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Upcoming Holidays

UESP's office will be closed on:

- Monday, May 25, 2009
- Friday, July 3, 2009
- Friday, July 24, 2009

UESP is a Section 529 plan managed and administered by the Utah State Board of Regents and the Utah Higher Education Assistance Authority (UHEAA).

Read the Program Description for more information and consider all investment objectives, risks, charges, and expenses before investing. Call 800.418.2551 for a copy of the Program Description or visit www.uesp.org.

Investments are not guaranteed by UESP, the Utah State Board of Regents, UHEAA, or any other state or federal agency. However, FDIC insurance is provided for the FDIC-insured savings account. Please read the Program Description to learn about UESP's FDIC-insured savings account. Your investment could lose value.

Non-Utah taxpayers and residents should determine whether the state in which they or their beneficiary live or pay taxes offers a 529 plan that provides state tax or other benefits not otherwise available to them through UESP.

New Investment Option

In February, UESP launched a new static investment option: *Option 11: FDIC-Insured Savings*.

Funds invested in Option 11 are subject to FDIC insurance. Earnings are based on a blended interest rate indexed to past performance of the Utah Public Treasurer's Investment Fund (PTIF) and according to the amount of funds in an account.

FDIC-Insured Savings Account

The underlying investment of Option 11 is an FDIC-insured savings account offered in partnership with Zions First National Bank.

Headquartered in Salt Lake City, Zions First National Bank is a subsidiary of Zions Bancorporation, which operates 500 offices in ten western and southwestern states. Visit www.zionsbank.com to learn more about the bank.

FDIC Insurance

Two components determine the extent of FDIC coverage of your funds: the FDIC insurance limit and the total of all your accounts held at Zions First National Bank.

Insurance Limit. FDIC insurance covers contributions and earnings up to the limit set by law. That limit is usually \$100,000; however, Congress has temporarily raised it to \$250,000 through December 31, 2009.

All Accounts at Zions First National Bank. To determine the extent of your insurance coverage, the FDIC combines all of your accounts at Zions First National Bank (including your investments in the UESP FDIC-insured savings account) that are in the same ownership category. To learn more about ownership categories, visit the FDIC's Web site at www.fdic.gov.

Ask your financial adviser to help you determine the best situation for your college funds.

“People are very reassured by the insurance, and the demand for the product has been very strong. Parents and grandparents think of it as a seat belt for their college savings accounts.”

~UESP Director Lynne Ward, as quoted in *Investment News*, March 15, 2009

New Age-Based Investment Allocations

Besides offering the FDIC-insured savings account as an investment option, changes were made to the allocations of age-based accounts invested in Options 2, 7, 8, and 9.

Specifically, funds from these accounts previously invested in the PTIF have been reallocated to the FDIC-insured savings account (see the Investment Option Asset Allocations table in the February 2009 Program Description).

These funds were transferred to the FDIC-insured savings account to provide age-based investments with the opportunity to have FDIC insurance coverage, with the allocation of insured funds increasing as the beneficiary gets closer to college age.

The funds previously invested in the PTIF were transferred to the savings account during February 2009. Affected accounts

received earnings from the PTIF during the first part of February and thereafter received earnings from the savings account.

The IRS will allow two option changes during calendar year 2009, and the savings account reallocation does not count as one of these option changes.

However, if you do not want your funds invested in the savings account, please select a new investment option for your account(s) by submitting a completed Investment Option Change form (form 405).

Affected account owners were sent a letter regarding the savings account reallocation. If you have questions about how this reallocation affects your account, please call us at 800.418.2551.

Administrative Fees Charged Monthly

Beginning in April 2009, UESP will assess administrative fees on the last day of the month instead of the last day of the quarter. Our low fees aren't changing, just when they're charged.

The Asset Fee is an annual fee of 0.22 percent. It will be assessed at 0.0183 percent of an account's balance on the last day of each month instead of 0.055 percent at the end of each quarter. This fee is waived for Utah resident account owners invested in Option 1.

