

Financial Statements

Nellie Mae Education Foundation, Inc.

December 31, 2009 and 2008



Mayer Hoffman McCann P.C.
An Independent CPA Firm
Tofias New England Division

NELLIE MAE EDUCATION FOUNDATION, INC.

Financial Statements

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Independent Auditors' Report

Board of Directors
Nellie Mae Education Foundation, Inc.
Quincy, Massachusetts

We have audited the accompanying statements of financial position of Nellie Mae Education Foundation, Inc. (the "Foundation") as of December 31, 2009 and 2008 and the related statements of activities and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nellie Mae Education Foundation, Inc. as of December 31, 2009 and 2008 and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Mayer Hoffman McCann P.C.

March 9, 2010
Cambridge, Massachusetts

NELLIE MAE EDUCATION FOUNDATION, INC.

Statements of Financial Position

December 31,
2009 **2008**
(in thousands)

Assets

Cash and cash equivalents	\$	7,829	\$	4,566
Investments, at fair value		407,956		339,432
Student loans receivable, net		21,304		27,904
Accrued investment income		810		540
Accrued student loan interest		159		273
Other assets		273		104
		<hr/>		<hr/>
Total assets	\$	438,331	\$	372,819

Liabilities and Net Assets

Accounts payable and accrued expenses	\$	565	\$	549
Grants payable		7,407		4,006
		<hr/>		<hr/>
Total liabilities		7,972		4,555
Net assets:				
Unrestricted net assets		430,359		368,264
		<hr/>		<hr/>
Total liabilities and net assets	\$	438,331	\$	372,819

NELLIE MAE EDUCATION FOUNDATION, INC.

Statements of Activities and Changes in Net Assets

	<i>Years Ended December 31,</i>	
	<i>2009</i>	<i>2008</i>
	<i>(in thousands)</i>	
Revenues:		
Investment income, net	\$ 4,507	\$ 7,057
Net realized losses on investments	(829)	(5,737)
Net unrealized gains (losses) on investments	78,087	(129,686)
Interest income on student loans	1,312	2,568
Grants	500	-
	<u>83,577</u>	<u>(125,798)</u>
Total revenues		
Expenses:		
Grants awarded, net	16,243	14,735
Program support expenses	2,717	2,420
Administrative expenses	1,690	1,659
Depreciation and amortization	16	49
Student loan expenses:		
Loan servicing	283	329
Increase in uncollectible loans	533	660
	<u>21,482</u>	<u>19,852</u>
Total expenses		
Increase (decrease) in net assets	62,095	(145,650)
Net assets, beginning	<u>368,264</u>	<u>513,914</u>
Net assets, ending	\$ <u>430,359</u>	\$ <u>368,264</u>

NELLIE MAE EDUCATION FOUNDATION, INC.

Statements of Cash Flows

*Years Ended December 31,
2009 2008
(in thousands)*

Cash flows from operating activities:

Increase (decrease) in unrestricted net assets	\$ 62,095	\$ (145,650)
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities:		
Realized losses on investments	829	5,737
Unrealized losses (gains) on investments	(78,087)	129,686
Interest on student loans added to principal	(38)	(88)
Depreciation and amortization	16	49
Amortization of student loan origination fees	31	31
Increase for uncollectible student loans	533	660
Changes in operating assets and liabilities:		
Accrued investment income	(270)	49
Accrued student loan interest	114	121
Accounts payable, accrued expenses and other	72	(349)
Grants payable	3,401	3,002

Net cash used in operating activities

	<u>(11,304)</u>	<u>(6,752)</u>
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Cash flows from investing activities:

Principal collected on student loans	5,866	7,560
Purchase of equipment	(112)	-
Purchases of investments	(320,610)	(236,349)
Proceeds from sale of investments	329,423	235,589

Net cash provided by investing activities

	<u>14,567</u>	<u>6,800</u>
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Net increase in cash and cash equivalents

	3,263	48
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Cash and cash equivalents, beginning

	<u>4,566</u>	<u>4,518</u>
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Cash and cash equivalents, ending

	<u>\$ 7,829</u>	<u>\$ 4,566</u>
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NELLIE MAE EDUCATION FOUNDATION, INC.

