13,636	$ (2,581)
International Equity	29.5%	25.0%	$ 16,098	$ 13,636	$ (2,462)
Private Equity	7.5%	10.0%	$ 4,098	$ 5,455	$ 1,357
Inflation Hedging Assets	2.8%	15.0%			
Real Estate	2.8%	5.0%	$ 1,500	$ 2,727	$ 1,227
TIPS	0.0%	5.0%		$ 2,727	$ 2,727
Other Hard Assets	0.0%	5.0%		$ 2,727	$ 2,727
Diversifying Assets	30.5%	25.0%			
Nominal Fixed Income	29.1%	25.0%	$ 15,887	$ 13,636	$ (2,251)
Cash	1.4%	0.0%	$ 745	$ -	$ (745)
Total			$ 54,545	$ 54,545	

Implementation Plan

- Currently investigating Real/Hard Asset strategies
  - Strategy may incorporate TIPS which could negate the need for a stand alone TIPS manager
  - Preliminary work is indicating that finding a cost effective solution will be challenging
- If Necessary, Hire TIPS Manager with existing Oregon Treasury relationship
- Currently investigating Buyout Fund of Funds to fill increased Private Equity Allocation
- Work with Treasury Real Estate staff to determine appropriate asset class strategy
  - Add investment(s) that implement the strategy with the assistance of Real Estate staff
- Identify all new investments/managers by year end

FUNCTION: **Oregon State Board of Higher Education**
ACTIVITY: **Pooled Endowment Fund Investment**

POLICY: **An asset allocation policy shall be adopted and appropriate guidelines shall be defined for the Oregon University System Pooled Endowment Fund.**

I. INTRODUCTION

This statement governs the investment of the Pooled Endowment Funds (the "Fund") of the Oregon State Board of Higher Education (the "Board").

This statement is set forth in order that the Board, the Office of the State Treasurer (OST), the Oregon Investment Council (OIC), and others entitled to such information may be made aware of the policy of the Fund with regard to the investment of its assets. This statement of investment policy is set forth to:

1. Establish a clear understanding by the OIC, the Board, and OST staff, of the investment goals and objectives of the portfolio.

2. Establish a basis for evaluation of the investment managers.

3. Establish guidance and limitations on investment of the funds.

It is intended that these objectives be sufficiently specific to be meaningful but flexible enough to be practical. It is expected that the policy and objectives will be amended from time to time to reflect the changing needs of the endowment; however, all modifications will be in writing and approved by the OIC.

II. OREGON UNIVERSITY SYSTEM POOLED ENDOWMENT FUND

The Fund is a permanent fund and is expected to operate in perpetuity, so these funds will be invested long-term. It is important to follow coordinated policies regarding spending and investments to protect the principal of the Fund and produce a reasonable total return.

III. RESPONSIBILITY OF THE BOARD

The role of the Board is to recommend to the OIC broad investment goals, including spending rate information and to provide input into the asset allocation process.

IV. RESPONSIBILITY OF OIC AND OST

The OIC will have the responsibility and authority to establish the asset allocation of the Fund, and approve the retention and termination of all investment managers. OST staff and the OIC's consultant will recommend to the OIC a specific asset mix reflecting judgments as to the investment environment as well as the specific needs of the Fund. Other duties assigned to OST staff include:

- Recommending professional investment managers.
- Negotiating and/or monitoring Fund investment expenses.
- Monitoring investment managers, on an ongoing basis.
- Assuring proper custody of the investments.
- Reporting to the Board, on a quarterly basis, the Fund's investment results, its composition and other information the Board may request.

V. SPENDING POLICY

The amount of endowment return available for spending (distribution) is based on a percentage of the average unit market value of the 20 quarters preceding the current fiscal year. The distribution per unit (under Exhibit A) is determined by the Board. The distribution amount per unit is multiplied by the current number of units and any additional units added during the current year as new endowment money comes into the Fund. This shall be exclusive of investment management fees.

VI. INVESTMENT POLICY GUIDELINES

A. Asset Allocation

The most important component of an investment strategy, toward achieving its purpose, is the allocation among the various classes of securities available to the Fund. The OIC will establish the target asset allocation for the investments that will mostly likely achieve the investment goals of the Fund, taking into consideration the appropriate level of portfolio risk.

The risk/return profile shall be maintained by establishing a long-term "target" strategic asset allocation that is set forth in Schedule I of this policy.

B. Investment Time Horizon

In making investment strategy decisions for the Fund, the focus shall be on a long-term investment time horizon that encompasses a complete business cycle (usually three to five years). Interim evaluation will be required if a significant change in fees, manager personnel, strategy or manager ownership occurs.

While the quantitative assessment of managerial competence will be measured over a complete market cycle, OST staff and the OIC's consultant may make period qualitative assessments as well. Specific qualitative factors which will be considered by OST staff and the consultant may include any fundamental changes in the manager's investment philosophy, any changes in the manager's organizational structure, financial condition and personnel, and any change, relative to their peers, in the manager's fee structure.

VII. PRUDENCE AND ETHICAL STANDARDS

A. Prudence

The standard of prudence applicable to the Fund is defined in ORS 293.726: "The investment funds shall be invested and the investments managed as a prudent investor would do, under the circumstances then prevailing and in light of the purposes, terms, distribution requirements and laws governing each investment fund."

B. Ethics and Conflicts of Interest

Consistent with all the activities of the OST and the OIC, the ethical standards established in OIC policy and in Oregon Law (ORS 244), shall apply to the management of the Fund.

VIII. INVESTMENT OBJECTIVES

The investment objective of the Fund is to seek consistency of investment return with emphasis on capital appreciation over long periods of time, since the Fund will operate in perpetuity. In keeping with the performance goals included in the Policy, achievement of this objective shall be done in a manner that provides investment returns that, over a long-term planning horizon, will meet the spending rate established by the Board and maintains the purchasing power of the principal.

IX. MANAGER(S) RESPONSIBILITIES

A. Legal Compliance - The investment manager(s) is responsible for compliance with the provisions of their investment management agreement.

B. Authority of Investment Manager(s) in the Managed Accounts - Subject to the terms and conditions of this policy and the investment management agreement, manager(s) shall have full discretionary authority to direct investments of assets in the managed accounts. Investment manager(s) will recommend changes to this Policy when the manager(s) views any part of this Policy to be inconsistent with overall market or economic conditions, or investment policies.

The OIC directs all managers to vote proxies and to vote them in the best economic interest of the Fund. The managers will report to the OST staff, as to how proxies were voted, when requested.

Meetings between Fund managers and OST staff will occur consistent with the policies established for the OIC's other managers, to discuss such things as: the manager's performance, outlook, and investment decision process.

X. REPORTING REQUIREMENTS

Investment results will be regularly monitored by OST staff and an independent consultant under contract by the OIC, as well as by OUS staff.~~.~~

A representative of OST shall meet with the Board, at least annually, to review, for each manager: (i) past performance; (ii) compliance with the Investment Policy, Guidelines and Objectives of the Fund, including but not limited to asset allocation, actual return, and comparative return in relation to applicable index (indices) and to a universe of comparable funds; (iii) risk profile; (iv) ability of manager to fulfill the stated objectives of the funds; and, (v) any other material matter.

A representative of the OST, or the consultant, shall report investment results, or other information, to the Board annually. Any material non-compliance with the Investment Policy, Guidelines and Objectives of the Fund or with the investment management agreement, discovered by OST staff or the consultant, will be reported to the Board immediately.

XI. INVESTMENT GUIDELINES

A. CASH: The Fund shall maintain minimal cash, consistent with short-term requirements. Short term cash will be invested in the Office of the State Treasurer Short Term Fund.

B. FIXED INCOME: Fixed-income securities, for purposes of these guidelines, shall mean mortgage-backed securities, U.S. government securities, investment-grade corporate bonds, and other fixed income securities, such as certificates of deposit and commercial paper. The objective of this component of the Fund is to preserve capital in keeping with prudent levels of risk, through a combination of income and capital appreciation. Realization of income will be subordinate to safety, liquidity, and marketability (securities should be readily marketable). This component of the fund shall adhere to the following categories:

1. Average credit quality shall be A or better.

2. With the exception of US Government and Agency issues, no more than 10% of the bond portfolio, at market value, will be invested in the securities of a single issuer or 5% of the individual issue.

3. There shall be a maximum limitation on below investment grade bonds of 15% of the bond portfolio.

4. There shall be a maximum limitation on non-US bonds of 20% of the bond portfolio.

Fixed-income managers have full discretion over the allocation between long-term, intermediate, and cash equivalent investments.

C. EQUITIES

1. Objective: The objective of the equity portfolio is to enhance total return by investing in a broadly diversified portfolio of domestic and international stocks. The OIC and the Board are mindful of the volatility of the equity markets and choose to dampen this volatility through diversification.

2. Strategy: Hold a fully invested, diversified portfolio of global equity securities, approximately weighted 50 percent domestic equity and 50 percent international equity, including emerging markets.

3. Permitted Holdings: Publicly traded domestic and international common stock, and other financial instruments consistent with the guidelines of the investment management agreements.

4. Diversification: The OIC recognizes the need for diversification to minimize the risk of significant losses to the Fund. Diversification by capitalization, style, and sector distribution shall be obtained through the selection of complementary investment managers. Not more than five percent of the market value of any investment fund will be invested in any single issuer or security, unless part of an index fund.

5. Portfolio Restrictions: There will be no engagement in short sales, purchases on margin, or investments in options, futures, or private placements unless ~~prior authorization is given by OST staff~~consistent with the underlying investment management agreements.

D. PERFORMANCE

Performance expectations for each of the asset classes are described in Exhibit A.

XII. OTHER INVESTMENTS

Recognizing that the addition of other investment classes may reduce total fund volatility while enhancing returns, the OIC ~~may place up to ten~~ has targeted 15 percent of aggregate Fund assets in ~~private equity, real estate, distressed securities, and other investments falling outside the traditional assets classes of cash, fixed income and equities~~Inflation Hedging Assets consisting of real estate, Treasury-Inflation Protected Securities (TIPS), and other hard assets. This allocation is to provide for return enhancement and portfolio diversification. In addition, 10 percent of aggregate Fund assets have been targeted for traditional private equity, to provide diversification and potential return enhancement to the Fund's growth asset category.

XIII. ASSET CUSTODY AND SECURITIES LENDING

Custodial responsibility and the selection of a securities lending agent, for all securities, is to be determined by OST.

XIV. CONCLUSION

Implementation of this Policy, including investment manager selection, shall be the responsibility of OST Staff subject to the necessary approvals of the OIC. This Policy shall be reviewed by the OIC and OST at least every two years.

SCHEDULE I

ALLOCATION OF ASSETS

The following represents target allocations and the ranges by asset category:

Class	Target Allocation	Ranges	Policy Benchmark
Growth Assets	60%	50%-75%	
US Equity	~~30~~25%	~~25~~20%-~~35~~30%	Russell 3000
International Equity	~~30~~25%	~~25~~20%-~~35~~30%	MSCI ACWI ex US
Private Equity	10%	0%-15%	Russell 3000+300 bps
Inflation Hedging	15%	7%-20%	
Real Estate	5%	0%-10%	NCREIF Index
TIPS	5%	0%-10%	BC Inflation Note Index
Other Hard Assets	5%	0%-10%	CPI+500 bps
Diversifying Assets	25%	20%-30%	
Fixed Income	~~30~~25%	~~25~~20%-~~35~~30%	Barclays Capital Aggregate
Cash	0%	0%-3%	90 Day T-Bill
~~Alternative Assets~~	~~10%~~	~~0%-10%~~	~~Russell 3000+300bps~~

Note: The current Target Allocation Policy benchmark is 30% Russell 3000 Index, 30% MSCI ACWI ex US Index, 30% Barclays Capital Aggregate Index and 10% Russell 3000+300bps.

As the fund is invested in the OIC adopted asset allocation, noted above, the Target Allocation Policy benchmark will be adjusted accordingly.

EXHIBIT A

Performance Monitoring Return Expectations

Spending Policy

The distribution rate for the Fund is 4.0 percent of the five-year moving average unit market value.

Total Fund

The total fund will be evaluated quarterly. Specific performance objectives include, but may not be limited to, the following:

1. Exceed the return of the Policy benchmark (Schedule 1) by 0.50 percent (after fees) over a market cycle.

2. Exceed the level of inflation by 5.0 percent or more as measured by the Consumer Price Index (CPI) over a market cycle.

3. Exceed the median fund in a universe of other endowments over a market cycle. A market cycle is defined as an investment period lasting three to five years.

U.S. Equities - Large Capitalization

Equity accounts will be evaluated quarterly. This allocation will be invested passively and is expected to match the return to the S&P 500.

