NEVADA PUBLIC EMPLOYEES' DEFERRED COMPENSATION PLAN
Carson City, Nevada

FINANCIAL STATEMENTS
June 30, 2011 and 2010

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Independent Auditor's Report

Deferred Compensation Committee
Nevada Public Employees' Deferred Compensation Plan
Carson City, Nevada

We have audited the accompanying statements of net assets available for plan benefits of the Nevada Public Employees' Deferred Compensation Plan (the Plan) as of June 30, 2011 and 2010, and the related statements of changes in net assets available for plan benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for plan benefits of the Plan as of June 30, 2011 and 2010, and the changes in net assets available for plan benefits for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

CliftonLarsonAllen LLP

Baltimore, Maryland
April 10, 2012

This discussion and analysis of the Nevada Public Employees' Deferred Compensation Plan (the Plan) financial performance provides an overview of the Plan's financial activities for the years ended June 30, 2011, 2010, and 2009. It is presented as required supplemental information to the financial statements. Please read it in conjunction with the Plan's financial statements which follow this section.

Financial Highlights

- Net assets available for plan benefits increased by approximately $78.3 million during the current year from $479.7 million at June 30, 2010 to $558.0 million at June 30, 2011. This increase was primarily due to a gain on mutual fund investments, and interest income, during 2011. Net assets available for plan benefits increased by approximately $54.7 million during 2010 from $425.0 million at June 30, 2009 to $479.7 million at June 30, 2010. This increase was primarily due to a gain on mutual fund investments during 2010.

- Employee contributions decreased from $44.3 million for the year ended June 30, 2010 to $39.7 million for the year ended June 30, 2011. This decrease was primarily due to a decrease in the number of actively contributing participants. There were 7,890 and 7,873 actively contributing participants as of June 30, 2011 and 2010, respectively. Employee contributions increased from $41.7 million for the year ended June 30, 2009 to $44.3 million for the year ended June 30, 2010. This increase was primarily due to the increase in the number of actively contributing participants during 2010. There were 7,873 and 8,068 actively contributing participants as of June 30, 2010 and 2009, respectively.

- Rollover contributions into the Plan increased from $5.5 million for the year ended June 30, 2010 to $5.7 million for the year ended June 30, 2011, due to a slight increase in the number of participants initiating rollovers in to the Plan. Rollover contributions into the Plan decreased from $6.6 million for the year ended June 30, 2009 to $5.5 million for the year ended June 30, 2010. This decrease was primarily due to the fact that there were more new participants joining the Plan in 2009 than there were in 2010.

- The Plan's net investment income, including interest income increased from a $39.0 million gain for the year ended June 30, 2010 to a $73.6 million gain for the year ended June 30, 2011. The increase was primarily due to improved financial market conditions during 2011. The Plan's net investment gain (loss), including interest income increased from a $50.2 million loss for the year ended June 30, 2009 to a $39.0 million gain for the year ended June 30, 2010. The increase was primarily due to poor financial market conditions during both 2009 and 2010; however, they significantly improved during 2010.

- Distributions to participants increased from $34.5 million for the year ended June 30, 2010 to $40.7 million for year ended June 30, 2011. This increase was primarily due to an increase in the number of retirees from 2010 to 2011, and an increase in the average benefit payment. There were 2,355 and 2,023 active retirees as of June 30, 2011 and 2010, respectively. Distributions to participants increased from $31.4 million for the year ended June 30, 2009 to $34.5 million for year ended June 30, 2010. This increase was primarily due to an increase in the number of retirees from 2009 to 2010.

Overview of the Financial Statements

This financial report consists of the Statements of Net Assets Available for Plan Benefits and the Statements of Changes in Net Assets Available for Plan Benefits. These statements provide information about the financial position and activities of the Plan as a whole. The Notes to Financial Statements provide additional information that is essential to a full understanding of the financial statements. The notes are an integral part of the financial statements and include detailed information not readily evident in the basic financial statements.

The analysis below focuses on Net Assets Available for Plan Benefits (Table 1) and Changes in Net Assets Available for Plan Benefits (Table 2).

