



Hathaway
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QUARTERLY

Spring 2009

Mismanagement of Oregon College Savings Accounts?

On April 13, 2009 Oregon Treasurer Ben Westlund and Attorney General John Kroger filed suit against Oppenheimer Funds to recover \$36.2 million in lost assets in Oregon's College Savings Plan, alleging violations of Oregon securities law, breach of contract, breach of fiduciary duty, negligence and negligent misrepresentation.

The lawsuit focuses on Oppenheimer Core Bond Fund, which was used in 5 age-based portfolios in the plan, and had primary objectives of "protection of principal" and "income". Accordingly, the fund managers were supposed to invest in conservative and ultra-conservative portfolios, but instead invested in high-risk hedge-fund like investments, without alerting investors or the state that the investment had become substantially more risky. The Core Bond Fund lost a total of nearly 36% in 2008; its benchmark was up 5% for the same period. Another fund, the Oppenheimer Limited Term Government Bond Fund may be added to the complaint in the future

The Oregon 529 College Savings Board has removed these funds from the portfolios, replacing them with the Dreyfus Bond Market Index Fund and Vanguard Short-Term Bond Market Index Fund. In addition, they have increased exposure to conservative investments in these portfolios. Although Oppenheimer's contract to manage the Oregon College Savings Plan runs through December, the Board is soliciting proposals to replace Oppenheimer in administering the plan.

It remains to be seen if the suit will be successful, and if there will be any compensation to Oregon families who invested in these portfolios, myself included. I applaud Ben Westlund and John Kroger for taking on this issue on behalf of Oregon families. If you would like to track this issue yourself, go to: <http://www.ost.state.or.us/news/NewsReleases/Group.asp?College%20Savings%20Plan>

Hathaway Financial Services Has Moved!

Please note my new address below. I am still located downtown, but my new office is much more convenient to you; parking is located directly out front, is free, and my office is on the ground level. Feel free to stop by anytime, although you might want to call first to make sure I am available. I also have a new office phone (345-4400), although you can still reach me at 912-1069. I look forward to seeing you at my new location!

Member, First Affirmative Financial Network.
Securities and investment advisory services offered
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Thinking of Purchasing a Home?

If you are buying a home and have not been a home-owner for the previous 3 years before your purchase, you may be eligible to take advantage of a new tax-credit of 10% of the purchase price, up to \$8,000 for couples married filing jointly (\$4000.00 for single filers).

To qualify, you must purchase the home between January 1st and November 30th of 2009. The home must be located in the United States. Vacation homes and rental property are not eligible, nor are homes acquired by gift, inheritance, or through a relative. For homes under construction, the purchase date is the first date you occupy the home. Be aware, if you re-sell the home within three years of buying it, you forfeit that credit. (Exceptions made in certain cases, such as death or divorce.)

The credit begins to phase out for individuals with modified adjusted gross income (AGI) over \$75,000 and married couples filing jointly with modified AGI over \$150,000. You must itemize your taxes to take advantage of this credit, so you may want to compare your savings with taking the standard deduction.

Want more info? Go to the revised version of Form 5405, First-Time Homebuyer Credit, on IRS.gov.

Shareholder Advocacy: Your money at work

While screening for and against companies is a major component of SRI, many consider shareholder advocacy a much more exciting and important component, and one that really puts our money to work. Shareholder advocacy is generally undertaken by the managers of your mutual funds or stock portfolios either directly or by combining with other groups, by engaging with the company in question, filing shareholder resolutions, and voting proxies. You are able to participate by writing your own letters to companies you own, or by voting your own proxies. In response to the increasing emphasis of this strategy in SRI, Calvert Investments has recently introduced SAGE™ that invests only in companies they intend to bring about change through the engagement process of shareholder advocacy, and yes, WalMart is one of the holdings. Here are just a few current examples of shareholder advocacy:

- MMA Praxis filed resolutions with JP Morgan, American Express, Discover, Citigroup, B of A to raise concerns about predatory lending and abusive credit card practices.
- Boston Common is engaging companies such as Microsoft, Samsung, Toyota & Aflac regarding human and environmental health, human rights, corporate governance, and labor health & safety issues.
- Portfolio 21 engages companies on environmental issues.

First Affirmative Financial Network, along with our investment managers, have a long list of resolutions filed or co-filed this year, dealing with a wide range of issues. **Call me if you are interested in learning more.**

Ponzi Goes Local

The Ponzi scheme craze apparently has gone local with the arrest in April of Dennis Thaut, operating in downtown Eugene. Down markets, in which investors are more apt to withdrawal their investments is when we are most likely to uncover the extent to which individual investors were preyed upon in the preceding bull market. According to Financial Advisor magazine, the SEC uncovered 25 Ponzi type schemes in the first quarter of 2009 alone. More are sure to come as the year continues.

Whether an up market, or a down market, here are some guidelines you should always adhere to:

- Know what you own and how you own it. Your investments should be publicly traded and readily trackable. Most of these schemes involved alternative investments, such as limited partnerships, hedge funds, and commodity type vehicles. Investments such as these may require more due diligence on your part.
- Make sure your funds are safely housed at an independent custodian from whom you receive regular statements. Almost all of these frauds had funds housed with the financial advisor that sold them, allowing easy manipulation of all aspects of the monies. The independent custodians used at Hathaway Financial Services are Schwab Institutional, Pershing LLC, FOLIOfn, and the mutual fund companies we frequently use, such as Calvert, Portfolio21, etc.
- Make sure your funds are insured against fraud through the Securities Investor Protector Corporation (SIPC), which covers up to \$500,000 per account.
- If it sounds too good to be true....well, you know where I am going with this.

If you have any questions or concerns about the accounts you have here at Hathaway Financial Services, please don't hesitate to call.

Refer Friends and Acquaintances

Do you know of anyone unhappy with what their money is invested in and would like to see their money have more impact? Feel free to have them give me a call. I am happy to help your friends and acquaintances.

Have a great Quarter! And, as always, thank you for your referrals.

Patricia Hathaway, CFP®, AIF®