
Scholar'sEdge and The Education Plan
Fiduciary Funds of
Education Trust Board of New Mexico

Financial Statements
and
Independent Auditors' Report
June 30, 2011

REDW^{LLC}
CPAs | Business & Financial Advisors

Scholar'sEdge and The Education Plan
Fiduciary Funds of
Education Trust Board of New Mexico

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Scholar'sEdge and The Education Plan
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Education Trust Board of New Mexico

Official Roster
June 30, 2011

Education Trust Board of New Mexico
Board of Directors

Robert Watson	<i>Chair*</i>
Robert Desiderio	<i>Vice Chair</i>
Robert Heyman	<i>Board Member</i>
Trevor Serrao	<i>Board Member</i>

**The Chair of the Education Trust Board is a position dictated by state statute to be the Cabinet Secretary of the Department of Higher Education. If the Cabinet Secretary chooses to, the Cabinet Secretary can designate an individual that is confirmed by the Governor, Senate Pro Team, and the Speaker of the House of Representatives.*

Independent Auditors' Report

State of New Mexico
The Education Trust Board of New Mexico
and
Mr. Hector H. Balderas
New Mexico State Auditor

We have audited the accompanying statements of fiduciary net assets of Scholar'sEdge and the Education Plan (the "Plans") as of June 30, 2011, and the related statements of changes in fiduciary net assets of the Plans for the year then ended. Scholar'sEdge and the Education Plan are fiduciary funds of the Education Trust Board of New Mexico (the "NMETB"). These financial statements are the responsibility of the NMETB. Our responsibility is to express opinions 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 financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our 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 opinions on the effectiveness of the Plans' internal control over financial reporting. Accordingly, we express no such opinions. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net assets of the Plans as of June 30, 2011, and the changes in fiduciary net assets thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2012, on our consideration of the Plans' 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 controls 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 audit.

Accounting principles generally accepted in the United States of America require that the management's discussion on pages 4 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Plans financial statements as a whole. The combining financial statements and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. The combining financial statements and other supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

REDW LLC

Phoenix, Arizona
November 15, 2012

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Management's Discussion and Analysis
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BACKGROUND INFORMATION

Scholar'sEdge (Advisor Sold) and The Education Plan (Direct Sold)

Scholar'sEdge and The Education Plan (the "Plans") were established by the Education Trust Board of New Mexico (the "NMETB"). The Plans are maintained by the State of New Mexico and are administered by NMETB, which serves as trustee of the Education Trust of New Mexico (the "Trust"). NMETB has the authority to appoint a Program Manager, adopt rules and regulations to implement and administer the Plans and Trust and establish investment policies for the Trust. OFI Private Investments Inc. (OFIPI) is the Program Manager of the Plans. OppenheimerFunds Distributor, Inc. (OFDI) is the sole distributor of the Plans. Brown Brothers Harriman (BBH) accounts for the Plans. Both the Plans are accounted for as fiduciary private trust funds.

The Plans are a savings vehicle for higher education expenses under Section 529 of the U.S. Internal Revenue Code of 1986, as amended (Section 529). The Plans are comprised of a variety of different investment portfolios. These portfolios offer different asset allocation mixes to investors based on their needs, time frames, and risk tolerances. In previous years, each portfolio was presented separately in the basic financial statements. Effective in fiscal year 2011 management has elected to present each portfolio as supplementary information following the basic financial statements and related notes.

SCHOLAR'SEDGE

Financial Analysis

Scholar'sEdge statements of fiduciary net assets as of June 30 are as follows:

	<u>2011</u>	<u>2010</u>
Assets		
Investments, at value	\$ 1,608,452,417	\$ 1,376,332,397
Cash	3,912,758	2,163,190
Cash restricted for payment of plan participants	51,750,128	-
Receivables and other assets	<u>2,306,398</u>	<u>2,985,322</u>
Total assets	<u>1,666,421,701</u>	<u>1,381,480,909</u>
Liabilities		
Cash overdraft	104,664	56,977
Payable and other liabilities	2,556,479	3,486,370
Payable to plan participants	<u>51,750,128</u>	<u>-</u>
Total liabilities	<u>54,411,271</u>	<u>3,543,347</u>
Net assets	<u>\$ 1,612,010,430</u>	<u>\$ 1,377,937,562</u>

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The investments of the Portfolios increased \$232 million from 2010 to 2011 mainly due to market appreciation.

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 settled.

Condensed statements of changes in fiduciary net assets for years ended June 30 are as follows:

	<u>2011</u>	<u>2010</u>
Additions		
Subscriptions	<u>\$ 532,123,870</u>	<u>\$ 517,375,973</u>
Investment income		
Dividend income and interest	<u>21,460,516</u>	14,626,686
Less expenses	<u>12,003,378</u>	<u>11,306,568</u>
Net investment income	<u>9,457,138</u>	<u>3,320,118</u>
Capital gains (losses) from underlying funds	<u>(17,130,358)</u>	(108,890,528)
Net increase (decrease) in change in fair value of investments	<u>253,064,678</u>	<u>230,171,279</u>
Total additions	<u>777,515,328</u>	<u>641,976,842</u>
Deductions		
Redemptions	<u>(543,442,460)</u>	<u>(513,588,026)</u>
Change in net assets	<u>234,072,868</u>	128,388,816
Net assets, beginning of year	<u>1,377,937,562</u>	<u>1,249,548,746</u>
Net assets, end of year	<u>\$ 1,612,010,430</u>	<u>\$ 1,377,937,562</u>

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

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Economic and Market Overview

During the second half of 2010, encouraging data from the labor market—including a declining unemployment rate—seemed to indicate that the long-awaited revival of consumer and business confidence was at hand. In addition, the overall decline of the U.S. housing market appeared to be bottoming, and many analysts believed that the worst of the mortgage and foreclosure crisis was in the past. As the year came to a close, the global economy also appeared to provide reasons for an upbeat outlook, as Europe took definitive measures to address the sovereign debt problems of peripheral Europe and fears over rising inflationary pressures in the fast-growing emerging markets lessened. During this time, stocks generally posted strong returns. The constructive economic environment during the first half of the reporting period proved especially beneficial for smaller, more speculative companies. Industries and companies whose fortunes are closely tied to the economic cycle fared particularly well. For example, the energy and materials sectors benefited, buoyed by rising commodity prices.

Over the first half of 2011, a number of trouble spots sent ripples of concern through the equity markets. In February 2011, a wave of political unrest in North Africa and the Middle East sparked worries that disruptions in oil production might derail the global economic recovery. Although energy prices surged higher, investors retained their optimism and U.S. stocks generally continued to rally. However, investors encountered another unexpected shock in March, when a catastrophic natural disaster followed by a nuclear crisis hit Japan, one of the world's largest economies and a key exporter of industrial components to many countries and industries, including U.S. automobile manufacturers. However, the disruptions to the global supply chain proved significantly less severe than originally anticipated and, after a brief pullback, the U.S. stock market continued to climb higher.

In April 2011, investors' concerns resurfaced when Greece again teetered on the brink of defaulting on its sovereign debt, rekindling worries from 2010 that fiscal instability might spread to other parts of Europe. At the same time, a debate regarding government spending and borrowing intensified in the United States, creating a renewed sense of uncertainty among businesses and consumers as the August 2, 2011, deadline to vote on raising the U.S. government's debt ceiling loomed. Additionally, the Federal Reserve's latest round of quantitative easing measures labeled "QE2" officially ended on June 30, 2011, which also contributed to questions around the Federal Reserve's next moves. As a result, by period end, job creation had slowed to a crawl, the unemployment rate moved higher and consumers reined in spending.

The macroeconomic setbacks that occurred over the first half of 2011 sparked sharp declines among small- and mid-cap stocks in the final weeks of the period. Small-cap stocks generally

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lagged broader market averages during this time, but mid-cap stocks held up better, outperforming their large-cap counterparts. In a more uncertain investment climate, investors shifted their focus away from small-cap stocks, and from economically sensitive industry groups to those that historically have held up relatively well in times of economic weakness, such as stocks in the consumer staples sector. Energy and information technology securities led the stock market retreat in the final three months of the period. Energy firms were hit with higher costs and supply chain interruptions, in part caused by the natural disaster in Japan. The market also saw information technology companies stocks as potentially at risk for supply chain disruptions, particularly those companies domiciled in Japan or with key suppliers based out of Japan, which fueled a sell-off in that sector.

THE EDUCATION PLAN

Financial Analysis

The Education Plan condensed statements of fiduciary net assets as of June 30:

	<u>2011</u>	<u>2010</u>
Assets		
Investments, at value	\$ 331,255,131	\$ 269,948,079
Cash	1,899,075	1,008,990
Cash restricted for payment to plan participants	15,559,872	-
Receivables and other assets	<u>505,185</u>	<u>602,403</u>
Total assets	<u>349,219,263</u>	<u>271,559,472</u>
Liabilities		
Cash overdraft	606	25,577
Payable and other liabilities	265,539	644,634
Payable to plan participants	<u>15,559,872</u>	-
Total liabilities	<u>15,826,017</u>	<u>670,211</u>
Net assets	<u>\$ 333,393,246</u>	<u>\$ 270,889,261</u>

The investments of the Portfolios increased \$61 million from 2010 to 2011, mainly due to market appreciation.

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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:

	<u>2011</u>	<u>2010</u>
Additions		
Subscriptions	<u>\$ 104,351,104</u>	<u>\$ 96,638,673</u>
Investment income		
Dividend income and interest (Note 2)	<u>592,782</u>	(596,386)
Less expenses	<u>1,034,815</u>	<u>923,407</u>
Net investment income (loss)	<u>(442,033)</u>	<u>(1,519,793)</u>
Capital gains (losses) from underlying funds	<u>(332,639)</u>	(22,380,443)
Net increase (decrease) in change in fair value of investments	<u>54,241,806</u>	<u>47,784,373</u>
Total additions	<u>157,818,238</u>	<u>120,522,810</u>
Deductions		
Redemptions	<u>(95,314,253)</u>	<u>(88,053,092)</u>
Change in net assets	<u>62,503,985</u>	32,469,718
Net assets, beginning of year	<u>270,889,261</u>	<u>238,419,543</u>
Net assets, end of year	<u>\$ 333,393,246</u>	<u>\$ 270,889,261</u>

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

Economic and 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.

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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 2011, 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.

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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 2011 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.

NMETB's fiduciary funds did not have any balances related to capital assets or long-term debt, and Management does not plan on having any activity related to capital outlay expenditures or debt funding.

Contacting NMETB's Financial Management

This financial report is designed to provide members of NMETB and others with a general overview of NMETB's fiduciary funds and to show NMETB's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Executive Director at the following address:

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

Financial Statements

Scholar'sEdge and The Education Plan
Fiduciary Funds of
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Combined Statement of Fiduciary Net Assets
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	Scholar's Edge	The Education Plan	Total (Memorandum only)
Assets			
Investments, at value (Scholar'sEdge cost \$1,472,178,521 and (Education Plan cost \$282,261,356)	\$ 1,608,452,417	\$ 331,255,131	\$ 1,939,707,548
Cash	3,912,758	1,899,075	5,811,833
Cash restricted for payment to plan participants (Note 7)	51,750,128	15,559,872	67,310,000
Receivables and other assets			
Receivable for capital shares issued	1,058,998	287,110	1,346,108
Receivable for securities sold	620,149	204,143	824,292
Accrued income	627,181	13,901	641,082
Other assets	<u>70</u>	<u>31</u>	<u>101</u>
Total assets	<u>1,666,421,701</u>	<u>349,219,263</u>	<u>2,015,640,964</u>
Liabilities and Net Assets			
Liabilities			
Cash overdraft	104,664	606	105,270
Payables and other liabilities			
Payable for capital shares redeemed	1,195,897	177,510	1,373,407
Payable for securities purchased	684,372	86,806	771,178
Accrued expenses	676,210	1,223	677,433
Payable to plan participants (Note 7)	<u>51,750,128</u>	<u>15,559,872</u>	<u>67,310,000</u>
Total liabilities	<u>54,411,271</u>	<u>15,826,017</u>	<u>70,237,288</u>
Net assets	<u>\$ 1,612,010,430</u>	<u>\$ 333,393,246</u>	<u>\$ 1,945,403,676</u>

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

Scholar'sEdge and The Education Plan
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Education Trust Board of New Mexico
Combined Statement of Changes in Fiduciary Net Assets
For the Year Ended June 30, 2011

	Scholar's Edge	The Education Plan	Total (Memorandum only)
	<u> </u>	<u> </u>	<u> </u>
Additions			
Subscriptions	\$ 532,123,870	\$ 104,351,104	\$ 636,474,974
Investment income			
Dividend income from underlying investments	21,455,611	591,463	22,047,074
Interest	4,905	1,319	6,224
Less expenses			
Distribution fees	7,435,911	-	7,435,911
Management fees	3,054,658	737,032	3,791,690
State administrative fees	1,524,752	302,851	1,827,603
Expense reimbursement	(11,943)	(5,068)	(17,011)
Net investment income (loss)	9,457,138	(442,033)	9,015,105
Capital losses from underlying investments	(17,130,358)	(332,639)	(17,462,997)
Net increase in change in fair value of investments	<u>253,064,678</u>	<u>54,241,806</u>	<u>307,306,484</u>
Total additions	777,515,328	157,818,238	935,333,566
Deductions			
Redemptions	<u>(543,442,460)</u>	<u>(95,314,253)</u>	<u>(638,756,713)</u>
Change in net assets	234,072,868	62,503,985	296,576,853
Net Assets			
Net assets, beginning of year	<u>1,377,937,562</u>	<u>270,889,261</u>	<u>1,648,826,823</u>
Net assets, end of year	<u><u>\$ 1,612,010,430</u></u>	<u><u>\$ 333,393,246</u></u>	<u><u>\$ 1,945,403,676</u></u>

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

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1) Organization and Plan Objectives

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

The Plans are a savings vehicle for higher education expenses under Section 529 of the U.S. Internal Revenue Code of 1986, as amended (Section 529). The Plans are comprised of 46 different investment portfolios (the "Portfolios"). The Portfolios offer different asset allocation mixes to provide for investors that have different needs, time frames, and risk tolerances. Each portfolio within Scholar'sEdge is offered in 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.

The NMETB is administratively attached to the New Mexico Higher Education Department, which provides support for the NMETB in carrying out its duties pursuant to the Education Trust Act. The NMETB is chaired by the Cabinet Secretary of the New Mexico Higher Education Department or the Secretary's designee, who shall be the ex-officio chair of the NMETB, one member appointed by the Governor, one member representing institutions of higher education, appointed by the Speaker of the House of Representatives, and one member representing students at institutions of higher education, appointed by the President pro tempore of the Senate. By law, these board members must have experience in higher education, business, and finance. The NMETB administers the Scholar'sEdge and The Education Plan. Earnings on the plans are tax-free to participants if used for a qualified educational purpose. The NMETB operates the Education Trust Act, under the authority of 21-21K-1 NMSA 1978.

College Savings Plans' assets can be used for qualified educational expenses including tuition and fees, certain room and board expenses, books and required supplies and equipment at any accredited post-secondary school that is eligible to participate in federal student financial aid programs. This includes most public or private universities, graduate schools, community colleges and vocational schools. Assets in the plans are subject to investment risk and are not guaranteed by the state.

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Investment Portfolios

Scholar'sEdge and the Education Plan offer various investment portfolios to accommodate the needs of participants. In previous years, the basic financial statements of each plan presented combining information detailing each portfolio. For fiscal year 2011, management has elected to present combining financial statements as supplementary information; therefore, it is not presented in the basic financial statements.

Investment portfolios of each plan are as follows:

Scholar'sEdge Portfolios

The Scholar'sEdge plan includes 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- & Mid- Cap Core Portfolio¹, International Equity Portfolio, Intermediate Term Bond Portfolio, Diversified Income Portfolio, Short-Term Yield Portfolio, and Capital Preservation Portfolio.

The Scholar'sEdge plan invests primarily in a combination of mutual funds managed by OppenheimerFunds, Inc. (OFI), OFI Institutional Inc., Mainstay, American Century, and Invesco. The mutual funds include: Oppenheimer Capital Appreciation Fund, Oppenheimer Institutional Money Market Fund, Oppenheimer Main Street Small- & Mid- Cap Fund², Oppenheimer Global Strategic Income Fund[®], Oppenheimer International Bond Fund, Oppenheimer Limited Term Government Fund, Oppenheimer Value Fund, Mainstay MAP Fund, Mainstay High Yield Corporate Bond Fund, American Century Diversified Bond Fund, and Invesco Mid Cap Core Equity Fund[®]. These mutual funds are management investment companies registered under the Investment Company Act of 1940, as amended.

Additionally, Scholar'sEdge invests in the following nonregistered investments: OFIPI Baring International Strategy limited partnership, which provides investment management services to institutional, retail and private clients around the world investing in both developed and emerging equities, as well as various fixed income products, and contracts with New York Life. Both the registered and nonregistered funds are individually or collectively referred to as the Underlying Investments.

¹Effective November 1, 2010, the Small Cap Core Portfolio was renamed the Small & Mid-Cap Core Portfolio.

²Effective November 1, 2010, the Oppenheimer Main Street Small Cap Fund[®] was renamed the Oppenheimer Main Street Small & Mid-Cap Fund[®].

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The Education Plan Portfolios

The Education Plan includes 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 Education Plan invests its assets in partnerships and a combination of mutual funds managed by OppenheimerFunds, Inc. (OFI), OFI Institutional Inc., Dreyfus Corporation, and The Vanguard Group. The mutual funds include: Oppenheimer Capital Appreciation Fund, Oppenheimer Institutional Money Market Fund, Oppenheimer Main Street Small- & Mid- Cap Fund¹, Oppenheimer Value Fund, Dreyfus Bond Market Index Fund, Dreyfus S&P 500 Index 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 Education Plan invests in the following nonregistered investments: OFIPI Baring International Strategy, OFIPI International Index Strategy, OFIPI Large Cap Core Index Strategy, LLC, and the OFIPI Small Cap Index Strategy. Both the registered and nonregistered funds are collectively referred to as the Underlying Investments.

