Kate Marshall
State Treasurer

Steve George
Chief of Staff

Mark Winebarger
Chief Deputy Treasurer

STATE OF NEVADA

OFFICE OF THE STATE TREASURER

The 2009 Nevada Prepaid Tuition Program (Program) Annual Report covers the timeframe from July 1, 2008 to June 30, 2009, a period covering one of the most unprecedented and unpredictable timeframes in the recent history of our national and state economy.

During the past thirteen months, the Board of Trustees of the College Savings Plans of Nevada (Board), of which I serve as Chair, has undertaken significant steps to better ensure the financial health of the Nevada Higher Education Prepaid Tuition Trust Fund (Trust Fund). In fact, these and future actions scheduled to occur in Fiscal Year 2010, along with improving financial market valuations, are expected to result in the Trust Fund being almost fully funded in FY 2010 (98.8%), with an 11.8% increase since the conclusion of FY 2009.

Further, these actions have produced the first transfer to the Trust Fund in several years. With new participant payments into the Fund outpacing tuition payments as of the 2010 spring semester, the Program is currently able to transfer $1,000,000 into the Trust Fund, which should result in increased earnings.

In addition, the implementation of an expanded outreach/marketing program aimed specifically at underserved Nevada communities has resulted in more than 800 new contracts being purchased for Nevada children through the two latest open enrollment periods: January 21 to April 24, 2009, and December 1, 2009 to February 28, 2010.

Actions taken by the Board that have dramatically improved the funded status of the Fund during the past thirteen months include:

1. The addition and expansion of options for new contract holders by offering a lower cost option with a new one-year university contract, providing more Nevada residents the ability to join the Program;

2. An actuarial review and modeling based on a ten-year horizon was conducted by the Board to examine the Fund's long-term cash flow and the impact of future tuition increases beyond the scope considered in past contract pricing;

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STATE TREASURER PROGRAMS
Governor Guinn Millennium Scholarship Program
Nevada Prepaid Tuition Program
Unclaimed Property
Upromise College Fund 529 Plan

LAS VEGAS OFFICE
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Website: http://NevadaTreasurer.gov E-mail: StateTreasurer@NevadaTreasurer.gov

3. Passage by the Board of a resolution providing a one-time $5 million cash infusion in the form of a loan from the College Savings Endowment Account to the Fund, as well as agreeing to use the Endowment Account to fund the administrative costs of the Program thus enhancing the actuarial soundness of the Fund;

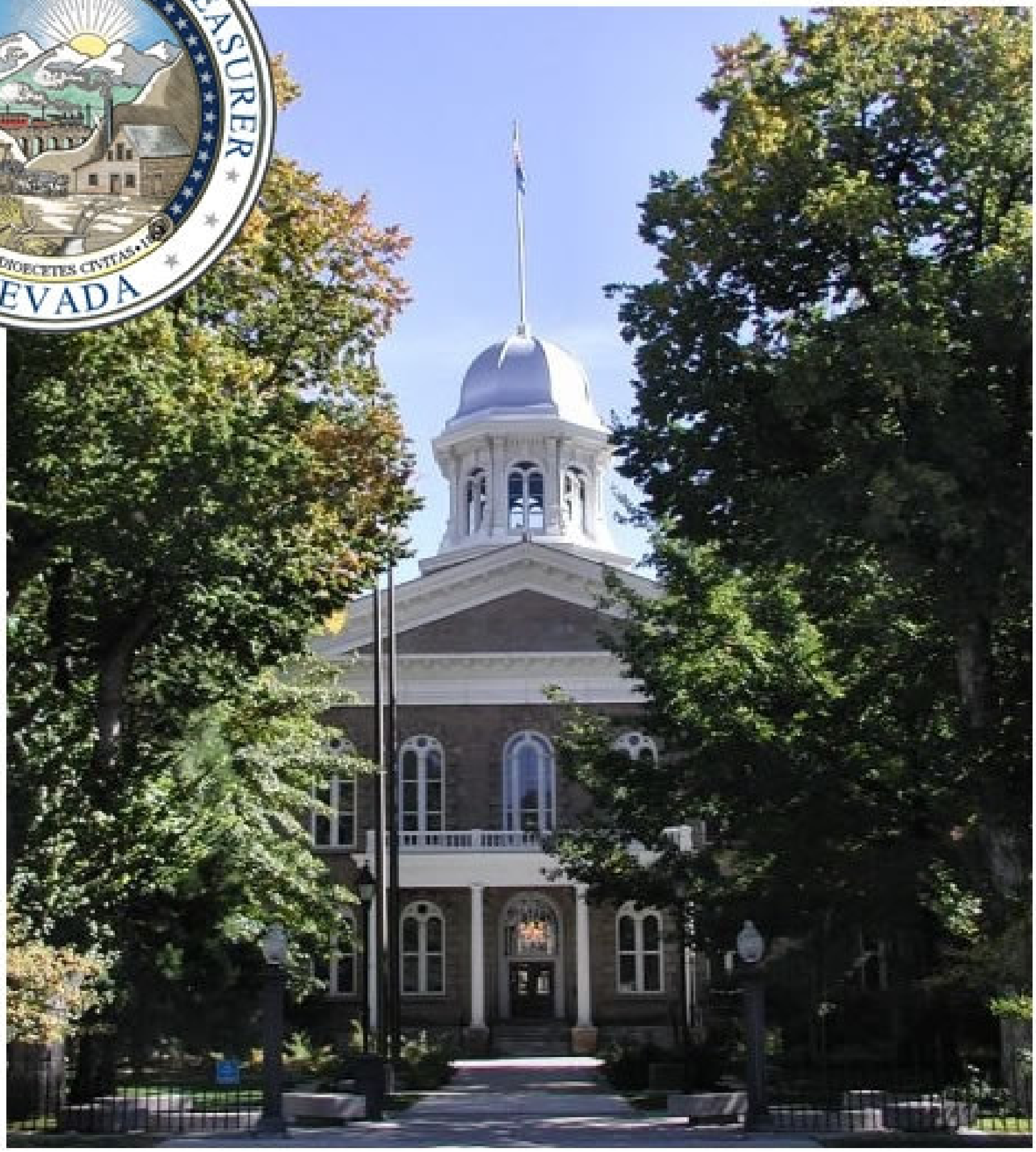
4. Lowering the estimated rate of return on investments in the Fund from 7.5% to 7.25%, resulting in a lower funded ratio in return for a more conservative estimate built into future contract pricing; and

5. Implementing investment and performance monitoring policies to increase the scrutiny of investments, investment allocations, and performance of the monies invested on behalf of the Program.

In closing, the Board continues to explore new strategies that will ensure the long-term financial viability of this vital Program, which provides parents with the ability to affordably invest in their children's future by purchasing a Nevada Prepaid Tuition contract.

Respectfully,

Kate Marshall
State Treasurer



State of Nevada

Office of the State Treasurer

Kate Marshall

Nevada Prepaid Tuition Program

ANNUAL REPORT

FISCAL YEAR 2009

nevadatreasurer.gov 1-888-477-2667

Kate Marshall
State Treasurer

Steve George
Chief of Staff

Mark Winebarger
Chief Deputy Treasurer

STATE OF NEVADA
OFFICE OF THE STATE TREASURER
NEVADA PREPAID TUITION PROGRAM

March 1, 2010

The Honorable Jim Gibbons
Governor of the State of Nevada
Capitol Building
Carson City, NV 89701

Dear Governor Gibbons:

In accordance with Nevada Revised Statute 353B.170, on behalf of the Board of Trustees of the College Savings Plans of Nevada (Board), I respectfully submit the Nevada Prepaid Tuition Program Annual Report for Fiscal Year 2009.

The Nevada Prepaid Tuition Program, which began in 1998 as the state's first 529 college savings plan under IRS Section 529, continues to offer families a unique opportunity to save for their children's higher education expenses. One of only 12 such programs available in the nation, through the Nevada Prepaid Tuition Program, families may pre-purchase college credit hours to be used at a future date, providing a cost effective and easy way to afford future college education costs.

During the eleventh annual year of enrollment—which began on January 21, 2009, and closed on April 24, 2009—more than 400 new enrollees were added to the Nevada Prepaid Tuition Program, bringing the total number of children enrolled to 13,001.

The Board contracts for professional investment services to manage the assets in the Higher Education Tuition Trust Fund (Fund). At the conclusion of FY 2009, more than $90.8 million was invested in the program. Through the efforts of the Board and the State Treasurer's Office, the program continues to be self-supporting, requiring no contribution from the state's general fund.

For your information and use, included in this report is the annual independent audit of the Nevada Prepaid Tuition Program and Fund, as required by the Board.

In closing, I wish to restate my commitment to the success of our state's children in achieving a college scholarship. The Nevada Prepaid Tuition Program continues to provide families with a financial tool that can help pave the way to their children's future success. Your support of this worthwhile program is appreciated.

Sincerely,

Kate Marshall
State Treasurer

Nevada Prepaid Tuition

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EXECUTIVE SUMMARY

The purpose of the Nevada Prepaid Tuition Program (Program) is to provide a simple and convenient way for Nevada families to save for a college education through a system that allows purchasers to lock in the cost of higher education credit hours today for credit hour payments in the future. The Nevada Prepaid Tuition Program allows parents, grandparents, businesses and others to purchase a contract for a fixed amount of undergraduate credit hours for a child at any Nevada public university or college. A purchaser enters into a contract for the future payment for a specified beneficiary. When the beneficiary enrolls in college, the Program will pay the contract benefits. The contract benefits are based on in-state rates of Nevada public colleges, but can be used toward costs at any accredited, non-profit, private or out-of-state college, as well.

The Program operates under Nevada Revised Statutes (NRS) 353B, which was adopted by the Nevada Legislature in 1997. The Program is administered by the Office of the State Treasurer under the direction of the Board of Trustees of the College Savings Plans of Nevada (Board). The Board consists of five members composed of:

- The State Treasurer
- The Director of the Department of Administration
- The Chancellor of the Nevada System of Higher Education (NSHE)
- Two members appointed by the Governor

In accordance with NRS 353B, the Board is required to contract with a certified actuary and a certified public accounting firm to perform an annual actuarial valuation and financial audit. For FY 2009, the Board contracted with Milliman USA to conduct the actuarial valuation study and with Kafoury, Armstrong & Co. to conduct the annual audit of the accounts and records of the State Treasurer and the Board.

The Program also contracts with a professional investment advisor to assist the Board in maximizing earnings. Investments were made in accordance with the Program Investment Policies approved by the Board. The Board contracted with The Bank of New York Mellon for Fiscal Year 2009.

OBJECTIVES

The financial objectives of the Board have remained firm and consistent:

- Require the fair value of the Program's investments and assets to be greater than or equal to the actuarial value of all obligations, including future tuition benefits and all future administrative expenses and liabilities associated with operating the Program.

- Establish an appropriate investment portfolio of assets to accumulate an amount sufficient to pay future tuition benefits and administrative expenses associated with all prepaid contracts.

- Establish contract plans and payment options that are affordable to most of Nevada's families.

STRATEGIES

The Program's pricing schedule used for FY 2009 increased 4-5% from the previous year's enrollment depending on the age of the child and the tuition plan chosen. Prices were established in consideration of three basic criteria:

- Assumption regarding the growth rate of credit hour cost at the Nevada System of Higher Education (NSHE).

- Assumption regarding the rate of return on investments.

- Methodology allocating current and future administrative expenses of the Program.

ENROLLMENT

The Fiscal Year 2009 enrollment period ran from January 21, 2009 to April 24, 2009, with newborns under the age of one being eligible to enroll through June 30, 2009. The FY 09 enrollment proved to be a successful one.

- There were 402 new enrollments, which nearly doubled the number of enrollees from the previous enrollment period.
- Enrollment in rural areas was increased by 153% and in Washoe County by over 106%.
- The 4 Year University Plan remained to be the most popular plan choice(70.65%)
- Lump sum payment option remains to be a popular choice (27%).
- Newborns continue to make up the largest percentage(23.38%) of new enrollees.

BENEFIT USAGE

The Program's benefits can be used at any eligible educational institution nationwide upon the expected matriculation year of the beneficiary. The number of students using their benefits continues to grow each year as older contracts begin to mature.

- Nearly 1,500 students used their tuition benefits in FY 2009.

- Tuition benefits paid out were $4, 081,228.

- Approximately 75% of students remain in Nevada resulting in nearly $3.06 million being paid out to Nevada schools.

- As of June 30, 2009, 451 students had depleted their tuition benefits.

Future objectives and strategies will include ongoing evaluation of the assumptions used to develop contract prices and the asset allocation of the Trust Fund portfolio to ensure its long-term financial integrity.

SUMMARY OF ACTUARIAL VALUATION REPORT

The Fiscal Year 2009 Actuarial Valuation Report was prepared by Milliman USA and acknowledged that the Nevada Prepaid Tuition Program did not have sufficient assets, including the value of future installment payments to cover the actuarially estimated value of the tuition obligations under all contracts outstanding as of the valuation date.

During the Fiscal Year 2009, the stabilization reserve/(deficit) position of the Program decreased from a stabilization reserve of $780,456 to a stabilization deficit of $16,280,915, which is 13% of obligations. The decrease in the reserve was mostly attributable to investment loss. Approximately $1,328,846 was generated from new contracts to add to the stabilization reserve.

The decrease is primarily attributable to the material decline in investment returns. The return on fund investments was approximately (-)10.50% on a dollar weighted basis. In the previous valuation, a 7.5% return was assumed. Thus, actual investment returns were 17.75% lower than expected. This decreased the FY 2009 reserve by $18,219,309.

Milliman USA estimates a fund balance of $124.9 million would be 100% of their "Best Estimate" reserve needed. As of June 30, 2009, the actual fund balance was $108.7 million (the present value of obligations for future tuition payments), or 87% of the actuarially determined "Best Estimate" reserve.

At the close of the fiscal year, June 30, 2009, the ending market value of investments was $90.8 million.

The Program has future goals to gradually build the stabilization reserve to help absorb the risk of adverse deviations in investment and tuition growth experience. Since the presentation of the valuation study the Board has taken steps to update the Master Agreement for participants, revise investment assumptions, tuition projections, reviewed investment allocations and contract pricing to improve the funded status of the Higher Education Trust Fund.

The Program is required by NRS 353B.190 to contract with a certified actuary to perform an annual actuarial valuation study of the Trust Fund.

STATEMENT OF ASSETS AS OF JUNE 30, 2009

INVESTMENTS	MARKET VALUE
EQUITY	$46,868,497
FIXED INCOME	$41,266,851
CASH	$2,703,439
TOTAL MARKET VALUE OF INVESTMENTS	$90,838,787
PRESENT VALUE OF INSTALLMENT CONTRACT RECEIVABLES	$17,811,298
VALUE OF TOTAL FUND ASSETS	$108,650,085

The full actuarial valuation report can be viewed in Appendix A.

SUMMARY OF INDEPENDENT AUDITOR'S REPORT

NRS 353B.180 requires the Board to contract with an independent certified public accounting firm to perform an annual audit of accounts and records of the State Treasurer and the Board. The Board contracted with independent auditors Kafoury, Armstrong & Co., which performed the audit on the Higher Education Tuition Trust Fund for FY 2009, which ended on June 30, 2009.

The Trust Fund received a clean audit with no qualifications. Material issues of note were:

- During FY 2008, the Trust Fund continued to be classified as an enterprise fund and was included in the State of Nevada's *Comprehensive Annual Financial Report* for FY 2008.

- Total operating revenues increased for FY 2009 by $1,816,828 compared to FY 2008.

- Total assets held as of June 30, 2009 were $110,579,836. This was a decrease of $16,204,369 from the previous fiscal year.

- As of June 30, 2009 there was a decrease of $304,588 in total liabilities as compared to the previous fiscal year ending June 30, 2008.
-
- Mainly due to market conditions and partly due to more students using their benefits there continues to be a decline in net assets The Board is taking steps to improve total net assets by dedicating additional college savings revenues for FY 2010.

The financial statements of the Trust Fund have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to government agencies and standards accepted by the Governmental Accounting Standards Board (GASB).

No material weaknesses involving the internal controls over financial reporting were found or reported.

The full auditor's report can be viewed in Appendix B.

SUMMARY OF INVESTMENT REPORTS

The Board of Trustees of the College Savings Plans of Nevada (Board) contracts with a professional investment manager for investment advice and management services for the Higher Education Tuition Trust Fund. For FY 2009, the Board contracted with The Bank of New York Mellon (BNY Mellon). . Included in this annual report is the Program Update statement as of June 30, 2009, from BNY Mellon.

The Bank of New York Mellon
The Board contracted with BNY Mellon as of September 28, 2007, as the investment advisor for the Program. They continued as the advisor throughout Fiscal Year 2009. The portfolio maintained the asset allocation of 45% fixed and 55% equities. The equities portion is diversified into three different funds: Large Cap, Mid Cap, and Small Cap. The total returns for the investments in FY 09 with BNY Mellon as of June 30, 2009 was -10.51%, with a total Market Value of $88,135,347

Fund Market Values For Period Ending June 30, 2009		
Allocation	%	Market Value
Large Cap	33%	$28,577,869
Mid Cap	11%	$9,476,880
Small Cap	11%	$8,813,748
Fixed Income	45%	$41,266,851
Total	100%	$88,135,347

Although the total Fiscal Year's return on investments did not meet the Board's expectations, things began to turn around during the last quarter and ended on a positive note.

- For the quarter ending June 30, 2009 the Program's portfolio had a 9.34% return, which exceeded the Board's expectations of 7.5%.
- The quarter ending June 30, 2009 showed an increase of 16.27% in return over the previous quarter (March 31, 2009 (-6.93%) vs. June 30, 2009 (9.34%)).
- Second quarter ending June 30, 2009 out performed the same quarter in the previous fiscal year (June 30, 2008(-.29%) vs. June 30, 2009 (9.34%)).
- The Portfolio over performed the benchmark by 167 basis points for FY 09.

The Board remains optimistic. They along with its investment advisors, continuously examine the investment portfolio throughout the year and rebalance whenever considered appropriate.

The BNY Mellon Report is attached as Appendix C.

SUMMARY OF PROGRAM STATISTICS

Various statistics are collected from the enrollment forms submitted by purchasers who enrolled children in the Program. This information is provided by purchasers on a strictly voluntary basis. The information is collected and presented by enrollment year and on a cumulative basis. Below are some highlights of the information collected.

The four-year university plan remains the most popular, with slightly over 70% choosing this plan option during FY 2009. The four year university choice was followed by the combination of 2 year community college and 2year university plan (8.96%). The lump sum payment option plan was chosen by roughly 27% while the five year and extended monthly installment payment options made up the other 73%. A down payment option was chosen by 24% of the purchasers.

In FY 2009, residents from Clark and Washoe counties remain to be the top purchasers. Residents of Clark County purchased 50% of the contracts, while residents of Washoe County purchased 31.34.% of the contracts. Carson followed in third with 4.48%.