U.S. Equities – Small/Mid Capitalization

Small/Mid capitalization accounts will be evaluated quarterly. Specific performance objectives are to exceed the return of the Russell 2500 (after fees) by 1.0 percent over a market cycle.

International Equities

International developed and international emerging markets equity accounts will be evaluated quarterly. Developed market account objectives are to exceed the Return of the MSCI World ex US Index by 1.0 percent (after fees) over a market cycle. Emerging market account objectives are to exceed the Return of the MSCI Emerging Markets Index by 1.5 percent (after fees) over a market cycle.

Fixed Income

Fixed Income accounts will be evaluated quarterly. Specific performance objectives are to exceed the Return of the Barclays Capital Aggregate Bond Index by 0.5 percent (after fees) over a market cycle.

TAB 6 – OIC CONSULTANT RECOMMENDATIONS

Renewal of OIC Consultant Contracts

Purpose
To address the expiring contracts of the OIC's general consultants and private equity consultant, expiring on December 31, 2010.

Background
General Consultants
SIS was initially hired, and PCA (Emkin) was re-hired, to new three-year contracts in December 2003. The initial new contract periods started January 1, 2004 and ended December 31, 2006. In December 2006, the contracts were each renewed by the OIC for a two-year period. In September of 2008, the contracts were additionally extended through December 31, 2010.

Consistent with Treasury Policy 4.01.13 (attached), new contracts are awarded for three year-periods and can be renewed no more than twice and limited to a final expiration date that is no more than four years beyond the original expiration. At the end of seven years, contracts must be re-bid and a new seven year cycle can begin. Therefore, without OIC action, the general consultant contracts would be put out for bid this year, each having had seven year terms.

However, the consultant industry has recently undergone significant consolidation and change. Earlier this month, Hewitt Associates completed the acquisition of EnnisKnupp, a leading US advisory investment firm. Additionally, in mid-2009 Towers, Perrin and Watson Wyatt Combined to form "Towers Watson." Both EnnisKnupp and Watson Wyatt were candidates during the last search process.

Staff believes it is prudent, given the industry consolidation and proposed changes in the role of Mike Beasley at SIS, that we postpone the RFP process for one year. This additional time will allow some clarity to develop with the recently merged firms and provide some time to view SIS with Beasley's reduced role.

Private Equity Consultant
In addition to the general consultant contract expiration, PCG's contract is at the end of its initial three-year term effective December 31, 2010. The contract allows for an extension of up to four years, at previously agreed upon fees rates.

Discussion
Staff proposes that the OIC:

1. Extend the contracts of Strategic Investment Solutions and PCA-Emkin for a one year period ending December 31, 2011, under the same fee terms. Additionally, John Meier will replace Mike Beasley as the "key man" for SIS.
2. Extend the contract of Pacific Corporate Group for a two-year period ending December 31, 2012, under previously contracted fees.

FUNCTION: General Policies and Procedures
ACTIVITY: Consulting Contracts

POLICY: All consultants of the Council, including but not limited to, full-service consultants as well as specific asset class advisors (e.g. real estate, alternative equities) shall be engaged by the Council through a form of written contract. These contracts shall have specified expiration dates, termination clauses and renewal/extension terms. Before the end of the contract term (including any renewals or extensions granted) a formal "request for information" (RFI) process shall be undertaken by Staff for the purpose of identifying new candidates, upgraded services, competitive pricing and any other information considered relevant to Staff and the Council.

PROCEDURES:

1. Consulting contracts shall be negotiated and executed in compliance with Council policy 4.01.10.

2. Consulting contracts shall expire on a date not to exceed three years from the effective date of the contract.

3. Consulting contracts shall include a "no-cause" termination clause with a maximum 90 day notice period.

4. It is the policy of the Council to continuously review all contractors.

5. Consulting contracts may be renewed or extended beyond the original expiration date no more than twice and limited to a final expiration date that is no more than four years beyond the original expiration.

6. Upon the final expiration of the original contract, or whenever directed by the Council, staff shall undertake and complete an RFI process which shall include the following:

   a. Identification of those potential candidates who may reasonably be believed to perform those services under examination;
   b. Directing of an RFI which shall include, but not be limited to:
      1. Description of services requested;
      2. Description of the potential or preliminary standards required by the Council of the candidates; and
      3. Request for pricing or fee schedule information.

SAMPLE FORMS, DOCUMENTS, OR REPORTS (Attached): None

TAB 7 – PUBLIC EQUITY RECOMMENDATION

Oregon Investment Council
Public Equity Recommendation

Purpose
Staff is recommending termination of select AllianceBernstein equity products.

Background
The OIC has a long history with AllianceBernstein, having engaged Alliance Capital (Alliance) for a U.S. Large Cap Growth mandate in 1996, and Sanford C. Bernstein (Bernstein) for a U.S. Strategic Value and a non-U.S. Strategic Value mandate in 1994 and 1996, respectively. Alliance and Bernstein merged in 2000 to become AllianceBernstein. In December 2006, the OIC authorized combining the individual products into a Global Style Blend mandate. As the name suggests, the Global Style Blend strategy is a combination of the Global Research Growth and Global Value products at the firm. The rationale for combining the separate mandates was the theory that a global mandate should out-perform the regional mandates because the opportunity set was larger and not as constrained. The implication of this theory was that the Global Value component should out-perform the combination of the U.S. Value and International Value products, and the Global Research Growth component should out-perform the combination of the U.S. Research Growth and International Research Growth products.

Calendar years 2008 and 2009 were difficult periods for many of AllianceBernstein's equity products. Equity market declines and client losses resulted in staff reductions and turnover, coupled with other organizational changes, most notably the replacement of Lew Sanders as CEO by Peter Kraus. In addition, Seth Masters resumed his role as CIO of Blend Strategies, as Marc Meyers resigned to join GMO, as their first-ever CEO. Three of the six growth sector heads (as well as one co-head), supporting the Global Research Growth product, have turned over since Oregon migrated to the Global Style Blend product. Marilyn Fedak, the long-time CIO of U.S. Value and Co-Head of the overall Global Value business, assumed a new role as Vice Chair of Investment Services. Her replacement, John Mahedy, departed to join Lew Sanders at his new firm. As a result of concerns regarding the stability of the Growth Equities platform, the OIC split the AllianceBernstein Global Style Blend mandate into two separate accounts: Global Strategic Value and Global Research Growth. In turn, the Global Research Growth mandate was reduced by $450 million as part of a larger equity transition during the second quarter of 2010. Ultimately, the Global Research Growth strategy was slated to be completely redeemed over time, as the Public Equity portfolio raised cash for OPERF's liquidity needs.

On July 26, 2010, AllianceBernstein announced that Lisa Shalett, Head of Growth Equities, was leaving the firm to join Merrill Lynch's wealth management division as global CIO. Sharon Fay, Head of Value Equities, will become the Chief Investment Officer of Equities and oversee all of the firm's Growth and Value equity strategies. Immediately after the news of Lisa's departure, staff met with Kevin Simms, Global Director of Value Research and Co-CIO of International

Value Equities, in Tigard. Staff then made an on-site visit to AllianceBernstein to assess the departure. In sum, staff believes Lisa's departure increases the urgency to terminate the Global Research Growth strategy. Given that the Global Style Blend vehicle used in the Common School Fund and Oregon University System Endowment Fund is a commingled fund, half of which is comprised of the Global Research Growth product, staff recommends termination of these mandates as well.

Although staff still has significant concerns regarding the overall stability of AllianceBernstein's equity platform, we are not recommending termination of the Global Strategic Value strategy used in OPERF, at this time, for the following reasons:

- Although there has been a degree of turnover in personnel in the Value Equity platform in recent years, the key decision-makers are all long-time Bernstein Value Equity team members, and are ingrained in the Bernstein intrinsic value approach.
- Staff continues to have a positive view of Bernstein's Value team and investment process.
- The Value strategies have a history of generating significant out-performance as well as under-performance during different parts of a market cycle. Although the product performed poorly on a relative basis in 2008, it rebounded nicely in 2009, but has again faced headwinds, year-to-date 2010. Given that the product is currently in a period of under-performance, termination at this time may well result in firing at the bottom of their performance pattern. The portfolio appears to be structured with companies that are cheaper and have more cash than the market in general, as well as higher quality balance sheets, and staff notes the potential for out-performance when the environment becomes more favorable.
- Assets under management by the Value team have dropped, but the business is still profitable. Lower asset levels are generally positive for existing clients as market impact on trading costs is reduced.
- Staff and SIS plan to initiate a review of the value equity manager structure for the OPERF Public Equity portfolio, including a search to determine whether other value equity strategies may be more appropriate.

Recommendation

- Terminate the AllianceBernstein Global Research Growth strategy for OPERF and amend OIC Policy 4.05.01 accordingly. Assets will be used as a source of cash to meet future OPERF liquidity requirements.
- Terminate the AllianceBernstein Global Style Blend mandates for the Common School Fund and Oregon University System Endowment Fund. Hire the Blackrock All Country World Index Fund and redeploy the AllianceBernstein assets to the index fund.

Strategy Inception: July 2003
Preferred Benchmark: MSCI - World

ORGANIZATION

AllianceBernstein L.P. is a publicly traded limited partnership owned 62.3% by AXA Financial, 30.0% by the Public and 7.7% by AllianceBernstein Directors, Officers and employees. Since being founded as Alliance Capital in 1971 as a result of the merger between the asset management divisions of Donaldson, Lufkin & Jenrette and Moody's, Alliance was acquired by AXA Financial. In 2000, Alliance Capital acquired Sanford C. Bernstein & Co., Inc. and became AllianceBernstein.

INVESTMENT STRATEGY

The Global Style Blend is an active, core equity portfolio that holds approximately 200-275 stocks approximately half of which are selected by the Alliance Growth Equity Team and half by the Bernstein Value Equity Team. AllianceBernstein promotes its Style Blend products as offering the potential return advantages of style dedicated research teams but avoiding the risks that come with style bias. The philosophy is to combine high conviction growth and value portfolios in order to construct a portfolio with a high information ratio and moderate risk via diversification. AllianceBernstein claims to expect 3% excess return and 4%-6% tracking error relative to the MSCI World Index over a full market cycle.

INVESTMENT PROFESSIONALS

In-depth fundamental research is the key to AllianceBernstein's investment process and their extensive platform of worldwide research analysts is critical to the success of Global Style Blend. AllianceBernstein has suffered substantial personnel turnover amongst this base of analysts within the last few years. Lew Sanders retired as Chief Executive Officer in December 2008, after working at Bernstein for 40 years. Mr. Sanders had been active as a portfolio manager on the US Value team. After Sanders' departure, there were major changes amongst AllianceBernstein's investment personnel. Marilyn Fedak co-CIO along with John Mahedy for U.S. Large Cap Value was moved to become Vice Chairman of Investment Services to interface with the firm's clients. John Mahedy became the sole CIO reporting to Sharon Fay, the new head of the value equities business (replacing Fedak who also held this position) and previously was CIO for global value equities in London. John Mahedy eventually resigned as sole CIO which spurred a wave of additional changes.

Management had positioned the firm for growth pre-crisis by expanding the pool of fundamental research analysts. Lisa Shalett joined the management team of AllianceBernstein in February 2007, and was named Global Head of Growth Equities in January 2008. By year-end 2007, AllianceBernstein's Growth Equities team employed 79 fundamental analysts, 8 quantitative analysts, 10 early stage analysts, and 8 other analysts. Beginning December 2008, Ms. Shalett implemented a series of layoffs in order to address the post Lehman revenue outlook. As of March 2009, AllianceBernstein's investment professional headcount was down 15% versus December 31, 2007. Growth Equities' headcount was down 18% over the same period. Additional layoffs and employee departures occurred across the firm.

Peter Kraus replaced Lew Sanders as CEO of AllianceBernstein. Peter Kraus took over after AllianceBernstein's assets under management declined from a peak of $837 billion (October 2007) to $462 billion at year-end 2008. Mr. Kraus spent most of his career at Goldman Sachs where he was an investment banker before shifting to co-head of its asset management business. It appears that Peter's main initiatives were to get the firm's cost structure in line and also to access and manage the risk across the firm. In the process the organization has become unstable, unintended personnel departures continue to occur and performance continues to suffer. The most recent consequence of this organizational instability is the departure of Lisa Shalett. Ms. Shalett was seen as a member of management's inner circle given her role in the creation of the new Partnership at AllianceBernstein. Apparently Peter had decided Sharon Fay would become CIO of asset management and given the lesser role for Ms. Shalett, she decided to leave.