Table 1
Net Assets Available for Plan Benefits

	2011	2010	2009
Investments	$ 555,819,813	$ 478,058,149	$ 423,512,703
Employee contributions receivable	2,190,059	1,634,035	1,494,680
Net assets available for plan benefits	$ 558,009,872	$ 479,692,184	$ 425,007,383

Table 2
Changes in Net Assets Available for Plan Benefits

	2011	2010	2009
Additions			
Employee contributions	$ 39,657,413	$ 44,308,281	$ 41,735,159
Employer contributions	-	30	-
Rollover contributions	5,690,260	5,543,561	6,562,853
Administrative fee reimbursements	100,626	432,861	-
Net appreciation (depreciation) in fair value of mutual funds	62,887,424	27,483,290	(60,985,167)
Interest income	10,686,089	11,466,062	10,800,276
Deductions			
Benefits paid to participants	40,703,728	34,549,067	31,369,706
Administrative fees	396	217	-
Change in net assets available for plan benefits	$ 78,317,688	$ 54,684,801	$ (33,256,585)

Financial Contact

The Plan's financial statements are designed to present users with a general overview of the Plan's finances and to demonstrate the trustee's accountability. If you have questions about the report or need additional financial information, contact the Executive Officer of the Nevada Public Employees' Deferred Compensation Plan at 100 N. Stewart Street, Suite 210, Carson City, Nevada 89701.

FINANCIAL STATEMENTS

NEVADA PUBLIC EMPLOYEES'
DEFERRED COMPENSATION PLAN
STATEMENTS OF NET ASSETS AVAILABLE FOR PLAN BENEFITS
June 30, 2011 and 2010

	2011	2010
INVESTMENTS		
Fixed earnings investments	$ 274,451,123	$ 252,954,157
Variable earnings investments	278,611,269	222,891,187
Self-directed brokerage account options	2,757,421	2,212,805
Total investments	555,819,813	478,058,149
RECEIVABLES		
Employee contributions	2,190,059	1,634,035
NET ASSETS AVAILABLE FOR PLAN BENEFITS	$ 558,009,872	$ 479,692,184

The accompanying notes are an integral part of the financial statements.

NEVADA PUBLIC EMPLOYEES'
DEFERRED COMPENSATION PLAN
STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR PLAN BENEFITS
Years Ended June 30, 2011 and 2010

	2011	2010
ADDITIONS TO NET ASSETS ATTRIBUTED TO:		
Employee contributions	$ 39,657,413	$ 44,308,281
Employer contributions	-	30
Participant rollover contributions	5,690,260	5,543,561
Administrative fee reimbursements	100,626	432,861
Investment income:		
Net appreciation in fair value of mutual funds	62,887,424	27,483,290
Interest income	10,686,089	11,466,062
Total additions	119,021,812	89,234,085
DEDUCTIONS FROM NET ASSETS ATTRIBUTED TO:		
Benefits paid to participants	40,703,728	34,549,067
Administrative expenses	396	217
Total deductions	40,704,124	34,549,284
CHANGE IN NET ASSETS AVAILABLE FOR PLAN BENEFITS	78,317,688	54,684,801
NET ASSETS AVAILABLE FOR BENEFITS, BEGINNING OF YEAR	479,692,184	425,007,383
NET ASSETS AVAILABLE FOR BENEFITS, END OF YEAR	$ 558,009,872	$ 479,692,184

The accompanying notes are an integral part of the financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

The State of Nevada (the State) Public Employees Deferred Compensation Plan (the Plan), a defined contribution plan, was established pursuant to NRS 287.250 – 287.370, and Title 26 IRS Code, Section 457 Deferred Compensation Plan in January of 1980. The first contribution to the Plan was made in January of 1980 (commencement date). The purpose of the Plan is to provide a vehicle through which all employees of the State of Nevada may, on a voluntary basis, provide for additional retirement income security by deferring a portion of their current earnings.

Contributions

Under Plan provisions, employees of the State, political subdivisions, and other public entities of the State are eligible to contribute into the Plan through payroll deductions. There were 45 employers participating in the Plan and 7,890 and 7,873 active participants as of June 30, 2011 and 2010, respectively. In accordance with Section 457 of the Internal Revenue Code (IRC), the Plan limits the amount of an individual's annual contribution to 100% of annual gross includable compensation, not to exceed $16,500 for calendar years 2011 and 2010. Special "catch-up" rules may permit an additional annual deferral up to $5,500 for calendar years 2011 and 2010 in certain circumstances. Participants are required to contribute a minimum contribution amount of $12.50 each pay period.