Notes to Financial Statements *(in thousands)*

Note 1 - Nature of Operations and Summary of Significant Accounting Policies

Nellie Mae Education Foundation, Inc. (the “Foundation”) is a Massachusetts not-for-profit corporation. The mission of the Foundation is to stimulate transformative change of public education systems across New England by growing a greater variety of higher quality educational opportunities that enable all learners, especially and essentially underserved learners, to obtain the skills, knowledge and supports necessary to become civically engaged, economically self-sufficient life-long learners.

A summary of significant accounting policies consistently applied in the preparation of the financial statements follows:

Use of Estimates and Assumptions

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could vary from those estimates and assumptions.

Financial Statement Presentation

The accompanying financial statements of the Foundation have been prepared on the accrual basis of accounting.

Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions in accordance with not-for-profit accounting. Unrestricted net assets are those not subject to restrictions by donor or by law. Unrestricted net assets may be designated for specific purposes by action of the Board or may otherwise be limited by contractual agreements with outside parties. All net assets of the Foundation for the years ending December 31, 2009 and 2008 were unrestricted.

Grant Awards

Grant awards are expensed when the grant is awarded and all significant conditions are met.

Cash and Cash Equivalents

The Foundation considers cash equivalents to include highly liquid investments that have a maturity of ninety days or less when purchased. The Foundation utilizes an overnight sweep account with its depository which invests in U.S. Treasury investments which are valued at cost, which approximates fair value. The Foundation has not experienced any losses in these accounts.

NELLIE MAE EDUCATION FOUNDATION, INC.

Notes to Financial Statements *(in thousands)*

Note 1 - Nature of Operations and Summary of Significant Accounting Policies (Continued)

Investments

The Foundation measures its financial instruments at fair market value. Fair market value standards require an entity to maximize the use of observable inputs and minimize the use of unobservable inputs to determine value. Fair value standards also require the Foundation to classify its financial instruments into a three level hierarchy, based on the priority of inputs to the valuation technique, as follows:

- Level 1: Investments are valued using quoted prices in active markets for identical investments that the reporting entity has the ability to access at the measurement date. The types of financial instruments included in Level 1 are highly liquid investments with quoted prices.
- Level 2: Investments are valued using other significant observable inputs (e.g. quoted prices for similar investments, interest rates, yield curves, credit risk, etc.) or inputs that are derived from other observable market data. Inputs other than quoted prices in active markets are used to model fair value.
- Level 3: Investments are valued using significant unobservable inputs, including internal assumptions. Inputs are developed based on the best information available.

The Foundation believes that the carrying amount of its nonmarketable investments is a reasonable estimate of fair value as of December 31, 2009 and 2008. Because these investments are not readily marketable, the estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for the investments existed; such differences could be material. The Foundation may have exposure to derivative financial instruments through its investments in limited liability funds. Management believes that the risk associated with derivatives is not material to the Foundation at December 31, 2009 and 2008.

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 possible that changes in values of investment securities could occur in the near term and that such change could materially affect investment balances and activity included in the financial statements. Realized gains and losses are determined using the average cost basis. Purchases and sales of securities are accounted for using the trade date. Investment income is presented net of investment management and custodial fees.

NELLIE MAE EDUCATION FOUNDATION, INC.

Notes to Financial Statements (in thousands)

Note 1 - Nature of Operations and Summary of Significant Accounting Policies (Continued)

Student Loans

Student loans are presented at their estimated net realizable value including unpaid principal balances, capitalized interest receivable, loan loss allowance and unamortized premiums. Interest on student loans is recognized as it is earned. Additions to principal presented in the Statements of Cash Flows represents interest earned on the student loans which has been capitalized as student loans receivable in accordance with the student loan agreements.

Student Loan Origination Costs

Loan origination costs are amortized over the expected life of the loan portfolio. Accumulated amortization at December 31, 2009 and 2008 was \$1,373 and \$1,342, respectively. Net unamortized balances of \$63 and \$94 at December 31, 2009 and 2008, respectively, are included in Student Loans Receivable, Net, on the Statement of Financial Position. Amortization expense is included as a reduction of Interest Income on Student Loans in the Statements of Activities and Changes in Net Assets.