The Maintenance Fee is an annual fee of \$3 per \$1,000, capped at \$15 per year. It will be assessed at 0.025 percent (up to \$1.25) of an account's balance on the last day of each month instead of 0.075 percent (up to \$3.75) each quarter. This fee is waived for all Utah residents.

These changes will appear on your June 2009 quarterly statement or you can see them by logging into your account online at www.uesp.org.

If you have questions about how fees are calculated, call us at 800.418.2551.

Computers Are Qualified Expenses in 2009 and 2010

As part of the American Recovery and Reinvestment Act of 2009, account owners can claim computers and related equipment as a qualified higher education expense for their college students during 2009 and 2010.

Specifically, the Act defines computer-related qualified expenses as "expenses paid or incurred in 2009 or 2010 for the purchase of any computer technology or equipment or Internet access and related services, if such technology, equipment, or services are to be used by the beneficiary and the beneficiary's family during any of the years the beneficiary is enrolled at an eligible educational institution."

Caution: software designed for sports, games, or hobbies are not considered qualified expenses unless they are "predominantly educational in nature."

Messages from UESP's Investment Partners

We invited our investment partners to comment on the health of their institutions during this season of economic malaise. Here's what they had to say.

Vanguard
vanguard.com

"Vanguard's singular commitment to clients helps shape our approach to investment management. Our watchwords are discipline, prudence, and low costs.

We have no exposure to the kinds of investment-banking business and proprietary trading losses that have shaken Wall Street. We don't borrow money to leverage, or magnify, investment returns in our stock, bond, or money market funds.

Our structure ensures that our focus remains solely and squarely on our shareholders. Helping investors achieve their goals is our sole reason for existence. Because Vanguard is owned by its funds, which in turn are owned by their investors, there are no other parties to answer to and, therefore, no conflicting loyalties.

We make every decision—such as keeping investing costs as low as possible—with only your needs in mind. This focus is helpful all the time, but especially in challenging markets because it allows us to remain true to our long-term view. This objective defines our value proposition: combining highly disciplined investment management and attentive service at a very low cost."

Utah's State Treasurer
treasurer.utah.gov/investmentfund.html

"The Utah Public Treasurer's Fund (PTIF) was established to provide a safe, liquid, competitive investment alternative for

In the News

“529 plans offer no guarantees. But I believe UESP is a good option if you want to save money for your children's education, and I think saving is always a good idea.”

~ Greg Kratz, *Deseret News*
January 20, 2009

Online Survey

We've posted a survey at www.uesp.org so you can tell us how we are doing.

We are constantly seeking ways to better support you in saving for higher education and to create a greater awareness of the benefits of owning a UESP account.

Please take a few minutes to give us your thoughts. The survey will be posted until May 30, 2009.

local government entities. It has been able to pay a competitive yield by purchasing securities up to two years in maturity and using high grade corporate debt.

We continue to focus on purchasing the highest quality securities available at attractive prices as sellers are scrambling to meet their liquidity requirements.

The portfolio is not actively traded to try and take positions that might enhance yield. Investments are purchased with the intent to hold them until they mature.

The credit quality of the portfolio is stronger than ever."

Zions First National Bank
zionsbank.com

"In 2008, Zions Bank celebrated its 135th anniversary. Over the past 135 years, Zions Bank has weathered many economic storms and has remained a strong, viable institution. This continues to hold true today. In an uncertain economy, at least one thing remains certain—the strength and security of Zions Bank.

While this is a challenging environment for the entire banking industry, the core banking business of Zions Bank remains remarkably strong. Zions Bank has strengthened its balance sheet by building record high levels of capital and liquidity, the bank's net short-term borrowings have been eliminated, and net charge-offs remain about half the industry average.

Zions Bank also continues to successfully extend new credit. In fact, Zions Bank's total loans increased by more than \$1.7 billion in 2008, reflecting a continued effort to make credit available to credit-worthy individuals and businesses. This, in turn, will help us weather this economic storm and strengthen our economy."

How Do I Change Future Investments?

A common question we hear from account owners is: "How do I keep the money I've contributed in one investment option but direct future contributions to a new option?"

