

Bright Start College Savings Program Investment Policy Statement

Effective February 3, 2012

I. Statement of Purpose of Investment Policy

The purpose of this Statement is to assist contractors retained by the Treasurer to provide services related to the management of the assets of the Bright Start College Savings Program (the “Program”) and to assist the Treasurer’s Office in evaluating the performance of such contractors by:

- Describing the Treasurer’s investment objectives;
- Providing general guidelines for the investment of assets of the Program;
- Describing the Treasurer’s long-term investment strategy;
- Describing the process of evaluating the performance of contractors that provide investment management services to the Program; and
- Specifying the responsibilities of any contractors that provide investment management services to the Program.

This is the official Investment Policy Statement of the Program. Deviation from this Policy is not permitted without prior, explicit, written permission from the Treasurer.

II. Establishment and Authority of Entity

The Program has been established as a “qualified tuition program” in accordance with Section 529 of the Internal Revenue Code of 1986, as amended. It was established to provide families with a new opportunity to invest toward future college education expenses.

III. Investment Philosophy

The Treasurer has adopted a long-term total return strategy regarding the Program and its investments. In order to achieve the Program’s objectives, investments shall be diversified so as to minimize the risk of loss. While some asset classes may experience short-term and intermediate-term volatility, their long-term return assumptions justify their inclusion. A long-term focus on investment results as well as prudent diversification across financial markets will be the primary risk control mechanisms.

In its investment strategy, the Treasurer has relied on prevailing financial theory, which currently utilizes a long-term diversified asset allocation strategy. A prudently allocated investment program possesses a significant level of diversification, which produces risk reduction. In terms of impact, diversification shall be considered along the following lines: (1) asset classes (Money Market Instruments, Domestic Fixed Income, International Fixed Income, Domestic Equity, and International Equity), (2) geography/country, (3) sector, (4) maturity, and (5) duration.

Contributions to the Program will be directed to one of several portfolios (the “Portfolios”), each with a designated mix of investments. The determination of the investment parameters of each Portfolio shall be made by the Treasurer and shall take into account the financial characteristics of the investments in the Program. The investment parameters will also give due consideration to the fact that the investment horizon for Account Owners will vary from a few months to over 18 years.

The Treasurer will review the investment performance of each Portfolio at least quarterly and shall review this Investment Policy Statement at least annually.

The holdings of the Program and the Portfolios may be divided into the following broad asset classes:

- A. Money Market Instruments
- B. Domestic Fixed Income
- C. International Fixed Income
- D. Domestic Equity
- E. International Equity

The Treasurer will establish reasonable guidelines for each Portfolio, specifying (as applicable) limits on asset and asset class exposures. While the investment parameters offered under the Program are developed by the Treasurer, Account Owners bear the risk of investment results. Individual Account Owners who seek investments materially different from those offered may wish to select an investment alternative outside of the Program.

The administration and offering of the Program should not be relied upon as a guarantee to Account Owners. Each Account Owner should seek appropriate advice, as he or she deems necessary.

IV. Investment Objectives

The overall investment program for the Program and, as applicable, the individual Portfolios provided to the Account Owners shall seek to achieve the following long-term investment objectives:

- A. A long-term competitive rate of return on investments that is equal to or exceeds a return of the applicable benchmarks shown in Section VII hereof, and a long term rate of return on investments that is competitive with each investment’s peer group.
- B. A long-term competitive rate of return on investments through indexed fund portfolios that approximately equal the applicable benchmarks shown in Section VII hereof.

- C. An investment program flexible enough to meet the needs of Account Owners based upon their age or investment objective or the age of the beneficiary and which provides each individual with the ability to invest in a diversified portfolio to meet his or her long-term investment goals.

V. Investment Responsibilities

The Treasurer is responsible for the investment policy, the direction of investments and administration of the assets of the Program. In order to properly carry out his or her responsibilities, the Treasurer may rely on one or more contractors to assist in the administration of the Program. The Treasurer has engaged, and plans to rely heavily on, OFI Private Investments Inc. (the “*Manager*”) for various investment management and related administrative services. The Treasurer also plans to rely heavily on an external investment consultant for investment advisory services. Among the current responsibilities of the Manager is the implementation of the investment strategy outlined in this Policy and the rebalancing (as described in Section VI) of the Portfolios when market movement and/or cash flows cause an asset class to be outside its policy allocation bands. The Treasurer's Office and the Manager shall meet quarterly to review portfolio performance as compared to the applicable benchmarks and peer group performance.

In managing the investments of the Program and the Portfolios, the Manager agrees that it will act with the skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like objectives.