The Plan also allows special limitation (or Section 457 Catch Up) for certain participants. The allowability of these contributions is as follows:

For one or more of the Participant's last three taxable years ending before the Participant attains Normal Retirement Age, notwithstanding the limits set above, the maximum amount that may be contributed shall be the lesser of:

(A) Twice the dollar ($16,500 for calendar years 2011 and 2010) amount in effect under the Basic Limitation as set forth in Section 457(e)(15) of the code; or

(B) The underutilized limitation. For such purposes, the underutilized amount is the sum of:

   (1) An amount equal to (i) the Basic Limitation identified above ($16,500 for calendar years 2011 and 2010) of the taxable year plus each calendar year beginning after December 31, 2001 during which the Participant was an Employee under the Plan reduced by (ii) the Participant's annual deferrals under the Plan during such years.

   (2) An amount equal to such limitation as established under Section 457(b) (2) of the Code for each taxable year beginning after December 31, 1978 and before January 1, 2002 in which the Participant was eligible to participate less the amount of the Participant's annual deferrals to Pre-2002 Coordination Plans for such prior taxable year or years (disregarding any age 50 catch up deferrals). In determining the underutilized limitation for taxable years prior to 2002, the special rules set forth in Treas. Reg § 1.457-4(c)(3)(iv) shall be applied.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions (Continued)

Amounts contributed by employees are deferred for federal and state income tax purposes until benefits are paid to the employees. The Plan does not prohibit the employer from making deposits to a participants account as additional compensation for services rendered. Employer contributions of $30 were made to the plan during the year ended June 30, 2010. No employer contributions were made to the plan during the year ended June 30, 2011.

Under provisions of the Small Business Job Protection Act of 1996 (SBJPA), which became effective for Plan years beginning after December 31, 1996, assets of IRC Section 457 plan must be held in a trust, custodial account or annuity contract, for the exclusive benefit of employees and beneficiaries and will no longer be solely the property of the employer and subject only to claims of the employer's general creditors. At June 30, 2011 and 2010, the Plan met the requirements of the SBJPA.

Participant Accounts

Employees electing to participate in the Plan may contribute to any of the following options:

- A stable value fund administered by ING Life Insurance and Annuity Company (ING)
- The Hartford Retirement Plans Group (The Hartford) General Account, a fixed investment option administered by The Hartford.
- Variable earnings investments consisting of various publicly-traded and plan specific mutual funds; and
- Self-directed brokerage account option administered by Charles Schwab and TD Ameritrade.

Participants are fully vested in their accounts at all times.

Payment of Benefits

Employees may withdraw the value of the funds contributed to the Plan upon termination of employment with the employer, retirement, reaching the age of 70½ years old, death, severe financial hardship, or if a participant's account balance does not exceed $5,000 and no amount was deferred during a 2-year period and there was no prior distribution. Employees, or their beneficiaries, may select various payout options which include lump sum or periodic payments.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with the accounting principles generally accepted in the United States of America for governmental entities and present the assets available for plan benefits and changes in those assets.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America may require management to make estimates and assumptions that affect amounts reported in financial statements and accompanying notes. Actual results may differ from those estimates.

Investment Valuation

The ING stable value fund is reported at fair value. The Hartford General Account is reported at contract value, which approximates fair value. Variable earnings investments in publicly-traded mutual funds are presented at fair value based on published quotations. All purchases and sales of investments are recorded on a trade-date basis.

Contributions

Contributions are recognized when amounts are withheld from employees.

Variable Earnings Investment Income

Variable earnings investment income consists of dividends earned and realized and unrealized gains and losses attributed to the mutual funds supporting the variable earnings investments. Dividends are recorded on the ex-dividend date.

Interest Income

Interest income for the fixed earnings investments is recorded as earned on the accrual basis. The following table summarizes the interest rates credited for The Hartford General Account the ING Stable Value Option (terminated May 25, 2010), and the ING Stable Value Fund (effective May 25, 2010) during each quarter:

	Annual Rate as of the Quarter Ended			
	September 30, 2010	December 31, 2010	March 31, 2011	June 30, 2011
The Hartford - General Account	4.75%	4.75%	4.50%	4.50%
ING – Stable Value Fund	2.96%	2.82%	2.68%	2.49%

	Annual Rate as of the Quarter Ended			
	September 30, 2009	December 31, 2009	March 31, 2010	June 30, 2010
The Hartford - General Account	5.00%	5.00%	4.75%	4.75%
ING – Stabilizer Option	4.75	4.75	3.00	3.00
ING – Stable Value Fund	N/A	N/A	N/A	2.95

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Distributions

Distributions are recorded at the time withdrawals are made from participant accounts.