Changing future contributions is easy: simply open a new account for your beneficiary, selecting a different investment option for the new account. This is also a great way to diversify your UESP holdings.

Here's how to do it:

- Open a new account online at www.uesp.org or submit a new Account Agreement (form 100).
- Designate the same beneficiary that's on the existing account.
- Select a different investment option from the one on the existing account.
- Send contributions to one or both accounts.

Keep in mind that if you have multiple accounts for a single beneficiary, withdrawals are taken proportionately from all accounts (see page 19 in the February 2009 Program Description for more information). In addition, accounts owned by non-Utahns will be subject to the annual Administrative Maintenance Fee.

With low fees, easy setup, and account flexibility, UESP specializes in helping you save for higher education expenses.

Ready or Not: Time for College

April showers bring May graduates! Your high school seniors are just weeks away from graduation, and they are probably gearing up for college. Here are a few things to consider before you withdraw funds from your UESP account:

- Your UESP funds can be used to pay for things required for attendance: tuition, fees, books, supplies, computers, and room and board (if attending school at least half time).
- The IRS requires that accounts with the same account owner/beneficiary combination withdraw funds proportionately from each account. UESP will calculate this for you when you submit a withdrawal request.
- UESP will send the money to you, to the beneficiary, or directly to an eligible educational institution.
- Withdrawals of \$25,000 or more require a signature guarantee.

Once you're ready, complete the Withdrawal Request form (form 300), available at www.uesp.org. Don't wait till the last minute; allow two weeks for your request to be processed.

Infrequently Asked Questions

In this section we answer questions about UESP that some of our account owners have asked.

Why aren't all my statements in one envelope? It's not uncommon for someone to have more than ten accounts with UESP. Statements can vary in length depending on the activity on

each account, so it is not always possible to fit all statements into one envelope. We also encourage account owners to opt for online account statements by signing up at www.uesp.org.

Why don't we show the beneficiary's middle name or nickname on the statement? UESP excludes middle names and nicknames due to space limitations on the statement.

Vanguard Expense Ratios Inch Up

Vanguard recently increased the expense ratios for the International Value Fund (VTRIX) and the Institutional Developed Markets Index Fund (VIDMX).

The new **International Value Fund** expense ratio affects accounts invested in Options 6, 7, 8, and 9. This resulted in the asset-based fee for the 0–3 and 4–6 age brackets in Option 8 increasing from 0.345 to 0.35 percent and 0.335 to 0.340 percent, respectively. The increase for the other age brackets and options is less than 0.005 percent.

Example: A Non-Utah resident account owner investing \$10,000 in Option 8 would see a fee increase of \$2.74 over 5 years.

The new **Institutional Developed Markets Index Fund** expense ratio affects accounts invested in Option 10. This resulted in the asset-based fee increasing from 0.282 to 0.294 percent.

Example: A Non-Utah resident account owner investing \$10,000 in Option 10 would see a fee increase of \$6.86 over 5 years.

Download your updated fee structure chart from the *Fees & Expenses* page at www.uesp.org.

Why a Second Grader Loves UESP

Contributed by Allan Roth, author of How a Second Grader Beats Wall Street

"The wisdom we gain by second grade seems to fall by the wayside as we grow older. We lose sight of some basic rules and tend to outsmart ourselves. Nearly all of my son's college money is with UESP because it meets these simple golden rules, and more:

I don't play a loser's game. Costs matter and UESP knows it. Forget the garbage that expensive active managers dish out when they claim to add value by claiming they can be defensive when the market turns south.

As painful as 2008 was, a 60 percent stock allocation at UESP lost 4.34 percent less than the average college 529 plan with the same allocation, according to my calculations from data provided by savingforcollege.com. Higher fees equal lower returns, no matter how the market performs. It's simple arithmetic!

I don't put all of my eggs in one basket. It's not how many funds you own that count, it's how diversified those funds are. With a few funds, UESP account holders can be invested in thousands of stocks and bonds across the globe.

I don't bet my lunch money. Any second grader knows not to take chances with money he'll need soon. UESP's age-based plans automatically become more conservative as the beneficiary gets closer to needing the money.