It seems that more parents are saving early for college expenses. In FY 2009, newborns accounted for over 23% of the beneficiaries, compared to only 16% of the cumulative total since 1998. Ninth graders accounted for roughly 4% in FY 09 as well as the cumulative total since inception. The average age of the beneficiary remains to be six years old.

At the conclusion of FY 2009, slightly over 44% of the beneficiaries were Caucasian, followed by Asians (9%) and Hispanics (5.7%), African-Americans (4%), and Native Americans (1%). Parents purchased the largest percentage of contracts (81.6%) for their children in FY 2009, followed by grandparents (9.2%).

Purchasers with annual household incomes under $50,000 represented 6.5% of the plans sold. Purchasers with annual household incomes ranging from $50,000 to $79,000 represented 19.7%, and those with an income level of $80,000 or more represented 48.8%.

Trends show the referral source continues to change since the inception of the Program. During the first three enrollment periods, approximately 40% of purchasers stated they learned about the Program through television and radio advertising. No television or radio advertising has been included in the marketing program for the last several years. For the second year in a row, word of mouth and the State Treasurer's website came in as the top two avenues to learn about the Program. The Treasurer's website jumped to the number one spot (37.31%) for FY 09. Word of mouth came in a close second at 37.06%

The complete collection of tables and charts can be viewed in Appendix D.

OUTREACH AND FUTURE DIRECTION

The Treasurer continues to offer a range of college savings options to help more Nevadans be prepared for future college costs. In order to disseminate information, the Treasurer's Office continues outreach within public and private schools throughout the state, as well as through various professional groups and community meetings. In FY 2009, staff doubled the outreach efforts in on-site presentations and began a partnership with the Nevada Department of Education to distribute brochures to the rural, northern and Carson City area schools. These efforts resulted in an increase in new enrollment of over 90%. The success of such efforts in such economically stressful times show the potential for future growth in the Nevada Prepaid Tuition Program.

The Program has distributed outreach materials and has made numerous presentations to promote the Program and explain its compatibility with the Millennium Scholarship Program and other 529 college savings plans administered by the State Treasurer.

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COMPATIBLE WITH:

APPENDIX A

ACTUARIAL VALUATION REPORT

ACTUARIAL VALUATION
OF THE
NEVADA PREPAID TUITION PROGRAM

JUNE 30, 2009

By:

ALAN H. PERRY, FSA, CFA
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October 28, 2009

Nevada Prepaid Tuition Program
555E. Washington Avenue
Suite 4600
Las Vegas, NV 89101

Ladies and Gentlemen:

As requested, we have performed an actuarial valuation of the Nevada Prepaid Tuition Program as of June 30, 2009. This report presents the results of the actuarial valuation.

Purpose

The main purposes of this report are:

- to calculate the actuarial present value of the obligations for prepaid tuition contracts purchased through June 30, 2009 and compare the value of those obligations with the assets in the Fund as of that date;

- to review the experience and changes in the actuarial assumptions and methods during the last year and indicate their effects on the results; and

- to set forth the basis for the actuarial assumptions and methods utilized in those calculations.

The results contained in this report are based on contract data and preliminary financial statements provided by the Nevada Prepaid Tuition Program. We have relied on this data in preparing this report.

Background

Chapter 353B of the Nevada Revised Statutes created the Nevada Prepaid Tuition Program to help families save for the cost of higher education. The Act created the Nevada Higher Education Tuition Trust Fund Board of Trustees (the "Board"). Section 353B.090 stated "The board shall develop a program for the prepayment of tuition at a guaranteed rate which is established based on the annual actuarial study required pursuant to NRS 353B.190 for undergraduate studies at a university or community college that is a member of the system."

This Act also created the Nevada Higher Education Tuition Trust Fund (the “Fund”), which consists of payments received pursuant to a prepaid tuition contract, a bequest, endowment or grant from the Federal Government or any other public or private source of money. All income derived from investments in the Fund and gains from a sale or exchange shall be credited to the Fund. Money in the Fund that is not expended during any biennium does not revert to the state general fund at any time.

The Nevada Prepaid Tuition Program offers four plan types; a University Plan providing 120 credit hours (8 semesters) of tuition at a state university, a University Plan providing 60 credit hours (4 semesters) of tuition at a state university, a Community College Plan providing 60 credit hours (4 semesters) of tuition at a state community college, and a Community College Plus University Plan providing 60 credit hours (4 semesters) of tuition at a state community college and 60 upper division level credit hours (4 semesters) of tuition at a state university.

Purchasers are allowed to pay for their contracts by choosing one of three payment options: 1) a single lump sum payment, 2) equal monthly payments until the beneficiary reaches college age, or 3) a five year plan of 60 equal monthly payments.

The purpose of this actuarial valuation is to estimate the obligations of the Prepaid Tuition Program for all future payments associated with Prepaid Contracts purchased as of the valuation date. The value of those obligations is then compared with the Fund Balance to determine the current financial position of the Prepaid Tuition Program.

Statutory Requirements

Section 353B.160(10) states that “if the annual actuarial study performed pursuant to NRS 353B.190 reveals that there is insufficient money to ensure the actuarial soundness of the trust fund, the board shall modify the terms of subsequent prepaid tuition contracts.”

“Actuarially sound” is not a precise concept and there is no generally accepted understanding of the meaning of this phrase within the actuarial profession, especially with respect to Prepaid Tuition Programs. For purposes of this report, we have assumed that the phrase “actuarially sound” when applied to the Fund, means that the Fund has sufficient assets (including the value of future installment payments due under current contracts) to cover the actuarially estimated value of the tuition obligations under those contracts (including any administrative costs associated with those contracts).

We have also interpreted these Sections to require that the actuarial liabilities be evaluated using sound actuarial principles that are generally consistent with the practices and principles widely used for retirement programs. Reference to other programs is necessary because of the innovative nature of a Prepaid Tuition Program. No generally accepted Standard of Practice has evolved within the actuarial profession specifically addressing

Prepaid Tuition Programs. We chose the standards applicable to retirement programs because these programs generally provide for payments at some future date where that payment has a high probability of payment at, or close to, some specific age.

Valuation Basis

The assumptions selected for this report are intended to represent "best estimates". The method for determining the “best estimate” liability for the Program reflects the possible variability of inflation, tuition, and investment returns and the correlation between each of these variables. This methodology is described in the section below, Variability of Results and Valuation Basis.

Investment Policy

The Investment Policy for the Prepaid Tuition Program is determined by the Board and implemented by the State Treasurer. The Investment Policy is important because it sets forth acceptable investment allocations among asset classes. The asset allocation affects the magnitude and variability of investment returns realized and therefore the financial structure of the plan.

For the Valuation, we have assumed that Program investments will be allocated as follows:

U.S. Large Cap Equity	33%
U.S. Mid-Cap Equity	11%
U.S. Small Cap Equity	11%
U.S. Fixed Income	45%

Actuarial Assumptions

The actuarial assumptions used to prepare this report are summarized in Appendix C. The two most significant of those assumptions are the rate of investment returns and tuition growth in the future. The Nevada Prepaid Tuition Program Board selected both of these assumptions. They are:

- the investment return assumption of 7.25% per year (this is the lower than the investment return assumption used to prepare the prior year’s report of 7.50%); and,
- the tuition growth assumptions, which are summarized in the table below.

	Universities	Community Colleges
Fall 2010	4.96%	5.00%
Fall 2011 and later	6.00%	4.00%

Summary of Results

The actuarial value of the obligations of the Prepaid Tuition Program as of June 30, 2009 is summarized below and compared with the total assets of the Program.

Prepaid Tuition Program:	Present Value of Obligations for Future Payments	Value of Total Fund Assets*	Stabilization Reserve/(Deficit)
Tuition Obligations	$124,199,000	n/a	n/a
Administrative Expenses	732,000	n/a	n/a
Grand Total	$124,931,000	$108,650,085	$(16,280,915)

* Total Fund Assets is the sum of the market value of program investments and the present value of installment contract receivables.

The present value of future obligations for Administrative Expenses reflects the expected costs of administering existing contracts until all tuition benefits have been paid and the expenses associated with making those payments. It does not include the future expenses of the Program associated with general overhead and marketing.

As indicated above, the Fund has assets that fall short of the best estimate of the obligations by roughly $16.3 million or 13.0% of obligations. Unfavorable future experience would adversely affect this position. It would be desirable to increase the stabilization reserve over time to provide a cushion against the risk of adverse deviations in tuition and/or investment growth experience.

Actuarial Gain/Loss Analysis

During the 2009 fiscal year, the stabilization reserve/(deficit) position of the Program decreased from a stabilization reserve of $780,456 to a stabilization deficit of $16,280,915, which is 13.0% of obligations. The decrease is mostly attributable to an investment loss. Each of the factors affecting the stabilization reserve is discussed below.

The stabilization reserve was expected to grow during the year by $58,534 due to the passage of time (the obligation is calculated as a present value which grows with interest each year).

During the 2009 fiscal year there were 390 enrollments. Each contract sold contributes to the stabilization reserve. We estimate that $1,328,846 of stabilization reserve was generated by the new contracts. In the development of the 2009 fiscal year contract prices, the Program assumed that 300 new contracts would be sold. Since 390 were actually sold, the Program received more revenue to cover expenses than anticipated.

This increased the stabilization reserve by $83,754.

In the development of the 2009 fiscal year prices for new contracts, a $449,775 budget was assumed. Actual administrative expenses paid out of the Trust were $474,228, resulting in a $24,453 decrease to the stabilization reserve.

The rate of return on Fund investments was approximately -10.5% on both a dollar-weighted basis and on a time-weighted basis. In the previous valuation, a 7.5% return was assumed. The investment loss decreased the stabilization reserve by $18,219,309.

The return assumption was lowered from 7.50% to 7.25%. In addition, the risk (volatility and correlation) assumptions for the economic model were updated. These changes decreased the stabilization reserve by approximately $1.7 million.

In summary, the stabilization reserve/(deficit) changes due to experience and assumption changes can be summarized as follows:

Stabilization Reserve / (Deficit) as of June 30, 2008	$780,456
Interest on the reserve at 7.5% due to the passage of time	58,534
Addition to stabilization reserve from new contracts	1,328,846
More new contracts sold than expected	83,754
Operating expenses	(24,453)
Investment loss	(18,219,309)
Change in tuition and risk assumptions	(1,700,000)
Other	1,411,257
Stabilization Reserve / (Deficit) as of June 30, 2009	$(16,280,915)

Variability of Results and Valuation Basis

The present values of the obligations shown above were based on assumptions that represent an estimate of anticipated experience under the Prepaid Tuition Program that are reasonably related to past educational cost and investment data. Differences between those projections and actual amounts will depend on the extent to which future experience conforms to the assumptions made for this analysis. It is certain that actual experience will not conform exactly to the assumptions used in this analysis. Actual amounts will differ from projected amounts to the extent that actual experience deviates from expected experience.

A prime source of variation will be normal fluctuations that occur in the rate of increase in tuition, investment returns, inflation, etc. One way of estimating the range of possible outcomes is to stochastically model the financial operation of the Program using Monte Carlo techniques. This approach involves preparing 1,000 projections of financial results under randomly derived scenarios of tuition growth and investment returns. Each of these scenarios is based on statistical factors such as standard deviation and correlation that were established by reviewing historical results and then adjusting where appropriate to reflect current conditions.

For each scenario, we determined whether the Fund would run out of money before all tuition and expense obligations were paid. By tabulating the results under all of these projections we estimated the probability of having the assets of the Prepaid Tuition Program exceed its obligations. Note that for this analysis, a scenario where the Fund comes up as little as one dollar short is considered a scenario where Fund assets do not exceed obligations. Also note that we have assumed there are no additional contracts sold and no changes are made to the asset mix throughout the projection period. We have also assumed that all future installment payments will be made.

We have summarized in the table below the results of this process. It is important to understand that these results are only illustrative of the range of results that are possible and are dependent on the assumptions utilized. They do not necessarily represent the "true" probability of future events, which, of course, are unknown. The assumptions are presented in detail in Appendix C.

(Amounts in Millions)

Percentage of "Best Estimate" Reserve	Total Fund Value at June 30, 2009	Probability of Funds Exceeding Obligation
80%	$99.9	14%
87%	**108.7**	**25% ***
90%	112.4	33%
100%	124.9	50%
110%	137.4	66%
120%	149.9	77%
130%	162.4	87%
140%	174.9	92%
150%	187.4	95%

*Actual Fund Position

The "Best Estimate" Reserve of $124.9 million represents the level of assets necessary as of June 30, 2009 to achieve a 50% probability of sufficiency. This includes the present value of Installment Contract Receivables. The actual Fund balance at June 30, 2009 of $108.7 million is approximately 87% of the actuarially determined "Best Estimate" Reserve. As indicated in the above table, this Fund balance is estimated to have a 25% probability of being adequate to satisfy all Program obligations. We believe the 25% figure should be viewed as a risk index. To date the Program has a goal to gradually build a Stabilization Reserve to help absorb the risk of adverse deviations in investment and tuition growth experience. As the Stabilization grows relative to the Program obligations, we would expect to see this risk index measure improve. We included in the table the probability of sufficiency associated with other funding levels to illustrate the sensitivity of this measure to the level of funding.

Data Reliance

In performing this analysis, we relied on data and other information (some oral and some in writing) provided by the Nevada Prepaid Tuition Program. This information includes, but is not limited to, contractual provisions, contract holder data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

Actuarial Assumptions

All costs, liabilities, and other factors for the Nevada Prepaid Tuition Program have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the Program and reasonable expectations). Further, the actuarial assumptions in the aggregate are reasonable and are related to the experience of the Program and to reasonable expectations. The following actuarial assumptions were set by the Board:

1) the investment return assumption of 7.25% per year, and;

2) the tuition growth assumption of 6.00% for universities and 4.00% for community colleges (starting in 2011).

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: future experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; and increases or decreases expected as part of the natural operation of the methodology used for these measurements. Due to the limited scope of our assignment, we did not perform an analysis of the potential range of future measurements.

Cash Flow Projection

Appendix E shows a deterministic cash flow projection based on the actuarial assumptions.

The starting Market Value of Investments as of July 1, 2009 is $90.8 million. At the end of the 2030 Fiscal Year all tuition obligations associated with units already purchased are expected to have been paid, resulting in a final stabilization reserve of $(44.8)million. Since the actuarial assumptions are intended to represent “best estimates” of future expenses, there is a 50% probability that results will be less favorable than indicated and a 50% probability that results will be more favorable.

Certification

Based on the foregoing, we estimate that the Nevada Prepaid Tuition Program does not have sufficient assets, including the value of future installment payments, to cover the actuarially estimated value of the tuition obligations under all contracts outstanding as of the valuation date. This determination has been based on reasonable actuarial assumptions that represent the Program’s best estimate of anticipated experience under the Prepaid Tuition Program taking into account past experience and future expectations. Since the results of the valuation are dependent on the actuarial assumptions used, actual results can be expected to deviate from the figures indicated in this report to the extent that future experience differs from those assumptions.

This report was prepared exclusively for the Nevada Prepaid Tuition Program for a specific and limited purpose. It is a complex, technical analysis that assumes a high level of knowledge concerning the Nevada Prepaid Tuition Program’s operations, and uses the Nevada Prepaid Tuition Program’s data, which Milliman has not audited. It is not for the use or benefit of any third party for any purpose. Any third party recipient of Milliman's work product who desires professional guidance should not rely upon Milliman's work product, but should engage qualified professionals for advice appropriate to its own specific needs.

The consultants who worked on this assignment are actuaries. Milliman’s advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

We look forward to reviewing the results of our analyses with you and the Board at your earliest convenience.

Respectfully submitted,

MILLIMAN, INC.

Alan H Perry

Alan H. Perry, FSA, CFA
Member American Academy of Actuaries

Jill M Stanulis

Jill M. Stanulis, EA
Member American Academy of Actuaries

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Attachments

Nevada Prepaid Tuition Program

I. Statement of Assets as of June 30, 2009

	Investments	Market Value
1)	Equity	$46,868,497
2)	Fixed Income	41,266,851
3)	Cash and Cash Equivalents	2,703,439
	Total Market Value of Investments	$90,838,787
	Present Value of Installment Contract Receivables	17,811,298
	Value of Total Fund Assets	$108,650,085

II. Reconciliation of Investments

1)	Investments at June 30, 2008	$101,679,967
2)	Contract Purchase Payments	6,177,972
3)	Interest, Dividends, and Realized Gains and Losses	3,205,896
4)	Net Unrealized Gains and Losses	(13,387,414)
5)	Tuition Benefits Paid	(4,081,228)
6)	Refunds Paid	(1,897,722)
7)	Rollovers Paid	(20,194)
8)	Operating Expenses	(474,228)
9)	Investment Management Fees	(364,262)
10)	Investments at June 30, 2009	$90,838,787
	Dollar-weighted rate of return	-10.5%
	Time-weighted rate of return	-10.5%

Appendix A

Nevada Prepaid Tuition Program

Participant Data as of June 30, 2009

Number of Contracts by Plan Type

Matriculation Year	University Plan (4 yrs)	Community College Plus University Plan	Community College Plan	University Plan (2 yrs)	Total
2002	17	5	1		23
2003	45	10	3		58
2004	100	17	7		124
2005	201	19	10	3	233
2006	303	47	15	9	374
2007	380	59	13	7	459
2008	394	61	32	17	504
2009	459	72	23	23	577
2010	528	66	20	26	640
2011	512	70	26	20	628
2012	555	66	37	20	678
2013	584	61	27	22	694
2014	523	59	23	32	637
2015	538	50	36	23	647
2016	584	56	23	27	690
2017	503	55	28	20	606
2018	509	45	22	18	594
2019	422	29	11	15	477
2020	228	37	14	14	293
2021	241	26	21	17	305
2022	214	23	11	10	258
2023	154	22	10	6	192
2024	118	17	4	5	144
2025	101	13	5	6	101
2026	67	8	7	7	89
Total	8,256	993	429	347	10,025

Estimated number of years of university tuition in force	33,199
Estimated number of years of community college tuition in force	2,544

Appendix B

Nevada Prepaid Tuition Program

Summary of Actuarial Assumptions

Economic Assumptions for Simulation Model:

The standard deviation and correlation assumptions are based on actual historical returns and tuition growth. Expected return assumptions are based on Milliman's investment assumptions, but are adjusted so that the expected annualized return on the portfolio is 7.25%, which is the assumption set by the Board.