Participants Accounts

Earnings are credited to individual participants' accounts based upon the investment performance of each specific option selected.

NOTE 2 – INVESTMENTS AND DEPOSITS

The most recent Nevada Public Employees' Deferred Compensation Program's Statement of Investment Policy was adopted in March of 2006. This policy outlines the types of allowable investment options for the Plan. The allowable investment options include the following:

1) Stability Principal Option(s)
2) Fixed Income
3) Balanced Fund(s)
4) U.S., International, and Global Equity Fund(s)
5) Socially Responsive Fund(s)
6) Asset-Allocation Portfolios

The Deferred Compensation Committee has overall responsibility for ensuring that the assets of the Plan are in compliance with all applicable laws governing the operation of the Plan and also for establishing the related investment guidelines and policies.

The fair or contract value of investments held in the name of the Plan at June 30, were as follows:

Investments marked with an asterisk (*) represent individual investment options, which exceed 5% of the net assets available for plan benefit. Investments marked with two asterisks (**) represent international mutual funds.

NOTE 2 – INVESTMENTS AND DEPOSITS (CONTINUED)

	2011		2010	
Fixed Earnings Investments:				
The Hartford General Account	$ 245,387,240	*	$ 221,357,027	*
ING Stable Value Fund	29,063,883	*	31,597,130	
Total Fixed Earnings Investments	274,451,123		252,954,157	
Variable Earnings Investments:				
Hartford Midcap HLS IA	36,703,145	*	29,462,014	*
INVESCO Van Kampen Equity and Income I	30,658,825	*	27,356,651	*
Victory Diversified Stock Fund A	26,956,036		23,606,706	*
T. Rowe Price Growth Stock	20,391,936		16,030,253	
Vanguard Institutional Index Fund Institutional	18,509,376		14,088,373	
Nevada Moderate Lifestyle	-		11,723,656	
State Street Global Advisors Bond Market Non-Lending Series	8,935,191		9,397,248	
Nevada Aggressive Lifestyle	-		9,053,301	
American Beacon Large Cap Value Fund Investor	10,316,907		8,822,146	
Mutual Global Discovery Fund A	9,982,183	**	8,504,031	**
Alliance Bernstein International Value Fund Advisor	688	**	8,077,415	**
Oppenheimer Main Street Small Cap Fund Y	8,299,452		6,360,049	
Columbia Small Cap Value Fund II Z	7,497,888		5,543,003	
American Funds Growth Fund of America R3	5,075,663		4,299,306	
Dodge and Cox International Stock Fund	3,838,494	**	2,965,066	**
Vanguard Total Bond Market Index Fund Institutional	3,350,384		2,654,083	
ING T. Rowe Price Capital Appreciation I	3,199,464		2,420,530	
Allianz NFJ Dividend Value Fund Institutional	3,272,922		2,390,748	
Neuberger Berman Socially Responsive Fund Investor	4,418,153		2,361,602	
Hartford Small Company HLS IA	3,843,878		2,325,888	
Vanguard Small-Cap Index Fund Signal	4,479,520		2,283,846	
CRM Mid Cap Value Fund Institutional	3,406,767		2,185,209	
Nevada Conservative Lifestyle	-		2,141,275	
Vanguard Target Retirement 2025 Fund Investor	2,507,949		1,878,571	
Vanguard Mid-Cap Index Fund Signal	1,247,815		1,825,184	
RiverSource Mid Cap Value Fund R4	2,331,736		1,743,448	
Munder Mid-Cap Core Growth Fund Y	2,179,649		1,557,232	
Vanguard Target Retirement 2015 Fund Investor	17,267,433		1,496,336	
Columbia Acorn Fund A	1,926,513		1,335,027	
American Funds Capital World Growth & Income Fund R3	1,406,071	**	1,094,981	**
Baron Growth Fund Retail	1,466,343		1,086,305	
Vanguard Target Retirement 2045 Fund Investor	1,340,260		973,872	
Lazard U.S. Mid Cap Equity Portfolio Open	1,190,521		955,300	
Evergreen Special Values Fund A	1,148,387		881,717	
Vanguard Target Retirement 2035 Fund Investor	13,476,266		802,114	
Fidelity Contrafund	1,180,845		795,722	
State Street Global Advisors S&P Midcap Non Lending Series Index	1,687,738		715,477	
American Beacon International Equity Index Fund Institutional	10,449,822	**	649,284	**
Vanguard Target Retirement Income Fund Investor	3,525,391		467,536	
Keeley Small Cap Value Fund A	428,090		252,962	
Vanguard Developed Markets Index Fund Investor	513,079	**	239,780	**
Parnassus Equity Income Fund Investor	200,489		87,940	
Total Variable Earnings Investments	278,611,269		222,891,187	
Self Directed Options				
Schwab Self-Directed Brokerage Account	2,368,539		1,846,678	
TD Ameritrade Brokerage Account	388,882		366,127	
Total Self Directed Options	2,757,421		2,212,805	
Total Investments	$ 555,819,813		$ 478,058,149	