Student Loan Loss Allowance

The loan loss allowance is established to provide for potential student loan losses resulting from credit risk, origination error and defective servicing. The allowance is based on the type of loan made and expected loss rates. Management believes the allowance levels are adequate, but because of the inherent uncertainty of the assumptions and the estimation process, the allowance levels may differ significantly from actual losses and the differences could be material.

Fixed Assets

Fixed assets are recorded at cost less accumulated depreciation. Depreciation of business, equipment, furniture and fixtures, and software is computed on the straight-line method over the estimated useful life of each asset type, which ranges from five to seven years. Leasehold improvements are amortized over the term of the lease or useful life as described in the range above, whichever is shorter. Fixed assets are reported within Other Assets on the Statements of Financial Position.

Income Taxes

The Foundation is organized and operated as an organization exempt from taxation under IRC Section 501(c)(3). It is not a private foundation because it is a supporting organization as described in IRC Section 509(a)(3).

NELLIE MAE EDUCATION FOUNDATION, INC.

Notes to Financial Statements *(in thousands)*

Note 1 - Nature of Operations and Summary of Significant Accounting Policies (Continued)

Income Taxes (Continued)

Pursuant to its Articles of Organization, the Foundation operates exclusively for the benefit of, and to promote the charitable and education purposes of, educational organizations, including universities, colleges, secondary schools, elementary schools, and other educational organizations which are described in IRC Section 501(c)(3) and which are not private foundations as described in IRC Section 509(a). The Foundation's activities include making grants to the public charities it supports and providing services to those organizations. A majority of the Foundation's directors are representatives of organizations that would be eligible to receive support from the Foundation. In addition, the committee that nominates board members is composed entirely of directors who are also officers, directors, key employees or persons serving in a leadership role in public charities that would be eligible to receive support from the Foundation.

Uncertain Tax Positions

The Foundation accounts for the effect of any uncertain tax positions based on a "more likely than not" threshold to the recognition of the tax positions being sustained based on the technical merits of the position under scrutiny by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a "cumulative probability assessment" that aggregates the estimated tax liability for all uncertain tax positions. Interest and penalties assessed, if any, are accrued as income tax expense.

The Foundation has identified its tax status as a tax exempt entity as a tax position and has determined that such tax position does not result in an uncertainty requiring recognition.

Subsequent Events

The Foundation has evaluated subsequent events through March 9, 2010, the date the financial statements were authorized to be issued.

NELLIE MAE EDUCATION FOUNDATION, INC.

Notes to Financial Statements (in thousands)

Note 2 - Fair Value Measurements

The Foundation follows the Fair Value Measurement standards for its financial instruments. These standards require disclosure about instruments that are measured and reported at fair value and provide a hierarchical disclosure framework which prioritizes and ranks the level of market price used in measuring instruments fair value. Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available quoted prices or for which fair value can be measured for actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

The valuation of the Foundation's instruments using the fair value hierarchy consisted of the following at December 31:

	<i>2009</i>			
	<i>Cost</i>	<i>Fair Value Level 1</i>	<i>Fair Value Level 3</i>	<i>Total Fair Value</i>
Cash equivalents	\$ 3,220	\$ 3,220	\$ -	\$ 3,220
Domestic equities and funds	129,214	105,256	29,737	134,993
Fixed income and funds	74,109	75,432	-	75,432
Alternative strategies	91,850	10,840	78,868	89,708
Foreign equities	90,829	91,603	-	91,603
Trades pending settlement	13,000	13,000	-	13,000
	<u>\$ 402,222</u>	<u>\$ 299,351</u>	<u>\$ 108,605</u>	<u>\$ 407,956</u>

	<i>2008</i>			
	<i>Cost</i>	<i>Fair Value Level 1</i>	<i>Fair Value Level 3</i>	<i>Total Fair Value</i>
Cash equivalents	\$ 3,519	\$ 3,519	\$ -	\$ 3,519
Domestic equities and funds	149,503	97,892	21,044	118,936
Fixed income and funds	102,246	94,976	-	94,976
Alternative strategies	75,060	7,602	53,438	61,040
Foreign equities	81,454	60,961	-	60,961
	<u>\$ 411,782</u>	<u>\$ 264,950</u>	<u>\$ 74,482</u>	<u>\$ 339,432</u>

NELLIE MAE EDUCATION FOUNDATION, INC.

