SCHOLAR'SEDGE
THE EDUCATION PLAN

Financial Statements

June 30, 2010, 2009, and 2008

(With Independent Auditors' Reports Thereon)

SCHOLAR’SEDGE
THE EDUCATION PLAN

Official Roster

June 30, 2010, 2009, and 2008

Board of Directors

SCHOLAR'SEDGE
THE EDUCATION PLAN

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The table below presents the Average Annual Total Returns for each portfolio in the New Mexico Scholar'sEdge Savings Program for the 12-month period ended June 30, 2010.

	A Unit returns	**B Unit returns**	**C Unit returns**	**Benchmark**
Newborn to Age 5 Years Portfolio	10.53%	9.77%	9.73%	14.74%
Ages 6 – 8 Years Portfolio	12.85	11.97	12.00	14.07
Ages 9 – 11 Years Portfolio	11.12	10.29	10.25	13.62
Ages 12 – 14 Years Portfolio	10.43	9.62	9.67	11.42
Ages 15 – 17 Years Portfolio	8.86	8.10	8.07	8.39
Ages 18 Years and Over Portfolio	7.97	7.17	7.17	6.83
Aggressive Portfolio	10.54	9.72	9.73	14.74
Moderately Aggressive Portfolio	12.84	12.01	12.00	14.07
Moderate Portfolio	11.19	10.32	10.33	13.62
Conservative Portfolio	10.45	9.61	9.66	11.42
Ultra Conservative Portfolio	8.89	7.94	8.11	8.39
School Years Portfolio	8.02	7.13	7.12	6.83
Large Cap Growth Portfolio	7.66	6.85	6.85	13.62
Large Cap Core Portfolio	14.52	13.63	13.65	14.43
Large Cap Value Portfolio	9.14	8.31	8.32	16.92
Small Cap Core Portfolio	19.43	18.52	18.52	21.48
International Equity Portfolio	6.26	5.45	5.43	6.38
Intermediate Term Bond Portfolio	9.21	8.35	8.40	9.50
Diversified Income Portfolio	21.21	20.29	20.26	9.50
Short Term Yield Portfolio	0.00	0.04	0.04	0.09
Capital Preservation Portfolio	3.35	2.71	2.71	n/a

The benchmarks for the Scholar'sEdge® Portfolios are based on a blend of the benchmarks applicable to each Underlying Investment category; for the Oppenheimer Capital Appreciation Fund, the Russell 1000 Growth Index; for Oppenheimer Value Fund, the Russell 1000 Value Index; for the Mainstay Map Fund, the Russell 3000 Index; for the Invesco Mid Cap Core Equity Fund, the Russell Midcap Index; for the Oppenheimer Main Street Small Cap Fund, the Russell 2000 Index; for the OFIPI Baring International Strategy, the MSCI EAFE Index; for the American Century Diversified Bond Fund, the Barclays Capital U.S. Aggregate Bond Index; for the Oppenheimer International Bond Fund, the Citigroup World Government Bond Index ex U.S.; for the Oppenheimer Limited-Term Government Fund, the Barclays Capital U.S. Government 1 – 3 Year Bond Index; for the Oppenheimer Global Strategic Income Fund, the Barclays Capital U.S. Aggregate Bond Index; for the Mainstay High Yield Corporate Bond Fund, the Credit Suisse High Yield Index; for the Oppenheimer Institutional Money Market Fund, the Money Net First Tier Institutional Money Market Index. Investors cannot directly invest in a compilation of benchmark indices.

Financial Analysis

Condensed combined statements of fiduciary net assets as of June 30:

	2010	2009	2008
Assets:			
Investments, at value	$ 1,376,332,397	1,244,379,708	1,640,070,156
Cash	2,163,190	5,858,882	270,008
Receivables and other assets	2,985,322	4,161,665	5,426,247
Total assets	1,381,480,909	1,254,400,255	1,645,766,411
Liabilities:			
Cash overdraft	56,977	—	367,935
Payables and other liabilities	3,486,370	4,851,509	5,946,142
Total liabilities	3,543,347	4,851,509	6,314,077
Net assets:			
Held in trust for qualified state tuition plans and other purposes	$ 1,377,937,562	1,249,548,746	1,639,452,334

The investments of the Portfolios decreased $396 million from 2008 to 2009 mainly due to market depreciation and realized losses on investments. The investments of the Portfolios increased $132 million from 2009 to 2010 mainly due to market appreciation. Net shareholder contributions in 2008 were $927 million, which includes $859 million acquired from the New Mexico CollegeSense 529 Higher Education Savings Plan; 2009 had net shareholder contributions of $18,000; and 2010 had net shareholder contributions of $4 million.

The majority of the receivables consist of shareholder contributions received but not invested as of June 30. The majority of the liabilities consist of shareholder redemptions processed but not yet delivered as of June 30 and payment for securities purchased June 30, but not yet cleared.

Condensed combined statements of changes in fiduciary net assets for year ended June 30:

	2010	2009	2008
Additions:			
Subscriptions	$ 517,375,973	523,736,639	1,721,256,881
Investment income:			
Dividend income and interest	14,626,686	27,283,982	34,700,711
Less expenses	11,306,568	10,781,808	6,130,753
Net investment income	3,320,118	16,502,174	28,569,958
Capital gains (losses) from underlying funds	(108,890,528)	(117,055,431)	48,843,137
Net increase (decrease) in change in fair value of investments	230,171,279	(289,368,305)	(162,132,375)
Total additions	641,976,842	133,815,077	1,636,537,601
Deductions:			
Redemptions	(513,588,026)	(523,718,665)	(794,086,028)
Change in net assets held in trust for individuals	128,388,816	(389,903,588)	842,451,573
Net assets:			
Net assets at the beginning of year	1,249,548,746	1,639,452,334	797,000,761
Net assets at the end of year	$ 1,377,937,562	1,249,548,746	1,639,452,334

Investment income is comprised of dividend and interest income; fund expenses are primarily management, distribution, and administrative fees.

Market Overview

Aggressively loose monetary policies by most of the world's central banks and massive economic stimulus programs in many nations helped the global economy return to growth. Economic conditions were particularly favorable in the emerging markets of Asia, where robust industrial demand drove prices of energy commodities and construction materials higher. Although increasing manufacturing activity led the global recovery, persistently high unemployment and ongoing weakness in some housing markets produced headwinds that dampened the rebound. As a result, the current economic recovery has been milder than most previous rebounds. Still, investors exhibited an ample appetite for risk through the end of 2009, bidding up prices of stocks, high yield bonds and other securities that tend to fare well in times of economic expansion.

Investor sentiment began to change in the early months of 2010, when several European nations, most notably Greece, encountered difficulty in financing heavy debt burdens. This situation precipitated a sovereign debt crisis throughout Europe when investors grew increasingly concerned that some nations might not be able to make interest and principal payments in a timely manner, causing the euro to lose considerable value relative to the

U.S. dollar and other major currencies. Meanwhile, in the wake of a massive government stimulus program and robust economic growth, local inflationary pressures began to appear in China's urban real estate markets. Many investors worried that any remedial measures designed to forestall an acceleration of inflation might constrain one of the main engines of the global economic recovery. Domestic growth in the emerging markets remained strong and policymakers in countries like Brazil and India attempted to rein in potentially overheating economies. Finally, evidence of renewed economic weakness began to appear in the United States, where unemployment stayed persistently high, consumers remained under pressure and government borrowing mushroomed. In light of these developments, investors became more risk-averse, selling riskier assets in favor of traditional safe havens. Commodity prices, led by industrials and energy, also fell. Traditionally defensive investments, such as U.S. Government securities, generally rallied.

Despite the market drops in the second half of the reporting period, all broad-based market benchmarks finished the 1-year reporting period in positive territory. In terms of the global equity markets, the MSCI World Index finished the reporting period up 10.2%, the S&P 500 Index returned 14.43% and the MSCI Emerging Markets Index outperformed them both with a return of 23.48%. Within the U.S., value stocks generally outperformed growth stocks for the reporting period, as the Russell 1000 Value Index returned 16.92% versus the Russell 1000 Growth Index, which returned 13.62%.

In terms of the global fixed-income universe, the Barclays Capital Global Aggregate Bond Index returned 5% for the reporting period, while the Barclays Capital U.S. Aggregate Bond Index returned 9%. Within the U.S. bond market, high yield securities had a stellar reporting period, as evidenced by the BOFA Merrill Lynch High Yield Master Index, which returned 27%. Convertible securities also had a strong period and continued to rebound from the March 2009 market lows, as the BOFA Merrill Lynch All Convertibles Index returned 22.64%. The Barclays Capital Credit Index also finished in double-digits with a return of 14.68% for the period.

In general, lower-quality stocks tended to lead the stock market rally over much of the reporting period. Consistent with that, smaller-cap stocks produced significantly higher returns, on average, than larger-cap stocks. Even over the first half of 2010 when the markets gave back some of their gains, small-cap stocks lost less value than larger companies amid concerns that giant multinationals might be hurt by exposure to the European sovereign debt crisis and adverse changes in currency exchange rates.

Alternative investments such as REITs were among the reporting period's strongest performers. The FTSE NAREIT Equity Index returned 53.90% for the period. Gold stocks were not far behind REITs in terms of very good performance for the period, as the Lipper Precious Metal Fund Index returned 45.31%. One poor performing index for the period was the S&P GSCI, which returned (5.43)%. As mentioned earlier, commodities, led by energy and industrials, had poor performance in the second half of the period, dragging the S&P GSCI's return into negative territory.

Portfolio Reviews (Advisor Sold)

Newborn to Age 5 Years Portfolio

For the 12-month reporting period ended June 30, 2010, the Portfolio's Class A Units (without sales charge) returned 10.53%, underperforming its benchmark, which returned 14.74%.

The Portfolio's two largest holdings at period end, Oppenheimer Capital Appreciation Fund and Oppenheimer Value Fund, each underperformed their respective benchmarks. Oppenheimer Capital Appreciation Fund returned 8.23% during the period while the Russell 1000 Growth Index returned 13.62%. Oppenheimer Value Fund returned 9.70% during the period while the Russell 1000 Value Index returned 16.92%. During the reporting period, the market favored lower-quality stocks as opposed to the higher-quality stocks these underlying funds tend to favor, which is not unusual following a rebound from market lows, and tends to be fleeting in nature. Two smaller holdings of the Portfolio also underperformed their respective benchmarks. Oppenheimer Main Street Small Cap Fund returned 20% but underperformed its benchmark, the Russell 2000 Index, which returned 21.48%. Invesco (formerly AIM) Mid Cap Core Equity Fund returned 15.65% for the reporting period, but underperformed the Russell Mid Cap Index, which returned 25.13%.

In terms of relative outperformers, OFIPI Baring International Strategy, the third largest holding for the Portfolio at period end, outperformed its benchmark, the MSCI EAFE Index. OFIPI Baring International Strategy returned 7.69% versus the 6.38% return of the MSCI EAFE Index. It was a choppy period for the international equity markets, primarily due to the debt crisis emanating initially from Greece, and this was reflected in the relatively muted returns of international equities. However, the underlying strategy fared better than the MSCI EAFE Index during the market correction that began in late April and continued through the end of the reporting period. A smaller holding of the Portfolio, MainStay MAP Fund, returned 15.08% and underperformed its benchmark, the Russell 3000 Index, which returned 15.72%.

Ages 6 – 8 Years Portfolio

For the 12-month reporting period ended June 30, 2010, the Portfolio's Class A Units (without sales charge) returned 12.85%, underperforming its benchmark, which returned 14.07%.

The Portfolio's two largest equity holdings at period end, Oppenheimer Capital Appreciation Fund and Oppenheimer Value Fund, each underperformed their respective benchmarks. Oppenheimer Capital Appreciation Fund returned 8.23% during the period while the Russell 1000 Growth Index returned 13.62%. Oppenheimer Value Fund returned 9.70% during the period while the Russell 1000 Value Index returned 16.92%. During the reporting period, the market favored lower-quality stocks as opposed to the higher-quality stocks these underlying funds tend to favor, which is not unusual following a rebound from market lows, and tends to be fleeting in nature. Two smaller holdings of the Portfolio also underperformed their respective benchmarks. Oppenheimer Main Street Small Cap Fund returned 20% but underperformed its benchmark, the Russell 2000 Index, which returned 21.48%. Invesco (formerly AIM) Mid Cap Core Equity Fund returned 15.65% for the reporting period, but underperformed the Russell Mid Cap Index, which returned 25.13%.

In terms of relative outperformers, OFIPI Baring International Strategy, the third largest equity holding for the Portfolio at period end, outperformed its benchmark, the MSCI EAFE Index. OFIPI Baring International Strategy returned 7.69% versus the 6.38% return of the MSCI EAFE Index. It was a choppy period for the international equity markets, primarily due to the debt crisis emanating initially from Greece, and this was reflected in the relatively muted returns of international equities. However, the underlying strategy fared better than the MSCI EAFE Index during the market correction that began in late April and continued through the end of the reporting period. A smaller holding of the Portfolio, MainStay MAP Fund, returned 15.08% and underperformed its benchmark, the Russell 3000 Index, which returned 15.72%.

In terms of the Portfolio's allocation to fixed-income holdings, an approximate 20% allocation at period end to Oppenheimer Global Strategic Income Fund significantly outperformed its benchmark with a return of 21.80%. In comparison, the Barclays Capital U.S. Aggregate Bond Index returned 9.50%. This underlying fund's investments in emerging-markets bonds, U.S.-based mortgage-backed securities, and positioning of interest-rate strategies primarily through the use of future contracts contributed to positive performance for this underlying fund.

Ages 9 – 11 Years Portfolio

For the 12-month reporting period ended June 30, 2010, the Portfolio's Class A Units (without sales charge) returned 11.12%, underperforming its benchmark, which returned 13.62%.

The Portfolio's two largest equity holdings at period end, Oppenheimer Capital Appreciation Fund and Oppenheimer Value Fund, each underperformed their respective benchmarks. Oppenheimer Capital Appreciation Fund returned 8.23% during the period while the Russell 1000 Growth Index returned 13.62%. Oppenheimer Value Fund returned 9.70% during the period while the Russell 1000 Value Index returned 16.92%. During the reporting period, the market favored lower-quality stocks as opposed to the higher-quality stocks these underlying funds tend to favor, which is not unusual following a rebound from market lows, and tends to be fleeting in nature. Two smaller holdings of the Portfolio also underperformed their respective benchmarks. Oppenheimer Main Street Small Cap Fund returned 20% but underperformed its benchmark, the Russell 2000 Index, which returned 21.48%. Invesco (formerly AIM) Mid Cap Core Equity Fund returned 15.65% for the reporting period, but underperformed the Russell Mid Cap Index, which returned 25.13%.

In terms of relative outperformers, OFIPI Baring International Strategy, the third largest equity holding for the Portfolio at period end, outperformed its benchmark, the MSCI EAFE Index. OFIPI Baring International Strategy returned 7.69% versus the 6.38% return of the MSCI EAFE Index. It was a choppy period for the international equity markets, primarily due to the debt crisis emanating initially from Greece, and this was reflected in the relatively muted returns of international equities. However, the underlying strategy fared better than the MSCI EAFE Index during the market correction that began in late April and continued through the end of the reporting period. A smaller holding of the Portfolio, MainStay MAP Fund, returned 15.08% and underperformed its benchmark, the Russell 3000 Index, which returned 15.72%.

In terms of the Portfolio's allocation to fixed-income holdings, an approximate 25% allocation at period end to American Century Diversified Bond Fund returned 9.54% and performed in line with its benchmark, the Barclays Capital U.S. Aggregate Bond Index, which returned 9.50%. In general, it was a solid reporting period for U.S.-based fixed-income securities, particularly non-U.S. Treasury securities such as high-yield corporate bonds, convertible securities, and mortgage-backed securities.

A smaller holding for the Portfolio, Oppenheimer International Bond Fund, returned 7.98% for the reporting period and outperformed its benchmark, the Citigroup Non-U.S. Dollar World Government Bond Index, which only returned 1.52%. Its investments in emerging-market bonds helped drive its returns. Another smaller fixed-income holding of the Portfolio, MainStay High Yield Corporate Bond, returned 20.67%. High-yield debt was one of the top performing investment categories for the period and the underlying fund's investments in different types of high-yield vehicles represented solid performance on an absolute basis. On a relative basis versus its benchmark, this underlying fund underperformed, as the Credit Suisse High Yield Index returned 26.90%.

Ages 12 – 14 Years Portfolio

For the 12-month reporting period ended June 30, 2010, the Portfolio's Class A Units (without sales charge) returned 10.43%, underperforming its benchmark, which returned 11.42%.

In terms of the Portfolio's allocation to fixed-income holdings, an approximate 30% allocation at period end to American Century Diversified Bond Fund returned 9.54% and performed in line with its benchmark, the Barclays Capital U.S. Aggregate Bond Index, which returned 9.50%. In general, it was a solid reporting period for U.S.-based fixed-income securities, particularly non-U.S. Treasury securities such as high-yield corporate bonds, convertible securities, and mortgage-backed securities.

Oppenheimer Limited-Term Government Fund accounted for approximately 10% of the Portfolio's holdings at period end and returned 9.33%. Considering that U.S. Treasury securities underperformed versus higher-yielding fixed-income securities for the period, this underlying fund's return was, on a relative basis versus its peer benchmark, quite strong. To drive home that point, the Barclays Capital U.S. Government 1 – 3 Year Bond Index's return for the period was only 2.85%. The underlying fund's returns were bolstered by investments in mortgage-backed securities.

A smaller fixed-income holding for the Portfolio, Oppenheimer International Bond Fund, returned 7.98% for the reporting period and outperformed its benchmark, the Citigroup Non-U.S. Dollar World Government Bond Index, which only returned 1.52%. Its investments in emerging-market bonds helped drive its returns. Another smaller fixed-income holding of the Portfolio, MainStay High Yield Corporate Bond, returned 20.67%. High-yield debt was one of the top performing investment categories for the period and the underlying fund's investments in different types of high-yield vehicles represented solid performance on an absolute basis. On a relative basis versus its benchmark, this underlying fund underperformed, as the Credit Suisse High Yield Index returned 26.90%.

The Portfolio's two largest equity holdings at period end, Oppenheimer Capital Appreciation Fund and Oppenheimer Value Fund, each underperformed their respective benchmarks. Oppenheimer Capital Appreciation Fund returned 8.23% during the period while the Russell 1000 Growth Index returned 13.62%. Oppenheimer Value Fund returned 9.70% during the period while the Russell 1000 Value Index returned 16.92%. During the reporting period, the market favored lower-quality stocks as opposed to the higher-quality stocks these underlying funds tend to favor, which is not unusual following a rebound from market lows, and tends to be fleeting in nature. A smaller equity holding of the Portfolio, Oppenheimer Main Street Small Cap Fund, returned 20% but underperformed its benchmark, the Russell 2000 Index, which returned 21.48%.

Two smaller equity holdings for the Portfolio both outperformed their respective benchmarks. OFIPI Baring International Strategy outperformed its benchmark, the MSCI EAFE Index. OFIPI Baring International Strategy returned 7.69% versus the 6.38% return of the MSCI EAFE Index. It was a choppy period for the international equity markets, primarily due to the debt crisis emanating initially from Greece, and this was reflected in the relatively muted returns of international equities. However, the underlying strategy fared better than the MSCI

EAFE Index during the market correction that began in late April and continued through the end of the reporting period. MainStay MAP Fund returned 15.08% and underperformed its benchmark, the Russell 3000 Index, which returned 15.72%.

Ages 15 – 17 Years Portfolio

For the 12-month reporting period ended June 30, 2010, the Portfolio's Class A Units (without sales charge) returned 8.86%, outperforming its benchmark, which returned 8.39%.

In terms of the Portfolio's allocation to fixed-income holdings, an approximate 30% allocation at period end to American Century Diversified Bond Fund returned 9.54% and performed in line with its benchmark, the Barclays Capital U.S. Aggregate Bond Index, which returned 9.50%. In general, it was a solid reporting period for U.S.-based fixed-income securities, particularly non-U.S. Treasury securities such as high-yield corporate bonds, convertible securities, and mortgage-backed securities.

Oppenheimer Limited-Term Government Fund accounted for approximately 25% of the Portfolio's holdings at period end and returned 9.33%. Considering that U.S. Treasury securities underperformed versus higher-yielding fixed-income securities for the period, this underlying fund's return was, on a relative basis versus its peer benchmark, quite strong. To drive home that point, the Barclays Capital U.S. Government 1 – 3 Year Bond Index's return for the period was only 2.85%. The underlying fund's returns were bolstered by investments in mortgage-backed securities.

A smaller fixed-income holding for the Portfolio, Oppenheimer International Bond Fund, returned 7.98% for the reporting period and outperformed its benchmark, the Citigroup Non-U.S. Dollar World Government Bond Index, which only returned 1.52%. Its investments in emerging-market bonds helped drive its returns. Another smaller fixed-income holding of the Portfolio, MainStay High Yield Corporate Bond, returned 20.67%. High-yield debt was one of the top performing investment categories for the period and the underlying fund's investments in different types of high-yield vehicles represented solid performance on an absolute basis. On a relative basis versus its benchmark, this underlying fund underperformed, as the Credit Suisse High Yield Index returned 26.90%. Together, these two underlying funds accounted for approximately 15% of the Portfolio's investments at period end.

The Portfolio's two largest equity holdings at period end, Oppenheimer Capital Appreciation Fund and Oppenheimer Value Fund, each underperformed their respective benchmarks. Oppenheimer Capital Appreciation Fund returned 8.23% during the period while the Russell 1000 Growth Index returned 13.62%. Oppenheimer Value Fund returned 9.70% during the period while the Russell 1000 Value Index returned 16.92%.

During the reporting period, the market favored lower-quality stocks as opposed to the higher-quality stocks these underlying funds tend to favor, which is not unusual following a rebound from market lows, and tends to be fleeting in nature. These two underlying funds accounted for approximately 15% of the Portfolio's investments at period end.

OFIPI Baring International Strategy returned 7.69%, outperforming the MSCI EAFE Index which returned 6.38%. During the last few months of the period when European equity markets tumbled, this underlying strategy held up well on a relative basis.

Ages 18 Years and Over Portfolio

For the 12-month reporting period ended June 30, 2010, the Portfolio's Class A Units (without sales charge) returned 7.97%, outperforming its benchmark, which returned 6.83%.

In terms of the Portfolio's allocation to fixed-income holdings, Oppenheimer Limited-Term Government Fund accounted for approximately 30% of the Portfolio's holdings at period end and returned 9.33%. Considering that U.S. Treasury securities underperformed versus higher-yielding fixed-income securities for the period, this underlying fund's return was, on a relative basis versus its peer benchmark, quite strong. To drive home that point, the Barclays Capital U.S. Government 1 – 3 Year Bond Index's return for the period was only 2.85%. The underlying fund's returns were bolstered by investments in mortgage-backed securities. An approximate 25% allocation at period end to American Century Diversified Bond Fund returned 9.54% and performed in line with its benchmark, the Barclays Capital U.S. Aggregate Bond Index, which returned 9.50%. In general, it was a solid reporting period for U.S.-based fixed-income securities, particularly non-U.S. Treasury securities such as high-yield corporate bonds, convertible securities, and mortgage-backed securities.

A smaller fixed-income holding for the Portfolio, Oppenheimer International Bond Fund, returned 7.98% for the reporting period and outperformed its benchmark, the Citigroup Non-U.S. Dollar World Government Bond Index, which only returned 1.52%. Its investments in emerging-market bonds helped drive its returns. Another smaller fixed-income holding of the Portfolio, MainStay High Yield Corporate Bond, returned 20.67%. High-yield debt was one of the top performing investment categories for the period and the underlying fund's investments in different types of high-yield vehicles represented solid performance on an absolute basis. On a relative basis versus its benchmark, this underlying fund underperformed, as the Credit Suisse High Yield Index returned 26.90%. Together, these two underlying funds accounted for approximately 15% of the Portfolio's investments at period end.

The Portfolio's two equity holdings at period end, Oppenheimer Capital Appreciation Fund and Oppenheimer Value Fund, each underperformed their respective benchmarks. Oppenheimer Capital Appreciation Fund returned 8.23% during the period while the Russell 1000 Growth Index returned 13.62%. Oppenheimer Value Fund returned 9.70% during the period while the Russell 1000 Value Index returned 16.92%. During the reporting period, the market favored lower-quality stocks as opposed to the higher-quality stocks these underlying funds tend to favor, which is not unusual following a rebound from market lows, and tends to be fleeting in nature. These two underlying funds accounted for approximately 10% of the Portfolio's investments at period end.

In terms of the Portfolio's allocation to cash and cash equivalents, the Portfolio had an approximate 20% to Oppenheimer Institutional Money Market Fund at period end, which returned 0.21%. This underlying fund outperformed its money market index, the iMoney Net First Tier Institutional Index, which returned 0.09%.

Aggressive Portfolio

For the 12-month reporting period ended June 30, 2010, the Portfolio's Class A Units (without sales charge) returned 10.54%, underperforming its benchmark, which returned 14.74%.

The Portfolio's two largest holdings at period end, Oppenheimer Capital Appreciation Fund and Oppenheimer Value Fund, each underperformed their respective benchmarks. Oppenheimer Capital Appreciation Fund returned 8.23% during the period while the Russell 1000 Growth Index returned 13.62%. Oppenheimer Value Fund returned 9.70% during the period while the Russell 1000 Value Index returned 16.92%. During the reporting period, the market favored lower-quality stocks as opposed to the higher-quality stocks these underlying funds tend to favor, which is not unusual following a rebound from market lows, and tends to be fleeting in nature. Two smaller holdings of the Portfolio also underperformed their respective benchmarks. Oppenheimer Main Street Small Cap Fund returned 20% but underperformed its benchmark, the Russell 2000 Index, which returned 21.48%. Invesco (formerly AIM) Mid Cap Core Equity Fund returned 15.65% for the reporting period, but underperformed the Russell Mid Cap Index, which returned 25.13%.

In terms of relative outperformers, OFIPI Baring International Strategy, the third largest holding for the Portfolio at period end, outperformed its benchmark, the MSCI EAFE Index. OFIPI Baring International Strategy returned 7.69% versus the 6.38% return of the MSCI EAFE Index. It was a choppy period for the international equity markets, primarily due to the debt crisis emanating initially from Greece, and this was reflected in the relatively muted returns of international equities. However, the underlying strategy fared better than the MSCI EAFE Index during the market correction that began in late April and continued through the end of the reporting period. A smaller holding of the Portfolio, MainStay MAP Fund, returned 15.08% and underperformed its benchmark, the Russell 3000 Index, which returned 15.72%.

Moderately Aggressive Portfolio

For the 12-month reporting period ended June 30, 2010, the Portfolio's Class A Units (without sales charge) returned 12.84%, underperforming its benchmark, which returned 14.07%.

The Portfolio's two largest equity holdings at period end, Oppenheimer Capital Appreciation Fund and Oppenheimer Value Fund, each underperformed their respective benchmarks. Oppenheimer Capital Appreciation Fund returned 8.23% during the period while the Russell 1000 Growth Index returned 13.62%. Oppenheimer Value Fund returned 9.70% during the period while the Russell 1000 Value Index returned 16.92%. During the reporting period, the market favored lower-quality stocks as opposed to the higher-quality stocks these underlying funds tend to favor, which is not unusual following a rebound from market lows, and tends to be fleeting in nature. Two smaller holdings of the Portfolio also underperformed their respective benchmarks. Oppenheimer Main Street Small Cap Fund returned 20% but underperformed its benchmark, the Russell 2000 Index, which returned 21.48%. Invesco (formerly AIM) Mid Cap Core Equity Fund returned 15.65% for the reporting period, but underperformed the Russell Mid Cap Index, which returned 25.13%.

In terms of relative outperformers, OFIPI Baring International Strategy, the third largest equity holding for the Portfolio at period end, outperformed its benchmark, the MSCI EAFE Index. OFIPI Baring International Strategy returned 7.69% versus the 6.38% return of the MSCI EAFE Index. It was a choppy period for the international equity markets, primarily due to the debt crisis emanating initially from Greece, and this was reflected in the relatively muted returns of international equities. However, the underlying strategy fared better than the MSCI EAFE Index during the market correction that begin in late April and continued through the end of the reporting period. A smaller holding of the Portfolio, MainStay MAP Fund, returned 15.08% and underperformed its benchmark, the Russell 3000 Index, which returned 15.72%.

In terms of the Portfolio's allocation to fixed-income holdings, an approximate 20% allocation at period end to Oppenheimer Global Strategic Income Fund significantly outperformed its benchmark with a return of 21.80%. In comparison, the Barclays Capital U.S. Aggregate Bond Index returned 9.50%. This underlying fund's investments in emerging-markets bonds, U.S.-based mortgage-backed securities, and positioning of interest-rate strategies primarily through the use of future contracts contributed to positive performance for this underlying fund.

Moderate Portfolio

For the 12-month reporting period ended June 30, 2010, the Portfolio's Class A Units (without sales charge) returned 11.19%, underperforming its benchmark, which returned 13.62%.

The Portfolio's two largest equity holdings at period end, Oppenheimer Capital Appreciation Fund and Oppenheimer Value Fund, each underperformed their respective benchmarks. Oppenheimer Capital Appreciation Fund returned 8.23% during the period while the Russell 1000 Growth Index returned 13.62%. Oppenheimer Value Fund returned 9.70% during the period while the Russell 1000 Value Index returned 16.92%. During the reporting period, the market favored lower-quality stocks as opposed to the higher-quality stocks these underlying funds tend to favor, which is not unusual following a rebound from market lows, and tends to be fleeting in nature. Two smaller holdings of the Portfolio also underperformed their respective benchmarks. Oppenheimer Main Street Small Cap Fund returned 20% but underperformed its benchmark, the Russell 2000 Index, which returned 21.48%. Invesco (formerly AIM) Mid Cap Core Equity Fund returned 15.65% for the reporting period, but underperformed the Russell Mid Cap Index, which returned 25.13%.

In terms of relative outperformers, OFIPI Baring International Strategy, the third largest equity holding for the Portfolio at period end, outperformed its benchmark, the MSCI EAFE Index. OFIPI Baring International Strategy returned 7.69% versus the 6.38% return of the MSCI EAFE Index. It was a choppy period for the international equity markets, primarily due to the debt crisis emanating initially from Greece, and this was reflected in the relatively muted returns of international equities. However, the underlying strategy fared better than the MSCI EAFE Index during the market correction that began in late April and continued through the end of the reporting period. A smaller holding of the Portfolio, MainStay MAP Fund, returned 15.08% and underperformed its benchmark, the Russell 3000 Index, which returned 15.72%.

In terms of the Portfolio's allocation to fixed-income holdings, an approximate 25% allocation at period end to American Century Diversified Bond Fund returned 9.54% and performed in line with its benchmark, the Barclays Capital U.S. Aggregate Bond Index, which returned 9.50%. In general, it was a solid reporting period for U.S.-based fixed-income securities, particularly non-U.S. Treasury securities such as high-yield corporate bonds, convertible securities, and mortgage-backed securities.