2) Significant Accounting Policies

As fiduciary funds, the Scholar'sEdge and the Education Plan 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.

¹Effective November 1, 2010, the Oppenheimer Main Street Small Cap Fund[®] was renamed the Oppenheimer Main Street Small- & Mid- Cap Fund[®].

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Fiduciary Funds of
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The Plans have 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.

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).

Guaranteed Investment Contract (GIC) – Scholar'sEdge

In accordance with GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Investments*, at June 30, 2011, traditional GICs were valued at contract value of approximately \$41,598,623 (fair value \$43,754,427). Fair value was confirmed by New York Life.

Security Transactions

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

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.

Allocation of Income and Dividends – Scholar'sEdge

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

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assets represented by such class. Operating expenses directly attributable to a specific class are charged against the operations of that class.

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

Expenses

The Plans bear 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 NMETB may impose from time to time. The NMETB may change or add new fees at any time.

Program Management Fees

The Portfolios pay an annualized fee on the average daily net assets of the Plans, which is paid on a monthly basis to OFIPI for plan administration and investment management services. The Portfolios pay an annualized fee of .10%. OFI may receive compensation directly from certain of the Underlying Investments in which the Portfolios invest for serving as the investment adviser of those funds. Certain Underlying Investments charge fees at the investing partner level (i.e. Portfolio).

The plan manager and the NMETB have agreed to voluntarily waive the program management fee and the administrative fee respectively, (but not below zero) to the extent necessary to assist the Short-Term Yield Portfolio in attempting 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.

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State Administrative Fees

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

Service Plan for Class A Units – Scholar'sEdge

The Portfolios adopted a service plan for Class A units which reimburse 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.

Sales Charges – Scholar'sEdge

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%, except the Short-Term Yield Portfolio, which Financial Advisors and the brokers who sell Units of the Short-Term Yield Portfolio do not receive any initial or ongoing compensation. 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.

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4) Income Taxes

The Plans were established under Section 529 of the Internal Revenue Code, which provides that all Portfolios within the Plans 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 Risks

Certain investments are subject to investment risk based on the amount of risk in the underlying investments. The Plans have adopted GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. The standard requires disclosure of essential risk information about deposits and investments. Investments of the Plans are uninsured and are held in the Plans name. The Plan Description and Participation Agreements provide greater detail about the investment policies and practices of each Plan. The Plan's do not have formal policies for limiting its exposure to the risks noted below.

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 investments of the Plans are generally in mutual funds and other Underlying Investments, this risk is significantly mitigated.

Credit Risk

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

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Interest Rate Risk

Interest rate risk refers to 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 net asset values.

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 security. The Plans' Underlying Investments invest in assets denominated in various foreign currencies in pooled vehicles. For registered Underlying Investments, prospectuses provide greater detail about the investment strategies and practices, 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 Investment 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 risks of investing in foreign currencies by certain nonregistered Underlying Investments.

As of June 30, 2011, credit ratings for the fixed-income Underlying Investments are as follows:

Scholar'sEdge

	Total Investments				
	Oppenheimer Global Strategic Income Fund®	Oppenheimer Limited-Term Government Fund	Oppenheimer International Bond Fund	American Century Diversified Bond Fund	Mainstay High Yield Corporate Bond Fund
AAA	16.66%	94.64%	20.79%	63.43%	-
AA	3.50%	0.66%	30.06%	6.72%	-
A	8.46%	1.08%	11.93%	10.63%	0.40%
BBB	16.13%	1.91%	19.20%	13.42%	2.70%
BB	8.80%	0.35%	9.15%	3.00%	29.80%
B	13.29%	0.06%	2.66%	1.40%	33.10%
CCC+	-	-	-	-	28.50%
CCC	9.53%	0.58%	0.23%	0.90%	3.20%
CC	1.09%	0.04%	-	-	-
D	0.75%	0.27%	-	-	-
NRSRO-rated total	78.21%	99.59%	94.02%	99.50%	97.70%
Not rated	21.79%	0.41%	5.98%	-	2.30%
Cash and cash equivalents - not rated	-	-	-	0.50%	-
Total	100.00%	100.00%	100.00%	100.00%	100.00%

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June 30, 2011

The Education Plan

	Total Investments	
	Dreyfus Bond Market Index Fund	Vanguard Intermediate Term Bond Index Fund
AAA	78.16%	57.00%
AA	5.56%	6.30%
A	9.60%	17.60%
BBB	6.68%	19.10%
NRSRO-rated total	100.00%	100.00%

As of June 30, 2011, the duration for the fixed-income Underlying Investments of the Scholar'sEdge Plan are as follows:

Investment Global	2011 (in years)
Oppenheimer Global Strategic Income Fund®	5.03
Oppenheimer Limited-Term Government Fund	2.03
Oppenheimer International Bond Fund	6.01
American Century Diversified Bond Fund	5.08
Mainstay High Yield Corporate Bond Fund	3.60

As of June 30, 2011, the duration for the fixed-income Underlying Investments of the Education Plan are as follows:

Investment	2011 (in years)
Dreyfus Bond Market Index Fund	5.20
Vanguard Intermediate Term Bond Index Fund	6.40

Scholar'sEdge and The Education Plan
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June 30, 2011

6) Net Assets by Capital Units Outstanding

Net assets are summarized by class and capital units outstanding as follows:

	Net Assets	Capital Units Outstanding	Net Asset Value Per Unit
Scholars'Edge			
Class A	\$ 1,101,187,633	48,515,007	\$ 22.70
Class B	169,152,285	7,605,389	\$ 22.24
Class C	<u>341,670,512</u>	16,221,133	\$ 21.06
	<u>\$ 1,612,010,430</u>		
The Education Plan			
Direct Sold Class	<u>\$ 333,393,246</u>	27,371,473	\$ 12.18

Units – Scholar'sEdge

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.

Contributions, Withdrawals, and Distributions – The Education Plan

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.

Scholar'sEdge and The Education Plan
Fiduciary Funds of
Education Trust Board of New Mexico
Notes to Financial Statements
June 30, 2011

7) Settlement with OFI

On December 16, 2009, OFI, certain of its affiliates, 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. In compliance with the terms of the settlement, \$67,310,000 was deposited into a NMETB bank account that is restricted to distribution to plan participants affected by the settlement. As of June 30, 2011 corresponding liabilities are reported by the Plans, since no distributions have yet occurred.

8) Pending Litigation

Since 2009, a number of class action, derivative and individual lawsuits have been pending in federal and state courts against OFI, OFDI and certain Oppenheimer mutual funds advised by OFI and distributed by OFDI (the "Defendant Funds"). Several of these lawsuits also name as defendants certain officers and current and former trustees of the respective Defendant Funds. The lawsuits raise claims under federal and state securities laws and state common law and allege, among other things, that disclosure documents of the respective Defendant Funds contained misrepresentations and omissions and that the respective Defendant Fund's investment policies were not followed.

The plaintiffs in these actions seek unspecified damages, equitable relief and awards of attorneys' fees and litigation expenses.

ETB's management and the Plan management believe that these suits should not impair the ability of OFI or OFDI to perform their respective duties to the Plans, and that the outcome of all of the suits together should not have any material effect on the operations of any of the Oppenheimer mutual funds.

Scholar'sEdge and The Education Plan
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9) Subsequent Events

Scholar'sEdge

Effective August 26, 2011, the OFIPI Baring International Strategy was removed as an Underlying Investment from all Portfolios. The Oppenheimer International Growth Fund and Thornburg International Value Fund were introduced as new Underlying Investments. Beginning on October 28, 2011, Class B Units will no longer be offered by the Plans. Any Contributions for Class B Units received by the program manager after October 28, 2011, will automatically be directed to Class A Units. Current account Owners are permitted to remain in Class B Units.

The Education Plan

As of August 26, 2011 the following Underlying Investments and benchmarks will be modified. The OFIPI Large Cap Core Index Strategy, OFIPI Small Cap Index Strategy, OFIPI International Index Strategy and OFIPI Baring International Strategy will be removed as Underlying Investments, and the Vanguard Extended Market Index and the TIAA-CREF International Equity Index Fund will be introduced as new Underlying Investments.

Effective August 26, 2011, the Dreyfus S&P 500 Index Fund was renamed the Dreyfus BASIC S&P 500 Stock Index Fund.

The Plan has evaluated the need for disclosures and/or adjustments resulting from subsequent events through November 15, 2012, the date the financial statements were available to be issued. Other than the subsequent events above, this evaluation determined that there were no other subsequent events that necessitated disclosures and/or adjustments.

Supplementary Information

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*

State of New Mexico
Education Trust Board of New Mexico
and
Mr. Hector H. Balderas
New Mexico State Auditor

We have audited the financial statements of The Education Trust Board of New Mexico (the “NMETB”) as of and for the year ended June 30, 2011, and have issued our report thereon dated November 15, 2012. We conducted our audit 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 audit, we considered the NMETB’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the NMETB’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the NMETB’s internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and response, we identified certain deficiencies in internal control over financial reporting that we consider to be material weakness and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be a material weakness, 2011-01.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the NMETB financial statements are free of material misstatement, we performed tests of its 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 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 our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*, and is described in the accompanying schedule of findings and responses as 2007-01.

The NMETB's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the NMETB's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management (including the plan manager), The Education Trust Board of New Mexico, others within the entity, and the Office of the State Auditor, the New Mexico 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.

REDW LLC

Phoenix, Arizona
November 15, 2012

Scholar'sEdge and The Education Plan
Fiduciary Funds of
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Schedule of Findings and Responses
For the Year Ended June 30, 2011

A. Findings – Financial Statement Audit

CURRENT-YEAR FINDINGS

Finding No. 2011-01 – Oversight of the Financial Reporting and Internal Controls by Those Charged With Governance—Material Weakness

Condition: Review processes were not in place to ensure outsourced accounting services provided by the plan administrator were consistent with GAAP and fees charged were consistent with fee schedules. This increases the risk of undetected financial reporting errors and/or payment of fees not consistent with related fee schedules.

Criteria: Internal controls should be in place to ensure monitoring and oversight of the outsourced accounting services and the Plan administrator. The NMETB should possess the skills or use the investment committee to understanding the financial statements and supporting schedules, in addition to understanding the responsibilities of and giving instruction to the plan administrator. A system of internal control over financial reporting does not stop at the general ledgers; rather it includes controls over the preparation of the financial statements and supporting schedules, in addition to understanding and interpreting third party accounting services performed as well.

Cause: The NMETB is limited in staff and lacks the position of an Executive Director or external investment consultant for the year-end of FY2011.

Effect: Inefficiencies may cause the financial records and financial statements to be misrepresentative as well as they may allow possible irregularities.

Auditors' Recommendations: We recommend the NMETB develop and implement internal controls over the financial reporting process to facilitate independent review of the Plan administrator and outsourced accounting service provider. Additionally, the NMETB should seek to fill an Executive Director's position and/or investment consultant within the NMETB as soon as practical in order to keep fiscal controls and oversight.

Scholar'sEdge and The Education Plan
Fiduciary Funds of
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Schedule of Findings and Responses
For the Year Ended June 30, 2011

A. Findings – Financial Statement Audit — continued

CURRENT-YEAR FINDINGS — CONTINUED

Finding No. 2011-01 – Oversight of the Financial Reporting and Internal Controls by Those Charged With Governance—Material Weakness — continued

Management's Response: The NMETB concurs with the Auditor's recommendations to develop and implement internal controls over financial reporting process to facilitate the creation of timely and accurate financials.

In December 2011, the NMETB hired Pension Consulting Alliance to serve as NMETB's independent investment consultant. It is the responsibility of the investment consultant to monitor the NMETB's investments and to provide general advice, counsel, and recommendations on investment strategy.

In January 2012, the New Mexico Higher Education Department hired an executive director to administer the program on behalf of the NMETB. The executive director is responsible for the day-to-day administration of the NMETB programs and will supervise the financial activities of the administrative fund.

Scholar'sEdge and The Education Plan
Fiduciary Funds of
Education Trust Board of New Mexico
Summary Schedule of Prior-Year Audit Findings
For the Year Ended June 30, 2011

A. Findings – Financial Statement Audit — continued

PRIOR-YEAR FINDINGS

Finding No. 2007-01 – Late Audit Report (Repeated and Updated)—Significant Deficiency

Condition: We noted an instance in which the annual financial audit report for June 30, 2011, was not delivered to the State Auditor by the December 15, 2011, deadline. The annual financial audit report was received November 15, 2012, by the New Mexico Office of the State Auditor which was after the deadline.

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 Plans and independent auditor to the State Auditor no later than sixty days after the New Mexico Office of the State Auditor receives notification from 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).

Cause: The annual financial audit report for June 30, 2011, was not delivered to the State Auditor by the deadlines primarily due to the late execution of the audit contract between REDW and The NMETB which occurred on November 1, 2011. The annual financial audit report should have been filed with the New Mexico Office of the State Auditor no later than December 15, 2011.

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.

Auditors' Recommendations: We recommend that the Plans design and implement internal controls to ensure that the audit engagement process is preformed timely and that the annual financial audit report is submitted to the New Mexico Office of the State Auditor in compliance with state regulations.

Management's Response: The NMETB concurs with the Auditor's recommendation that the Plans design and implement internal controls to ensure the audit process is performed timely and that the audit report is submitted to the New Mexico Office of the State Auditor in compliance with state regulations.

The NMETB recognizes that timely audits are critical in the effective oversight of its program. The NMETB's executive director is responsible for ensuring the audit process is performed timely and that the annual audit report is submitted to the New Mexico Office of the State Audit in compliance with state regulations.

Scholar'sEdge and The Education Plan
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Summary Schedule of Prior-Year Audit Findings
For the Year Ended June 30, 2011

B. Findings – Financial Statement Audit

2007-01 Late Audit Filing – Repeated and Updated

Scholar'sEdge and The Education Plan
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Exit Conference
For the Year Ended June 30, 2011

Exit Conference

An exit conference was conducted on July 18, 2012, in which the contents of this report were discussed with the following:

Education Trust Board of New Mexico

Dr. Garcia	Chair
Kevin Deiters	Executive Director

OFI Private Investments

Ross Burkstaller	VP, Program Administrator, Oppeneimer Funds, Inc.
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REDW_{LLC}

Mike Allen	Principal
Javier Machuca	Senior Manager
Alan Demir	Senior

Other Supplementary Information

Scholar'sEdge and The Education Plan
Fiduciary Funds of
Education Trust Board of New Mexico
Combining Schedule of Fiduciary Net Assets—Scholar'sEdge
June 30, 2011

	Newborn to Age 5 Years Portfolio	Ages 6-8 Years Portfolio	Ages 9-11 Years Portfolio
Assets			
Investments, at value	\$ 79,408,709	\$ 184,202,133	\$ 227,085,784
Cash	247,180	731,191	311,626
Receivables and other assets			
Receivable for capital shares issued	51,059	145,832	204,176
Receivable for securities sold	144,079	-	78,065
Accrued income	-	27,885	57,679
Other assets	-	-	-
Total assets	<u>79,851,027</u>	<u>185,107,041</u>	<u>227,737,330</u>
Liabilities and Net Assets			
Liabilities			
Cash overdraft	-	-	-
Payables and other liabilities			
Payable for capital shares as redeemed	117,324	187,444	142,963
Payable for securities purchased	-	4,999	57,676
Accrued expenses	35,131	82,135	98,809
Total liabilities	<u>152,455</u>	<u>274,578</u>	<u>299,448</u>
Net assets	<u>\$ 79,698,572</u>	<u>\$ 184,832,463</u>	<u>\$ 227,437,882</u>
Class A			
Net assets	\$ 53,894,029	\$ 127,178,612	\$ 161,877,062
Capital units outstanding (unlimited number authorized)	1,893,365	4,175,135	5,844,201
Net asset value per unit	28.46	30.46	27.70
Public offering price per unit (Net asset value plus sales charge of 4.75%)	29.81	31.91	29.02
Class B			
Net assets	\$ 12,592,927	\$ 29,696,169	\$ 26,628,381
Capital units outstanding (unlimited number authorized)	453,171	998,633	984,600
Net asset value per unit	27.79	29.74	27.04
Class C			
Net assets	\$ 13,211,616	\$ 27,957,682	\$ 38,932,439
Capital units outstanding (unlimited number authorized)	505,012	989,762	1,513,682
Net asset value per unit	26.16	28.25	25.72
Cost	71,200,226	161,529,945	204,942,003

Ages 12-14 Years Portfolio	Ages 15-17 Years Portfolio	Ages 18 Years and Over Portfolio	Aggressive Portfolio	Moderately Aggressive Portfolio
\$ 197,170,402	\$ 200,389,397	\$ 159,653,518	\$ 148,617,823	\$ 112,427,602
798,298	246,370	345,782	165,518	168,208
139,639	117,036	303,023	16,754	14,650
-	65,239	71,065	52,529	601
100,773	179,099	163,522	-	16,971
-	-	-	-	-
<u>198,209,112</u>	<u>200,997,141</u>	<u>160,536,910</u>	<u>148,852,624</u>	<u>112,628,032</u>
-	-	-	-	-
107,061	319,784	152,990	25,916	34,229
213,291	179,050	163,496	-	-
86,213	84,315	61,816	66,039	47,872
<u>406,565</u>	<u>583,149</u>	<u>378,302</u>	<u>91,955</u>	<u>82,101</u>
<u>\$ 197,802,547</u>	<u>\$ 200,413,992</u>	<u>\$ 160,158,608</u>	<u>\$ 148,760,669</u>	<u>\$ 112,545,931</u>
\$ 139,341,684	\$ 136,703,843	\$ 103,175,548	\$ 104,818,136	\$ 76,344,826
5,419,753	11,983,689	4,287,466	3,682,761	2,504,319
25.71	11.41	24.06	28.46	30.49
26.93	11.95	25.20	29.81	31.94
\$ 23,306,496	\$ 21,791,737	\$ 11,888,377	\$ 9,356,720	\$ 7,006,476
928,555	1,956,982	506,003	336,731	235,396
25.10	11.14	23.49	27.79	29.76
\$ 35,154,367	\$ 41,918,412	\$ 45,094,683	\$ 34,585,813	\$ 29,194,629
1,501,028	3,849,161	2,013,428	1,322,307	1,032,880
23.42	10.89	22.40	26.16	28.27
178,561,646	184,234,315	149,525,777	138,995,719	102,138,077