Notes to Financial Statements
(in thousands)

Note 2 - Fair Value Measurements (Continued)

Investment activity was as follows for the years ended December 31:

	<i>2009</i>	<i>2008</i>
Investments, at beginning of year	\$ <u>339,432</u>	\$ <u>474,095</u>
Investment return:		
Interest and dividends collected	5,554	8,552
Net unrealized gains (losses)	78,087	(129,686)
Net realized losses	<u>(829)</u>	<u>(5,737)</u>
Reinvested income and gains (losses)	<u>82,812</u>	<u>(126,871)</u>
Transfer to operations	<u>(13,090)</u>	<u>(6,415)</u>
Management fees and other deductions	<u>(1,198)</u>	<u>(1,377)</u>
Investments, at end of year	<u><u>\$ 407,956</u></u>	<u><u>\$ 339,432</u></u>

Alternative strategies include investments in hedge funds and in limited liability partnerships. Unfunded commitments related to these investments were approximately \$8.68 and \$11.72 million at December 31, 2009 and 2008, respectively.

Under the Foundation's policy, the annual distribution for grants and support of operations will fall between 4.0% and 4.5% of a 12 quarter trailing net asset average. The grant distribution level will not fall below the three-year trailing average of 85% of net income. Net income includes the sum of interest income, net student loan income, dividend income and short-term capital gains. Cash flows from student loan collections and interest earned, along with the transfer of \$13.09 million and \$6.4 million of investment funds in 2009 and 2008, respectively, allowed for the distribution.

NELLIE MAE EDUCATION FOUNDATION, INC.

Notes to Financial Statements
(in thousands)

Note 2 - Fair Value Measurements (Continued)

The categorization of an investment within the hierarchy (Level 3) is based upon the pricing transparency of the investment and does not necessarily correspond to the Foundation's perceived risk of that investment. Certain investments, including alternative strategy investments and one equity manager, have been classified within Level 3 as they have unobservable inputs and they trade anonymously, infrequently or not at all. The table below presents reconciliation for all assets measured at fair value using significant unobservable inputs (Level 3).

Level 3 investment activity was as follows for the years ended December 31:

	<i>2009</i>	<i>2008</i>
Level 3		
Investments, at beginning of year	\$ <u>74,482</u>	\$ <u>98,542</u>
Investment return:		
Interest and dividends collected	-	6
Net unrealized gains (losses)	17,323	(27,597)
Net realized gains (losses)	<u>(1,587)</u>	<u>5,243</u>
Reinvested income and gains (losses)	<u>15,736</u>	<u>(22,348)</u>
Purchases/sales (net)	<u>18,387</u>	<u>(1,705)</u>
Management fees and other deductions	<u>-</u>	<u>(7)</u>
Investments, at end of year	\$ <u><u>108,605</u></u>	\$ <u><u>74,482</u></u>

NELLIE MAE EDUCATION FOUNDATION, INC.

Notes to Financial Statements (in thousands)

Note 2 - Fair Value Measurements (Continued)

The Foundation invests in certain entities that calculate net asset value per share in accordance with guidance relative to investment companies and these investments are reported at fair value based on the net asset value per share as reported by the investee. These investments are measured at fair value using Level 2 or Level 3 inputs. Investments are categorized as Level 2 instruments when the Foundation has the ability to redeem its investment in the entity at net asset value per share at year-end or within 90 days of year-end and the underlying assets are transparent. Investments are categorized as Level 3 instruments when the Foundation cannot redeem its investment within 90 days of year-end or the underlying assets are not transparent. A summary of the significant categories of such investments and their attributes is as follows:

	<i>Fair Value</i>	<i>Unfunded Commitments</i>	<i>Redemption Frequency (if Currently Eligible)</i>	<i>Redemption Notice Period</i>
	<i>(in thousands)</i>			
Multi-strategy hedge fund-of-funds	\$ 20,829	\$ -	rolling 3 year	90 days
Multi-strategy hedge fund-of-funds	20,942	-	quarterly	65 days
Hedge funds - distressed	6,004	-	quarterly	65 days
Hedge funds - distressed	5,625	-	annually	90 days
Hedge funds - multi-strategy	4,479	-	annually	45 days
Hedge funds - long/short equity	4,573	-	annually	90 days
Hedge funds - long/short equity	29,737	-	quarterly	60 days
Real estate fund (private & public)	2,690	-	quarterly	90 days
Direct real asset (timber)	4,513	-		
Private commodity	2,613	4,988		
Natural resources fund of funds	6,600	3,698		
	\$ 108,605	\$ 8,686		