A smaller holding for the Portfolio, Oppenheimer International Bond Fund, returned 7.98% for the reporting period and outperformed its benchmark, the Citigroup Non-U.S. Dollar World Government Bond Index, which only returned 1.52%. Its investments in emerging-market bonds helped drive its returns. Another smaller fixed-income holding of the Portfolio, MainStay High Yield Corporate Bond, returned 20.67%. High-yield debt was one of the top performing investment categories for the period and the underlying fund's investments in different types of high-yield vehicles represented solid performance on an absolute basis. On a relative basis

 (Continued)

versus its benchmark, this underlying fund underperformed, as the Credit Suisse High Yield Index returned 26.90%.

Conservative Portfolio

For the 12-month reporting period ended June 30, 2010, the Portfolio's Class A Units (without sales charge) returned 10.45%, underperforming its benchmark, which returned 11.42%.

In terms of the Portfolio's allocation to fixed-income holdings, an approximate 30% allocation at period end to American Century Diversified Bond Fund returned 9.54% and performed in line with its benchmark, the Barclays Capital U.S. Aggregate Bond Index, which returned 9.50%. In general, it was a solid reporting period for U.S.-based fixed-income securities, particularly non-U.S. Treasury securities such as high-yield corporate bonds, convertible securities, and mortgage-backed securities.

Oppenheimer Limited-Term Government Fund accounted for approximately 10% of the Portfolio's holdings at period end and returned 9.33%. Considering that U.S. Treasury securities underperformed versus higher-yielding fixed-income securities for the period, this underlying fund's return was, on a relative basis versus its peer benchmark, quite strong. To drive home that point, the Barclays Capital U.S. Government 1 – 3 Year Bond Index's return for the period was only 2.85%. The underlying fund's returns were bolstered by investments in mortgage-backed securities.

A smaller fixed-income holding for the Portfolio, Oppenheimer International Bond Fund, returned 7.98% for the reporting period and outperformed its benchmark, the Citigroup Non-U.S. Dollar World Government Bond Index, which only returned 1.52%. Its investments in emerging-market bonds helped drive its returns. Another smaller fixed-income holding of the Portfolio, MainStay High Yield Corporate Bond, returned 20.67%. High-yield debt was one of the top performing investment categories for the period and the underlying fund's investments in different types of high-yield vehicles represented solid performance on an absolute basis. On a relative basis versus its benchmark, this underlying fund underperformed, as the Credit Suisse High Yield Index returned 26.90%.

The Portfolio's two largest equity holdings at period end, Oppenheimer Capital Appreciation Fund and Oppenheimer Value Fund, each underperformed their respective benchmarks. Oppenheimer Capital Appreciation Fund returned 8.23% during the period while the Russell 1000 Growth Index returned 13.62%. Oppenheimer Value Fund returned 9.70% during the period while the Russell 1000 Value Index returned 16.92%. During the reporting period, the market favored lower-quality stocks as opposed to the higher-quality stocks these underlying funds tend to favor, which is not unusual following a rebound from market lows, and tends to be fleeting in nature. A smaller equity holding of the Portfolio, Oppenheimer Main Street Small Cap Fund, returned 20% but underperformed its benchmark, the Russell 2000 Index, which returned 21.48%.

Two smaller equity holdings for the Portfolio both outperformed their respective benchmarks. OFIPI Baring International Strategy returned 7.69% versus the 6.38% return of the MSCI EAFE Index. It was a choppy period for the international equity markets, primarily due to the debt crisis emanating initially from Greece, and this was reflected in the relatively muted returns of international equities. However, the underlying strategy fared better than the MSCI EAFE Index during the market correction that began in late April and continued through the end

 (Continued)

of the reporting period. MainStay MAP Fund returned 15.08% and underperformed its benchmark, the Russell 3000 Index, which returned 15.72%.

Ultra Conservative Portfolio

For the 12-month reporting period ended June 30, 2010, the Portfolio's Class A Units (without sales charge) returned 8.89%, outperforming its benchmark, which returned 8.39%.

In terms of the Portfolio's allocation to fixed-income holdings, an approximate 30% allocation at period end to American Century Diversified Bond Fund returned 9.54% and performed in line with its benchmark, the Barclays Capital U.S. Aggregate Bond Index, which returned 9.50%. In general, it was a solid reporting period for U.S.-based fixed-income securities, particularly non-U.S. Treasury securities such as high-yield corporate bonds, convertible securities, and mortgage-backed securities.

Oppenheimer Limited-Term Government Fund accounted for approximately 25% of the Portfolio's holdings at period end and returned 9.33%. Considering that U.S. Treasury securities underperformed versus higher-yielding fixed-income securities for the period, this underlying fund's return was, on a relative basis versus its peer benchmark, quite strong. To drive home that point, the Barclays Capital U.S. Government 1 – 3 Year Bond Index's return for the period was only 2.85%. The underlying fund's returns were bolstered by investments in mortgage-backed securities.

A smaller fixed-income holding for the Portfolio, Oppenheimer International Bond Fund, returned 7.98% for the reporting period and outperformed its benchmark, the Citigroup Non-U.S. Dollar World Government Bond Index, which only returned 1.52%. Its investments in emerging-market bonds helped drive its returns. Another smaller fixed-income holding of the Portfolio, MainStay High Yield Corporate Bond, returned 20.67%. High-yield debt was one of the top performing investment categories for the period and the underlying fund's investments in different types of high-yield vehicles represented solid performance on an absolute basis. On a relative basis versus its benchmark, this underlying fund underperformed, as the Credit Suisse High Yield Index returned 26.90%. Together, these two underlying funds accounted for approximately 15% of the Portfolio's investments at period end.

The Portfolio's two largest equity holdings at period end, Oppenheimer Capital Appreciation Fund and Oppenheimer Value Fund, each underperformed their respective benchmarks. Oppenheimer Capital Appreciation Fund returned 8.23% during the period while the Russell 1000 Growth Index returned 13.62%. Oppenheimer Value Fund returned 9.70% during the period while the Russell 1000 Value Index returned 16.92%.

During the reporting period, the market favored lower-quality stocks as opposed to the higher-quality stocks these underlying funds tend to favor, which is not unusual following a rebound from market lows, and tends to be fleeting in nature. These two underlying funds accounted for approximately 15% of the Portfolio's investments at period end.

OFIPI Baring International Strategy returned 7.69%, outperforming the MSCI EAFE Index which returned 6.38%. During the last few months of the period when European equity markets tumbled, this underlying strategy held up well on a relative basis.

 (Continued)

School Years Portfolio

For the 12-month reporting period ended June 30, 2010, the Portfolio's Class A Units (without sales charge) returned 8.02%, outperforming its benchmark, which returned 6.83%.

In terms of the Portfolio's allocation to fixed-income holdings, Oppenheimer Limited-Term Government Fund accounted for approximately 30% of the Portfolio's holdings at period end and returned 9.33%. Considering that U.S. Treasury securities underperformed versus higher-yielding fixed-income securities for the period, this underlying fund's return was, on a relative basis versus its peer benchmark, quite strong. To drive home that point, the Barclays Capital U.S. Government 1 – 3 Year Bond Index's return for the period was only 2.85%. The underlying fund's returns were bolstered by investments in mortgage-backed securities. An approximate 25% allocation at period end to American Century Diversified Bond Fund returned 9.54% and performed in line with its benchmark, the Barclays Capital U.S. Aggregate Bond Index, which returned 9.50%. In general, it was a solid reporting period for U.S.-based fixed-income securities, particularly non-U.S. Treasury securities such as high-yield corporate bonds, convertible securities, and mortgage-backed securities.

A smaller fixed-income holding for the Portfolio, Oppenheimer International Bond Fund, returned 7.98% for the reporting period and outperformed its benchmark, the Citigroup Non-U.S. Dollar World Government Bond Index, which only returned 1.52%. Its investments in emerging-market bonds helped drive its returns. Another smaller fixed-income holding of the Portfolio, MainStay High Yield Corporate Bond, returned 20.67%. High-yield debt was one of the top performing investment categories for the period and the underlying fund's investments in different types of high-yield vehicles represented solid performance on an absolute basis. On a relative basis versus its benchmark, this underlying fund underperformed, as the Credit Suisse High Yield Index returned 26.90%. Together, these two underlying funds accounted for approximately 15% of the Portfolio's investments at period end.

The Portfolio's two equity holdings at period end, Oppenheimer Capital Appreciation Fund and Oppenheimer Value Fund, each underperformed their respective benchmarks. Oppenheimer Capital Appreciation Fund returned 8.23% during the period while the Russell 1000 Growth Index returned 13.62%. Oppenheimer Value Fund returned 9.70% during the period while the Russell 1000 Value Index returned 16.92%. During the reporting period, the market favored lower-quality stocks as opposed to the higher-quality stocks these underlying funds tend to favor, which is not unusual following a rebound from market lows, and tends to be fleeting in nature. These two underlying funds accounted for approximately 10% of the Portfolio's investments at period end.

In terms of the Portfolio's allocation to cash and cash equivalents, the Portfolio had an approximate 20% to Oppenheimer Institutional Money Market Fund at period end, which returned 0.21%. This underlying fund outperformed its money market index, the iMoney Net First Tier Institutional Index, which returned 0.09%.

Large Cap Growth Portfolio

For the 12-month period ended June 30, 2010, the Portfolio's Class A Units (without sales charge) returned 7.66%, underperforming its benchmark, the Russell 1000 Growth Index, which returned 13.62%.

(Continued)

In the midst of a volatile market environment, particularly over May and June, the Portfolio underperformed the Index primarily in the information technology, materials and consumer discretionary sectors due to weaker relative stock selection. During the reporting period, the market favored lower-quality stocks as opposed to the higher-quality stocks the underlying fund tends to favor, which is not unusual following a rebound from market lows, and tends to be fleeting in nature. Looking ahead, the investing environment may favor more the types of stocks the Portfolio seeks to invest in and the Portfolio will continue to adhere to a long-term, bottom-up investment approach based on fundamentals.

Large Cap Core Portfolio

For the 12-month period ended June 30, 2010, the Portfolio’s Class A Units (without sales charge) returned 14.52%, outperforming its benchmark, the Russell 3000 Index, which returned 14.43%. Despite market volatility which permeated the equity markets throughout the period, large cap equities generally ended the period in positive territory. The best performing sectors of the Index for the period in terms of total return were in industrials and consumer discretionary, which was reflective of increased business activity and consumer spending as the U.S. economy began to recover from the recession. Other sectors that performed well for the Index in terms of total return included financials, information technology and materials. Energy, utilities and telecommunication services lagged behind in terms of total return for the Index during the period and were the worst performers. Energy in particular weighed on relative performance for the Index due to its larger weighting.

Large Cap Value Portfolio

For the 12-month period ended June 30, 2010, the Portfolio’s Class A Units (without sales charge) returned 9.14%, underperforming its benchmark, the Russell 1000 Value Index, which returned 16.92%.

In the midst of a volatile market environment, particularly over May and June, the Portfolio underperformed the Index primarily in the financials, consumer staples and information technology sectors due to weaker relative stock selection. During the reporting period, the market favored lower-quality stocks as opposed to the higher-quality stocks the underlying fund tends to favor, which is not unusual following a rebound from market lows, and tends to be fleeting in nature. Looking ahead, the investing environment may favor more the types of stocks the Portfolio seeks to invest in and the Portfolio will continue to adhere to a long-term, bottom-up investment approach based on fundamentals.

Small Cap Core Portfolio

For the 12-month period ended June 30, 2010, the Portfolio’s Class A Units (without sales charge) returned 19.43%, underperforming its benchmark, the Russell 2000 Index, which returned 21.48%.

The Portfolio’s stock selection strategy proved effective in the health care, industrials and consumer staples sectors, and helped support the Portfolio’s performance in a volatile market environment. The Portfolio underperformed as a result of stock selection primarily within the financials, information technology and consumer discretionary sectors during the period.

Although the Portfolio gave back a portion of the reporting period’s earlier gains in the May/June market correction, generally sector-neutral allocations enabled it to focus on adding value through a combination of

(Continued)

quantitative and fundamental research into higher-quality small-cap companies. The Portfolio began the reporting period with an emphasis on companies that appeared poised to benefit from the economic recovery, namely those in relatively economically sensitive market segments. Indeed, these areas contained some of the reporting period's top individual performers.

In terms of what detracted from Portfolio performance, the Portfolio had adopted a relatively conservative investment posture in the information technology sector, favoring service-oriented companies over semiconductor manufacturers at a time when the latter industry fared better. A conservative stance also dampened the relative performance in the consumer discretionary sector, where the Portfolio did not participate fully in gains posted by automobile components manufacturers, Internet retailers and other cyclical businesses. Instead, we focused on hotels and restaurants, which lagged sector averages.

International Equity Portfolio

For the 12-month period ended June 30, 2010, the Portfolio's Class A Units (without sales charge) returned 6.26%, performing roughly in line with its benchmark, the MSCI EAFE Index, which returned 6.38%. Global equity markets pulled back sharply in the last week of April 2010 and through the end of the reporting period due to worries about a cascading sovereign debt crisis.

The Portfolio's sector performance was particularly strong in materials, driven by strong performance of the Portfolio's gold stocks. Despite being overweight energy, which underperformed during the reporting period, stronger relative stock selection contributed to Portfolio performance within the sector. Information technology also contributed positively to Portfolio performance due to both sector allocation and strong performances from stocks we added during the period. By far, the biggest detractor from relative Portfolio performance was the health care sector, where a number of European health care stocks underperformed.

The Portfolio underperformed the Index in the earlier part of the reporting period when the equity market rally was in full swing. When the market correction occurred over the last few months of the reporting period, the Portfolio performed on a relative basis better than the Index.

Intermediate Term Bond Portfolio

For the 12-month period ended June 30, 2010, the Portfolio's Class A Units (without sales charge) returned 9.21%, slightly underperforming its benchmark, the Barclays Capital U.S. Aggregate Bond Index, which returned 9.50%. In general, it was a solid reporting period for U.S.-based fixed-income securities, particularly non-U.S. Treasury securities such as high-yield corporate bonds, convertible securities, and mortgage-backed securities.

Diversified Income Portfolio

For the 12-month period ended June 30, 2010, the Portfolio's Class A Units (without sales charge) returned 21.21%, significantly outperforming its benchmark, the Barclays Capital U.S. Aggregate Bond Index, which returned 9.50%.

The Portfolio maintained overweight exposure versus the Index to emerging markets that it regarded as likely to benefit from resurgent global growth and investors' pursuit of competitive yields, such as Brazil and Mexico. Emerging-markets positions proved to be among the main drivers of the Portfolio's strong relative performance during the reporting period. By the same token, the Portfolio benefited from an underweight position in the sovereign bonds of developed markets, which helped it avoid the full brunt of weakness stemming from slower growth in those regions. However, the Portfolio's exposure to some foreign currencies hurt its relative performance when the U.S. dollar strengthened.

Among U.S. Government securities, a focus on mortgage-backed securities guaranteed by U.S. Government agencies was a key contributor to relative performance. These securities produced strong returns, particularly when newly risk-averse investors sought refuge among traditional safe havens. The Portfolio also benefited from positions in high-quality nonagency mortgage-backed securities. The Portfolio maintained its interest-rate strategies in a generally market-neutral position, which we achieved through the use of futures contracts. This positioning effectively served as a hedge against credit risk, as short-term interest rates tend to fall and long-term rates generally rise when credit conditions deteriorate.

Short Term Yield Portfolio

For the 12-month period ended June 30, 2010, the Portfolio's Class A Units (without sales charge) returned 0.00%, versus the iMoneyNet First Tier Institutional Money Market Index return of 0.09%. Performance of money-market instruments remained under pressure during the period given the Fed's keeping rates between 0% and 0.25%, which represent historic lows.

The Fed's low target for the federal funds rate served as an anchor for yields of money market instruments, which typically offered annualized returns of little more than zero percent. In addition, yield differences along the market's maturity spectrum remained relatively narrow, and most money market funds maintained weighted average maturities that were longer than historical averages.

The Portfolio continued to maintain a defensive investment posture throughout the reporting period. Due to narrow yield spreads and low interest rates among money market instruments, it made little sense to incur the incremental credit risks associated with longer corporate maturities. Moreover, the Portfolio continued to focus on money market instruments that meet stringent credit-quality standards. In light of this emphasis on seeking safety and liquidity, the Portfolio held less commercial paper and more U.S. Government securities than we consider usual. In addition, the Portfolio found some opportunities meeting certain criteria among taxable short-term securities issued by states and municipalities.

Capital Preservation Portfolio

At period end, the Portfolio's allocation consisted of guaranteed investment contracts with New York Life.

KPMG LLP
Suite 700
Two Park Square
6565 Americas Parkway NE
PO Box 3990
Albuquerque, NM 87190

Independent Auditors' Report

The Education Trust Board of New Mexico
2048 Galisteo
Santa Fe, NM 87505
and
Hector Balderas, New Mexico State Auditor
2113 Warner Circle
Santa Fe, NM 87505-5499:

We have audited the accompanying combined statements of fiduciary net assets of Scholar'sEdge (the Plan) and the statements of fiduciary net assets of the Newborn to Age 5 Years Portfolio, Ages 6 – 8 Years Portfolio Ages 9 – 11 Years Portfolio, Ages 12 – 14 Years Portfolio, Ages 15 – 17 Years Portfolio, Ages 18 Years and Over Portfolio. Aggressive Portfolio, Moderately Aggressive Portfolio, Moderate Portfolio, Conservative Portfolio, Ultra Conservative Portfolio, School Years Portfolio, Large Cap Growth Portfolio, Large Cap Core Portfolio, Large Cap Value Portfolio, Small Cap Core Portfolio, International Equity Portfolio, Intermediate Term Bond Portfolio, Diversified Income Portfolio, Short Term Yield Portfolio, and Capital Preservation Portfolio (collectively referred to as the Portfolios) of the Plan as of June 30, 2010, 2009, and 2008, and the related combined statements of changes in fiduciary net assets of the Plan and statements of changes in fiduciary net assets of the Portfolios for the years then ended. These financial statements are the responsibility of The Education Trust Board of New Mexico and OFI Private Investments Inc. (Program Manager). 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 and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit also 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 fiduciary net assets of The Plan and Portfolios as of June 30, 2010, 2009, and 2008, and the changes in fiduciary net assets for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2010 on our consideration of the Plan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters.

The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

The management discussion and analysis on pages 1 through 17 is not a required part of the basic financial statements, but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit this information and express no opinion on it.

KPMG LLP

December 15, 2010

SCHOLAR'SEDGE
COMBINED

Statements of Fiduciary Net Assets

June 30, 2010, 2009, and 2008

	2010	2009	2008
Assets:			
Investments, at value (cost $1,493,123,179, $1,591,351,850, and $1,697,663,912, respectively)	$ 1,376,332,397	1,244,379,708	1,640,070,156
Cash	2,163,190	5,858,882	270,008
Receivables and other assets:			
Receivable for capital shares	1,894,531	1,167,295	2,768,645
Receivable for securities sold	502,068	1,648,126	489,221
Accrued income	588,386	1,346,244	2,168,381
Other assets	337	—	
Total assets	1,381,480,909	1,254,400,255	1,645,766,411
Cash overdraft	56,977	—	367,935
Payables and other liabilities:			
Payable for capital shares	1,987,993	1,613,877	2,970,746
Payable for securities purchased	927,883	2,684,895	2,366,279
Accrued expenses	569,470	552,737	609,117
Other liabilities	1,024	—	
Total liabilities	3,543,347	4,851,509	6,314,077
Net assets:			
Held in trust for qualified state tuition plans and other purposes	$ 1,377,937,562	1,249,548,746	1,639,452,334
Class A:			
Net assets	$ 893,484,490	753,824,401	920,136,099
Capital units outstanding (unlimited number authorized)	45,910,320	42,325,191	38,550,005
Net asset value per unit	—	—	—
Class B:			
Net assets	$ 181,776,308	212,332,385	334,433,693
Capital units outstanding (unlimited number authorized)	9,535,855	12,243,965	14,655,254
Net asset value per unit	—	—	—
Class C:			
Net assets	$ 302,676,764	283,391,960	384,882,542
Capital units outstanding (unlimited number authorized)	16,617,979	16,905,347	17,693,542
Net asset value per unit	—	—	—

See accompanying notes to financial statements which are an integral part of the financial statements.

SCHOLAR'SEDGE
COMBINED

Statements of Changes in Fiduciary Net Assets

Years ended June 30, 2010, 2009, and 2008

		2010	2009	2008
Additions:				
Subscriptions	$	517,375,973	523,736,639	1,721,256,881
Investment income:				
Dividend income from underlying investments		14,595,892	27,253,503	34,630,113
Interest		5,472	55,801	70,598
Less expenses:				
Distribution fees		7,139,069	6,984,811	3,487,723
Management fees		2,788,964	2,536,975	1,667,865
State administrative fees		1,388,108	1,260,022	975,165
Expense reimbursement		(9,573)	—	—
Net investment income		3,294,796	16,527,496	28,569,958
Capital gains (losses) from underlying investments		(108,875,287)	(117,070,672)	48,843,137
Net increase (decrease) in change in fair value of investments		230,181,360	(289,378,386)	(162,132,375)
Total additions		641,976,842	133,815,077	1,636,537,601
Deductions:				
Redemptions		(513,588,026)	(523,718,665)	(794,086,028)
Change in net assets held in trust for individuals		128,388,816	(389,903,588)	842,451,573
Net assets:				
Net assets at the beginning of year		1,249,548,746	1,639,452,334	797,000,761
Net assets at the end of year	$	1,377,937,562	1,249,548,746	1,639,452,334

See accompanying notes to financial statements which are an integral part of the financial statements.

SCHOLAR'SEDGE
NEWBORN TO AGE 5 YEARS PORTFOLIO

Statements of Fiduciary Net Assets

June 30, 2010, 2009, and 2008

		2010	2009	2008
Assets:				
Investments, at value (cost $97,995,437, $139,508,794, and $187,882,430, respectively)	$	80,963,733	99,244,207	178,792,718
Cash		150,549	203,334	—
Receivables and other assets:				
Receivable for capital shares		26,145	36,198	130,824
Receivable for securities sold		169,056	318,098	153,550
Accrued income		—	—	43
Total assets		81,309,483	99,801,837	179,077,135
Cash overdraft		—	—	130,392
Payables and other liabilities:				
Payable for capital shares		273,063	190,680	375,679
Payable for securities purchased				
Accrued expenses		38,240	53,624	83,129
Total liabilities		311,303	244,304	589,200
Net assets:				
Held in trust for qualified state tuition plans and other purposes	$	80,998,180	99,557,533	178,487,935
Class A:				
Net assets	$	53,309,260	62,391,914	106,623,856
Capital units outstanding (unlimited number authorized)		2,430,379	3,145,389	3,840,491
Net asset value per unit		21.93	19.84	27.76
Public offering price per unit:				
(Net asset value plus sales charge of 4.75%)		23.02	20.83	29.14
Class B:				
Net assets	$	14,458,742	20,876,987	43,752,966
Capital units outstanding (unlimited number authorized)		670,157	1,061,992	1,578,267
Net asset value per unit		21.58	19.66	27.72
Class C:				
Net assets	$	13,230,178	16,288,632	28,111,113
Capital units outstanding (unlimited number authorized)		651,357	880,131	1,077,132
Net asset value per unit		20.31	18.51	26.10

See accompanying notes to financial statements which are an integral part of the financial statements.

SCHOLAR'SEDGE
NEWBORN TO AGE 5 YEARS PORTFOLIO

Statements of Changes in Fiduciary Net Assets

Years ended June 30, 2010, 2009, and 2008

	2010	2009	2008
Additions:			
Subscriptions	$ 23,298,464	29,423,405	234,311,943
Investment income:			
Dividend income from underlying investments	583,345	809,871	2,539,848
Interest	373	5,598	6,298
Less expenses:			
Distribution fees	515,667	623,145	285,261
Management fees	277,260	316,545	172,955
State administrative fees	99,816	114,477	83,298
Net investment loss	(309,025)	(238,698)	2,004,632
Capital losses from underlying investments	(11,136,895)	(18,656,909)	(11,444,007)
Net increase (decrease) in change in fair value of investments	23,232,883	(31,174,875)	(9,089,712)
Total additions	35,085,427	(20,647,077)	215,782,856
Deductions:			
Redemptions	(53,644,780)	(58,283,325)	(37,294,921)
Change in net assets held in trust for individuals	(18,559,353)	(78,930,402)	178,487,935
Net assets:			
Net assets at the beginning of year	99,557,533	178,487,935	—
Net assets at the end of year	$ 80,998,180	99,557,533	178,487,935

See accompanying notes to financial statements which are an integral part of the financial statements.

SCHOLAR'SEDGE
AGES 6 – 8 YEARS PORTFOLIO

Statements of Fiduciary Net Assets

June 30, 2010, 2009, and 2008

	2010	2009	2008
Assets:			
Investments, at value (cost $197,239,199, $201,402,511, and $203,760,250, respectively)	$ 173,898,388	153,110,652	195,157,769
Cash	355,187	551,689	90,211
Receivables and other assets:			
Receivable for capital shares	257,089	130,318	367,439
Receivable for securities sold	—	218,219	—
Accrued income	24,060	34,302	32,647
Total assets	174,534,724	154,045,180	195,648,066
Payables and other liabilities:			
Payable for capital shares	155,697	195,879	483,467
Payable for securities purchased	83,326	—	89,862
Accrued expenses	76,564	75,465	80,389
Total liabilities	315,587	271,344	653,718
Net assets:			
Held in trust for qualified state tuition plans and other purposes	$ 174,219,137	153,773,836	194,994,348
Class A:			
Net assets	$ 113,821,393	95,430,140	114,253,196
Capital units outstanding (unlimited number authorized)	4,729,606	4,474,333	4,025,905
Net asset value per unit	24.07	21.33	28.38
Public offering price per unit:			
(Net asset value plus sales charge of 4.75%)	25.27	22.39	29.80
Class B:			
Net assets	$ 32,326,336	33,478,298	46,028,749
Capital units outstanding (unlimited number authorized)	1,365,659	1,583,883	1,624,365
Net asset value per unit	23.67	21.14	28.34
Class C:			
Net assets	$ 28,071,408	24,865,398	34,712,403
Capital units outstanding (unlimited number authorized)	1,248,444	1,238,441	1,289,621
Net asset value per unit	22.49	20.08	26.92

See accompanying notes to financial statements which are an integral part of the financial statements.

SCHOLAR'SEDGE
AGES 6 – 8 YEARS PORTFOLIO

Statements of Changes in Fiduciary Net Assets

Years ended June 30, 2010, 2009, and 2008

		2010	2009	2008
Additions:				
Subscriptions	$	78,603,680	74,166,485	243,510,791
Investment income:				
Dividend income from underlying investments		2,832,469	2,841,770	2,192,685
Interest		741	6,786	7,308
Less expenses:				
Distribution fees		946,373	823,511	305,743
Management fees		437,858	360,182	159,921
State administrative fees		181,144	150,031	82,511
Net investment income		1,267,835	1,514,832	1,651,818
Capital losses from underlying investments		(6,746,505)	(11,656,370)	(7,198,190)
Net increase (decrease) in change in fair value of investments		24,951,048	(39,689,378)	(8,602,481)
Total additions		98,076,058	24,335,569	229,361,938
Deductions:				
Redemptions		(77,630,757)	(65,556,081)	(34,367,590)
Change in net assets held in trust for individuals		20,445,301	(41,220,512)	194,994,348
Net assets:				
Net assets at the beginning of year		153,773,836	194,994,348	—
Net assets at the end of year	$	174,219,137	153,773,836	194,994,348

See accompanying notes to financial statements which are an integral part of the financial statements.

SCHOLAR'SEDGE
AGES 9 – 11 YEARS PORTFOLIO

Statements of Fiduciary Net Assets

June 30, 2010, 2009, and 2008

		2010	2009	2008
Assets:				
Investments, at value (cost $181,359,121, $185,522,325, and $192,568,961, respectively)	$	167,647,145	139,413,534	185,868,687
Cash		53,738	681,279	29,244
Receivables and other assets:				
Receivable for capital shares		151,750	172,994	457,712
Receivable for securities sold		115,473	34,422	—
Accrued income		49,184	164,715	297,109
Total assets		168,017,290	140,466,944	186,652,752
Cash overdraft				
Payables and other liabilities:				
Payable for capital shares		307,425	294,782	425,796
Payable for securities purchased		49,184	164,966	326,473
Accrued expenses		73,385	65,618	71,361
Other liabilities		527		
Total liabilities		430,521	525,366	823,630
Net assets:				
Held in trust for qualified state tuition plans and other purposes	$	167,586,769	139,941,578	185,829,122
Class A:				
Net assets	$	113,840,490	87,942,290	109,753,601
Capital units outstanding (unlimited number authorized)		4,951,021	4,249,685	3,862,312
Net asset value per unit		22.99	20.69	28.42
Public offering price per unit:				
(Net asset value plus sales charge of 4.75%)		24.14	21.72	29.84
Class B:				
Net assets	$	25,428,630	27,405,281	42,895,869
Capital units outstanding (unlimited number authorized)		1,124,157	1,336,080	1,511,548
Net asset value per unit		22.62	20.51	28.38
Class C:				
Net assets	$	28,317,649	24,594,007	33,179,652
Capital units outstanding (unlimited number authorized)		1,316,359	1,260,772	1,229,417
Net asset value per unit		21.51	19.51	26.99

See accompanying notes to financial statements which are an integral part of the financial statements.

SCHOLAR'SEDGE
AGES 9 – 11 YEARS PORTFOLIO

Statements of Changes in Fiduciary Net Assets

Years ended June 30, 2010, 2009, and 2008

		2010	2009	2008
Additions:				
Subscriptions	$	83,840,478	69,106,562	232,171,399
Investment income:				
Dividend income from underlying investments		1,482,394	2,797,443	4,485,493
Interest		647	6,190	7,134
Less expenses:				
Distribution fees		830,956	762,767	296,396
Management fees		337,405	286,376	143,314
State administrative fees		163,376	139,743	81,405
Net investment income		151,304	1,614,747	3,971,512
Capital losses from underlying investments		(17,798,965)	(12,838,935)	(7,051,782)
Net increase (decrease) in change in fair value of investments		32,396,815	(39,408,517)	(6,700,274)
Total additions		98,589,632	18,473,857	222,390,855
Deductions:				
Redemptions		(70,944,441)	(64,361,401)	(36,561,733)
Change in net assets held in trust for individuals		27,645,191	(45,887,544)	185,829,122
Net assets:				
Net assets at the beginning of year		139,941,578	185,829,122	—
Net assets at the end of year	$	167,586,769	139,941,578	185,829,122

See accompanying notes to financial statements which are an integral part of the financial statements.

SCHOLAR'SEDGE
AGES 12 – 14 YEARS PORTFOLIO

Statements of Fiduciary Net Assets

June 30, 2010, 2009, and 2008

		2010	2009	2008
Assets:				
Investments, at value (cost $175,380,660, $192,791,030, and $207,076,215, respectively)	$	168,769,947	149,990,603	201,467,849
Cash		437,227	695,789	60,020
Receivables and other assets:				
Receivable for capital shares		339,602	214,330	443,482
Receivable for securities sold		—	58,329	—
Accrued income		98,401	274,865	477,685
Other assets		225	—	—
Total assets		169,645,402	151,233,916	202,449,036
Cash overdraft				
Payables and other liabilities:				
Payable for capital shares		536,219	260,363	635,241
Payable for securities purchased		204,072	274,831	537,634
Accrued expenses		70,952	64,665	65,739
Total liabilities		811,243	599,859	1,238,614
Net assets:				
Held in trust for qualified state tuition plans and other purposes	$	168,834,159	150,634,057	201,210,422
Class A:				
Net assets	$	111,024,032	91,738,766	111,625,051
Capital units outstanding (unlimited number authorized)		4,966,537	4,533,060	4,219,214
Net asset value per unit		22.35	20.24	26.46
Public offering price per unit: (Net asset value plus sales charge of 4.75%)		23.46	21.25	27.78
Class B:				
Net assets	$	26,196,501	30,048,775	50,310,065
Capital units outstanding (unlimited number authorized)		1,191,359	1,498,141	1,904,379
Net asset value per unit		21.99	20.06	26.42
Class C:				
Net assets	$	31,613,626	28,846,516	39,275,306
Capital units outstanding (unlimited number authorized)		1,540,838	1,541,380	1,593,279
Net asset value per unit		20.52	18.71	24.65

See accompanying notes to financial statements which are an integral part of the financial statements.