	General Price Inflation	U.S. Large Cap Equity	U.S. Mid Cap Equity	U.S. Small Cap Equity	U.S. Fixed Income	Nevada University Tuition*	Nevada Community College Tuition*
Expected Arithmetic Annual Return	2.50%	9.85%	10.85%	10.85%	5.00%	6.10%	4.10%
Standard Deviation	3.15	18.10	20.50	22.80	7.25	4.70	4.85
Correlation with:							
Inflation	1.00	-0.05	0.05	0.08	-0.23	0.11	-0.02
Large Cap		1.00	0.90	0.82	0.44	0.05	0.43
Mid Cap			1.00	0.96	0.48	0.14	0.48
Small Cap				1.00	0.39	0.23	0.61
Fixed Income					1.00	0.07	0.35
University Tuition						1.00	0.66
Community College Tuition							1.00

*University tuition is increased 4.96% in 2010 and Community College tuition is increased 5.00% in 2010.

Equivalent Deterministic Economic Assumptions:

The assumptions shown below, used deterministically, would produce the same "best estimate" obligation developed by the Simulation Model assumptions shown above and used in the valuation.

Consumer Price Index (CPI) Inflation Rate	2.50%, per annum
Investment Returns	7.17%, per annum
University Tuition Growth: Fall 2010	4.96%, per annum
University Tuition Growth: Thereafter	6.00%, per annum
Community College Tuition Growth: Fall 2010	5.00%, per annum
Community College Tuition Growth: Thereafter	4.00%, per annum

Summary of Actuarial Assumptions
(continued)

Percentage of Contracts Requesting a Refund or Rollover Each Year:

Years Since Enrollment	Extended Payment Contract	60-Payment Contract	Lump Sum Contract
1 - 3	5.00%	3.00%	0.50%
4	3.50%	1.25%	0.50%
5	2.00%	1.20%	0.50%
6 or higher	0.50%	0.50%	0.50%

Expenses:

The expenses included in the present value of future obligations are those relating to:

Annual Maintenance Expense per Contract = $6.46
Annual Distribution Cost per Contract in Payment Status = $10.75

A monthly processing expense of $1.50 has been netted out in calculating the present value of Installment Contract receivables.

Expenses are assumed to increase at a rate equal to CPI + .5%.

Nevada Prepaid Tuition Program

Recent History of Per Credit Hour Tuition in Nevada

Academic Year	Average Community College Tuition	Percent Increase	University Tuition	Percent Increase
1982-1983	$17.00		$31.00	
1983-1984	20.92	23.0%	36.00	16.1%
1984-1985	20.88	-0.2	36.00	0.0
1985-1986	20.88	0.0	36.00	0.0
1986-1987	20.89	0.0	36.00	0.0
1987-1988	21.36	2.3	36.00	0.0
1988-1989	21.35	-0.1	40.00	11.1
1989-1990	21.34	0.0	40.00	0.0
1990-1991	24.00	12.4	46.00	15.0
1991-1992	26.00	8.3	49.00	6.5
1992-1993	28.00	7.7	55.50	13.3
1993-1994	29.50	5.4	55.50	0.0
1994-1995	30.50	3.4	58.00	4.5
1995-1996	33.50	9.8	61.00	5.2
1996-1997	36.50	9.0	64.00	4.9
1997-1998	38.00	4.1	66.50	3.9
1998-1999	39.50	3.9	69.00	3.8
1999-2000	41.00	3.8	71.50	3.6
2000-2001	42.50	3.7	74.00	3.5
2001-2002	44.00	3.5	76.50	3.4
2002-2003	44.50	1.1	79.00	3.3
2003-2004	47.25	6.2	85.00	7.6
2004-2005	49.00	3.7	91.00	7.1
2005-2006	50.75	3.6	98.00	7.7
2006-2007	52.50	3.5	105.25	7.4
2007-2008	54.75	4.3	116.75	10.9
2008-2009	57.25	4.6	129.50	10.9
2009-2010	60.00	4.8	136.00	5.0

Annualized Increase in Tuition

Over last 5 years:	4.1%	8.4%
Over last 10 years:	3.9	6.6
Over last 20 years:	5.3	6.3
Over last 27 years:	4.8	5.6

Appendix D

Nevada Prepaid Tuition Program

Deterministic Cash Flow Projection

($Millions)

Fiscal Year	Beginning Balance	Monthly Payments	Tuition Benefits	Contract Expenses	Investment Income	Ending Balance
2010	$90.8	$4.4	$8.7	$0.090	$6.3	$92.7
2011	92.7	3.7	10.4	0.096	6.3	92.2
2012	92.2	3.0	11.9	0.099	6.1	89.3
2013	89.3	2.4	13.0	0.100	5.9	84.5
2014	84.5	2.0	12.5	0.084	5.6	79.5
2015	79.5	1.5	13.1	0.081	5.1	72.9
2016	72.9	1.3	13.9	0.079	4.6	64.8
2017	64.8	1.1	14.7	0.076	4.0	55.1
2018	55.1	0.9	14.8	0.071	3.3	44.4
2019	44.4	0.8	15.4	0.067	2.4	32.1
2020	32.1	0.7	15.3	0.061	1.5	18.9
2021	18.9	0.5	13.3	0.051	0.8	6.8
2022	6.8	0.4	11.8	0.043	0.0	(4.6)
2023	(4.6)	0.3	9.9	0.034	0.0	(14.3)
2024	(14.3)	0.2	7.9	0.026	0.0	(22.0)
2025	(22.0)	0.1	7.1	0.022	0.0	(29.0)
2026	(29.0)	0.1	5.8	0.017	0.0	(34.7)
2027	(34.7)	0.0	4.5	0.012	0.0	(39.3)
2028	(39.3)	0.0	3.0	0.008	0.0	(42.3)
2029	(42.3)	0.0	1.7	0.004	0.0	(44.0)
2030	(44.0)	0.0	0.8	0.002	0.0	(44.8)

APPENDIX B

INDEPENDENT AUDITOR’S REPORT

STATE OF NEVADA
OFFICE OF THE STATE TREASURER
HIGHER EDUCATION TUITION TRUST FUND
JUNE 30, 2009

KAFOURY, ARMSTRONG & CO.

A PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

STATE OF NEVADA
OFFICE OF THE STATE TREASURER
HIGHER EDUCATION TUITION TRUST FUND
JUNE 30, 2009

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KAFOURY, ARMSTRONG & CO.
A PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees,
Higher Education Tuition Trust Fund

We have audited the accompanying financial statements of the State of Nevada, Office of the State Treasurer, Higher Education Tuition Trust Fund (the Trust Fund), an enterprise fund of the State of Nevada, as of and for the year ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the Trust Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Trust Fund and do not purport to, and do not, present fairly the financial position of the State of Nevada, as of June 30, 2009, the changes in its financial position, or its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to in the first paragraph, present fairly, in all material respects, the financial position of the Trust Fund, as of June 30, 2009, and the changes in its net assets and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Kafoury, Armstrong & Co.

Reno, Nevada
January 22, 2010

STATE OF NEVADA, OFFICE OF THE STATE TREASURER
HIGHER EDUCATION TUITION TRUST FUND
STATEMENT OF NET ASSETS (DEFICIT)
JUNE 30, 2009
(WITH COMPARATIVE AMOUNTS FOR JUNE 30, 2008)

	2009	2008
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 5,343,999	$ 2,541,343
Investment income receivable	434,866	473,375
Due from State of Nevada	20,673	21,236
Tuition contributions receivable	4,400,000	4,500,000
Investments	86,754,479	99,031,043
Trades pending settlement	210,832	6,409,304
Collateral on loaned securities	-	532,905
	97,164,849	113,509,206
Capital Assets, Net	3,689	7,510
Other Noncurrent Assets:		
Tuition contributions receivable	13,411,298	13,267,489
	13,414,987	13,274,999
Total Assets	110,579,836	126,784,205
LIABILITIES		
Current Liabilities:		
Accounts payable	166,345	196,731
Accrued salaries and benefits	17,047	16,396
Due to State of Nevada	33,953	1,331
Due to other governments	36,422	23,024
Advance from State of Nevada General Fund	-	1,160,576
Trades pending settlement	1,858,913	6,750,305
Obligations under securities lending	-	532,905
Tuition benefits payable	8,700,000	7,400,000
	10,812,680	16,081,268
Noncurrent Liabilities:		
Tuition benefits payable	116,231,000	111,267,000
Total Liabilities	127,043,680	127,348,268
NET ASSETS (DEFICIT)		
Invested in capital assets	3,689	7,510
Unrestricted	(16,467,533)	(571,573)
Total Net Assets (Deficit)	$ (16,463,844)	$ (564,063)

See accompanying notes.

STATE OF NEVADA, OFFICE OF THE STATE TREASURER
HIGHER EDUCATION TUITION TRUST FUND
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS (DEFICIT)
FOR THE YEAR ENDED JUNE 30, 2009
(WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2008)

	2009	2008
OPERATING REVENUES		
Charges for sales and services	$ 73,104	$ 51,908
Tuition contributions	6,148,677	4,353,045
Total Operating Revenues	6,221,781	4,404,953
OPERATING EXPENSES		
Personnel costs	154,292	147,887
Contract and other administrative services	680,377	708,653
Tuition benefits expense	10,345,228	5,863,156
Refunds	1,917,916	1,386,403
Depreciation	3,821	3,466
Total Operating Expenses	13,101,634	8,109,565
OPERATING LOSS	(6,879,853)	(3,704,612)
NONOPERATING REVENUES (EXPENSES)		
Interest, dividends and other investment income	3,205,897	3,595,772
Net decrease in fair value of investments	(13,386,401)	(7,935,597)
Contribution from State of Nevada's Upromise College Fund	1,160,576	2,188,014
Total Nonoperating Revenues (Expenses)	(9,019,928)	(2,151,811)
CHANGE IN NET ASSETS	(15,899,781)	(5,856,423)
NET ASSETS (DEFICIT), JULY 1	(564,063)	5,292,360
NET ASSETS (DEFICIT), JUNE 30	$ (16,463,844)	$ (564,063)

See accompanying notes.

STATE OF NEVADA, OFFICE OF THE STATE TREASURER
HIGHER EDUCATION TUITION TRUST FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2009
(WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2008)

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts for sales and services	$ 73,104	$ 51,908
Tuition contributions received	6,104,868	6,447,154
Payments to suppliers for good and services	(664,180)	(713,327)
Payments to employees	(153,641)	(142,655)
Payments for tuition benefits	(4,081,228)	(3,114,548)
Payments of refunds	(1,917,916)	(1,386,403)
Net Cash Provided (Used) by Operating Activities	(638,993)	1,142,129
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Payments on advance from State of Nevada General Fund	(1,160,576)	(2,188,014)
Contribution from State of Nevada's Upromise College Fund	1,160,576	2,188,014
Net Cash Used by Financing Activities	-	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of capital assets	-	(5,295)
Proceeds from sales or maturities of investments	129,246,259	176,835,417
Purchase of investments	(129,049,016)	(180,782,866)
Interest, dividends and other investment income received	3,244,406	3,512,116
Net Cash Provided (Used) by Investing Activities	3,441,649	(440,628)
Net Increase in Cash and Cash Equivalents	2,802,656	701,501
Cash and Cash Equivalents, July 1	2,541,343	1,839,842
Cash and Cash equivalents, June 30	$ 5,343,999	$ 2,541,343
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating loss	$ (6,879,853)	$ (3,704,612)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	3,821	3,466
Change in assets and liabilities:		
(Increase) decrease in due from State of Nevada	563	(9,767)
(Increase) decrease in tuition contributions receivable	(43,809)	2,094,109
Increase (decrease) in accounts payable and accrued liabilities	(29,735)	158,437
Increase (decrease) in due to State of Nevada	32,622	(150,945)
Increase (decrease) in due to other governments	13,398	2,833
Increase (decrease) in tuition benefits payable	6,264,000	2,748,608
Total Adjustments	6,240,860	4,846,741
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ (638,993)	$ 1,142,129
NONCASH INVESTING ACTIVITIES		
Net decrease in fair value of investments	$ (13,386,401)	$ (7,935,597)

See accompanying notes.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the State of Nevada, Office of the State Treasurer, Higher Education Tuition Trust Fund (the Trust Fund) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Reporting Entity:

The Trust Fund operates under Nevada Revised Statutes (NRS) 353B, *Prepayment of Tuition At Institutions of Higher Learning*, which was adopted by the Nevada Legislature in 1997. The Trust Fund is administered by the Office of the State Treasurer under the direction of a five-member Board of Trustees (the Board).

The purpose of the Trust Fund's program is to provide a simple and convenient way for Nevada families to save for a college education through the advance payment of tuition. A purchaser enters into a contract for the future payment of tuition for a specified beneficiary. When the beneficiary enrolls in college, the program will pay the contract benefits. The beneficiary has ten years after the projected college entrance date to begin using the benefits of the contract, or until they reach the age of 30. Exceptions are granted for military service. The contract benefits are based on in-state rates for Nevada public colleges, but can be used towards costs at any accredited, non-profit, private or out-of-state college.

The Trust Fund completed its eleventh enrollment period on April 24, 2009 with 396 new enrollments. The Trust Fund also had 272 cancellations, three rollovers to other plans, and 186 contracts completing benefits for a total enrollment of 10,137 at June 30, 2009.

Measurement Focus and Basis of Accounting:

The Trust Fund is an enterprise fund (proprietary fund type) of the State of Nevada and thus is included in the State of Nevada's *Comprehensive Annual Financial Report.* The accompanying financial statements present only the Trust Fund and are not intended to present fairly the financial position of the State of Nevada, the changes in its financial position or its cash flows in conformity with GAAP.

Activities of enterprise funds resemble activities of business enterprises; the purpose is to obtain and use economic resources to meet operating objectives. The financial statements for the Trust Fund are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recognized at the time they are earned and expenses are recognized when the related liabilities are incurred.

A proprietary fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from exchange transactions such as providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Nonoperating revenues and nonoperating expenses result from nonexchange transactions or ancillary services.

The Trust Fund applies all applicable GASB pronouncements in accounting and reporting for proprietary activities, as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB's) of the Committee on Accounting Procedure, (unless those pronouncements conflict with or contradict GASB pronouncements) issued on or before November 30, 1989 in accounting and reporting for its operations.

Cash Equivalents:

Cash equivalents include short-term highly liquid investments (3 months or less) that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes of value. Such amounts include the Trust Fund's cash and investments pooled with the State Treasurer and money market mutual funds.

Custodian and Transfer Agent:

Wells Fargo Bank is the custodian and transfer agent for the Trust Fund.

Investment Valuation and Income Recognition:

Investments are reported at fair value as determined by quoted market prices. The investments are marked to market daily.

Security transactions are accounted for on the trade date (date order to buy or sell is executed). Interest income is determined on an accrual basis with discounts earned and premiums paid being amortized. Dividends are recorded on the ex-dividend date.

Tuition Contributions Receivable:

Tuition contributions receivable in the Trust Fund represents the actuarially determined present value of future installment payments anticipated from contract holders.

Capital Assets:

Capital assets are recorded at cost and consist of assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. Capital assets are depreciated on a straight-line basis over an estimated useful life of four years.

Tuition Benefits Payable:

The Trust Fund records tuition benefits payable at the actuarial present value of its future tuition obligation, which is adjusted for the effects of projected tuition and fee increases and termination of contracts.

NOTE 2 – CASH AND INVESTMENTS

The State Treasurer serves as the administrator to the Trust Fund. The Trust Fund's assets are managed in accordance with the Trust Fund's investment objectives and policies, as provided in Section 353B.160.1 of NRS. Authorized investments are as follows:

- A bond, note, certificate or other general obligation of the State of Nevada, or of a county, city, general improvement district or school district of the State of Nevada;
- "A" or better rated corporate bonds of a corporation created by or existing under the laws of the United States or of a state, district or territory of the United States;
- "A-3", "P-3" or better rated commercial paper;
- A bond, note, debenture or other valid obligation that is issued by the Treasury of the United States, or other security that is issued by an agency or instrumentality of the United States or that is fully guaranteed by the United States in the Federal Farm Credit Bank, the Federal National Mortgage Association, the Federal Home Loan Bank, the Federal Home Loan Mortgage Corporation, or the Government National Mortgage Association;
- A bond, note, debenture or other security in the Student Loan Marketing Association;

- "AAA" rated collateralized mortgage obligations, asset-backed securities, and money market mutual funds whose policies meet the criteria set forth in statute;
- Common or preferred stock of corporations that have a total market value of not less than $50,000,000;
- A covered call or put option on securities that are traded on one or more of the regulated exchanges in the United States;
- A pooled or commingled real estate fund or a real estate security whose policies meet the criteria set forth in statute; and
- Mutual funds or common trust funds that consist of any combination of the investments listed above.

Interest Rate Risk:

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Trust Fund's investment policies address interest rate risk by providing for an asset allocation plan that gives appropriate consideration to an average investment horizon of 7 to 10 years, while taking into consideration current and near-term liquidity needs.

As of June 30, 2009 the Trust Fund had the following investments and maturities (including money market mutual funds representing cash equivalents) that are subject to interest rate risk:

		Maturities, in Years			
	Fair Value	Less Than 1	1-5	6-10	Greater Than 10
Investments:					
Corporate notes	$ 10,897,259	$ 926,901	$ 3,876,154	$ 2,879,782	$ 3,214,422
U.S. Agencies	18,908,468	-	3,060,878	631,871	15,215,719
Collateralized mortgage obligations	3,071,948	-	-	118,598	2,953,350
Asset-backed securities	485,797	-	418,595	-	67,202
U.S. Treasury notes	7,124,951	-	5,727,232	1,397,719	-
Municipal bonds	430,177	-	-	-	430,177
Cash equivalent:					
Money market mutual funds	1,664,648	1,664,648	-	-	-
	$ 42,583,248	$ 2,591,549	$ 13,082,859	$ 5,027,970	$ 21,880,870

Credit Risk:

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the Trust Fund. The Trust Fund's investments (including money market mutual funds) as of June 30, 2009 were rated by Standard and Poor's and the ratings for the portfolio are as follows:

		Credit Quality Ratings			
	Fair Value	AAA	AA	A	BBB
Investments:					
Corporate notes	$ 10,897,259	$ 178,592	$ 1,343,013	$ 9,375,654	$ -
U.S. Agencies	18,908,468	18,908,468	-	-	-
Collateralized mortgage obligations	3,071,948	3,071,948	-	-	-
Asset-backed securities	485,797	289,410	-	-	196,387
Municipal bonds	430,177	238,995	-	191,182	-
Cash equivalent:					
Money market mutual funds	1,664,648	1,664,648	-	-	-
	$ 35,458,297	$ 24,352,061	$ 1,343,013	$ 9,566,836	$ 196,387

Concentration of Credit Risk:

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At June 30, 2009, the following investments exceeded 5% of the Trust Fund's total investments:

	Fair Value	Percentage
Federal Home Loan Mortgage Corporation	$ 7,254,395	8.36%
Federal National Mortgage Association	9,116,018	10.51%

Other Risk:

The Trust Fund invests in various equity securities, including at June 30, 2009 when equity securities comprised approximately 52% of total investments. Equity securities are exposed to other risks such as market risks. Due to the level of risk associated with equity securities, it is at least reasonably possible that changes in the values of equity securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

Pooled Cash and Investments:

Of the $5,343,999 cash and cash equivalents at June 30, 2009, $2,689,772 represents the Trust Fund's investment in the State of Nevada's external investment pool.