NOTE 2 – INVESTMENTS AND DEPOSITS (CONTINUED)

Custodial credit risk is the risk that, in the event of a failure of the counterparty, the Plan would not be able to recover the value of its deposits, investments, or collateral securities that were in the possession of an outside party. Investment securities are exposed to custodial credit risk if they are uninsured or not registered in the name of the Plan and are held by either the counterparty or the counterparty's trust department or agent, but not in the Plan's name.

Investments in the ING fixed earnings investments are held in trust for the Plan by ING, agent of the Plan, as a result these investments are not exposed to custodial credit risk.

Investments in The Hartford General Account are not held in the Plan's name by The Hartford, agent of the Plan. As such, the investments held in the Hartford General Account are exposed to custodial credit risk.

Credit risk is the risk that an issuer or the counterparty to an investment will not fulfill its obligations and the Plan could lose money as a result. Credit risk is measured by nationally recognized statistical rating agencies such as Moody's investor services, standard and Poor's and Fitch Ratings. The Plan manages credit risk by requiring both ING and The Hartford to provide investment options that comply with the Plan's statement of investment policy and by requiring any change in credit ratings be reported within 60 days. The ING Stable Value Fund, The Hartford General Account Option and the variable earnings mutual funds are unrated.

Concentration of credit risk is the risk of loss attributed to the magnitude of the Plan's investment in a single issuer. The Plan's investments are managed by several fund managers. The concentrations of investments are determined by the participants' elections to invest in the available investment options as selected by the Committee. Concentration of credit risk is therefore not controllable by the Committee. The investments that exceed 5% are identified on page 11.

Foreign Currency Risk is the risk that changes in exchange rates will adversely affect the fair value of the investment. The Plan allows the option of investments in mutual funds of countries outside the U.S. that invest in securities that are not required to disclose the individual assets within the fund. The fair value of these investments was $26,190,337 and $21,530,557 as of June 30, 2011 and 2010, respectively. The individual funds are identified on page 11.

Interest rate risk is the risk that changes in interest rates that will adversely affect the value of an investment.

NOTE 2 – INVESTMENTS AND DEPOSITS (CONTINUED)

As of June 30, the Plan had the following investments and maturities in its fixed earnings investments and mutual funds which included investments in bonds.

	2011		2010	
	Fair Value	Weighted Average Maturity	Fair Value	Weighted Average Maturity
Fixed Earnings Investments:				
The Hartford General Account	$ 245,387,240	N/A [1]	$ 221,357,027	N/A [1]
ING Stable Value Fund	29,063,883	2.63	31,597,130	4.49
Variable Earnings Investments:				
Nevada Moderate Lifestyle	-	N/A [2]	11,723,656	5.21
State Street Global Advisors Bond Market Non Lending Series	8,896,889	N/A [2]	9,397,248	4.31
Nevada Aggressive Lifestyle	-	N/A [2]	9,053,301	6.40
Vanguard Total Bond Market Index Fund Institutional	3,350,384	7.40	2,654,083	6.40
ING T. Rowe Price Capital Appreciation I	3,199,464	6.85	2,420,530	4.75
Nevada Conservative Lifestyle	-	N/A [2]	2,141,275	5.04
Vanguard Target Retirement 2025 Fund Investor	2,507,949	7.30	1,878,571	6.80
Vanguard Target Retirement 2015 Fund Investor	17,267,433	7.43	1,496,336	6.80
Vanguard Target Retirement 2045 Fund Investor	1,340,260	7.30	973,872	6.80
Vanguard Target Retirement 2035 Fund Investor	13,476,266	7.30	802,114	6.80
Vanguard Target Retirement Income Fund Investor	3,525,391	7.99	467,536	7.50

N/A[1] – The weighted average maturity for the Hartford General Account is not available. While there is no weighted average maturity, this option is backed by the general account assets of The Hartford.