SCHOLAR'SEDGE
AGES 12 – 14 YEARS PORTFOLIO

Statements of Changes in Fiduciary Net Assets

Years ended June 30, 2010, 2009, and 2008

	2010	2009	2008
Additions:			
Subscriptions	$ 82,257,958	72,335,028	244,971,393
Investment income:			
Dividend income from underlying investments	1,317,520	4,005,117	3,918,068
Interest	696	6,899	6,696
Less expenses:			
Distribution fees	883,161	883,446	330,848
Management fees	280,857	257,811	130,560
State administrative fees	168,541	156,417	82,594
Net investment income (loss)	(14,343)	2,714,342	3,380,762
Capital losses from underlying investments	(20,828,981)	(13,542,299)	(6,406,244)
Net increase (decrease) in change in fair value of investments	36,189,714	(37,192,061)	(5,608,366)
Total additions	97,604,348	24,315,010	236,337,545
Deductions:			
Redemptions	(79,404,246)	(74,891,375)	(35,127,123)
Change in net assets held in trust for individuals	18,200,102	(50,576,365)	201,210,422
Net assets:			
Net assets at the beginning of year	150,634,057	201,210,422	—
Net assets at the end of year	$ 168,834,159	150,634,057	201,210,422

See accompanying notes to financial statements which are an integral part of the financial statements.

SCHOLAR'SEDGE
AGES 15 – 17 YEARS PORTFOLIO

Statements of Fiduciary Net Assets

June 30, 2010, 2009, and 2008

		2010	2009	2008
Assets:				
Investments, at value (cost $171,059,760, $179,470,219, and $193,545,972, respectively)	$	172,109,410	150,343,513	190,006,510
Cash		138,518	800,641	—
Receivables and other assets:				
Receivable for capital shares		547,639	171,042	624,838
Receivable for securities sold		122,473	—	121,803
Accrued income		171,348	370,272	587,759
Total assets		173,089,388	151,685,468	191,340,910
Cash overdraft		—	—	120,226
Payables and other liabilities:				
Payable for capital shares		156,381	202,232	613,450
Payable for securities purchased		171,393	415,697	587,614
Accrued expenses		69,124	59,332	55,134
Other liabilities		158	—	—
Total liabilities		397,056	677,261	1,376,424
Net assets:				
Held in trust for qualified state tuition plans and other purposes	$	172,692,332	151,008,207	189,964,486
Class A:				
Net assets	$	111,222,473	88,547,869	100,142,322
Capital units outstanding (unlimited number authorized)		10,644,255	9,227,402	8,490,396
Net asset value per unit		10.45	9.60	11.79
Public offering price per unit: (Net asset value plus sales charge of 4.75%)		10.97	10.08	12.38
Class B:				
Net assets	$	23,070,925	26,809,718	40,696,923
Capital units outstanding (unlimited number authorized)		2,244,924	2,819,197	3,455,841
Net asset value per unit		10.28	9.51	11.78
Class C:				
Net assets	$	38,398,934	35,650,620	49,125,241
Capital units outstanding (unlimited number authorized)		3,820,584	3,833,469	4,265,631
Net asset value per unit		10.05	9.30	11.52

See accompanying notes to financial statements which are an integral part of the financial statements.

SCHOLAR’SEDGE
AGES 15 – 17 YEARS PORTFOLIO

Statements of Changes in Fiduciary Net Assets

Years ended June 30, 2010, 2009, and 2008

		2010	2009	2008
Additions:				
Subscriptions	$	82,705,602	74,511,995	224,166,181
Investment income:				
Dividend income from underlying investments		1,267,044	4,978,249	4,466,915
Interest		678	6,820	6,201
Less expenses:				
Distribution fees		886,492	906,863	333,814
Management fees		239,681	222,075	111,789
State administrative fees		165,814	155,000	75,849
Net investment income (loss)		(24,265)	3,701,131	3,951,664
Capital losses from underlying investments		(17,190,183)	(14,489,969)	(2,603,217)
Net increase (decrease) in change in fair value of investments		30,176,356	(25,587,244)	(3,539,462)
Total additions		95,667,510	38,135,913	221,975,166
Deductions:				
Redemptions		(73,983,385)	(77,092,192)	(32,010,680)
Change in net assets held in trust for individuals		21,684,125	(38,956,279)	189,964,486
Net assets:				
Net assets at the beginning of year		151,008,207	189,964,486	—
Net assets at the end of year	$	172,692,332	151,008,207	189,964,486

See accompanying notes to financial statements which are an integral part of the financial statements.

SCHOLAR'SEDGE
AGES 18 YEARS AND OVER PORTFOLIO

Statements of Fiduciary Net Assets

June 30, 2010, 2009, and 2008

		2010	2009	2008
Assets:				
Investments, at value (cost $130,984,511, $119,942,572, and $123,962,204, respectively)	$	134,218,718	106,870,532	122,218,969
Cash		203,215	562,070	53,037
Receivables and other assets:				
Receivable for capital shares		153,739	185,124	510,606
Accrued income		152,104	266,892	393,382
Total assets		134,727,776	107,884,618	123,175,994
Payables and other liabilities:				
Payable for capital shares		230,695	158,464	168,231
Payable for securities purchased		280,093	293,175	445,664
Accrued expenses		48,543	33,873	26,902
Other liabilities		296	—	—
Total liabilities		559,627	485,512	640,797
Net assets:				
Held in trust for qualified state tuition plans and other purposes	$	134,168,149	107,399,106	122,535,197
Class A:				
Net assets	$	80,992,228	58,062,222	58,094,595
Capital units outstanding (unlimited number authorized)		3,578,867	2,770,046	2,389,646
Net asset value per unit		22.63	20.96	24.31
Public offering price per unit: (Net asset value plus sales charge of 4.75%)		23.76	22.01	25.52
Class B:				
Net assets	$	12,419,591	13,471,753	18,746,888
Capital units outstanding (unlimited number authorized)		557,894	648,467	772,277
Net asset value per unit		22.26	20.77	24.27
Class C:				
Net assets	$	40,756,330	35,865,131	45,693,714
Capital units outstanding (unlimited number authorized)		1,920,524	1,811,022	1,974,539
Net asset value per unit		21.22	19.80	23.14

See accompanying notes to financial statements which are an integral part of the financial statements.

SCHOLAR'SEDGE
AGES 18 YEARS AND OVER PORTFOLIO

Statements of Changes in Fiduciary Net Assets

Years ended June 30, 2010, 2009, and 2008

		2010	2009	2008
Additions:				
Subscriptions	$	65,889,041	59,649,547	137,620,758
Investment income:				
Dividend income from underlying investments		1,076,783	3,681,524	2,300,677
Interest		484	4,840	6,152
Less expenses:				
Distribution fees		672,754	650,326	220,086
Management fees		118,172	104,214	55,283
State administrative fees		118,172	104,214	44,552
Net investment income		168,169	2,827,610	1,986,908
Capital losses from underlying investments		(8,345,403)	(8,455,722)	(866,788)
Net increase (decrease) in change in fair value of investments		16,306,247	(11,328,805)	(1,743,235)
Total additions		74,018,054	42,692,630	136,997,643
Deductions:				
Redemptions		(47,249,011)	(57,828,721)	(14,462,446)
Change in net assets held in trust for individuals		26,769,043	(15,136,091)	122,535,197
Net assets:				
Net assets at the beginning of year		107,399,106	122,535,197	—
Net assets at the end of year	$	134,168,149	107,399,106	122,535,197

See accompanying notes to financial statements which are an integral part of the financial statements.

SCHOLAR'SEDGE
AGGRESSIVE PORTFOLIO

Statements of Fiduciary Net Assets

June 30, 2010, 2009, and 2008

	2010	2009	2008
Assets:			
Investments, at value (cost $147,179,661, $159,415,852, and $178,174,936, respectively)	$ 119,683,460	113,412,580	169,560,316
Cash	37,054	544,785	35,805
Receivables and other assets:			
Receivable for capital shares	37,476	22,820	50,662
Receivable for securities sold	24,133	26,866	—
Accrued income	—	—	23
Total assets	119,782,123	114,007,051	169,646,806
Payables and other liabilities:			
Payable for capital shares	1,276	75,968	138,249
Payable for securities purchased	—	—	35,587
Accrued expenses	56,039	63,346	78,655
Total liabilities	57,315	139,314	252,491
Net assets:			
Held in trust for qualified state tuition plans and other purposes	$ 119,724,808	113,867,737	169,394,315
Class A:			
Net assets	$ 81,380,382	73,912,289	103,779,840
Capital units outstanding (unlimited number authorized)	3,712,760	3,727,465	3,741,108
Net asset value per unit	21.92	19.83	27.74
Public offering price per unit: (Net asset value plus sales charge of 4.75%)	23.01	20.82	29.12
Class B:			
Net assets	$ 9,754,500	12,014,823	21,418,009
Capital units outstanding (unlimited number authorized)	452,404	611,328	773,186
Net asset value per unit	21.56	19.65	27.70
Class C:			
Net assets	$ 28,589,926	27,940,625	44,196,466
Capital units outstanding (unlimited number authorized)	1,408,684	1,510,353	1,694,965
Net asset value per unit	20.30	18.50	26.08

See accompanying notes to financial statements which are an integral part of the financial statements.

SCHOLAR'SEDGE
AGGRESSIVE PORTFOLIO

Statements of Changes in Fiduciary Net Assets

Years ended June 30, 2010, 2009, and 2008

		2010	2009	2008
Additions:				
Subscriptions	$	16,115,861	16,859,670	108,894,385
Investment income:				
Dividend income from underlying investments		744,668	830,994	2,671,983
Interest		492	5,120	8,391
Less expenses:				
Distribution fees		642,406	618,901	439,721
Management fees		357,863	324,501	265,383
State administrative fees		128,883	117,280	147,298
Net investment income (loss)		(383,992)	(224,568)	1,827,972
Capital gains (losses) from underlying investments		(6,221,221)	(10,752,176)	32,472,018
Net increase (decrease) in change in fair value of investments		18,507,071	(37,388,652)	(51,078,377)
Total additions		28,017,719	(31,505,726)	92,115,998
Deductions:				
Redemptions		(22,160,648)	(24,020,852)	(131,461,616)
Change in net assets held in trust for individuals		5,857,071	(55,526,578)	(39,345,618)
Net assets:				
Net assets at the beginning of year		113,867,737	169,394,315	208,739,933
Net assets at the end of year	$	119,724,808	113,867,737	169,394,315

See accompanying notes to financial statements which are an integral part of the financial statements.

SCHOLAR'SEDGE
MODERATELY AGGRESSIVE PORTFOLIO

Statements of Fiduciary Net Assets

June 30, 2010, 2009, and 2008

		2010	2009	2008
Assets:				
Investments, at value (cost $104,753,832, $109,289,711, and $124,088,023, respectively)	$	90,981,994	82,037,987	118,843,417
Cash		70,291	362,840	—
Receivables and other assets:				
Receivable for capital shares		38,309	28,929	71,681
Receivable for securities sold		23,067	49,748	10,488
Accrued income		12,596	18,374	19,841
Total assets		91,126,257	82,497,878	118,945,427
Cash overdraft		—	—	2,556
Payables and other liabilities:				
Payable for capital shares		13,459	79,568	14,973
Accrued expenses		40,093	41,379	50,196
Total liabilities		53,552	120,947	67,725
Net assets:				
Held in trust for qualified state tuition plans and other purposes	$	91,072,705	82,376,931	118,877,702
Class A:				
Net assets	$	59,530,260	52,028,063	71,288,189
Capital units outstanding (unlimited number authorized)		2,472,154	2,437,776	2,510,620
Net asset value per unit		24.08	21.34	28.39
Public offering price per unit: (Net asset value plus sales charge of 4.75%)		25.28	22.40	29.81
Class B:				
Net assets	$	7,262,367	8,699,119	14,721,842
Capital units outstanding (unlimited number authorized)		306,571	411,223	519,167
Net asset value per unit		23.69	21.15	28.36
Class C:				
Net assets	$	24,280,078	21,649,749	32,867,671
Capital units outstanding (unlimited number authorized)		1,079,332	1,077,720	1,220,608
Net asset value per unit		22.50	20.09	26.93

See accompanying notes to financial statements which are an integral part of the financial statements.

SCHOLAR'SEDGE
MODERATELY AGGRESSIVE PORTFOLIO

Statements of Changes in Fiduciary Net Assets

Years ended June 30, 2010, 2009, and 2008

	2010	2009	2008
Additions:			
Subscriptions	$ 15,892,337	13,060,741	80,335,092
Investment income:			
Dividend income from underlying investments	1,456,367	1,601,074	2,316,304
Interest	355	3,653	6,652
Less expenses:			
Distribution fees	482,889	456,344	336,012
Management fees	226,822	203,084	187,395
State administrative fees	93,798	84,619	110,057
Net investment income	653,213	860,680	1,689,492
Capital losses from underlying investments	(3,965,255)	(8,759,156)	22,174,469
Net increase (decrease) in change in fair value of investments	13,479,886	(22,007,118)	(30,369,745)
Total additions	26,060,181	(16,844,853)	73,829,308
Deductions:			
Redemptions	(17,364,407)	(19,655,918)	(111,084,025)
Change in net assets held in trust for individuals	8,695,774	(36,500,771)	(37,254,717)
Net assets:			
Net assets at the beginning of year	82,376,931	118,877,702	156,132,419
Net assets at the end of year	$ 91,072,705	82,376,931	118,877,702

See accompanying notes to financial statements which are an integral part of the financial statements.

SCHOLAR'SEDGE
MODERATE PORTFOLIO

Statements of Fiduciary Net Assets

June 30, 2010, 2009, and 2008

		2010	2009	2008
Assets:				
Investments, at value (cost $75,226,894, $82,964,469, and $94,899,192, respectively)	$	68,611,400	60,772,030	91,590,995
Cash		194,774	311,571	—
Receivables and other assets:				
Receivable for capital shares		67,599	94,424	28,527
Receivable for securities sold		20,009	—	20,144
Accrued income		20,264	78,224	146,506
Other assets		112	—	—
Total assets		68,914,158	61,256,249	91,786,172
Cash overdraft		—	—	14,013
Payables and other liabilities:				
Payable for capital shares		55,630	12,071	46,366
Payable for securities purchased		20,263	83,761	146,496
Accrued expenses		28,534	28,838	33,727
Total liabilities		104,427	124,670	240,602
Net assets:				
Held in trust for qualified state tuition plans and other purposes	$	68,809,731	61,131,579	91,545,570
Class A:				
Net assets	$	43,826,043	36,724,233	51,313,634
Capital units outstanding (unlimited number authorized)		1,901,220	1,771,213	1,804,137
Net asset value per unit		23.05	20.73	28.44
Public offering price per unit:				
(Net asset value plus sales charge of 4.75%)		24.20	21.76	29.86
Class B:				
Net assets	$	5,998,521	6,644,113	12,855,865
Capital units outstanding (unlimited number authorized)		264,564	323,345	452,682
Net asset value per unit		22.67	20.55	28.40
Class C:				
Net assets	$	18,985,167	17,763,233	27,376,071
Capital units outstanding (unlimited number authorized)		880,192	908,709	1,013,339
Net asset value per unit		21.57	19.55	27.02

See accompanying notes to financial statements which are an integral part of the financial statements.

SCHOLAR'SEDGE
MODERATE PORTFOLIO

Statements of Changes in Fiduciary Net Assets

Years ended June 30, 2010, 2009, and 2008

		2010	2009	2008
Additions:				
Subscriptions	$	14,235,952	13,063,658	67,015,068
Investment income:				
Dividend income from underlying investments		609,348	1,264,806	3,512,514
Interest		288	2,883	4,711
Less expenses:				
Distribution fees		371,288	364,779	282,863
Management fees		142,891	132,011	141,960
State administrative fees		69,200	64,470	87,703
Net investment income		26,257	706,429	3,004,699
Capital gains (losses) from underlying investments		(9,067,341)	(6,692,396)	14,571,380
Net increase (decrease) in change in fair value of investments		15,576,945	(18,884,242)	(20,358,535)
Total additions		20,771,813	(11,806,551)	64,232,612
Deductions:				
Redemptions		(13,093,661)	(18,607,440)	(111,134,861)
Change in net assets held in trust for individuals		7,678,152	(30,413,991)	(46,902,249)
Net assets:				
Net assets at the beginning of year		61,131,579	91,545,570	138,447,819
Net assets at the end of year	$	68,809,731	61,131,579	91,545,570

See accompanying notes to financial statements which are an integral part of the financial statements.

SCHOLAR'SEDGE
CONSERVATIVE PORTFOLIO

Statements of Fiduciary Net Assets

June 30, 2010, 2009, and 2008

		2010	2009	2008
Assets:				
Investments, at value (cost $33,760,633, $36,107,088, and $40,776,075, respectively)	$	33,037,598	28,374,294	39,672,162
Cash		54,536	452,677	—
Receivables and other assets:				
Receivable for capital shares		40,972	6,169	6,072
Receivable for securities sold		—	—	66,083
Accrued income		19,236	52,097	94,635
Total assets		33,152,342	28,885,237	39,838,952
Cash overdraft		—	—	64,347
Payables and other liabilities:				
Payable for capital shares		148,343	63,866	—
Payable for securities purchased		23,646	364,307	94,591
Accrued expenses		13,317	12,532	12,743
Other liabilities		4	—	—
Total liabilities		185,310	440,705	171,681
Net assets:				
Held in trust for qualified state tuition plans and other purposes	$	32,967,032	28,444,532	39,667,271
Class A:				
Net assets	$	21,116,299	17,070,164	21,784,259
Capital units outstanding (unlimited number authorized)		942,652	841,821	821,898
Net asset value per unit		22.40	20.28	26.50
Public offering price per unit:				
(Net asset value plus sales charge of 4.75%)		23.52	21.29	27.82
Class B:				
Net assets	$	2,831,149	3,336,684	6,577,384
Capital units outstanding (unlimited number authorized)		128,552	166,104	248,528
Net asset value per unit		22.02	20.09	26.47
Class C:				
Net assets	$	9,019,584	8,037,684	11,305,628
Capital units outstanding (unlimited number authorized)		438,908	428,819	457,801
Net asset value per unit		20.55	18.74	24.70

See accompanying notes to financial statements which are an integral part of the financial statements.

SCHOLAR'SEDGE
CONSERVATIVE PORTFOLIO

Statements of Changes in Fiduciary Net Assets

Years ended June 30, 2010, 2009, and 2008

	2010	2009	2008
Additions:			
Subscriptions	$ 9,129,537	10,474,546	41,363,385
Investment income:			
Dividend income from underlying investments	258,668	729,677	1,769,994
Interest	131	1,418	2,376
Less expenses:			
Distribution fees	170,032	168,837	150,089
Management fees	53,119	48,347	75,068
State administrative fees	31,879	29,356	49,165
Net investment income	3,769	484,555	1,498,048
Capital gains (losses) from underlying investments	(4,195,756)	(3,183,038)	7,104,382
Net increase (decrease) in change in fair value of investments	7,009,759	(6,628,881)	(8,101,255)
Total additions	11,947,309	1,147,182	41,864,560
Deductions:			
Redemptions	(7,424,809)	(12,369,921)	(103,786,479)
Change in net assets held in trust for individuals	4,522,500	(11,222,739)	(61,921,919)
Net assets:			
Net assets at the beginning of year	28,444,532	39,667,271	101,589,190
Net assets at the end of year	$ 32,967,032	28,444,532	39,667,271

See accompanying notes to financial statements which are an integral part of the financial statements.

SCHOLAR'SEDGE
ULTRA CONSERVATIVE PORTFOLIO

Statements of Fiduciary Net Assets

June 30, 2010, 2009, and 2008

		2010	2009	2008
Assets:				
Investments, at value (cost $6,829,979, $5,082,114, and $3,219,440, respectively)	$	7,335,971	4,988,780	3,157,908
Cash		85,536	25,323	—
Receivables and other assets:				
Receivable for capital shares		500	24	626
Receivable for securities sold		—	—	—
Accrued income		7,278	10,953	9,470
Total assets		7,429,285	5,025,080	3,168,004
Cash overdraft		—	—	7
Payables and other liabilities:				
Payable for securities purchased		18,223	11,206	9,445
Accrued expenses		2,752	2,605	961
Other liabilities		8	—	—
Total liabilities		20,983	13,811	10,413
Net assets:				
Held in trust for qualified state tuition plans and other purposes	$	7,408,302	5,011,269	3,157,591
Class A:				
Net assets	$	4,450,604	3,009,495	1,940,126
Capital units outstanding (unlimited number authorized)		427,415	314,712	164,476
Net asset value per unit		10.41	9.56	11.80
Public offering price per unit: (Net asset value plus sales charge of 4.75%)		10.93	10.04	12.39
Class B:				
Net assets	$	820,060	627,975	92
Capital units outstanding (unlimited number authorized)		87,386	72,310	9
Net asset value per unit		9.38	8.68	10.79
Class C:				
Net assets	$	2,137,638	1,373,799	1,217,373
Capital units outstanding (unlimited number authorized)		213,827	148,496	105,858
Net asset value per unit		10.00	9.25	11.50

See accompanying notes to financial statements which are an integral part of the financial statements.

SCHOLAR'SEDGE
ULTRA CONSERVATIVE PORTFOLIO

Statements of Changes in Fiduciary Net Assets

Years ended June 30, 2010, 2009, and 2008

	2010	2009	2008
Additions:			
Subscriptions	$ 3,502,919	4,785,300	13,621,566
Investment income:			
Dividend income from underlying investments	63,104	135,736	1,029,290
Interest	34	206	1,514
Less expenses:			
Distribution fees	33,233	20,890	74,478
Management fees	9,024	5,618	37,642
State administrative fees	6,254	3,906	25,117
Net investment income	14,627	105,528	893,567
Capital gains (losses) from underlying investments	(178,252)	(735,491)	3,731,530
Net increase (decrease) in change in fair value of investments	599,326	(31,802)	(2,921,377)
Total additions	3,938,620	4,123,535	15,325,286
Deductions:			
Redemptions	(1,541,587)	(2,269,857)	(86,405,463)
Change in net assets held in trust for individuals	2,397,033	1,853,678	(71,080,177)
Net assets:			
Net assets at the beginning of year	5,011,269	3,157,591	74,237,768
Net assets at the end of year	$ 7,408,302	5,011,269	3,157,591

See accompanying notes to financial statements which are an integral part of the financial statements.

SCHOLAR'SEDGE
SCHOOL YEARS PORTFOLIO

Statements of Fiduciary Net Assets

June 30, 2010, 2009, and 2008

		2010	2009	2008
Assets:				
Investments, at value (cost $14,095,960, $14,947,508, and $16,821,514, respectively)	$	14,608,971	13,336,580	16,587,416
Cash		115,224	63,398	1,558
Receivables and other assets:				
Receivable for capital shares		391	31,013	2,317
Receivable for securities sold		—	3,552	—
Accrued income		16,414	33,815	54,049
Total assets		14,741,000	13,468,358	16,645,340
Payables and other liabilities:				
Payable for capital shares		23,932	500	5,496
Payable for securities purchased		58,581	33,798	54,770
Accrued expenses		5,400	5,325	4,121
Other liabilities		31	—	—
Total liabilities		87,944	39,623	64,387
Net assets:				
Held in trust for qualified state tuition plans and other purposes	$	14,653,056	13,428,735	16,580,953
Class A:				
Net assets	$	8,903,014	7,289,094	8,484,366
Capital units outstanding (unlimited number authorized)		393,420	347,846	348,967
Net asset value per unit		22.63	20.95	24.31
Public offering price per unit: (Net asset value plus sales charge of 4.75%)		23.76	21.99	25.52
Class B:				
Net assets	$	847,898	1,202,989	1,931,873
Capital units outstanding (unlimited number authorized)		38,102	57,932	79,581
Net asset value per unit		22.25	20.77	24.28
Class C:				
Net assets	$	4,902,144	4,936,652	6,164,714
Capital units outstanding (unlimited number authorized)		231,071	249,380	266,401
Net asset value per unit		21.21	19.80	23.14

See accompanying notes to financial statements which are an integral part of the financial statements.

SCHOLAR’SEDGE
SCHOOL YEARS PORTFOLIO

Statements of Changes in Fiduciary Net Assets

Years ended June 30, 2010, 2009, and 2008

		2010	2009	2008
Additions:				
Subscriptions	$	4,060,278	5,110,401	16,188,203
Investment income:				
Dividend income from underlying investments		114,270	486,244	1,106,772
Interest		65	652	1,901
Less expenses:				
Distribution fees		78,722	86,769	82,946
Management fees		14,160	13,978	31,816
State administrative fees		14,160	13,978	22,288
Net investment income		7,293	372,171	971,623
Capital gains (losses) from underlying investments		(1,111,033)	(1,325,104)	405,062
Net increase (decrease) in change in fair value of investments		2,123,939	(1,376,830)	(254,463)
Total additions		5,080,477	2,780,638	17,310,425
Deductions:				
Redemptions		(3,856,156)	(5,932,856)	(46,717,381)
Change in net assets held in trust for individuals		1,224,321	(3,152,218)	(29,406,956)
Net assets:				
Net assets at the beginning of year		13,428,735	16,580,953	45,987,909
Net assets at the end of year	$	14,653,056	13,428,735	16,580,953

See accompanying notes to financial statements which are an integral part of the financial statements.

SCHOLAR'SEDGE
LARGE CAP GROWTH PORTFOLIO

Statements of Fiduciary Net Assets

June 30, 2010, 2009, and 2008

		2010	2009	2008
Assets:				
Investments, at value (cost $14,318,515, $14,757,212, and $16,358,151, respectively)	$	11,051,380	10,339,258	15,825,207
Cash		9,416	53,712	—
Receivables and other assets:				
Receivable for capital shares		493	3,029	5,978
Receivable for securities sold		8,007	—	7,163
Accrued income		—	—	12
Total assets		11,069,296	10,395,999	15,838,360
Cash overdraft		—	—	7,163
Payables and other liabilities:				
Payable for capital shares		258	—	7,089
Payable for securities purchased		—	1,841	—
Accrued expenses		4,726	3,348	4,083
Total liabilities		4,984	5,189	18,335
Net assets:				
Held in trust for qualified state tuition plans and other purposes	$	11,064,312	10,390,810	15,820,025
Class A:				
Net assets	$	6,874,985	5,703,456	8,130,159
Capital units outstanding (unlimited number authorized)		271,770	242,735	240,663
Net asset value per unit		25.30	23.50	33.78
Public offering price per unit: (Net asset value plus sales charge of 4.75%)		26.56	24.67	35.46
Class B:				
Net assets	$	1,925,930	2,499,867	4,282,810
Capital units outstanding (unlimited number authorized)		82,802	114,843	135,823
Net asset value per unit		23.26	21.77	31.53
Class C:				
Net assets	$	2,263,397	2,187,487	3,407,056
Capital units outstanding (unlimited number authorized)		103,597	106,987	115,035
Net asset value per unit		21.85	20.45	29.62

See accompanying notes to financial statements which are an integral part of the financial statements.

SCHOLAR'SEDGE
LARGE CAP GROWTH PORTFOLIO

Statements of Changes in Fiduciary Net Assets

Years ended June 30, 2010, 2009, and 2008

		2010	2009	2008
Additions:				
Subscriptions	$	2,262,185	1,730,231	6,614,754
Investment income:				
Dividend income from underlying investments		—	—	622
Interest		48	479	254
Less expenses:				
Distribution fees		66,864	65,122	53,286
Management fees		11,977	10,717	17,499
State administrative fees		11,977	10,717	12,732
Net investment loss		(90,770)	(86,077)	(82,641)
Capital gains (losses) from underlying investments		(299,018)	(860,600)	1,938,402
Net increase (decrease) in change in fair value of investments		1,150,819	(3,885,010)	(2,708,807)
Total additions		3,023,216	(3,101,456)	5,761,708
Deductions:				
Redemptions		(2,349,714)	(2,327,759)	(1,519,751)
Change in net assets held in trust for individuals		673,502	(5,429,215)	4,241,957
Net assets:				
Net assets at the beginning of year		10,390,810	15,820,025	11,578,068
Net assets at the end of year	$	11,064,312	10,390,810	15,820,025

See accompanying notes to financial statements which are an integral part of the financial statements.

SCHOLAR'SEDGE
LARGE CAP CORE PORTFOLIO

Statements of Fiduciary Net Assets

June 30, 2010, 2009, and 2008

		2010	2009	2008
Assets:				
Investments, at value (cost $6,406,523, $6,321,359, and $7,179,227, respectively)	$	5,387,627	4,532,668	6,634,947
Cash		8,434	23,907	—
Receivables and other assets:				
Receivable for capital shares		367	2,332	6,137
Accrued income		—	—	—
Total assets		5,396,428	4,558,907	6,641,084
Cash overdraft		—	—	8,307
Payables and other liabilities:				
Accrued expenses		2,301	1,512	1,813
Total liabilities		2,301	1,512	10,120
Net assets:				
Held in trust for qualified state tuition plans and other purposes	$	5,394,127	4,557,395	6,630,964
Class A:				
Net assets	$	3,465,785	2,532,502	3,541,784
Capital units outstanding (unlimited number authorized)		130,796	109,434	112,957
Net asset value per unit		26.50	23.14	31.36
Public offering price per unit:				
(Net asset value plus sales charge of 4.75%)		27.82	24.29	32.92
Class B:				
Net assets	$	905,393	1,051,682	1,665,198
Capital units outstanding (unlimited number authorized)		36,066	47,609	55,224
Net asset value per unit		25.10	22.09	30.15
Class C:				
Net assets	$	1,022,949	973,211	1,423,982
Capital units outstanding (unlimited number authorized)		39,122	42,299	45,340
Net asset value per unit		26.15	23.01	31.41

See accompanying notes to financial statements which are an integral part of the financial statements.

SCHOLAR'SEDGE
LARGE CAP CORE PORTFOLIO

Statements of Changes in Fiduciary Net Assets

Years ended June 30, 2010, 2009, and 2008

		2010	2009	2008
Additions:				
Subscriptions	$	1,416,129	843,585	1,466,342
Investment income:				
Dividend income from underlying investments		51,789	78,209	392,978
Interest		20	229	463
Less expenses:				
Distribution fees		30,210	28,733	29,133
Management fees		5,428	4,802	10,206
State administrative fees		5,428	4,802	7,258
Net investment income		10,743	40,101	346,844
Capital gains (losses) from underlying investments		(165,756)	(504,449)	285,536
Net increase (decrease) in change in fair value of investments		769,795	(1,244,411)	(1,830,928)
Total additions		2,030,911	(865,174)	267,794
Deductions:				
Redemptions		(1,194,179)	(1,208,395)	(1,450,272)
Change in net assets held in trust for individuals		836,732	(2,073,569)	(1,182,478)
Net assets:				
Net assets at the beginning of year		4,557,395	6,630,964	7,813,442
Net assets at the end of year	$	5,394,127	4,557,395	6,630,964

See accompanying notes to financial statements which are an integral part of the financial statements.