The Trust Fund is an internal participant in the external investment pool maintained by the Treasurer of the State of Nevada. The external investment pool is not registered with the SEC as an investment company. State of Nevada has not provided or obtained any legally binding guarantees during the period to support the value of the shares.

The Trust Fund receives a prorated share of the earnings from its participation in the investment pool based on daily cash balances. Due to the nature of the investment pool, it is not possible to separately identify any specific investment as being that of the Trust Fund. Instead, the Trust Fund owns a proportionate share of each investment, based on the Trust Fund's participation percentage in the investment pool.

Custodial Credit Risk: The State Treasurer minimizes its custodial credit risk by legislation establishing a program to monitor a collateral pool for public deposits. Custodial credit risk for deposits is the risk that in the event of a bank failure, the State's deposits may not be recovered. The Nevada Revised Statutes direct the Office of the State Treasurer to deposit funds into any state or national bank, credit union or savings and loan association covered by federal depository insurance. For those deposits over and above federal depository insurance maximum balance, sufficient collateral must be held by the financial institution to protect the State of Nevada against loss. The pooled collateral for deposits program maintains a 102% pledged collateral for all public deposits.

Interest Rate Risk: The State Treasurer does not have a written interest rate risk policy. However, the benchmark used by the State Treasurer to determine whether competitive market yields are being achieved is the 90 day U.S. Treasury Bill's average over the previous three month period. (Rolling 90 day T-Bill).

As of June 30, 2009, the Trust Fund's investments held in the external investment pool are categorized as follows:

	Percentages Based on Fair Value	Maturities, in Years			
		Less Than 1	1-5	6 -10	Greater Than 10
Investments:					
U.S. Treasury obligations	31.04%	87.19%	12.33%	-	0.48%
U.S. Agencies	65.59%	87.02%	12.98%	-	-
Mutual funds	0.01%	100.00%	-	-	-
Asset-backed securities	1.05%	3.51%	96.49%	-	-
Corporate bonds & notes	1.84%	39.50%	38.52%	-	-
Collateralized mortgage obligations	0.47%	-	0.06%	7.80%	92.14%
	100.00%				

Credit Risk: The State Treasurer's investment policy addresses credit risks. A summary of the policies is presented as follows:

- Commercial paper, negotiable certificates of deposit, and Banker's Acceptances are rated by a nationally recognized rating service as "A-1," "P-1" or its equivalent, or better,
- Notes, bonds and other unconditional obligations issued by corporations in the U.S. are rated by a nationally recognized rating service as "A" or its equivalent, or better,
- Money market mutual funds are SEC registered 2(A)7 and rated by a nationally recognized rating service as "AAA" or its equivalent,
- Collateralized mortgage obligations and asset-backed securities are rated by a nationally recognized rating service as "AAA" or its equivalent,
- Repurchase agreements with banks or registered broker-dealers provided the agreement is collateralized by 102% with U.S. Treasuries or U.S. government agency securities on a delivery basis.

The State's investments as of June 30, 2009 were rated by Standard and Poor's and/or an equivalent national rating organization and categorized as follows:

	Credit Quality Ratings				
	AAA	AA	A	BBB	Unrated
Investments:					
U.S. Treasury obligations	27.64%	-	71.12%	-	1.24%
U.S. Agencies	41.88%	-	58.08%	-	0.04%
Mutual funds	100.00%	-	-	-	-
Asset-backed securities	99.37%	-	-	0.63%	-
Corporate bonds & notes	-	31.67%	45.96%	-	22.37%
Collateralized mortgage obligations	92.14%	7.80%	-	-	0.06%

Concentration of Credit Risk: Concentration of credit risk is the risk of loss that may be attributed to the magnitude of a government's investment in a single issuer. The NRS 355.140, 355.060, and the State Treasurer's investment policy limit the investing in any one issuer to 5% of the total par value of the portfolio. At June 30, 2009, the following investments exceeded 5% of the State of Nevada's investments in the external investment pool:

Federal Home Loan Bank Discount Notes	32.12%
U.S. Treasury Bills	22.07%
Federal Farm Credit Bank	14.31%
Federal Home Loan Bank	11.51%
Federal Farm Credit Bank Discount Notes	5.98%

Securities Lending: At year end the State was not invested in securities lending transactions; however, during the year the State invested in securities lending transactions, where the State's U.S. Government agency securities are loaned to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The State's securities lending agent administers the securities lending program and receives cash or other securities equal to at least 102% of the fair value of the loaned securities, plus accrued interest, as collateral for securities of the type on loan at year-end. The collateral for the loans is maintained at 102% and the value of the securities borrowed must be determined on a daily basis.

The State has no credit risk exposure to borrowers because the amount the State owes to borrowers exceeds the amounts the borrowers owe to the State. The collateral securities cannot be pledged or sold by the State unless the borrower defaults. The contract with the securities lending agent requires it to indemnify the State for all losses related to securities lending transactions. There were no losses resulting from borrower default during the period nor were there any recoveries of prior period losses.

There are no restrictions on the amount of securities that can be loaned. Either the State or the borrower can terminate all open securities loans on demand. Either the State or the borrower can terminate all term securities loans with five days notice. Cash collateral is invested in accordance with the investment guidelines approved by the State Board of Finance. The maturities of the investments made with cash collateral generally match the maturities of the securities loans.

NOTE 3 – CAPITAL ASSETS

The following schedule summaries the changes in capital assets for the year ended June 30, 2009:

	Balance July, 1 2008	Additions	Deletions	Balance June 30, 2009
Capital Assets				
Computer equipment	$ 15,295	$ -	$ -	$ 15,295
Less: Accumulated depreciation	(7,785)	(3,821)	-	(11,606)
Capital Assets, Net	$ 7,510	$ (3,821)	$ -	$ 3,689

NOTE 4 – NONCURRENT LIABILITIES

Tuition Benefits Payable:

Included in non-current liabilities is the Trust Fund's tuition benefits obligation based upon the actuarial present value (APV) of the future tuition obligations and administrative expenses. This amount reflects the present value of estimated tuition benefits and administrative expenses that will be paid in future years. The present value calculation includes the effects of projected tuition and fee increases and termination of contracts.

APV of the Future Tuition Obligation	$124,931,000
Net Assets Available	$108,467,156
Net Assets as a Percentage of Tuition Benefits Obligation	86.8%

The following assumptions were used in the actuarial valuation:

- Investment Rates: The investment yield assumption is 7.25% per year, which is a decline of .25% from the prior year assumption of 7.50%.
- Tuition Growth Assumptions:

	Universities	Community Colleges
Fall 2010	4.96%	5.00%
Fall 2011 and later	6.00%	4.00%

Changes in the Trust Fund's noncurrent liabilities:

	Balance July 1, 2008	Increases	Decreases	Balance June 30, 2009	Due Within One Year
Tuition benefits payable	$ 118,667,000	$ 10,345,228	$ (4,081,228)	$ 124,931,000	$ 8,700,000
Advance from State of Nevada General Fund	1,160,576	-	(1,160,576)	-	-
	$ 119,827,576	$ 10,345,228	$ (5,241,804)	$ 124,931,000	$ 8,700,000

NOTE 5 – TUITION CONTRIBUTIONS AND TUITION BENEFITS EXPENSE

The tuition contributions of $6,148,677 and the tuition benefits expense of $10,345,228 on the Statement of Revenues, Expenses and Changes in Net Assets represent the annual accrual of contributions and benefit expenses for the year ended June 30, 2009 as determined by the actuarial valuation and adjusted by the actual activity for the fiscal year.

NOTE 6 – PENSION PLAN AND OTHER POST EMPLOYMENT BENEFITS

Employees of the Trust Fund are employees of the State of Nevada and the Nevada Legislature created various plans to provide benefits to qualified employees of the State.

Pension Plan: The employees participate in a cost sharing, multiple employer, defined benefit plan administered by the Public Employees Retirement System of the State of Nevada (PERS). PERS provides retirement benefits, disability benefits, and death benefits, including annual cost of living adjustments, to plan members and their beneficiaries. As the State of Nevada, not the Trust Fund, has overall responsibility for determining contributions to PERS, information relating to PERS is available in the State of Nevada's *Comprehensive Annual Financial Report* for the year ended June 30, 2009.

Other Post Employment Benefits (OPEB): The employees participate in a cost sharing, multiple employer, defined postemployment benefit plan administered by the Public Employees' Benefits Program of the State of Nevada (PEBP). PEBP provides group health and life insurance benefits to plan members, both active and retired, and their dependents. As the State of Nevada, not the Trust Fund, has overall responsibility for determining contributions to PEBP, information relating to PEBP is available in the State of Nevada's *Comprehensive Annual Financial Report* for the year ended June 30, 2009.

NOTE 7 – RISK MANAGEMENT

As with all governmental entities, the Trust Fund is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and injuries to employees. Such losses, if any, are accounted for in the State of Nevada's various insurance funds. The Trust Fund is responsible for premium charges payable to the State of Nevada for coverage in the self-funded programs. There have been no material settlements related to the Trust Fund in any of the past three years.

APPENDIX C

THE BANK OF NEW YORK MELLON REPORT

BNY MELLON
ASSET MANAGEMENT

August 19, 2009

Nevada Prepaid Tuition Program

Program Update

Agenda

1. Economic and Market Overview
2. Portfolio Review
3. Disclosures
4. Exhibits

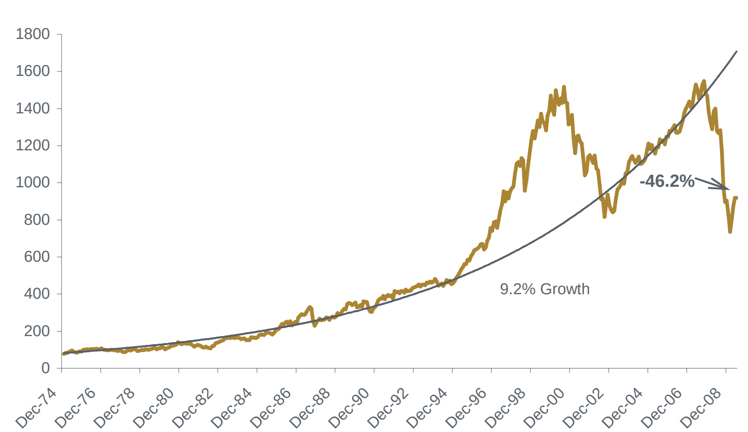
Section 1.

Economic and Market Overview

Second Quarter 2009 Market Highlights

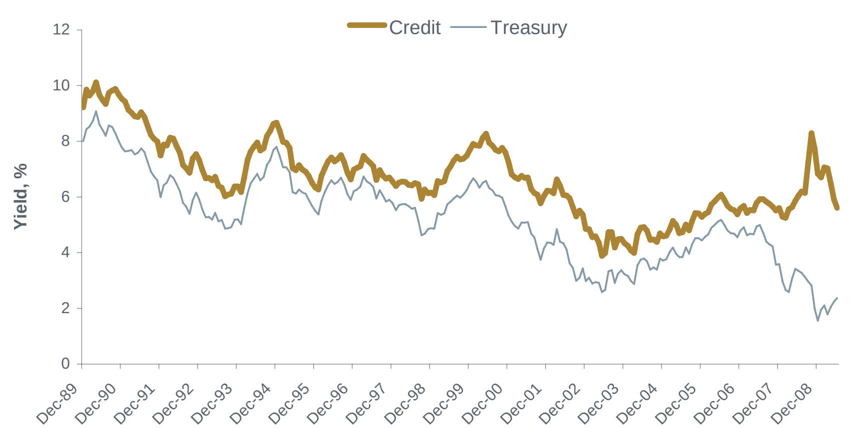
- In general, financial markets completely changed direction compared to the first quarter
- Stocks surged during the quarter, with the S&P 500 up almost 16%
- The labor markets continued to deteriorate, but at a slower pace, with the unemployment rate finishing at 9.4%
- Risk appetite increased during the quarter in the bond markets, driving down credit spreads to Treasury

S&P 500 vs. Long Term Trend



Source: Bloomberg

Bond Index Yields



Source: Barclays Capital

Please review the disclosures which follow this presentation.

Equity Markets

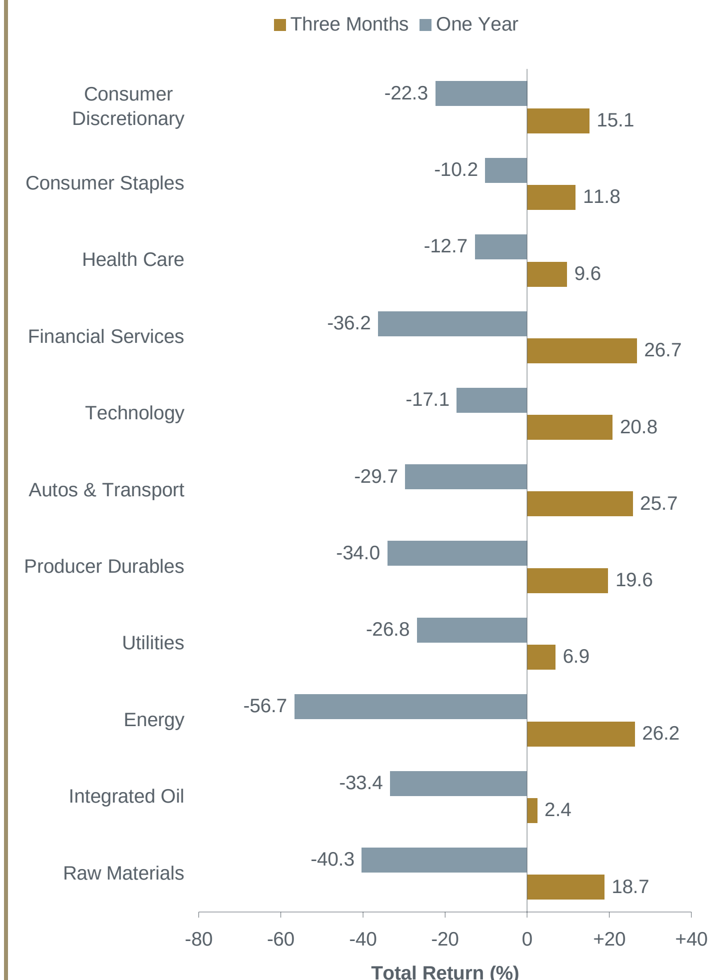
- Every major sector experienced positive gains during the quarter
- Financials led the charge, increasing almost 27% for the quarter
- Energy stocks also did very well during the quarter, but are still down nearly 57% over one year
- Emerging markets experienced a very strong quarter up nearly 35%
- A weakening US dollar helped fuel international stock returns

Equity Index Returns as of 6/30/09 (%)

	Quarter	YTD	Year	3 Years	5 Years
S&P 500	15.9	3.2	-26.2	-8.2	-2.2
Russell 3000	16.8	4.2	-26.6	-8.3	-1.8
Russell Large Cap	16.5	4.3	-26.7	-8.2	-1.9
Russell Mid Cap	20.8	10.0	-30.4	-9.3	-0.1
Russell Small Cap	20.7	2.6	-25.0	-9.9	-1.7
Russell Growth	16.8	11.5	-24.5	-5.7	-1.8
Russell Value	16.8	-3.0	-28.7	-11.2	-2.1
EAFE Intl Equity	25.4	8.0	-31.4	-8.0	2.3
MSCI Emerging	34.7	36.0	-28.1	3.0	14.7

Source: Bloomberg

Industry Returns as of 6/30/09



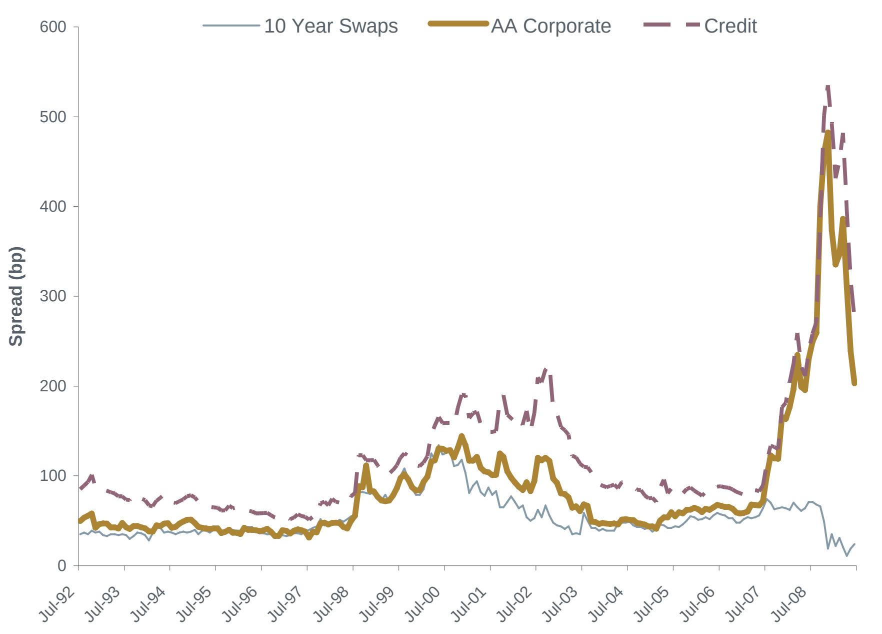
Source: Bloomberg

Please review the disclosures which follow this presentation.

Fixed Income Markets

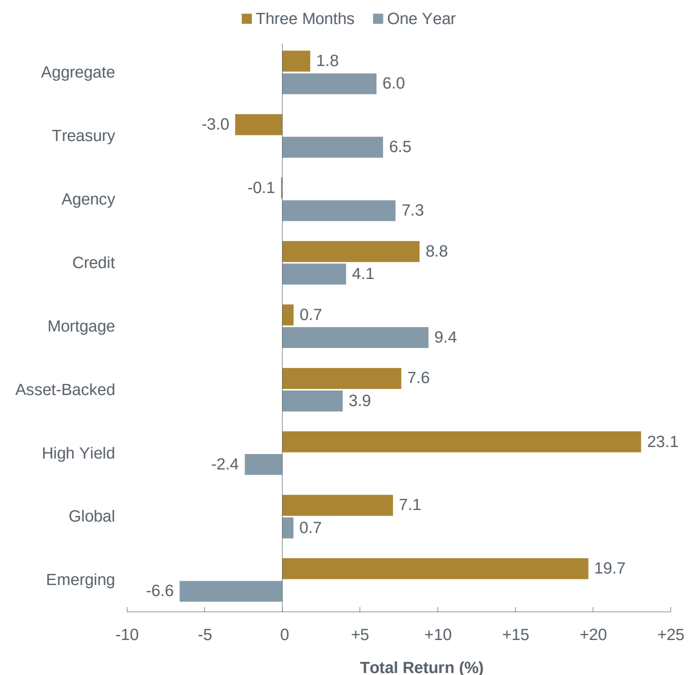
- Signs of a global economic recovery led investors to risky sectors in the fixed income markets
- High yield bonds were the top performer, with a return of 23% for the quarter
- Emerging markets debt and US credit also had strong quarters
- Credit spreads continue to tighten, but are still well above historical averages

Bond Yield Spreads Vs. Treasury



Source: Barclays Capital

Fixed Income Returns as of 6/30/09



Source: Barclays Capital

Please review the disclosures which follow this presentation.