Personnel Turnover

	Portfolio Managers		Analysts		Traders		Marketing/Client Service	
	Gained	Lost	Gained	Lost	Gained	Lost	Gained	Lost
2006	18	17	47	24	3	7	10	6
2007	16	8	55	20	7	25	11	7
2008	8	32	28	63	7	8	6	8
2009	5	20	11	43	2	4	1	11
First Quarter 2010	1	5	2	9	2	0	0	1
Second Quarter 2010	---	---	---	---	---	---	---	---
YTD 2010	1	5	2	9	2	0	0	1

EVALUATION

SIS has a high regard for AllianceBernstein as a firm with a deeply ingrained research culture and substantial resources. Unfortunately, the changes in personnel and senior management have created organizational instability which continues to worsen with time. SIS is paying close attention to AllianceBernstein under the leadership of Peter Kraus. His focus on financial as opposed to investment results (Note: Mr. Kraus' compensation consists entirely of AllianceBernstein stock) creates uncertainty around the resources dedicated to the research platform as evidenced by the high personnel turnover and the performance of their portfolios. Global Style Blend ranks 90th percentile or below relative to peers and demonstrates negative information ratios for 3 and 5 year periods. SIS believes the Value discipline has stabilized somewhat with respect to personnel departures. Sharon Fay, formerly head of the value equities business, has been named CIO of all equities. Given her background, SIS believes the value side of the business will endure less disruption as she assumes her new role. On the other hand, the Growth business continues to hemorrhage employees. At this time, SIS recommends clients terminate AllianceBernstein's management of any product that has a growth component.

Displayed in: US Dollar (USD)

Alliance Global Research Growth Equity

Product Snapshot

Asset Class:	Global-Equity
eA Primary Universe:	eA Global Large Cap Growth Equity
Marketing Contact:	Helen Copinger-Symes
Title:	Consultant Relations Director
Phone/Fax:	+44-20-7959-4576 /
Email Address:	Helen.Copinger-Symes@alliancebernstein.c

Key Facts	
Primary Capitalization:	Large Cap
Primary Style Emphasis:	Growth
Preferred Benchmark:	MSCI World-ND
Total Product Assets:	$5,708.9
Total Product Accounts:	30
Product Offered As:	SA,CF,MF:Retail
Investment Focus:	Long Only

Asset & Account Information

Current Totals	Assets ($ Million)	Accounts
Total in Product	$5,708.9	30
Total Taxable	$413.4	3
Total Tax-Exempt	$5,295.4	27
Total Institutional	$4,125.6	24

Assets by Vehicle Type	Assets ($ Million)
Separate/Segregated Assets	$4,179.5
Pooled/Commingled Assets	$153.7
Mutual Fund/Institutional Assets	$175.3
Mutual Fund/Retail Assets	$1,200.3

Accounts Gained	Number	$ (Million)	% Product Assets
Current Quarter	0	$0.0	0.0 %
2009	1	$835.1	8.8 %
2008	3	$448.6	1.8 %

Assets Lost	Number	$ (Million)	% Product Assets
Current Quarter	3	$307.1	4.1 %
2009	26	$3,507.9	33.2 %
2008	16	$3,775.6	9.9 %

Portfolio Characteristics

Strategy Snapshot	
Preferred Benchmark:	MSCI World-ND
Primary Capitalization:	Large Cap
Primary Style Emphasis:	Growth
Current Cash Position:	1.1 %
Approach Towards Currency Hedging:	Value Added
% Hedged Back to Local Currency:	---
% Max Allowed In Emerging Markets:	20.0 %

Fundamental Characteristics	
Current Number Of Holdings:	149
Annual Turnover (LTM):	217 %
Current Dividend Yield:	1.77 %
Current P/E (12-mo Trailing):	16.40x
Current P/B (12-mo Trailing):	2.05x
Earnings Growth (Past 5 Yrs):	11.86 %
Weighted Avg. Mkt Cap (Mil):	$56,444
Median Market Cap (Mil):	$24,015

Key Country Allocations	
France:	2.33 %
Germany:	2.97 %
Japan:	5.46 %
Netherlands:	2.23 %
Switzerland:	2.96 %
United Kingdom:	12.56 %
United States:	50.34 %
Emerging Markets	11.68 %

Performance Information

Performance For:	Separate Account Composite-Gross of Fees	Risk Index:	MSCI ACWI Growth-ND
Frequency:	Monthly	Risk-Free Index:	Citigroup 3-Month T-Bill

	Returns								
Trailing Periods	Product	Benchmark	Excess	Std Dev	Alpha	Beta	Tracking Error	Info Ratio	Sharpe Ratio
1 Year	8.48	12.08	-3.60	18.26	-3.66	1.05	2.30	-1.56	0.46
2 Year	-19.29	-11.98	-7.30	27.02	-7.81	1.02	3.55	-2.06	-0.73
3 Year	-16.27	-9.02	-7.25	24.24	-7.50	1.03	4.20	-1.72	-0.73
4 Year	-8.28	-1.80	-6.47	21.55	-6.38	1.03	3.79	-1.71	-0.49
5 Year	-3.10	1.65	-4.75	20.14	-4.59	1.05	3.81	-1.25	-0.28
6 Year	-0.79	2.65	-3.44	18.92	-3.32	1.05	3.70	-0.93	-0.18
7 Year	2.59	5.11	-2.52	17.91	-2.50	1.05	3.65	-0.69	0.02
8 Year	2.37	4.19	-1.82	18.29	-1.84	1.06	3.69	-0.49	0.01
9 Year	0.50	1.96	-1.46	18.14	-1.37	1.05	4.01	-0.36	-0.09
10 Year	-1.12	-2.43	1.31	18.50	1.52	1.01	5.21	0.25	-0.20
Since Inception (1/1992)	9.19	---	---	17.89	---	---	---	---	0.32

Calendar Years	MRQ	YTD	2009	2008	2007	2006	2005	2004	2003
Product Returns:	-13.80	-12.27	33.11	-52.52	14.13	16.16	17.70	14.70	35.25
Benchmark Returns:	-11.74	-9.05	37.53	-42.92	16.71	16.41	10.84	11.37	28.92
Excess Returns:	-2.05	-3.22	-4.42	-9.59	-2.58	-0.25	6.86	3.34	6.32

Fee Information

Vehicle Type	Available	Min. Size($ Mil)	Minimum Fee
Separate/Segregated	Open	$50	---
Pooled/Commingled	Open	$5	---
Institutional MFs	ABZIX	---	---

Fees By Acct. Size	$25M	$50M	$75M	$100M
Separate/Segregated	$200,000	$350,000	$475,000	$600,000
	80 bps	70 bps	63 bps	60 bps
Pooled/Commingled	$262,500	$525,000	$787,500	$1,050,000
	105bps	105bps	105bps	105bps
Institutional MFs	$300,000	$600,000	$900,000	$1,200,000
	120 bps	120 bps	120 bps	120 bps

Professional Information

Team Description	No.	Avg. Yrs. Exp.	Avg. Yrs. @ Firm
Portfolio Managers:	12	21	12
Research Analysts:	55	14	6
Traders:	25	16	8

Professional Turnover		Port Mgrs.	Analysts
Professionals Gained	MRQ	0	0
	2009	2	5
	2008	2	11
Professionals Lost	MRQ	0	0
	2009	3	20
	2008	5	17

AllianceBernstein Global Style Blend Equity — Product Snapshot

Asset Class:	Global-Equity
eA Primary Universe:	eA Global Large Cap Core Equity
Marketing Contact:	Helen Copinger-Symes
Title:	Consultant Relations Director
Phone/Fax:	+44-20-7959-4576 /
Email Address:	Helen.Copinger-Symes@alliancebernstein.c

Key Facts

Primary Capitalization:	Large Cap
Primary Style Emphasis:	Core
Preferred Benchmark:	MSCI World-ND
Total Product Assets:	$18,885.6
Total Product Accounts:	106
Product Offered As:	SA,CF
Investment Focus:	Long Only

Asset & Account Information

Current Totals	Assets ($ Million)	Accounts
Total in Product	$18,885.6	106
Total Taxable	$2,010.3	10
Total Tax-Exempt	$16,875.4	96
Total Institutional	$16,814.9	91

Assets by Vehicle Type	Assets ($ Million)
Separate/Segregated Assets	$13,469.2
Pooled/Commingled Assets	$2,593.8
Mutual Fund/Institutional Assets	$2,369.2
Mutual Fund/Retail Assets	$453.5

Accounts Gained	Number	$ (Million)	% Product Assets
Current Quarter	0	$0.0	0.0 %
2009	2	$430.0	66.0 %
2008	15	$4,394.5	7.5 %

Assets Lost	Number	$ (Million)	% Product Assets
Current Quarter	8	$1,099.2	3.9 %
2009	59	$8,793.4	20.8 %
2008	19	$3,786.1	10.9 %

Portfolio Characteristics

Strategy Snapshot

Preferred Benchmark:	MSCI World-ND
Primary Capitalization:	Large Cap
Primary Style Emphasis:	Core
Current Cash Position:	1.1 %
Approach Towards Currency Hedging:	Value Added
% Hedged Back to Local Currency:	---
% Max Allowed In Emerging Markets:	20.0 %

Fundamental Characteristics

Current Number Of Holdings:	258
Annual Turnover (LTM):	96 %
Current Dividend Yield:	2.27 %
Current P/E (12-mo Trailing):	13.28x
Current P/B (12-mo Trailing):	1.54x
Earnings Growth (Past 5 Yrs):	7.90 %
Weighted Avg. Mkt Cap (Mil):	$49,778
Median Market Cap (Mil):	$20,084

Key Country Allocations

France:	3.89 %
Germany:	4.71 %
Japan:	7.45 %
Netherlands:	1.42 %
Switzerland:	1.80 %
United Kingdom:	12.82 %
United States:	50.00 %
Emerging Markets	8.23 %

Performance Information

Performance For:	Separate Account Composite-Gross of Fees	Risk Index:	MSCI ACWI-ND
Frequency:	Monthly	Risk-Free Index:	Citigroup 3-Month T-Bill

	Returns								
Trailing Periods	**Product**	**Benchmark**	**Excess**	**Std Dev**	**Alpha**	**Beta**	**Tracking Error**	**Info Ratio**	**Sharpe Ratio**
1 Year	9.28	11.76	-2.48	19.34	-3.10	1.09	2.74	-0.91	0.47
2 Year	-18.54	-11.12	-7.42	29.15	-7.00	1.08	4.04	-1.83	-0.65
3 Year	-17.23	-10.51	-6.72	25.57	-6.30	1.08	3.63	-1.85	-0.73
4 Year	-8.13	-2.67	-5.47	22.77	-5.12	1.09	3.33	-1.64	-0.46
5 Year	-2.56	1.16	-3.72	21.15	-3.53	1.10	3.39	-1.10	-0.25
6 Year	0.05	2.76	-2.71	19.79	-2.67	1.10	3.28	-0.83	-0.13
7 Year	3.33	5.60	-2.28	18.66	-2.46	1.09	3.08	-0.74	0.05
8 Year	---	4.62	---	---	---	---	---	---	---
9 Year	---	2.29	---	---	---	---	---	---	---
10 Year	---	-0.28	---	---	---	---	---	---	---
Since Inception (7/2003)	3.33	5.60	-2.28	18.66	-2.46	1.09	3.08	-0.74	0.05

Calendar Years	MRQ	YTD	2009	2008	2007	2006	2005	2004	2003
Product Returns:	-14.57	-12.82	35.39	-51.54	8.61	22.75	16.77	17.43	---
Benchmark Returns:	-12.12	-9.37	34.63	-42.19	11.66	20.96	10.84	15.23	33.98
Excess Returns:	-2.45	-3.45	0.76	-9.35	-3.05	1.80	5.93	2.20	---

Fee Information

Vehicle Type	Available	Min. Size($ Mil)	Minimum Fee
Separate/Segregated	Open	$50	---
Pooled/Commingled	Open	---	---
Institutional MFs	---	---	---

Fees By Acct. Size	$25M	$50M	$75M	$100M
Separate/Segregated	$200,000	$362,500	$500,000	$637,500
	80 bps	73 bps	67 bps	64 bps
Pooled/Commingled	$200,000	$362,500	$500,000	$637,500
	80 bps	73 bps	67 bps	64 bps
Institutional MFs	---	---	---	---
	---	---	---	---

Professional Information

Team Description	No.	Avg. Yrs. Exp.	Avg. Yrs. @ Firm
Portfolio Managers:	12	22	9
Research Analysts:	13	18	10
Traders:	25	16	8

Professional Turnover		Port Mgrs.	Analysts
Professionals Gained	MRQ	0	0
	2009	8	7
	2008	2	5
Professionals Lost	MRQ	0	0
	2009	7	1
	2008	5	3