SCHOLAR'SEDGE
LARGE CAP VALUE PORTFOLIO

Statements of Fiduciary Net Assets

June 30, 2010, 2009, and 2008

	2010	2009	2008
Assets:			
Investments, at value (cost $8,944,498, $9,062,053, and $10,018,248, respectively)	$ 7,017,413	6,407,139	9,328,554
Cash	43,430	48,383	—
Receivables and other assets:			
Receivable for capital shares	19,294	5,892	5,935
Receivable for securities sold	957	—	2,835
Accrued income	—	—	5
Total assets	7,081,094	6,461,414	9,337,329
Cash overdraft	—	—	2,836
Payables and other liabilities:			
Payable for securities purchased	—	284	—
Accrued expenses	3,076	2,152	2,663
Total liabilities	3,076	2,436	5,499
Net assets:			
Held in trust for qualified state tuition plans and other purposes	$ 7,078,018	6,458,978	9,331,830
Class A:			
Net assets	$ 4,492,547	3,691,948	5,168,146
Capital units outstanding (unlimited number authorized)	151,096	135,513	139,331
Net asset value per unit	29.73	27.24	37.09
Public offering price per unit:			
(Net asset value plus sales charge of 4.75%)	31.21	28.60	38.94
Class B:			
Net assets	$ 1,179,640	1,377,348	2,107,194
Capital units outstanding (unlimited number authorized)	42,298	53,494	59,660
Net asset value per unit	27.89	25.75	35.32
Class C:			
Net assets	$ 1,405,831	1,389,682	2,056,490
Capital units outstanding (unlimited number authorized)	51,684	55,339	59,701
Net asset value per unit	27.20	25.11	34.45

See accompanying notes to financial statements which are an integral part of the financial statements.

SCHOLAR'SEDGE
LARGE CAP VALUE PORTFOLIO

Statements of Changes in Fiduciary Net Assets

Years ended June 30, 2010, 2009, and 2008

		2010	2009	2008
Additions:				
Subscriptions	$	1,526,011	1,189,304	2,223,258
Investment income:				
Dividend income from underlying investments		127,181	139,934	309,360
Interest		35	314	684
Less expenses:				
Distribution fees		41,194	38,836	38,547
Management fees		7,513	6,617	13,842
State administrative fees		7,513	6,617	9,867
Interest expense		—	—	—
Net investment income		70,996	88,178	247,788
Capital gains (losses) from underlying investments		(241,383)	(607,332)	567,894
Net increase (decrease) in change in fair value of investments		727,829	(1,965,220)	(2,598,982)
Total additions		2,083,453	(1,295,070)	439,958
Deductions:				
Redemptions		(1,464,413)	(1,577,782)	(1,292,775)
Change in net assets held in trust for individuals		619,040	(2,872,852)	(852,817)
Net assets:				
Net assets at the beginning of year		6,458,978	9,331,830	10,184,647
Net assets at the end of year	$	7,078,018	6,458,978	9,331,830

See accompanying notes to financial statements which are an integral part of the financial statements.

SCHOLAR'SEDGE
SMALL CAP CORE PORTFOLIO

Statements of Fiduciary Net Assets

June 30, 2010, 2009, and 2008

		2010	2009	2008
Assets:				
Investments, at value (cost $11,918,613, $12,164,661, and $14,399,395, respectively)	$	10,835,854	9,160,729	13,817,395
Cash		32,397	47,898	133
Receivables and other assets:				
Receivable for capital shares		19,883	9,952	14,159
Accrued income		—	—	36
Total assets		10,888,134	9,218,579	13,831,723
Payables and other liabilities:				
Payable for capital shares		—	—	130
Payable for securities purchased		4,016	1,732	—
Accrued expenses		4,564	2,935	3,673
Total liabilities		8,580	4,667	3,803
Net assets:				
Held in trust for qualified state tuition plans and other purposes	$	10,879,554	9,213,912	13,827,920
Class A:				
Net assets	$	6,812,910	5,009,812	7,272,854
Capital units outstanding (unlimited number authorized)		179,687	157,765	175,513
Net asset value per unit		37.92	31.75	41.44
Public offering price per unit:				
(Net asset value plus sales charge of 4.75%)		39.81	33.33	43.51
Class B:	$			
Net assets		1,835,434	2,294,715	3,686,795
Capital units outstanding (unlimited number authorized)		51,491	76,287	93,223
Net asset value per unit		35.65	30.08	39.55
Class C:	$			
Net assets		2,231,210	1,909,385	2,868,271
Capital units outstanding (unlimited number authorized)		61,166	62,029	70,873
Net asset value per unit		36.48	30.78	40.47

See accompanying notes to financial statements which are an integral part of the financial statements.

SCHOLAR'SEDGE
SMALL CAP CORE PORTFOLIO

Statements of Changes in Fiduciary Net Assets

Years ended June 30, 2010, 2009, and 2008

		2010	2009	2008
Additions:				
Subscriptions	$	2,153,034	1,255,123	7,805,205
Investment income:				
Dividend income from underlying investments		52,353	20,727	136,820
Interest		44	437	640
Less expenses:				
Distribution fees		60,831	58,330	40,556
Management fees		10,899	9,671	13,199
State administrative fees		10,899	9,671	9,738
Net investment income (loss)		(30,232)	(56,508)	73,967
Capital losses from underlying investments		(161,704)	(822,933)	(134,431)
Net increase (decrease) in change in fair value of investments		1,921,173	(2,421,932)	(2,019,741)
Total additions		3,882,271	(2,046,250)	5,725,000
Deductions:				
Redemptions		(2,216,629)	(2,567,758)	(1,289,350)
Change in net assets held in trust for individuals		1,665,642	(4,614,008)	4,435,650
Net assets:				
Net assets at the beginning of year		9,213,912	13,827,920	9,392,270
Net assets at the end of year	$	10,879,554	9,213,912	13,827,920

See accompanying notes to financial statements which are an integral part of the financial statements.

SCHOLAR'SEDGE
INTERNATIONAL EQUITY PORTFOLIO

Statements of Fiduciary Net Assets

June 30, 2010, 2009, and 2008

		2010	2009	2008
Assets:				
Investments, at value (cost $20,554,530, $21,163,088, and $24,623,411, respectively)	$	15,316,244	14,363,811	23,641,197
Cash		12,736	89,534	—
Receivables and other assets:				
Receivable for capital shares		13,870	6,683	25,761
Receivable for securities sold		18,893	—	17,718
Accrued income		—	—	16
Total assets		15,361,743	14,460,028	23,684,692
Cash overdraft		—	—	17,728
Payables and other liabilities:				
Payable for capital shares		172	241	1,252
Payable for securities purchased		—	17,184	—
Accrued expenses		6,589	15,583	24,408
Total liabilities		6,761	33,008	43,388
Net assets:				
Held in trust for qualified state tuition plans and other purposes	$	15,354,982	14,427,020	23,641,304
Class A:				
Net assets	$	9,405,858	8,403,133	12,972,464
Capital units outstanding (unlimited number authorized)		290,062	275,304	290,134
Net asset value per unit		32.43	30.52	44.71
Public offering price per unit: (Net asset value plus sales charge of 4.75%)		34.05	32.04	46.94
Class B:				
Net assets	$	2,683,459	2,926,811	5,266,008
Capital units outstanding (unlimited number authorized)		86,177	99,103	120,814
Net asset value per unit		31.14	29.53	43.59
Class C:				
Net assets	$	3,265,665	3,097,076	5,402,832
Capital units outstanding (unlimited number authorized)		100,049	100,046	118,254
Net asset value per unit		32.64	30.96	45.69

See accompanying notes to financial statements which are an integral part of the financial statements.

SCHOLAR'SEDGE
INTERNATIONAL EQUITY PORTFOLIO

Statements of Changes in Fiduciary Net Assets

Years ended June 30, 2010, 2009, and 2008

		2010	2009	2008
Additions:				
Subscriptions	$	2,598,931	1,982,642	10,134,549
Investment income:				
Dividend income from underlying investments		—	—	254,462
Interest		68	671	1,457
Less expenses:				
Distribution fees		90,323	87,326	75,235
Management fees		163,126	150,776	69,811
State administrative fees		16,345	15,074	19,873
Net investment income (loss)		(269,726)	(252,505)	91,000
Capital gains (losses) from underlying investments		(450,538)	(1,490,173)	1,227,520
Net increase (decrease) in change in fair value of investments		1,560,991	(5,817,063)	(4,118,539)
Total additions		3,439,658	(5,577,099)	7,334,530
Deductions:				
Redemptions		(2,511,696)	(3,637,185)	(2,043,645)
Change in net assets held in trust for individuals		927,962	(9,214,284)	5,290,885
Net assets:				
Net assets at the beginning of year		14,427,020	23,641,304	18,350,419
Net assets at the end of year	$	15,354,982	14,427,020	23,641,304

See accompanying notes to financial statements which are an integral part of the financial statements.

SCHOLAR’SEDGE
INTERMEDIATE TERM BOND PORTFOLIO

Statements of Fiduciary Net Assets

June 30, 2010, 2009, and 2008

		2010	2009	2008
Assets:				
Investments, at value (cost $3,196,282, $3,264,149, and $3,288,729, respectively)	$	3,454,955	2,591,817	3,262,102
Cash		10,961	13,009	—
Receivables and other assets:				
Receivable for capital shares		205	5,615	180
Accrued income		—	7,082	16,871
Total assets		3,466,121	2,617,523	3,279,153
Payables and other liabilities:				
Payable for capital shares		—	—	4,322
Payable for securities purchased		2,325	7,081	16,875
Accrued expenses		1,297	845	755
Total liabilities		3,622	7,926	21,952
Net assets:				
Held in trust for qualified state tuition plans and other purposes	$	3,462,499	2,609,597	3,257,201
Class A:				
Net assets	$	2,225,415	1,568,643	1,363,224
Capital units outstanding (unlimited number authorized)		144,357	111,073	59,173
Net asset value per unit		15.42	14.12	23.04
Public offering price per unit: (Net asset value plus sales charge of 4.75%)		16.19	14.82	24.19
Class B:				
Net assets	$	341,288	400,983	1,131,113
Capital units outstanding (unlimited number authorized)		23,477	29,885	51,287
Net asset value per unit		14.54	13.42	22.05
Class C:				
Net assets	$	895,796	639,971	762,864
Capital units outstanding (unlimited number authorized)		61,409	47,531	34,480
Net asset value per unit		14.59	13.46	22.12

See accompanying notes to financial statements which are an integral part of the financial statements.

SCHOLAR'SEDGE
INTERMEDIATE TERM BOND PORTFOLIO

Statements of Changes in Fiduciary Net Assets

Years ended June 30, 2010, 2009, and 2008

		2010	2009	2008
Additions:				
Subscriptions	$	1,421,372	1,631,956	1,504,989
Investment income:				
Dividend income from underlying investments (note 2(d))		(36,357)	24,364	157,628
Interest		14	128	298
Less expenses:				
Distribution fees		15,518	15,882	14,430
Management fees		2,934	2,448	4,057
State administrative fees		2,934	2,448	2,929
Net investment income (loss)		(57,729)	3,714	136,510
Capital losses from underlying investments		(624,255)	(598,516)	(139,622)
Net increase (decrease) in change in fair value of investments		931,005	(645,705)	28,251
Total additions		1,670,393	391,449	1,530,128
Deductions:				
Redemptions		(817,491)	(1,039,053)	(628,892)
Change in net assets held in trust for individuals		852,902	(647,604)	901,236
Net assets:				
Net assets at the beginning of year		2,609,597	3,257,201	2,355,965
Net assets at the end of year	$	3,462,499	2,609,597	3,257,201

See accompanying notes to financial statements which are an integral part of the financial statements.

SCHOLAR'SEDGE
DIVERSIFIED INCOME PORTFOLIO

Statements of Fiduciary Net Assets

June 30, 2010, 2009, and 2008

		2010	2009	2008
Assets:				
Investments, at value (cost $20,270,316, $18,561,332, and $21,442,084, respectively)	$	19,753,934	15,475,191	21,056,583
Cash		75,832	77,916	—
Receivables and other assets:				
Receivable for capital shares		13,340	178	12,517
Receivable for securities sold		—	—	359
Accrued income		12,036	18,402	17,028
Total assets		19,855,142	15,571,687	21,086,487
Cash overdraft		—	—	360
Payables and other liabilities:				
Payable for capital shares		5,460	6,015	3,968
Payable for securities purchased		7,230	237	—
Accrued expenses		7,765	5,655	4,967
Total liabilities		20,455	11,907	9,295
Net assets:				
Held in trust for qualified state tuition plans and other purposes	$	19,834,687	15,559,780	21,077,192
Class A:				
Net assets	$	13,141,795	9,486,011	10,438,305
Capital units outstanding (unlimited number authorized)		401,314	351,013	339,324
Net asset value per unit		32.75	27.02	30.76
Public offering price per unit:				
(Net asset value plus sales charge of 4.75%)		34.38	28.37	32.29
Class B:				
Net assets	$	2,656,918	3,086,081	6,135,544
Capital units outstanding (unlimited number authorized)		84,691	118,309	205,081
Net asset value per unit		31.37	26.08	29.92
Class C:				
Net assets	$	4,035,974	2,987,688	4,503,343
Capital units outstanding (unlimited number authorized)		128,519	114,421	150,376
Net asset value per unit		31.40	26.11	29.95

See accompanying notes to financial statements which are an integral part of the financial statements.

SCHOLAR'SEDGE
DIVERSIFIED INCOME PORTFOLIO

Statements of Changes in Fiduciary Net Assets

Years ended June 30, 2010, 2009, and 2008

	2010	2009	2008
Additions:			
Subscriptions	$ 4,112,768	4,148,725	16,217,068
Investment income:			
Dividend income from underlying investments	942,385	1,103,902	622,298
Interest	75	793	790
Less expenses:			
Distribution fees	92,177	100,127	49,560
Management fees	17,675	17,107	12,538
State administrative fees	17,675	17,107	9,720
Net investment income	814,933	970,354	551,270
Capital gains (losses) from underlying investments	(146,843)	(1,099,104)	209,225
Net increase (decrease) in change in fair value of investments	2,569,759	(2,700,640)	(516,347)
Total additions	7,350,617	1,319,335	16,461,216
Deductions:			
Redemptions	(3,075,710)	(6,836,747)	(1,738,712)
Change in net assets held in trust for individuals	4,274,907	(5,517,412)	14,722,504
Net assets:			
Net assets at the beginning of year	15,559,780	21,077,192	6,354,688
Net assets at the end of year	$ 19,834,687	15,559,780	21,077,192

See accompanying notes to financial statements which are an integral part of the financial statements.

SCHOLAR'SEDGE
SHORT TERM YIELD PORTFOLIO

Statements of Fiduciary Net Assets

June 30, 2010, 2009, and 2008

		2010	2009	2008
Assets:				
Investments, at value (cost $29,552,724, $37,332,119, and $8,099,328, respectively)	$	29,552,724	37,332,119	8,099,328
Cash		74,135	188,132	—
Receivables and other assets:				
Receivable for capital shares		165,004	27,358	2,692
Receivable for securities sold		—	—	—
Accrued income		5,107	15,019	16,845
Total assets		29,796,970	37,562,628	8,118,865
Payables and other liabilities:				
Payable for capital shares		4,307	51,214	3,698
Payable for securities purchased		5,167	14,817	16,855
Total liabilities		9,474	66,031	20,553
Net assets:				
Held in trust for qualified state tuition plans and other purposes	$	29,787,496	37,496,597	8,098,312
Class A:				
Net assets	$	17,132,868	19,750,229	4,204,222
Capital units outstanding (unlimited number authorized)		734,222	846,687	183,075
Net asset value per unit		23.33	23.33	22.96
Class B:				
Net assets	$	2,629,099	4,587,731	42,037
Capital units outstanding (unlimited number authorized)		112,809	196,914	1,833
Net asset value per unit		23.31	23.30	22.93
Class C:				
Net assets	$	10,025,529	13,158,637	3,852,053
Capital units outstanding (unlimited number authorized)		453,208	595,045	176,928
Net asset value per unit		22.12	22.11	21.77

See accompanying notes to financial statements which are an integral part of the financial statements.

SCHOLAR'SEDGE
SHORT TERM YIELD PORTFOLIO

Statements of Changes in Fiduciary Net Assets

Years ended June 30, 2010, 2009, and 2008

		2010	2009	2008
Additions:				
Subscriptions	$	10,455,777	41,275,471	4,439,579
Investment income:				
Dividend income from underlying investments		68,140	367,256	246,211
Interest		152	731	678
Less expenses:				
Distribution fees		—	—	11,101
Management fees		32,731	26,209	8,756
State administrative fees		32,731	26,209	6,340
Expense reimbursement		(9,573)	—	—
Net investment income		12,403	315,569	220,692
Total additions		10,468,180	41,591,040	4,660,271
Deductions:				
Redemptions		(18,177,281)	(12,192,755)	(2,398,183)
Change in net assets held in trust for individuals		(7,709,101)	29,398,285	2,262,088
Net assets:				
Net assets at the beginning of year		37,496,597	8,098,312	5,836,224
Net assets at the end of year	$	29,787,496	37,496,597	8,098,312

See accompanying notes to financial statements which are an integral part of the financial statements.

SCHOLAR'SEDGE
CAPITAL PRESERVATION PORTFOLIO

Statements of Fiduciary Net Assets

June 30, 2010, 2009, and 2008

		2010	2009	2008
Assets:				
Investments, at cost (value $45,355,895, $44,286,848, and $25,794,618, respectively)	$	42,095,531	42,281,684	25,480,127
Cash		—	60,995	—
Receivables and other assets:				
Receivable for capital shares		864	12,871	500
Receivable for securities sold		—	938,892	89,078
Accrued income		358	1,254	4,419
Total assets		42,096,753	43,295,696	25,574,124
Cash overdraft		56,977		
Payables and other liabilities:				
Payable for capital shares		75,676	22,034	43,339
Payable for securities purchased		364	1,000,000	4,413
Accrued expenses		16,209	14,105	3,698
Total liabilities		149,226	1,036,139	51,450
Net assets:				
Held in trust for qualified state tuition plans and other purposes	$	41,947,527	42,259,557	25,522,674
Class A:				
Net assets	$	26,515,849	23,532,128	7,961,906
Capital units outstanding (unlimited number authorized)		2,456,730	2,254,919	790,665
Net asset value per unit		10.79	10.44	10.07
Public offering price per unit: (Net asset value plus sales charge of 4.75%)		11.33	10.96	10.57
Class B:				
Net assets	$	6,203,927	9,490,652	10,180,469
Capital units outstanding (unlimited number authorized)		584,315	917,519	1,012,460
Net asset value per unit		10.62	10.34	10.06
Class C:				
Net assets	$	9,227,751	9,236,777	7,380,299
Capital units outstanding (unlimited number authorized)		869,105	892,958	733,964
Net asset value per unit		10.62	10.34	10.06

See accompanying notes to financial statements which are an integral part of the financial statements.

SCHOLAR'SEDGE
CAPITAL PRESERVATION PORTFOLIO

Statements of Changes in Fiduciary Net Assets

Years ended June 30, 2010, 2009, and 2008

		2010	2009	2008
Additions:				
Subscriptions	$	11,897,659	27,132,264	26,680,973
Investment income:				
Dividend income from underlying investments		1,584,421	1,356,606	199,191
Interest		32	954	—
Less expenses:				
Distribution fees		227,979	223,877	37,618
Management fees		41,569	33,886	4,871
State administrative fees		41,569	33,886	4,871
Net investment income		1,273,336	1,065,911	151,831
Total additions		13,170,995	28,198,175	26,832,804
Deductions:				
Redemptions		(13,483,025)	(11,461,292)	(1,310,130)
Change in net assets held in trust for individuals		(312,030)	16,736,883	25,522,674
Net assets:				
Net assets at the beginning of year		42,259,557	25,522,674	—
Net assets at the end of year	$	41,947,527	42,259,557	25,522,674

See accompanying notes to financial statements which are an integral part of the financial statements.

(1) Organization and Fund Objectives

(a) Organization

Scholar'sEdge (the Plan) was established by the Education Trust Board of New Mexico (Board, or when applicable, Trustee). The Plan is maintained by the State of New Mexico and is administered by the Board, which serves as trustee of the Education Trust of New Mexico (the Trust). The Board has the authority to appoint a Program Manager, adopt rules and regulations to implement and administer the Plan and Trust and establish investment policies for the Trust. OFI Private Investments Inc. (OFIPI) is the Program Manager of the Plan. OppenheimerFunds Distributor, Inc. (OFDI) is the sole distributor of the Plan.

The Plan is a savings vehicle for higher education expenses under Section 529 of the U.S. Internal Revenue Code of 1986, as amended (Section 529). The Plan is comprised of 21 different investment portfolios (Portfolios). The Portfolios offer different asset allocation mixes to provide for investors that have different needs, time frames, and risk tolerances. Each Portfolio is offered in retail Class A units, Class B units, and Class C units. All classes of units have identical rights to earnings and assets, except for class-specific expenses.

Effective April 18, 2008, OFIPI acquired the assets of the New Mexico CollegeSense 529 Higher Education Savings Plan. The acquired assets were combined with the existing assets of the Scholar'sEdge Plan.

(b) Fund Objectives

These accompanying financials include the following Portfolios:

Newborn to Age 5 Years Portfolio, Ages 6 – 8 Years Portfolio, Ages 9 – 11 Years Portfolio, Ages 12 – 14 Years Portfolio, Ages 15 – 17 Years Portfolio, Ages 18 Years and Over Portfolio, Aggressive Portfolio, Moderately Aggressive Portfolio, Moderate Portfolio, Conservative Portfolio, Ultra Conservative Portfolio, School Years Portfolio, Large Cap Growth Portfolio, Large Cap Core Portfolio, Large Cap Value Portfolio, Small Cap Core Portfolio, International Equity Portfolio, Intermediate Term Bond Portfolio, Diversified Income Portfolio, Short-Term Yield Portfolio, and Capital Preservation Portfolio.

The Plan invests its assets in a partnership, investment contracts, and a combination of mutual funds managed by OppenheimerFunds, OFI Institutional, Mainstay, American Century, and Invesco. The Registered Underlying Investments include: Oppenheimer Capital Appreciation Fund, Oppenheimer Institutional Money Market Fund, Oppenheimer Main Street Small Cap Fund, Oppenheimer Global Strategic Income Fund[1], Oppenheimer International Bond Fund, Oppenheimer Limited Term Government Fund, Oppenheimer Value Fund, Mainstay Map Fund I, Mainstay High Yield Corporate Fund, American Century Diversified Bond Fund, and Invesco Mid Cap Core Equity Fund[2]. These Underlying Investments are diversified management investment companies registered under the Investment Company Act of 1940, as amended.

Additionally, the Plan invests in the following nonregistered fund: OFI Institutional Baring International Fund LP and contracts with New York Life. Both the registered and nonregistered funds are collectively referred to as the Underlying Investments.

The Plan's divestment of Oppenheimer Core Bond Fund holdings was complete at the end of July 2009.

1 Prior to June 30, 2010, this Fund was named Oppenheimer Strategic Income Fund

2 Prior to April 30, 2010, this Fund was named AIM Mid Cap Core Equity Fund I

(2) Significant Accounting Policies

The following is a summary of significant accounting policies followed by the Portfolios in the preparation of their financial statements.

(a) Basis of Presentation

As a fiduciary fund, the Plan's financial statements are presented using the economic resources measurement focus and the accrual basis of accounting in conformity with generally accepted accounting principles in the United States as defined by the Governmental Accounting Standards Board (GASB). Under this method of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of the related cash flows. The Plan has elected not to adopt FASB statements and interpretations issued after November 30, 1989, unless GASB specifically adopts such FASB statements or interpretations.

The financial statements include the statements of fiduciary net assets and the statement of changes in fiduciary net assets for each Portfolio. The statement of fiduciary net assets is a measure of each Portfolio's assets and liabilities at the close of the fiscal year. The statement of changes in fiduciary net assets shows purchases to and redemptions from the Portfolios, as well as additions and deductions due to operations during the fiscal year.

(b) Security Valuation

Each Portfolio calculates the net asset value of its units as of the close of The New York Stock Exchange (the Exchange), normally 4:00 P.M. Eastern time, on each day the Exchange is open for business. The net asset values of the Underlying Investments are determined as of the close of the Exchange, on each day the Exchange is open for trading. Short-term "money market type" debt securities with remaining maturities of sixty days or less are valued at amortized cost (which approximates market value).

(c) Security Transactions

Security transactions are recorded on the trade date. Realized gains and losses on securities sold are determined on the high cost method.

(d) Investment Income and Dividends

Dividend income is recorded on the ex-dividend date or upon ex-dividend notification in the case of certain foreign dividends where the ex-dividend date may have passed. Noncash dividends included in dividend income, if any, are recorded at the fair market value of the securities received. Interest income and capital gain distributions from the Underlying Investments are recorded on the ex-dividend date. Dividends from income are included in investment income and capital gain distributions are included in net realized gain/loss.

During the Plan's fiscal years ended June 30, 2008, June 30, 2009 and June 30, 2010 a portion of the dividend income received in 2007, 2008 and 2009 from Oppenheimer Core Bond Fund, Oppenheimer Limited Term Government Fund and Oppenheimer Global Strategic Income Fund was determined to be return of capital. The character of these distributions was determined in accordance with income tax regulations.

The reclassification of income from the relevant prior years resulted in negative earnings for some of the portfolios in the Plan for the current fiscal year.

(e) Allocation of Income and Dividends

Income, expenses (other than those attributable to a specific class), gains, and losses are allocated on a daily basis to each class of units based upon the relative proportion of net assets represented by such class. Operating expenses directly attributable to a specific class are charged against the operations of that class.

(f) Units

The Portfolios have authorized an unlimited number of no par values of capital unit transactions. Contributions and withdrawals are recorded at the unit value determined on the valuation date following receipt of notice of the contribution or withdrawal. Contributions and withdrawals are subject to sufficient advance notifications as outlined in the Plan Description and Participation Agreement. The Portfolios' unit values are determined daily. Net investment income for all Portfolios is retained and reflected in the net asset value of each Portfolio.

(g) The Use of Estimates

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

(3) Related Party Information and Fees

(a) Expenses

The Plan bears certain ongoing fees, which are charged against the assets of the Portfolios, to provide for the cost associated with the distribution, servicing, and administration. There are also indirect fees and expenses of the Underlying Investments in which the Portfolios invest. In addition, there may be certain fees and expenses the Board may impose from time to time. The Board may change or add new fees at any time.

(b) Management Fees

A program management fee at the annual rate of 0.10% of the average daily net assets of the Plan is paid on a monthly basis to OFIPI for Plan administration and investment management services. OppenheimerFunds receives compensation directly from certain of the Underlying Investments in which the Portfolios invest for serving as the investment adviser of those funds.

(Continued)

Effective January 4, 2010, the Program Manager has voluntarily waived its fees (but not below zero) and/or began reimbursing expenses to the extent necessary to assist the Short-Term Yield Portfolio to maintain at least a 0.00% return. There is no guarantee that the Short-Term Yield Portfolio will maintain this return. This undertaking may be amended or withdrawn at any time.

(c) Administrative Fees

An administrative fee at the annual rate of 0.10% of the average daily net assets of the Plan is paid to the Board on a monthly basis for acting as Plan Administrator.

(d) Service Plan for Class A Units

The Portfolios adopted a service plan for Class A units which reimburses the Distributor for a portion of its costs incurred for services provided to accounts that hold Class A units. Reimbursement is made quarterly at an annual rate of up to 0.25% of the average annual net assets of Class A units of the Portfolio. The Distributor currently uses those fees to pay dealers, brokers, banks and other financial institutions quarterly for providing personal services and maintenance of accounts of their customers that hold Class A units. Any unreimbursed expenses the Distributor incurs with respect to Class A units in any fiscal year cannot be recovered in subsequent years.

Distribution and service plans for Class B and Class C units compensate the Distributor for its services in connection with the distribution of those units and servicing accounts. Under the plans, the Portfolios pay the Distributor an annual asset-based sales charge of 1.00% per year on Class B and Class C units. The Distributor also receives a service fee of up to 0.25% per year for Class B units and up to 1% for Class C units. If either the Class B or Class C plan is terminated by the Portfolios or by the shareholders of a class, the Board of Trustees and its independent trustees must determine whether the Distributor shall be entitled to pay from the Portfolios on all or a portion of the service fee and /or asset-based sales charge in respect to units sold prior to the effective date of such termination.

(e) Sales Charges

Front-end sales charges and contingent deferred sales charges (CDSC) do not represent expenses of the Portfolios. They are deducted from the proceeds of sales of Portfolio units prior to investment or from redemption proceeds prior to remittance, as applicable. Class A units include a maximum initial sales charge of 4.75%, excepting the Short Term Yield Portfolio, which waived the Class A sales charge. Class B units include a CDSC of 5% (one year) and 4% (since inception). Class C units include the CDSC of 1% for the one year period.

(4) Income Taxes

The Plan was established under Section 529 of the Internal Revenue Code, which provides that all Portfolios within the Plan shall be exempt from income taxes. Therefore, no federal income tax provision is required.

(5) Investment Risk

Certain investments are subject to investment risk based on the amount of risk in the Underlying Investments. The Plan has adopted GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. The standard requires that entities disclose essential risk information about deposits and investments. All of the Plan's investments are uninsured and are held in the Plan's name. The Plan Description and Participation Agreement provides greater detail about the investment policies and practices of the Plan. The Plan does not have formal policies for limiting its exposure to the risks noted below.

(a) Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a failure, the Plan's deposits and investments may not be returned promptly. Because the Plan's investments are generally in mutual funds and other Underlying Investments, this risk is significantly mitigated.

(b) Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligations. The Plan invests directly in Underlying Investments. The registered Underlying Investments' prospectuses provide greater detail about the investment strategies and practices of the Underlying Investments, in compliance with federal regulations and specifically, the Form N-1A of the Investment Company Act of 1940. Form N-1A discloses information and policies about the Underlying Fund and its investment objectives, as well as information on the company structure and operations. In addition, the Program Disclosure Statement and the Participation Agreement provide greater detail about the credit risk, if any, by certain nonregistered Underlying Investments.