Section 2.

Portfolio Review

Investment Performance Summary for period ending June 30, 2009

Fund	Quarter Ending	Year To Date	1 Year	3 Years	5 Years	Since Inception *
TOTAL PORTFOLIO						
Nevada Prepaid Tuition Program	**9.34**	**1.76**	**-10.51**	**--**	**--**	**-8.76**
Benchmark: 33% S&P 500 Stock Index, 11% S&P 400 Stock Index, 11% S&P 600 Stock Index, 45% Barclays Capital U.S. Aggregate Bond Index	10.36	3.41	-12.18	--	--	-10.00
EQUITIES						
Nevada Prepaid Tuition Program Large Cap Equity Fund	**14.30**	**1.78**	**-24.92**	**--**	**--**	**-21.53**
Benchmark: S&P 500 Stock Index	15.93	3.16	-26.21	--	--	-23.32
Nevada Prepaid Tuition Program Mid Cap Equity Fund	**18.73**	**8.44**	**-27.90**	**--**	**--**	**-20.05**
Benchmark: S&P 400 Stock Index	18.75	8.47	-28.02	--	--	-20.26
Nevada Prepaid Tuition Program Small Cap Equity Fund	**20.78**	**0.57**	**-24.95**	**--**	**--**	**-21.62**
Benchmark: S&P 600 Stock Index	21.06	0.67	-25.31	--	--	-21.88
Nevada Prepaid Tuition Program Equity Allocation	**16.54**	**2.94**	**-25.48**	**--**	**--**	**-21.20**
Benchmark: 60% S&P 500 Stock Index, 20% S&P 400 Stock Index, 20% S&P 600 Stock Index	17.57	3.78	-26.27	--	--	-22.33
FIXED INCOME						
Nevada Prepaid Tuition Program Fixed Income Fund	**1.76**	**0.76**	**5.60**	**--**	**--**	**5.31**
Benchmark: Barclays Capital U.S. Aggregate Bond Index	1.78	1.90	6.05	--	--	5.84

*** Inception Date: September 28, 2007**

Please review the disclosures which follow this presentation.

Fund Market Values for period ending June 30, 2009

Market Value of Assets Allocation Overview

Allocation	Policy % Allocation - Market Value	Market Value	Actual % Allocation - Market Value
Nevada Prepaid Tuition Program Large Cap Equity Fund	**33.0%**	$28,577,869	**32.4%**
Nevada Prepaid Tuition Program Mid Cap Equity Fund	**11.0%**	$9,476,880	**10.8%**
Nevada Prepaid Tuition Program Small Cap Equity Fund	**11.0%**	$8,813,748	**10.0%**
	55.0%	**Total Equities**	**53.2%**
Nevada Prepaid Tuition Program Fixed Income Fund	**45.0%**	$41,266,851	**46.8%**
	Total Market Value Assets	**$88,135,347**	

Cost Value of Assets Allocation Overview

Allocation	Policy % Allocation - State Statutes *		Cost	Actual % Allocation - Cost
Nevada Prepaid Tuition Program Large Cap Equity Fund	n/a	$	31,963,694	32.9%
Nevada Prepaid Tuition Program Mid Cap Equity Fund	n/a	$	12,592,050	13.0%
Nevada Prepaid Tuition Program Small Cap Equity Fund	n/a	$	11,934,290	12.3%
	60.0%		**Equities Cost**	**58.1%**
Nevada Prepaid Tuition Program Fixed Income Fund	40.0%	$	40,666,357	41.9%
	40.0%		**Fixed Cost**	**41.9%**
	Total Cost Value Assets	**$**	**97,156,390**	

* Nevada Revised Statutes: Chapter 353B.160 Investment #2(j)(3) mandates that "The maximum investment in stock is not greater than 60 percent of the book value of the total investments of the Trust Fund."

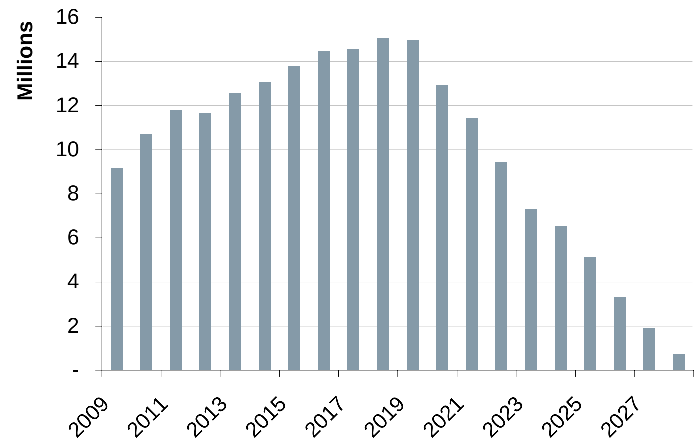
Please review the disclosures which follow this presentation.

Funded Status Estimate – June 30, 2009

- Actuarial information and cash flow projections were provided by Milliman as of 6-30-08 valuation
- The **Market Value of Assets** equals the market value of investments plus the present value of future contract receivables ($14.6MM)
- The **Discount Rate** is the rate that is used to compute the Actuarial Liabilities and is based on the expected long term rate of return of the assets
- The **Actuarial Liabilities** are calculated by taking the present value of all Expected Future Cashflows which are comprised of tuition payments and administrative expenses
- The **Funded Ratio** is equal to the Market Value of Assets divided by the Actuarial Liabilities. A Funded Ratio over 100% implies there are sufficient assets to cover the liabilities
- A graph of the **Expected Future Cashflows** is presented to the right

Asset & Liability Information	
Valuation Date	6/30/2009
Market Value of Assets (MVA)	102,735,000
Discount Rate	7.50%
Actuarial Liabilities (AL)	120,100,000
Funded Ratio (MVA/AL)	85.5%

Expected Future Cashflows



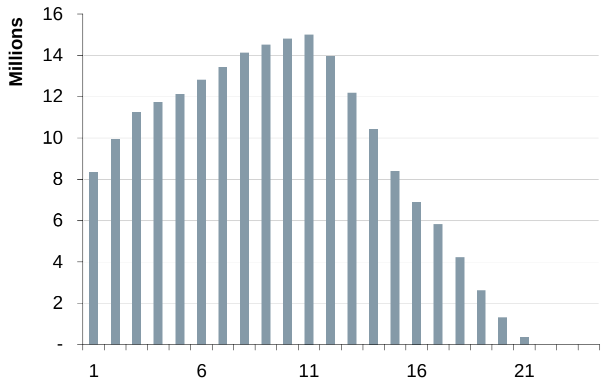
Note: The Market Value of Assets above equals the market value of investments at measurement date cited plus the present value of future contract receivables ($18.4MM)

Historical Funded Status Estimates

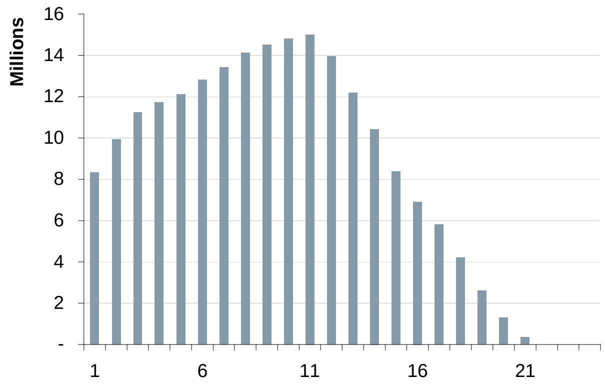
Asset & Liability Information	
Valuation Date	3/31/2009
Market Value of Assets (MVA)	99,500,000
Discount Rate	7.50%
Actuarial Liabilities (AL)	119,700,000
Funded Ratio (MVA/AL)	83.1%

Asset & Liability Information	
Valuation Date	12/31/2008
Market Value of Assets (MVA)	106,400,000
Discount Rate	7.50%
Actuarial Liabilities (AL)	119,300,000
Funded Ratio (MVA/AL)	89.2%

Expected Future Cashflows



Expected Future Cashflows



Actuarial information and cash flow projections provided by Milliman as of 6-30-08 Prepaid Program Valuation

Note: The Market Value of Assets above equals the market value of investments at measurement date cited plus the present value of future contract receivables ($18.4MM)

Nevada Prepaid Tuition Program Large Cap Equity Fund Commentary – June 30, 2009

The equity market rallied in the second quarter as the financial markets stabilized and first quarter earnings appeared better than much lowered expectations. While the economy continued to deteriorate, signs of a bottoming in the housing market gave hope for a recovery later in the year. The financial sector contributed the most to the rise in large capitalization U.S. equities while energy stocks lagged in the face of continued weak global GDP.

The portfolio underperformed the benchmark as quality and valuation were not rewarded. Energy holdings with significant refining exposure lagged other higher commodity sensitive benchmark holdings causing a negative result from stock selection within the sector. In the materials sector, higher quality holdings also underperformed their sector peers. The portfolio performed well in the technology sector where many core portfolio holdings rose sharply.

Please review the disclosures which follow this presentation.

Nevada Prepaid Tuition Program Large Cap Equity Fund
Sector Attribution – Quarter Ending June 30, 2009

First Quarter 2009

	Nevada Prepaid Tuition Program Large Cap Fund		S&P 500® Index		
	Average Percent Cap	Total Return	Average Percent Cap	Total Return	Relative Return
Information Technology	21.43	22.30	18.03	19.74	0.51
Utilities	3.47	9.69	4.00	10.18	0.27
Health Care	13.85	9.80	13.94	8.88	0.20
Telecommunication Services	2.40	-0.55	3.63	3.41	0.09
Industrials	8.78	18.43	10.21	18.89	0.03
Materials	2.28	1.41	3.31	16.27	-0.24
Consumer Staples	9.99	5.50	12.12	9.81	-0.27
Financials	11.73	36.19	12.78	35.71	-0.42
Energy	13.10	5.96	12.88	10.70	-0.62
Consumer Discretionary	12.96	11.90	9.10	18.18	-0.97

Please review the disclosures which follow this presentation.

Nevada Prepaid Tuition Program Large Cap Equity Fund Characteristics – June 30, 2009

Largest Ten Holdings	Portfolio Weight
Microsoft Corp.	3.83%
Exxon Mobil Corp.	3.79%
International Business Machines Corp.	2.87%
Chevron Corp.	2.62%
Johnson & Johnson	2.61%
Apple Inc.	2.58%
Wal-Mart Stores Inc.	2.48%
Pfizer Inc.	2.33%
Goldman Sachs Group Inc.	2.23%
AT&T Inc.	2.00%

Largest Positive Exposures	Portfolio Exposure
Accenture Ltd.	1.66%
Aflac Inc.	1.60%
Microsoft Corp.	1.57%
NRG Energy Inc.	1.50%
Covidien PLC	1.45%
H&R Block Inc.	1.37%
TD Ameritrade Holding Corp.	1.37%
Garmin Ltd.	1.32%
Goldman Sachs Group Inc.	1.31%
Amgen Inc.	1.29%

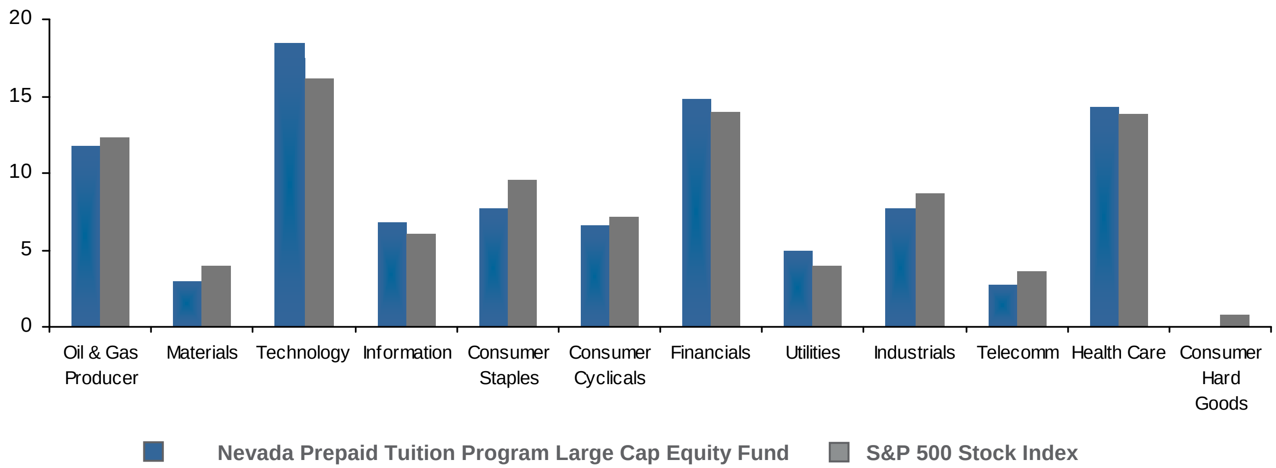
Largest Negative Exposures	Portfolio Exposure
Intel Corp.	-1.15% *
Bank of America Corp.	-1.08%
Schlumberger Ltd.	-0.80% *
Coca-Cola Co.	-0.80%
Procter & Gamble Co.	-0.73%
United Parcel Service Inc.	-0.62% *
Abbott Laboratories	-0.61%
Verizon Communications Inc.	-0.59%
CVS Caremark Corp.	-0.58% *
PepsiCo Inc.	-0.56%

*Held in benchmark, not in portfolio

Please review the disclosures which follow this presentation.

Nevada Prepaid Tuition Program Large Cap Equity Fund Characteristics – June 30, 2009

Sector Exposure



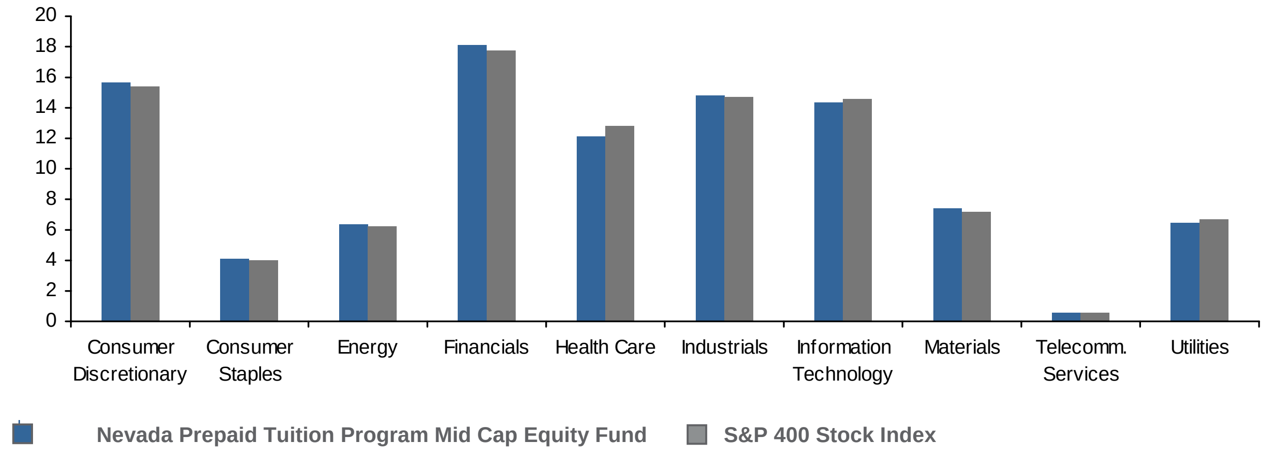
Portfolio Characteristics

	Number of Holdings In Portfolio	Equity Beta	Active Risk	Weighted Mkt. Cap ($ Billions)	P/E Ratio	P/B Ratio	Yield (%)	5 Year EPS Growth
Nevada Prepaid Tuition Program Large Cap Fund	103	0.99	3.34%	74.65	12.34X	3.90X	2.19%	15.00%
S&P 500 Stock Index	500	1.00		70.88	14.87X	3.62X	2.35%	11.00%

Please review the disclosures which follow this presentation.

Nevada Prepaid Tuition Program Mid Cap Equity Fund Characteristics – June 30, 2009

Sector Exposure



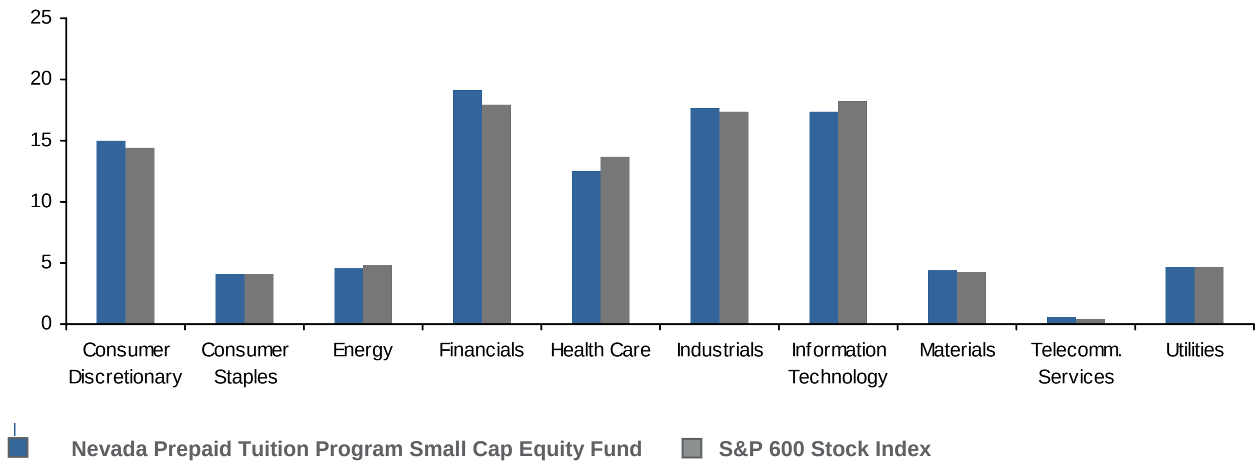
Portfolio Characteristics

	Number of Holdings in Portfolio	Equity Beta	Weighted Mkt. Cap ($ Billions)	P/E Ratio	P/B Ratio	Yield (%)	5 Year EPS Growth
Nevada Prepaid Tuition Program Mid Cap Equity Fund	400	1.00	2.39	26.74X	2.50X	1.72	13.56%
S&P 400 Stock Index	400	1.00	2.37	25.98X	2.46X	1.76	13.48%

Please review the disclosures which follow this presentation.