Bernstein Global Strategic Value Equity — Product Snapshot

Asset Class:	Global-Equity
eA Primary Universe:	eA Global Large Cap Value Equity
Marketing Contact:	Helen Copinger-Symes
Title:	Consultant Relations Director
Phone/Fax:	+44-20-7959-4576 /
Email Address:	Helen.Copinger-Symes@alliancebernstein.c

Key Facts

Primary Capitalization:	Large Cap
Primary Style Emphasis:	Value
Preferred Benchmark:	MSCI World-ND
Total Product Assets:	$8,389.7
Total Product Accounts:	58
Product Offered As:	SA,CF,MF:Inst,MF:Retail
Investment Focus:	Long Only

Asset & Account Information

Current Totals	Assets ($ Million)	Accounts
Total in Product	$8,389.7	58
Total Taxable	$464.9	7
Total Tax-Exempt	$7,924.7	51
Total Institutional	$7,930.9	48

Assets by Vehicle Type	Assets ($ Million)
Separate/Segregated Assets	$8,227.5
Pooled/Commingled Assets	$125.8
Mutual Fund/Institutional Assets	$36.4
Mutual Fund/Retail Assets	$0.0

Accounts Gained	Number	$ (Million)	% Product Assets
Current Quarter	1	$170.5	1.7 %
2009	1	$15.0	0.1 %
2008	8	$874.9	3.1 %

Assets Lost	Number	$ (Million)	% Product Assets
Current Quarter	1	$71.7	0.7 %
2009	22	$2,632.7	25.2 %
2008	12	$937.2	0.7 %

Portfolio Characteristics

Strategy Snapshot	
Preferred Benchmark:	MSCI World-ND
Primary Capitalization:	Large Cap
Primary Style Emphasis:	Value
Current Cash Position:	3.0 %
Approach Towards Currency Hedging:	---
% Hedged Back to Local Currency:	---
% Max Allowed In Emerging Markets:	---

Fundamental Characteristics	
Current Number Of Holdings:	82
Annual Turnover (LTM):	81 %
Current Dividend Yield:	2.74 %
Current P/E (12-mo Trailing):	10.96x
Current P/B (12-mo Trailing):	1.23x
Earnings Growth (Past 5 Yrs):	0.82 %
Weighted Avg. Mkt Cap (Mil):	$43,123
Median Market Cap (Mil):	$24,445

Key Country Allocations	
France:	5.22 %
Germany:	8.09 %
Japan:	8.43 %
Netherlands:	0.64 %
Switzerland:	0.58 %
United Kingdom:	16.78 %
United States:	43.41 %
Emerging Markets	7.68 %

Performance Information

Performance For: Separate Account Composite-Gross of Fees
Frequency: Monthly
Risk Index: MSCI ACWI Value-ND
Risk-Free Index: Citigroup 3-Month T-Bill

	Returns								
Trailing Periods	Product	Benchmark	Excess	Std Dev	Alpha	Beta	Tracking Error	Info Ratio	Sharpe Ratio
1 Year	12.11	11.43	0.68	21.64	-1.02	1.18	4.54	0.15	0.55
2 Year	-20.54	-10.27	-10.27	34.07	-8.25	1.20	8.24	-1.25	-0.62
3 Year	-20.08	-12.07	-8.00	29.51	-5.82	1.20	7.15	-1.12	-0.73
4 Year	-9.40	-3.61	-5.79	26.34	-4.56	1.20	6.54	-0.89	-0.44
5 Year	-3.08	0.59	-3.67	24.32	-3.13	1.21	6.19	-0.59	-0.23
6 Year	0.21	2.78	-2.57	22.69	-2.51	1.21	5.79	-0.44	-0.10
7 Year	3.45	6.02	-2.57	21.31	-3.06	1.19	5.39	-0.48	0.05
8 Year	3.71	4.96	-1.25	21.68	-1.48	1.15	5.48	-0.23	0.07
9 Year	3.66	2.54	1.11	21.04	1.22	1.12	6.12	0.18	0.07
10 Year	---	1.69	---	---	---	---	---	---	---
Since Inception (5/2001)	3.59	2.13	1.45	20.84	1.61	1.12	6.12	0.24	0.06

Calendar Years	MRQ	YTD	2009	2008	2007	2006	2005	2004	2003
Product Returns:	-15.26	-13.24	40.45	-55.32	4.27	32.05	15.70	20.80	43.79
Benchmark Returns:	-12.50	-9.69	31.70	-41.53	6.68	25.59	10.83	19.07	39.04
Excess Returns:	-2.76	-3.55	8.76	-13.80	-2.41	6.46	4.87	1.73	4.74

Fee Information

Vehicle Type	Available	Min. Size($ Mil)	Minimum Fee
Separate/Segregated	Open	$25	---
Pooled/Commingled	Open	$5	---
Mutual Fund	---	---	---

Fees By Acct. Size	$25M	$50M	$75M	$100M
Separate/Segregated	$225,000	$400,000	$550,000	$700,000
	90 bps	80 bps	73 bps	70 bps
Pooled/Commingled	$222,500	$397,500	$547,500	$697,500
	89 bps	80 bps	73 bps	70 bps
Mutual Fund	---	---	---	---
	---	---	---	---

Professional Information

Team Description	No.	Avg. Yrs. Exp.	Avg. Yrs. @ Firm
Portfolio Managers:	18	20	13
Research Analysts:	64	14	5
Traders:	25	16	8

Professional Turnover		Port Mgrs.	Analysts
Professionals Gained	MRQ	0	0
	2009	5	2
	2008	2	12
Professionals Lost	MRQ	0	0
	2009	6	14
	2008	1	22

TAB 7a – OSTF & OITP POLICY REVISIONS

Oregon Short-Term Fund and Oregon Intermediate Term Pool
September 29, 2010
Proposed Investment Policy Revisions

Purpose

1. To implement the same revision to two sections of the Oregon Short-Term Fund Portfolio Rules 4.02.03, Section VI (A)(3) and Section VI (A)(5), Diversification and Limitations of Portfolio, U.S. Government Agency and Corporate Indebtedness. The last revision to the rules occurred at the January 26, 2010 OSTF Board Meeting and was approved by the Oregon Investment Council on April 28, 2010.
2. To implement above revision to the Oregon Intermediate Term Pool

Background

Under ORS Chapter 294.895, the Oregon Short-Term Fund Board shall review the rules promulgated by the investment officer.

➢ ***Revision/Addition – Allow "expected ratings" to be used as a proxy for actual ratings for not more than 30 business days from the anticipated settlement date.***

- Oregon State Treasury has been in the process of fine-tuning the compliance reporting of both internally and externally managed funds across state agencies and pooled assets. This will ensure to governing bodies, state agencies and pool participants that fund assets are being managed with the agreed-upon portfolio rules and investment policies.

- The current OSTF Portfolio Rules require, at the time of purchase, the stated minimum credit ratings for securities. They do not address the use of "expected ratings" for newly issued securities. When new issue securities with an "e" designation are currently purchased for the OSTF, an "out-of-compliance" alert is triggered.

Recommendation

Staff recommends:

1. **The OIC approve the revised Oregon Short-Term Fund Portfolio Rules, Policy 4.02.03, as approved by the Oregon Short-Term Fund Board on September 23, 2010**
2. **The OIC approve the revised Oregon Intermediate Term Pool Portfolio Rules, Policy 4.03.04**

OIC Meeting
September 29, 2010
Proposed OSTF Portfolio Rules Revision

Proposed Revision to OSTF Portfolio Rules (Policy 4.02.03):
Under ORS Chapter 294.895, the Oregon Short-Term Fund Board shall review the rules promulgated by the investment officer.

At the OSTF Board Meeting/Conference Call held on September 23, 2010, staff proposed one revision/addition to two sections of the Portfolio Rules. Staff discussed the addition/revision to the Rules with the following members of the board:

- Doug Goe, OSTF Board Chair, Orrick, Herrington & Sutcliffe LLP
- Darren Bond, Deputy State Treasurer
- Wayne Lowry, Sherwood School District
- Laurie Steele, Marion County
- Stewart Taylor, City of Albany
- Deanne Woodring, Davidson Fixed Income Management, Inc.
- Bob Woodruff, Nike Inc.

Motions were made and seconded to approve the revisions to the Oregon Short-Term Fund Portfolio Rules for subsequent consideration by the OIC.

Below are descriptions of the proposed revisions.

Revision/Addition – Allow "expected ratings" to be used as a proxy for assigned ratings for not more than 30 business days from the anticipated settlement date.

Oregon State Treasury has been in the process of fine-tuning the compliance reporting of both internally and externally managed funds across state agencies and pooled assets. This will ensure to governing bodies, state agencies and pool participants that fund assets are being managed with the agreed-upon portfolio rules and investment policies.

The current OSTF Portfolio Rules require, at the time of purchase, the stated minimum credit ratings for securities. They do not address the use of "expected ratings" for newly issued securities. The use of "expected ratings" has been licensed by the nationally recognized statistical rating organizations (NRSROs) to third parties such as Bloomberg to anticipate forthcoming rating assignments and designated by an "e" after the rating code. When new issue securities with an "e" designation are currently purchased for the OSTF, an "out-of-compliance" alert is triggered.

The lag time before an actual rating assignment for a new issue security, as measured from the settlement date, is dependent on various factors, including:

- Submission of documentation by the issuer to the NRSRO
- Submission of documentation by the underwriter to the NRSRO
- Review of documentation by the NRSRO
- Assignment of ratings by NRSRO
- Update of cusip level ratings by Bloomberg staff (replacing expected with assigned)

The various parties mentioned above are submitting, processing and reviewing the documentation as diligently as possible but there have been, and may continue to be, instances of delays with the assignment of actual cusip level ratings and the updating of data fields in Bloomberg, which is the source for compliance testing, at least compared to past experience. Through conversations with the involved parties, it is staff understanding that adaptations to operating in a stricter regulatory environment with higher legal scrutiny have simply slowed the process. In the past, data may have been updated based upon oral agreement; now paperwork must be received, reviewed and completed.

Over the past eighteen months, and more so in August and September, the credit markets have witnessed an extraordinary volume of new issue corporate securities ranging in credit quality from AAA to CCC and ranging in maturities from 1-100 years. Year-to-date through September 21, new investment grade fixed rate issuance has totaled $650+ billion for an annualized pace of $975+ billion, eclipsing 2009's record of $918 billion. The 5-year average at the end of 2009 was $571 billion per year.

The new issue market provides OSTF staff the ability to purchase meaningful exposures to favored issuers, should these companies decide to issue new debt securities, often at a concession to same or comparable credits and maturities. Absent the new issue market, the ability to acquire favored issuers in meaningful positions would be extremely challenging in the current environment.

<u>Recommendations:</u>
Staff recommends approval of this revision for U.S. Government Agency and corporate securities.

VI. Diversification and Limitations of Portfolio
- A. Eligible Securities:
  - 3. U.S. Government Agency Securities
    - b. 33% maximum of portfolio per agency issuer.
      - For newly issued Agency securities, and absent assigned ratings, "expected ratings" may be used as a proxy for assigned ratings for not more than 30 business days after the anticipated settlement date.
  - 5. Corporate Indebtedness
    - d. Corporate notes must have minimum long-term ratings of A-, A3, or A-, or better, by Standard & Poor's, Moody's Investors Services, or Fitch Ratings, respectively, at the time of purchase.
      - For newly issued corporate securities, and absent assigned ratings, "expected ratings" may be used as a proxy for assigned ratings for not more than 30 business days after the anticipated settlement date.

FUNCTION: **Short-Term Investments**
ACTIVITY: **Portfolio Rules**

POLICY: **The Oregon Investment Council has, with advice from the Treasurer, from OST investment staff, and from the Oregon Short-Term Fund Board, adopted specific rules for investing the Oregon Short-Term Fund (OSTF). These rules are included as sample form A.**

PROCEDURES:

1. **Verify Compliance With Portfolio Rules.** The Senior Fixed Income Investment Officer and Investment Officer(s) receive an Oregon Short-Term Fund Daily Compliance Report. This report summarizes OSTF holdings by type of investment (asset allocation), by investment issuer, by time until investment maturity, and by investment quality (rating). The Daily Compliance Report also summarizes each Portfolio Rule as an "Objective," and compares the actual current portfolio to the objectives. The OSTF staff reviews this report, daily, to ensure compliance with portfolio rules.

2. **Oversight of Compliance.** The Deputy State Treasurer, Chief Investment Officer, Chief Audit Executive, Risk & Compliance Officer, and Investment Accounting staff receive and review this same report daily. For meetings at which the OSTF is discussed, the Oregon Short-Term Fund Board and the Oregon Investment Council receive and review the compliance report.

3. **Correction of Non-Compliance.** If the OSTF is found to be out of compliance with one or more adopted portfolio rules, the Senior Fixed Income Investment Officer or Investment Officer(s) shall sell (or purchase) the securities necessary to bring about compliance as soon as is prudently feasible.