Scholar'sEdge and The Education Plan
Fiduciary Funds of
Education Trust Board of New Mexico
Combining Schedule of Fiduciary Net Assets—Scholar'sEdge
June 30, 2011

	Moderate Portfolio	Conservative Portfolio	Ultra Conservative Portfolio
Assets			
Investments, at value	\$ 80,819,859	\$ 36,850,736	\$ 8,753,645
Cash	244,048	-	57,015
Receivables and other assets			
Receivable for capital shares issued	7,092	5,789	-
Receivable for securities sold	53,920	110,723	-
Accrued income	20,627	18,920	7,715
Other assets	-	-	-
Total assets	<u>81,145,546</u>	<u>36,986,168</u>	<u>8,818,375</u>
Liabilities and Net Assets			
Liabilities			
Cash overdraft	-	19,020	-
Payables and other liabilities			
Payable for capital shares as redeemed	1,000	492	319
Payable for securities purchased	20,626	18,919	7,753
Accrued expenses	<u>32,852</u>	<u>15,426</u>	<u>3,279</u>
Total liabilities	<u>54,478</u>	<u>53,857</u>	<u>11,351</u>
Net assets	<u>\$ 81,091,068</u>	<u>\$ 36,932,311</u>	<u>\$ 8,807,024</u>
Class A			
Net assets	\$ 52,634,410	\$ 24,737,520	\$ 5,464,464
Capital units outstanding (unlimited number authorized)	1,895,856	960,273	480,886
Net asset value per unit	27.76	25.76	11.36
Public offering price per unit (Net asset value plus sales charge of 4.75%)	29.08	26.98	11.90
Class B			
Net assets	\$ 5,976,254	\$ 2,284,368	\$ 765,294
Capital units outstanding (unlimited number authorized)	220,510	90,875	75,296
Net asset value per unit	27.10	25.14	10.16
Class C			
Net assets	\$ 22,480,404	\$ 9,910,423	\$ 2,577,266
Capital units outstanding (unlimited number authorized)	871,918	422,523	238,022
Net asset value per unit	25.78	23.46	10.83
Cost	73,313,545	32,673,977	7,685,716

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School Years Portfolio	Large Cap Growth Portfolio	Large Cap Core Portfolio	Large Cap Value Portfolio	Small - & Mid-Cap Core Portfolio
\$ 14,237,012	\$ 13,515,188	\$ 7,398,233	\$ 9,279,311	\$ 15,102,826
46,361	38,841	26,975	29,653	50,480
398	657	725	281	1,179
15,527	1,011	702	2,484	9,307
14,616	-	-	-	-
-	-	-	-	-
<u>14,313,914</u>	<u>13,555,697</u>	<u>7,426,635</u>	<u>9,311,729</u>	<u>15,163,792</u>
-	-	-	-	-
-	5,848	1,850	1,846	66
14,616	-	-	-	-
<u>5,588</u>	<u>5,577</u>	<u>3,128</u>	<u>3,901</u>	<u>6,194</u>
<u>20,204</u>	<u>11,425</u>	<u>4,978</u>	<u>5,747</u>	<u>6,260</u>
<u>\$ 14,293,710</u>	<u>\$ 13,544,272</u>	<u>\$ 7,421,657</u>	<u>\$ 9,305,982</u>	<u>\$ 15,157,532</u>
\$ 8,957,557	\$ 9,049,276	\$ 5,049,450	\$ 6,241,701	\$ 10,115,106
372,303	274,736	147,431	158,846	198,521
24.06	32.94	34.25	39.29	50.95
25.20	34.50	35.88	41.16	53.37
\$ 694,746	\$ 1,774,863	\$ 982,969	\$ 1,196,234	\$ 1,834,453
29,586	59,051	30,522	32,702	38,587
23.48	30.06	32.20	36.58	47.54
\$ 4,641,407	\$ 2,720,133	\$ 1,389,238	\$ 1,868,047	\$ 3,207,973
207,331	96,345	41,415	52,360	65,938
22.39	28.23	33.54	35.68	48.65
13,064,242	13,244,653	6,825,705	8,881,367	12,433,996

Scholar'sEdge and The Education Plan
Fiduciary Funds of
Education Trust Board of New Mexico
Combining Schedule of Fiduciary Net Assets—Scholar'sEdge
June 30, 2011

	International Equity Portfolio	Intermediate Term Bond Portfolio	Diversified Income Portfolio
Assets			
Investments, at value	\$ 18,162,289	\$ 4,359,085	\$ 23,354,112
Cash	62,532	15,210	121,489
Receivables and other assets			
Receivable for capital shares issued	1,253	246	533
Receivable for securities sold	8,060	-	6,837
Accrued income	-	-	17,414
Other assets	-	-	-
Total assets	<u>18,234,134</u>	<u>4,374,541</u>	<u>23,500,385</u>
Liabilities and Net Assets			
Liabilities			
Cash overdraft	-	-	-
Payables and other liabilities			
Payable for capital shares as redeemed	349	-	-
Payable for securities purchased	-	2,011	-
Accrued expenses	7,899	1,862	10,062
Total liabilities	<u>8,248</u>	<u>3,873</u>	<u>10,062</u>
Net assets	<u>\$ 18,225,886</u>	<u>\$ 4,370,668</u>	<u>\$ 23,490,323</u>
Class A			
Net assets	\$ 11,873,161	\$ 2,966,973	\$ 16,169,027
Capital units outstanding (unlimited number authorized)	291,850	186,515	434,389
Net asset value per unit	40.68	15.91	37.22
Public offering price per unit (Net asset value plus sales charge of 4.75%)	42.61	16.67	38.99
Class B			
Net assets	\$ 2,529,443	\$ 364,192	\$ 2,466,789
Capital units outstanding (unlimited number authorized)	65,238	24,461	69,698
Net asset value per unit	38.77	14.89	35.39
Class C			
Net assets	\$ 3,823,282	\$ 1,039,503	\$ 4,854,507
Capital units outstanding (unlimited number authorized)	94,073	69,578	137,023
Net asset value per unit	40.64	14.94	35.43
Cost	18,915,299	3,957,163	22,390,397

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Short-Term Yield Portfolio	Capital Preservation Portfolio	Total
\$ 24,140,424	\$ 43,524,329	\$ 1,608,452,417
205,981	-	3,912,758
845	47,831	1,058,998
-	-	620,149
1,857	103	627,181
70	-	70
<u>24,349,177</u>	<u>43,572,263</u>	<u>1,614,671,573</u>
-	85,644	104,664
17,641	78,775	1,195,897
1,831	104	684,372
-	18,112	676,210
<u>19,472</u>	<u>182,635</u>	<u>2,661,143</u>
<u>\$ 24,329,705</u>	<u>\$ 43,389,628</u>	<u>\$ 1,612,010,430</u>
\$ 14,552,899	\$ 30,042,349	\$ 1,101,187,633
623,620	2,699,092	48,515,007
23.34	11.13	-
24.45	11.66	-
\$ 1,725,599	\$ 4,289,798	\$ 169,152,285
74,036	394,756	7,605,389
23.31	10.87	-
\$ 8,051,207	\$ 9,057,481	\$ 341,670,512
363,921	833,426	16,221,133
22.12	10.87	-
24,140,424	43,524,329	1,472,178,521

Scholar'sEdge and The Education Plan
Fiduciary Funds of
Education Trust Board of New Mexico
Combining Schedule of Fiduciary Net Assets—The Education Plan
June 30, 2011

	Newborn to Age 5 Years Portfolio	Ages 6-8 Years Portfolio	Ages 9-11 Years Portfolio
Assets			
Investments, at value	\$ 16,993,537	\$ 34,972,192	\$ 49,694,588
Cash	84,475	44,946	226,130
Receivables and other assets			
Receivable for capital shares issued	33,017	130,286	10,171
Receivable for securities sold	21,051	146,024	20,828
Accrued income	-	-	-
Other assets	-	-	-
Total assets	<u>17,132,080</u>	<u>35,293,448</u>	<u>49,951,717</u>
Liabilities and Net Assets			
Liabilities			
Cash overdraft	-	-	-
Payables and other liabilities			
Payable for capital shares as redeemed	123,102	6,523	15,868
Payable for securities purchased	-	-	-
Accrued expenses	108	177	185
Total liabilities	<u>123,210</u>	<u>6,700</u>	<u>16,053</u>
Net assets	<u>\$ 17,008,870</u>	<u>\$ 35,286,748</u>	<u>\$ 49,935,664</u>
Direct sold class			
Net assets	\$ 17,008,870	\$ 35,286,748	\$ 49,935,664
Capital units outstanding (unlimited number authorized)	1,320,250	2,734,136	3,907,185
Net asset value per unit	12.88	12.91	12.78
Cost	13,573,973	28,320,982	40,960,303

Ages 12-14 Years Portfolio	Ages 15-17 Years Portfolio	Ages 18 Years and Over Portfolio	Aggressive Portfolio	Moderately Aggressive Portfolio	Moderate Portfolio
\$ 32,519,151	\$ 24,731,008	\$ 20,561,799	\$ 66,435,528	\$ 25,531,620	\$ 13,557,241
318,945	138,503	111,468	224,966	152,697	140,857
18,635	4,962	52,066	10,738	3,738	1,303
-	-	12,814	3,334	-	-
244	377	620	-	-	-
-	-	-	-	-	-
<u>32,856,975</u>	<u>24,874,850</u>	<u>20,738,767</u>	<u>66,674,566</u>	<u>25,688,055</u>	<u>13,699,401</u>
-	-	-	-	-	-
-	13,516	8,085	1,500	2,416	2,500
59,555	2,473	612	-	1,151	5,501
77	24	10	423	129	50
<u>59,632</u>	<u>16,013</u>	<u>8,707</u>	<u>1,923</u>	<u>3,696</u>	<u>8,051</u>
<u>\$ 32,797,343</u>	<u>\$ 24,858,837</u>	<u>\$ 20,730,060</u>	<u>\$ 66,672,643</u>	<u>\$ 25,684,359</u>	<u>\$ 13,691,350</u>
\$ 32,797,343	\$ 24,858,837	\$ 20,730,060	\$ 66,672,643	\$ 25,684,359	\$ 13,691,350
2,895,633	2,446,301	1,798,544	5,167,415	1,959,736	1,068,187
11.33	10.16	11.53	12.90	13.11	12.82
28,359,522	22,131,698	18,988,163	54,883,575	21,215,162	11,016,979

Scholar'sEdge and The Education Plan
Fiduciary Funds of
Education Trust Board of New Mexico
Combining Schedule of Fiduciary Net Assets—The Education Plan
June 30, 2011

	Conservative Portfolio	Ultra Conservative Portfolio	School Years Portfolio
Assets			
Investments, at value	\$ 7,725,311	\$ 3,555,467	\$ 6,729,999
Cash	79,522	25,787	68,569
Receivables and other assets			
Receivable for capital shares issued	681	136	141
Receivable for securities sold	-	-	92
Accrued income	59	54	208
Other assets	-	-	-
Total assets	<u>7,805,573</u>	<u>3,581,444</u>	<u>6,799,009</u>
Liabilities and Net Assets			
Liabilities			
Cash overdraft	-	-	-
Payables and other liabilities			
Payable for capital shares as redeemed	-	-	-
Payable for securities purchased	2,106	853	205
Accrued expenses	18	3	3
Total liabilities	<u>2,124</u>	<u>856</u>	<u>208</u>
Net assets	<u>\$ 7,803,449</u>	<u>\$ 3,580,588</u>	<u>\$ 6,798,801</u>
Direct sold class			
Net assets	\$ 7,803,449	\$ 3,580,588	\$ 6,798,801
Capital units outstanding (unlimited number authorized)	677,702	353,269	587,655
Net asset value per unit	11.51	10.14	11.57
Cost	6,389,108	3,111,890	6,166,025

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Short-Term Yield 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
\$ 10,615,039	\$ 998,836	\$ 1,472,221	\$ 1,603,240	\$ 1,591,150	\$ 453,887
106,854	51,869	14,978	16,020	15,979	1,136
11,539	3,249	-	2,540	2,500	-
-	-	-	-	-	-
813	-	482	1,104	1,426	560
31	-	-	-	-	-
<u>10,734,276</u>	<u>1,053,954</u>	<u>1,487,681</u>	<u>1,622,904</u>	<u>1,611,055</u>	<u>455,583</u>
-	-	-	-	-	-
4,000	-	-	-	-	-
802	515	832	1,104	1,426	560
-	2	2	2	1	-
<u>4,802</u>	<u>517</u>	<u>834</u>	<u>1,106</u>	<u>1,427</u>	<u>560</u>
<u>\$ 10,729,474</u>	<u>\$ 1,053,437</u>	<u>\$ 1,486,847</u>	<u>\$ 1,621,798</u>	<u>\$ 1,609,628</u>	<u>\$ 455,023</u>
\$ 10,729,474	\$ 1,053,437	\$ 1,486,847	\$ 1,621,798	\$ 1,609,628	\$ 455,023
856,177	93,615	131,052	143,781	145,139	41,974
12.53	11.25	11.35	11.28	11.09	10.84
10,615,039	917,736	1,351,103	1,486,740	1,510,163	439,626

Scholar'sEdge and The Education Plan
Fiduciary Funds of
Education Trust Board of New Mexico
Combining Schedule of Fiduciary Net Assets—The Education Plan
June 30, 2011

	Ages 18 Years and Over Index Portfolio	Aggressive Index Portfolio	Moderately Aggressive Index Portfolio
	<u> </u>	<u> </u>	<u> </u>
Assets			
Investments, at value	\$ 432,223	\$ 2,734,635	\$ 2,221,112
Cash	9,352	25,944	-
Receivables and other assets			
Receivable for capital shares issued	-	1,353	30
Receivable for securities sold	-	-	-
Accrued income	637	-	720
Other assets	-	-	-
Total assets	<u>442,212</u>	<u>2,761,932</u>	<u>2,221,862</u>
Liabilities and Net Assets			
Liabilities			
Cash overdraft	-	-	606
Payables and other liabilities			
Payable for capital shares as redeemed	-	-	-
Payable for securities purchased	861	60	720
Accrued expenses	-	4	3
Total liabilities	<u>861</u>	<u>64</u>	<u>1,329</u>
Net assets	<u>\$ 441,351</u>	<u>\$ 2,761,868</u>	<u>\$ 2,220,533</u>
Direct sold class			
Net assets	\$ 441,351	\$ 2,761,868	\$ 2,220,533
Capital units outstanding (unlimited number authorized)	41,475	243,152	195,735
Net asset value per unit	10.64	11.36	11.34
Cost	426,843	2,529,904	2,008,551

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Moderate Index Portfolio	Conservative Index Portfolio	Ultra Conservative Index Portfolio	School Years Index Portfolio	Total
\$ 1,799,702	\$ 945,782	\$ 2,352,608	\$ 1,027,255	\$ 331,255,131
3,018	7,438	23,452	6,170	1,899,075
10	5	5	5	287,110
-	-	-	-	204,143
1,176	939	3,005	1,477	13,901
-	-	-	-	31
<u>1,803,906</u>	<u>954,164</u>	<u>2,379,070</u>	<u>1,034,907</u>	<u>333,659,391</u>
-	-	-	-	606
-	-	-	-	177,510
1,375	1,232	3,266	1,597	86,806
2	-	-	-	1,223
<u>1,377</u>	<u>1,232</u>	<u>3,266</u>	<u>1,597</u>	<u>266,145</u>
<u>\$ 1,802,529</u>	<u>\$ 952,932</u>	<u>\$ 2,375,804</u>	<u>\$ 1,033,310</u>	<u>\$ 333,393,246</u>
\$ 1,802,529	\$ 952,932	\$ 2,375,804	\$ 1,033,310	\$ 333,393,246
161,300	86,041	218,733	97,286	27,371,473
11.18	11.08	10.86	10.62	-
1,682,348	893,061	2,276,334	1,006,528	282,261,356

Scholar'sEdge and The Education Plan
Fiduciary Funds of
Education Trust Board of New Mexico
Combining Schedule of Changes in Fiduciary Net Assets—Scholar'sEdge
June 30, 2011

	Newborn to Age 5 Years Portfolio	Ages 6-8 Years Portfolio	Ages 9-11 Years Portfolio
Additions			
Subscriptions	\$ 19,948,842	\$ 66,448,585	\$ 105,408,801
Investment income			
Dividend income from underlying investments	373,770	3,087,366	2,285,345
Interest	305	664	587
Less expenses			
Distribution fees	419,000	933,866	958,303
Management fees	235,094	463,063	419,884
State administrative fees	84,089	189,693	200,990
Expense reimbursement	-	-	-
Net investment income	(364,108)	1,501,408	706,755
Capital gains (losses) from underlying investment	(3,251,839)	(3,826,885)	(1,594,151)
Net increase (decrease) in change in fair value of investments	<u>25,240,187</u>	<u>46,012,999</u>	<u>35,855,757</u>
Total additions	<u>41,573,082</u>	<u>110,136,107</u>	<u>140,377,162</u>
Deductions			
Redemptions	<u>(42,872,690)</u>	<u>(99,522,781)</u>	<u>(80,526,049)</u>
Change in net assets	<u>(1,299,608)</u>	<u>10,613,326</u>	<u>59,851,113</u>
Net Assets			
Net assets, beginning of year	<u>80,998,180</u>	<u>174,219,137</u>	<u>167,586,769</u>
Net assets, end of year	<u>\$ 79,698,572</u>	<u>\$ 184,832,463</u>	<u>\$ 227,437,882</u>