The sculptor Constantin Brancusi once said "simplicity is complexity resolved." Both the second grader and his dad think that UESP is simply brilliant!"

Utah Educational Savings Plan

Investment Option Performance as of March 31, 2009

	Latest Month	Latest Three Months	Latest Quarter End ¹	Year to Date ²	Average Annual Return ³				Inception Date
					One Year	Three Year	Five Year	Since Inception	
AGE-BASED INVESTMENT OPTIONS									
2: S&P/Bonds/Savings									
Age 0-3	8.37%	-10.50%	-10.50%	-10.50%	-36.22%	-12.48%	-4.74%	-3.39%	9/20/99
Age 4-6	7.65%	-9.36%	-9.36%	-9.36%	-32.13%	-10.60%	-3.85%	-2.45%	9/20/99
Age 7-9	6.92%	-8.23%	-8.23%	-8.23%	-28.04%	-8.72%	-2.97%	-1.51%	9/20/99
Age 10-12	6.19%	-7.10%	-7.10%	-7.10%	-23.94%	-6.84%	-2.08%	-0.57%	9/20/99
Age 13-15	4.96%	-5.39%	-5.39%	-5.39%	-17.84%	-4.17%	-0.79%	0.61%	9/20/99
Age 16+	2.93%	-2.55%	-2.55%	-2.55%	-7.68%	0.29%	1.36%	2.62%	9/20/99
College Enrolled ⁴	0.10%	0.34%	0.34%	0.34%	2.21%	3.83%	3.25%	3.24%	9/20/99
3: S&P/Bonds									
Age 0-3	8.74%	-11.06%	-11.06%	-11.06%	-38.27%	-13.42%	-5.18%	-3.86%	9/20/99
Age 4-6	8.74%	-11.06%	-11.06%	-11.06%	-38.27%	-13.42%	-5.18%	-3.86%	9/20/99
Age 7-9	8.74%	-11.06%	-11.06%	-11.06%	-38.27%	-13.42%	-5.18%	-3.86%	9/20/99
Age 10-12	8.37%	-10.50%	-10.50%	-10.50%	-36.22%	-12.48%	-4.74%	-3.39%	9/20/99
Age 13-15	7.65%	-9.36%	-9.36%	-9.36%	-32.13%	-10.60%	-3.85%	-2.45%	9/20/99
Age 16+	6.92%	-8.23%	-8.23%	-8.23%	-28.04%	-8.72%	-2.97%	-1.51%	9/20/99
College Enrolled ⁴	6.19%	-7.10%	-7.10%	-7.10%	-23.94%	-6.84%	-2.08%	-0.57%	9/20/99
7: Diversified—A									
Age 0-3	8.88%	-11.10%	-11.10%	-11.10%	-39.65%	-14.67%	-4.49%	2.32%	4/1/03
Age 4-6	8.88%	-11.10%	-11.10%	-11.10%	-39.65%	-14.67%	-4.49%	2.32%	4/1/03
Age 7-9	7.39%	-8.83%	-8.83%	-8.83%	-31.18%	-10.66%	-2.85%	2.64%	4/1/03
Age 10-12	5.91%	-6.56%	-6.56%	-6.56%	-22.72%	-6.65%	-1.22%	2.95%	4/1/03
Age 13-15	4.42%	-4.28%	-4.28%	-4.28%	-14.26%	-2.64%	0.41%	3.26%	4/1/03
Age 16+	2.93%	-2.01%	-2.01%	-2.01%	-5.79%	1.37%	2.04%	3.57%	4/1/03
College Enrolled ⁴	0.10%	0.34%	0.34%	0.34%	2.21%	3.83%	3.25%	2.88%	4/1/03
8: Diversified—B									
Age 0-3	7.28%	-8.93%	-8.93%	-8.93%	-32.05%	-10.16%	-2.34%	3.18%	4/1/03
Age 4-6	6.55%	-7.78%	-7.78%	-7.78%	-27.71%	-8.22%	-1.59%	3.26%	4/1/03
Age 7-9	5.82%	-6.63%	-6.63%	-6.63%	-23.37%	-6.28%	-0.84%	3.35%	4/1/03
Age 10-12	5.09%	-5.48%	-5.48%	-5.48%	-19.03%	-4.33%	-0.08%	3.44%	4/1/03
Age 13-15	4.23%	-4.33%	-4.33%	-4.33%	-14.73%	-2.55%	0.63%	3.43%	4/1/03
Age 16+	3.36%	-3.17%	-3.17%	-3.17%	-10.44%	-0.76%	1.34%	3.42%	4/1/03
College Enrolled ⁴	0.10%	0.34%	0.34%	0.34%	2.21%	3.83%	3.25%	2.88%	4/1/03
9: Diversified—Bonds Emphasis									
Age 0-3	5.13%	-5.45%	-5.45%	-5.45%	-18.76%	-4.49%	-0.24%	3.27%	4/1/03
Age 4-6	4.39%	-4.31%	-4.31%	-4.31%	-14.47%	-2.52%	0.54%	3.39%	4/1/03
Age 7-9	3.66%	-3.17%	-3.17%	-3.17%	-10.18%	-0.55%	1.32%	3.52%	4/1/03
Age 10-12	2.79%	-2.01%	-2.01%	-2.01%	-5.94%	1.27%	2.07%	3.54%	4/1/03
Age 13-15	1.91%	-0.86%	-0.86%	-0.86%	-1.70%	3.09%	2.81%	3.56%	4/1/03
Age 16+	1.04%	0.29%	0.29%	0.29%	2.54%	4.91%	3.55%	3.58%	4/1/03
College Enrolled ⁴	0.10%	0.34%	0.34%	0.34%	2.21%	3.83%	3.25%	2.88%	4/1/03
STATIC INVESTMENT OPTIONS									
1: PTIF⁵	0.07%	0.28%	0.28%	0.28%	2.15%	4.03%	3.58%	4.10%	11/1/96
4: S&P Index	8.74%	-11.06%	-11.06%	-11.06%	-38.27%	-13.42%	-5.18%	-3.86%	9/20/99
5: Bonds	1.45%	0.26%	0.26%	0.26%	2.67%	5.37%	3.68%	4.18%	9/9/02
6: 10% International	8.88%	-11.10%	-11.10%	-11.10%	-39.65%	-14.67%	-4.49%	2.32%	4/1/03
10: 30% International	8.42%	-12.32%	-12.32%	-12.32%	N/A	N/A	N/A	-31.41%	10/1/08
11: FDIC-Insured Savings	0.10%	N/A	N/A	N/A	N/A	N/A	N/A	0.22%	2/11/09