Nevada Prepaid Tuition Program Small Cap Equity Fund Characteristics – June 30, 2009

Sector Exposure



Portfolio Characteristics

	Number of Holdings in Portfolio	Equity Beta	Weighted Mkt. Cap ($ Billions)	P/E Ratio	P/B Ratio	Yield (%)	5 Year EPS Growth
Nevada Prepaid Tuition Program Small Cap Equity Fund	600	1.00	0.84	25.88X	2.12X	1.37	14.66%
S&P 600 Stock Index	600	1.00	0.84	24.96X	2.07X	1.44	14.19%

Please review the disclosures which follow this presentation.

Nevada Prepaid Tuition Program Fixed Income Fund Commentary – June 30, 2009

Market Environment

With rising interest rates during the quarter, Treasury securities posted negative returns, but non-Treasury fixed income assets posted strong results for the quarter. The equity market rebounded, not necessarily discounting rapid future growth, but instead reflecting a reduction in the odds of a "depression". In-line with equities, credit related bonds had a strong three months, with Commercial Mortgages and Corporate bonds leading the way. 10-year Treasury yields rose 87 basis points on the quarter, finishing at 3.54%. For the quarter, the Barclay's Capital Aggregate Index posted a return of 1.78%.

Economic data clearly started to stabilize in the quarter. The manufacturing and service surveys (ISM), key leading indicators, bottomed in March. The surveys have yet to reach a level consistent with expansion, but reflect a stabilization in orders and sentiment. This stabilization follows an absolute free fall in industrial demand beginning in the fourth quarter of 2008 as inventories were slashed to adjust for falling consumer demand. Equity markets and other economic indicators also imply negative growth is coming to an end. However, given a higher savings rate and lower consumption patterns at the consumer level, the recovery could be modest in scale and the persistence of slow growth pronounced.

Please review the disclosures which follow this presentation.

Nevada Prepaid Tuition Program Fixed Income Fund Commentary – June 30, 2009 continued

Sector and Portfolio Performance

Credit related sectors were the out-performers for the quarter. The Commercial Mortgage Backed Securities (CMBS) markets rebounded solidly after a mixed first quarter. Implied support for new issuance from the Government TALF programs gave the market a boost. Excess returns were 14.48% for CMBS for the quarter. Investment Grade and High Yield corporate bonds also had a very strong quarter versus Treasuries as the equity markets rebounded and liquidity continued to improve in the fixed income markets. High Yield posted excess returns of 25.18% versus Treasuries, while Investment Grade Corporates beat Treasuries by 13.61%. Agency Mortgage returns bested Treasuries again, although less pronounced than the first quarter, as Government support was offset by valuation concerns. Standish portfolios generally had very strong performance in the second quarter due to a significant credit overweight and a more modest overweight to CMBS and Agency Mortgages, as allowed by guidelines.

Market Outlook

Given our outlook for positive, albeit modest, economic growth in the coming quarters, we remain constructive on non-Treasury sectors. Security selection remains important, but exposure to higher yielding bonds versus Treasuries should continue to add value over the next year. We see significant long term return potential in the strongest parts of the CMBS markets. However, property type, quality and real estate location will remain critical in selecting bonds as the economy adjusts to new patterns of consumption. In the corporate bond markets, spreads have certainly come in on a year-to-date basis, but remain at attractive levels on an historical basis. Additionally, positive economic growth and a corporate sector in relatively sound fiscal shape, support our belief that corporate bonds will continue to outperform Treasuries over the next year. In the Treasury market, we view rates as fairly valued. There will continue to be a tension between the large supply needed to fund the fiscal deficit and a tame inflation outlook. With unemployment still high and widespread economic slack, we see sustained inflation pressure as unlikely in the near term. We think interest rates are therefore range bound for the near future.

Nevada Prepaid Tuition Program Fixed Income Fund Characteristics – June 30, 2009

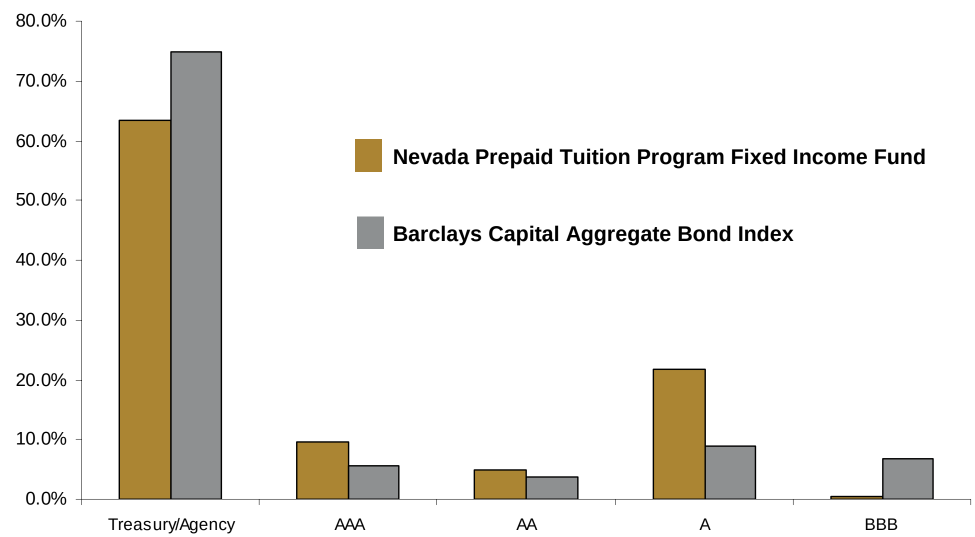
Portfolio Characteristics

	Fund	Barclays Capital Aggregate Bond Index
Average Yield to Maturity	4.30%	4.10%
Average Duration (years)	4.20	4.30
Average Quality	AAA	AA

Sector Diversification

	Fund	Barclays Capital Aggregate Bond Index
Government	26.3%	35.3%
Corporate	27.7%	22.8%
Asset Backed	1.7%	0.5%
Mortgage	44.3%	42.0%
Cash	0.0%	0.0%

Quality Distribution *



*Securities rated A or better at time of purchase. Allocation to BBB result of downgraded securities which manager wishes to keep.

Please review the disclosures which follow this presentation.

Section 3.

Disclosures

Capital Market Assumptions & Methodology

	Asset Class	Expected Return	Standard Deviation	Effective Duration
Fixed Income	Cash Equivalents	3.5%	1.5%	0.2
	Core Fixed	4.9%	4.3%	4.6
	TIPS	5.3%	5.2%	6.5
	Long Treasury	5.8%	6.7%	11.1
	Long Aa Bonds	6.1%	7.4%	11.5
	International Bonds	6.7%	8.6%	5.6
	High Yield	7.0%	9.7%	4.5
Equity	REIT	8.5%	13.7%	2.6
	Large Cap Equity	9.0%	15.2%	2.8
	Mid Cap Equity	9.4%	16.3%	2.3
	Small Cap Equity	10.3%	18.6%	1.8
	International Equity	9.8%	17.1%	1.6
	Emerging Equity	11.0%	20.5%	-0.3
Alternatives	Absolute Return	5.5%	5.9%	1.6
	Private Equity	12.7%	25.1%	3.9
	Hedge Funds	7.5%	11.3%	2.8
	Real Return	4.7%	3.8%	0.2
	Inflation	2.5%	1.0%	0.0

Our model is intended for use in long-term (five to ten years) applications like asset/liability modeling or evaluating strategic asset allocations

For these applications, our view of the capital markets rests on three major assumptions:

1. Model excess return vs. risk-free rate
   - Investment return expectations are weighed against risk-free alternatives (US Treasury bills)
2. Expected return and risk are related
   - Asset class expected returns are proportional to expected risk
   - One should not expect higher returns without incurring more risk
   - All assets have the same expected return/ risk (Sharpe) ratio
3. Markets are relatively efficient over long periods
   - Past outperformance of an asset class does not guarantee future outperformance
   - Market arbitrage will tend to align long term returns with risk contribution
   - “No free lunch” for taking more risk

Estimated standard deviations and correlations take into account:

- Long term (15-20 year) and market cycle averages
- Recent (five year) behavior
- Expected systemic trends

Disclosures

1. The capital market assumptions are The Bank of New York Mellon's estimates based on historical performance and the current market environment. We do not present the capital market assumptions as actual future performance.
2. This presentation is not intended as an offer to sell or a solicitation of an offer to buy any security.
3. The hypothetical performance information provided is gross of fees and reflects both income and capital appreciation. Management fees will reduce a client's actual return.
4. This information has been prepared by The Bank of New York Mellon based on data and information provided by internal and external sources. While we believe the information provided by external sources to be reliable, we do not warrant its accuracy or completeness.

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As of July 1, 2008, The Bank of New York Mellon Corporation reorganized various of its banking subsidiaries. As a result of this restructuring, the institutional banking and investment management businesses of Mellon Bank, N.A. and Mellon Trust of New England, N.A., including the collective and common trust funds businesses, have been combined with the institutional banking businesses of The Bank of New York, which has changed its name to The Bank of New York Mellon. The Bank of New York Mellon has become the successor trustee of all of the common trust funds and collective investment funds formerly maintained by Mellon Bank, N.A. or Mellon Trust of New England, National Association.
Information on separate account or collective trust funds are presented in this report.

The Bank of New York Mellon is the investment manager for the funds. The Bank of New York Mellon is a subsidiary of BNY Mellon Corporation.

The performance information provided, if any, is gross of fees and reflects both income and capital appreciation. Management fees will reduce a client's actual return.

A client's actual portfolio return will be reduced by management fees and any other expenses that may be incurred in the management of the client's account. Assuming a 5% total return for a 5-year period, the value of $1,000 invested October 31, 2003 would total $1,283 as of September 30, 2007, or $1,239 adjusting for the standard investment management fee schedule for active portfolio management (70 basis points annually).

Employees of Franklin Portfolio Associates LLC, Mellon Capital Management Corporation, Newton Capital Management Limited, The Boston Company Asset Management LLC, and Standish Mellon Asset Management LLC manage the funds as dual officers of The Bank of New York Mellon and the respective firm.

Franklin Portfolio Associates LLC (FPA) has no affiliation to the Franklin Templeton Group of Funds or Franklin Resources, Inc. *Notes:* FPA is an independently managed, wholly owned subsidiary of The Bank of New York Mellon Corporation. Established in 1982, FPA specializes in quantitative equity management for primarily institutional clients. A complete list and description of all FPA composites is available upon request along with the portfolio dispersion within each composite.

Representation On Performance

Past performance is not indicative of future returns. Investment returns and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than the original cost. Market volatility can significantly impact short-term performance.

In some instances, Composite performance of the portfolio managers' strategies are provided for illustrative purposes. There are many differences between the collective funds and portfolio strategies that are not being illustrated in this presentation that would have affected the performance.

** Small cap stocks typically involve a higher risk of price fluctuation than large company stocks.

** International investing involves special risks, such as currency-exchange and share-price fluctuation.

** An investment in Fixed Income is neither insured nor guaranteed by the FDIC or the U.S. government.

Disclosures

Indexes (Benchmarking)

An index is a hypothetical portfolio of specific securities (common examples are the Dow Jones Industrials and the S&P 500), the performance of which is often used a benchmark in judging the relative performance of securities such as mutual funds, stocks and variable annuities. Indexes are unmanaged portfolios and should only be used as comparisons with securities with similar investment characteristics and criteria. The characteristics of the index(es) included in this report are described below for your reference. It is impossible to invest in an index.

Indexes represent different asset classes, and there are often material differences between types of indexes. Some represent asset classes that involve risk of principal loss, while others represent assets, which are guaranteed by the U.S. Government or insured by the FDIC. For details about material differences as they pertain to indexes used in these illustrations, please refer to the descriptions below.

<u>US Equity</u>

Standard & Poor's – US Equity Indexes: Standard & Poor's Indexes are trademarks of McGraw-Hill Inc., and have been licensed to use by Mellon Financial Corporation (together with its affiliates and subsidiaries). The foregoing index licensor does not sponsor, endorse, sell or promote the investment strategies or products mentioned in this article and they make no representation regarding the advisability of investing in the products or strategies described herein.
S&P 500 ® Index – a market capitalization-weighted index composed of 500 widely held common stocks listed on the New York Stock Exchange, American Stock Exchange, and Over-the-Counter market.
S&P 400 ® Index – consists of 400 domestic stocks chosen for market size, liquidity, and industry group representation. It is a market value-weighted index, with each stock affecting the index in proportion to its market value.
S&P 600 ® Index - A market capitalization weighted index that tracks the daily stock total return performance of an investable universe of domestic, small capitalization stocks listed on the New York Stock Exchange, the American Stock Exchange, and the NASDAQ National Market System. Consists of 600 stocks chosen for market size, liquidity, and industry.

The Dow Jones Wilshire – US Equity Indexes: Dow Jones & Company, Inc. and Wilshire Associates Incorporated are the owners of the trademarks and copyrights relating to the "The Dow Jones Wilshire 5000℠ Composite Index" and "The Dow Jones Wilshire 4500℠ Composite Index." The foregoing index licensor does not sponsor, endorse, sell or promote the investment strategies or products mentioned in this article and they make no representation regarding the advisability of investing in the products or strategies described herein.
The Dow Jones Wilshire 5000 - is quite simply the most comprehensive measure of the U.S. stock market. The benchmark is designed to represent the performance of all U.S.-headquartered equity securities with readily available prices
The Dow Jones Wilshire 4500 Completion Index - is a subset of the Dow Jones Wilshire 5000 and contains all stocks in the Dow Jones Wilshire 5000 except components of the S&P 500.

Disclosures

Indexes (Benchmarking)

Frank Russell Company – US Equity Indexes: Frank Russell Company is the owner of the trademarks and copyrights relating to the Russell 3000® Index, the Russell 1000® Index, and the Russell 2000® Index. The foregoing index licensor does not sponsor, endorse, sell or promote the investment strategies or products mentioned in this article and they make no representation regarding the advisability of investing in the products or strategies described herein.

Russell 3000 ® Index – a market capitalization-weighted, index comprising 3,000 of the largest capitalized U.S. domiciled companies whose common stock is traded in the United States on the New York Stock Exchange, American Stock Exchange, and NASDAQ. This portfolio of securities represents approximately 98% of the investable U.S. equity market.

Russell 1000 ® Index – a capitalization-weighted index that comprises 1,000 of the largest capitalized U.S. domiciled companies. These companies have common stock that is traded in the United States on the New York Stock Exchange, American Stock Exchange, and NASDAQ, and are included in the the Russell 3000 Index. The Russell 1000 represents approximately 92% of the Russell 3000 Index.

Russell 1000 ® Growth Index – contains those securities in the Russell 1000 Index with a greater-than-average growth orientation. Companies in this index tend to exhibit higher price-to-book and price-to-earnings ratios, lower dividend yields, and higher forecasted growth rates.

Russell 1000 ® Value Index – contains those securities in the Russell 1000 Index with a less-than-average growth orientation. Companies in this index generally have low price-to-book and price-to-earnings ratios, higher dividend yields, and lower forecasted growth values.

Russell 2500 Growth Index - Measures the performance of those Russell 2500 companies with higher price-to-book ratios and higher forecasted growth values.

Russell 2500 Value Index - Measures the performance of those Russell 2500 companies with lower price-to-book ratios and lower forecasted growth values.

Russell 2000 ® Index – a market capitalization-weighted index comprising 2,000 of the smallest stocks in the Russell 3000 Index. Representing approximately 8% of the Russell 3000 index, this is small cap index.

<u>Non-US Equity</u>

Morgan Stanley Capital International Inc. – Non-US Equity Indexes
These indexes are a trademark of Morgan Stanley Capital International Inc. The foregoing index licensor does not sponsor, endorse, sell or promote the investment strategies or products mentioned in this article and they make no representation regarding the advisability of investing in the products or strategies described herein.

MSCI EAFE ® Index - This index is listed for foreign stock funds (EAFE refers to Europe, Australasia, and Far East). Widely accepted as a benchmark for international stock performance, the EAFE Index is an aggregate of 21 individual country indexes that collectively represent many of the major markets of the world.

MSCI ACWI ex-US ® Index – The All Country World Index ex-US represents both the developed and the emerging markets for the World except the US. The MSCI All Country World Indexsm includes 48 markets.

MSCI World ® Index – The World Index represents all developed markets in the World. This index includes securities from 23 countries, and has been calculated since December 31, 1969

Disclosures

Indexes (Benchmarking)

MSCI World ® Index (half-hedged) – Morgan Stanley Capital International's market capitalization weighted index composed of companies representative of the market structure of 22 developed market countries in North America, Europe, and the Asia/Pacific Region. The index is calculated without dividends, with net or with gross dividends reinvested, in both US dollars and local currencies. The index returns are 50% hedged to the US Dollar.
MSCI World ex-US ® Growth Index – it is a subset of the MSCI World ex USA Index and is composed only of the MSCI World ex USA Index stocks which are categorized as growth stocks.

Fixed Income

Barclays Capital Inc. – Fixed Income Indexes: These indexes are a trademark of The Barclays Capital. The foregoing index licensor does not sponsor, endorse, sell or promote the investment strategies or products mentioned in this article and they make no representation regarding the advisability of investing in the products or strategies described herein.
Barclays Capital Aggregate Bond Index - is a broad representation of the investment-grade fixed income market in the U.S. It includes U.S. government and corporate debt securities, mortgage and asset backed securities, and international U.S. dollar-denominated bonds. All securities contained in the Index are investment grade debt issues with at least $250 million par amount outstanding and with a minimum term to maturity of one year.
Barclays Capital Government / Credit Bond Index - includes both corporate (publicly-issued, fixed-rate, nonconvertible, investment grade, dollar-denominated, SEC-registered, corporate dept.) and government (Treasury Bond index, Agency Bond index, 1-3 Year Government index, and the 20+-Year treasury) indexes. The returns we publish for the index are total returns, which include reinvestment of dividends.
Barclays Capital Intermediate Government / Credit Bond Index - includes both corporate (publicly-issued, fixed-rate, nonconvertible, investment grade, dollar-denominated, SEC-registered, corporate dept.) and government (Treasury Bond index, Agency Bond index, 1-3 Year Government index, and the 20+-Year treasury) indexes, including bonds with maturities up to ten years. The returns we publish for the index are total returns, which include reinvestment of dividends.
Barclays Capital Long-term Treasury Bond Index – the index consists of dollar-denominated debt issues of the U.S. Treasury with maturities greater than ten years. The returns we publish for the index are total returns, which include reinvestment of dividends.
Barclays Capital Long-term Government Bond Index – the index consists of dollar-denominated debt issues of the U.S. Treasury and Agencies with maturities greater than ten years. The returns we publish for the index are total returns, which include reinvestment of dividends.
Barclays Capital Long-term Treasury Bond Index – the index consists of publicly issued investment grade U.S. domestic corporate debt. The Long-Term index measures the return of securities with maturities greater than ten years. The returns we publish for the index are total returns, which include reinvestment of dividends.
Barclays Capital US TIPS Index - is an unmanaged market index comprised of all U.S. Treasury Inflation Protected Securities rated investment grade, have at least one year to final maturity, and at least $250 million par amount outstanding.
Barclays Capital U.S. Treasury Index is an unmanaged index representing public obligations of the U.S. Treasury with a remaining maturity of one years or more.