Ages 12-14 Years Portfolio	Ages 15-17 Years Portfolio	Ages 18 Years and Over Portfolio	Aggressive Portfolio	Moderately Aggressive Portfolio
\$ 88,274,459	\$ 90,417,351	\$ 72,874,426	\$ 15,557,569	\$ 14,980,215
2,555,022	3,258,252	2,640,073	617,078	1,713,593
644	550	441	398	287
903,475	948,236	750,246	665,287	525,071
313,395	276,509	141,910	390,014	257,635
186,061	189,396	141,910	139,362	105,441
-	-	-	-	-
1,152,735	1,844,661	1,606,448	(577,187)	825,733
(1,504,141)	(1,226,519)	(416,601)	(2,028,406)	(1,250,950)
25,219,469	15,105,432	6,893,534	37,118,305	24,061,363
<u>113,142,522</u>	<u>106,140,925</u>	<u>80,957,807</u>	<u>50,070,281</u>	<u>38,616,361</u>
(84,174,134)	(78,419,265)	(54,967,348)	(21,034,420)	(17,143,135)
<u>28,968,388</u>	<u>27,721,660</u>	<u>25,990,459</u>	<u>29,035,861</u>	<u>21,473,226</u>
168,834,159	172,692,332	134,168,149	119,724,808	91,072,705
<u>\$ 197,802,547</u>	<u>\$ 200,413,992</u>	<u>\$ 160,158,608</u>	<u>\$ 148,760,669</u>	<u>\$ 112,545,931</u>

Scholar'sEdge and The Education Plan
Fiduciary Funds of
Education Trust Board of New Mexico
Combining Schedule of Changes in Fiduciary Net Assets—Scholar'sEdge
June 30, 2011

	Moderate Portfolio	Conservative Portfolio	Ultra Conservative Portfolio
Additions			
Subscriptions	\$ 13,069,249	\$ 6,807,164	\$ 2,521,706
Investment income			
Dividend income from underlying investments	868,578	487,476	140,669
Interest	249	111	43
Less expenses			
Distribution fees	392,724	179,346	44,794
Management fees	159,667	59,801	11,953
State administrative fees	76,448	35,487	8,201
Expense reimbursement	-	-	-
Net investment income	239,988	212,953	75,764
Capital gains (losses) from underlying investment	(768,725)	(340,211)	30,589
Net increase (decrease) in change in fair value of investments	<u>14,121,808</u>	<u>4,899,794</u>	<u>561,937</u>
Total additions	<u>26,662,320</u>	<u>11,579,700</u>	<u>3,189,996</u>
Deductions			
Redemptions	<u>(14,380,983)</u>	<u>(7,614,421)</u>	<u>(1,791,274)</u>
Change in net assets	<u>12,281,337</u>	<u>3,965,279</u>	<u>1,398,722</u>
Net Assets			
Net assets, beginning of year	<u>68,809,731</u>	<u>32,967,032</u>	<u>7,408,302</u>
Net assets, end of year	<u>\$ 81,091,068</u>	<u>\$ 36,932,311</u>	<u>\$ 8,807,024</u>

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School Years Portfolio	Large Cap Growth Portfolio	Large Cap Core Portfolio	Large Cap Value Portfolio	Small Cap Core Portfolio
\$ 2,276,774	\$ 1,842,046	\$ 1,305,459	\$ 1,481,343	\$ 2,643,814
265,182	-	68,626	94,459	46,313
61	52	22	40	56
76,393	64,798	32,998	42,658	66,226
14,320	12,696	6,596	8,461	13,154
14,320	12,696	6,596	8,461	13,154
-	-	-	-	-
160,210	(90,138)	22,458	34,919	(46,165)
18,974	(266,547)	(55,749)	(161,967)	(47,313)
659,759	3,537,670	1,591,424	2,325,029	3,751,589
3,115,717	5,023,031	2,863,592	3,679,324	6,301,925
(3,475,063)	(2,543,071)	(836,062)	(1,451,360)	(2,023,947)
(359,346)	2,479,960	2,027,530	2,227,964	4,277,978
14,653,056	11,064,312	5,394,127	7,078,018	10,879,554
\$ 14,293,710	\$ 13,544,272	\$ 7,421,657	\$ 9,305,982	\$ 15,157,532

Scholar'sEdge and The Education Plan
Fiduciary Funds of
Education Trust Board of New Mexico
Combining Schedule of Changes in Fiduciary Net Assets—Scholar'sEdge
June 30, 2011

	International Equity Portfolio	Intermediate Term Bond Portfolio	Diversified Income Portfolio
Additions			
Subscriptions	\$ 2,520,544	\$ 1,493,776	\$ 4,797,535
Investment income			
Dividend income from underlying investments	-	-	1,419,885
Interest	73	21	96
Less expenses			
Distribution fees	91,432	20,275	108,872
Management fees	175,683	4,063	22,240
State administrative fees	17,624	4,063	22,240
Expense reimbursement	-	-	-
Net investment income	(284,666)	(28,380)	1,266,629
Capital gains (losses) from underlying investment	(417,697)	(1,268)	(20,952)
Net increase (decrease) in change in fair value of investments	<u>4,485,276</u>	<u>143,249</u>	<u>1,480,097</u>
Total additions	<u>6,303,457</u>	<u>1,607,377</u>	<u>7,523,309</u>
Deductions			
Redemptions	<u>(3,432,553)</u>	<u>(699,208)</u>	<u>(3,867,673)</u>
Change in net assets	<u>2,870,904</u>	<u>908,169</u>	<u>3,655,636</u>
Net Assets			
Net assets, beginning of year	<u>15,354,982</u>	<u>3,462,499</u>	<u>19,834,687</u>
Net assets, end of year	<u>\$ 18,225,886</u>	<u>\$ 4,370,668</u>	<u>\$ 23,490,323</u>

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Short-Term Yield Portfolio	Capital Preservation Portfolio	Total
\$ 6,119,792	\$ 11,334,420	\$ 532,123,870
42,967	1,490,957	21,455,611
115	90	4,905
-	211,911	7,435,911
26,268	42,252	3,054,658
26,268	42,252	1,524,752
(11,943)	-	(11,943)
<u>2,489</u>	<u>1,194,632</u>	<u>9,457,138</u>
-	-	(17,130,358)
-	-	<u>253,064,678</u>
<u>6,122,281</u>	<u>12,529,052</u>	<u>777,515,328</u>
<u>(11,580,072)</u>	<u>(11,086,951)</u>	<u>(543,442,460)</u>
<u>(5,457,791)</u>	<u>1,442,101</u>	<u>234,072,868</u>
<u>29,787,496</u>	<u>41,947,527</u>	<u>1,377,937,562</u>
<u>\$ 24,329,705</u>	<u>\$ 43,389,628</u>	<u>\$ 1,612,010,430</u>

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	Newborn to Age 5 Years Portfolio	Ages 6-8 Years Portfolio	Ages 9-11 Years Portfolio
Additions			
Subscriptions	\$ 4,280,986	\$ 12,424,588	\$ 18,547,119
Investment income			
Dividend income from underlying investments	37,199	57,986	55,499
Interest	92	153	169
Less expenses			
Management fees	60,848	100,554	108,289
State administrative fees	18,304	35,125	45,282
Expense reimbursement	-	-	-
Net investment income	<u>(41,861)</u>	<u>(77,540)</u>	<u>(97,903)</u>
Capital gains (losses) from underlying investment	(363,690)	(181,263)	36,218
Net increase (decrease) in change in fair value of investments	<u>5,407,638</u>	<u>8,104,642</u>	<u>7,868,293</u>
Total additions	<u>9,283,073</u>	<u>20,270,427</u>	<u>26,353,727</u>
Deductions			
Redemptions	<u>(9,462,946)</u>	<u>(16,928,617)</u>	<u>(13,973,754)</u>
Change in net assets	<u>(179,873)</u>	<u>3,341,810</u>	<u>12,379,973</u>
Net Assets			
Net assets, beginning of year	<u>17,188,743</u>	<u>31,944,938</u>	<u>37,555,691</u>
Net assets, end of year	<u>\$ 17,008,870</u>	<u>\$ 35,286,748</u>	<u>\$ 49,935,664</u>

Ages 12-14 Years Portfolio	Ages 15-17 Years Portfolio	Ages 18 Years and Over Portfolio	Aggressive Portfolio	Moderately Aggressive Portfolio	Moderate Portfolio
\$ 14,548,962	\$ 12,003,595	\$ 9,546,740	\$ 6,830,695	\$ 3,993,991	\$ 1,941,204
30,408	17,235	16,777	124,830	36,478	16,360
134	105	72	225	103	61
55,579	30,215	22,391	206,055	66,515	31,803
29,306	22,091	18,894	61,860	23,255	13,315
-	-	-	-	-	-
(54,343)	(34,966)	(24,436)	(142,860)	(53,189)	(28,697)
47,085	(9,816)	18,634	(59,828)	(16,953)	67,569
<u>3,639,462</u>	<u>1,619,707</u>	<u>800,334</u>	<u>16,422,047</u>	<u>5,119,241</u>	<u>2,325,910</u>
<u>18,181,166</u>	<u>13,578,520</u>	<u>10,341,272</u>	<u>23,050,054</u>	<u>9,043,090</u>	<u>4,305,986</u>
(10,495,946)	(8,565,192)	(7,741,726)	(7,902,978)	(3,536,794)	(3,043,049)
<u>7,685,220</u>	<u>5,013,328</u>	<u>2,599,546</u>	<u>15,147,076</u>	<u>5,506,296</u>	<u>1,262,937</u>
<u>25,112,123</u>	<u>19,845,509</u>	<u>18,130,514</u>	<u>51,525,567</u>	<u>20,178,063</u>	<u>12,428,413</u>
<u>\$ 32,797,343</u>	<u>\$ 24,858,837</u>	<u>\$ 20,730,060</u>	<u>\$ 66,672,643</u>	<u>\$ 25,684,359</u>	<u>\$ 13,691,350</u>

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	Conservative Portfolio	Ultra Conservative Portfolio	School Years Portfolio
Additions			
Subscriptions	\$ 1,574,475	\$ 1,165,416	\$ 1,443,160
Investment income			
Dividend income from underlying investments	7,909	2,863	6,309
Interest	41	13	37
Less expenses			
Management fees	14,424	4,708	8,470
State administrative fees	7,607	3,441	7,149
Expense reimbursement	-	-	-
Net investment income	<u>(14,081)</u>	<u>(5,273)</u>	<u>(9,273)</u>
Capital gains (losses) from underlying investment	52,429	40,718	53,345
Net increase (decrease) in change in fair value of investments	<u>935,639</u>	<u>216,073</u>	<u>270,755</u>
Total additions	<u>2,548,462</u>	<u>1,416,934</u>	<u>1,757,987</u>
Deductions			
Redemptions	<u>(2,283,057)</u>	<u>(1,248,753)</u>	<u>(2,575,226)</u>
Change in net assets	<u>265,405</u>	<u>168,181</u>	<u>(817,239)</u>
Net Assets			
Net assets, beginning of year	<u>7,538,044</u>	<u>3,412,407</u>	<u>7,616,040</u>
Net assets, end of year	<u><u>\$ 7,803,449</u></u>	<u><u>\$ 3,580,588</u></u>	<u><u>\$ 6,798,801</u></u>

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Short-Term Yield 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
\$ 3,864,913	\$ 820,500	\$ 905,154	\$ 1,102,723	\$ 1,040,540	\$ 403,987
18,497	6,027	11,680	15,935	16,610	5,305
70	2	3	3	3	-
11,396	987	1,459	1,567	1,284	337
11,396	309	492	575	523	146
(5,068)	-	-	-	-	-
843	4,733	9,732	13,796	14,806	4,822
-	(4,366)	(8,919)	(6,331)	1,694	(1,015)
-	130,321	189,350	173,741	101,405	14,740
<u>3,865,756</u>	<u>951,188</u>	<u>1,095,317</u>	<u>1,283,929</u>	<u>1,158,445</u>	<u>422,534</u>
(5,600,614)	(228,231)	(289,191)	(478,596)	(106,428)	(109,421)
<u>(1,734,858)</u>	<u>722,957</u>	<u>806,126</u>	<u>805,333</u>	<u>1,052,017</u>	<u>313,113</u>
12,464,332	330,480	680,721	816,465	557,611	141,910
<u>\$ 10,729,474</u>	<u>\$ 1,053,437</u>	<u>\$ 1,486,847</u>	<u>\$ 1,621,798</u>	<u>\$ 1,609,628</u>	<u>\$ 455,023</u>

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	Ages 18 Years and Over Index Portfolio	Aggressive Index Portfolio	Moderately Aggressive Index Portfolio
Additions			
Subscriptions	\$ 460,279	\$ 1,825,800	\$ 1,316,524
Investment income			
Dividend income from underlying investments	4,049	16,278	18,117
Interest	-	6	6
Less expenses			
Management fees	218	2,614	2,281
State administrative fees	106	817	771
Expense reimbursement	-	-	-
Net investment income	<u>3,725</u>	<u>12,853</u>	<u>15,071</u>
Capital gains (losses) from underlying investment	(104)	(1,907)	1,342
Net increase (decrease) in change in fair value of investments	<u>5,242</u>	<u>311,525</u>	<u>254,243</u>
Total additions	<u>469,142</u>	<u>2,148,271</u>	<u>1,587,180</u>
Deductions			
Redemptions	<u>(64,943)</u>	<u>(107,459)</u>	<u>(80,769)</u>
Change in net assets	<u>404,199</u>	<u>2,040,812</u>	<u>1,506,411</u>
Net Assets			
Net assets, beginning of year	<u>37,152</u>	<u>721,056</u>	<u>714,122</u>
Net assets, end of year	<u><u>\$ 441,351</u></u>	<u><u>\$ 2,761,868</u></u>	<u><u>\$ 2,220,533</u></u>

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Moderate Index Portfolio	Conservative Index Portfolio	Ultra Conservative Index Portfolio	School Years Index Portfolio	Total
\$ 1,025,154	\$ 740,339	\$ 1,618,803	\$ 925,457	\$ 104,351,104
17,137	11,167	27,513	13,295	591,463
3	3	10	5	1,319
1,706	849	1,762	721	737,032
626	346	765	350	302,851
-	-	-	-	(5,068)
<u>14,808</u>	<u>9,975</u>	<u>24,996</u>	<u>12,229</u>	<u>(442,033)</u>
(732)	265	3,681	(695)	(332,639)
<u>166,622</u>	<u>64,087</u>	<u>80,937</u>	<u>19,852</u>	<u>54,241,806</u>
<u>1,205,852</u>	<u>814,666</u>	<u>1,728,417</u>	<u>956,843</u>	<u>157,818,238</u>
<u>(60,294)</u>	<u>(144,910)</u>	<u>(89,745)</u>	<u>(195,614)</u>	<u>(95,314,253)</u>
<u>1,145,558</u>	<u>669,756</u>	<u>1,638,672</u>	<u>761,229</u>	<u>62,503,985</u>
<u>656,971</u>	<u>283,176</u>	<u>737,132</u>	<u>272,081</u>	<u>270,889,261</u>
<u>\$ 1,802,529</u>	<u>\$ 952,932</u>	<u>\$ 2,375,804</u>	<u>\$ 1,033,310</u>	<u>\$ 333,393,246</u>

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FUND PERFORMANCE SUMMARY—BY PORTFOLIO

Scholar'sEdge (Advisor Sold)

The table below presents the Annual Total Returns for each Portfolio in the New Mexico Scholar'sEdge Savings Program for the twelve month period ending June 30, 2011.

	A Unit Returns (%)	B Unit Returns (%)	C Unit Returns (%)	Benchmark (%)
Newborn to Age 5 Years Portfolio	29.78	28.78	28.80	33.25
Ages 6-8 Years Portfolio	26.55	25.65	25.61	27.05
Ages 9-11 Years Portfolio	20.49	19.54	19.57	22.71
Ages 12-14 Years Portfolio	15.03	14.14	14.13	16.27
Ages 15-17 Years Portfolio	9.19	8.37	8.36	9.68
Ages 18 Years and Over Portfolio	6.32	5.53	5.56	6.50
Aggressive Portfolio	29.84	28.90	28.87	33.25
Moderately Aggressive Portfolio	26.62	25.62	25.64	27.05
Moderate Portfolio	20.43	19.54	19.52	22.71
Conservative Portfolio	15.00	14.17	14.16	16.27
Ultra Conservative Portfolio	9.13	8.32	8.30	9.68
School Years Portfolio	6.32	5.53	5.56	6.50
Large Cap Growth Portfolio	30.20	29.23	29.20	35.01
Large Cap Core Portfolio	29.25	28.29	28.26	30.69
Large Cap Value Portfolio	32.16	31.16	31.18	28.94
Small- & Mid-Cap Core Portfolio	34.36	33.35	33.36	39.28
International Equity Portfolio	25.44	24.50	24.51	30.93
Intermediate Term Bond Portfolio	3.18	2.41	2.40	3.90
Diversified Income Portfolio	13.65	12.82	12.83	3.90
Short-Term Yield Portfolio	0.04	0.00	0.00	0.10
Capital Preservation Portfolio	3.15	2.35	2.35	n/a

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The benchmarks for the Scholar'sEdge Portfolios are based on a blend of benchmarks to each Underlying Investment, as follows:

Oppenheimer Capital Appreciation Fund	Russell 1000 Growth Index
Oppenheimer Value Fund	Russell 1000 Value Index
Mainstay MAP Fund	Russell 3000 Index
Invesco Mid Cap Core Equity Fund®	Russell Midcap Index
Oppenheimer Main Street Small- & Mid-Cap Fund® ¹	Russell 2500 Index
OFIPI Baring International Strategy	MSCI EAFE Index
American Century Diversified Bond Fund	Barclays Capital US Aggregate Bond Index
Oppenheimer International Bond Fund	Citigroup World Government Bond Index ex U.S.
Oppenheimer Limited-Term Government Fund	Barclays Capital U.S. Government 1-3 Year Bond Index
Oppenheimer Global Strategic Income Fund®	Barclays Capital U.S. Aggregate Bond Index
Mainstay High Yield Corporate Bond Fund	Credit Suisse High Yield Index
Oppenheimer Institutional Money Market Fund	iMoneyNet First Tier Institutional Money Market Index

¹Effective November 1, 2010, the Oppenheimer Main Street Small Cap Fund® was renamed the Oppenheimer Main Street Small- & Mid- Cap Fund®.