SAMPLE FORMS, DOCUMENTS, OR REPORTS (Attached):

A. Oregon Short-Term Fund Portfolio Rules

B. Portfolio Compliance Report

Sample Form A

Oregon Short-Term Fund Portfolio Rules

These are the most current Portfolio Rules for the Oregon Short-Term Fund which have been adopted by the Oregon Investment Council.

Portfolio Rules
For The
Oregon Short-Term Fund

Amended ~~April 28~~September 29, 2010

I. Scope

These rules apply to the investment of cash from all state and eligible local government participants of the Oregon Short-Term Fund ("OSTF"). These rules are established under the authority of, and shall not supersede the requirements established under, ORS Chapter 293.

II. Investment Objectives

The primary objectives of investment activities, in priority order, shall be preservation of principal, liquidity, and yield.

A. Preservation of Principal: Safety is the foremost objective of the OSTF rules. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit risk and interest rate risk (see specific guidelines below).

B. Liquidity: The OSTF shall remain sufficiently liquid to meet all state agency and local government operating requirements that may be reasonably anticipated. This is accomplished by structuring the OSTF so that securities mature concurrent with cash needs to meet anticipated demands. Furthermore, since all possible cash demands cannot be anticipated, the OSTF should consist largely of securities with active secondary or resale markets.

C. Yield: The OSTF shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. The majority of the OSTF is limited to highly rated/low risk securities in anticipation of earning a fair return relative to the risk being assumed.

III. Standards of Care

A. Prudence: The standard of prudence to be used by investment officers shall be the "prudent investor" standard and shall be applied in the context of managing the OSTF as a whole. Pursuant to ORS Chapter 293.726:

(1) The investment funds shall be invested and the investments of those funds managed as a prudent investor would do, under the circumstances then prevailing and in light of the purposes, terms, distribution requirements and laws governing each investment fund.

(2) The standard stated in subsection (1) of this section requires the exercise of reasonable care, skill and caution, and is to be applied to investments not in isolation but in the context of each investment fund's investment portfolio and as a part of an overall investment strategy, which should incorporate risk and return objectives reasonably suitable to the particular investment fund.

B. Ethics and Conflicts of Interest: Officers involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Officers and employees shall, at all times, comply with the State of Oregon Government Standards and Practices code of ethics set forth in ORS Chapter 244, as well as all policies of the OST.

C. Delegation of Authority: The Senior Investment Officer and Investment Officer(s) (or the Investment Analyst acting under the direction of the Investment Officers) shall act in accordance with established written procedures and internal controls for the operation of the investment program consistent with these Portfolio Rules. No person may engage in an investment transaction except as provided under the terms of these Portfolio Rules and the procedures established by OST staff. The Senior Investment Officer and Investment Officer(s) are jointly responsible for all transactions undertaken, and shall establish a reasonable system of controls to regulate the activities of subordinate employees.

IV. Safekeeping and Custody

A. Authorized Financial Dealers and Institutions: All financial institutions and broker/dealers who desire to become qualified for investment transactions must supply, as appropriate:

(1) Audited financial statements

(2) Licensing Representation form provided by OST

(3) Understanding and acknowledgement of OSTF Portfolio Rules located at http://www.ost.state.or.us/About/Investment/

B. Internal Controls: The Senior Investment Officer and Investment Officer(s) jointly collaborate to establish and maintain an adequate internal control structure designed to reasonably protect the assets of the OSTF from loss, theft or misuse.

C. Delivery vs. Payment: All trades where applicable will be executed by delivery vs. payment (DVP) to ensure that securities are deposited in an eligible financial institution prior to the release of funds.

D. Safekeeping: Securities will be held by a third-party custodian as evidenced by safekeeping receipts.

V. Maturity Distribution of Portfolio

A. 50% of the portfolio must mature within 93 days.

B. A maximum of 25% of the portfolio may mature over one year.

C. No investment may mature in over 3 years as measured from settlement date. The OSTF Daily Compliance Report adheres to trade date accounting, thus creating potential short term exceptions on the Daily Compliance Report when a "new issue" 3-year security is purchased. Any such securities will be disclosed on the Daily Compliance Report, when purchased.

D. For securities that have been called by the issuer, the effective call date will be used as a proxy for the maturity date.

E. For variable rate securities, the period remaining to the next reset date will be used as a proxy for the maturity date.

VI. Diversification and Limitations of Portfolio

A. Eligible Securities:

(1) U.S. Treasury Securities
a. 100% of the portfolio may be in U.S. Treasury securities.

(2) Senior unsecured debt obligations guaranteed by the Federal Deposit Insurance Corporation (FDIC) under the Temporary Liquidity Guarantee Program (TLGP); Eligible TLGP debt obligations carry the full faith and credit of the United States.
a. 50% maximum of portfolio per FDIC-guarantee exposure.

(3) U.S. Government Agency Securities
a. 100% of the portfolio may be in U.S. Government Agency securities.
b. 33% maximum of portfolio per agency issuer.
~~b.~~ • For newly issued Agency securities, and absent assigned ratings, "expected ratings" may be used as a proxy for assigned ratings for not more than 30 business days after the anticipated settlement date.

(4) Foreign Government Securities and their Instrumentalities
a. 25% maximum of portfolio in foreign government securities and their instrumentalities.
b. 10% maximum of portfolio per issuer.
c. Foreign government securities must have minimum long-term ratings of AA-, Aa3, or AA-, or better, by Standard & Poor's, Moody's Investors Services, or Fitch Ratings, respectively, at the time of purchase.

(5) Corporate Indebtedness
a. 50% maximum of portfolio in corporate indebtedness.
b. 5% maximum of portfolio per issuer in commercial paper and corporate notes.
c. Commercial Paper (CP) must have top-tier short term ratings by at least two nationally recognized credit rating agencies at the time of purchase (Standard & Poor's = minimum A-1, Moody's Investors Services = minimum P-1, Fitch Ratings = minimum F1).
d. Corporate notes must have minimum long-term ratings of A-, A3, or A-, or better, by Standard & Poor's, Moody's Investors Services, or Fitch Ratings, respectively, at the time of purchase.
    - ~~d.~~ For newly issued corporate securities, and absent assigned ratings, "expected ratings" may be used as a proxy for actual ratings for not more than 30 business days after the anticipated settlement date.

e. 25% maximum of portfolio in total foreign exposure (government and corporate indebtedness)

(6) Negotiable Certificates of Deposit (NCD's)
a. 20% maximum of portfolio in NCD's.
b. 5% maximum of portfolio per issuer in domestic bank NCD's.
c. NCD's must have minimum ratings of AA-, Aa3, or AA-, or better, by Standard & Poor's, Moody's Investors Services, or Fitch Ratings, respectively, at the time of purchase.

(7) Bankers' Acceptances (BA's)
a. 20% maximum of portfolio in BA's.
b. 5% maximum of portfolio per issuer in domestic bank BA's
c. BA's must have minimum ratings of AA-, Aa3, or AA-, or better, by Standard & Poor's, Moody's Investors Services, or Fitch Ratings, respectively, at the time of purchase.

(8) Time Certificates of Deposit (TCD's)
a. 20% maximum of portfolio in TCD's.
b. Permitted TCD's will be limited to qualified depositories as defined in ORS Chapter 295.005.

c. Maximum TCD exposure per depository must be no more than 5% of the bank's total deposits, or $100,000, whichever is greater. Maximum credit union exposure per depository shall be $100,000.

(9) Municipal debt obligations (agencies, instrumentalities, and political subdivisions) that have long-term ratings of AA-, Aa3 or AA-, or better, or are rated in the highest category for short-term municipal debt by Standard & Poor's, Moody's Investors Services, or Fitch Ratings, respectively, at the time of purchase.

(10) Repurchase Agreements

a. Maximum maturity will be 90 days.
b. Net capital of counterparty must be greater than $100 million.
c. Repurchase Agreements must equal no more than 2% of liabilities of the counterparty.
d. No more than 5% of OSTF assets shall be placed with the same counterparty for repurchases.
e. Counterparty must be a Primary Dealer as recognized by the Federal Reserve Bank. The only exception is OST's custodial agent as a non-primary dealer counterparty.
f. The counterparty must have a signed repurchase agreement.
g. Collateral must be delivered to the OST's account at its custodian or to an account established for the OST pursuant to the terms of the specific Repurchase Agreement in the name of the Office of the State Treasurer.
h. Collateral for repurchase agreements may be U.S. Treasury or U.S. Agency Discount and Coupon securities only. Collateral must have a final maturity of three years or less. The market value of the delivered collateral must be maintained at not less than 102% of the cash invested.

(11) Reverse Repurchase Agreements

a. Maximum maturity will be 90 days.
b. Net capital of counterparty must be greater than $100 million.
c. Reverse Repurchase Agreements must equal no more than 2% of liabilities of the counterparty.
d. No more than 5% of OSTF assets shall be placed with the same counterparty for reverse repurchase agreements.
e. Counterparty must be a Primary Dealer as recognized by the Federal Reserve Bank.
f. The counterparty must have a signed repurchase agreement.
g. Acceptable reinvestment vehicles include securities that may otherwise be purchased outright.
h. Securities will be reversed on a fully collateralized basis.
i. Reverse repurchase investments for interest rate arbitrage shall only be done on a matched book basis.

B. All portfolio investments will be denominated in US$ only.

C. 10% maximum of portfolio per issuer on all securities and support commitments with the exception of U.S. Treasury (100% maximum) and Government Agency securities (33% per issuer).

D. Securities that have been downgraded to below the minimum ratings will be sold or held at the Senior Investment Officer's (SIO) discretion. In the absence of the SIO, or if the SIO is inaccessible, Investment Officer(s) will have discretion to sell or hold the downgraded securities. Such securities will be disclosed in the OSTF Daily Compliance Report and actively monitored by OST staff. The Senior Investment Officer, or the Investment Officer(s), is responsible for bringing the OSTF back into compliance as soon as is practicable.

E. Total weighted average credit quality of the portfolio shall be a minimum of AA or Aa2, by Standard & Poor's or Moody's Investors Services, respectively, using the following and appropriate long term and short term ratings valuations for the purchased securities at the time of purchase:

Value	**Moody's Ratings**		**S&P Ratings**	
	Long Term	Short Term	Long Term	Short Term
1	US Treasury		US Treasury	
1	Agency		Agency	
1	Aaa		AAA	
2	Aa1		AA+	
3	Aa2		AA	
4	Aa3	P-1[1]	AA-	A-1+
5	A1	P-1	A+	A-1
6	A2		A	
7	A3	P-2	A-	A-2
8	Baa1		BBB+	
9	Baa2		BBB	
10	Baa3		BBB-	

(1) The target weighted average credit quality shall be < 3.50 by Standard & Poor's or Moody's Investors Services (AA or Aa2).

F. No commitments to buy or sell securities may be made more than 14 business days prior to the anticipated settlement date, or receive a fee other than interest for future deliveries.

VII. Securities Lending for Reinvestment of Cash Collateral

A. Acceptable reinvestment vehicles include securities that may otherwise be purchased outright in accordance with the Portfolio Rules for the Oregon Short-Term Fund (Sections VI). Within the securities lending program only, cash collateral may also be reinvested in:

(1) Maximum of 15% in asset backed securities rated AAA/Aaa, limited to auto loan and credit card issues with an average life of three years or less.
(2) Maximum of 25% in A, or higher, rated corporate floating rate notes with a maximum final maturity of three years, and fixed rate corporate notes with a maximum final maturity of two years; up to 65% maximum in corporate indebtedness including commercial paper.
(3) Repurchase agreements collateralized by U.S. Treasury or U.S. Government Agency securities with a maximum original maturity of 30 years. No more than 25% of assets shall be placed with the same counterparty.
(4) All Repurchase Agreements (under the Special Indemnification by State Street clause) must be fully collateralized by collateral, determined by State Street in its discretion, limited to the following: U.S. Treasuries, U.S. Treasury STRIPS, Federal Agency Obligations, Corporate securities rated A- or higher, Asset-Backed Securities rated A- or higher, Agency MBS pass throughs rated AAA, Commercial Paper rated A-1/P-1 or higher, or any combination thereof.[2] For purposes of calculating average credit quality, current ratings of the indemnifier, State Street Corp, will be used.
(5) The target weighted average credit quality shall be < 3.8 by Standard & Poor's or Moody's Investors Services.

B. Net capital of lending counterparty must be over $100 million.

C. Securities will only be loaned on a fully collateralized basis.

D. Lending counterparty must be a Primary Dealer as recognized by the Federal Reserve Bank, and have a signed master securities lending agreement.

E. The market value of the delivered collateral must be maintained at not less than 102% of the market value of the securities loaned.