Credit ratings for the underlying fixed income funds are as follows:

	NRSRO-Rated
Oppenheimer Global Strategic Income Fund:	
Treasury	0.33%
Agency	7.16
AAA	18.54
AA	2.57
A	6.43
BBB	9.45
BB	10.45
B	12.24
CCC	9.53
CC	0.45
C	0.24
D	0.24
Not rated	22.37
Total	100.00%

	NRSRO-Rated
Oppenheimer Limited-Term Government Fund:	
Treasury	2.38%
Agency	77.66
AAA	17.63
AA	0.28
BBB	0.04
BB	0.16
CCC	0.78
CC	0.16
D	0.25
Not rated	0.66
Total	100.00%

	NRSRO-Rated
Oppenheimer International Bond Fund:	
Treasury	0.26%
AAA	15.11
AA	21.87
A	21.13
BBB	14.42
BB	14.74
B	2.70
CCC	0.16
Not rated	9.61
Total	100.00%

	NRSRO-Rated
American Century Diversified Bond Fund[1]:	
AAA	63.90%
AA	6.20
A	9.90
BBB	14.20
BB	3.30
B & Below	2.10
Not rated	0.40
Total	100.00%

[1] As of September 30, 2010

(c) Interest Rate Risk

Interest Rate Risk refers to the value fluctuations of fixed income securities resulting from the inverse relationship between price and yield. The market value fluctuations of fixed-income securities that the funds already hold will not affect the interest payable on those securities. However, the fluctuations will affect the market value and in turn will affect the Fund's net asset values. As of June 30, 2010, 2009 and 2008 the Portfolios held investments in fixed income mutual funds totaling $539,230,876, $413,575,952, and $507,660,241, respectively.

Duration for the underlying fixed income funds are as follows:

	2010 (in years)
Oppenheimer Global Strategic Income Fund	5.35
Oppenheimer Limited-Term Government Fund	1.86
Oppenheimer International Bond Fund	6.74
American Century Diversified Bond Fund[1]	4.70
Mainstay High Yield Corporate Bond Fund[1]	3.30

[1] As of September 30, 2010

(d) Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment in a foreign financial institution. The Plan does not have a formal policy for limiting its exposure to changes in exchange rates. The Plan does invest in various foreign currencies in pooled vehicles. The registered Underlying Investments' prospectuses provide greater detail about the investment strategies and practices of the Underlying Investments, in compliance with federal regulations and specifically, the Form N-1A of the Investment Company Act of 1940. Form N-1A discloses information and policies about the Underlying Fund and its investment objectives, as well as information on the company structure and operations. In addition, the Program Disclosure Statement and the Participation Agreement provide greater detail about the credit risk, if any, by certain nonregistered Underlying Investments.

(6) Guaranteed Investment Contract (GIC)

In accordance with GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Investments*, at June 30, 2010, 2009 and 2008, traditional GICs were valued at contract value of approximately $39,860,880 (fair value $43,121,244), $39,353,460 (fair value $41,358,624), and $23,471,871 (fair value $23,786,362) respectively. Fair value was confirmed by New York Life.

(7) Settlement

On December 16, 2009, OppenheimerFunds, Inc. (OFI) and the State of New Mexico reached an agreement to resolve the State's investigation into the management of the Scholar'sEdge Plan and The Education Plan. Under the terms of the settlement, OFI does not admit any wrongdoing and paid the State $67,310,000 which the State undertakes to distribute to eligible participants in Scholar'sEdge and the Education Plan.

In 2009, three separate matters were filed in New Mexico state court alleging breach of contract, breach of fiduciary duty and negligence. These lawsuits seek to undermine the settlement OFI has entered into with New Mexico. While funding of the settlement amount has been made to the State of New Mexico, distribution of the payment to individual account holders is currently pending awaiting court determination of requests by the plaintiffs in those lawsuits to hold a hearing on the fairness of the settlement.

(8) Pending Litigation

Since 2009, a number of lawsuits have been filed in federal courts against OFI, OFDI, and certain mutual funds (Defendant Funds) advised by OFI and distributed by the OFDI (but not including the Plan). The lawsuits naming the Defendant Funds also name as defendants certain officers, trustees and former trustees of the respective Defendant Funds. The plaintiffs seek class action status on behalf of purchasers of shares of the respective Defendant Fund during a particular time period. The lawsuits raise claims under federal securities laws alleging that, among other things, the disclosure documents of the respective Defendant Fund contained misrepresentations and omissions, that such Defendant Fund's investment policies were not followed, and that such Defendant Fund and the other defendants violated federal securities laws and regulations. The plaintiffs seek unspecified damages, equitable relief and an award of attorneys' fees and litigation expenses. None of these lawsuits named the New Mexico Education Trust or Trust Board as defendants.

In 2009, three lawsuits were filed against the New Mexico Education Trust Board and/or OFI and its subsidiaries. One of these lawsuits is a class action alleging breach of contract claims against the Board, seeking damages. The other two lawsuits claim to be derivative actions, alleging breach of contract, breach of fiduciary duty, negligence and violation of New Mexico securities laws, seeking damages and equitable relief.

Other lawsuits have been filed since 2008 in various state and federal courts, against OFI and certain of its affiliates. Those lawsuits were filed by investors who made investments through an affiliate of OFI, and relate to the alleged investment fraud perpetrated by Bernard Madoff and his firm (Madoff). Those suits allege a variety of claims, including breach of fiduciary duty, fraud, negligent misrepresentation, unjust enrichment, and violation of federal and state securities laws and regulations, among others. They seek unspecified damages, equitable relief and an award of attorneys' fees and litigation expenses. None of the suits have named OFDI, any of the Oppenheimer mutual funds or any of their independent Trustees or Directors as defendants. None of the Oppenheimer funds invested in any funds or accounts managed by Madoff.

OFI believes that the lawsuits described above are without legal merit and is defending against them vigorously. The Defendant Funds' Boards of Trustees have also engaged counsel to defend the suits brought against those Funds and the present and former Independent Trustees named in those suits. While it is premature to render any opinion as to the outcome in these lawsuits, or whether any costs that the Defendant Funds may bear in defending the suits might not be reimbursed by insurance, OFI believes that these suits should not impair the ability of OFI or OFDI to perform their respective duties to the Fund, and that the outcome of all of the suits together should not have any material effect on the operations of any of the Oppenheimer funds.

(9) Subsequent Event

The Plan has evaluated the need for disclosures and/or adjustments resulting from subsequent events through December 15, 2010, the date the financial statements were available to be issued. The evaluation determined that there were no subsequent events that necessitated disclosures and/or adjustments.

KPMG LLP
Suite 700
Two Park Square
6565 Americas Parkway NE
PO Box 3990
Albuquerque, NM 87190

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Education Trust Board of New Mexico
2048 Galisteo
Santa Fe, NM 87505

and

Hector Balderas, New Mexico State Auditor
2113 Warner Circle
Santa Fe, NM 87505-5499:

We have audited the combined financial statements of Scholar'sEdge (the Plan) and the financial statements of the Newborn to Age 5 Years Portfolio, Ages 6 – 8 Years Portfolio, Ages 9 – 11 Years Portfolio, Ages 12 – 14 Years Portfolio, Ages 15 – 17 Years Portfolio, Ages 18 Years and Over Portfolio, Aggressive Portfolio, Moderately Aggressive Portfolio, Moderate Portfolio, Conservative Portfolio, Ultra Conservative Portfolio, School Years Portfolio, Large Cap Growth Portfolio, Large Cap Core Portfolio, Large Cap Value Portfolio, Small Cap Core Portfolio, International Equity Portfolio, Intermediate Term Bond Portfolio, Diversified Income Portfolio, Short Term Yield Portfolio, and Capital Preservation Portfolio (collectively referred to as the Portfolios) of the Plan as of and for the years ended June 30, 2010, 2009, and 2008, and have issued our report thereon dated December 15, 2010. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audits, we considered the Plan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Plan's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Plan's financial statements are free of material misstatement, we performed tests of the Plan's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of certain of our tests of compliance described in the preceding paragraph, disclosed an instance of noncompliance that is required to be reported herein under *Government Auditing Standards* and is described in the accompanying schedule of findings and responses as item 07-01.

This report is intended solely for the information and use of management (including the Program Manager), The Education Trust Board of New Mexico, others within the entity, and the Office of the State Auditor, NM Legislature, and Department of Finance and Administration and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

December 15, 2010

SCHOLAR'SEDGE

Schedule of Findings and Responses

June 30, 2010, 2009, and 2008

Finding No. 07-01

Criteria

In accordance with SAO Rule 2.2.2.9 (A)(1)(f) NMAC, annual financial audits of agencies under the oversight of the Financial Control Division of the Department of Finance and Administration (FCD) shall be completed and submitted by the Plan and independent auditor to the State Auditor no later than sixty days after the state auditor receives notification from the FCD to the effect that an agency's books and records are ready and available for audit; however, the deadline cannot extend beyond December 15 (Section 12-6-3C NMSA 1978).

Condition

We noted an instance in which the annual financial audit report for June 30, 2009 and 2008 was not delivered to the State Auditor by the December 15, 2009 and 2008 deadlines, respectively. The annual financial audit report was received December 15, 2010 by the Office of the State Auditor which was after the deadline.

Cause

The annual financial audit reports for June 30, 2009 and 2008 were not delivered to the State Auditor by the deadlines primarily due to the late execution of the audit contract between KPMG and The Education Trust Board which occurred on October 27, 2010, which was subsequent to the deadlines. The annual financial audit reports should have been filed with the State Auditor no later than December 15, 2009 and 2008, respectively.

Effect

The users of the financial statements such as investors, legislators, creditors, bondholders, etc., do not have timely audit reports and financial statements for their review. In addition, the Plan was not in compliance with state regulations when filing the annual financial report with the State Auditor after the December 15, 2009 and 2008 deadlines.

Recommendation

We recommend that the Plan design and implement internal controls to ensure that the audit engagement process is performed timely and that the annual financial audit reports are submitted to the State Auditor in compliance with state regulations.

Plan Response to Finding No. 07-01

The Plan concurs with the findings. The Plan will ensure that the annual audit is completed in a timely fashion and in compliance with state regulations. New internal controls will be designed and implemented over financial reporting.

Contact: Ross Burkstaller, Program Administrator

Exit Conference

An exit conference was conducted on December 7, 2010 in which the contents of this report were discussed with the following:

The Education Trust Board of New Mexico

Viola Florez	*Chair*
Robert Heyman	*Board Member*
Deboran DeMella	*Institutional Auditor NMHED*
James Canup	*Legal Counsel*

OFI Private Investments

Ross Burkstaller	*Program Administrator*

KPMG

Cynthia Reinhart	*Partner*
Kelli High	*Senior Manager*

Financial Statement Preparation

The accompanying management discussion and analysis, financial statements, and notes to financial statements have been prepared by OFI Private Investments.

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The table below presents the Average Annual Total Returns for each portfolio in the New Mexico The Education Plan College Savings Program for the 12-month period ended June 30, 2010.

	Direct	**Benchmark**
Newborn to Age 5 Years Portfolio	12.01%	14.88%
Ages 6 – 8 Years Portfolio	11.75	14.20
Ages 9 – 11 Years Portfolio	11.27	13.32
Ages 12 – 14 Years Portfolio	9.81	11.24
Ages 15 – 17 Years Portfolio	7.52	8.58
Ages 18 Years and Over Portfolio	5.65	6.29
Aggressive Portfolio	11.87	14.88
Moderately Aggressive Portfolio	11.79	14.20
Moderate Portfolio	11.46	13.32
Conservative Portfolio	9.75	11.24
Ultra Conservative Portfolio	7.66	8.58
School Years Portfolio	5.72	6.29
Short Term Yield Portfolio	0.00	0.09

The benchmarks for The Education Plan® Portfolios are based on a blend of the benchmarks applicable to each Underlying Investment category; for the Oppenheimer Capital Appreciation Fund, the Russell 1000 Growth Index; for Oppenheimer Value Fund, the Russell 1000 Value Index; for OFIPI Large Cap Core Index Strategy, the S&P 500 Index; for the Oppenheimer Main Street Small Cap Fund®, the Russell 2000® Index; for the OFIPI Small Cap Index Strategy, the MSCI US Small Cap 1750 Index; for the OFIPI Baring International Strategy, the MSCI EAFE Index; for the OFIPI International Index Strategy, the MSCI EAFE Index; for the Dreyfus Bond Market Index Fund, the Barclays Capital U.S. Aggregate Bond Index; for the Oppenheimer Institutional Money Market Fund, the iMoney Net First Tier Institutional Money Market Index. Investors cannot directly invest in a compilation of benchmark indices.

Financial Analysis

Condensed combined statements of fiduciary net assets as of June 30:

	2010	2009	2008
Assets:			
Investments, at value	$ 269,948,079	236,726,505	315,398,858
Cash	1,008,990	1,713,778	213,400
Receivables and other assets	602,403	628,166	911,142
Total assets	271,559,472	239,068,449	316,523,400
Liabilities:			
Cash overdraft	25,577	—	134,035
Payables and other liabilities	644,634	648,906	1,147,333
Total liabilities	670,211	648,906	1,281,368
Net assets:			
Held in trust for qualified state tuition plans and other purposes	$ 270,889,261	238,419,543	315,242,032

The investments of the Portfolios decreased $79 million from 2008 to 2009 mainly due to market depreciation and realized losses on investments. The investments of the Portfolios increased $33 million from 2009 to 2010 mainly due to market appreciation. Net shareholder contributions in 2008 were $26 million; 2009 had net shareholder contributions of $11 million; and 2010 had net shareholder contributions of $9 million.

The majority of the receivables consist of shareholder contributions received but not invested as of June 30. The majority of the liabilities consist of shareholder redemptions processed but not yet delivered as of June 30 and payment for securities purchased June 30, but not yet cleared.

Condensed combined statements of changes in fiduciary net assets for years ended June 30:

		2010	2009	2008
Additions:				
Subscriptions	$	96,638,673	94,896,585	300,779,098
Investment income:				
Dividend income and interest (note 2(d))		(596,386)	3,172,052	12,208,406
Less expenses		923,407	760,179	792,314
Net investment income (loss)		(1,519,793)	2,411,873	11,416,092
Capital gains (losses) from underlying funds		(22,380,443)	(59,445,621)	32,714,970
Net increase (decrease) in change in fair value of investments		47,784,373	(30,576,743)	(65,179,407)
Total additions		120,522,810	7,286,094	279,730,753
Deductions:				
Redemptions		(88,053,092)	(84,108,583)	(275,027,007)
Change in net assets held in trust for individuals		32,469,718	(76,822,489)	4,703,746
Net assets:				
Net assets at the beginning of year		238,419,543	315,242,032	310,538,286
Net assets at the end of year	$	270,889,261	238,419,543	315,242,032

Investment income is comprised of dividend and interest income; fund expenses are primarily management and administrative fees.

Market Overview

Aggressively loose monetary policies by most of the world's central banks and massive economic stimulus programs in many nations helped the global economy return to growth. Economic conditions were particularly favorable in the emerging markets of Asia, where robust industrial demand drove prices of energy commodities and construction materials higher. Although increasing manufacturing activity led the global recovery, persistently high unemployment and ongoing weakness in some housing markets produced headwinds that dampened the rebound. As a result, the current economic recovery has been milder than most previous rebounds. Still, investors exhibited an ample appetite for risk through the end of 2009, bidding up prices of stocks, high yield bonds and other securities that tend to fare well in times of economic expansion.

Investor sentiment began to change in the early months of 2010, when several European nations, most notably Greece, encountered difficulty in financing heavy debt burdens. This situation precipitated a sovereign debt crisis throughout Europe when investors grew increasingly concerned that some nations might not be able to make interest and principal payments in a timely manner, causing the euro to lose considerable value relative to the U.S. dollar and other major currencies. Meanwhile, in the wake of a massive government stimulus program and robust economic growth, local inflationary pressures began to appear in China's urban real estate markets. Many investors worried that any remedial measures designed to forestall an acceleration of inflation might constrain one of the main engines of the global economic recovery. Domestic growth in the emerging markets remained strong and policymakers in countries like Brazil and India attempted to rein in potentially overheating economies. Finally, evidence of renewed economic weakness began to appear in the United States, where unemployment stayed persistently high, consumers remained under pressure and government borrowing mushroomed. In light of these developments, investors became more risk-averse, selling riskier assets in favor of traditional safe havens. Commodity prices, led by industrials and energy, also fell. Traditionally defensive investments, such as U.S. Government securities, generally rallied.

Despite the market drops in the second half of the reporting period, all broad-based market benchmarks finished the 1-year reporting period in positive territory. In terms of the global equity markets, the MSCI World Index finished the reporting period up 10.2%, the S&P 500 Index returned 14.43% and the MSCI Emerging Markets Index outperformed them both with a return of 23.48%. Within the U.S., value stocks generally outperformed growth stocks for the reporting period, as the Russell 1000 Value Index returned 16.92% versus the Russell 1000 Growth Index, which returned 13.62%.

In terms of the global fixed-income universe, the Barclays Capital Global Aggregate Bond Index returned 5% for the reporting period, while the Barclays Capital U.S. Aggregate Bond Index returned 9%. Within the U.S. bond market, high yield securities had a stellar reporting period, as evidenced by the BOFA Merrill Lynch High Yield Master Index, which returned 27%. Convertible securities also had a strong period and continued to rebound from the March 2009 market lows, as the BOFA Merrill Lynch All Convertibles Index returned 22.64%. The Barclays Capital Credit Index also finished in double-digits with a return of 14.68% for the period.

In general, lower-quality stocks tended to lead the stock market rally over much of the reporting period. Consistent with that, smaller-cap stocks produced significantly higher returns, on average, than larger-cap stocks. Even over the first half of 2010 when the markets gave back some of their gains, small-cap stocks lost less value than larger companies amid concerns that giant multinationals might be hurt by exposure to the European sovereign debt crisis and adverse changes in currency exchange rates.

Alternative investments such as REITs were among the reporting period's strongest performers. The FTSE NAREIT Equity Index returned 53.90% for the period. Gold stocks were not far behind REITs in terms of very good performance for the period, as the Lipper Precious Metal Fund Index returned 45.31%. One poor performing index for the period was the S&P GSCI, which returned (5.43)%. As mentioned earlier, commodities, led by energy and industrials, had poor performance in the second half of the period, dragging the S&P GSCI's return into negative territory.

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Portfolio Reviews (Direct Sold)

Newborn to Age 5 Years Portfolio

For the 12-month period ended June 30, 2010, the Portfolio returned 12.01%, underperforming its benchmark, which returned 14.88%.

During the reporting the period, the Portfolio's largest allocation at period end was to OFIPI Large Cap Core Index Strategy, which accounted for approximately 30% of the Portfolio's investments. This Strategy returned 14.35%, roughly in line with the return of the S&P 500 Index, which returned 14.43%. Despite market volatility which permeated the equity markets throughout the period, large cap equities generally ended the period in positive territory. The best performing sectors of the Index for the period in terms of total return were in industrials and consumer discretionary, which was reflective of increased business activity and consumer spending as the U.S. economy began to recover from the recession. Other sectors that performed well for the Index in terms of total return included financials, information technology and materials. Energy, utilities and telecommunication services lagged behind in terms of total return for the Index during the period and were the worst performers. Energy in particular weighed on relative performance for the Index due to its larger weighting.

The Portfolio's two next largest equity holdings at period end, Oppenheimer Capital Appreciation Fund and Oppenheimer Value Fund, each underperformed their respective benchmarks. Oppenheimer Capital Appreciation Fund returned 8.23% during the period while the Russell 1000 Growth Index returned 13.62%. Oppenheimer Value Fund returned 9.70% during the period while the Russell 1000 Value Index returned 16.92%. During the reporting period, the market favored lower-quality stocks as opposed to the higher-quality stocks these underlying funds tend to favor, which is not unusual following a rebound from market lows, and tends to be fleeting in nature. Two smaller holdings of the Portfolio also underperformed their respective benchmarks. Oppenheimer Main Street Small Cap Fund returned 20% but underperformed its benchmark, the Russell 2000 Index, which returned 21.48%. OFIPI Small Cap Index Strategy returned 24.73% versus the MSCI U.S. Small Company 1750 Index, which returned 25.16%. Generally speaking, small-cap stocks had a solid reporting period, as reflected in the positive performance numbers.

The Portfolio had an approximate 20% allocation to two other strategies, OFIPI Baring International Strategy and OFIPI International Index Strategy. OFIPI International Index Strategy returned 3.90% and underperformed the MSCI EAFE Index, which returned 6.38%. OFIPI Baring International Strategy fared much better with a return of 7.69%, outperforming the MSCI EAFE Index. During the last few months of the period when European equity markets tumbled, this underlying strategy held up well on a relative basis.

Ages 6 – 8 Years Portfolio

For the 12-month period ended June 30, 2010, the Portfolio returned 11.75%, underperforming its benchmark, which returned 14.20%.

During the reporting the period, the Portfolio's largest allocation at period end was to OFIPI Large Cap Core Index Strategy, which accounted for approximately 24% of the Portfolio's investments. This Strategy returned 14.35%, roughly in line with the return of the S&P 500 Index, which returned 14.43%. Despite market volatility which permeated the equity markets throughout the period, large cap equities generally ended the period in

(Continued)

positive territory. The best performing sectors of the Index for the period in terms of total return were in industrials and consumer discretionary, which was reflective of increased business activity and consumer spending as the U.S. economy began to recover from the recession. Other sectors that performed well for the Index in terms of total return included financials, information technology and materials. Energy, utilities and telecommunication services lagged behind in terms of total return for the Index during the period and were the worst performers. Energy in particular weighed on relative performance for the Index due to its larger weighting.

The Portfolio's two next largest equity holdings at period end, Oppenheimer Capital Appreciation Fund and Oppenheimer Value Fund, each underperformed their respective benchmarks. Oppenheimer Capital Appreciation Fund returned 8.23% during the period while the Russell 1000 Growth Index returned 13.62%. Oppenheimer Value Fund returned 9.70% during the period while the Russell 1000 Value Index returned 16.92%. During the reporting period, the market favored lower-quality stocks as opposed to the higher-quality stocks these underlying funds tend to favor, which is not unusual following a rebound from market lows, and tends to be fleeting in nature. Two smaller holdings of the Portfolio also underperformed their respective benchmarks. Oppenheimer Main Street Small Cap Fund returned 20% but underperformed its benchmark, the Russell 2000 Index, which returned 21.48%. OFIPI Small Cap Index Strategy returned 24.73% versus the MSCI U.S. Small Company 1750 Index, which returned 25.16%. Generally speaking, small-cap stocks had a solid reporting period, as reflected in the positive performance numbers.

The Portfolio had an approximate 16% allocation to two other strategies, OFIPI Baring International Strategy and OFIPI International Index Strategy. OFIPI International Index Strategy returned 3.90% and underperformed the MSCI EAFE Index, which returned 6.38%. OFIPI Baring International Strategy fared much better with a return of 7.69%, outperforming the MSCI EAFE Index. During the last few months of the period when European equity markets tumbled, this underlying strategy held up well on a relative basis.

In terms of fixed-income holdings, the Portfolio at period end had an approximate 20% allocation to Dreyfus Bond Market Index Fund, which returned 8.89% and underperformed the Barclays Capital U.S. Aggregate Bond Index, which returned 9.50%. In general, it was a solid reporting period for U.S.-based fixed-income securities, particularly non-U.S. Treasury securities such as high-yield corporate bonds, convertible securities, and mortgage-backed securities.

Ages 9 – 11 Years Portfolio

For the 12-month period ended June 30, 2010, the Portfolio returned 11.27%, underperforming its benchmark, which returned 13.32%.

During the reporting the period, the Portfolio had a roughly 60% allocation to equities. The Portfolio's largest equity allocation at period end was to OFIPI Large Cap Core Index Strategy, which accounted for approximately 18% of the Portfolio's investments. This Strategy returned 14.35%, roughly in line with the return of the S&P 500 Index, which returned 14.43%. Despite market volatility which permeated the equity markets throughout the period, large cap equities generally ended the period in positive territory. The best performing sectors of the Index for the period in terms of total return were in industrials and consumer discretionary, which was reflective of increased business activity and consumer spending as the U.S. economy began to recover from the recession. Other sectors that performed well for the Index in terms of total return included financials,

(Continued)

information technology and materials. Energy, utilities and telecommunication services lagged behind in terms of total return for the Index during the period and were the worst performers. Energy in particular weighed on relative performance for the Index due to its larger weighting.

The Portfolio's two next largest equity holdings at period end, Oppenheimer Capital Appreciation Fund and Oppenheimer Value Fund, each underperformed their respective benchmarks. Oppenheimer Capital Appreciation Fund returned 8.23% during the period while the Russell 1000 Growth Index returned 13.62%. Oppenheimer Value Fund returned 9.70% during the period while the Russell 1000 Value Index returned 16.92%. During the reporting period, the market favored lower-quality stocks as opposed to the higher-quality stocks these underlying funds tend to favor, which is not unusual following a rebound from market lows, and tends to be fleeting in nature. Two smaller holdings of the Portfolio also underperformed their respective benchmarks. Oppenheimer Main Street Small Cap Fund returned 20% but underperformed its benchmark, the Russell 2000 Index, which returned 21.48%. OFIPI Small Cap Index Strategy returned 24.73% versus the MSCI U.S. Small Company 1750 Index, which returned 25.16%. Generally speaking, small-cap stocks had a solid reporting period, as reflected in the positive performance numbers.

The Portfolio had an approximate 12% allocation to two other strategies, OFIPI Baring International Strategy and OFIPI International Index Strategy. OFIPI International Index Strategy returned 3.90% and underperformed the MSCI EAFE Index, which returned 6.38%. OFIPI Baring International Strategy fared much better with a return of 7.69%, outperforming the MSCI EAFE Index. During the last few months of the period when European equity markets tumbled, this underlying strategy held up well on a relative basis.

In terms of fixed-income holdings, the Portfolio at period end had an approximate 40% allocation to Dreyfus Bond Market Index Fund, which returned 8.89% and underperformed the Barclays Capital U.S. Aggregate Bond Index, which returned 9.50%. In general, it was a solid reporting period for U.S.-based fixed-income securities, particularly non-U.S. Treasury securities such as high-yield corporate bonds, convertible securities, and mortgage-backed securities.

Ages 12 – 14 Years Portfolio

For the 12-month period ended June 30, 2010, the Portfolio returned 9.81%, underperforming its benchmark, which returned 11.24%.

In terms of fixed-income holdings, the Portfolio at period end had an approximate 50% allocation to Dreyfus Bond Market Index Fund, which returned 8.89% and underperformed the Barclays Capital U.S. Aggregate Bond Index, which returned 9.50%. In general, it was a solid reporting period for U.S.-based fixed-income securities, particularly non-U.S. Treasury securities such as high-yield corporate bonds, convertible securities, and mortgage-backed securities. The other fixed-income holding for the Portfolio was Oppenheimer Institutional Money Market Fund, which returned 0.21% and outperformed the iMoney Net First Tier Institutional Index, which returned 0.09%. Money market returns were muted given the Federal Reserve's keeping rates between 0% and 0.25%.

During the reporting the period, the Portfolio had a roughly 40% allocation to equities. The Portfolio's largest equity allocation at period end was to OFIPI Large Cap Core Index Strategy, which accounted for approximately

12% of the Portfolio's investments. This Strategy returned 14.35%, roughly in line with the return of the S&P 500 Index, which returned 14.43%. Despite market volatility which permeated the equity markets throughout the period, large cap equities generally ended the period in positive territory. The best performing sectors of the Index for the period in terms of total return were in industrials and consumer discretionary, which was reflective of increased business activity and consumer spending as the U.S. economy began to recover from the recession. Other sectors that performed well for the Index in terms of total return included financials, information technology and materials. Energy, utilities and telecommunication services lagged behind in terms of total return for the Index during the period and were the worst performers. Energy in particular weighed on relative performance for the Index due to its larger weighting.

The Portfolio's two next largest equity holdings at period end, Oppenheimer Capital Appreciation Fund and Oppenheimer Value Fund, each underperformed their respective benchmarks. Oppenheimer Capital Appreciation Fund returned 8.23% during the period while the Russell 1000 Growth Index returned 13.62%. Oppenheimer Value Fund returned 9.70% during the period while the Russell 1000 Value Index returned 16.92%. During the reporting period, the market favored lower-quality stocks as opposed to the higher-quality stocks these underlying funds tend to favor, which is not unusual following a rebound from market lows, and tends to be fleeting in nature. Two smaller holdings of the Portfolio also underperformed their respective benchmarks. Oppenheimer Main Street Small Cap Fund returned 20% but underperformed its benchmark, the Russell 2000 Index, which returned 21.48%. OFIPI Small Cap Index Strategy returned 24.73% versus the MSCI U.S. Small Company 1750 Index, which returned 25.16%. Generally speaking, small-cap stocks had a solid reporting period, as reflected in the positive performance numbers.

The Portfolio had an approximate 7.5% allocation to two other strategies, OFIPI Baring International Strategy and OFIPI International Index Strategy. OFIPI International Index Strategy returned 3.90% and underperformed the MSCI EAFE Index, which returned 6.38%. OFIPI Baring International Strategy fared much better with a return of 7.69%, outperforming the MSCI EAFE Index. During the last few months of the period when European equity markets tumbled, this underlying strategy held up well on a relative basis.

Ages 15 – 17 Years Portfolio

For the 12-month period ended June 30, 2010, the Portfolio returned 7.52%, underperforming its benchmark, which returned 8.58%.

In terms of fixed-income holdings, the Portfolio at period end had an approximate 60% allocation to Dreyfus Bond Market Index Fund, which returned 8.89% and underperformed the Barclays Capital U.S. Aggregate Bond Index, which returned 9.50%. In general, it was a solid reporting period for U.S.-based fixed-income securities, particularly non-U.S. Treasury securities such as high-yield corporate bonds, convertible securities, and mortgage-backed securities. The other fixed-income holding for the Portfolio was an approximate 20% allocation to Oppenheimer Institutional Money Market Fund, which returned 0.21% and outperformed the iMoney Net First Tier Institutional Index, which returned 0.09%. Money market returns were muted given the Federal Reserve's keeping rates between 0% and 0.25%.

During the reporting the period, the Portfolio had a roughly 20% allocation to equities. The Portfolio's largest equity allocation at period end was to OFIPI Large Cap Core Index Strategy, which accounted for approximately

7% of the Portfolio's investments. This Strategy returned 14.35%, roughly in line with the return of the S&P 500 Index, which returned 14.43%. Despite market volatility which permeated the equity markets throughout the period, large cap equities generally ended the period in positive territory. The best performing sectors of the Index for the period in terms of total return were in industrials and consumer discretionary, which was reflective of increased business activity and consumer spending as the U.S. economy began to recover from the recession. Other sectors that performed well for the Index in terms of total return included financials, information technology and materials. Energy, utilities and telecommunication services lagged behind in terms of total return for the Index during the period and were the worst performers. Energy in particular weighed on relative performance for the Index due to its larger weighting.

In terms of the Portfolio's other equity holdings, Oppenheimer Capital Appreciation Fund and Oppenheimer Value Fund, each underperformed their respective benchmarks. Oppenheimer Capital Appreciation Fund returned 8.23% during the period while the Russell 1000 Growth Index returned 13.62%. Oppenheimer Value Fund returned 9.70% during the period while the Russell 1000 Value Index returned 16.92%. During the reporting period, the market favored lower-quality stocks as opposed to the higher-quality stocks these underlying funds tend to favor, which is not unusual following a rebound from market lows, and tends to be fleeting in nature. OFIPI International Index Strategy returned 3.90% and underperformed the MSCI EAFE Index, which returned 6.38%.

Ages 18 Years and Over Portfolio

For the 12-month period ended June 30, 2010, the Portfolio returned 5.65%, underperforming its benchmark, which returned 6.29%.

In terms of fixed-income holdings, the Portfolio at period end had an approximate 50% allocation to Dreyfus Bond Market Index Fund, which returned 8.89% and underperformed the Barclays Capital U.S. Aggregate Bond Index, which returned 9.50%. In general, it was a solid reporting period for U.S.-based fixed-income securities, particularly non-U.S. Treasury securities such as high-yield corporate bonds, convertible securities, and mortgage-backed securities.