PORTFOLIO REVIEWS – SCHOLAR'SEDGE (ADVISOR SOLD)

Newborn to Age 5 Years Portfolio

For the 12-month reporting period ended June 30, 2011, the Portfolio's Class A Units (without sales charge) returned 29.78% and underperformed its blended benchmark, which returned 33.25%.

In general, it was a very strong reporting period for U.S. equities. The Portfolio's largest allocations during the period were to Oppenheimer Capital Appreciation Fund and Oppenheimer Value Fund, each with allocations of 25%. Oppenheimer Capital Appreciation Fund returned 30.87% for the period. Its benchmark, the Russell 1000 Growth Index, had stronger results, producing a return of 35.01%. Oppenheimer Value Fund returned 32.96% during the period, outperforming the Russell 1000 Value Index, which returned 28.94%. The Portfolio had a 12% allocation to Oppenheimer Main Street Small- & Mid- Cap Fund®, which had a solid return of 35.14%. It underperformed the Russell 2500 Index, which returned 39.28%. MainStay MAP Fund returned 29.90%, underperforming the Russell 3000 Index, which returned 32.37%. MainStay MAP Fund represented a 10% Portfolio allocation. 8% of the Portfolio's assets were allocated to Invesco Mid Cap Core Equity Fund, which returned 25.39%. By comparison, its benchmark, the Russell Mid Cap Index, returned 38.47%.

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International focused equity investments also fared well during the period. OFIPI Baring International Strategy, with a 20% allocation in the Portfolio, returned 27.20%. It underperformed its benchmark, the MSCI EAFE Index, which returned 30.93%.

Ages 6-8 Years Portfolio

For the 12-month reporting period ended June 30, 2011, the Portfolio's Class A Units (without sales charge) returned 26.55%, underperforming its benchmark, which returned 27.05%.

In general, it was a very strong reporting period for U.S. equities. The Portfolio's largest equity allocations during the period were to Oppenheimer Capital Appreciation Fund and Oppenheimer Value Fund, each with allocations of 20%. Oppenheimer Capital Appreciation Fund returned 30.87% for the period. Its benchmark, the Russell 1000 Growth Index, had stronger results, producing a return of 35.01%. Oppenheimer Value Fund returned 32.96% during the period, outperforming the Russell 1000 Value Index, which returned 28.94%. The Portfolio had a 10% allocation to Oppenheimer Main Street Small- & Mid- Cap Fund®, which had a solid return of 35.14%. It underperformed the Russell 2500 Index, which returned 39.28%. MainStay MAP Fund returned 29.90%, underperforming the Russell 3000 Index, which returned 32.37%. MainStay MAP Fund represented an 8% Portfolio allocation. 6% of the Portfolio's assets were allocated to Invesco Mid Cap Core Equity Fund, which returned 25.39%. By comparison, its benchmark, the Russell Mid Cap Index, returned 38.47%.

International focused equity investments also fared well during the period. OFIPI Baring International Strategy, with a 16% allocation in the Portfolio, returned 27.20%. It underperformed its benchmark, the MSCI EAFE Index, which returned 30.93%.

In terms of the Portfolio's fixed-income allocation, 20% was allocated to Oppenheimer Global Strategic Income Fund. This underlying fund returned 14.23%, significantly outperforming its benchmark, the Barclays Capital U.S. Aggregate Bond Index, which returned 3.90%. The underlying fund outperformed primarily due to its exposure to emerging market bonds, as well as its investments in U.S. mortgage backed securities. By comparison, most domestic fixed-income asset classes, particularly more defensive types of securities, performed much more modestly for the underlying fund's benchmark during the period.

Ages 9-11 Years Portfolio

For the 12-month reporting period ended June 30, 2011, the Portfolio's Class A Units (without sales charge) returned 20.49%, underperforming its benchmark, which returned 22.71%.

In general, it was a very strong reporting period for U.S. equities. The Portfolio's largest equity allocations during the period were to Oppenheimer Capital Appreciation Fund and Oppenheimer Value Fund, each with allocations of 15%. Oppenheimer Capital Appreciation Fund returned 30.87% for the period. Its benchmark, the Russell 1000 Growth Index, had stronger results, producing a return of 35.01%. Oppenheimer Value Fund returned 32.96% during the period,

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outperforming the Russell 1000 Value Index, which returned 28.94%. The Portfolio had an 8% allocation to Oppenheimer Main Street Small- & Mid- Cap Fund®, which had a solid return of 35.14%. It underperformed the Russell 2500 Index, which returned 39.28%. MainStay MAP Fund returned 29.90%, underperforming the Russell 3000 Index, which returned 32.37%. MainStay MAP Fund represented a 6% Portfolio allocation. 4% of the Portfolio's assets were allocated to Invesco Mid Cap Core Equity Fund, which returned 25.39%. By comparison, its benchmark, the Russell Mid Cap Index, returned 38.47%.

International focused equity investments also fared well during the period. OFIPI Baring International Strategy, with a 12% allocation in the Portfolio, returned 27.20%. It underperformed its benchmark, the MSCI EAFE Index, which returned 30.93%.

Most domestic fixed-income asset classes, particularly more defensive types of securities, performed modestly this period. The Portfolio's 25% allocation to American Century Diversified Bond Fund returned 3.92% during the period, as the market favored equities and certain higher-yielding fixed-income securities, including international fixed-income securities. Its benchmark, the Barclays Capital U.S. Aggregate Bond Index, produced a return of 3.90%. The Portfolio also had 7.5% allocations to both MainStay High Yield Corporate Bond Fund and Oppenheimer International Bond Fund, both of which had exposure to the stronger performing areas of the overall bond market. MainStay High Yield Corporate Bond Fund returned 12.58%, underperforming its benchmark, the Credit Suisse High Yield Index, which returned 14.58%. Oppenheimer International Bond Fund returned 14.30%, outperforming the Citi World Government Bond Index ex.-U.S., which returned 13.93%.

Ages 12-14 Years Portfolio

For the 12-month reporting period ended June 30, 2011, the Portfolio's Class A Units (without sales charge) returned 15.03%, underperforming its benchmark, which returned 16.27%.

In general, it was a very strong reporting period for U.S. equities. The Portfolio's largest equity allocations during the period were to Oppenheimer Capital Appreciation Fund and Oppenheimer Value Fund, each with allocations of 10%. Oppenheimer Capital Appreciation Fund returned 30.87% for the period. Its benchmark, the Russell 1000 Growth Index, had stronger results, producing a return of 35.01%. Oppenheimer Value Fund returned 32.96% during the period, outperforming the Russell 1000 Value Index, which returned 28.94%. The Portfolio had a 7.5% allocation to Oppenheimer Main Street Small- & Mid-Cap Fund®, which had a solid return of 35.14%. It underperformed the Russell 2500 Index, which returned 39.28%. MainStay MAP Fund returned 29.90%, underperforming the Russell 3000 Index, which returned 32.37%. MainStay MAP Fund represented a 5% Portfolio allocation.

International focused equity investments also fared well during the period. OFIPI Baring International Strategy, with a 7.5% allocation in the Portfolio, returned 27.20%. It underperformed its benchmark, the MSCI EAFE Index, which returned 30.93%.

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Most domestic fixed-income asset classes, particularly more defensive types of securities, performed modestly this period. The Portfolio's 30% allocation to American Century Diversified Bond Fund returned 3.92% during the period, as the market favored equities and certain higher-yielding fixed-income securities, including international fixed-income securities. Its benchmark, the Barclays Capital U.S. Aggregate Bond Index, produced a return of 3.90%. The Portfolio also had 7.5% allocations to both MainStay High Yield Corporate Bond Fund and Oppenheimer International Bond Fund, both of which had exposure to the stronger performing areas of the overall bond market. MainStay High Yield Corporate Bond Fund returned 12.58%, underperforming its benchmark, the Credit Suisse High Yield Index, which returned 14.58%.

Oppenheimer International Bond Fund returned 14.30%, outperforming the Citi World Government Bond Index ex.-U.S., which returned 13.93%. Oppenheimer Limited-Term Government Fund, which represented a 10% allocation in the Portfolio, returned 2.80%. By comparison, its benchmark, the Barclays Capital U.S. Government 1-3 Year Bond Index, returned 1.38%. This underlying fund outperformed its benchmark as it had more exposure to higher-yielding sectors of the domestic bond market than did its benchmark, which had more exposure to defensive sectors that performed less well.

Oppenheimer Institutional Money Market Fund had a 5% allocation in the Portfolio and produced a return of 0.16%, while the iMoneyNet First Tier Institutional Money Market Index returned 0.08%. Performance of money market instruments remained under pressure from a historic low interest rate environment, as the Federal Reserve continued to keep the federal funds rate at between 0% and 0.25%.

Ages 15-17 Years Portfolio

For the 12-month reporting period ended June 30, 2011, the Portfolio's Class A Units (without sales charge) returned 9.19%, underperforming its benchmark, which returned 9.68%.

Most domestic fixed-income asset classes, particularly more defensive types of securities, performed modestly this period. The Portfolio's 30% allocation to American Century Diversified Bond Fund returned 3.92% during the period, as the market favored equities and certain higher-yielding fixed-income securities, including international fixed-income securities. Its benchmark, the Barclays Capital U.S. Aggregate Bond Index, produced a return of 3.90%. Oppenheimer Limited-Term Government Fund, which represented a 25% allocation in the Portfolio, returned 2.80%. By comparison, its benchmark, the Barclays Capital U.S. Government 1-3 Year Bond Index, returned 1.38%. This underlying fund outperformed its benchmark as it had more exposure to higher-yielding sectors of the domestic bond market than did its benchmark, which had more exposure to defensive sectors that performed less well. The Portfolio also had 7.5% allocations to both MainStay High Yield Corporate Bond Fund and Oppenheimer International Bond Fund, both of which had exposure to the stronger performing areas of the overall bond market. MainStay High Yield Corporate Bond Fund returned 12.58%, underperforming its benchmark, the Credit Suisse High Yield Index, which returned 14.58%. Oppenheimer

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International Bond Fund returned 14.30%, outperforming the Citi World Government Bond Index ex.-U.S., which returned 13.93%.

Oppenheimer Institutional Money Market Fund had a 10% allocation in the Portfolio and produced a return of 0.16%, while the iMoneyNet First Tier Institutional Money Market Index returned 0.08%. Performance of money market instruments remained under pressure from a historic low interest rate environment, as the Federal Reserve continued to keep the federal funds rate at between 0% and 0.25%.

In general, it was a very strong reporting period for U.S. equities. The Portfolio's largest equity allocations during the period were to Oppenheimer Capital Appreciation Fund and Oppenheimer Value Fund, each with allocations of 7.5%. Oppenheimer Capital Appreciation Fund returned 30.87% for the period. Its benchmark, the Russell 1000 Growth Index, had stronger results, producing a return of 35.01%. Oppenheimer Value Fund returned 32.96% during the period, outperforming the Russell 1000 Value Index, which returned 28.94%. International focused equity investments also fared well during the period. OFIPI Baring International Strategy, with a 5% allocation in the Portfolio, returned 27.20%. It underperformed its benchmark, the MSCI EAFE Index, which returned 30.93%.

Ages 18 Years and Over Portfolio

For the 12-month reporting period ended June 30, 2011, the Portfolio's Class A Units (without sales charge) returned 6.32%, underperforming its benchmark, which returned 6.50%.

Most domestic fixed-income asset classes, particularly more defensive types of securities, performed modestly this period. The Portfolio's 25% allocation to American Century Diversified Bond Fund returned 3.92% during the period, as the market favored equities and certain higher-yielding fixed-income securities, including international fixed-income securities. Its benchmark, the Barclays Capital U.S. Aggregate Bond Index, produced a return of 3.90%. Oppenheimer Limited-Term Government Fund, which represented a 30% allocation in the Portfolio, returned 2.80%. By comparison, its benchmark, the Barclays Capital U.S. Government 1-3 Year Bond Index, returned 1.38%. This underlying fund outperformed its benchmark as it had more exposure to higher-yielding sectors of the domestic bond market than did its benchmark, which had more exposure to defensive sectors that performed less well. The Portfolio also had 7.5% allocations to both MainStay High Yield Corporate Bond Fund and Oppenheimer International Bond Fund, both of which had exposure to the stronger performing areas of the overall bond market. MainStay High Yield Corporate Bond Fund returned 12.58%, underperforming its benchmark, the Credit Suisse High Yield Index, which returned 14.58%. Oppenheimer International Bond Fund returned 14.30%, outperforming the Citi World Government Bond Index ex.-U.S., which returned 13.93%.

Oppenheimer Institutional Money Market Fund had a 20% allocation in the Portfolio and produced a return of 0.16%, while the iMoneyNet First Tier Institutional Money Market Index

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returned 0.08%. Performance of money market instruments remained under pressure from a historic low interest rate environment, as the Federal Reserve continued to keep the federal funds rate at between 0% and 0.25%.

In general, it was a very strong reporting period for U.S. equities. The Portfolio's equity allocations during the period were to Oppenheimer Capital Appreciation Fund and Oppenheimer Value Fund, each with allocations of 5%. Oppenheimer Capital Appreciation Fund returned 30.87% for the period. Its benchmark, the Russell 1000 Growth Index, had stronger results, producing a return of 35.01%. Oppenheimer Value Fund returned 32.96% during the period, outperforming the Russell 1000 Value Index, which returned 28.94%.

Aggressive Portfolio

For the 12-month reporting period ended June 30, 2011, the Portfolio's Class A Units (without sales charge) returned 29.84%, underperforming its benchmark, which returned 33.25%.

In general, it was a very strong reporting period for U.S. equities. The Portfolio's largest allocations during the period were to Oppenheimer Capital Appreciation Fund and Oppenheimer Value Fund, each with allocations of 25%. Oppenheimer Capital Appreciation Fund returned 30.87% for the period. Its benchmark, the Russell 1000 Growth Index, had stronger results, producing a return of 35.01%. Oppenheimer Value Fund returned 32.96% during the period, outperforming the Russell 1000 Value Index, which returned 28.94%. The Portfolio had a 12% allocation to Oppenheimer Main Street Small- & Mid-Cap Fund®, which had a solid return of 35.14%. It underperformed the Russell 2500 Index, which returned 39.28%. MainStay MAP Fund returned 29.90%, underperforming the Russell 3000 Index, which returned 32.37%. MainStay MAP Fund represented a 10% Portfolio allocation. 8% of the Portfolio's assets were allocated to Invesco Mid Cap Core Equity Fund®, which returned 25.39%. By comparison, its benchmark, the Russell Mid Cap Index, returned 38.47%.

International focused equity investments also fared well during the period. OFIPI Baring International Strategy, with a 20% allocation in the Portfolio, returned 27.20%. It underperformed its benchmark, the MSCI EAFE Index, which returned 30.93%.

Moderately Aggressive Portfolio

For the 12-month reporting period ended June 30, 2011, the Portfolio's Class A Units (without sales charge) returned 26.62%, underperforming its benchmark, which returned 27.05%.

In general, it was a very strong reporting period for U.S. equities. The Portfolio's largest equity allocations during the period were to Oppenheimer Capital Appreciation Fund and Oppenheimer Value Fund, each with allocations of 20%. Oppenheimer Capital Appreciation Fund returned 30.87% for the period. Its benchmark, the Russell 1000 Growth Index, had stronger results, producing a return of 35.01%. Oppenheimer Value Fund returned 32.96% during the period, outperforming the Russell 1000 Value Index, which returned 28.94%. The Portfolio had a 10%

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allocation to Oppenheimer Main Street Small- & Mid-Cap Fund®, which had a solid return of 35.14%. It underperformed the Russell 2500 Index, which returned 39.28%. MainStay MAP Fund returned 29.90%, underperforming the Russell 3000 Index, which returned 32.37%. MainStay MAP Fund represented an 8% Portfolio allocation. 6% of the Portfolio's assets were allocated to Invesco Mid Cap Core Equity Fund®, which returned 25.39%. By comparison, its benchmark, the Russell Mid Cap Index, returned 38.47%.

International focused equity investments also fared well during the period. OFIPI Baring International Strategy, with a 16% allocation in the Portfolio, returned 27.20%. It underperformed its benchmark, the MSCI EAFE Index, which returned 30.93%.

In terms of the Portfolio's fixed-income allocation, 20% was allocated to Oppenheimer Global Strategic Income Fund®. This underlying fund returned 14.23%, significantly outperforming its benchmark, the Barclays Capital U.S. Aggregate Bond Index, which returned 3.9%. The underlying fund outperformed primarily due to its exposure to emerging market bonds, as well as its investments in U.S. mortgage backed securities. By comparison, most domestic fixed-income asset classes, particularly more defensive types of securities, performed much more modestly for the underlying fund's benchmark during the period.

Moderate Portfolio

For the 12-month reporting period ended June 30, 2011, the Portfolio's Class A Units (without sales charge) returned 20.43%, underperforming its benchmark, which returned 22.71%.

In general, it was a very strong reporting period for U.S. equities. The Portfolio's largest equity allocations during the period were to Oppenheimer Capital Appreciation Fund and Oppenheimer Value Fund, each with allocations of 15%. Oppenheimer Capital Appreciation Fund returned 30.87% for the period. Its benchmark, the Russell 1000 Growth Index, had stronger results, producing a return of 35.01%. Oppenheimer Value Fund returned 32.96% during the period, outperforming the Russell 1000 Value Index, which returned 28.94%. The Portfolio had an 8% allocation to Oppenheimer Main Street Small- & Mid-Cap Fund®, which had a solid return of 35.14%. It underperformed the Russell 2500 Index, which returned 39.28%. MainStay MAP Fund returned 29.90%, underperforming the Russell 3000 Index, which returned 32.37%. MainStay MAP Fund represented a 6% Portfolio allocation. 4% of the Portfolio's assets were allocated to Invesco Mid Cap Core Equity Fund®, which returned 25.39%. By comparison, its benchmark, the Russell Mid Cap Index, returned 38.47%.