N/A[2] – Fund had a zero balance at June 30, therefore the weighted average maturity is not presented.

The mutual funds in the charts listed below do not have a weighted average maturity. The Hartford and ING provided the following information related to the duration of the investments as of June 30:

NOTE 2 – INVESTMENTS AND DEPOSITS (CONTINUED)

	2011								
	Fair Value	Maturity 1-3 Yr %	Maturity 3-5 Yr %	Maturity 5-7 Yr %	Maturity 7-10 Yr %	Maturity 10-15 Yr %	Maturity 15-20 Yr %	Maturity 20-30 Yr %	Maturity 30+ Yr %
Variable Earnings Investments:									
INVESCO Van Kampen Equity and Income I	30,658,825	23.74	29.51	9.77	14.57	9.30	4.03	8.84	0.24
Mutual Global Discovery Fund A	9,982,183	9.57	41.94	31.36	17.12	-	-	-	-

	2010								
	Fair Value	Maturity 1-3 Yr %	Maturity 3-5 Yr %	Maturity 5-7 Yr %	Maturity 7-10 Yr %	Maturity 10-15 Yr %	Maturity 15-20 Yr %	Maturity 20-30 Yr %	Maturity 30+ Yr %
Variable Earnings Investments:									
Van Kampen Equity and Income I	27,356,651	18.72	29.03	9.35	17.03	7.45	6.19	11.80	0.43
Mutual Global Discovery Fund A	8,504,031	5.91	66.26	27.83	-	-	-	100.00	-

NOTE 3 – PLAN ADMINISTRATION

The Plan administrators are The Hartford and ING. Neither ING nor The Hartford assesses a fee for plan participants. Provider revenue is generated as revenue sharing fee agreements between the various mutual fund companies and the service providers, in addition to administrative fees on certain investment options.

NOTE 4 – TAX STATUS

In the opinion of the Plan's legal counsel, the Plan is an eligible deferred compensation plan as defined by Section 457 to the IRC. Accordingly, any amount of compensation deferred under the Plan and any income attributable to the amounts so deferred shall be included in the gross income of the participant only for the taxable year in which such compensation or other income is paid or, otherwise, made available to the participant or their beneficiary.

NOTE 5 – PLAN TERMINATION

The State may terminate the Plan at any time, although no intent to terminate the Plan has been expressed. In the event of termination, all participants would remain fully vested.

NOTE 6 – RISKS AND UNCERTAINTIES

The Plan, as directed by participants, invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the Statements of Net Assets Available for Plan Benefits.

NOTE 7 – RELATED PARTY TRANSACTIONS

All members of the Deferred Compensation Committee as well as the Plan's Executive Officer are participating or retired members of the Plan.

NOTE 8 – SELF DIRECTED BROKERAGE OPTION

The participants may select a self-directed brokerage account with Charles Schwab or TD Ameritrade. The annual account fees for these accounts were waived for the years ending June 30, 2011 and 2010.

NOTE 9 – ADMINISTRATIVE EXPENSES & REIMBURSEMENTS

Administrative expenses are paid by participants through revenue sharing fee agreements between the various mutual fund companies and the service providers, in addition to administrative fees on certain funds. Any unused administrative fees are credited back to participants in the form of administrative fee reimbursements, which are shown as contributions within each participants account.

NOTE 10 – INTER-PROVIDER TRANSFERS

Inter-provider transfers represent participant account balance transfers to/from the Hartford and ING. For the years ended June 30, 2011 and 2010 inter-provider transfers totaled $2.2 million and $1.7 million, respectively.

NOTE 11 – SUBSEQUENT EVENTS

The Plan evaluated subsequent events through April 10, 2012, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2011, but prior to April 10, 2012 that provided additional evidence about conditions that existed at June 30, 2011, have been recognized in the financial statements for the year ended June 30, 2011. Events or transactions that provided evidence about conditions that did not exist at June 30, 2011, but arose before the financial statements were available to be issued have not been recognized in the financial statements for the year ended June 30, 2011.