The other fixed-income holding for the Portfolio was an approximate 40% allocation to Oppenheimer Institutional Money Market Fund, which returned 0.21% and outperformed the iMoney Net First Tier Institutional Index, which returned 0.09%. Money market returns were muted given the Federal Reserve's keeping rates between 0% and 0.25%.

During the reporting the period, the Portfolio had a roughly 10% allocation to equities, in which the largest allocation was to OFIPI Large Cap Core Index Strategy. This Strategy returned 14.35%, roughly in line with the return of the S&P 500 Index, which returned 14.43%. Despite market volatility which permeated the equity markets throughout the period, large cap equities generally ended the period in positive territory. The best performing sectors of the Index for the period in terms of total return were in industrials and consumer discretionary, which was reflective of increased business activity and consumer spending as the U.S. economy began to recover from the recession. Other sectors that performed well for the Index in terms of total return included financials, information technology and materials. Energy, utilities and telecommunication services lagged behind in terms of total return for the Index during the period and were the worst performers. Energy in particular weighed on relative performance for the Index due to its larger weighting.

Aggressive Portfolio

For the 12-month period ended June 30, 2010, the Portfolio returned 11.87%, underperforming its benchmark, which returned 14.88%.

During the reporting the period, the Portfolio's largest allocation at period end was to OFIPI Large Cap Core Index Strategy, which accounted for approximately 30% of the Portfolio's investments. This Strategy returned 14.35%, roughly in line with the return of the S&P 500 Index, which returned 14.43%. Despite market volatility which permeated the equity markets throughout the period, large cap equities generally ended the period in positive territory. The best performing sectors of the Index for the period in terms of total return were in industrials and consumer discretionary, which was reflective of increased business activity and consumer spending as the U.S. economy began to recover from the recession. Other sectors that performed well for the Index in terms of total return included financials, information technology and materials. Energy, utilities and telecommunication services lagged behind in terms of total return for the Index during the period and were the worst performers. Energy in particular weighed on relative performance for the Index due to its larger weighting.

The Portfolio's two next largest equity holdings at period end, Oppenheimer Capital Appreciation Fund and Oppenheimer Value Fund, each underperformed their respective benchmarks. Oppenheimer Capital Appreciation Fund returned 8.23% during the period while the Russell 1000 Growth Index returned 13.62%. Oppenheimer Value Fund returned 9.70% during the period while the Russell 1000 Value Index returned 16.92%. During the reporting period, the market favored lower-quality stocks as opposed to the higher-quality stocks these underlying funds tend to favor, which is not unusual following a rebound from market lows, and tends to be fleeting in nature. Two smaller holdings of the Portfolio also underperformed their respective benchmarks. Oppenheimer Main Street Small Cap Fund returned 20% but underperformed its benchmark, the Russell 2000 Index, which returned 21.48%. OFIPI Small Cap Index Strategy returned 24.73% versus the MSCI U.S. Small Company 1750 Index, which returned 25.16%. Generally speaking, small-cap stocks had a solid reporting period, as reflected in the positive performance numbers.

The Portfolio had an approximate 20% allocation to two other strategies, OFIPI Baring International Strategy and OFIPI International Index Strategy. OFIPI International Index Strategy returned 3.90% and underperformed the MSCI EAFE Index, which returned 6.38%. OFIPI Baring International Strategy fared much better with a return of 7.69%, outperforming the MSCI EAFE Index. During the last few months of the period when European equity markets tumbled, this underlying strategy held up well on a relative basis.

Moderately Aggressive Portfolio

For the 12-month period ended June 30, 2010, the Portfolio returned 11.79%, underperforming its benchmark, which returned 14.20%.

During the reporting the period, the Portfolio's largest allocation at period end was to OFIPI Large Cap Core Index Strategy, which accounted for approximately 24% of the Portfolio's investments. This Strategy returned 14.35%, roughly in line with the return of the S&P 500 Index, which returned 14.43%. Despite market volatility which permeated the equity markets throughout the period, large cap equities generally ended the period in positive territory. The best performing sectors of the Index for the period in terms of total return were in industrials and consumer discretionary, which was reflective of increased business activity and consumer spending as the U.S. economy began to recover from the recession. Other sectors that performed well for the Index in terms of total return included financials, information technology and materials. Energy, utilities and telecommunication services lagged behind in terms of total return for the Index during the period and were the worst performers. Energy in particular weighed on relative performance for the Index due to its larger weighting.

The Portfolio's two next largest equity holdings at period end, Oppenheimer Capital Appreciation Fund and Oppenheimer Value Fund, each underperformed their respective benchmarks. Oppenheimer Capital Appreciation Fund returned 8.23% during the period while the Russell 1000 Growth Index returned 13.62%. Oppenheimer Value Fund returned 9.70% during the period while the Russell 1000 Value Index returned 16.92%. During the reporting period, the market favored lower-quality stocks as opposed to the higher-quality stocks these underlying funds tend to favor, which is not unusual following a rebound from market lows, and tends to be fleeting in nature. Two smaller holdings of the Portfolio also underperformed their respective benchmarks. Oppenheimer Main Street Small Cap Fund returned 20% but underperformed its benchmark, the Russell 2000 Index, which returned 21.48%. OFIPI Small Cap Index Strategy returned 24.73% versus the MSCI U.S. Small Company 1750 Index, which returned 25.16%. Generally speaking, small-cap stocks had a solid reporting period, as reflected in the positive performance numbers.

The Portfolio had an approximate 16% allocation to two other strategies, OFIPI Baring International Strategy and OFIPI International Index Strategy. OFIPI International Index Strategy returned 3.90% and underperformed the MSCI EAFE Index, which returned 6.38%. OFIPI Baring International Strategy fared much better with a return of 7.69%, outperforming the MSCI EAFE Index. During the last few months of the period when European equity markets tumbled, this underlying strategy held up well on a relative basis.

In terms of fixed-income holdings, the Portfolio at period end had an approximate 20% allocation to Dreyfus Bond Market Index Fund, which returned 8.89% and underperformed the Barclays Capital U.S. Aggregate Bond Index, which returned 9.50%. In general, it was a solid reporting period for U.S.-based fixed-income securities, particularly non-U.S. Treasury securities such as high-yield corporate bonds, convertible securities, and mortgage-backed securities.

Moderate Portfolio

For the 12-month period ended June 30, 2010, the Portfolio returned 11.46%, underperforming its benchmark, which returned 13.32%.

During the reporting the period, the Portfolio had a roughly 60% allocation to equities. The Portfolio's largest equity allocation at period end was to OFIPI Large Cap Core Index Strategy, which accounted for approximately 18% of the Portfolio's investments. This Strategy returned 14.35%, roughly in line with the return of the S&P 500 Index, which returned 14.43%. Despite market volatility which permeated the equity markets throughout the period, large cap equities generally ended the period in positive territory. The best performing sectors of the Index for the period in terms of total return were in industrials and consumer discretionary, which was reflective of increased business activity and consumer spending as the U.S. economy began to recover from

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the recession. Other sectors that performed well for the Index in terms of total return included financials, information technology and materials. Energy, utilities and telecommunication services lagged behind in terms of total return for the Index during the period and were the worst performers. Energy in particular weighed on relative performance for the Index due to its larger weighting.

The Portfolio's two next largest equity holdings at period end, Oppenheimer Capital Appreciation Fund and Oppenheimer Value Fund, each underperformed their respective benchmarks. Oppenheimer Capital Appreciation Fund returned 8.23% during the period while the Russell 1000 Growth Index returned 13.62%. Oppenheimer Value Fund returned 9.70% during the period while the Russell 1000 Value Index returned 16.92%. During the reporting period, the market favored lower-quality stocks as opposed to the higher-quality stocks these underlying funds tend to favor, which is not unusual following a rebound from market lows, and tends to be fleeting in nature. Two smaller holdings of the Portfolio also underperformed their respective benchmarks. Oppenheimer Main Street Small Cap Fund returned 20% but underperformed its benchmark, the Russell 2000 Index, which returned 21.48%. OFIPI Small Cap Index Strategy returned 24.73% versus the MSCI U.S. Small Company 1750 Index, which returned 25.16%. Generally speaking, small-cap stocks had a solid reporting period, as reflected in the positive performance numbers.

The Portfolio had an approximate 12% allocation to two other strategies, OFIPI Baring International Strategy and OFIPI International Index Strategy. OFIPI International Index Strategy returned 3.90% and underperformed the MSCI EAFE Index, which returned 6.38%. OFIPI Baring International Strategy fared much better with a return of 7.69%, outperforming the MSCI EAFE Index. During the last few months of the period when European equity markets tumbled, this underlying strategy held up well on a relative basis.

In terms of fixed-income holdings, the Portfolio at period end had an approximate 40% allocation to Dreyfus Bond Market Index Fund, which returned 8.89% and underperformed the Barclays Capital U.S. Aggregate Bond Index, which returned 9.50%. In general, it was a solid reporting period for U.S.-based fixed-income securities, particularly non-U.S. Treasury securities such as high-yield corporate bonds, convertible securities, and mortgage-backed securities.

Conservative Portfolio

For the 12-month period ended June 30, 2010, the Portfolio returned 9.75%, underperforming its benchmark, which returned 11.24%.

In terms of fixed-income holdings, the Portfolio at period end had an approximate 50% allocation to Dreyfus Bond Market Index Fund, which returned 8.89% and underperformed the Barclays Capital U.S. Aggregate Bond Index, which returned 9.50%. In general, it was a solid reporting period for U.S.-based fixed-income securities, particularly non-U.S. Treasury securities such as high-yield corporate bonds, convertible securities, and mortgage-backed securities. The other fixed-income holding for the Portfolio was Oppenheimer Institutional Money Market Fund, which returned 0.21% and outperformed the iMoney Net First Tier Institutional Index, which returned 0.09%. Money market returns were muted given the Federal Reserve's keeping rates between 0% and 0.25%.

During the reporting the period, the Portfolio had a roughly 40% allocation to equities. The Portfolio's largest equity allocation at period end was to OFIPI Large Cap Core Index Strategy, which accounted for approximately 12% of the Portfolio's investments. This Strategy returned 14.35%, roughly in line with the return of the S&P 500 Index, which returned 14.43%. Despite market volatility which permeated the equity markets throughout the period, large cap equities generally ended the period in positive territory. The best performing sectors of the Index for the period in terms of total return were in industrials and consumer discretionary, which was reflective of increased business activity and consumer spending as the U.S. economy began to recover from the recession. Other sectors that performed well for the Index in terms of total return included financials, information technology and materials. Energy, utilities and telecommunication services lagged behind in terms of total return for the Index during the period and were the worst performers. Energy in particular weighed on relative performance for the Index due to its larger weighting.

The Portfolio's two next largest equity holdings at period end, Oppenheimer Capital Appreciation Fund and Oppenheimer Value Fund, each underperformed their respective benchmarks. Oppenheimer Capital Appreciation Fund returned 8.23% during the period while the Russell 1000 Growth Index returned 13.62%. Oppenheimer Value Fund returned 9.70% during the period while the Russell 1000 Value Index returned 16.92%. During the reporting period, the market favored lower-quality stocks as opposed to the higher-quality stocks these underlying funds tend to favor, which is not unusual following a rebound from market lows, and tends to be fleeting in nature. Two smaller holdings of the Portfolio also underperformed their respective benchmarks. Oppenheimer Main Street Small Cap Fund returned 20% but underperformed its benchmark, the Russell 2000 Index, which returned 21.48%. OFIPI Small Cap Index Strategy returned 24.73% versus the MSCI U.S. Small Company 1750 Index, which returned 25.16%. Generally speaking, small-cap stocks had a solid reporting period, as reflected in the positive performance numbers.

The Portfolio had an approximate 7.5% allocation to two other strategies, OFIPI Baring International Strategy and OFIPI International Index Strategy. OFIPI International Index Strategy returned 3.90% and underperformed the MSCI EAFE Index, which returned 6.38%. OFIPI Baring International Strategy fared much better with a return of 7.69%, outperforming the MSCI EAFE Index. During the last few months of the period when European equity markets tumbled, this underlying strategy held up well on a relative basis.

Ultra Conservative Portfolio

For the 12-month period ended June 30, 2010, the Portfolio returned 7.66%, underperforming its benchmark, which returned 8.58%.

In terms of fixed-income holdings, the Portfolio at period end had an approximate 60% allocation to Dreyfus Bond Market Index Fund, which returned 8.89% and underperformed the Barclays Capital U.S. Aggregate Bond Index, which returned 9.50%. In general, it was a solid reporting period for U.S.-based fixed-income securities, particularly non-U.S. Treasury securities such as high-yield corporate bonds, convertible securities, and mortgage-backed securities. The other fixed-income holding for the Portfolio was an approximate 20% allocation to Oppenheimer Institutional Money Market Fund, which returned 0.21% and outperformed the iMoney Net First Tier Institutional Index, which returned 0.09%. Money market returns were muted given the Federal Reserve's keeping rates between 0% and 0.25%.

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During the reporting the period, the Portfolio had a roughly 20% allocation to equities. The Portfolio's largest equity allocation at period end was to OFIPI Large Cap Core Index Strategy, which accounted for approximately 7% of the Portfolio's investments. This Strategy returned 14.35%, roughly in line with the return of the S&P 500 Index, which returned 14.43%. Despite market volatility which permeated the equity markets throughout the period, large cap equities generally ended the period in positive territory. The best performing sectors of the Index for the period in terms of total return were in industrials and consumer discretionary, which was reflective of increased business activity and consumer spending as the U.S. economy began to recover from the recession. Other sectors that performed well for the Index in terms of total return included financials, information technology and materials. Energy, utilities and telecommunication services lagged behind in terms of total return for the Index during the period and were the worst performers. Energy in particular weighed on relative performance for the Index due to its larger weighting.

In terms of the Portfolio's other equity holdings, Oppenheimer Capital Appreciation Fund and Oppenheimer Value Fund, each underperformed their respective benchmarks. Oppenheimer Capital Appreciation Fund returned 8.23% during the period while the Russell 1000 Growth Index returned 13.62%. Oppenheimer Value Fund returned 9.70% during the period while the Russell 1000 Value Index returned 16.92%. During the reporting period, the market favored lower-quality stocks as opposed to the higher-quality stocks these underlying funds tend to favor, which is not unusual following a rebound from market lows, and tends to be fleeting in nature. OFIPI International Index Strategy returned 3.90% and underperformed the MSCI EAFE Index, which returned 6.38%.

School Years Portfolio

For the 12-month period ended June 30, 2010, the Portfolio returned 5.72%, underperforming its benchmark, which returned 6.29%.

In terms of fixed-income holdings, the Portfolio at period end had an approximate 50% allocation to Dreyfus Bond Market Index Fund, which returned 8.89% and underperformed the Barclays Capital U.S. Aggregate Bond Index, which returned 9.50%. In general, it was a solid reporting period for U.S.-based fixed-income securities, particularly non-U.S. Treasury securities such as high-yield corporate bonds, convertible securities, and mortgage-backed securities.

The other fixed-income holding for the Portfolio was an approximate 40% allocation to Oppenheimer Institutional Money Market Fund, which returned 0.21% and outperformed the iMoney Net First Tier Institutional Index, which returned 0.09%. Money market returns were muted given the Federal Reserve's keeping rates between 0% and 0.25%.

During the reporting the period, the Portfolio had a roughly 10% allocation to equities, in which the largest allocation was a 5% weighting to OFIPI Large Cap Core Index. This Strategy returned 14.35%, roughly in line with the return of the S&P 500 Index, which returned 14.43%. Despite market volatility which permeated the equity markets throughout the period, large cap equities generally ended the period in positive territory. The best performing sectors of the Index for the period in terms of total return were in industrials and consumer discretionary, which was reflective of increased business activity and consumer spending as the U.S. economy began to recover from the recession. Other sectors that performed well for the Index in terms of total return included financials, information technology and materials. Energy, utilities and telecommunication services lagged behind in terms of total return for the Index during the period and were the worst performers. Energy in particular weighed on relative performance for the Index due to its larger weighting.

Short Term Yield Portfolio

For the 12-month period ended June 30, 2010, the Portfolio returned 0.00%, versus the iMoneyNet First Tier Institutional Money Market Index return of 0.09%. Performance of money-market instruments remained under pressure during the period given the Fed's keeping rates between 0% and 0.25%, which represent historic lows.

The Fed's low target for the federal funds rate served as an anchor for yields of money market instruments, which typically offered annualized returns of little more than zero percent. In addition, yield differences along the market's maturity spectrum remained relatively narrow, and most money market funds maintained weighted average maturities that were longer than historical averages.

The Portfolio continued to maintain a defensive investment posture throughout the reporting period. Due to narrow yield spreads and low interest rates among money market instruments, it made little sense to incur the incremental credit risks associated with longer corporate maturities. Moreover, the Portfolio continued to focus on money market instruments that meet stringent credit-quality standards. In light of this emphasis on seeking safety and liquidity, the Portfolio held less commercial paper and more U.S. Government securities than we consider usual. In addition, the Portfolio found some opportunities meeting certain criteria among taxable short-term securities issued by states and municipalities.

Age Based 0 – 6 Years Index Portfolio

The Age Based 0 – 6 Years Portfolio incepted on April 5, 2010. At period end, the Portfolio's allocation consisted of the following holdings: Vanguard Total Stock Market Index Fund, Dreyfus S&P 500 Index Fund and OFIPI International Index Strategy.

Age Based 7 – 9 Years Index Portfolio

The Age Based 7 – 9 Years Index Portfolio incepted on April 5, 2010. At period end, the Portfolio's allocation consisted of the following holdings: Vanguard Total Stock Market Index Fund, Dreyfus S&P 500 Index Fund, OFIPI International Index Strategy, Dreyfus Bond Market Index Fund and Vanguard Intermediate Term Bond Index Fund.

Age Based 10 – 11 Years Index Portfolio

The Age Based 10 – 11 Years Index Portfolio incepted on April 5, 2010. At period end, the Portfolio's allocation consisted of the following holdings: Vanguard Total Stock Market Index Fund, Dreyfus S&P 500 Index Fund, OFIPI International Index Strategy, Dreyfus Bond Market Index Fund and Vanguard Intermediate Term Bond Index Fund.

(Continued)

Age Based 12 – 14 Years Index Portfolio

The Age Based 12 – 14 Years Index Portfolio incepted on April 5, 2010. At period end, the Portfolio's allocation consisted of the following holdings: Vanguard Total Stock Market Index Fund, Dreyfus S&P 500 Index Fund, OFIPI International Index Strategy, Dreyfus Bond Market Index Fund, Vanguard Intermediate Term Bond Index Fund and Oppenheimer Institutional Money Market Fund.

Age Based 15 – 17 Years Index Portfolio

The Age Based 15 – 17 Years Index Portfolio incepted on April 5, 2010. At period end, the Portfolio's allocation consisted of the following holdings: Vanguard Total Stock Market Index Fund, Dreyfus S&P 500 Index Fund, OFIPI International Index Strategy, Dreyfus Bond Market Index Fund, Vanguard Intermediate Term Bond Index Fund and Oppenheimer Institutional Money Market Fund.

Age Based 18 Years Index Portfolio

The Age Based 15 – 17 Years Index Portfolio incepted on April 5, 2010. At period end, the Portfolio's allocation consisted of the following holdings: Vanguard Total Stock Market Index Fund, Dreyfus S&P 500 Index Fund, OFIPI International Index Strategy, Dreyfus Bond Market Index Fund, Vanguard Intermediate Term Bond Index Fund and Oppenheimer Institutional Money Market Fund.

Aggressive Index Portfolio

The Aggressive Index Portfolio incepted on April 5, 2010. At period end, the Portfolio's allocation consisted of the following holdings: Vanguard Total Stock Market Index Fund, Dreyfus S&P 500 Index Fund and OFIPI International Index Strategy.

Moderately Aggressive Index Portfolio

The Moderately Aggressive Index Portfolio incepted on April 5, 2010. At period end, the Portfolio's allocation consisted of the following holdings: Vanguard Total Stock Market Index Fund, Dreyfus S&P 500 Index Fund, OFIPI International Index Strategy, Dreyfus Bond Market Index Fund and Vanguard Intermediate Term Bond Index Fund.

Moderate Index Portfolio

The Moderate Index Portfolio incepted on April 5, 2010. At period end, the Portfolio's allocation consisted of the following holdings: Vanguard Total Stock Market Index Fund, Dreyfus S&P 500 Index Fund, OFIPI International Index Strategy, Dreyfus Bond Market Index Fund and Vanguard Intermediate Term Bond Index Fund.

Conservative Index Portfolio

The Conservative Index Portfolio incepted on April 5, 2010. At period end, the Portfolio's allocation consisted of the following holdings: Vanguard Total Stock Market Index Fund, Dreyfus S&P 500 Index Fund, OFIPI International Index Strategy, Dreyfus Bond Market Index Fund, Vanguard Intermediate Term Bond Index Fund and Oppenheimer Institutional Money Market Fund.

(Continued)

Ultra Conservative Index Portfolio

The Ultra Conservative Index Portfolio incepted on April 5, 2010. At period end, the Portfolio's allocation consisted of the following holdings: Vanguard Total Stock Market Index Fund, Dreyfus S&P 500 Index Fund, OFIPI International Index Strategy, Dreyfus Bond Market Index Fund, Vanguard Intermediate Term Bond Index Fund and Oppenheimer Institutional Money Market Fund.

School Years Index Portfolio

The Ultra Conservative Index Portfolio incepted on April 5, 2010. At period end, the Portfolio's allocation consisted of the following holdings: Vanguard Total Stock Market Index Fund, Dreyfus S&P 500 Index Fund, OFIPI International Index Strategy, Dreyfus Bond Market Index Fund, Vanguard Intermediate Term Bond Index Fund and Oppenheimer Institutional Money Market Fund.

KPMG

KPMG LLP
Suite 700
Two Park Square
6565 Americas Parkway NE
PO Box 3990
Albuquerque, NM 87190

Independent Auditors' Report

The Education Trust Board of New Mexico
2048 Galisteo
Santa Fe, NM 87505

and

Hector Balderas, New Mexico State Auditor
2113 Warner Circle
Santa Fe, NM 87505-5499:

We have audited the accompanying combined statements of fiduciary net assets of The Education Plan (the Plan) and the statements of fiduciary net assets of the Newborn to Age 5 Years Portfolio, Ages 6 – 8 Years Portfolio, Ages 9 – 11 Years Portfolio, Ages 12 – 14 Years Portfolio, Ages 15 – 17 Years Portfolio, Ages 18 Years and Over Portfolio, Aggressive Portfolio, Moderately Aggressive Portfolio, Moderate Portfolio, Conservative Portfolio, Ultra Conservative Portfolio, School Years Portfolio, Short Term Yield Portfolio, (collectively referred to as the Portfolios) of the Plan as of June 30, 2010, 2009, and 2008, and the related combined statements of changes in fiduciary net assets of the Plan and statements of changes in fiduciary net assets of the Portfolios for the years then ended, along with the accompanying statements of fiduciary net assets of the Newborn to Age 5 Years Index Portfolio, Ages 6 – 8 Years Index Portfolio, Ages 9 – 11 Years Index Portfolio, Ages 12 – 14 Years Index Portfolio, Ages 15 – 17 Years Index Portfolio, Ages 18 Years and Over Index Portfolio, Aggressive Index Portfolio, Moderately Aggressive Index Portfolio, Moderate Index Portfolio, Conservative Index Portfolio, Ultra Conservative Index Portfolio, and School Years Index Portfolio (collectively referred to as the New Portfolios) of the Plan as of June 30, 2010, and the related statements of changes in fiduciary net assets for the period from April 5, 2010 (inception) to June 30, 2010. These financial statements are the responsibility of The Education Trust Board of New Mexico and OFI Private Investments Inc. (Program Manager). 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 and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit also 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 fiduciary net assets of The Plan and Portfolios as of June 30, 2010, 2009, and 2008, and the changes in fiduciary net assets for the years then ended, along with the fiduciary net assets of the New Portfolios as of June 30, 2010, and the changes in fiduciary net assets for the period from April 5, 2010 (inception) through June 30, 2010 in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2010 on our consideration of the Plan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

The management discussion and analysis on pages 77 through 93 is not a required part of the basic financial statements, but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit this information and express no opinion on it.

KPMG LLP

December 15, 2010

THE EDUCATION PLAN
COMBINED

Statements of Fiduciary Net Assets

June 30, 2010, 2009, and 2008

	2010	2009	2008
Assets:			
Investments, at value (cost $275,196,110, $289,758,909, and $337,854,519, respectively)	$ 269,948,079	236,726,505	315,398,858
Cash	1,008,990	1,713,778	213,400
Receivables and other assets:			
Receivable for capital shares	394,768	195,191	471,447
Receivable for securities sold	198,402	171,020	129,010
Accrued income	9,233	261,955	310,685
Total assets	271,559,472	239,068,449	316,523,400
Cash overdraft	25,577	—	134,035
Payables and other liabilities:			
Payable for capital shares	540,570	190,438	679,024
Payable for securities purchased	103,063	430,120	468,309
Accrued expenses	1,001	28,348	—
Total liabilities	670,211	648,906	1,281,368
Net assets:			
Held in trust for qualified state tuition plans and other purposes	$ 270,889,261	238,419,543	315,242,032
Direct Sold Class:			
Net assets	$ 270,889,261	238,419,543	315,242,032
Capital units outstanding (unlimited number authorized)	26,436,668	25,519,911	24,623,051

See accompanying notes to financial statements which are an integral part of the financial statements.

THE EDUCATION PLAN
COMBINED

Statements of Changes in Fiduciary Net Assets

Years ended June 30, 2010, 2009, and 2008

	2010	2009	2008
Additions:			
Subscriptions	$ 96,638,673	94,896,585	300,779,098
Investment income:			
Dividend income from underlying investments (note 2(d))	(597,654)	3,160,368	12,197,299
Interest	1,268	11,684	11,107
Less expenses:			
Management fees	657,107	517,960	475,392
State administrative fees	270,166	242,219	316,922
Expense reimbursement	(3,866)	—	—
Net investment income (loss)	(1,519,793)	2,411,873	11,416,092
Capital gains (losses) from underlying investments	(22,380,443)	(59,445,621)	32,714,970
Net increase (decrease) in change in fair value of investments	47,784,373	(30,576,743)	(65,179,407)
Total additions	120,522,810	7,286,094	279,730,753
Deductions:			
Redemptions	(88,053,092)	(84,108,583)	(275,027,007)
Change in net assets held in trust for individuals	32,469,718	(76,822,489)	4,703,746
Net assets:			
Net assets at the beginning of year	238,419,543	315,242,032	310,538,286
Net assets at the end of year	$ 270,889,261	238,419,543	315,242,032

See accompanying notes to financial statements which are an integral part of the financial statements.

THE EDUCATION PLAN
NEWBORN TO AGE 5 YEARS PORTFOLIO

Statements of Fiduciary Net Assets

June 30, 2010, 2009, and 2008

		2010	2009	2008
Assets:				
Investments, at value (cost $19,028,419, $25,901,206, and $39,612,582, respectively)	$	17,040,345	19,665,551	32,346,936
Cash		94,319	108,850	35,244
Receivables and other assets:				
Receivable for capital shares		50,311	18,000	26,754
Receivable for securities sold		23,728	—	—
Accrued income		—	—	11
Total assets		17,208,703	19,792,401	32,408,945
Cash overdraft				
Payables and other liabilities:				
Payable for capital shares		19,849	61,350	199,125
Payable for securities purchased			4,303	28,066
Accrued expenses		111	3,860	—
Other liabilities		—	—	—
Total liabilities		19,960	69,513	227,191
Net assets:				
Held in trust for qualified state tuition plans and other purposes	$	17,188,743	19,722,888	32,181,754
Direct Sold Class:				
Net assets	$	17,188,743	19,722,888	32,181,754
Capital units outstanding (unlimited number authorized)		1,755,683	2,256,476	2,635,716
Net asset value per unit		9.79	8.74	12.21

See accompanying notes to financial statements which are an integral part of the financial statements.

THE EDUCATION PLAN
NEWBORN TO AGE 5 YEARS PORTFOLIO

Statements of Changes in Fiduciary Net Assets

Years ended June 30, 2010, 2009, and 2008

	2010	2009	2008
Additions:			
Subscriptions	$ 4,915,889	6,736,605	49,159,029
Investment income:			
Dividend income from underlying investments	58,053	73,680	1,052,538
Interest	84	1,027	534
Less expenses:			
Management fees	67,343	60,240	37,556
State administrative fees	20,254	21,869	25,037
Net investment income (loss)	(29,460)	(7,402)	990,479
Capital gains (losses) from underlying investments	(1,660,043)	(10,092,346)	1,212,896
Net increase (decrease) in change in fair value of investments	4,247,581	1,029,991	(7,265,646)
Total additions	7,473,967	(2,333,152)	44,096,758
Deductions:			
Redemptions	(10,008,112)	(10,125,714)	(11,915,004)
Change in net assets held in trust for individuals	(2,534,145)	(12,458,866)	32,181,754
Net assets:			
Net assets at the beginning of year	19,722,888	32,181,754	—
Net assets at the end of year	$ 17,188,743	19,722,888	32,181,754

See accompanying notes to financial statements which are an integral part of the financial statements.

THE EDUCATION PLAN
AGES 6 – 8 YEARS PORTFOLIO

Statements of Fiduciary Net Assets

June 30, 2010, 2009, and 2008

		2010	2009	2008
Assets:				
Investments, at value (cost $33,233,605, $41,675,041, and $53,024,231, respectively)	$	31,780,174	32,362,589	45,734,077
Cash		189,319	151,574	16,743
Receivables and other assets:				
Receivable for capital shares		48,151	63,568	194,146
Receivable for securities sold		19,871	8,168	—
Accrued income		—	25,839	7,373
Total assets		32,037,515	32,611,738	45,952,339
Payables and other liabilities:				
Payable for capital shares		92,418	37,102	179,573
Payable for securities purchased		—	25,839	9,553
Accrued expenses		159	5,095	—
Total liabilities		92,577	68,036	189,126
Net assets:				
Held in trust for qualified state tuition plans and other purposes	$	31,944,938	32,543,702	45,763,213
Direct Sold Class:				
Net assets	$	31,944,938	32,543,702	45,763,213
Capital units outstanding (unlimited number authorized)		3,110,437	3,542,639	3,490,478
Net asset value per unit		10.27	9.19	13.11

See accompanying notes to financial statements which are an integral part of the financial statements.

THE EDUCATION PLAN
AGES 6 – 8 YEARS PORTFOLIO

Statements of Changes in Fiduciary Net Assets

Years ended June 30, 2010, 2009, and 2008

	2010	2009	2008
Additions:			
Subscriptions	$ 13,081,951	13,584,861	61,745,785
Investment income:			
Dividend income from underlying investments (note 2(d))	(36,357)	427,607	1,118,656
Interest	161	1,663	1,201
Less expenses:			
Management fees	103,397	82,531	47,892
State administrative fees	36,259	33,723	31,927
Net investment income (loss)	(175,852)	313,016	1,040,038
Capital gains (losses) from underlying investments	(3,512,373)	(11,928,554)	1,293,392
Net increase (decrease) in change in fair value of investments	7,859,021	(2,022,298)	(7,290,154)
Total additions	17,252,747	(52,975)	56,789,061
Deductions:			
Redemptions	(17,851,511)	(13,166,536)	(11,025,848)
Change in net assets held in trust for individuals	(598,764)	(13,219,511)	45,763,213
Net assets:			
Net assets at the beginning of year	32,543,702	45,763,213	—
Net assets at the end of year	$ 31,944,938	32,543,702	45,763,213

See accompanying notes to financial statements which are an integral part of the financial statements.