Important Information Regarding Investments in UESP

Past performance does not guarantee future results; investment return and value will fluctuate. The value of your account, when redeemed, may be worth more or less than the amount you contribute. Your investment could lose value. These performance numbers are that of the investment options, not individual accounts. Actual performance may be higher or lower than the option performance. Except for the FDIC-insured savings account held in trust by UESP at Zions First National Bank, investments in UESP are not insured by the FDIC. Investors should read the UESP Program Description and consider all investment objectives, risks, charges, and expenses before investing. Returns are based on a \$10,000 account balance for non-Utah residents and are net of all fees. Actual performance for Utah residents may be higher. Administrative fees are applied to UESP accounts quarterly, but investment performance is presented here as if the fees were assessed monthly. Non-Utah taxpayers and residents should determine whether the state in which they or their beneficiary live or pay taxes offers a 529 plan that provides state tax or other benefits not otherwise available to them through UESP.

¹ UESP quarterly reporting periods end each March 31, June 30, September 30, and December 31.

² Year-to-date calculations are based on a calendar year—January 1 to the current month end date.

³ Average Annual Return for the trailing 12 months, 36 months, and 60 months.

⁴ UESP will reallocate the funds to the College Enrolled investment bracket on age-based accounts when a qualified withdrawal request is submitted by the account owner indicating that the beneficiary is enrolled in an eligible educational institution.

⁵ Public Treasurer's Investment Fund (PTIF) is a pool of money managed by the Utah State Treasurer in short-term investments.