Multi-strategy hedge funds-of-funds – investments in a broadly diversified portfolio of hedge funds (20-30 each). Underlying manager strategies will vary but include long/short equity, event driven, merger arbitrage, distressed and multi-strategy. Position sizes are limited so that no one manager represents more than 15% of the Fund. The majority of the investments across the underlying manager strategies are in publically traded securities but managers have the flexibility to invest in private/non-marketable investments. The redemption restriction period for these investments was quarterly or annually at December 31, 2009.

Hedge funds - distressed – includes investments in single manager strategies focused on the distressed and deep value areas of the credit market. Investments include public and private opportunities on both a long or short basis. The redemption restriction period for these investments was quarterly or annually at December 31, 2009.

NELLIE MAE EDUCATION FOUNDATION, INC.

Notes to Financial Statements *(in thousands)*

Note 2 - Fair Value Measurements (Continued)

Hedge funds - multi-strategy – includes investments in a single manager strategy where the manager employs a multi-strategy approach. Investments can be made in long/short equity, credit investments, real estate, merger arbitrage, value, etc. The majority of the investments across the underlying manager strategies are in publically traded securities but managers have the flexibility to invest in private/non-marketable investments. The redemption restriction period for this investment was annual at December 31, 2009.

Hedge funds - long/short equity – includes investments in single manager strategies where the manager has the flexibility to invest in public equities on either a long or short basis. The focus is primarily in the United States. The majority of the investments across the underlying manager strategies are in publically traded securities but managers have the flexibility to invest in private/non-marketable investments. The redemption restriction period for these investments was annual or quarterly at December 31, 2009.

Real estate fund (private & public) – includes investments in a real estate fund that accesses real estate exposure through public real estate (REITs) managers, open end core real estate funds, and direct asset holdings. The fund is diversified geographically and by real estate property type. The Fund has restricted redemptions to investors given the real estate environment and it is estimated that the underlying assets of the fund will be liquidated over the next one to five years to meet redemptions.

Private real assets (timber) – includes investments in a single manager fund that invests in a diversified portfolio of trees and timberlands. The nature of the investments in this category is that distributions will be received as the underlying investments of the funds are liquidated. It is estimated that the underlying assets of the fund will be liquidated in total over the next one to five years.

Private commodity/natural resources – includes investments in a single manager fund that invests in a diversified portfolio of energy infrastructure, natural resources, and power. The nature of the investments in this category is that distributions will be received as the underlying investments of the funds are liquidated. It is estimated that the underlying assets of the fund will be liquidated in total over the next one to ten years.

Private natural resources (fund-of-funds) – includes investments in a natural resources fund-of-funds manager which will allocate capital to several strategies focused on oil, natural gas, and timberlands. The nature of the investments in this category is that distributions will be received as the underlying investments of the funds are liquidated. It is estimated that the underlying assets of the fund will be liquidated in total over the next one to ten years.

The Foundation elected to use the carrying value on certain assets, including cash and cash equivalents, accrued student loan interest, accounts payable and grants payable. The fair values of such instruments have been derived, in part, by management's assumptions, the estimated amount and timing of future cash flows and estimated discount rates. Different assumptions could significantly affect these estimated fair values. Accordingly, the net realizable values could be materially different from the estimates presented below at December 31, 2009. In addition, the estimates are only indicative of the value of individual financial instruments and should not be considered an indication of the fair value of the Foundation.

NELLIE MAE EDUCATION FOUNDATION, INC.

Notes to Financial Statements *(in thousands)*

Note 3 - Student Loans

The Foundation had a student loan portfolio of approximately \$22 million and \$28 million at December 31, 2009 and 2008, respectively. Prior to April 7, 2008, approximately one half of the portfolio was guaranteed by The Education Resources Institute, Inc. ("TERI"). Under the guarantee, TERI was obligated to pay claims on any defaulted loans; TERI guaranteed loans in excess of a deductible assuming compliance with certain loan origination, due diligence and loan service procedures as stipulated by TERI. Default prevention and collection services on loans falling below the deductible were also provided TERI.