International focused equity investments also fared well during the period. OFIPI Baring International Strategy, with a 12% allocation in the Portfolio, returned 27.20%. It underperformed its benchmark, the MSCI EAFE Index, which returned 30.93%.

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Most domestic fixed-income asset classes, particularly more defensive types of securities, performed modestly this period. The Portfolio's 25% allocation to American Century Diversified Bond Fund returned 3.92% during the period, as the market favored equities and certain higher-yielding fixed-income securities, including international fixed-income securities. Its benchmark, the Barclays Capital U.S. Aggregate Bond Index, produced a return of 3.90%. The Portfolio also had 7.5% allocations to both MainStay High Yield Corporate Bond Fund and Oppenheimer International Bond Fund, both of which had exposure to the stronger performing areas of the overall bond market. MainStay High Yield Corporate Bond Fund returned 12.58%, underperforming its benchmark, the Credit Suisse High Yield Index, which returned 14.58%. Oppenheimer International Bond Fund returned 14.30%, outperforming the Citi World Government Bond Index ex.-U.S., which returned 13.93%.

Conservative Portfolio

For the 12-month reporting period ended June 30, 2011, the Portfolio's Class A Units (without sales charge) returned 15%, underperforming its benchmark, which returned 16.27%.

In general, it was a very strong reporting period for U.S. equities. The Portfolio's largest equity allocations during the period were to Oppenheimer Capital Appreciation Fund and Oppenheimer Value Fund, each with allocations of 10%. Oppenheimer Capital Appreciation Fund returned 30.87% for the period. Its benchmark, the Russell 1000 Growth Index, had stronger results, producing a return of 35.01%. Oppenheimer Value Fund returned 32.96% during the period, outperforming the Russell 1000 Value Index, which returned 28.94%. The Portfolio had a 7.5% allocation to Oppenheimer Main Street Small- & Mid-Cap Fund®, which had a solid return of 35.14%. It underperformed the Russell 2500 Index, which returned 39.28%. MainStay MAP Fund returned 29.90%, underperforming the Russell 3000 Index, which returned 32.37%. MainStay MAP Fund represented a 5% Portfolio allocation.

International focused equity investments also fared well during the period. OFIPI Baring International Strategy, with a 7.5% allocation in the Portfolio, returned 27.20%. It underperformed its benchmark, the MSCI EAFE Index, which returned 30.93%.

Most domestic fixed-income asset classes, particularly more defensive types of securities, performed modestly this period. The Portfolio's 30% allocation to American Century Diversified Bond Fund returned 3.92% during the period, as the market favored equities and certain higher-yielding fixed-income securities, including international fixed-income securities. Its benchmark, the Barclays Capital U.S. Aggregate Bond Index, produced a return of 3.90%. The Portfolio also had 7.5% allocations to both MainStay High Yield Corporate Bond Fund and Oppenheimer International Bond Fund, both of which had exposure to the stronger performing areas of the overall bond market. MainStay High Yield Corporate Bond Fund returned 12.58%, underperforming its benchmark, the Credit Suisse High Yield Index, which returned 14.58%. Oppenheimer International Bond Fund returned 14.30%, outperforming the Citi World Government Bond Index ex.-U.S., which returned 13.93%. Oppenheimer Limited-Term

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Government Fund, which represented a 10% allocation in the Portfolio, returned 2.80%. By comparison, its benchmark, the Barclays Capital U.S. Government 1-3 Year Bond Index, returned 1.38%. This underlying fund outperformed its benchmark as it had more exposure to higher-yielding sectors of the domestic bond market than did its benchmark, which had more exposure to defensive sectors that performed less well.

Oppenheimer Institutional Money Market Fund had a 5% allocation in the Portfolio and produced a return of 0.16%, while the iMoneyNet First Tier Institutional Money Market Index returned 0.08%. Performance of money market instruments remained under pressure from a historic low interest rate environment, as the Federal Reserve continued to keep the federal funds rate at between 0% and 0.25%.

Ultra Conservative Portfolio

For the 12-month reporting period ended June 30, 2011, the Portfolio's Class A Units (without sales charge) returned 9.13%, underperforming its benchmark, which returned 9.68%.

Most domestic fixed-income asset classes, particularly more defensive types of securities, performed modestly this period. The Portfolio's 30% allocation to American Century Diversified Bond Fund returned 3.92% during the period, as the market favored equities and certain higher-yielding fixed-income securities, including international fixed-income securities. Its benchmark, the Barclays Capital U.S. Aggregate Bond Index, produced a return of 3.90%. Oppenheimer Limited-Term Government Fund, which represented a 25% allocation in the Portfolio, returned 2.80%. By comparison, its benchmark, the Barclays Capital U.S. Government 1-3 Year Bond Index, returned 1.38%. This underlying fund outperformed its benchmark as it had more exposure to higher-yielding sectors of the domestic bond market than did its benchmark, which had more exposure to defensive sectors that performed less well.

The Portfolio also had 7.5% allocations to both MainStay High Yield Corporate Bond Fund and Oppenheimer International Bond Fund, both of which had exposure to the stronger performing areas of the overall bond market. MainStay High Yield Corporate Bond Fund returned 12.58%, underperforming its benchmark, the Credit Suisse High Yield Index, which returned 14.58%. Oppenheimer International Bond Fund returned 14.30%, outperforming the Citi World Government Bond Index ex.-U.S., which returned 13.93%.

Oppenheimer Institutional Money Market Fund had a 10% allocation in the Portfolio and produced a return of 0.16%, while the iMoneyNet First Tier Institutional Money Market Index returned 0.08%. Performance of money market instruments remained under pressure from a historic low interest rate environment, as the Federal Reserve continued to keep the federal funds rate at between 0% and 0.25%.

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In general, it was a very strong reporting period for U.S. equities. The Portfolio's largest equity allocations during the period were to Oppenheimer Capital Appreciation Fund and Oppenheimer Value Fund, each with allocations of 7.5%. Oppenheimer Capital Appreciation Fund returned 30.87% for the period. Its benchmark, the Russell 1000 Growth Index, had stronger results, producing a return of 35.01%. Oppenheimer Value Fund returned 32.96% during the period, outperforming the Russell 1000 Value Index, which returned 28.94%. International focused equity investments also fared well during the period. OFIPI Baring International Strategy, with a 5% allocation in the Portfolio, returned 27.20%. It underperformed its benchmark, the MSCI EAFE Index, which returned 30.93%.

School Years Portfolio

For the 12-month reporting period ended June 30, 2011, the Portfolio's Class A Units (without sales charge) returned 6.32%, underperforming its benchmark, which returned 6.50%.

Most domestic fixed-income asset classes, particularly more defensive types of securities, performed modestly this period. The Portfolio's 25% allocation to American Century Diversified Bond Fund returned 3.92% during the period, as the market favored equities and certain higher-yielding fixed-income securities, including international fixed-income securities. Its benchmark, the Barclays Capital U.S. Aggregate Bond Index, produced a return of 3.90%. Oppenheimer Limited-Term Government Fund, which represented a 30% allocation in the Portfolio, returned 2.80%. By comparison, its benchmark, the Barclays Capital U.S. Government 1-3 Year Bond Index, returned 1.38%. This underlying fund outperformed its benchmark as it had more exposure to higher-yielding sectors of the domestic bond market than did its benchmark, which had more exposure to defensive sectors that performed less well.

The Portfolio also had 7.5% allocations to both MainStay High Yield Corporate Bond Fund and Oppenheimer International Bond Fund, both of which had exposure to the stronger performing areas of the overall bond market. MainStay High Yield Corporate Bond Fund returned 12.58%, underperforming its benchmark, the Credit Suisse High Yield Index, which returned 14.58%. Oppenheimer International Bond Fund returned 14.30%, outperforming the Citi World Government Bond Index ex.-U.S., which returned 13.93%.

Oppenheimer Institutional Money Market Fund had a 20% allocation in the Portfolio and produced a return of 0.16%, while the iMoneyNet First Tier Institutional Money Market Index returned 0.08%. Performance of money market instruments remained under pressure from a historic low interest rate environment, as the Federal Reserve continued to keep the federal funds rate at between 0% and 0.25%.

In general, it was a very strong reporting period for U.S. equities. The Portfolio's equity allocations during the period were to Oppenheimer Capital Appreciation Fund and Oppenheimer Value Fund, each with allocations of 5%. Oppenheimer Capital Appreciation Fund returned 30.87% for the period. Its benchmark, the Russell 1000 Growth Index, had stronger results,

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producing a return of 35.01%. Oppenheimer Value Fund returned 32.96% during the period, outperforming the Russell 1000 Value Index, which returned 28.94%.

Large Cap Growth Portfolio

For the 12-month period ended June 30, 2011, the Portfolio's Class A Units (without sales charge) returned 30.20%, underperforming its benchmark, the Russell 1000 Growth Index, which returned 35.01%. It was a strong period for domestic equities, as the global economy continued to recover and many companies reported healthy corporate earnings. All of the sectors of the benchmark produced double-digit returns of 20% or higher. Relative to the benchmark, the Portfolio underperformed primarily in the financials and consumer staples sectors, as a result of stock selection.

Large Cap Core Portfolio

For the 12-month period ended June 30, 2011, the Portfolio's Class A Units (without sales charge) returned 29.25%, underperforming its benchmark, the S&P 500 Index, which returned 30.69%. It was a strong period for domestic equities, as the global economy continued to recover and many companies reported healthy corporate earnings. All of the sectors of the benchmark produced double-digit returns, led by strong gains in energy, materials, industrials and consumer discretionary. Financials was the weakest performing sector of the benchmark.

Large Cap Value Portfolio

For the 12-month period ended June 30, 2011, the Portfolio's Class A Units (without sales charge) returned 32.16%, outperforming its benchmark, the Russell 1000 Value Index, which returned 28.94%. It was a strong period for domestic equities, as the global economy continued to recover and many companies reported healthy corporate earnings. All of the sectors of the benchmark produced double-digit returns, led by strong gains in energy, materials, industrials and consumer discretionary. Financials was the weakest performing sector of the benchmark. On a relative basis, the Portfolio's outperformance was primarily a result of stronger stock selection in the materials, financials, information technology and consumer staples sectors.

Small- & Mid- Cap Core Portfolio

For the 12-month period ended June 30, 2011, the Portfolio's Class A Units (without sales charge) returned 34.36%, underperforming its benchmark, the Russell 2500 Index, which returned 39.28%. It was a strong period for domestic equities, as the global economy continued to recover and many companies reported healthy corporate earnings. All of the sectors of the benchmark produced double-digit returns of 20% or higher, led by gains in energy, consumer staples and five other sectors that produced returns of 40% or higher. Relative to the benchmark, the Portfolio underperformed primarily in the industrials sector, as a result of stock selection.

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International Equity Portfolio

For the 12-month period ended June 30, 2011, the Portfolio's Class A Units (without sales charge) returned 25.44%, underperforming its benchmark, the MSCI EAFE Index, which returned 30.93%. It was a strong period for international equities, as the global economy continued to recover and many companies reported healthy corporate earnings. All of the sectors of the benchmark produced double-digit returns, led by gains in energy, materials, consumer discretionary and industrials. Information technology and utilities, while still producing double-digit returns, on a relative basis generally fared less well. The Portfolio's stock selection in a few sectors accounted for the relative underperformance versus the benchmark.

Intermediate Term Bond Portfolio

For the 12-month period ended June 30, 2011, the Portfolio's Class A Units (without sales charge) returned 3.18%, underperforming its benchmark, the Barclays Capital U.S. Aggregate Bond Index, which returned 3.90%. Most domestic fixed-income asset classes, particularly more defensive types of securities, performed modestly this period, including those held by the Portfolio's underlying investment. The market tended to favor equities and certain higher-yielding fixed-income securities, including international fixed-income securities.

Diversified Income Portfolio

For the 12-month period ended June 30, 2011, the Portfolio's Class A Units (without sales charge) returned 13.65%, significantly outperforming its benchmark, the Barclays Capital U.S. Aggregate Bond Index, which returned 3.90%. The Portfolio's international investments focused more on bonds in the emerging markets than in developed markets. This positioning helped bolster the Portfolio's relative results. The Portfolio received especially strong contributions to performance from bonds in markets where inflation-adjusted yields remained relatively high, such as Brazil, South Africa and Mexico. The Portfolio's developed markets positions had a mild bias favoring corporate securities over sovereign bonds, which benefited Portfolio performance.

Short-Term Yield Portfolio

For the 12-month period ended June 30, 2011, the Portfolio's Class A Units (without sales charge) returned 0.04%, versus the iMoneyNet First Tier Institutional Money Market Index return of 0.10%. Performance of money-market instruments remained under pressure during the period as the Federal Reserve kept rates between 0% and 0.25%, which represent historic lows. Despite generating little income over the period, the Portfolio successfully preserved capital and maintained liquidity during a difficult environment for money market funds as yields remained at historical lows.

The Portfolio continued to maintain a conservative investment posture, carefully monitoring the health of the financial institutions that issue money market instruments. It typically focused

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during the reporting period on commercial paper and time deposits from high-quality issuers, and avoided nontraditional repurchase agreements.

For much of the reporting period, the Portfolio maintained its weighted average maturity in a range that was in line with industry averages. However, the Portfolio responded to the decreased likelihood of rate hikes from the Federal Reserve by increasing the weighted average maturity to a slightly longer-than-average position.

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

The Education Plan (Direct Sold)

The table below presents the Annual Total Returns for each Portfolio in The Education Plan College Savings Program for the twelve month period ending June 30, 2011.

	Direct Sold (%)	Benchmark (%)
Newborn to Age 5 Years Portfolio	31.56	32.90
Ages 6-8 Years Portfolio	25.71	26.79
Ages 9-11 Years Portfolio	19.89	20.84
Ages 12-14 Years Portfolio	13.76	14.58
Ages 15-17 Years Portfolio	7.63	8.32
Ages 18 Years and Over Portfolio	4.44	4.92
Aggressive Portfolio	31.63	32.90
Moderately Aggressive Portfolio	25.70	26.79
Moderate Portfolio	19.81	20.84
Conservative Portfolio	13.62	14.58
Ultra Conservative Portfolio	7.64	8.32
School Years Portfolio	4.33	4.92
Short-Term Yield Portfolio	0.00	0.10
Newborn to Age 5 Years Index Portfolio	30.81	31.76
Ages 6-8 Years Index Portfolio	26.25	26.10
Ages 9-11 Years Index Portfolio	20.00	20.57
Ages 12-14 Years Index Portfolio	14.33	14.73
Ages 15-17 Years Index Portfolio	8.62	9.06
Ages 18 and Over Years Index Portfolio	5.45	5.69
Aggressive Index Portfolio	31.33	31.76
Moderately Aggressive Index Portfolio	25.30	26.10
Moderate Index Portfolio	20.22	20.57
Conservative Index Portfolio	14.46	14.73
Ultra Conservative Index Portfolio	8.71	9.06
School Years Index Portfolio	5.36	5.69

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The benchmarks for The Education Plan Portfolios are based on a blend of benchmarks to each Underlying Investment, as follows:

Oppenheimer Capital Appreciation Fund	Russell 1000 Growth Index
Oppenheimer Value Fund	Russell 1000 Value Index
OFIPI Large Cap Core Index Strategy	S&P 500 Index
OFIPI Small Cap Index Strategy	MSCI US Small Cap 1750 Index
OFIPI Baring International Strategy	MSCI EAFE Index
OFIPI International Index Strategy	MSCI EAFE Index
Oppenheimer Main Street Small - & Mid-Cap Fund ¹	Russell 2500 Index
Dreyfus S&P 500 Index Fund	S&P 500 Index
Dreyfus Bond Market Index Fund	Barclays Capital US Aggregate Bond Index
Vanguard Total Stock Market Index Fund	MSCI U.S. Broad Market Index
Vanguard Intermediate Term Bond Index Fund	Barclays Capital US Government & Credit 5-10 Year Index
Oppenheimer Institutional Money Market Fund	iMoneyNet First Tier Institutional Money Market Index

¹Effective November 1, 2010, the Oppenheimer Main Street Small Cap Fund[®] was renamed the Oppenheimer Main Street Small- & Mid- Cap Fund[®].

PORTFOLIO REVIEWS – THE EDUCATION PLAN (DIRECT SOLD)

Newborn to Age 5 Years Portfolio

For the 12-month period ended June 30, 2011, the Portfolio returned 31.56%, underperforming its benchmark, which returned 32.90%.

During the reporting period, the Portfolio's largest allocation was to OFIPI Large Cap Core Index Strategy, with a Portfolio allocation of 30%. This underlying investment returned 30.68% versus, in line with the 30.69% return of the S&P 500 Index. It was a strong period for domestic equities, as the global economy continued to recover and many companies reported healthy corporate earnings.

The Portfolio's two next largest equity allocations at period end were to Oppenheimer Capital Appreciation Fund and Oppenheimer Value Fund, both with allocations of 15%. Oppenheimer Capital Appreciation Fund returned 30.87% and underperformed the Russell 1000 Growth Index, which returned 35.01%. Oppenheimer Value Fund returned 32.96% and outperformed the Russell 1000 Value Index, which returned 28.94%. 20% of the Portfolio was allocated to two underlying investments focusing on small- or mid-capitalization stocks. Oppenheimer Main Street Small- & Mid- Cap Fund[®] returned 35.14% but underperformed its benchmark, the Russell 2500 Index, which returned 39.28%. OFIPI Small Cap Index Strategy returned 39.62% and outperformed the MSCI U.S. Small Company 1750 Index, which returned 39.36%.

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The Portfolio had a 20% allocation to two international-focused underlying equity investments, OFIPI Baring International Strategy and OFIPI International Index Strategy, 8% and 12%, respectively. OFIPI International Index Strategy returned 31.77% and outperformed the MSCI EAFE Index, which returned 30.93%. OFIPI Baring International Strategy returned 27.20% and underperformed the MSCI EAFE Index.