Disclosures

Indexes (Benchmarking)

Barclays Capital U.S. Corporate Index is an unmanaged index representing public obligations of U.S. corporate debentures and secured notes with a remaining maturity of one year or more.
Barclays Capital U.S. Treasury Long Index is an unmanaged index representing public obligations of the U.S. Treasury with a remaining maturity of one year or more.
Barclays Capital U.S. Long Corporate A+ Index is an unmanaged index representing public obligations of U.S. corporate debentures and secured notes with a remaining maturity of ten years or more, and quality ratings of A or better

J.P. Morgan Chase & Company – Fixed Income Indexes: These indexes are a trademark of J.P. Morgan Chase & Co. The foregoing index licensor does not sponsor, endorse, sell or promote the investment strategies or products mentioned in this article and they make no representation regarding the advisability of investing in the products or strategies described herein.
The J.P. Morgan Non-U.S. Index (Hedged) - is an unmanaged index representative of the total return performance in U.S. dollars of major non-U.S. bond markets.

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Citigroup 30 Day T-Bill The Index is generally considered representative of the performance of short-term money market instruments
Citigroup World Government Bond Index - Consists of about 640 fixed interest securities (bonds) issued by 20 governments in various countries. This index provides diversified exposure to the interest rate segments of most of the developed economies of the world.
Citigroup World Government Bond Index (half-hedged) - Consists of about 640 fixed interest securities (bonds) issued by 20 governments in various countries. This index provides diversified exposure to the interest rate segments of most of the developed economies of the world. The index returns are 50% hedged to the US Dollar.

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Merrill Lynch 91-Day T-Bill Index: The Index is generally considered representative of the performance of short-term money market instruments. Three-month T-bills are government-backed short-term investments considered to be risk-free and as good as cash because the maturity is only three months.
Merrill Lynch 6-Month T-Bill Index - is an unmanaged index that measures returns of six-month Treasury Bills.

Section 4.

Exhibits

Risk Management

Both Mellon Capital Management and Standish Asset Management use the Charles River Development (CRD) trade order and compliance management system.

- Each Investment Manager enters the parameters for the analysis of and subsequent rationale for buying and selling securities for their respective strategy and benchmark into CRD
- Each Investment Manager then enters the additional parameters/restrictions mandated by the State of Nevada Revised Statutes 353B.160 - Investment for the Prepaid Program into CRD
- CRD issues exception reports if an instance should occur whereby an account is “out of compliance” with stated guidelines for the account so that the issue is resolved immediately

Mellon Capital, Standish and BNY Mellon Pension Services all conduct annual regulatory reviews of the Prepaid Program to ensure adherence to guidelines at the individual account and Program level.

- Various levels of personnel conduct the reviews and review the data
- Each group’s internal compliance department also participates in the account review process

Charles River Development System – Standish Asset Management (Fixed Income Fund)

Standish Asset Management's compliance and trade order management system, Charles River Development (CRD), allows Standish to manage each portfolio against its own structural benchmark *and against account/prospectus guidelines as defined by the client*. The guidelines are incorporated into CRD by the Compliance team to ensure compliance with the directives. This screening process employs both pre-trade and post-trade compliance measurements to ensure compliance with the guidelines. Potential violations are trapped by the pre-trade compliance system of CRD, thereby preventing further processing until the deficiency is corrected and appropriately reviewed.

Pre-trade routines permit the encoding of the appropriate guidelines identified as part of the business acceptance process and in ongoing account reviews. Such guidelines include, but are not limited to, issuer and broker restrictions, issuer and sector concentration limitations, quality restrictions, maximum size limitations, maturity restrictions, etc. Post-trade processes include daily review of accounts against their guidelines.

Back-end processes include daily/weekly/monthly reconciliations, a review of all trades by three senior officers, annual review of account holdings for suitability, semi-annual certification of client guideline compliance, and quarterly review of all assets.

Additionally, Management and Compliance teams receive various reports designed to identify occurrences of non-compliance and monitor compliance with laws, regulations and guidelines. Among these reports are a review and approval of all transactions, a review of account holdings and compliance with guidelines, monthly sampling of accounts for guideline compliance, quarterly review of assets for applicability, notification of overdrafts, monthly reconciliation of holdings and on-line guidelines preventing the execution of non-complying transaction, daily review of short-term trades, on-line volume of business by broker/dealer and by trader, and detailed data and system security reports.

Fixed Income Fund Sell Discipline

Fixed Income Portfolio Sell Discipline

Standish evaluates the sectors and securities that are held in the portfolio daily, working toward developing the most attractive portfolio possible given the client's investment guidelines. Generally, Standish will sell a security if:

- We believe the existing holding trades "rich" from a valuation standpoint, and prefer to sell the position in favor of another
- Another sector or security becomes relatively more attractive, even though we continue to like the existing holding
- We expect security fundamentals to deteriorate
- We seek to restructure the portfolio in the context of a change in our belief regarding preferred yield curve exposure or duration positioning. Typically, this relates to Treasury securities.

Fixed Income Fund Downgrade Procedures

Fixed Income Portfolio Security Downgrade

NRS 353B.160 provides criteria for investment of the Trust Fund's assets, including minimum ratings for securities.

Should a security be downgraded by a nationally recognized rating service to a level below investment guideline minimums, and the Investment Manager's analysis reveals that underlying fundamentals have deteriorated to support the downgrade, the Manager will sell the security. The Manager will have up to 90 days within which to sell the security.

There may exist instances when the Manager believes underlying fundamentals are strong or atypical market conditions are unnecessarily precipitating the downgrade, and the Manager wishes to continue to hold the security. In this case, the Manager will provide a detailed, written rationale outlining the reasons for which it is recommended the security be retained in the portfolio to the Nevada State Treasurer's Office. This communication will occur within 10 business days of the security downgrade. The security will then remain in the portfolio until such time the Manager feels the security should be sold (if Manager's research and analysis concludes fundamentals have in fact deteriorated) or the security reaches maturity. Until the security is sold or matures, the manager will continue to monitor the security closely to ensure there is no further deterioration.

It is important to note that the Nevada State Treasurer's Office and BNY Mellon are in discussions to improve upon and further refine these downgrade procedures. A presentation will be made to the Board of Trustees once the updated procedure has agreed upon by both parties and is ready for implementation. Target date is October 1, 2009.

Charles River Development System – Mellon Capital Management (Equity Funds)

The Compliance Department is responsible for guidelines monitoring and regulatory requirements while the Risk Management department reviews internal controls, identifies potential risks to the firm and implements appropriate procedures and controls to mitigate risks.

A team of compliance professionals monitor the numerous compliance controls regarding authorized investment transactions, client account documentation, trade executions, trade records, positions reconcilement, future position limits, and mark-to-market calculations.

An ongoing process has been set in place to ensure that the integrity and accuracy of each client account is maintained. Internal reviews on account assets and legal documentation status, including investment guidelines, are conducted regularly.

Mellon Capital's compliance department uses Charles River Development (CRD), a third-party automated compliance monitoring system. The *client guidelines/prospectus restrictions* are hard coded into the CRD system for most strategies and monitored on a daily basis, on either a pre or post trade basis or a combination of the two.

Those persons responsible for the investment process are required to complete a quarterly checklist, ensuring compliance with the procedures set forth within the risk management system. The compliance department will then review the checklist to monitor the effectiveness of the risk management controls and ensure that any problems that do occur are subject to prompt corrective action. Any material problems will be reported directly to senior management or the Board of Directors of Mellon Capital.

Mellon Capital Active Equity (Large Cap) Fund Buy and Sell Overview

The buy and sell process at Mellon Capital occurs simultaneously, with trades generally driven by a current holding becoming unattractively valued and the model looking for a more attractive name in the same sector.

Sell Decision/Process:

On the sell side for the proposed strategy Mellon Capital tends to sell in partial positions as holdings appreciate or get out entirely if a position achieves our measure of relatively full valuation. We do not set explicit sell targets, rather, the valuation of each name in our stock universe is recalculated every day based on new information such as market prices and new earnings estimate revisions. Using a proprietary information-rich Equity Valuation Report (EVR), the new valuation of a company can be compared to its industry and economic sector peers and objectively evaluated for an opportunity to buy or sell.

Then, Portfolio Managers assess if there is any knowledge that the model would not capture and include it as they make investment decisions regarding individual stocks.

Purchase Decision/Process:

Once a sell candidate is determined, replacement candidates are established from the most recent stock equity valuation report (EVR). The EVR is the unbiased, relative ranking of stocks by economic sector, representative of projected relative outperformance for the coming period. The management team reviews these ratings and produces a short list of the top names from the sector for deeper fundamental investigation.

APPENDIX D

PROGRAM STATISTICAL CHARTS

CHOICE OF PLANS AND PAYMENT OPTIONS

PAYMENT OPTION	2 YEAR COMMUNITY COLLEGE PLAN											
	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	COMBINED
LUMP SUM	9	21	14	10	4	7	18	8	10	5	10	116
DOWN PAYMENT	-	-	4	3	2	4		5	3	1	3	25
EXTENDED MONTHLY	95	100	-	-	-	-	-	-	-	-		195
5 YR MONTHLY	51	34	-	-	-	-	-	-	-	-		85
MONTHLY	-	-	103	20	9	17	25	20	25	5	17	241
TOTAL	155	155	121	33	15	28	43	33	38	11	30	662

PAYMENT OPTION	2 YEAR COMMUNITY COLLEGE + 2 YR UNIVERSITY PLAN											
	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	COMBINED
LUMP SUM	52	61	41	17	12	9	12	15	18	10	6	253
DOWN PAYMENT	-	-	27	17	8	7	20	15	9	3	13	119
EXTENDED MONTHLY	192	172	-	-	-	-						364
5 YR MONTHLY	96	105	-	-	-	-						201
MONTHLY	-	-	199	58	25	15	45	38	29	10	33	452
TOTAL	340	338	267	92	45	31	77	68	56	23	52	1,389

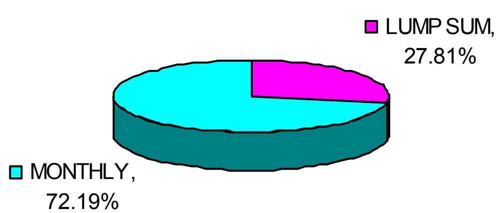
SUMMARY OF PAYMENT OPTIONS												
PAYMENT OPTION	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	COMBINED
LUMP SUM	24.50%	26.20%	21.70%	33.50%	35.80%	41.00%	33.00%	35.00%	34.00%	35.00%	27.00%	27.81%
MONTHLY	75.50%	73.80%	65.30%	50.50%	19.40%	41.00%	44.00%	41.00%	42.00%	40.00%	50.00%	72.19%
DOWN PAYMENT	0.00%	0.00%	13.00%	16.00%	44.80%	18.00%	23.00%	24.00%	24.00%	25.00%	24.00%	

PAYMENT OPTION	2 YEAR UNIVERSITY PLAN											
	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	COMBINED
LUMP SUM	-	-	19	17	10	13	17	5	15	1	12	109
DOWN PAYMENT	-	-	17	5	4	4	16	7	13	2	6	74
EXTENDED MONTHLY	-	-	-	-	-	-	-	-	-	-		-
5 YR MONTHLY	-	-	-	-	-	-	-	-	-	-		-
MONTHLY	-	-	136	35	15	12	27	18	14	6	18	281
TOTAL	-	-	172	57	29	29	60	30	42	9	36	464

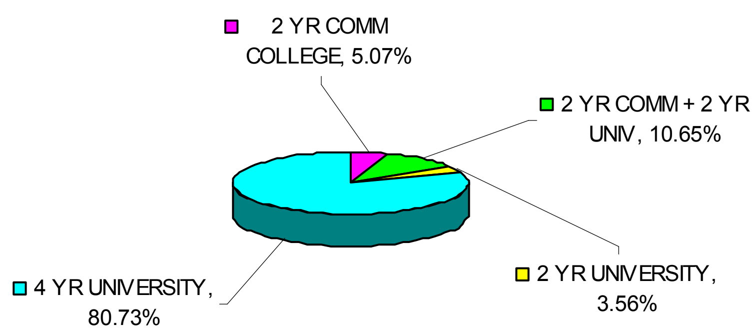
PAYMENT OPTION	4 YEAR UNIVERSITY PLAN											
	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	COMBINED
LUMP SUM	647	667	485	368	173	163	187	195	128	58	79	3,150
DOWN PAYMENT	-	-	287	171	94	69	129	131	94	47	73	1,095
EXTENDED MONTHLY	937	888	-	-	-	-						1,825
5 YR MONTHLY	804	802	-	-	-	-						1,606
MONTHLY	-	-	1,250	508	200	148	222	189	145	63	132	2,857
TOTAL	2,388	2,357	2,022	1,047	467	380	538	515	367	168	284	10,533

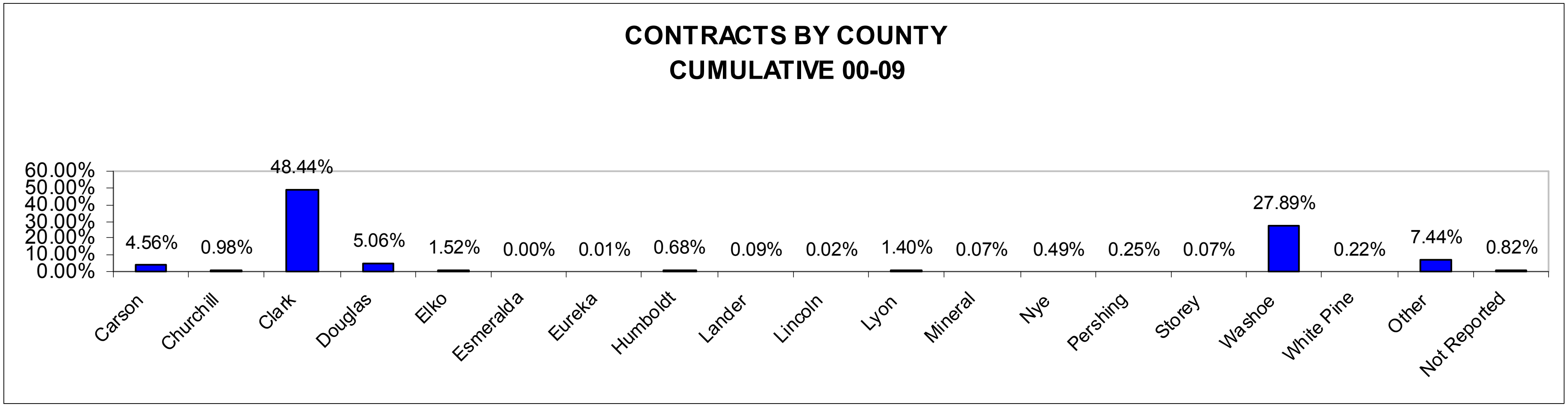
SUMMARY OF PLAN OPTIONS												
PLAN OPTION	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	COMBINED
2 YR COMM COLLEGE	5.40%	5.40%	4.70%	2.70%	2.70%	5.98%	5.99%	5.11%	7.55%	5.21%	7.46%	5.07%
2 YR COMM + 2 YR UNIV	11.80%	11.90%	10.30%	7.50%	8.10%	6.62%	10.72%	10.53%	11.13%	10.90%	12.94%	10.65%
2 YR UNIVERSITY	0.00%	0.00%	6.70%	85.20%	5.30%	6.20%	8.36%	4.64%	8.35%	4.27%	8.96%	3.56%
4 YR UNIVERSITY	82.80%	82.70%	78.30%	4.60%	83.90%	81.20%	74.93%	79.72%	72.96%	79.62%	70.65%	80.73%

CUMULATIVE PAYMENT OPTION



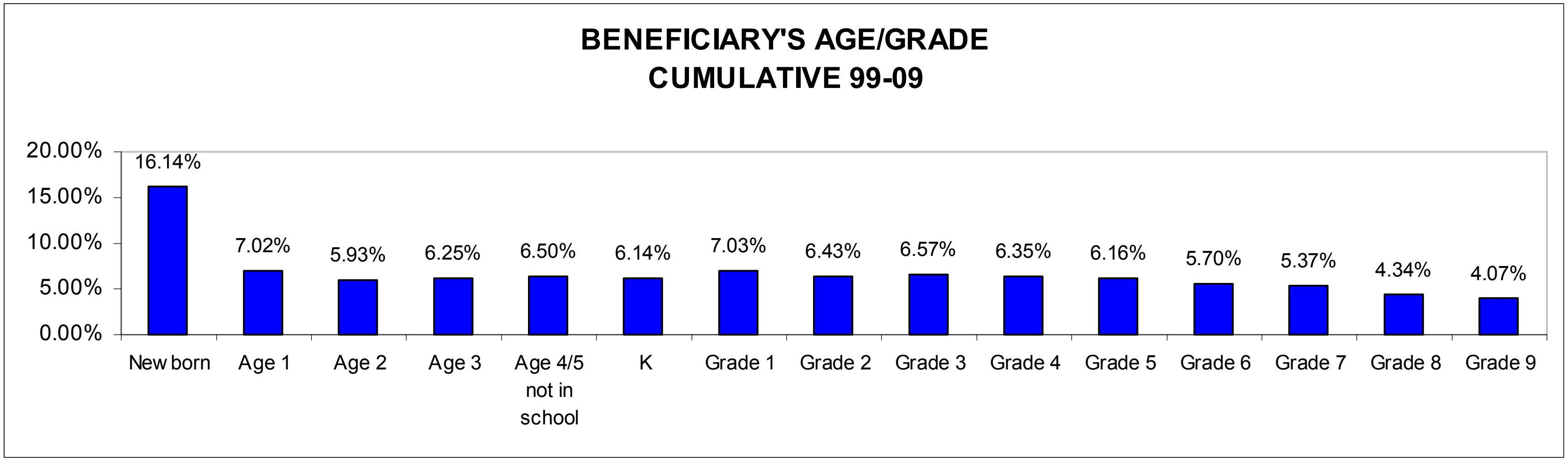
CUMULATIVE PLAN OPTION





	FISCAL YEARS 00 - 08		FISCAL YEAR 09		CUMULATIVE	
	COUNT	%	COUNT	%	COUNT	%
Carson	397	4.56%	18	4.48%	415	4.56%
Churchill	88	1.01%	1	0.25%	89	0.98%
Clark	4208	48.37%	201	50.00%	4,408	48.44%
Douglas	449	5.16%	11	2.74%	460	5.06%
Elko	131	1.51%	7	1.74%	138	1.52%
Esmeralda	0	0.00%	0	0.00%	0	0.00%
Eureka	1	0.01%	0	0.00%	1	0.01%
Humboldt	61	0.70%	1	0.25%	62	0.68%
Lander	8	0.09%	0	0.00%	8	0.09%
Lincoln	0	0.00%	2	0.50%	2	0.02%
Lyon	118	1.36%	9	2.24%	127	1.40%
Mineral	6	0.07%	0	0.00%	6	0.07%
Nye	43	0.49%	2	0.50%	45	0.49%
Pershing	23	0.26%	0	0.00%	23	0.25%
Storey	6	0.07%	0	0.00%	6	0.07%
Washoe	2412	27.73%	126	31.34%	2,538	27.89%
White Pine	14	0.16%	6	1.49%	20	0.22%
Other	668	7.68%	9	2.24%	677	7.44%
Not Reported	66	0.76%	9	2.24%	75	0.82%
Total	8,699	100.00%	402	100.00%	9,101	100.00%