VI. Investment Parameters

Contributions will be invested in one of several Portfolios, each with a designated mix of investments that is appropriate for the investment objective of the Portfolio. Each Portfolio allocates assets in a combination of underlying investments investing among Money Market Instruments, Domestic Fixed Income, International Fixed Income, Domestic Equity, and International Equity. The asset allocation of each Portfolio will be established by the Treasurer and managed by the Manager. The Treasurer may adjust the weighting in these asset classes in each Portfolio and may change the underlying investments within the Portfolios consistent with this Investment Policy Statement and its agreement with the Manager.

The policy target asset allocations and benchmarks for the underlying investments within the Portfolios are shown below. Under normal market conditions, there is a permissible range of plus or minus a 10% deviation from the target allocation for each asset class. However, during periods of extreme volatility or market crisis, the actual asset allocations for each underlying investment may exceed plus or minus 10% of the target allocations, and any rebalancing will occur quarterly.

VII.

Direct Plan: Blended Age Based Portfolios

Asset Class	Benchmark*	#1 Portfolio (0-6 yrs)	#2 Portfolio (7-9 yrs)	#3 Portfolio (10-11 yrs)	#4 Portfolio (12-14 yrs)	#5 Portfolio (15-17 yrs)	#6 Portfolio (18+ yrs)
Domestic Equity	S&P 500 Index	63%	49%	42%	35%	21%	7%
	Russell 2500 Index	9%	7%	6%	5%	3%	1%
International Equity	MSCI EAFE Index	18%	14%	12%	10%	6%	2%
Domestic Fixed Income	Barclays Capital Aggregate Bond Index	10%	25%	25%	25%	20%	15%
	Barclays Capital 1-5 Yr. Government Index	0%	5%	15%	25%	35%	35%
Money Market Instruments	iMoney Net First Tier Institutional Money Market Index	0%	0%	0%	0%	15%	40%

Direct Plan: Index Age Based Portfolios

Asset Class	Benchmark*	#1 Portfolio (0-6 yrs)	#2 Portfolio (7-9 yrs)	#3 Portfolio (10-11 yrs)	#4 Portfolio (12-14 yrs)	#5 Portfolio (15-17 yrs)	#6 Portfolio (18+ yrs)
Domestic Equity	S&P 500 Index	63%	49%	42%	35%	21%	7%
	S&P Completion Index	9%	7%	6%	5%	3%	1%
International Equity	MSCI EAFE Index	18%	14%	12%	10%	6%	2%
Domestic Fixed Income	Barclays Capital Aggregate Bond Index	10%	20%	30%	40%	50%	70%
Money Market Instruments	iMoney Net First Tier Institutional Money Market Index	0%	10%	10%	10%	20%	20%

Direct Plan: Blended Fixed Income, Equity, Balanced or Money Market Options

Asset Class	Benchmark*	Fixed Inc Portfolio	Equity Portfolio	Balanced Portfolio	Money Market Portfolio
Domestic Equity	S&P 500 Index	0%	70%	35%	0%
	Russell 2500 Index	0%	10%	5%	
International Equity	MSCI EAFE Index	0%	20%	10%	0%
Domestic Fixed Income	Barclays Capital Aggregate Bond Index	80%	0%	40%	0%
Money Market Instruments	iMoney Net First Tier Institutional Money Market Index	20%	0%	10%	100%

Direct Plan: Index Fixed Income, Equity or Balanced Options

Asset Class	Benchmark*	Fixed Inc Portfolio	Equity Portfolio	Balanced Portfolio
Domestic Equity	S&P 500 Index	0%	70%	35%
	S&P Completion Index	0%	10%	5%
International Equity	MSCI EAFE Index	0%	20%	10%
Domestic Fixed Income	Barclays Capital Aggregate Bond Index	80%	0%	40%
Money Market Instruments	iMoney Net First Tier Institutional Money Market Index	20%	0%	10%

Advisor Plan: Active Age Based Portfolios

Asset Class	Benchmark*	#1 Portfolio (0-6 yrs)	#2 Portfolio (7-9 yrs)	#3 Portfolio (10-11 yrs)	#4 Portfolio (12-14 yrs)	#5 Portfolio (15-17 yrs)	#6 Portfolio (18+ yrs)
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Domestic Equity	Russell 1000 Index	25%	21%	18%	15%	9%	3%
	Russell 1000 Value Index	16%	12%	10%	8.5%	5%	2%
	Russell 1000 Growth Index	16%	12%	10%	8.5%	5%	2%
	Russell 2500 Index	15%	11%	10%	8%	5%	1%
International Equity	MSCI EAFE Index	13%	10%	8.5%	7%	4.5%	1.5%
	MSCI Emerging Markets Index	5%	4%	3.5%	3%	1.5%	0.5%
Domestic Fixed Income	Barclays Capital Aggregate Bond Index	9%	15%	20%	22.5%	25%	16%
	Barclays Capital 1-3 Yr. Government Index	0%	12%	16%	22.5%	28%	55%
International Fixed Income	Citi World Government Bond Index (ex-U.S.)	1%	3%	4%	5%	7%	4%
Money Market Instruments	iMoney Net First Tier Institutional Money Market Index	0%	0%	0%	0%	10%	15%