Ages 6-8 Years Portfolio

For the 12-month period ended June 30, 2011, the Portfolio returned 25.71%, underperforming its benchmark, which returned 26.79%.

During the reporting period, the Portfolio's largest allocation was to OFIPI Large Cap Core Index Strategy, with a Portfolio allocation of 24%. This underlying investment returned 30.68% versus, in line with the 30.69% return of the S&P 500 Index. It was a strong period for domestic equities, as the global economy continued to recover and many companies reported healthy corporate earnings.

The Portfolio's two next largest equity allocations at period end were to Oppenheimer Capital Appreciation Fund and Oppenheimer Value Fund, both with allocations of 12%. Oppenheimer Capital Appreciation Fund returned 30.87% and underperformed the Russell 1000 Growth Index, which returned 35.01%. Oppenheimer Value Fund returned 32.96% and outperformed the Russell 1000 Value Index, which returned 28.94%. 16% of the Portfolio was allocated to two underlying investments focusing on small- or mid-capitalization stocks. Oppenheimer Main Street Small- & Mid- Cap Fund® returned 35.14% but underperformed its benchmark, the Russell 2500 Index, which returned 39.28%. OFIPI Small Cap Index Strategy returned 39.62% and outperformed the MSCI U.S. Small Company 1750 Index, which returned 39.36%.

The Portfolio had a 16% allocation to two international-focused underlying equity investments, OFIPI Baring International Strategy and OFIPI International Index Strategy, 6% and 10%, respectively. OFIPI International Index Strategy returned 31.77% and outperformed the MSCI EAFE Index, which returned 30.93%. OFIPI Baring International Strategy returned 27.20% and underperformed the MSCI EAFE Index.

In terms of fixed-income holdings, the Portfolio had a 20% allocation to Dreyfus Bond Market Index Fund, which returned 3.54% and underperformed the Barclays Capital U.S. Aggregate Bond Index, which returned 3.90%. Most domestic fixed-income asset classes, particularly more defensive types of securities, performed modestly this period, including those held by the Portfolio's underlying investment. The market tended to favor equities and certain higher-yielding fixed-income securities, including international fixed-income securities.

Ages 9-11 Years Portfolio

For the 12-month period ended June 30, 2011, the Portfolio returned 19.89%, underperforming its benchmark, which returned 20.84%.

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During the reporting period, the Portfolio's largest equity allocation was to OFIPI Large Cap Core Index Strategy, with a Portfolio allocation of 18%. This underlying investment returned 30.68% versus, in line with the 30.69% return of the S&P 500 Index. It was a strong period for domestic equities, as the global economy continued to recover and many companies reported healthy corporate earnings.

The Portfolio's two next largest equity allocations at period end were to Oppenheimer Capital Appreciation Fund and Oppenheimer Value Fund, both with allocations of 9%. Oppenheimer Capital Appreciation Fund returned 30.87% and underperformed the Russell 1000 Growth Index, which returned 35.01%. Oppenheimer Value Fund returned 32.96% and outperformed the Russell 1000 Value Index, which returned 28.94%. 12% of the Portfolio was allocated to two underlying investments focusing on small or mid-capitalization stocks. Oppenheimer Main Street Small- & Mid- Cap Fund® returned 35.14% but underperformed its benchmark, the Russell 2500 Index, which returned 39.28%. OFIPI Small Cap Index Strategy returned 39.62% and outperformed the MSCI U.S. Small Company 1750 Index, which returned 39.36%.

The Portfolio had a 12% allocation to two international-focused underlying equity investments, 4% and 8%, respectively, OFIPI Baring International Strategy and OFIPI International Index Strategy. OFIPI International Index Strategy returned 31.77% and outperformed the MSCI EAFE Index, which returned 30.93%. OFIPI Baring International Strategy returned 27.20% and underperformed the MSCI EAFE Index.

In terms of fixed-income holdings, the Portfolio had a 40% allocation to Dreyfus Bond Market Index Fund, which returned 3.54% and underperformed the Barclays Capital U.S. Aggregate Bond Index, which returned 3.90%. Most domestic fixed-income asset classes, particularly more defensive types of securities, performed modestly this period, including those held by the Portfolio's underlying investment. The market tended to favor equities and certain higher-yielding fixed-income securities, including international fixed-income securities.

Ages 12-14 Years Portfolio

For the 12-month period ended June 30, 2011, the Portfolio returned 13.76%, underperforming its benchmark, which returned 14.58%.

In terms of fixed-income holdings, the Portfolio had a 50% allocation to Dreyfus Bond Market Index Fund, which returned 3.54% and underperformed the Barclays Capital U.S. Aggregate Bond Index, which returned 3.90%. Most domestic fixed-income asset classes, particularly more defensive types of securities, performed modestly this period, including those held by the Portfolio's underlying investment. The market tended to favor equities and certain higher-yielding fixed-income securities, including international fixed-income securities. 10% of the Portfolio was allocated to Oppenheimer Institutional Money Market Fund, which returned 0.16%, compared to the iMoney Net First Tier Institutional Index, which returned 0.09%.

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Performance of money-market instruments remained under pressure during the period as the Federal Reserve kept rates between 0% and 0.25%, which represent historic lows.

During the reporting period, the Portfolio's largest equity allocation was to OFIPI Large Cap Core Index Strategy, with a Portfolio allocation of 12%. This underlying investment returned 30.68% versus, in line with the 30.69% return of the S&P 500 Index. It was a strong period for domestic equities, as the global economy continued to recover and many companies reported healthy corporate earnings. The Portfolio's two next largest equity allocations at period end were to Oppenheimer Capital Appreciation Fund and Oppenheimer Value Fund, both with allocations of 6.5%. Oppenheimer Capital Appreciation Fund returned 30.87% and underperformed the Russell 1000 Growth Index, which returned 35.01%. Oppenheimer Value Fund returned 32.96% and outperformed the Russell 1000 Value Index, which returned 28.94%. 7.5% of the Portfolio was allocated to two underlying investments focusing on small or mid-capitalization stocks. Oppenheimer Main Street Small- & Mid- Cap Fund® returned 35.14% but underperformed its benchmark, the Russell 2500 Index, which returned 39.28%. OFIPI Small Cap Index Strategy returned 39.62% and outperformed the MSCI U.S. Small Company 1750 Index, which returned 39.36%. The Portfolio had a 7.5% allocation to two international-focused underlying equity investments, 2.5% and 5%, respectively, OFIPI Baring International Strategy and OFIPI International Index Strategy. OFIPI International Index Strategy returned 31.77% and outperformed the MSCI EAFE Index, which returned 30.93%. OFIPI Baring International Strategy returned 27.20% and underperformed the MSCI EAFE Index.

Ages 15-17 Years Portfolio

For the 12-month period ended June 30, 2011, the Portfolio returned 7.63%, underperforming its benchmark, which returned 8.32%.

In terms of fixed-income holdings, the Portfolio had a 60% allocation to Dreyfus Bond Market Index Fund, which returned 3.54% and underperformed the Barclays Capital U.S. Aggregate Bond Index, which returned 3.90%. Most domestic fixed-income asset classes, particularly more defensive types of securities, performed modestly this period, including those held by the Portfolio's underlying investment. The market tended to favor equities and certain higher-yielding fixed-income securities, including international fixed-income securities. 20% of the Portfolio was allocated to Oppenheimer Institutional Money Market Fund, which returned 0.16%, compared to the iMoney Net First Tier Institutional Index, which returned 0.09%. Performance of money-market instruments remained under pressure during the period as the Federal Reserve kept rates between 0% and 0.25%, which represent historic lows.

During the reporting the period, the Portfolio's largest equity allocation was to OFIPI Large Cap Core Index Strategy, with a Portfolio allocation of 7%. This underlying investment returned 30.68% versus, in line with the 30.69% return of the S&P 500 Index. It was a strong period for domestic equities, as the global economy continued to recover and many companies reported

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healthy corporate earnings. The Portfolio's two next largest equity allocations at period end were to Oppenheimer Capital Appreciation Fund and Oppenheimer Value Fund, both with allocations of 4%. Oppenheimer Capital Appreciation Fund returned 30.87% and underperformed the Russell 1000 Growth Index, which returned 35.01%. Oppenheimer Value Fund returned 32.96% and outperformed the Russell 1000 Value Index, which returned 28.94%. The Portfolio had a 5% allocation to OFIPI International Index Strategy. OFIPI International Index Strategy returned 31.77% and outperformed the MSCI EAFE Index, which returned 30.93%.

Ages 18 Years and Over Portfolio

For the 12-month period ended June 30, 2011, the Portfolio returned 4.44%, underperforming its benchmark, which returned 4.92%.

In terms of fixed-income holdings, the Portfolio had a 50% allocation to Dreyfus Bond Market Index Fund, which returned 3.54% and underperformed the Barclays Capital U.S. Aggregate Bond Index, which returned 3.90%. Most domestic fixed-income asset classes, particularly more defensive types of securities, performed modestly this period, including those held by the Portfolio's underlying investment. The market tended to favor equities and certain higher-yielding fixed-income securities, including international fixed-income securities. 40% of the Portfolio was allocated to Oppenheimer Institutional Money Market Fund, which returned 0.16%, compared to the iMoney Net First Tier Institutional Index, which returned 0.09%. Performance of money-market instruments remained under pressure during the period as the Federal Reserve kept rates between 0% and 0.25%, which represent historic lows.

During the reporting the period, the Portfolio's largest equity allocation was to OFIPI Large Cap Core Index Strategy, with a Portfolio allocation of 5%. This underlying investment returned 30.68% versus, in line with the 30.69% return of the S&P 500 Index. It was a strong period for domestic equities, as the global economy continued to recover and many companies reported healthy corporate earnings. The Portfolio's two next largest equity allocations at period end were to Oppenheimer Capital Appreciation Fund and Oppenheimer Value Fund, both with allocations of 2%. Oppenheimer Capital Appreciation Fund returned 30.87% and underperformed the Russell 1000 Growth Index, which returned 35.01%. Oppenheimer Value Fund returned 32.96% and outperformed the Russell 1000 Value Index, which returned 28.94%. The Portfolio had a 1% allocation to OFIPI International Index Strategy. OFIPI International Index Strategy returned 31.77% and outperformed the MSCI EAFE Index, which returned 30.93%.

Aggressive Portfolio

For the 12-month period ended June 30, 2011, the Portfolio returned 31.63%, underperforming its benchmark, which returned 32.90%.

During the reporting period, the Portfolio's largest allocation was to OFIPI Large Cap Core Index Strategy, with a Portfolio allocation of 30%. This underlying investment returned 30.68% versus, in line with the 30.69% return of the S&P 500 Index. It was a strong period for domestic equities,

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as the global economy continued to recover and many companies reported healthy corporate earnings.

The Portfolio's two next largest equity allocations at period end were to Oppenheimer Capital Appreciation Fund and Oppenheimer Value Fund, both with allocations of 15%. Oppenheimer Capital Appreciation Fund returned 30.87% and underperformed the Russell 1000 Growth Index, which returned 35.01%. Oppenheimer Value Fund returned 32.96% and outperformed the Russell 1000 Value Index, which returned 28.94%. 20% of the Portfolio was allocated to two underlying investments focusing on small- or mid-capitalization stocks. Oppenheimer Main Street Small- & Mid- Cap Fund® returned 35.14% but underperformed its benchmark, the Russell 2500 Index, which returned 39.28%. OFIPI Small Cap Index Strategy returned 39.62% and outperformed the MSCI U.S. Small Company 1750 Index, which returned 39.36%.

The Portfolio had a 20% allocation to two international-focused underlying equity investments, 8% and 12%, respectively, OFIPI Baring International Strategy and OFIPI International Index Strategy. OFIPI International Index Strategy returned 31.77% and outperformed the MSCI EAFE Index, which returned 30.93%. OFIPI Baring International Strategy returned 27.20% and underperformed the MSCI EAFE Index.

Moderately Aggressive Portfolio

For the 12-month period ended June 30, 2011, the Portfolio returned 25.70%, underperforming its benchmark, which returned 26.79%.

During the reporting period, the Portfolio's largest allocation was to OFIPI Large Cap Core Index Strategy, with a Portfolio allocation of 24%. This underlying investment returned 30.68% versus, in line with the 30.69% return of the S&P 500 Index. It was a strong period for domestic equities, as the global economy continued to recover and many companies reported healthy corporate earnings.

The Portfolio's two next largest equity allocations at period end were to Oppenheimer Capital Appreciation Fund and Oppenheimer Value Fund, both with allocations of 12%. Oppenheimer Capital Appreciation Fund returned 30.87% and underperformed the Russell 1000 Growth Index, which returned 35.01%. Oppenheimer Value Fund returned 32.96% and outperformed the Russell 1000 Value Index, which returned 28.94%. 16% of the Portfolio was allocated to two underlying investments focusing on small or mid-capitalization stocks. Oppenheimer Main Street Small- & Mid- Cap Fund® returned 35.14% but underperformed its benchmark, the Russell 2500 Index, which returned 39.28%. OFIPI Small Cap Index Strategy returned 39.62% and outperformed the MSCI U.S. Small Company 1750 Index, which returned 39.36%.

The Portfolio had a 16% allocation to two international-focused underlying equity investments, 6% and 10%, respectively, OFIPI Baring International Strategy and OFIPI International Index Strategy. OFIPI International Index Strategy returned 31.77% and outperformed the MSCI EAFE

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Index, which returned 30.93%. OFIPI Baring International Strategy returned 27.20% and underperformed the MSCI EAFE Index.

In terms of fixed-income holdings, the Portfolio had a 20% allocation to Dreyfus Bond Market Index Fund, which returned 3.54% and underperformed the Barclays Capital U.S. Aggregate Bond Index, which returned 3.90%. Most domestic fixed-income asset classes, particularly more defensive types of securities, performed modestly this period, including those held by the Portfolio's underlying investment. The market tended to favor equities and certain higher-yielding fixed-income securities, including international fixed-income securities.

Moderate Portfolio

For the 12-month period ended June 30, 2011, the Portfolio returned 19.81%, underperforming its benchmark, which returned 20.84%.

During the reporting period, the Portfolio's largest equity allocation was to OFIPI Large Cap Core Index Strategy, with a Portfolio allocation of 18%. This underlying investment returned 30.68% versus, in line with the 30.69% return of the S&P 500 Index. It was a strong period for domestic equities, as the global economy continued to recover and many companies reported healthy corporate earnings.

The Portfolio's two next largest equity allocations at period end were to Oppenheimer Capital Appreciation Fund and Oppenheimer Value Fund, both with allocations of 9%. Oppenheimer Capital Appreciation Fund returned 30.87% and underperformed the Russell 1000 Growth Index, which returned 35.01%. Oppenheimer Value Fund returned 32.96% and outperformed the Russell 1000 Value Index, which returned 28.94%. 12% of the Portfolio was allocated to two underlying investments focusing on small or mid-capitalization stocks. Oppenheimer Main Street Small- & Mid- Cap Fund® returned 35.14% but underperformed its benchmark, the Russell 2500 Index, which returned 39.28%. OFIPI Small Cap Index Strategy returned 39.62% and outperformed the MSCI U.S. Small Company 1750 Index, which returned 39.36%.

The Portfolio had a 12% allocation to two international-focused underlying equity investments, 4% and 8%, respectively, OFIPI Baring International Strategy and OFIPI International Index Strategy. OFIPI International Index Strategy returned 31.77% and outperformed the MSCI EAFE Index, which returned 30.93%. OFIPI Baring International Strategy returned 27.20% and underperformed the MSCI EAFE Index.

In terms of fixed-income holdings, the Portfolio had a 40% allocation to Dreyfus Bond Market Index Fund, which returned 3.54% and underperformed the Barclays Capital U.S. Aggregate Bond Index, which returned 3.90%. Most domestic fixed-income asset classes, particularly more defensive types of securities, performed modestly this period, including those held by the Portfolio's underlying investment. The market tended to favor equities and certain higher-yielding fixed-income securities, including international fixed-income securities.

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Conservative Portfolio

For the 12-month period ended June 30, 2011, the Portfolio returned 13.62%, underperforming its benchmark, which returned 14.58%.

In terms of fixed-income holdings, the Portfolio had a 50% allocation to Dreyfus Bond Market Index Fund, which returned 3.54% and underperformed the Barclays Capital U.S. Aggregate Bond Index, which returned 3.90%. Most domestic fixed-income asset classes, particularly more defensive types of securities, performed modestly this period, including those held by the Portfolio's underlying investment. The market tended to favor equities and certain higher-yielding fixed-income securities, including international fixed-income securities. 10% of the Portfolio was allocated to Oppenheimer Institutional Money Market Fund, which returned 0.16%, compared to the iMoney Net First Tier Institutional Index, which returned 0.09%. Performance of money-market instruments remained under pressure during the period as the Federal Reserve kept rates between 0% and 0.25%, which represent historic lows.

During the reporting period, the Portfolio's largest equity allocation was to OFIPI Large Cap Core Index Strategy, with a Portfolio allocation of 12%. This underlying investment returned 30.68% versus, in line with the 30.69% return of the S&P 500 Index. It was a strong period for domestic equities, as the global economy continued to recover and many companies reported healthy corporate earnings. The Portfolio's two next largest equity allocations at period end were to Oppenheimer Capital Appreciation Fund and Oppenheimer Value Fund, both with allocations of 6.5%. Oppenheimer Capital Appreciation Fund returned 30.87% and underperformed the Russell 1000 Growth Index, which returned 35.01%. Oppenheimer Value Fund returned 32.96% and outperformed the Russell 1000 Value Index, which returned 28.94%. 7.5% of the Portfolio was allocated to two underlying investments focusing on small or mid-capitalization stocks. Oppenheimer Main Street Small- & Mid- Cap Fund® returned 35.14% but underperformed its benchmark, the Russell 2500 Index, which returned 39.28%. OFIPI Small Cap Index Strategy returned 39.62% and outperformed the MSCI U.S. Small Company 1750 Index, which returned 39.36%. The Portfolio had a 7.5% allocation to two international-focused underlying equity investments, 2.5% and 5%, respectively, OFIPI Baring International Strategy and OFIPI International Index Strategy. OFIPI International Index Strategy returned 31.77% and outperformed the MSCI EAFE Index, which returned 30.93%. OFIPI Baring International Strategy returned 27.20% and underperformed the MSCI EAFE Index.