COUNTY DATA NOT TRACKED PRIOR TO 2000

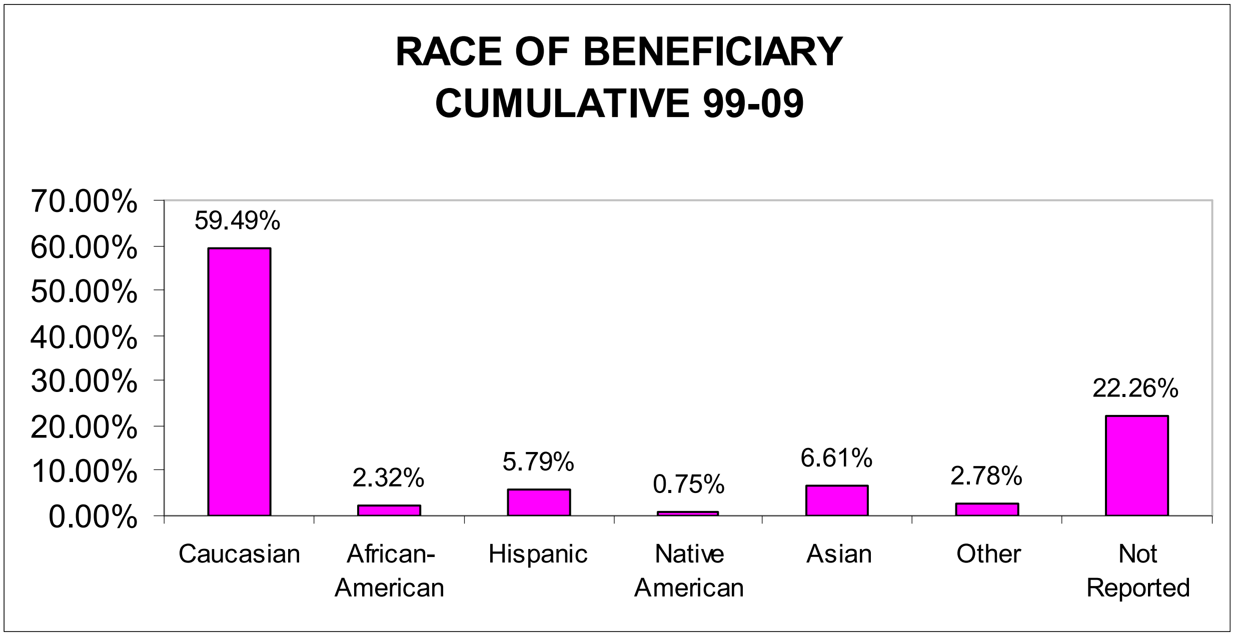


	FISCAL YEARS 99 - 08			FISCAL YEAR 09			CUMULATIVE	
	COUNT	%		COUNT	%		COUNT	%
Newborn	1901	15.90%		94	23.38%		1,995	16.14%
Age 1	842	7.04%		26	6.47%		868	7.02%
Age 2	710	5.94%		23	5.72%		733	5.93%
Age 3	746	6.24%		26	6.47%		772	6.25%
Age 4/5 not in school	780	6.52%		23	5.72%		803	6.50%
K	741	6.20%		18	4.48%		759	6.14%
Grade 1	840	7.03%		29	7.21%		869	7.03%
Grade 2	773	6.46%		22	5.47%		795	6.43%
Grade 3	788	6.59%		24	5.97%		812	6.57%
Grade 4	766	6.41%		19	4.73%		785	6.35%
Grade 5	738	6.17%		23	5.72%		761	6.16%
Grade 6	683	5.71%		21	5.22%		704	5.70%
Grade 7	646	5.40%		18	4.48%		664	5.37%
Grade 8	516	4.32%		20	4.98%		536	4.34%
Grade 9	487	4.07%		16	3.98%		503	4.07%
Total	11,957	100.00%		402	100.00%		12,360	100.00%

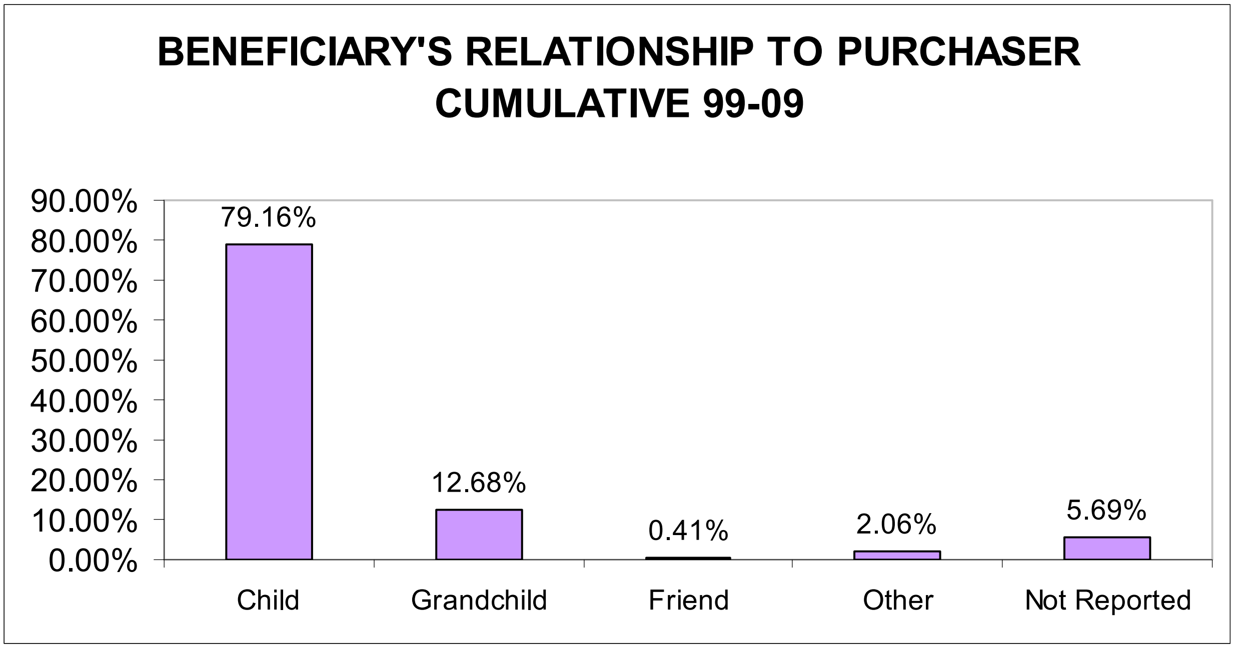
NEVADA PREPAID TUITION PROGRAM
LIABILITY BY PROJECTED ENROLLMENT YEAR
AS OF JUNE 30, 2009

2002	23	0.23%
2003	58	0.58%
2004	124	1.24%
2005	233	2.32%
2006	374	3.73%
2007	459	4.58%
2008	504	5.03%
2009	577	5.76%
2010	640	6.38%
2011	628	6.26%
2012	678	6.76%
2013	694	6.92%
2014	637	6.35%
2015	647	6.45%
2016	690	6.88%
2017	606	6.04%
2018	594	5.93%
2019	477	4.76%
2020	293	2.92%
2021	305	3.04%
2022	258	2.57%
2023	192	1.92%
2024	144	1.44%
2025	101	1.01%
2026	89	0.89%
TOTAL	10,025	100.00%

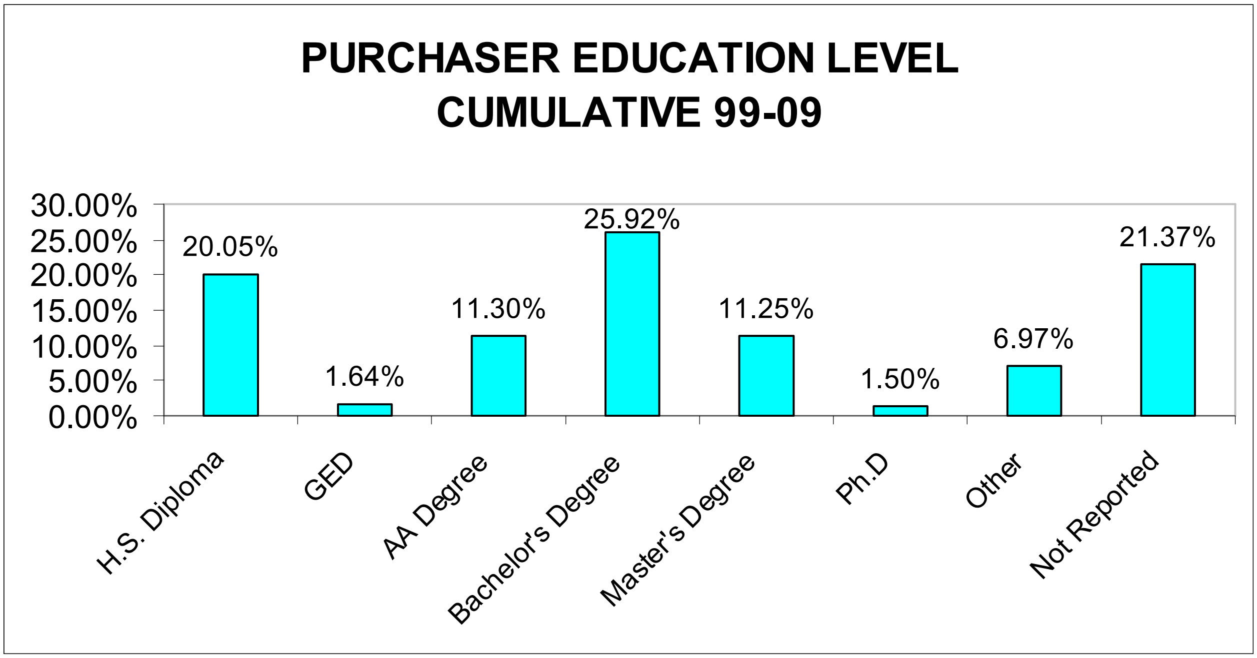
Note: This Table includes only active contracts as of June 30, 2009



	FISCAL YEARS 99 - 08			FISCAL YEAR 09			CUMULATIVE	
	COUNT	%		COUNT	%		COUNT	%
Caucasian	7174	60.00%		178	44.28%		7,353	59.49%
African-American	271	2.27%		16	3.98%		287	2.32%
Hispanic	693	5.80%		23	5.72%		716	5.79%
Native American	89	0.74%		4	1.00%		93	0.75%
Asian	780	6.52%		37	9.20%		817	6.61%
Other	321	2.68%		22	5.47%		343	2.78%
Not Reported	2629	21.99%		122	30.35%		2,751	22.26%
Total	11,957	100.00%		402	100.00%		12,360	100.00%

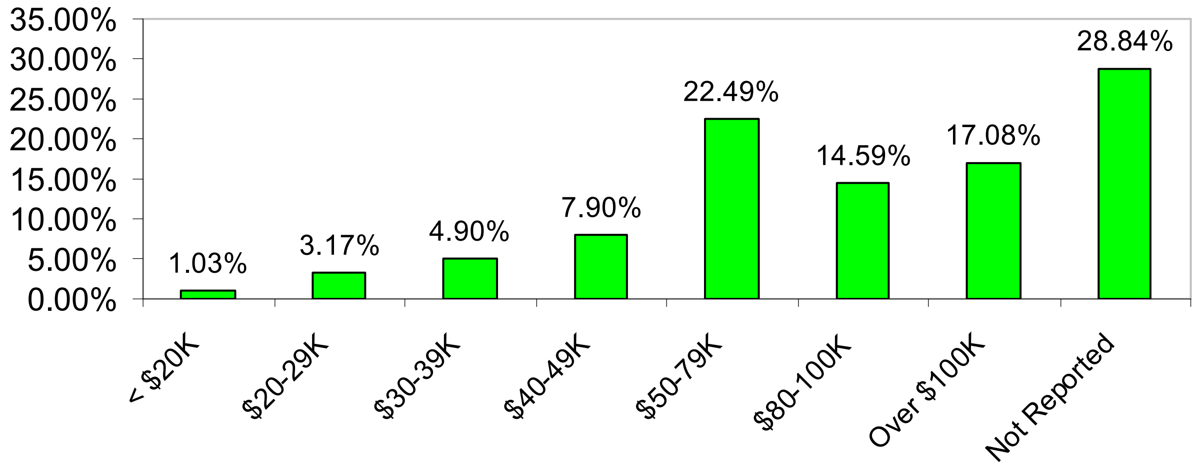


	FISCAL YEARS 99 - 08			FISCAL YEAR 09			CUMULATIVE	
	COUNT	%		COUNT	%		COUNT	%
Child	9455	79.08%		328	81.59%		9,784	79.16%
Grandchild	1530	12.80%		37	9.20%		1,567	12.68%
Friend	50	0.42%		1	0.25%		51	0.41%
Other	248	2.07%		7	1.74%		255	2.06%
Not Reported	674	5.64%		29	7.21%		703	5.69%
Total	11,957	100.00%		402	100.00%		12,360	100.00%

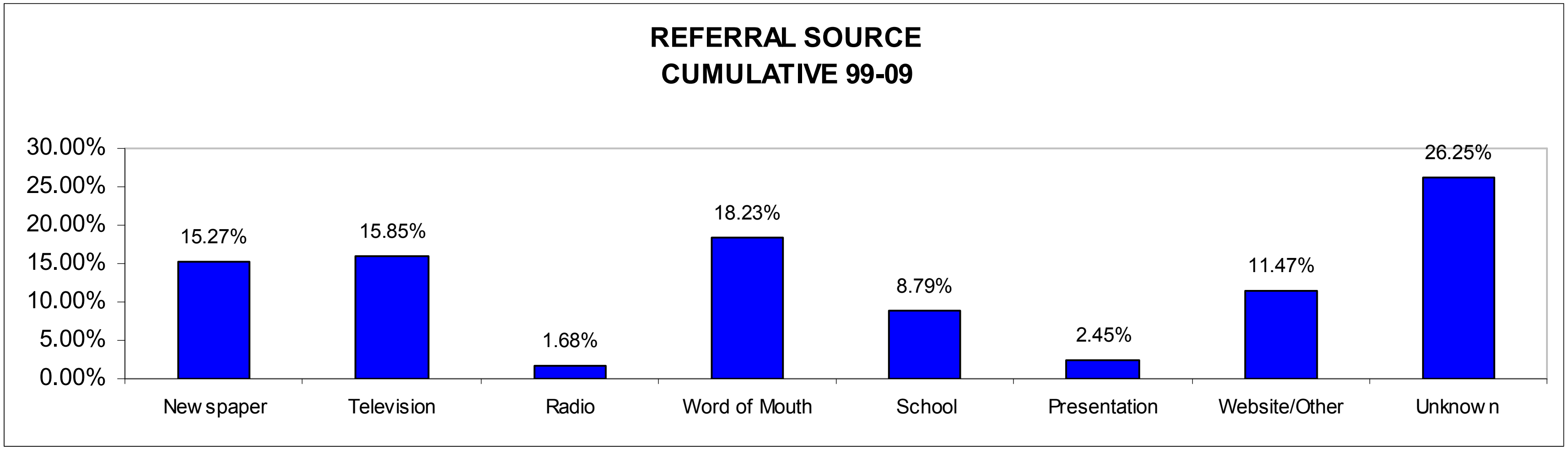


	FISCAL YEARS 99 - 08			FISCAL YEAR 09			CUMULATIVE	
	COUNT	%		COUNT	%		COUNT	%
H.S. Diploma	2427	20.30%		51	12.69%		2,478	20.05%
GED	202	1.69%		1	0.25%		203	1.64%
AA Degree	1365	11.42%		32	7.96%		1,397	11.30%
Bachelor's Degree	3070	25.68%		133	33.08%		3,203	25.92%
Master's Degree	1331	11.13%		59	14.68%		1,390	11.25%
Ph.D	173	1.45%		12	2.99%		185	1.50%
Other	828	6.92%		34	8.46%		862	6.97%
Not Reported	2561	21.42%		80	19.90%		2,641	21.37%
Total	11,957	100.00%		402	100.00%		12,360	100.00%

PURCHASER INCOME RANGE
CUMULATIVE 99-09



	FISCAL YEARS 99 - 08			FISCAL YEAR 09			CUMULATIVE	
	COUNT	%		COUNT	%		COUNT	%
< $20K	127	1.06%		0	0.00%		127	1.03%
$20-29K	391	3.27%		1	0.25%		392	3.17%
$30-39K	599	5.01%		7	1.74%		606	4.90%
$40-49K	958	8.01%		18	4.48%		976	7.90%
$50-79K	2,701	22.59%		79	19.65%		2,780	22.49%
$80-100K	1,745	14.59%		58	14.43%		1,803	14.59%
Over $100K	1,973	16.50%		138	34.33%		2,111	17.08%
Not Reported	3,463	28.96%		101	25.12%		3,564	28.84%
Total	11,957	100.00%		402	100.00%		12,360	100.00%



	FISCAL YEARS 99 - 08			FISCAL YEAR 09			CUMULATIVE	
	COUNT	**%**		**COUNT**	**%**		**COUNT**	**%**
Newspaper	1619	16.05%		14	3.48%		1,633	15.27%
Television	1983	16.58%		23	5.72%		2,006	15.85%
Radio	210	1.76%		3	0.75%		213	1.68%
Word of Mouth	2159	18.06%		149	37.06%		2,308	18.23%
School	1093	9.14%		20	4.98%		1,113	8.79%
Presentation	305	2.55%		5	1.24%		310	2.45%
Website/Other	1302	10.89%		150	37.31%		1,452	11.47%
Unknown	3285	27.47%		38	9.45%		3,323	26.25%
Total	11,957	102.50%		402	100.00%		12,360	100.00%