

OREGON SHORT-TERM FUND

BOARD MEETING

Minutes

January 15, 2009

Location: Columbia Conference Room
Office of the State Treasurer
350 Winter Street NE, Suite 100
Salem, Oregon 97301

OSTF Board Members Present: Douglas Goe, Orrick, Herrington & Sutcliffe LLP
Michelle Hawkins, Linn County
Wayne Lowry, Sherwood School District
Gary Wallis, City of Wilsonville
Deanne Woodring, Davidson Fixed Income Management
Bob Woodruff, Nike (via conference call)

OST Staff Present: Darren Bond, Director of Finance
Nancy Baldwin, Investment Accountant
Ellen Hanby, Fixed Income Investment Officer
Norma Harvey, Fixed Income Investment Analyst
Brooks Hogle, Investment Accounting Manager
Perrin Lim, Sr. Fixed Income Investment Officer
Tom Lofton, Fixed Income Credit Analyst
Heidi Rawe, Executive Support Specialist
Jo Recht, Investment Accountant
Judy Whaley-Fultz, Assistant Director of Cash Management

Others (via teleconference): Kristin Bauer, Port of Portland
Tom Gilbertson, Dain Rauscher
Twylla Miller, City of Eugene
Michael Montgomery, City of Portland
Harry Morton, Multnomah County
Andrè Schellhaas, Beaverton School District
David Thurman, City of Portland
Nancy Wilson, Clackamas County

i. Opening Remarks

The Oregon Short-Term Fund (OSTF) Board meeting was called to order by Douglas Goe, Chair. His opening remarks welcomed and thanked all for being present.

Mr. Goe acknowledged the service given by Linda Haglund who had previously served on the OSTF board under former Treasurer Randall Edwards, and retired on December 31, 2008. Mr. Goe will send a letter of thanks to Mrs. Haglund.

ii. Welcome new Board Member

In her absence, Mr. Goe welcomed Kate Cooper Richardson as the newest board member, as the new Deputy Treasurer Mrs. Cooper Richardson will be serving as designee for Treasurer Ben Westlund.

iii. Review and Approval of Minutes – June 23, 2008 and October 1, 2008

MOTION: Gary Wallis moved approval of the June 23, 2008 and October 1, 2008 Minutes. The motion was seconded by Michelle Hawkins and passed unanimously by the Board.

iv. Changes to the OSTF Portfolio Rules relating to Classification of TLGP Securities

Perrin Lim introduced Tom Lofton, the new OSTF Credit Analyst and noted that Mr. Lofton had been working with him with the administration of the TLGP (Temporary Liquidity Guarantee Program). Mr. Lim distributed a list of participating issuers in the TLGP program. The program first came to market in late November as a key element of policy-makers' efforts in Washington, D.C. and New York, to restore confidence and liquidity back to the market. These bonds will carry FDIC insurance and full faith and credit of the US Government between the announcement date and June 30, 2009, as long as the securities mature by June 30, 2012. Mr. Lim informed the Board that the Oregon Short Term Fund had already purchased some of these bonds. These securities have an explicit guarantee versus GSE's (Government Sponsored Enterprises) which have an implicit guarantee by the government.

Mr. Lim further noted that the purpose of this agenda item is to address the classification of TLGPs. Discussion followed regarding the classification of TLGPs; whether they should be classified under the Government banner or in the actual issuer class, Corporates. Because of the FDIC backing, Mr. Lim noted that the Treasurer's Office Investment Accounting Division had created a separate "Government Guaranteed Corporates" line-item to show the total exposure to TLGPs. Mr. Lim proposed a maximum exposure to TLGPs at 33%.

Darren Bond agreed that the exposure should be segregated and addressed separately from the Corporates. However, Mr. Bond stated that Staff was comfortable with a larger than 33% exposure.

Discussion followed between Staff and Board-members and it was the consensus of the Board to set the maximum TLGP exposure to 50%.

Mr. Lim and Mr. Bond answered general questions from the Board regarding concentration and risk and the impact on the Oregon Short Term Fund as well as Local Governments. Mr. Lim noted that Tom Lofton was monitoring current market information on a daily basis.

Deanna Woodring asked that the Board address public entities with policies that don't have a space for TLGPs. She requested that the OSTF Board issue a notice suggesting a policy amendment to allow for the purchase of TLGP securities as a separate asset class without the need to forward the policy to the Board for review.

Discussion followed regarding ORS 294.035 and Mr. Bond noted that this was not a legislative change, but an administrative, compliance change. He further noted that a statutory change was not necessary since the instruments were going to be gone in two years.

However, the Board requested that Staff pursue a statutory amendment to ORS 294.035(3)(a) to explicitly allow securities of this type outside of the restrictions imposed by ORS 294.035(3)(i)(D). It was noted that Senate Bill

62 relating to the administration of public funds would soon be presented to the State Legislature. Mr. Bond noted that he would have a copy of the Senate Bill forwarded to the Board.

MOTION: Bob Woodruff moved to issue a notice to the local governments, allowing them to amend their investment policies to allow for the purchase of TLGP securities as a separate asset class without the need to forward the policy to the Board for review provided that the following conditions are met:

- The local government’s policy amendment is reviewed and approved by the applicable governing body;
- While treating as a separate asset class from other corporate is allowable, these TLGP securities must be combined with the other corporates for purposes of calculating maximum corporate exposure as relates to ORS 294.035(3)(i)(D)., with a 35% maximum exposure.

The motion was seconded by Deanne Woodring and passed unanimously by the Board.

Mr. Bond agreed to draft a letter to local governments by early next week.

v. OMFOA/OACTFO Annual Spring Conference

A timeslot has been reserved at the OMFOA/OACTFO Annual Spring Conference for the OSTF Board on Tuesday, March 10 at 1:30pm at The Salishan Resort. The Board agreed that a presentation will be made by Mr. Lim and Mr. Lofton and they will discuss the current status and strategy of the Oregon Short-Term Fund. Additionally, Mr. Lim and Mr. Lofton will discuss the suitability of the new FDIC-backed TLGP securities and other instruments in local government portfolios in light of the dislocations the fund is experiencing in the financial markets.

Heidi Rawe will communicate with Tod Burton.

vi. Closing Remarks

MOTION: Mr. Goe moved that the OSTF Board Meeting be adjourned; the motion was seconded by Mrs. Hawkins and passed unanimously by the Board.

The Oregon Short-Term Fund Board meeting adjourned at 11:50am.

Respectfully submitted,

Heidi C. Rawe
Executive Support Specialist