F. Reverse Repurchase Agreements are prohibited within the securities lending program.

G. 25% of the reinvestment portfolio must mature within 93 days; up to 50% of the portfolio may mature in over one year.

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[1] Unlike S&P, Moody's does not differentiate short term ratings with a plus (+), which indicates that the obligor's capacity to meet its financial commitment on these obligations is extremely strong. As such, in terms of average credit quality valuation, Moody's short term ratings/valuations will correspond to the lowest S&P short term ratings/valuations.

[2] Special Indemnification of Client By State Street: Notwithstanding any provision herein to the contrary, if the value of the Liquidation Proceeds under Reverse Transactions (entered into between State Street (as agent for the Client) and a counterparty in respect of whom an event of default has occurred under the agreement governing such Reverse Transactions) is less than the cash to be delivered by that counterparty under such Reverse Transactions on the date of close-out of the same, State Street shall indemnify the Client for any such difference. The term "Liquidation Proceeds" means the market value of the securities used to collateralize the Reverse Transaction(s) on the date that State Street takes action with respect to such securities under the applicable agreement. The term "Reverse Transactions" means each transaction entered into between the Client and a counterparty (through the agency of State Street) under the terms of an agreement pursuant to which the counterparty initially transfers securities to the Client and the Client transfers cash to the counterparty. All of such Reverse Transactions will be entered into in connection with the investment of cash Collateral received from Borrowers in connection with Loans hereunder."

FUNCTION: **Intermediate Term Pool Investments**
ACTIVITY: **Portfolio Rules**

SCOPE: **The Oregon Investment Council (OIC) has, with advice from the Treasurer and Oregon State Treasury (OST) investment staff, adopted a policy and specific rules for investing the Oregon Intermediate Term Pool ("OITP" or "Pool"). The policy and rules are included as sample form A.**

POLICY: **The OITP is expected to provide a total return consistent with an investment grade quality short duration diversified fixed income portfolio. Based upon historical market performance, it is anticipated that returns over extended periods will be greater in the OITP than in shorter maturity alternatives such as the OSTF portfolio.**

This OITP is not structured to provide 100% net asset value on each participant's initial investment at all times. Therefore an investor in OITP may lose money due to changes in market conditions. For consistency with the portfolio's total return objective, the value of each participant's investment will be determined on a proportional basis to the net value of the entire portfolio.

OBJECTIVE: **The investment objective of the OITP is to maximize total return within the desired risk parameters and fixed income investments prescribed in the portfolio guidelines. Investment management emphasis is placed on maximizing investment value and coupon income.**

AUTHORITY: **Subject to the terms and conditions of this policy and under the authority of ORS Chapter 293, the designated Oregon State Treasury (OST) Fixed Income Investment Officer(s) shall have the full discretionary power to direct the investment, exchange, liquidation, and reinvestment of assets in the OITP. The OIC and Oregon State Treasury expects that OST investment staff will recommend changes to these guidelines at any time that they are viewed to be at variance with the investment objectives or market and economic conditions.**

COMPLIANCE APPLICATION AND PROCEDURES:

1) **Compliance Oversight Committee:** The Compliance oversight Committee is responsible for monitoring the OITP portfolio's compliance with its Guidelines and working with Fixed Income Investment Staff to ensure that non-compliance is corrected. The oversight committee for the OITP consists of the persons occupying the following positions:
    1. OST Chief Investment Officer
    2. Deputy State Treasurer
    3. OST Assistant Controller.

2) **Guideline Compliance Oversight:** The OITP Oversight Committee and designated OST Fixed Income Investment Staff shall receive a Daily Compliance Report produced by the Investment Accounting Division. This report should summarize OITP holdings in sufficient detail to monitor compliance with all guidelines. The Daily Compliance Report should also summarize each Portfolio Guideline as an "Objective," and compare the actual current portfolio to the objectives.

3) **Correction of Non-Compliance.** If the OITP is found to be out of compliance with one or more adopted portfolio guidelines or is being managed inconsistently with the portfolio's policy, Fixed Income Investment Staff shall bring the portfolio into compliance as soon as is prudently feasible. Actions to bring the portfolio back into compliance; and justification for actions taken to bring the portfolio into compliance shall be documented by Fixed Income Investment Staff.

Portfolio Rules
For The
Oregon Intermediate Term Pool

Amended September XX, 2010

I. Scope

These rules apply to the investment of cash from all eligible and approved participants of the Oregon Intermediate Term Pool ("OITP"). These rules are established under the authority of, and shall not supersede the requirements established under, ORS Chapter 293.

II. Investment Objective

A. The investment objective of the OITP is to maximize total return within risk parameters and fixed income investments prescribed in the portfolio guidelines. Investment management emphasis is placed on maximizing investment value and coupon income.

III. Standards of Care

A. Prudence: The standard of prudence to be used by investment staff shall be the "prudent investor" standard and shall be applied in the context of managing the OITP as a whole. Pursuant to ORS Chapter 293.726:

(1) The investment funds shall be invested and the investments of those funds managed as a prudent investor would do, under the circumstances then prevailing and in light of the purposes, terms, distribution requirements and laws governing the Pool.

(2) The standard stated in subsection (1) of this section requires the exercise of reasonable care, skill and caution, and is to be applied to investments not in isolation but in the context of the investment Pool's investment portfolio and as a part of an overall investment strategy, which should incorporate risk and return objectives reasonably suitable to the investment Pool.

B. Ethics and Conflicts of Interest: Staff involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Fixed Income Investment Staff shall, at all times, comply with the State of Oregon Government Standards and Practices code of ethics set forth in ORS 244, as well as all policies of the OST.

C. Delegation of Authority: Fixed Income Investment Staff shall act in accordance with established written procedures and internal controls for the operation of the investment program consistent with these Portfolio Rules. No person may engage in an investment transaction except as provided under the terms of these Portfolio Rules and the procedures established by OST staff. Senior Fixed Income Investment Officers are jointly responsible for all transactions undertaken, and shall establish a reasonable system of controls to regulate the activities of subordinate employees.

IV. Safekeeping and Custody

A. Authorized Financial Dealers and Institutions: All financial institutions and broker/dealers who desire to become qualified for investment transactions must supply, as appropriate:

(1) Audited financial statements

(2) Licensing Representation form provided by OST

(3) Understanding and acknowledgement of OITP Portfolio Rules located on the Oregon State Treasury's website.

B. Internal Controls: Fixed Income Investment Officer(s) and designated Fixed Income Investment staff should jointly collaborate to establish and maintain an adequate internal control structure designed to reasonably protect the assets of the OITP from loss, theft or misuse.

C. Delivery vs. Payment: All trades where applicable will be executed by delivery vs. payment (DVP) to ensure that securities are deposited in an eligible financial institution prior to the release of funds.

D. Safekeeping: Securities will be held by a third-party custodian as evidenced by safekeeping receipts.

V. Investment Guidelines

1. Eligible Investments: Investments shall be limited to the following:
   (1) Oregon Short Term Fund;
   (2) Obligations issued or guaranteed by the United States (US) Treasury or by US federal agencies and instrumentalities, including inflation-indexed obligations;
   (3) Non-US Government Securities and their Instrumentalities;
      i. Non-US government securities and Instrumentalities must have minimum long-term ratings of AA-, Aa3 or better at the time of purchase and must be rated by at least two Nationally Recognized Statistical Rating Organizations (NRSRO).
   (4) Certificates of deposit;
   (5) Bankers acceptances that are eligible for discount at a US Federal Reserve Bank;
   (6) Corporate debt obligations (e.g., commercial paper, term debt, etc.);
   (7) Taxable debt securities issued by US states or local governments and their agencies, authorities and other US state government-sponsored enterprises;
   (8) Repurchase Agreements;
      i. Maximum maturity will be 180 days.
      ii. Counterparties must have a minimum Standard & Poor's or Moody's Investor Services credit rating of "AA" or "Aa2" for one year or longer maturities or "A-1" or "P-1" for less than one year maturities.
      iii. Repurchase Agreements must equal no more than 5% of liabilities of the counterparty.
      iv. No more than 10% of OITP assets shall be placed with the same counterparty for repurchases.
      v. Counterparty must be either a Primary Dealer as recognized by the Federal Reserve Bank or the Oregon State Treasury's custodial agent as non-primary dealer counterparty.
      vi. The counterparty must have a signed repurchase agreement.
      vii. Collateral must be delivered to the Oregon State Treasury 's account at its custodian or to an account established for the Oregon State Treasury pursuant to the terms of the specific Repurchase Agreement in the name of the Oregon State Treasury.
      viii. Collateral for repurchase agreements may be U.S. Treasury or U.S. Agency Senior Unsubordinated securities only.
      ix. The market value of the delivered collateral must be maintained at not less than 102% of the cash invested.

(9) Reverse Repurchase Agreements

i. Maximum maturity will be 180 days.

ii. Counterparties must have a minimum Standard & Poor's or Moody's Investor Services credit rating at least equivalent to "AA" or "Aa2" for one year or longer maturities or "A-1" or "P-1" for less than one year maturities.

iii. Reverse Repurchase Agreements must equal no more than 5% of liabilities of the counterparty.

iv. No more than 10% of OITP assets shall be placed with the same counterparty for reverse repurchase agreements.

v. Counterparty must be a Primary Dealer as recognized by the Federal Reserve Bank.

vi. The counterparty must have a signed reverse repurchase agreement.

vii. Acceptable reinvestment vehicles include securities that may otherwise be purchased outright.

viii. Securities will be reversed on a fully collateralized basis.

ix. Reverse repurchase investments for interest rate arbitrage shall only be done on a matched book basis.

2. Denomination: All securities will be denominated in US$ only.

3. Form: All securities will be non-convertible to equity.

4. Benchmark: The benchmark for the portfolio is the The BofA Merrill Lynch 1-5 Year AAA-A US Corporate & Government Index

5. Risk Parameters:

(1) Credit Risk:

i. Investment Rating:

1. Unless noted otherwise, securities must be rated investment grade or higher by a nationally recognized statistical rating organization (NRSRO), i.e., Moody's Investor Services; Standard and Poor's Inc. or Fitch, at the time of purchase. If a security is rated by more than one NRSRO, the lowest rating is used to determine eligibility.

a. For newly issued securities, and absent assigned ratings, "expected ratings" may be used as a proxy for actual ratings for not more than 30 business days after the anticipated settlement date.

(2) Diversification:

i. Assets in the account shall be sufficiently diversified by type and maturity to allow for anticipated withdrawals;

ii. No more than 3% of the par value of portfolio shall be invested in one security. This restriction does not apply to obligations issued or guaranteed by the United States (US) Treasury or by US federal agencies and instrumentalities;

iii. No more than 5% of the par value of portfolio shall be invested in the securities of one issuer. This restriction does not apply to obligations issued or guaranteed by the United States (US) Treasury or by US federal agencies and instrumentalities;
iv. No more than 25% of the portfolio shall be invested in the securities of one sector as defined by the Bloomberg Industry Sector Classification. This restriction does not apply to obligations issued or guaranteed by the United States (US) Treasury or by US federal agencies and instrumentalities.

(3) Interest-rate Risk:
i. The portfolio modified duration shall not exceed 3.0 years.
ii. The maximum maturity on any allowed investment is constrained as follows:
1. The maximum stated maturity should not be greater than 10.25 years from the date of settlement.

(4) Liquidity:
i. To insure the flexibility necessary to take defensive action when appropriate, positions should be in issues with sufficient float to facilitate, under most market conditions, prompt sale without severe market effect.

VI. Securities Lending for Reinvestment of Cash Collateral

A. Acceptable reinvestment vehicles include securities that may otherwise be purchased outright in accordance with the Portfolio Rules for the Oregon Intermediate Term Pool (OITP). Within the securities lending program only, cash collateral may also be reinvested in:

(1) Maximum of 15% in asset backed securities rated AAA/Aaa, limited to auto loan and credit card issues with an average life of three years or less.
(2) Maximum of 25% in A, or higher, rated corporate floating rate notes with a maximum final maturity of three years, and fixed rate corporate notes with a maximum final maturity of two years; up to 65% maximum in corporate indebtedness including commercial paper.
(3) Repurchase agreements collateralized by U.S. Treasury or U.S. Government Agency securities with a maximum original maturity of 30 years. No more than 25% of assets shall be placed with the same counterparty.
(4) All Repurchase Agreements (under the Special Indemnification by State Street clause[1]) must be fully collateralized by collateral, determined by State Street in its discretion, limited to the following: U.S. Treasuries, U.S. Treasury STRIPS, Federal Agency Obligations, Corporate securities rated A- or higher, Asset-Backed Securities rated A- or higher, Agency MBS pass throughs rated AAA, Commercial Paper rated A-1/P-1 or higher, or

any combination thereof.[1] For purposes of calculating average credit quality, current ratings of the indemnifier, State Street Corp, will be used.