Advisor Plan: Active Fixed Income, Equity, Balanced or Money Market Options

Asset Class	Benchmark*	Fixed Inc Portfolio	Equity Portfolio	Balanced Portfolio	Money Market Portfolio
Domestic Equity	Russell 1000 Index	0%	25%	15%	0%
	Russell 1000 Value Index	0%	19.5%	9%	0%
	Russell 1000 Growth Index	0%	19.5%	9%	0%
	Russell 2500 Index	0%	16%	7%	0%
International Equity	MSCI EAFE Index	0%	14%	7%	0%
	MSCI EMG Mkts. Index	0%	6%	3%	0%
Domestic Fixed Income	Barclays Capital Aggregate Bond Index	30%	0%	25%	0%
	Barclays Capital 1-3 Yr Government Index	35%	0%	10%	0%
International Fixed Income	Citi World Government Bond Index (ex-U.S.)	10%	0%	0%	0%
Money Market Instruments	iMoney Net First Tier Institutional Money Market Index	25%	0%	15%	100%

*Benchmarks are subject to change as mutually agreed by the Treasurer and Manager in order to ensure that they remain appropriate for each underlying investment and consistent with industry standards.

Each active underlying investment's return objective is to equal or exceed, over a three-year rolling period, the annualized return of the applicable benchmark. Volatility, measured by the standard deviation of returns, is expected to be similar to the benchmark. Each underlying investment is also expected to perform favorably relative to its peer group.

To the extent that the assets of a Portfolio are invested in one or more underlying investments approved by the Treasurer having investment objectives consistent with the above-noted asset allocation categories, the above-noted percentage guidelines shall be deemed satisfied. This shall be the case even if such an underlying investment's assets may not be entirely invested in the asset class in which such underlying investment has been placed.

Principal Protection Income Portfolio

The Principal Protection Income Portfolio attempts to reduce significantly under normal circumstances fluctuations in the value of its assets, other than money market securities and money market fund securities, by investing in Security Backed Investment Contracts (also called Synthetic Guaranteed Investment Contracts or Synthetic GICs). Security Backed Investment Contracts are comprised of two components: investment contracts (also called "Wrapper Agreements) and an underlying portfolio of marketable fixed income securities which are held and owned by the Portfolio on behalf of investors.

Wrapper Agreements are issued by high quality financial institutions such as an insurance company or a bank (a "Wrapper Provider") whose long-term credit rating at the time the Wrapper Agreement is entered into must be a minimum of A1 by Moody's, A by S&P, or A by Fitch. A Wrapper Agreement enables the Portfolio, regardless of market fluctuations, to value the assets of the Portfolio covered by the Wrapper Agreement (the "Covered Assets") at their book value. Book value generally means all Contributions allocated to the Portfolio that are invested in Covered Assets, plus all income accrued at the "Crediting Rate", as in effect from time to time, less the sum of withdrawals from the Covered Assets. Should the amount received from liquidating all of the Covered Assets ever be insufficient to satisfy requested withdrawals from the Portfolio that are covered by the Wrapper Agreements, under normal circumstances the Wrapper Provider would be obligated to pay the amount of the shortfall to the Portfolio. It is expected that the Portfolio will value the Wrapper Agreements at the difference between the book value and the market value of the Covered Assets. If the market value of the Covered Assets exceeded their book value, the difference would not be reflected in the Portfolio's valuation of the Covered Assets. The Treasurer has approved Galliard Capital

Management, Inc. (“Galliard”) to manage the assets of the Portfolio and acknowledges that neither OFI nor any of its affiliates are liable to the Portfolio for impairments to Book Value as described in the Wrapper Agreement.

The Treasurer has elected to terminate the Principal Protection Income Portfolio before June 30, 2013, and has instructed Galliard to manage the underlying assets to effectively converge the Portfolio's market and book value as soon as reasonably practicable. Upon further instruction from the Treasurer, Galliard and OFI, or one of its affiliates, will liquidate the Portfolio's remaining assets and invest them as directed by the Treasurer. In anticipation of this Portfolio's termination, the Program will be adding new money market options, the Money Market Portfolio and Advisor Money Market Portfolio to the Plans. Beginning February 6, 2012, the Principal Protection Income Portfolio will be closed to new contributions. Any contributions received for the Principal Protection Income Portfolio on or after February 6, 2012 will be automatically redirected into the appropriate money market portfolio. In connection with the closure of the Principal Protection Income Portfolio, beginning February 6, 2012, the annual asset based sales charge associated with units of that Portfolio will be eliminated and ongoing compensation will no longer be paid to financial advisors and brokers.