THE EDUCATION PLAN
AGES 9 – 11 YEARS PORTFOLIO

Statements of Fiduciary Net Assets

June 30, 2010, 2009, and 2008

		2010	2009	2008
Assets:				
Investments, at value (cost $36,538,423, $32,205,231, and $36,779,877, respectively)	$	37,404,415	27,050,188	31,961,191
Cash		74,455	71,227	12,855
Receivables and other assets:				
Receivable for capital shares		91,760	20,924	119,465
Receivable for securities sold		10,094	64,341	—
Accrued income		—	40,635	10,318
Total assets		37,580,724	27,247,315	32,103,829
Payables and other liabilities:				
Payable for capital shares		24,898	23,277	92,823
Payable for securities purchased		—	40,635	11,909
Accrued expenses		135	3,191	—
Total liabilities		25,033	67,103	104,732
Net assets:				
Held in trust for qualified state tuition plans and other purposes	$	37,555,691	27,180,212	31,999,097
Direct Sold Class:				
Net assets	$	37,555,691	27,180,212	31,999,097
Capital units outstanding (unlimited number authorized)		3,521,537	2,837,733	2,329,121
Net asset value per unit		10.66	9.58	13.74

See accompanying notes to financial statements which are an integral part of the financial statements.

THE EDUCATION PLAN
AGES 9 – 11 YEARS PORTFOLIO

Statements of Changes in Fiduciary Net Assets

Years ended June 30, 2010, 2009, and 2008

		2010	2009	2008
Additions:				
Subscriptions	$	18,684,156	14,408,800	44,758,307
Investment income:				
Dividend income from underlying investments (note 2(d))		(130,045)	562,678	1,472,325
Interest		150	1,226	639
Less expenses:				
Management fees		81,725	54,858	32,672
Management fees		34,419	25,726	21,781
Net investment income (loss)		(246,039)	483,320	1,418,511
Capital gains (losses) from underlying investments		(2,766,108)	(10,004,312)	1,111,226
Net increase (decrease) in change in fair value of investments		6,021,035	(336,357)	(4,818,686)
Total additions		21,693,044	4,551,451	42,469,358
Deductions:				
Redemptions		(11,317,565)	(9,370,336)	(10,470,261)
Change in net assets held in trust for individuals		10,375,479	(4,818,885)	31,999,097
Net assets:				
Net assets at the beginning of year		27,180,212	31,999,097	—
Net assets at the end of year	$	37,555,691	27,180,212	31,999,097

See accompanying notes to financial statements which are an integral part of the financial statements.

THE EDUCATION PLAN
AGES 12 – 14 YEARS PORTFOLIO

Statements of Fiduciary Net Assets

June 30, 2010, 2009, and 2008

		2010	2009	2008
Assets:				
Investments, at value (cost $24,463,631, $24,884,155, and $30,567,376, respectively)	$	24,983,798	19,352,817	27,443,232
Cash		148,393	72,217	—
Receivables and other assets:				
Receivable for capital shares		46,608	32,758	13,747
Receivable for securities sold		—	25,132	63,610
Accrued income		442	39,803	85,199
Total assets		25,179,241	19,522,727	27,605,788
Cash overdraft		—	—	63,609
Payables and other liabilities:				
Payable for capital shares		58,577	4,985	34,627
Payable for securities purchased		8,485	39,793	85,161
Accrued expenses		56	1,540	—
Total liabilities		67,118	46,318	183,397
Net assets:				
Held in trust for qualified state tuition plans and other purposes	$	25,112,123	19,476,409	27,422,391
Direct Sold Class:				
Net assets	$	25,112,123	19,476,409	27,422,391
Capital units outstanding (unlimited number authorized)		2,521,859	2,146,274	2,066,921
Net asset value per unit		9.96	9.07	13.27

See accompanying notes to financial statements which are an integral part of the financial statements.

THE EDUCATION PLAN
AGES 12 – 14 YEARS PORTFOLIO

Statements of Changes in Fiduciary Net Assets

Years ended June 30, 2010, 2009, and 2008

	2010	2009	2008
Additions:			
Subscriptions	$ 11,871,898	9,929,598	36,615,397
Investment income:			
Dividend income from underlying investments (note 2(d))	(151,783)	(93,024)	960,274
Interest	110	1,030	803
Less expenses:			
Management fees	43,828	36,567	27,026
State administrative fees	23,272	20,754	18,017
Net investment income (loss)	(218,773)	(149,315)	916,034
Capital gains (losses) from underlying investments	(3,925,520)	(6,280,774)	586,338
Net increase (decrease) in change in fair value of investments	6,051,505	(2,407,194)	(3,124,144)
Total additions	13,779,110	1,092,315	34,993,625
Deductions:			
Redemptions	(8,143,396)	(9,038,297)	(7,571,234)
Change in net assets held in trust for individuals	5,635,714	(7,945,982)	27,422,391
Net assets:			
Net assets at the beginning of year	19,476,409	27,422,391	—
Net assets at the end of year	$ 25,112,123	19,476,409	27,422,391

See accompanying notes to financial statements which are an integral part of the financial statements.

THE EDUCATION PLAN
AGES 15 – 17 YEARS PORTFOLIO

Statements of Fiduciary Net Assets

June 30, 2010, 2009, and 2008

		2010	2009	2008
Assets:				
Investments, at value (cost $18,755,584, $20,739,118, and $27,160,900, respectively)	$	19,735,187	17,293,763	25,609,798
Cash		58,016	69,390	—
Receivables and other assets:				
Receivable for capital shares		39,655	8,308	31,757
Receivable for securities sold		40,873	42,062	12,074
Accrued income		692	45,762	51,270
Total assets		19,874,423	17,459,285	25,704,899
Cash overdraft		—	—	12,074
Payables and other liabilities:				
Payable for capital shares		28,196	—	100,523
Payable for securities purchased		700	45,744	43,067
Accrued expenses		18	588	—
Total liabilities		28,914	46,332	155,664
Net assets:				
Held in trust for qualified state tuition plans and other purposes	$	19,845,509	17,412,953	25,549,235
Direct Sold Class:				
Net assets	$	19,845,509	17,412,953	25,549,235
Capital units outstanding (unlimited number authorized)		2,102,199	1,983,642	2,157,270
Net asset value per unit		9.44	8.78	11.84

See accompanying notes to financial statements which are an integral part of the financial statements.

THE EDUCATION PLAN
AGES 15 – 17 YEARS PORTFOLIO

Statements of Changes in Fiduciary Net Assets

Years ended June 30, 2010, 2009, and 2008

	2010	2009	2008
Additions:			
Subscriptions	$ 8,658,205	9,469,928	33,551,016
Investment income:			
Dividend income from underlying investments (note 2(d))	(201,308)	724,479	1,145,399
Interest	91	1,039	778
Less expenses:			
Management fees	25,899	28,777	26,235
State administrative fees	19,035	20,599	17,490
Net investment income (loss)	(246,151)	676,142	1,102,452
Capital gains (losses) from underlying investments	(2,862,148)	(5,694,269)	219,852
Net increase (decrease) in change in fair value of investments	4,424,958	(1,894,253)	(1,551,102)
Total additions	9,974,864	2,557,548	33,322,218
Deductions:			
Redemptions	(7,542,308)	(10,693,830)	(7,772,983)
Change in net assets held in trust for individuals	2,432,556	(8,136,282)	25,549,235
Net assets:			
Net assets at the beginning of year	17,412,953	25,549,235	—
Net assets at the end of year	$ 19,845,509	17,412,953	25,549,235

See accompanying notes to financial statements which are an integral part of the financial statements.

THE EDUCATION PLAN
AGES 18 YEARS AND OVER PORTFOLIO

Statements of Fiduciary Net Assets

June 30, 2010, 2009, and 2008

	2010	2009	2008
Assets:			
Investments, at value (cost $17,289,730, $17,300,301, and $19,381,089, respectively)	$ 18,063,031	15,470,068	18,923,431
Cash	61,595	120,285	46,571
Receivables and other assets:			
Receivable for capital shares	28,936	15,787	42,379
Accrued income	1,216	31,631	72,463
Total assets	18,154,778	15,637,771	19,084,844
Payables and other liabilities:			
Payable for capital shares	1,750	7,500	58,983
Payable for securities purchased	22,506	78,273	118,839
Accrued expenses	8	248	—
Total liabilities	24,264	86,021	177,822
Net assets:			
Held in trust for qualified state tuition plans and other purposes	$ 18,130,514	15,551,750	18,907,022
Direct Sold Class:			
Net assets	$ 18,130,514	15,551,750	18,907,022
Capital units outstanding (unlimited number authorized)	1,642,049	1,488,372	1,441,822
Net asset value per unit	11.04	10.45	13.11

See accompanying notes to financial statements which are an integral part of the financial statements.

THE EDUCATION PLAN
AGES 18 YEARS AND OVER PORTFOLIO

Statements of Changes in Fiduciary Net Assets

Years ended June 30, 2010, 2009, and 2008

		2010	2009	2008
Additions:				
Subscriptions	$	7,656,579	9,380,832	22,111,452
Investment income:				
Dividend income from underlying investments (note 2(d))		(117,248)	396,055	656,584
Interest		77	796	1,750
Less expenses:				
Management fees		19,264	19,518	17,203
State administrative fees		16,300	15,436	11,469
Net investment income (loss)		(152,735)	361,897	629,662
Capital losses from underlying investments		(1,573,331)	(2,731,583)	(16,729)
Net increase (decrease) in change in fair value of investments		2,603,534	(1,372,575)	(457,658)
Total additions		8,534,047	5,638,571	22,266,727
Deductions:				
Redemptions		(5,955,283)	(8,993,843)	(3,359,705)
Change in net assets held in trust for individuals		2,578,764	(3,355,272)	18,907,022
Net assets:				
Net assets at the beginning of year		15,551,750	18,907,022	—
Net assets at the end of year	$	18,130,514	15,551,750	18,907,022

See accompanying notes to financial statements which are an integral part of the financial statements.

THE EDUCATION PLAN
AGGRESSIVE PORTFOLIO

Statements of Fiduciary Net Assets

June 30, 2010, 2009, and 2008

		2010	2009	2008
Assets:				
Investments, at value (cost $56,576,288, $57,444,898, and $60,950,295, respectively)	$	51,706,194	46,060,682	62,276,754
Cash		30,475	670,797	
Receivables and other assets:				
Receivable for capital shares		64,935	15,950	10,511
Receivable for securities sold		17,969	30,753	18,975
Accrued income		—	—	5
Total assets		51,819,573	46,778,182	62,306,245
Cash overdraft		—	—	24,314
Payables and other liabilities:		—		
Payable for capital shares		293,669	1,257	—
Accrued expenses		337	8,956	—
Total liabilities		294,006	10,213	24,314
Net assets:				
Held in trust for qualified state tuition plans and other purposes	$	51,525,567	46,767,969	62,281,931
Direct Sold Class:				
Net assets	$	51,525,567	46,767,969	62,281,931
Capital units outstanding (unlimited number authorized)		5,258,940	5,340,865	5,103,680
Net asset value per unit:		9.80	8.76	12.20

See accompanying notes to financial statements which are an integral part of the financial statements.

THE EDUCATION PLAN
AGGRESSIVE PORTFOLIO

Statements of Changes in Fiduciary Net Assets

Years ended June 30, 2010, 2009, and 2008

		2010	2009	2008
Additions:				
Subscriptions	$	7,051,973	7,323,215	13,051,326
Investment income:				
Dividend income from underlying investments		158,397	153,189	1,861,476
Interest		293	2,101	1,474
Less expenses:				
Management fees		183,115	127,452	118,570
State administrative fees		55,056	45,875	79,045
Net investment income (loss)		(79,481)	(18,037)	1,665,335
Capital gains (losses) from underlying investments		(747,563)	(4,653,687)	12,665,947
Net increase (decrease) in change in fair value of investments		6,514,122	(12,710,675)	(21,616,007)
Total additions		12,739,051	(10,059,184)	5,766,601
Deductions:				
Redemptions		(7,981,453)	(5,454,778)	(53,419,713)
Change in net assets held in trust for individuals		4,757,598	(15,513,962)	(47,653,112)
Net assets:				
Net assets at the beginning of year		46,767,969	62,281,931	109,935,043
Net assets at the end of year	$	51,525,567	46,767,969	62,281,931

See accompanying notes to financial statements which are an integral part of the financial statements.

THE EDUCATION PLAN
MODERATELY AGGRESSIVE PORTFOLIO

Statements of Fiduciary Net Assets

June 30, 2010, 2009, and 2008

	2010	2009	2008
Assets:			
Investments, at value (cost $20,918,094, $22,251,048, and $24,187,795, respectively)	$ 20,115,311	17,799,165	25,201,510
Cash	59,332	202,094	5,246
Receivables and other assets:			
Receivable for capital shares	2,388	1,269	4,147
Receivable for securities sold	1,582		
Accrued income	—	15,557	4,035
Total assets	20,178,613	18,018,085	25,214,938
Payables and other liabilities:			
Payable for capital shares	448	14,409	—
payable for securities purchased	—	128,719	5,245
Accrued expenses	102	2,765	—
Total liabilities	550	145,893	5,245
Net assets:			
Held in trust for qualified state tuition plans and other purposes	$ 20,178,063	17,872,192	25,209,693
Direct Sold Class:			
Net assets	$ 20,178,063	17,872,192	25,209,693
Capital units outstanding (unlimited number authorized)	1,934,628	1,915,884	1,920,918
Net asset value per unit	10.43	9.33	13.12

See accompanying notes to financial statements which are an integral part of the financial statements.

THE EDUCATION PLAN
MODERATELY AGGRESSIVE PORTFOLIO

Statements of Changes in Fiduciary Net Assets

Years ended June 30, 2010, 2009, and 2008

		2010	2009	2008
Additions:				
Subscriptions	$	4,194,962	3,135,054	12,438,885
Investment income:				
Dividend income from underlying investments (note 2(d))		(18,209)	236,210	899,911
Interest		93	826	1,362
Less expenses:				
Management fees		60,008	44,676	59,228
State administrative fees		21,048	18,198	39,485
Net investment income (loss)		(99,172)	174,162	802,560
Capital gains (losses) from underlying investments		(1,391,052)	(1,998,284)	7,685,862
Net increase (decrease) in change in fair value of investments		3,649,100	(5,465,598)	(9,528,705)
Total additions		6,353,838	(4,154,666)	11,398,602
Deductions:				
Redemptions		(4,047,967)	(3,182,835)	(53,757,298)
Change in net assets held in trust for individuals		2,305,871	(7,337,501)	(42,358,696)
Net assets:				
Net assets at the beginning of year		17,872,192	25,209,693	67,568,389
Net assets at the end of year	$	20,178,063	17,872,192	25,209,693

See accompanying notes to financial statements which are an integral part of the financial statements.

THE EDUCATION PLAN
MODERATE PORTFOLIO

Statements of Fiduciary Net Assets

June 30, 2010, 2009, and 2008

	2010	2009	2008
Assets:			
Investments, at value (cost $12,192,574, $15,017,215, and $18,856,429, respectively)	$ 12,406,926	12,046,772	18,787,009
Cash	—	64,886	—
Receivables and other assets:			
Receivable for capital shares	1,785	3,113	4,908
Receivable for securities sold	43,891	—	1,420
Accrued income	—	21,610	6,052
Total assets	12,452,602	12,136,381	18,799,389
Cash overdraft	10,250	—	1,419
Payables and other liabilities:			
Payable for capital shares	13,894	14,170	1,000
Payable for securities purchased	—	25,511	—
Accrued expenses	45	1,450	—
Total liabilities	24,189	41,131	2,419
Net assets:			
Held in trust for qualified state tuition plans and other purposes	$ 12,428,413	12,095,250	18,796,970
Direct Sold Class:			
Net assets	$ 12,428,413	12,095,250	18,796,970
Capital units outstanding (unlimited number authorized)	1,162,023	1,259,465	1,367,161
Net asset value per unit:	10.70	9.60	13.75

See accompanying notes to financial statements which are an integral part of the financial statements.

THE EDUCATION PLAN
MODERATE PORTFOLIO

Statements of Changes in Fiduciary Net Assets

Years ended June 30, 2010, 2009, and 2008

		2010	2009	2008
Additions:				
Subscriptions	$	2,468,558	2,348,572	8,552,840
Investment income:				
Dividend income from underlying investments (note 2(d))		(71,257)	293,861	1,238,988
Interest		58	613	852
Less expenses:				
Management fees		31,889	27,796	42,463
State administrative fees		13,417	13,179	28,308
Net investment income (loss)		(116,505)	253,499	1,169,069
Capital gains (losses) from underlying investments		(1,658,859)	(2,874,670)	4,350,364
Net increase (decrease) in change in fair value of investments		3,184,795	(2,901,023)	(5,941,280)
Total additions		3,877,989	(3,173,622)	8,130,993
Deductions:				
Redemptions		(3,544,826)	(3,528,098)	(37,726,613)
Change in net assets held in trust for individuals		333,163	(6,701,720)	(29,595,620)
Net assets:				
Net assets at the beginning of year		12,095,250	18,796,970	48,392,590
Net assets at the end of year	$	12,428,413	12,095,250	18,796,970

See accompanying notes to financial statements which are an integral part of the financial statements.

THE EDUCATION PLAN
CONSERVATIVE PORTFOLIO

Statements of Fiduciary Net Assets

June 30, 2010, 2009, and 2008

		2010	2009	2008
Assets:				
Investments, at value (cost $7,077,127, $6,912,542, and $9,194,772, respectively)	$	7,477,691	5,645,195	9,039,337
Cash		38,664	42,903	570
Receivables and other assets:				
Receivable for capital shares		308	10,395	3,666
Receivable for securities sold		23,016		
Accrued income		133	12,520	28,059
Total assets		7,539,812	5,711,013	9,071,632
Payables and other liabilities:				
Payable for capital shares		1,616	13,911	7,670
Payable for securities purchased		135	12,767	28,107
Accrued expenses		17	446	—
Total liabilities		1,768	27,124	35,777
Net assets:				
Held in trust for qualified state tuition plans and other purposes	$	7,538,044	5,683,889	9,035,855
Direct Sold Class:				
Net assets	$	7,538,044	5,683,889	9,035,855
Capital units outstanding (unlimited number authorized)		744,096	615,904	680,059
Net asset value per unit		10.13	9.23	13.29

See accompanying notes to financial statements which are an integral part of the financial statements.

THE EDUCATION PLAN
CONSERVATIVE PORTFOLIO

Statements of Changes in Fiduciary Net Assets

Years ended June 30, 2010, 2009, and 2008

		2010	2009	2008
Additions:				
Subscriptions	$	2,970,008	1,883,309	5,774,652
Investment income:				
Dividend income from underlying investments (note 2(d))		(45,495)	(45,724)	489,700
Interest		34	330	442
Less expenses:				
Management fees		13,185	11,285	24,694
State administrative fees		7,004	6,386	16,462
Net investment income (loss)		(65,650)	(63,065)	448,986
Capital gains (losses) from underlying investments		(1,018,922)	(1,586,139)	2,269,922
Net increase (decrease) in change in fair value of investments		1,667,911	(1,111,912)	(2,525,563)
Total additions		3,553,347	(877,807)	5,967,997
Deductions:				
Redemptions		(1,699,192)	(2,474,159)	(29,295,325)
Change in net assets held in trust for individuals		1,854,155	(3,351,966)	(23,327,328)
Net assets:				
Net assets at the beginning of year		5,683,889	9,035,855	32,363,183
Net assets at the end of year	$	7,538,044	5,683,889	9,035,855

See accompanying notes to financial statements which are an integral part of the financial statements.

THE EDUCATION PLAN
ULTRA CONSERVATIVE PORTFOLIO

Statements of Fiduciary Net Assets

June 30, 2010, 2009, and 2008

		2010	2009	2008
Assets:				
Investments, at value (cost $3,169,399, $3,365,087, and $2,845,816, respectively)	$	3,396,903	2,981,101	2,829,509
Cash		6,865	21,675	
Receivables and other assets:				
Receivable for capital shares		6,983	4,000	8,989
Receivable for securities sold		1,660	—	2,814
Accrued income		118	6,945	5,688
Total assets		3,412,529	3,013,721	2,847,000
Cash overdraft		—	—	2,814
Payables and other liabilities:				
Payable for securities purchased		119	6,974	4,782
Accrued expenses		3	99	—
Total liabilities		122	7,073	7,596
Net assets:				
Held in trust for qualified state tuition plans and other purposes	$	3,412,407	3,006,648	2,839,404
Direct Sold Class:				
Net assets	$	3,412,407	3,006,648	2,839,404
Capital units outstanding (unlimited number authorized)		362,362	343,445	238,897
Net asset value per unit:		9.42	8.75	11.89

See accompanying notes to financial statements which are an integral part of the financial statements.

THE EDUCATION PLAN
ULTRA CONSERVATIVE PORTFOLIO

Statements of Changes in Fiduciary Net Assets

Years ended June 30, 2010, 2009, and 2008

		2010	2009	2008
Additions:				
Subscriptions	$	1,763,930	2,162,682	4,944,569
Investment income:				
Dividend income from underlying investments (note 2(d))		(26,948)	95,029	438,645
Interest		16	169	723
Less expenses:				
Management fees		4,358	3,895	14,572
State administrative fees		3,203	2,796	9,714
Net investment income (loss)		(34,493)	88,507	415,082
Capital gains (losses) from underlying investments		(361,355)	(541,123)	1,211,328
Net increase (decrease) in change in fair value of investments		611,490	(367,679)	(995,210)
Total additions		1,979,572	1,342,387	5,575,769
Deductions:				
Redemptions		(1,573,813)	(1,175,143)	(27,442,425)
Change in net assets held in trust for individuals		405,759	167,244	(21,866,656)
Net assets:				
Net assets at the beginning of year		3,006,648	2,839,404	24,706,060
Net assets at the end of year	$	3,412,407	3,006,648	2,839,404

See accompanying notes to financial statements which are an integral part of the financial statements.

THE EDUCATION PLAN
SCHOOL YEARS PORTFOLIO

Statements of Fiduciary Net Assets

June 30, 2010, 2009, and 2008

		2010	2009	2008
Assets:				
Investments, at value (cost $7,285,719, $7,748,029, and $9,516,435, respectively)	$	7,578,938	6,683,576	9,469,152
Cash		42,153	33,393	
Receivables and other assets:				
Receivable for capital shares		130	404	129
Receivable for securities sold		—	564	30,117
Accrued income		522	15,918	37,172
Total assets		7,621,743	6,733,855	9,536,570
Cash overdraft		—	—	29,805
Payables and other liabilities:				
Payable for capital shares		1,255	—	4,700
Payable for securities purchased		4,444	15,905	37,409
Accrued expenses		4	110	—
Total liabilities		5,703	16,015	71,914
Net assets:				
Held in trust for qualified state tuition plans and other purposes	$	7,616,040	6,717,840	9,464,656
Direct Sold Class:				
Net assets	$	7,616,040	6,717,840	9,464,656
Capital units outstanding (unlimited number authorized)		686,945	640,617	721,803
Net asset value per unit		11.09	10.49	13.11

See accompanying notes to financial statements which are an integral part of the financial statements.

THE EDUCATION PLAN
SCHOOL YEARS PORTFOLIO

Statements of Changes in Fiduciary Net Assets

Years ended June 30, 2010, 2009, and 2008

		2010	2009	2008
Additions:				
Subscriptions	$	1,809,378	1,573,172	4,869,225
Investment income:				
Dividend income from underlying investments		(59,757)	193,478	682,284
Interest		33	362	176
Less expenses:				
Management fees		8,535	9,616	20,351
State administrative fees		7,223	7,597	13,567
Net investment income (loss)		(75,482)	176,627	648,542
Capital gains (losses) from underlying investments		(894,108)	(1,059,880)	124,572
Net increase (decrease) in change in fair value of investments		1,357,672	(1,017,170)	(65,252)
Total additions		2,197,460	(327,251)	5,577,087
Deductions:				
Redemptions		(1,299,260)	(2,419,565)	(19,426,608)
Change in net assets held in trust for individuals		898,200	(2,746,816)	(13,849,521)
Net assets:				
Net assets at the beginning of year		6,717,840	9,464,656	23,314,177
Net assets at the end of year	$	7,616,040	6,717,840	9,464,656

See accompanying notes to financial statements which are an integral part of the financial statements.

THE EDUCATION PLAN
SHORT TERM YIELD PORTFOLIO

Statements of Fiduciary Net Assets

June 30, 2010, 2009, and 2008

		2010	2008	2008
Assets:				
Investments, at value (cost $12,325,809, $14,315,038, and $5,776,922, respectively)	$	12,325,809	14,315,038	5,776,922
Cash		140,127	84,487	96,171
Receivables and other assets:				
Receivable for capital shares		2,422	715	10,849
Accrued income		2,131	5,735	3,040
Total assets		12,470,489	14,405,975	5,886,982
Payables and other liabilities:				
Payable for capital shares		4,000	12,477	—
Payable for securities purchased		2,157	5,657	96,171
Total liabilities		6,157	18,134	96,171
Net assets:				
Held in trust for qualified state tuition plans and other purposes	$	12,464,332	14,387,841	5,790,811
Direct Sold Class:				
Net assets	$	12,464,332	14,387,841	5,790,811
Capital units outstanding (unlimited number authorized)		994,701	1,148,595	469,185
Net asset value per unit:		12.53	12.53	12.34

See accompanying notes to financial statements which are an integral part of the financial statements.

THE EDUCATION PLAN
SHORT TERM YIELD PORTFOLIO

Statements of Changes in Fiduciary Net Assets

Years ended June 30, 2010, 2009, and 2008

		2010	2009	2008
Additions:				
Subscriptions	$	5,032,613	12,959,957	3,206,615
Investment income:				
Dividend income from underlying investments		27,177	142,850	180,519
Interest		63	502	373
Less expenses:				
Management fees		13,152	10,749	6,930
State administrative fees		13,152	10,081	4,620
Expense reimbursement		(3,866)		
Net investment income		4,802	122,522	169,342
Total additions		5,037,415	13,082,479	3,375,957
Deductions:				
Redemptions		(6,960,924)	(4,485,449)	(1,843,990)
Change in net assets held in trust for individuals		(1,923,509)	8,597,030	1,531,967
Net assets:				
Net assets at the beginning of year		14,387,841	5,790,811	4,258,844
Net assets at the end of year	$	12,464,332	14,387,841	5,790,811

See accompanying notes to financial statements which are an integral part of the financial statements.

THE EDUCATION PLAN
NEWBORN TO AGE 5 YEARS INDEX PORTFOLIO

Statement of Fiduciary Net Assets

June 30, 2010

Assets:		
Investments, at value (cost $378,702)	$	329,481
Cash		—
Receivables and other assets:		
Receivable for capital shares		1,000
Accrued income		—
Total assets		330,481
Payables and other liabilities:		
Payable for capital shares		—
Payable for securities purchased		—
Accrued expenses		1
Total liabilities		1
Net assets:		
Held in trust for qualified state tuition plans and other purposes	$	330,480
Direct Sold Class:		
Net assets	$	330,480
Capital units outstanding (unlimited number authorized)		38,438
Net asset value per unit		8.60

See accompanying notes to financial statements which are an integral part of the financial statements.

THE EDUCATION PLAN
NEWBORN TO AGE 5 YEARS INDEX PORTFOLIO

Statement of Changes in Fiduciary Net Assets

Period from April 5, 2010 (inception) to June 30, 2010

Additions:		
Subscriptions	$	429,075
Investment income:		
Dividend income from underlying investments		836
Interest		1
Less expenses:		
Management fees		106
State administrative fees		34
Net investment income		697
Capital losses from underlying investments		(4,794)
Net decrease in change in fair value of investments		(49,221)
Total additions		375,757
Deductions:		
Redemptions		(45,277)
Change in net assets held in trust for individuals		330,480
Net assets:		
Net assets at the beginning of year		—
Net assets at the end of year	$	330,480

See accompanying notes to financial statements which are an integral part of the financial statements.

THE EDUCATION PLAN
AGES 6 – 8 YEARS INDEX PORTFOLIO

Statement of Fiduciary Net Assets

June 30, 2010

Assets:		
Investments, at value (cost $748,563)	$	680,331
Cash		—
Receivables and other assets:		
Receivable for capital shares		—
Receivable for securities sold		15,718
Accrued income		250
Total assets		696,299
Cash overdraft		15,326
Payables and other liabilities:		
Payable for capital shares		—
Payable for securities purchased		250
Accrued expenses		2
Total liabilities		15,578
Net assets:		
Held in trust for qualified state tuition plans and other purposes	$	680,721
Direct Sold Class:		
Net assets	$	680,721
Capital units outstanding (unlimited number authorized)		75,690
Net asset value per unit		8.99

See accompanying notes to financial statements which are an integral part of the financial statements.

THE EDUCATION PLAN
AGES 6 – 8 YEARS INDEX PORTFOLIO

Statement of Changes in Fiduciary Net Assets

Period from April 5, 2010 (inception) to June 30, 2010

Additions:		
Subscriptions	$	765,405
Investment income:		
Dividend income from underlying investments		1,924
Interest		1
Less expenses:		
Management fees		183
State administrative fees		63
Net investment income		1,679
Capital losses from underlying investments		(2,413)
Net decrease in change in fair value of investments		(68,232)
Total additions		696,439
Deductions:		
Redemptions		(15,718)
Change in net assets held in trust for individuals		680,721
Net assets:		
Net assets at the beginning of year		—
Net assets at the end of year	$	680,721

See accompanying notes to financial statements which are an integral part of the financial statements.

THE EDUCATION PLAN
AGES 9 – 11 YEARS INDEX PORTFOLIO

Statement of Fiduciary Net Assets

June 30, 2010

Assets:		
Investments, at value (cost $873,218)	$	815,977
Cash		15,457
Receivables and other assets:		
Receivable for capital shares		750
Receivable for securities sold		—
Accrued income		594
Total assets		832,778
Payables and other liabilities:		
Payable for capital shares		—
Payable for securities purchased		16,312
Accrued expenses		1
Total liabilities		16,313
Net assets:		
Held in trust for qualified state tuition plans and other purposes	$	816,465
Direct Sold Class:		
Net assets	$	816,465
Capital units outstanding (unlimited number authorized)		86,818
Net asset value per unit		9.40

See accompanying notes to financial statements which are an integral part of the financial statements.

THE EDUCATION PLAN
AGES 9 – 11 YEARS INDEX PORTFOLIO

Statement of Changes in Fiduciary Net Assets

Period from April 5, 2010 (inception) to June 30, 2010

Additions:		
Subscriptions	$	888,849
Investment income:		
Dividend income from underlying investments		2,546
Interest		1
Less expenses:		
Management fees		209
State administrative fees		78
Net investment income		2,260
Capital losses from underlying investments		(64)
Net decrease in change in fair value of investments		(57,241)
Total additions		833,804
Deductions:		
Redemptions		(17,339)
Change in net assets held in trust for individuals		816,465
Net assets:		
Net assets at the beginning of year		—
Net assets at the end of year	$	816,465

See accompanying notes to financial statements which are an integral part of the financial statements.