(5) The target weighted average credit quality shall be < 3.8 by Standard & Poor's or Moody's Investors Services.

B. Net capital of lending counterparty must be over $100 million.

C. Securities will only be loaned on a fully collateralized basis.

D. Lending counterparty must be a Primary Dealer as recognized by the Federal Reserve Bank, and have a signed master securities lending agreement.

E. The market value of the delivered collateral must be maintained at not less than 102% of the market value of the securities loaned.

F. Reverse Repurchase Agreements are prohibited within the securities lending program.

G. 25% of the reinvestment portfolio must mature within 93 days; up to 50% of the portfolio may mature in over one year.

[1] Special Indemnification of Client By State Street: Notwithstanding any provision herein to the contrary, if the value of the Liquidation Proceeds under Reverse Transactions (entered into between State Street (as agent for the Client) and a counterparty in respect of whom an event of default has occurred under the agreement governing such Reverse Transactions) is less than the cash to be

delivered by that counterparty under such Reverse Transactions on the date of close-out of the same, State Street shall indemnify the Client for any such difference. The term "Liquidation Proceeds" means the market value of the securities used to collateralize the Reverse Transaction(s) on the date that State Street takes action with respect to such securities under the applicable agreement. The term "Reverse Transactions" means each transaction entered into between the Client and a counterparty (through the agency of State Street) under the terms of an agreement pursuant to which the counterparty initially transfers securities to the Client and the Client transfers cash to the counterparty. All of such Reverse Transactions will be entered into in connection with the investment of cash Collateral received from Borrowers in connection with Loans hereunder."

TAB 8 – ASSET ALLOCATIONS & NAV UPDATES

Asset Allocations at August 31, 2010

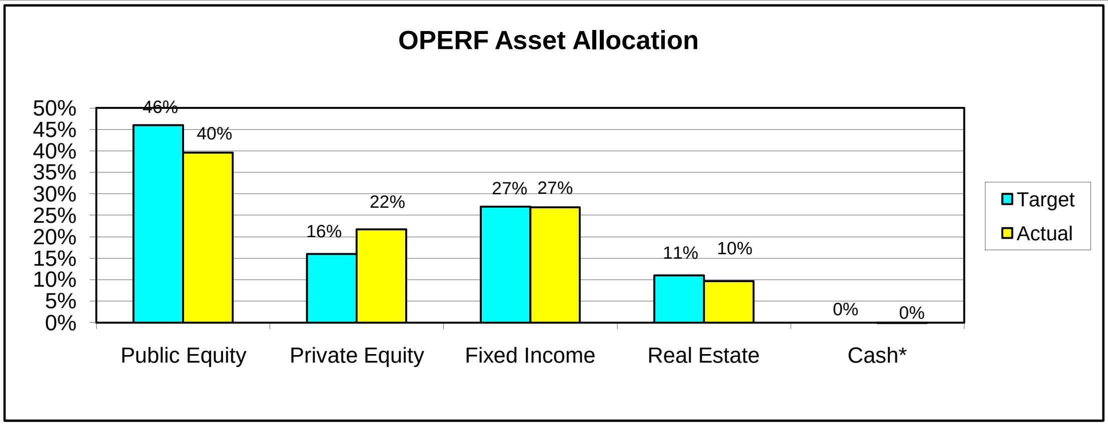
OPERF	Policy	Target	Regular Account $ Thousands	Regular Account Pre-Overlay	Regular Account Overlay	Regular Account Net Position	Regular Account Actual	Variable Fund $ Thousands	Total Fund $ Thousands
Public Equity	41-51%	46%	19,630,604	38.5%	552,323	20,182,927	39.6%	838,796	21,021,723
Private Equity	12-20%	16%	11,090,354	21.8%		11,090,354	21.8%		11,090,354
Total Equity	**57-67%**	**62%**	**30,720,958**	**60.3%**	**552,323**	**31,273,281**	**61.4%**		**32,112,077**
Opportunity Portfolio			1,036,846	2.0%		1,036,846	2.0%		1,036,846
Fixed Income	**22-32%**	**27%**	**13,155,276**	25.8%	**538,099**	**13,693,375**	26.9%		**13,693,375**
Real Estate	**8-14%**	**11%**	**4,950,968**	9.7%		**4,950,968**	9.7%		**4,950,968**
Cash*	**0-3%**	**0%**	**1,100,263**	2.2%	**(1,090,422)**	**9,841**	0.0%	3,538	**13,379**
TOTAL OPERF		**100%**	**$ 50,964,311**	**100.0%**	**$ -**	**$ 50,964,311**	**100.0%**	**$ 842,334**	**$ 51,806,645**

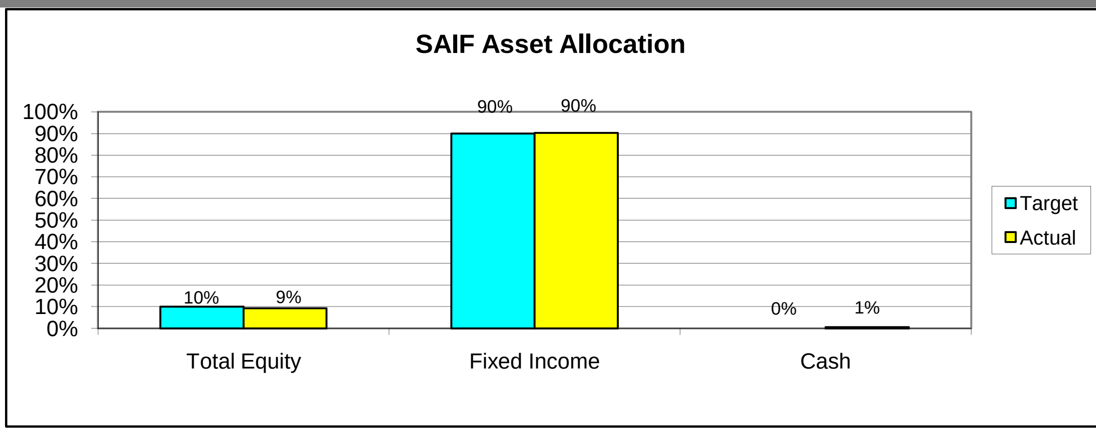
*Includes cash held in the policy implementation overlay program.

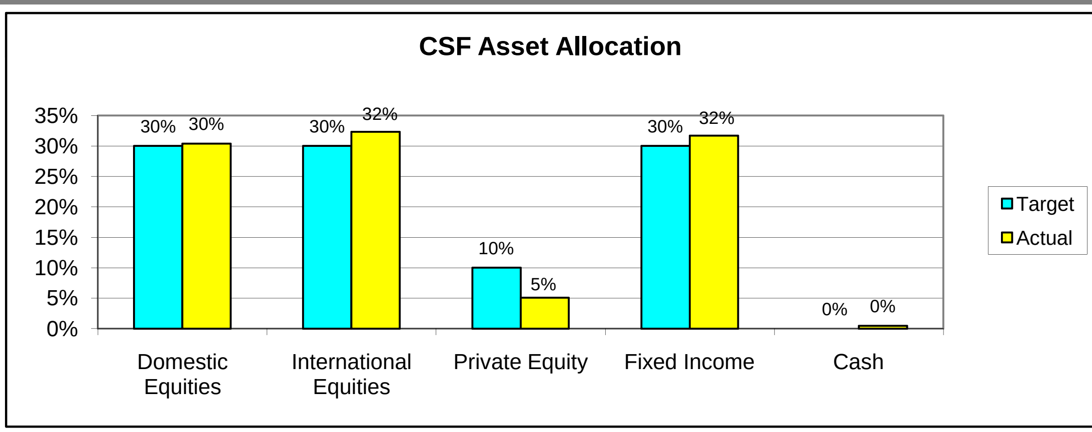
SAIF	Policy	Target	$ Thousands	Actual
Total Equity	**7-13%**	**10.0%**	**389,689**	**9.3%**
Fixed Income	**87-93%**	**90.0%**	**3,791,039**	**90.2%**
Cash	**0-3%**	**0%**	**22,184**	**0.5%**
TOTAL SAIF		**100%**	**$4,202,912**	**100.0%**

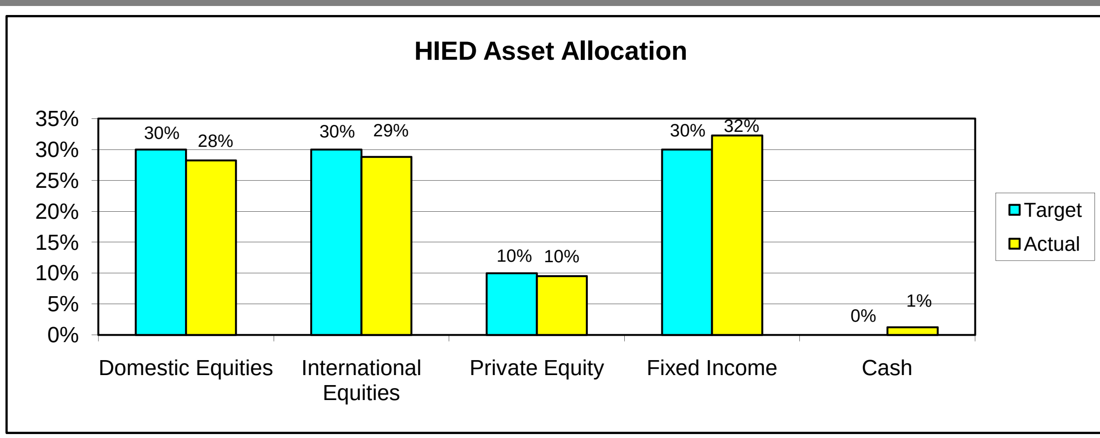
CSF	Policy	Target	$ Thousands	Actual
Domestic Equities	25-35%	30%	$287,739	30.4%
International Equities	25-35%	30%	305,779	32.3%
Private Equity	0-12%	10%	48,357	5.1%
Total Equity	**65-75%**	**70%**	**641,875**	**67.8%**
Fixed Income	**25-35%**	**30%**	**299,911**	**31.7%**
Cash	**0-3%**	**0%**	**4,684**	**0.5%**
TOTAL CSF			**$946,470**	**100.0%**

HIED	Policy	Target	$ Thousands	Actual
Domestic Equities	25-35%	30%	$16,601	28.2%
International Equities	25-35%	30%	16,931	28.8%
Private Equity	0-10%	10%	5,598	9.5%
Total Equity	**65-75%**	**70%**	**39,130**	**66.5%**
Fixed Income	**25-35%**	**30%**	**18,973**	**32.2%**
Cash	**0-3%**	**0%**	**745**	**1.3%**
TOTAL HIED			**$58,848**	**100.0%**