On April 7, 2008, TERI filed a voluntary petition for relief (TERI Reorganization) under Chapter 11 of the United States Bankruptcy Code (Bankruptcy Code) in the United States Bankruptcy Court for the District of Massachusetts (Bankruptcy Court). According to the filing, TERI intends to operate its business as "debtor-in-possession" under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code and orders of the Bankruptcy Court.

In connection with the bankruptcy filing with the Court, the Foundation has certain claims pending, realization of such claims are not known, therefore, Management has not recorded pending claim amounts.

The Foundation outsources certain aspects of the servicing of the loans to SLM Corporation ("Sallie Mae"). Sallie Mae is liable for certain losses incurred by the Foundation due to servicing errors. Service fees to Sallie Mae approximated \$218 and \$278 during 2009 and 2008, respectively, including accrued services fees of approximately \$10 and \$16 at December 31, 2009 and 2008, respectively. These expenses are included in the caption loan servicing on the statement of activities and changes in net assets.

Loan Loss Allowance

The Foundation has established an allowance to cover estimated losses on loans. This allowance for uncollectible student loans is netted against student loans on the statement of financial position and is summarized as follows:

	<i>2009</i>	<i>2008</i>
Balance at beginning of year	\$ 1,174	\$ 492
Additions:		
Increase in uncollectible student loans	533	660
Recoveries	331	337
Funds from recourse agreements	(3)	(3)
Deductions:		
Loan write-offs	<u>(1,238)</u>	<u>(312)</u>
Total	\$ <u>797</u>	\$ <u>1,174</u>

NELLIE MAE EDUCATION FOUNDATION, INC.

Notes to Financial Statements *(in thousands)*

Note 4 - Other Assets

Other assets consist primarily of fixed assets and prepaid expenses.

Fixed assets consisted of the following at December 31:

	<i>2009</i>	<i>2008</i>
Business equipment and software	\$ 152	\$ 151
Furniture and fixtures	490	384
Leasehold improvements	44	39
	<u>686</u>	<u>574</u>
Less accumulated depreciation and amortization	<u>(583)</u>	<u>(568)</u>
Total	<u>\$ 103</u>	<u>\$ 6</u>

Depreciation expense totaled approximately \$16 and \$49 for the years ended December 31, 2009 and 2008, respectively.

Note 5 - Commitments

Grants

The Foundation from time to time makes grants to certain organizations that will be paid in the future. Grant payments that are expected to be made beyond the next year have been recorded at their net present value. All grants payable as of December 31, 2009 and 2008 were scheduled for payment within the next fiscal year.

Office Lease

The Foundation leases office space under an operating lease and on October 10, 2008 signed a ten-year "First Amendment" to the lease, with rental rates effective January 1, 2009. The lease payments are subject to annual escalations for increase in real estate taxes and operating expenses. Total rent expense amounts to approximately \$291 and \$226 for the years ended December 31, 2009 and 2008, respectively. Future minimum rental commitments under the lease are as follows:

2010	\$ 270
2011	276
2012	282
2013	289
2014	301
Thereafter	<u>1,264</u>
	<u>\$ 2,682</u>

NELLIE MAE EDUCATION FOUNDATION, INC.

Notes to Financial Statements *(in thousands)*

Note 6 - Retirement Plan

On January 1, 2009, the Nellie Mae Education Foundation, Inc. Pension Plan (the “Pension Plan”) merged into the Nellie Mae Education Foundation, Inc. 401 (k) Plan (the “Plan”). The Plan is a defined contribution plan and is designed to be a qualified plan under the Internal Revenue Code. Employees are eligible to participate in the plan upon meeting criteria of age, service, and minimum hours of work, among other criteria. The Plan vests over a five year period and substantially all employees are eligible to participate in the Plan. Under the Plan, the Foundation matches salary reduction contributions to the Plan dollar for dollar, up to 6% of annual compensation. The Foundation also contributes to the Plan an amount equal to 8% of compensation, and may make additional contributions under a discretionary formula, provided satisfaction of service requirements each year. The Foundation’s policy is to fund all costs on a current basis. Expenses incurred related to the Plans for the years ended December 31, 2009 and 2008 were \$270 and \$197, respectively.