THE EDUCATION PLAN
AGES 12 – 14 YEARS INDEX PORTFOLIO

Statement of Fiduciary Net Assets

June 30, 2010

Assets:		
Investments, at value (cost $578,029)	$	557,611
Cash		—
Receivables and other assets:		
Receivable for capital shares		—
Receivable for securities sold		—
Accrued income		598
Total assets		558,209
Payables and other liabilities:		
Payable for capital shares		—
Payable for securities purchased		598
Accrued expenses		—
Total liabilities		598
Net assets:		
Held in trust for qualified state tuition plans and other purposes	$	557,611
Direct Sold Class:		
Net assets	$	557,611
Capital units outstanding (unlimited number authorized)		57,474
Net asset value per unit		9.70

See accompanying notes to financial statements which are an integral part of the financial statements.

THE EDUCATION PLAN
AGES 12 – 14 YEARS INDEX PORTFOLIO

Statement of Changes in Fiduciary Net Assets

Period from April 5, 2010 (inception) to June 30, 2010

Additions:		
Subscriptions	$	576,275
Investment income:		
Dividend income from underlying investments		1,957
Interest		—
Less expenses:		
Management fees		129
State administrative fees		53
Net investment income		1,775
Capital losses from underlying investments		(21)
Net decrease in change in fair value of investments		(20,418)
Total additions		557,611
Deductions:		
Redemptions		—
Change in net assets held in trust for individuals		557,611
Net assets:		
Net assets at the beginning of year		—
Net assets at the end of year	$	557,611

See accompanying notes to financial statements which are an integral part of the financial statements.

THE EDUCATION PLAN
AGES 15 – 17 YEARS INDEX PORTFOLIO

Statement of Fiduciary Net Assets

June 30, 2010

Assets:		
Investments, at value (cost $142,389)	$	141,910
Cash		—
Receivables and other assets:		
Receivable for capital shares		—
Accrued income		179
Total assets		142,089
Payables and other liabilities:		
Payable for capital shares		—
Payable for securities purchased		179
Accrued expenses		—
Total liabilities		179
Net assets:		
Held in trust for qualified state tuition plans and other purposes	$	141,910
Direct Sold Class:		
Net assets	$	141,910
Capital units outstanding (unlimited number authorized)		14,224
Net asset value per unit		9.98

See accompanying notes to financial statements which are an integral part of the financial statements.

THE EDUCATION PLAN
AGES 15 – 17 YEARS INDEX PORTFOLIO

Statement of Changes in Fiduciary Net Assets

Period from April 5, 2010 (inception) to June 30, 2010

Additions:		
Subscriptions	$	178,205
Investment income:		
Dividend income from underlying investments		504
Interest		—
Less expenses:		
Management fees		29
State administrative fees		13
Net investment income		462
Capital losses from underlying investments		(847)
Net decrease in change in fair value of investments		(479)
Total additions		177,341
Deductions:		
Redemptions		(35,431)
Change in net assets held in trust for individuals		141,910
Net assets:		
Net assets at the beginning of year		—
Net assets at the end of year	$	141,910

See accompanying notes to financial statements which are an integral part of the financial statements.

THE EDUCATION PLAN
AGES 18 YEARS AND OVER INDEX PORTFOLIO

Statement of Fiduciary Net Assets

June 30, 2010

Assets:		
Investments, at value (cost $37,012)	$	37,150
Cash		2
Receivables and other assets:		
Receivable for capital shares		—
Accrued income		62
Total assets		37,214
Payables and other liabilities:		
Payable for capital shares		—
Payable for securities purchased		62
Accrued expenses		—
Total liabilities		62
Net assets:		
Held in trust for qualified state tuition plans and other purposes	$	37,152
Direct Sold Class:		
Net assets	$	37,152
Capital units outstanding (unlimited number authorized)		3,681
Net asset value per unit		10.09

See accompanying notes to financial statements which are an integral part of the financial statements.

THE EDUCATION PLAN
AGES 18 YEARS AND OVER INDEX PORTFOLIO

Statement of Changes in Fiduciary Net Assets

Period from April 5, 2010 (inception) to June 30, 2010

Additions:		
Subscriptions	$	39,510
Investment income:		
Dividend income from underlying investments		127
Interest		—
Less expenses:		
Management fees		6
State administrative fees		3
Net investment income		118
Capital losses from underlying investments		(14)
Net increase in change in fair value of investments		138
Total additions		39,752
Deductions:		
Redemptions		(2,600)
Change in net assets held in trust for individuals		37,152
Net assets:		
Net assets at the beginning of year		—
Net assets at the end of year	$	37,152

See accompanying notes to financial statements which are an integral part of the financial statements.

THE EDUCATION PLAN
AGGRESSIVE INDEX PORTFOLIO

Statement of Fiduciary Net Assets

June 30, 2010

Assets:		
Investments, at value (cost $826,702)	$	719,908
Cash		—
Receivables and other assets:		
Receivable for capital shares		1,150
Accrued income		—
Total assets		721,058
Payables and other liabilities:		
Payable for capital shares		—
Payable for securities purchased		—
Accrued expenses		2
Total liabilities		2
Net assets:		
Held in trust for qualified state tuition plans and other purposes	$	721,056
Direct Sold Class:		
Net assets	$	721,056
Capital units outstanding (unlimited number authorized)		83,316
Net asset value per unit		8.65

See accompanying notes to financial statements which are an integral part of the financial statements.

THE EDUCATION PLAN
AGGRESSIVE INDEX PORTFOLIO

Statement of Changes in Fiduciary Net Assets

Period from April 5, 2010 (inception) to June 30, 2010

Additions:		
Subscriptions	$	826,431
Investment income:		
Dividend income from underlying investments		1,792
Interest		1
Less expenses:		
Management fees		228
State administrative fees		72
Net investment income		1,493
Capital losses from underlying investments		(74)
Net decrease in change in fair value of investments		(106,794)
Total additions		721,056
Deductions:		
Redemptions		—
Change in net assets held in trust for individuals		721,056
Net assets:		
Net assets at the beginning of year		—
Net assets at the end of year	$	721,056

See accompanying notes to financial statements which are an integral part of the financial statements.

THE EDUCATION PLAN
MODERATELY AGGRESSIVE INDEX PORTFOLIO

Statement of Fiduciary Net Assets

June 30, 2010

Assets:		
Investments, at value (cost $755,804)	$	714,122
Cash		—
Receivables and other assets:		
Receivable for capital shares		1
Accrued income		144
Total assets		714,267
Cash overdraft		1
Payables and other liabilities:		
Payable for capital shares		—
Payable for securities purchased		144
Accrued expenses		—
Total liabilities		145
Net assets:		
Held in trust for qualified state tuition plans and other purposes	$	714,122
Direct Sold Class:		
Net assets	$	714,122
Capital units outstanding (unlimited number authorized)		78,920
Net asset value per unit		9.05

See accompanying notes to financial statements which are an integral part of the financial statements.

THE EDUCATION PLAN
MODERATELY AGGRESSIVE INDEX PORTFOLIO

Statement of Changes in Fiduciary Net Assets

Period from April 5, 2010 (inception) to June 30, 2010

Additions:		
Subscriptions	$	760,402
Investment income:		
Dividend income from underlying investments		1,048
Interest		—
Less expenses:		
Management fees		102
State administrative fees		35
Net investment income		911
Capital losses from underlying investments		(255)
Net decrease in change in fair value of investments		(41,682)
Total additions		719,376
Deductions:		
Redemptions		(5,254)
Change in net assets held in trust for individuals		714,122
Net assets:		
Net assets at the beginning of year		—
Net assets at the end of year	$	714,122

See accompanying notes to financial statements which are an integral part of the financial statements.

THE EDUCATION PLAN
MODERATE INDEX PORTFOLIO

Statement of Fiduciary Net Assets

June 30, 2010

Assets:		
Investments, at value (cost $706,238)	$	656,970
Cash		—
Receivables and other assets:		
Receivable for capital shares		1
Accrued income		492
Total assets		657,463
Payables and other liabilities:		
Payable for capital shares		—
Payable for securities purchased		492
Accrued expenses		—
Total liabilities		492
Net assets:		
Held in trust for qualified state tuition plans and other purposes	$	656,971
Direct Sold Class:		
Net assets	$	656,971
Capital units outstanding (unlimited number authorized)		70,620
Net asset value per unit		9.30

See accompanying notes to financial statements which are an integral part of the financial statements.

THE EDUCATION PLAN
MODERATE INDEX PORTFOLIO

Statement of Changes in Fiduciary Net Assets

Period from April 5, 2010 (inception) to June 30, 2010

Additions:		
Subscriptions	$	709,960
Investment income:		
Dividend income from underlying investments		2,080
Interest		1
Less expenses:		
Management fees		171
State administrative fees		64
Net investment income		1,846
Capital losses from underlying investments		(479)
Net decrease in change in fair value of investments		(49,268)
Total additions		662,059
Deductions:		
Redemptions		(5,088)
Change in net assets held in trust for individuals		656,971
Net assets:		
Net assets at the beginning of year		—
Net assets at the end of year	$	656,971

See accompanying notes to financial statements which are an integral part of the financial statements.

THE EDUCATION PLAN
CONSERVATIVE INDEX PORTFOLIO

Statement of Fiduciary Net Assets

June 30, 2010

Assets:		
Investments, at value (cost $294,042)	$	282,676
Cash		—
Receivables and other assets:		
Receivable for capital shares		500
Accrued income		302
Total assets		283,478
Payables and other liabilities:		
Payable for capital shares		—
Payable for securities purchased		302
Accrued expenses		—
Total liabilities		302
Net assets:		
Held in trust for qualified state tuition plans and other purposes	$	283,176
Direct Sold Class:		
Net assets	$	283,176
Capital units outstanding (unlimited number authorized)		29,246
Net asset value per unit		9.68

See accompanying notes to financial statements which are an integral part of the financial statements.

THE EDUCATION PLAN
CONSERVATIVE INDEX PORTFOLIO

Statement of Changes in Fiduciary Net Assets

Period from April 5, 2010 (inception) to June 30, 2010

Additions:		
Subscriptions	$	293,690
Investment income:		
Dividend income from underlying investments		951
Interest		—
Less expenses:		
Management fees		62
State administrative fees		26
Net investment income		863
Capital losses from underlying investments		(11)
Net decrease in change in fair value of investments		(11,366)
Total additions		283,176
Deductions:		
Redemptions		—
Change in net assets held in trust for individuals		283,176
Net assets:		
Net assets at the beginning of year		—
Net assets at the end of year	$	283,176

See accompanying notes to financial statements which are an integral part of the financial statements.

THE EDUCATION PLAN
ULTRA CONSERVATIVE INDEX PORTFOLIO

Statement of Fiduciary Net Assets

June 30, 2010

Assets:		
Investments, at value (cost $734,801)	$	730,138
Cash		40,907
Receivables and other assets:		
Receivable for capital shares		6,994
Accrued income		972
Total assets		779,011
Payables and other liabilities:		
Payable for capital shares		—
Payable for securities purchased		41,879
Accrued expenses		—
Total liabilities		41,879
Net assets:		
Held in trust for qualified state tuition plans and other purposes	$	737,132
Direct Sold Class:		
Net assets	$	737,132
Capital units outstanding (unlimited number authorized)		73,784
Net asset value per unit		9.99

See accompanying notes to financial statements which are an integral part of the financial statements.

THE EDUCATION PLAN
ULTRA CONSERVATIVE INDEX PORTFOLIO

Statement of Changes in Fiduciary Net Assets

Period from April 5, 2010 (inception) to June 30, 2010

Additions:		
Subscriptions	$	739,410
Investment income:		
Dividend income from underlying investments		2,618
Interest		—
Less expenses:		
Management fees		148
State administrative fees		66
Net investment income		2,404
Capital losses from underlying investments		(19)
Net decrease in change in fair value of investments		(4,663)
Total additions		737,132
Deductions:		
Redemptions		—
Change in net assets held in trust for individuals		737,132
Net assets:		
Net assets at the beginning of year		—
Net assets at the end of year	$	737,132

See accompanying notes to financial statements which are an integral part of the financial statements.

THE EDUCATION PLAN
SCHOOL YEARS INDEX PORTFOLIO

Statement of Fiduciary Net Assets

June 30, 2010

Assets:		
Investments, at value (cost $266,208)	$	267,083
Cash		8,911
Receivables and other assets:		
Receivable for capital shares		—
Accrued income		386
Total assets		276,380
Payables and other liabilities:		
Payable for capital shares		—
Payable for securities purchased		4,299
Accrued expenses		—
Total liabilities		4,299
Net assets:		
Held in trust for qualified state tuition plans and other purposes	$	272,081
Direct Sold Class:		
Net assets	$	272,081
Capital units outstanding (unlimited number authorized)		26,998
Net asset value per unit		10.08

See accompanying notes to financial statements which are an integral part of the financial statements.

THE EDUCATION PLAN
SCHOOL YEARS INDEX PORTFOLIO

Statement of Changes in Fiduciary Net Assets

Period from April 5, 2010 (inception) to June 30, 2010

Additions:		
Subscriptions	$	271,361
Investment income:		
Dividend income from underlying investments		743
Interest		—
Less expenses:		
Management fees		36
State administrative fees		17
Net investment income		690
Capital losses from underlying investments		(70)
Net increase in change in fair value of investments		875
Total additions		272,856
Deductions:		
Redemptions		(775)
Change in net assets held in trust for individuals		272,081
Net assets:		
Net assets at the beginning of year		—
Net assets at the end of year	$	272,081

See accompanying notes to financial statements which are an integral part of the financial statements.

(1) Organization and Plan Objectives

(a) Organization

The Education Plan College Savings Program (the Plan) was established by the Education Trust Board of New Mexico (Board, or when applicable, the Trustee) as part of The Education Trust of New Mexico (the Trust). The Plan is maintained by the State of New Mexico and is administered by the Board, which serves as trustee of the Trust. The Board has the authority to appoint a Program Manager, adopt rules and regulations to implement and administer the Plan and Trust and establish investment policies for the Trust. OFI Private Investments Inc. is the Program Manager of the Plan. OppenheimerFunds Distributor, Inc. (OFDI) is the sole distributor of the Plan.

The Plan is a savings vehicle for higher education expenses under Section 529 of the U.S. Internal Revenue Code of 1986, as amended (Section 529). The Plan is comprised of 25 different investment portfolios (Portfolios). The Portfolios offer different asset allocation mixes to provide for investors that have different needs, time frames, and risk tolerances. Each Portfolio is offered in Direct Sold Class units.

(b) Plan Objectives

These accompanying financials include the following Portfolios:

Newborn to Age 5 Years Portfolio, Ages 6 – 8 Years Portfolio, Ages 9 – 11 Years Portfolio, Ages 12 – 14 Years Portfolio, Ages 15 – 17 Years Portfolio, Ages 18 Years and Over Portfolio, Newborn to Age 5 Years Index Portfolio, Ages 6 – 8 Years Index Portfolio, Ages 9 – 11 Years Index Portfolio, Ages 12 – 14 Years Index Portfolio, Ages 15 – 17 Years Index Portfolio, Ages 18 Years and Over Index Portfolio, Aggressive Portfolio, Moderately Aggressive Portfolio, Moderate Portfolio, Conservative Portfolio, Ultra Conservative Portfolio, School Years Portfolio, Short-Term Yield Portfolio, Aggressive Index Portfolio, Moderately Aggressive Index Portfolio, Moderate Index Portfolio, Conservative Index Portfolio, Ultra Conservative Index Portfolio, School Years Index Portfolio.

The Plan invests its assets in partnerships and a combination of mutual funds managed by OppenheimerFunds, OFI Institutional, Dreyfus, and Vanguard. The underlying investments include:, Dreyfus Bond Market Index Fund, Dreyfus S&P 500 Index Fund, Oppenheimer Capital Appreciation Fund, Oppenheimer Institutional Money Market Fund, Oppenheimer Main Street Small Cap Fund, and Oppenheimer Value Fund, Vanguard Total Stock Market Index Fund and Vanguard Intermediate Term Bond Index Fund. These mutual funds are diversified management investment companies registered under the Investment Company Act of 1940, as amended.

Additionally, the Plan invests in the following nonregistered funds: OFI Institutional Baring International Fund, LP, OFI Institutional International Index Fund, LP, OFI Institutional Large Cap Core Index Fund, LLC, the OFI Institutional Small Cap Index Fund LLC. Both the registered and nonregistered funds are collectively referred to as the Underlying Investments.

The Plan's divestment of Oppenheimer Core Bond Fund holdings was complete at the end of July 2009.

(Continued)

(2) Significant Accounting Policies

The following is a summary of significant accounting policies followed by the Portfolios in the preparation of their financial statements.

(a) Basis of Presentation

As a fiduciary fund, the Plan's financial statements are presented using the accrual basis of accounting in conformity with U.S. generally accepted accounting principles as defined by the Governmental Accounting Standards Board (GASB). Under this method of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of the related cash flows. The Plan has elected not to adopt FASB Statements and interpretations issued after November 30, 1989, unless GASB specifically adopts such FASB statements or interpretations.

The financial statements include the statements of fiduciary net assets and the statement of changes in fiduciary net assets for each Portfolio. The statement of fiduciary net assets is a measure of each Portfolio's assets and liabilities at the close of the fiscal year. The statement of changes in fiduciary net assets shows purchases to and redemptions from the Portfolios, as well as additions and deductions due to operations during the fiscal year.

(b) Security Valuation

Each Portfolio calculates the net asset value of its units as of the close of The New York Stock Exchange (the Exchange), normally 4:00 P.M. Eastern time, on each day the Exchange is open for business. The net asset values of the Underlying Investments are determined as of the close of the Exchange, on each day the Exchange is open for trading. Short-term "money market type" debt securities with remaining maturities of sixty days or less are valued at amortized cost (which approximates market value).

(c) Security Transactions

Security transactions are recorded on the trade date. Realized gains and losses on securities sold are determined on the high cost method.

(d) Investment Income and Dividends

Dividend income is recorded on the ex-dividend date. Noncash dividends included in dividend income, if any, are recorded at the fair market value of the securities received. Interest income, which includes accretion of discount and amortization of premium, is accrued as earned. Income and capital gain distributions from the Underlying Investments are recorded on the ex-dividend date. Dividends from income are included in investment income and capital gain distributions are included in net realized gain/loss.

During the Plan's current fiscal year ended June 30, 2008, June 30, 2009 and June 30, 2010 a portion of the dividend income received in 2007, 2008 and 2009 from Oppenheimer Core Bond Fund was determined to be return of capital. The character of these distributions was determined in accordance with income tax regulations.

(e) Contributions, Withdrawals, and Distributions

The Portfolios have authorized an unlimited number of no par values of capital unit transactions. Contributions and withdrawals are recorded at the unit value determined on the valuation date following receipt of notice of the contribution or withdrawal. Contributions and withdrawals are subject to sufficient advance notifications as outlined in the Plan Description and Participation Agreement. The Portfolios' unit values (net asset values) are determined daily. Net investment income for all Portfolios is retained and reflected in the net asset value of each Portfolio.

(f) The Use of Estimates

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

(3) Related Party Information and Fees

(a) Expenses

The Plan bears certain ongoing fees, which are charged against the assets of the Portfolios, to provide for the cost associated with the distribution, servicing, and administration. There are also indirect fees and expenses of the Underlying Investments in which the Portfolios invest. In addition, there may be certain fees and expenses the Board may impose from time to time. The Board may change or add new fees at any time.

(b) Management Fees

A program management fee at the annual rate of 0.10% of the average daily net assets of the Plan is paid on a monthly basis to OFIPI for Plan administration and investment management services. OppenheimerFunds receives compensation directly from certain of the Underlying Investments in which the Portfolios invest for serving as the investment adviser of those funds.

Effective January 4, 2010, the Program Manager has voluntarily waived its fees (but not below zero) and/or began reimbursing expenses to the extent necessary to assist the Short-Term Yield Portfolio to maintain at least a 0.00% return. There is no guarantee that the Short-Term Yield Portfolio will maintain this return. This undertaking may be amended or withdrawn at any time.

(c) Administrative Fees

An administrative fee at the annual rate of 0.10% of the average daily net assets of the Plan is paid to the Board on a monthly basis for acting as Plan Administrator on all portfolios except the twelve index portfolios, which incur a 0.05% administrative fee.

(Continued)

(4) Income Taxes

The Plan was established under Section 529 of the Internal Revenue Code, which provides that all Portfolios within the Plan shall be exempt from income taxes. Therefore, no federal income tax provision is required. Individual account owners may be subject to federal income tax under certain conditions.

(5) Investment Risk

Certain investments are subject to investment risk based on the amount of risk in the Underlying Investments. The Plan has adopted GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. The standard requires that entities disclose essential risk information about deposits and investments. All of the Plan’s investments are uninsured and are held in the Plan’s name. The Plan Description and Participation Agreement provides greater detail about the investment policies and practices of the Plan. The Plan does not have formal policies for limiting its exposure to the risks noted below.

(a) Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a failure, the Plan’s deposits and investments may not be returned promptly. Because the Plan’s investments are generally in mutual funds and other Underlying Investments, this risk is significantly mitigated.

(b) Credit Risk

Credit risk is the risk that an issuer to an investment will not fulfill its obligations. The Plan invests directly in Underlying Investments. The registered Underlying Investments’ prospectuses provide greater detail about the investment strategies and practices of the Underlying Investments, in compliance with federal regulations and specifically, the Form N-1A of the Investment Company Act of 1940. Form N-1A discloses information and policies about the Underlying Fund and its investment objectives, as well as information on the company structure and operations. In addition, the Program Disclosure Statement and the Participation Agreement provide greater detail about the credit risk, if any, by certain nonregistered Underlying Investments.

Credit ratings for the underlying fixed income funds are as follows:

	NRSRO-Rated
Dreyfus Bond Market Index Fund[1]:	
Treasury	69.38%
AAA	9.90
AAA	5.15
AAA	9.07
BBB	6.50
Total	100.00%

[1] As of September 30, 2010

(c) Interest Rate Risk

Interest Rate Risk refers to the value fluctuations of fixed income securities resulting from the inverse relationship between price and yield. The market value fluctuations of fixed-income securities that the Underlying Investments already hold will not affect the interest payable on those securities. However, the fluctuations will affect the market value and in turn will affect the Portfolio's net asset values.

Duration for the underlying fixed income funds are as follows:

	2010 (In years)
Dreyfus Bond Market Index Fund[1]	4.70

[1] As of September 30, 2010

(d) Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment in a foreign financial institution. The Plan does not have a formal policy for limiting its exposure to changes in exchange rates. The Plan does invest in various foreign currencies in pooled vehicles. The registered Underlying Investments' prospectuses provide greater detail about the investment strategies and practices of the Underlying Investments, in compliance with federal regulations and specifically, the Form N-1A of the Investment Company Act of 1940. Form N-1A discloses information and policies about the Underlying Fund and its investment objectives, as well as information on the company structure and operations. In addition, the Program Disclosure Statement and the Participation Agreement provide greater detail about the credit risk, if any, by certain nonregistered Underlying Investments.

(6) Settlement

On December 16, 2009, OppenheimerFunds, Inc. (OFI) and the State of New Mexico reached an agreement to resolve the State's investigation into the management of the Scholar'sEdge Plan and The Education Plan. Under the terms of the settlement, OFI does not admit any wrongdoing and paid the State $67,310,000 which the State undertakes to distribute to eligible participants in Scholar'sEdge and the Education Plan.

In 2009, three separate matters were filed in New Mexico state court alleging breach of contract, breach of fiduciary duty and negligence. These lawsuits seek to undermine the settlement OFI has entered into with New Mexico. While funding of the settlement amount has been made to the State of New Mexico, distribution of the payment to individual account holders is currently pending awaiting court determination of requests by the plaintiffs in those lawsuits to hold a hearing on the fairness of the settlement.

(7) Pending Litigation

Since 2009, a number of lawsuits have been filed in federal courts against OFI, OFDI, and certain mutual funds (Defendant Funds) advised by OFI and distributed by the OFDI (but not including the Plan). The lawsuits naming the Defendant Funds also name as defendants certain officers, trustees and former trustees of the respective Defendant Funds. The plaintiffs seek class action status on behalf of purchasers of shares of the respective Defendant Fund during a particular time period. The lawsuits raise claims under federal securities laws alleging that, among other things, the disclosure documents of the respective Defendant Fund contained misrepresentations and omissions, that such Defendant Fund's investment policies were not followed, and that such Defendant Fund and the other defendants violated federal securities laws and regulations. The plaintiffs seek unspecified damages, equitable relief and an award of attorneys' fees and litigation expenses. None of these lawsuits named the New Mexico Education Trust or Trust Board as defendants.

In 2009, three lawsuits were filed against the New Mexico Education Trust Board and/or OFI and its subsidiaries. One of these lawsuits is a class action alleging breach of contract claims against the Board, seeking damages. The other two lawsuits claim to be derivative actions, alleging breach of contract, breach of fiduciary duty, negligence and violation of New Mexico securities laws, seeking damages and equitable relief.

Other lawsuits have been filed since 2008 in various state and federal courts, against OFI and certain of its affiliates. Those lawsuits were filed by investors who made investments through an affiliate of OFI, and relate to the alleged investment fraud perpetrated by Bernard Madoff and his firm (Madoff). Those suits allege a variety of claims, including breach of fiduciary duty, fraud, negligent misrepresentation, unjust enrichment, and violation of federal and state securities laws and regulations, among others. They seek unspecified damages, equitable relief and an award of attorneys' fees and litigation expenses. None of the suits have named OFDI, any of the Oppenheimer mutual funds or any of their independent Trustees or Directors as defendants. None of the Oppenheimer funds invested in any funds or accounts managed by Madoff.

OFI believes that the lawsuits described above are without legal merit and is defending against them vigorously. The Defendant Funds' Boards of Trustees have also engaged counsel to defend the suits brought against those Funds and the present and former Independent Trustees named in those suits. While it is premature to render any opinion as to the outcome in these lawsuits, or whether any costs that the Defendant Funds may bear in defending the suits might not be reimbursed by insurance, OFI believes that these suits should not impair the ability of OFI or OFDI to perform their respective duties to the Fund, and that the outcome of all of the suits together should not have any material effect on the operations of any of the Oppenheimer funds.

(8) Subsequent Event

The Plan has evaluated the need for disclosures and/or adjustments resulting from subsequent events through December 15, 2010, the date the financial statements were available to be issued. The evaluation determined that there were no subsequent events that necessitated disclosures and/or adjustments.

KPMG LLP
Suite 700
Two Park Square
6565 Americas Parkway NE
PO Box 3990
Albuquerque, NM 87190

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Education Trust Board of New Mexico
2048 Galisteo
Santa Fe, NM 87505

and

Hector Balderas, New Mexico State Auditor
2113 Warner Circle
Santa Fe, NM 87505-5499:

We have audited the combined financial statements of The Education Plan (the Plan) and the financial statements of the Newborn to Age 5 Years Portfolio, Ages 6 – 8 Years Portfolio, Ages 9 – 11 Years Portfolio, Ages 12 – 14 Years Portfolio, Ages 15 – 17 Years Portfolio, Ages 18 Years and Over Portfolio, Aggressive Portfolio, Moderately Aggressive Portfolio, Moderate Portfolio, Conservative Portfolio, Ultra Conservative Portfolio, School Years Portfolio, Short Term Yield Portfolio, (collectively referred to as the Portfolios) of the Plan as of and for the years ended June 30, 2010, 2009, and 2008, along with the accompanying statements of fiduciary net assets of the Newborn to Age 5 Years Index Portfolio, Ages 6 – 8 Years Index Portfolio, Ages 9 – 11 Years Index Portfolio, Ages 12 – 14 Years Index Portfolio, Ages 15 – 17 Years Index Portfolio, Ages 18 Years and Over Index Portfolio, Aggressive Index Portfolio, Moderately Aggressive Index Portfolio, Moderate Index Portfolio, Conservative Index Portfolio, Ultra Conservative Index Portfolio, and School Years Index Portfolio (collectively referred to as the New Portfolios) of the Plan as of June 30, 2010, and the related statements of changes in fiduciary net assets for the period from April 5, 2010 (inception) to June 30, 2010, and have issued our report thereon dated December 15, 2010. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audits, we considered the Plan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Plan's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency if a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Plan's financial statements are free of material misstatement, we performed tests of the Plan's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of certain of our tests of compliance described in the preceding paragraph, disclosed an instance of noncompliance that is required to be reported herein under *Government Auditing Standards* and is described in the accompanying schedule of findings and responses as item 07-01.

This report is intended solely for the information and use of management (including the Program Manager), The Education Trust Board of New Mexico, others within the entity, and the Office of the State Auditor, NM Legislature, and Department of Finance and Administration and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

December 15, 2010

Finding No. 07-01

Criteria

In accordance with SAO Rule 2.2.2.9 (A)(1)(f) NMAC, annual financial audits of agencies under the oversight of the Financial Control Division of the Department of Finance and Administration (FCD) shall be completed and submitted by the Plan and independent auditor to the State Auditor no later than sixty days after the state auditor receives notification from the FCD to the effect that an agency's books and records are ready and available for audit; however, the deadline cannot extend beyond December 15 (Section 12-6-3C NMSA 1978).

Condition

We noted an instance in which the annual financial audit report for June 30, 2009 and 2008 was not delivered to the State Auditor by the December 15, 2009 and 2008 deadlines, respectively. The annual financial audit report was received December 15, 2010 by the Office of the State Auditor which was after the deadline.

Cause

The annual financial audit reports for June 30, 2009 and 2008 were not delivered to the State Auditor by the deadlines primarily due to the late execution of the audit contract between KPMG and The Education Trust Board which occurred on October 27, 2010, which was subsequent to the deadlines. The annual financial audit reports should have been filed with the State Auditor no later than December 15, 2009 and 2008, respectively.

Effect

The users of the financial statements such as investors, legislators, creditors, bondholders, etc., do not have timely audit reports and financial statements for their review. In addition, the Plan was not in compliance with state regulations when filing the annual financial report with the State Auditor after the December 15, 2009 and 2008 deadlines.

Recommendation

We recommend that the Plan design and implement internal controls to ensure that the audit engagement process is performed timely and that the annual financial audit reports are submitted to the State Auditor in compliance with state regulations.

Plan Response to Finding No. 07-01

The Plan concurs with the findings. The Plan will ensure that the annual audit is completed in a timely fashion and in compliance with state regulations. New internal controls will be designed and implemented over financial reporting.

Contact: Ross Burkstaller, Program Administrator

THE EDUCATION PLAN

Exit Conference

June 30, 2010, 2009, and 2008

Exit Conference

An exit conference was conducted on December 7, 2010 in which the contents of this report were discussed with the following:

The Education Trust Board of New Mexico

Viola Florez	*Chair*
Robert Heyman	*Board Member*
Deborah DeMella	*Institutional Auditor NMHED*
James Canup	*Legal Counsel*

OFI Private Investments

Ross Burkstaller	*Program Administrator*

KPMG

Cynthia Reinhart	*Partner*
Kelli High	*Senior Manager*

Financial Statement Preparation

The accompanying management discussion and analysis, financial statements, and notes to financial statements have been prepared by OFI Private Investments.