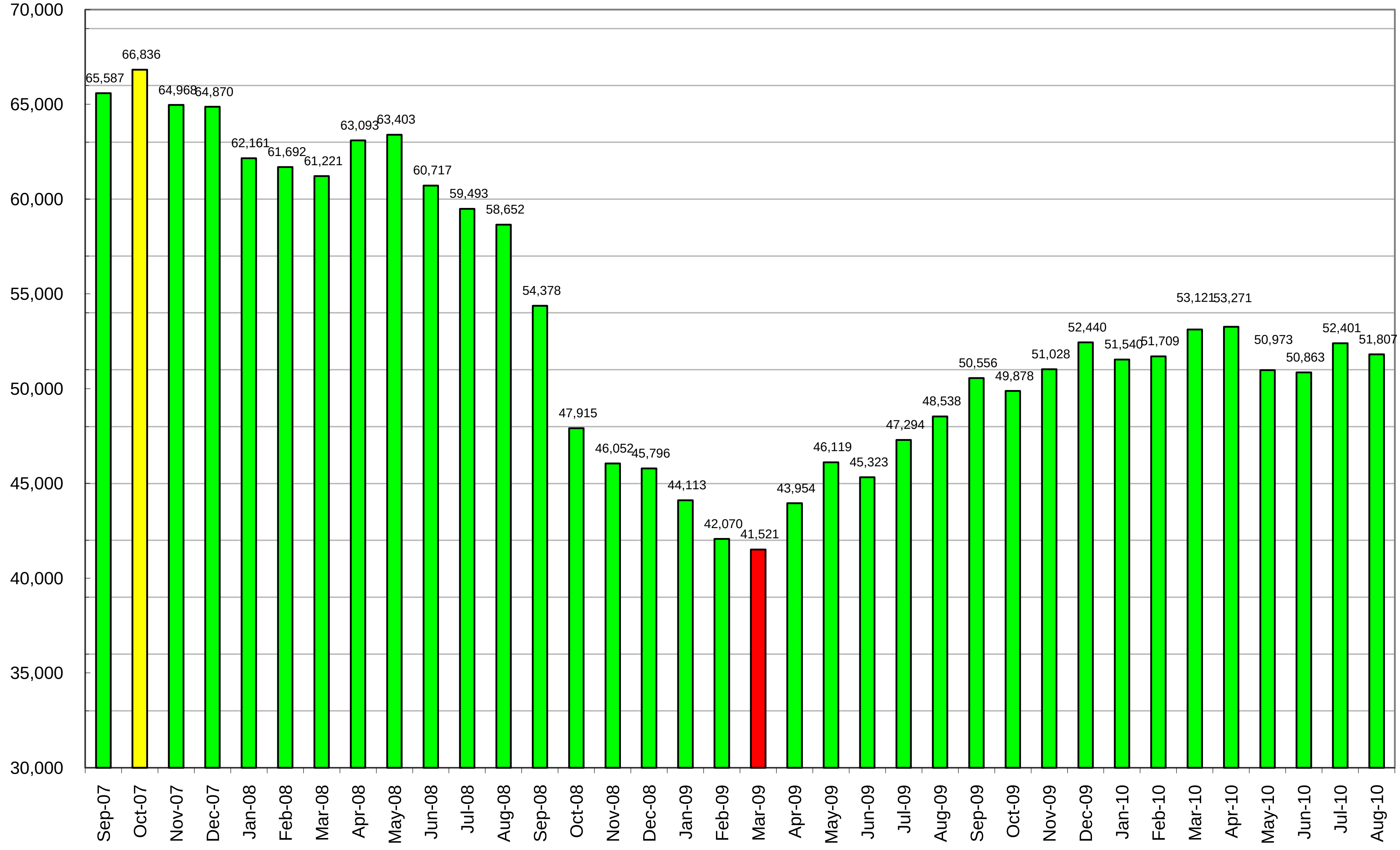

OPERF Asset Allocation
50%
45%
40%
35%
30%
25%
20%
15%
10%
5%
0%
46%
40%
16%
22%
27%
27%
11%
10%
0%
0%
Public Equity
Private Equity
Fixed Income
Real Estate
Cash*
Target
Actual

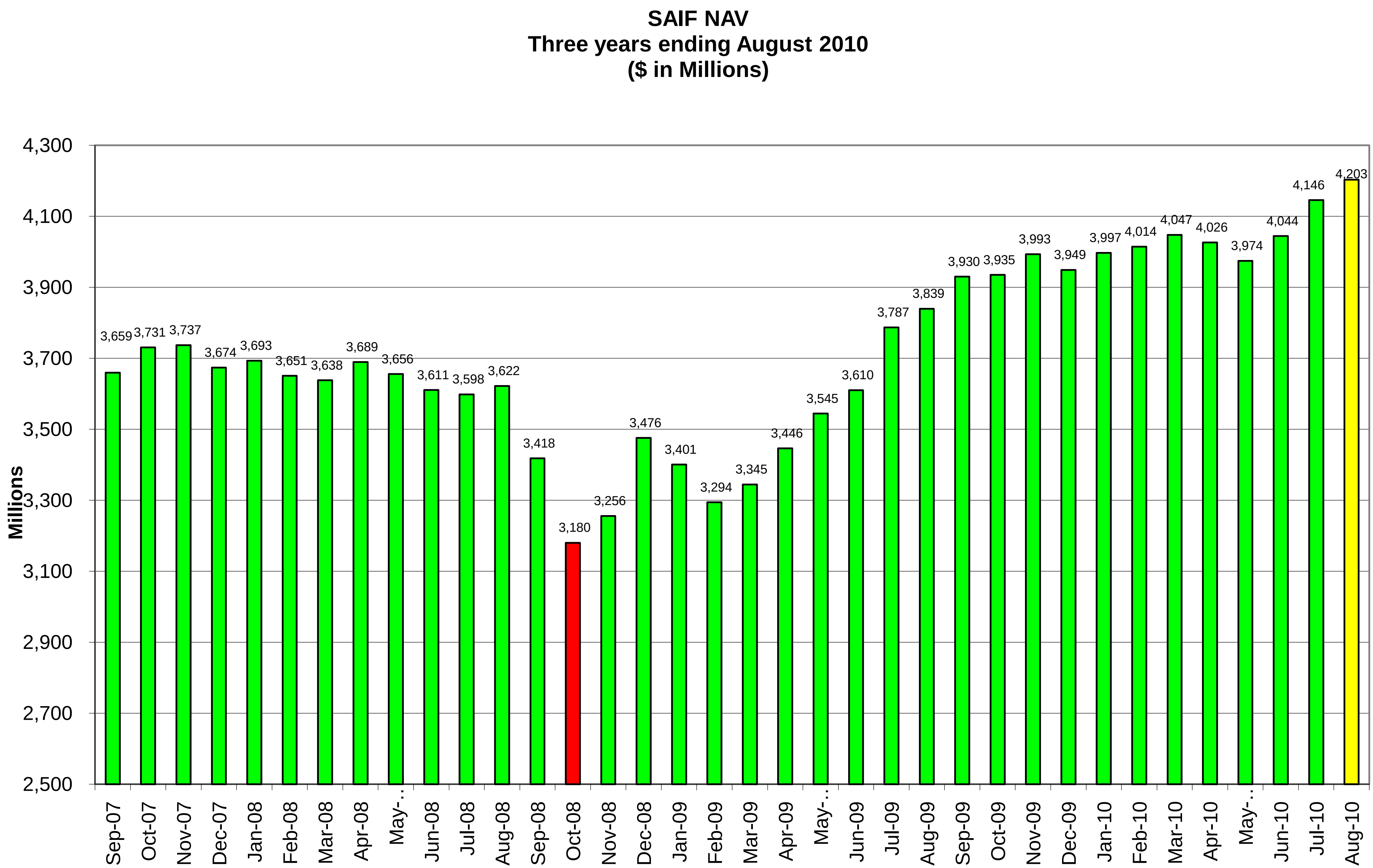

SAIF Asset Allocation
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
10%
9%
90%
90%
0%
1%
Total Equity
Fixed Income
Cash
Target
Actual


CSF Asset Allocation
35%
30%
25%
20%
15%
10%
5%
0%
30%
30%
30%
32%
10%
5%
30%
32%
0%
0%
Domestic Equities
International Equities
Private Equity
Fixed Income
Cash
Target
Actual


HIED Asset Allocation
35%
30%
25%
20%
15%
10%
5%
0%
30%
28%
30%
29%
10%
10%
30%
32%
0%
1%
Domestic Equities
International Equities
Private Equity
Fixed Income
Cash
Target
Actual

OPERF NAV
Three years ending August 2010
($ in Millions)




SAIF NAV
Three years ending August 2010
($ in Millions)
Millions
4,300
4,100
3,900
3,700
3,500
3,300
3,100
2,900
2,700
2,500
3,659
3,731
3,737
3,674
3,693
3,651
3,638
3,689
3,656
3,611
3,598
3,622
3,418
3,180
3,256
3,476
3,401
3,294
3,345
3,446
3,545
3,610
3,787
3,839
3,930
3,935
3,993
3,949
3,997
4,014
4,047
4,026
3,974
4,044
4,146
4,203
Sep-07
Oct-07
Nov-07
Dec-07
Jan-08
Feb-08
Mar-08
Apr-08
May-...
Jun-08
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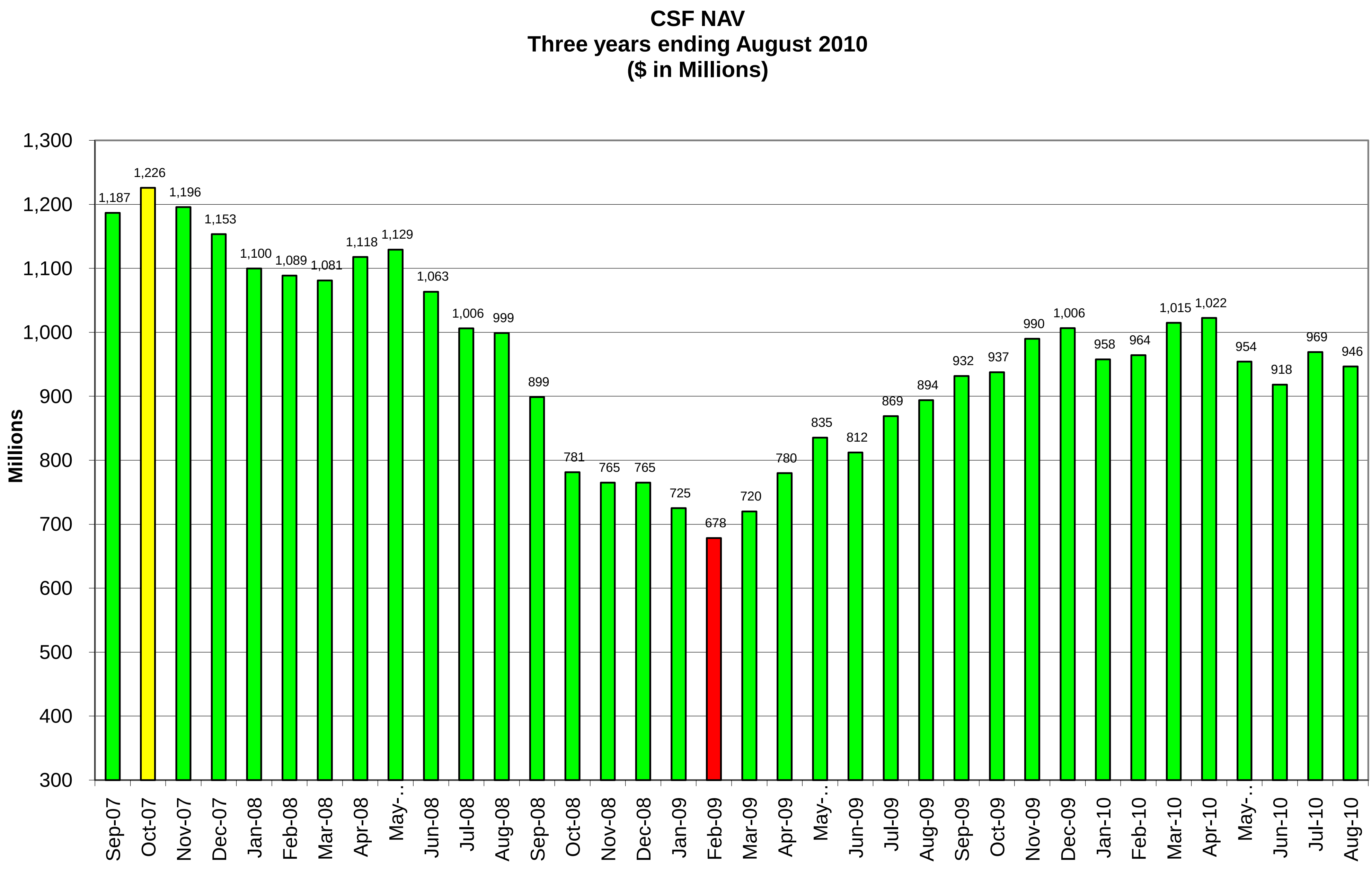
May-...
Jun-10
Jul-10
Aug-10



CSF NAV
Three years ending August 2010
($ in Millions)
Millions
1,300
1,200
1,100
1,000
900
800
700
600
500
400
300
1,187
1,226
1,196
1,153
1,100
1,089
1,081
1,118
1,129
1,063
1,006
999
899
781
765
765
725
678
720
780
835
812
869
894
932
937
990
1,006
958
964
1,015
1,022
954
918
969
946
Sep-07
Oct-07
Nov-07
Dec-07
Jan-08
Feb-08
Mar-08
Apr-08
May-…
Jun-08
Jul-08
Aug-08
Sep-08
Oct-08
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Dec-08
Jan-09
Feb-09
Mar-09
Apr-09
May-…
Jun-09
Jul-09
Aug-09
Sep-09
Oct-09
Nov-09
Dec-09
Jan-10
Feb-10
Mar-10
Apr-10
May-…
Jun-10
Jul-10
Aug-10

TAB 9 – FUTURE AGENDA ITEMS

2010/11 OIC Forward Agenda Topics

October 27:	Asset Liability & Alternatives Follow up OPERF Opportunity/Alternatives Portfolio Annual Plan Passive/Active Analysis & OPERF Equity Attribution OPERF Private Equity—Centerbridge OPERF Private Equity—WL Ross CEM Annual Review
December 1:	OPERF Fixed Income Structure Review OPERF Private Equity—KKR OPERF Private Equity—GSO HIED Annual Review OPERF 3rd Quarter Performance Review
January 2011:	OPERF Core Real Estate Review