Ultra Conservative Portfolio

For the 12-month period ended June 30, 2011, the Portfolio returned 7.64%, underperforming its benchmark, which returned 8.32%.

In terms of fixed-income holdings, the Portfolio had a 60% allocation to Dreyfus Bond Market Index Fund, which returned 3.54% and underperformed the Barclays Capital U.S. Aggregate Bond Index, which returned 3.90%. Most domestic fixed-income asset classes, particularly more

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defensive types of securities, performed modestly this period, including those held by the Portfolio's underlying investment. The market tended to favor equities and certain higher-yielding fixed-income securities, including international fixed-income securities. 20% of the Portfolio was allocated to Oppenheimer Institutional Money Market Fund, which returned 0.16%, compared to the iMoney Net First Tier Institutional Index, which returned 0.09%. Performance of money-market instruments remained under pressure during the period as the Federal Reserve kept rates between 0% and 0.25%, which represent historic lows.

During the reporting the period, the Portfolio's largest equity allocation was to OFIPI Large Cap Core Index Strategy, with a Portfolio allocation of 7%. This underlying investment returned 30.68% versus, in line with the 30.69% return of the S&P 500 Index. It was a strong period for domestic equities, as the global economy continued to recover and many companies reported healthy corporate earnings. The Portfolio's two next largest equity allocations at period end were to Oppenheimer Capital Appreciation Fund and Oppenheimer Value Fund, both with allocations of 4%. Oppenheimer Capital Appreciation Fund returned 30.87% and underperformed the Russell 1000 Growth Index, which returned 35.01%. Oppenheimer Value Fund returned 32.96% and outperformed the Russell 1000 Value Index, which returned 28.94%. The Portfolio had a 5% allocation to OFIPI International Index Strategy. OFIPI International Index Strategy returned 31.77% and outperformed the MSCI EAFE Index, which returned 30.93%.

School Years Portfolio

For the 12-month period ended June 30, 2011, the Portfolio returned 4.33%, underperforming its benchmark, which returned 4.92%.

In terms of fixed-income holdings, the Portfolio had a 50% allocation to Dreyfus Bond Market Index Fund, which returned 3.54% and underperformed the Barclays Capital U.S. Aggregate Bond Index, which returned 3.90%. Most domestic fixed-income asset classes, particularly more defensive types of securities, performed modestly this period, including those held by the Portfolio's underlying investment. The market tended to favor equities and certain higher-yielding fixed-income securities, including international fixed-income securities. 40% of the Portfolio was allocated to Oppenheimer Institutional Money Market Fund, which returned 0.16%, compared to the iMoney Net First Tier Institutional Index, which returned 0.09%.

Performance of money-market instruments remained under pressure during the period as the Federal Reserve kept rates between 0% and 0.25%, which represent historic lows.

During the reporting the period, the Portfolio's largest equity allocation was to OFIPI Large Cap Core Index Strategy, with a Portfolio allocation of 5%. This underlying investment returned 30.68% versus, in line with the 30.69% return of the S&P 500 Index. It was a strong period for domestic equities, as the global economy continued to recover and many companies reported healthy corporate earnings. The Portfolio's two next largest equity allocations at period end were to Oppenheimer Capital Appreciation Fund and Oppenheimer Value Fund, both with allocations

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of 2%. Oppenheimer Capital Appreciation Fund returned 30.87% and underperformed the Russell 1000 Growth Index, which returned 35.01%. Oppenheimer Value Fund returned 32.96% and outperformed the Russell 1000 Value Index, which returned 28.94%. The Portfolio had a 1% allocation to OFIPI International Index Strategy. OFIPI International Index Strategy returned 31.77% and outperformed the MSCI EAFE Index, which returned 30.93%.

Short-Term Yield Portfolio

For the 12-month reporting period ended June 30, 2011, the Portfolio returned 0.00%, as compared to the benchmark, 0.10%. Performance of money-market instruments remained under pressure during the period as the Federal Reserve kept rates between 0% and 0.25%, which represent historic lows. Despite generating little income over the period, the Portfolio successfully preserved capital and maintained liquidity during a difficult environment for money market funds as yields remained at historical lows.

The Portfolio continued to maintain a conservative investment posture, carefully monitoring the health of the financial institutions that issue money market instruments. It typically focused during the reporting period on commercial paper and time deposits from high-quality issuers, and avoided nontraditional repurchase agreements.

For much of the reporting period, the Portfolio maintained its weighted average maturity in a range that was in line with industry averages. However, the Portfolio responded to the decreased likelihood of rate hikes from the Federal Reserve by increasing the weighted average maturity to a slightly longer-than-average position.

Newborn to Age 5 Years Index Portfolio

For the 12-month period ended June 30, 2011, the Portfolio returned 30.81%, underperforming its benchmark, which returned 31.76%.

During the reporting period, the Portfolio's largest allocation was to Vanguard Total Stock Market Index Fund, with a Portfolio allocation of 50%. This underlying investment returned 32.58%, in line with the 32.62% return of the MSCI U.S. Broad Market Index. The Portfolio's next largest equity allocation was to Dreyfus S&P 500 Index Fund, with an allocation of 30%.

This underlying fund returned 30.49%, in line with the return of the S&P 500 Index, which returned 30.69%. It was a strong period for domestic equities, as the global economy continued to recover and many companies reported healthy corporate earnings.

The Portfolio had a 20% allocation to one international-focused underlying equity investment, OFIPI International Index Strategy. OFIPI International Index Strategy returned 31.77% and outperformed the MSCI EAFE Index, which returned 30.93%.

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Ages 6-8 Years Index Portfolio

For the 12-month period ended June 30, 2011, the Portfolio returned 26.25%, outperforming its benchmark, which returned 26.10%. During the reporting period, the Portfolio's largest allocation was to Vanguard Total Stock Market Index Fund, with a Portfolio allocation of 40%. This underlying investment returned 32.58%, in line with the 32.62% return of the MSCI U.S. Broad Market Index. The Portfolio's next largest equity allocation was to Dreyfus S&P 500 Index Fund, with an allocation of 24%. This underlying fund returned 30.49%, in line with the return of the S&P 500 Index, which returned 30.69%. It was a strong period for domestic equities, as the global economy continued to recover and many companies reported healthy corporate earnings.

The Portfolio had a 16% allocation to one international-focused underlying equity investment, OFIPI International Index Strategy. OFIPI International Index Strategy returned 31.77% and outperformed the MSCI EAFE Index, which returned 30.93%.

In terms of fixed-income holdings, the Portfolio had a 20% allocation in total to two domestic bond funds, Dreyfus Bond Market Index Fund and Vanguard Intermediate Term Bond Index Fund. Dreyfus Bond Market Index Fund returned 3.54% and underperformed the Barclays Capital U.S. Aggregate Bond Index, which returned 3.90%. Vanguard Intermediate Term Bond Index Fund returned 5.40% and performed in line with the Barclays Capital U.S. Government & Credit 5-10 Year Index, which returned 5.50%. Most domestic fixed-income asset classes, particularly more defensive types of securities, performed modestly this period. The market tended to favor equities and certain higher-yielding fixed-income securities, including international fixed-income securities.

Ages 9-11 Years Index Portfolio

For the 12-month period ended June 30, 2011, the Portfolio returned 20%, underperforming its benchmark, which returned 20.57%.

During the reporting period, the Portfolio's largest allocation was to Vanguard Total Stock Market Index Fund, with a Portfolio allocation of 30%. This underlying investment returned 32.58%, in line with the 32.62% return of the MSCI U.S. Broad Market Index. The Portfolio's next largest equity allocation was to Dreyfus S&P 500 Index Fund, with an allocation of 18%.

This underlying fund returned 30.49%, in line with the return of the S&P 500 Index, which returned 30.69%. It was a strong period for domestic equities, as the global economy continued to recover and many companies reported healthy corporate earnings.

The Portfolio had a 12% allocation to one international-focused underlying equity investment, OFIPI International Index Strategy. OFIPI International Index Strategy returned 31.77% and outperformed the MSCI EAFE Index, which returned 30.93%.

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In terms of fixed-income holdings, the Portfolio had a 40% allocation in total to two domestic bond funds, Dreyfus Bond Market Index Fund and Vanguard Intermediate Term Bond Index Fund. Dreyfus Bond Market Index Fund returned 3.54% and underperformed the Barclays Capital U.S. Aggregate Bond Index, which returned 3.90%. Vanguard Intermediate Term Bond Index Fund returned 5.40% and performed in line with the Barclays Capital U.S. Government & Credit 5-10 Year Index, which returned 5.50%. Most domestic fixed-income asset classes, particularly more defensive types of securities, performed modestly this period. The market tended to favor equities and certain higher-yielding fixed-income securities, including international fixed-income securities.

Ages 12-14 Years Index Portfolio

For the 12-month period ended June 30, 2011, the Portfolio returned 14.33%, underperforming its benchmark, which returned 14.73%.

During the reporting period, the Portfolio's largest equity allocation was to Vanguard Total Stock Market Index Fund, with a Portfolio allocation of 20%. This underlying investment returned 32.58%, in line with the 32.62% return of the MSCI U.S. Broad Market Index. The Portfolio's next largest equity allocation was to Dreyfus S&P 500 Index Fund, with an allocation of 12.5%. This underlying fund returned 30.49%, in line with the return of the S&P 500 Index, which returned 30.69%. It was a strong period for domestic equities, as the global economy continued to recover and many companies reported healthy corporate earnings.

The Portfolio had a 7.5% allocation to one international-focused underlying equity investment, OFIPI International Index Strategy. OFIPI International Index Strategy returned 31.77% and outperformed the MSCI EAFE Index, which returned 30.93%.

In terms of fixed-income holdings, the Portfolio had a 50% allocation in total to two domestic bond funds, Dreyfus Bond Market Index Fund and Vanguard Intermediate Term Bond Index Fund. Dreyfus Bond Market Index Fund returned 3.54% and underperformed the Barclays Capital U.S. Aggregate Bond Index, which returned 3.90%. Vanguard Intermediate Term Bond Index Fund returned 5.40% and performed in line with the Barclays Capital U.S. Government & Credit 5-10 Year Index, which returned 5.50%. Most domestic fixed-income asset classes, particularly more defensive types of securities, performed modestly this period. The market tended to favor equities and certain higher-yielding fixed-income securities, including international fixed-income securities. 10% of the Portfolio was allocated to Oppenheimer Institutional Money Market Fund, which returned 0.16%, compared to the iMoney Net First Tier Institutional Index, which returned 0.09%. Performance of money-market instruments remained under pressure during the period as the Federal Reserve kept rates between 0% and 0.25%, which represent historic lows.

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Ages 15-17 Years Index Portfolio

For the 12-month period ended June 30, 2011, the Portfolio 8.62%, underperforming its benchmark, which returned 9.06%.

In terms of fixed-income holdings, the Portfolio had a 60% allocation in total to two domestic bond funds, Dreyfus Bond Market Index Fund and Vanguard Intermediate Term Bond Index Fund. Dreyfus Bond Market Index Fund returned 3.54% and underperformed the Barclays Capital U.S. Aggregate Bond Index, which returned 3.90%. Vanguard Intermediate Term Bond Index Fund returned 5.40% and performed in line with the Barclays Capital U.S. Government & Credit 5-10 Year Index, which returned 5.50%. Most domestic fixed-income asset classes, particularly more defensive types of securities, performed modestly this period. The market tended to favor equities and certain higher-yielding fixed-income securities, including international fixed-income securities. 20% of the Portfolio was allocated to Oppenheimer Institutional Money Market Fund, which returned 0.16%, compared to the iMoney Net First Tier Institutional Index, which returned 0.09%. Performance of money-market instruments remained under pressure during the period as the Federal Reserve kept rates between 0% and 0.25%, which represent historic lows.

During the reporting period, the Portfolio's largest equity allocation was to Vanguard Total Stock Market Index Fund, with a Portfolio allocation of 10%. This underlying investment returned 32.58%, in line with the 32.62% return of the MSCI U.S. Broad Market Index. The Portfolio's next largest domestic equity allocation was to Dreyfus S&P 500 Index Fund, with an allocation of 5%. This underlying fund returned 30.49%, in line with the return of the S&P 500 Index, which returned 30.69%. It was a strong period for domestic equities, as the global economy continued to recover and many companies reported healthy corporate earnings.

The Portfolio had a 5% allocation to one international-focused underlying equity investment, OFIPI International Index Strategy. OFIPI International Index Strategy returned 31.77% and outperformed the MSCI EAFE Index, which returned 30.93%.

Ages 18 Years and Over Index Portfolio

For the 12-month period ended June 30, 2011, the Portfolio returned 5.45%, underperforming its benchmark, which returned 5.69%.

In terms of fixed-income holdings, the Portfolio had a 44% allocation to Vanguard Intermediate Term Bond Index Fund and a 6% allocation to Dreyfus Bond Market Index Fund. Vanguard Intermediate Term Bond Index Fund returned 5.40% and performed in line with the Barclays Capital U.S. Government & Credit 5-10 Year Index, which returned 5.50%. Dreyfus Bond Market Index Fund returned 3.54% and underperformed the Barclays Capital U.S. Aggregate Bond Index, which returned 3.90%. Most domestic fixed-income asset classes, particularly more defensive types of securities, performed modestly this period. The market tended to favor

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equities and certain higher-yielding fixed-income securities, including international fixed-income securities. 40% of the Portfolio was allocated to Oppenheimer Institutional Money Market Fund, which returned 0.16%, compared to the iMoney Net First Tier Institutional Index, which returned 0.09%. Performance of money-market instruments remained under pressure during the period as the Federal Reserve kept rates between 0% and 0.25%, which represent historic lows.

During the reporting period, the Portfolio's largest equity allocation was to Vanguard Total Stock Market Index Fund, with a Portfolio allocation of 6%. This underlying investment returned 32.58%, in line with the 32.62% return of the MSCI U.S. Broad Market Index. The Portfolio's next largest domestic equity allocation was to Dreyfus S&P 500 Index Fund, with an allocation of 3%. This underlying fund returned 30.49%, in line with the return of the S&P 500 Index, which returned 30.69%. It was a strong period for domestic equities, as the global economy continued to recover and many companies reported healthy corporate earnings. The Portfolio had a 1% allocation to one international-focused underlying equity investment, OFIPI International Index Strategy. OFIPI International Index Strategy returned 31.77% and outperformed the MSCI EAFE Index, which returned 30.93%.

Aggressive Index Portfolio

For the 12-month period ended June 30, 2011, the Portfolio returned 31.33%, underperforming its benchmark, which returned 31.76%.

During the reporting period, the Portfolio's largest allocation was to Vanguard Total Stock Market Index Fund, with a Portfolio allocation of 50%. This underlying investment returned 32.58%, in line with the 32.62% return of the MSCI U.S. Broad Market Index. The Portfolio's next largest equity allocation was to Dreyfus S&P 500 Index Fund, with an allocation of 30%. This underlying fund returned 30.49%, in line with the return of the S&P 500 Index, which returned 30.69%. It was a strong period for domestic equities, as the global economy continued to recover and many companies reported healthy corporate earnings.

The Portfolio had a 20% allocation to one international-focused underlying equity investment, OFIPI International Index Strategy. OFIPI International Index Strategy returned 31.77% and outperformed the MSCI EAFE Index, which returned 30.93%.

Moderately Aggressive Index Portfolio

For the 12-month period ended June 30, 2011, the Portfolio returned 25.30%, underperforming its benchmark, which returned 26.10%.

During the reporting period, the Portfolio's largest allocation was to Vanguard Total Stock Market Index Fund, with a Portfolio allocation of 40%. This underlying investment returned 32.58%, in line with the 32.62% return of the MSCI U.S. Broad Market Index. The Portfolio's next largest equity allocation was to Dreyfus S&P 500 Index Fund, with an allocation of 24%. This underlying fund returned 30.49%, in line with the return of the S&P 500 Index, which

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returned 30.69%. It was a strong period for domestic equities, as the global economy continued to recover and many companies reported healthy corporate earnings.

The Portfolio had a 16% allocation to one international-focused underlying equity investment, OFIPI International Index Strategy. OFIPI International Index Strategy returned 31.77% and outperformed the MSCI EAFE Index, which returned 30.93%.

In terms of fixed-income holdings, the Portfolio had a 20% allocation in total to two domestic bond funds, Dreyfus Bond Market Index Fund and Vanguard Intermediate Term Bond Index Fund. Dreyfus Bond Market Index Fund returned 3.54% and underperformed the Barclays Capital U.S. Aggregate Bond Index, which returned 3.90%. Vanguard Intermediate Term Bond Index Fund returned 5.40% and performed in line with the Barclays Capital U.S. Government & Credit 5-10 Year Index, which returned 5.50%. Most domestic fixed-income asset classes, particularly more defensive types of securities, performed modestly this period. The market tended to favor equities and certain higher-yielding fixed-income securities, including international fixed-income securities.

Moderate Index Portfolio

For the 12-month period ended June 30, 2011, the Portfolio returned 20.22%, underperforming its benchmark, which returned 20.57%.

During the reporting period, the Portfolio's largest allocation was to Vanguard Total Stock Market Index Fund, with a Portfolio allocation of 30%. This underlying investment returned 32.58%, in line with the 32.62% return of the MSCI U.S. Broad Market Index. The Portfolio's next largest equity allocation was to Dreyfus S&P 500 Index Fund, with an allocation of 18%. This underlying fund returned 30.49%, in line with the return of the S&P 500 Index, which returned 30.69%. It was a strong period for domestic equities, as the global economy continued to recover and many companies reported healthy corporate earnings.

The Portfolio had a 12% allocation to one international-focused underlying equity investment, OFIPI International Index Strategy. OFIPI International Index Strategy returned 31.77% and outperformed the MSCI EAFE Index, which returned 30.93%.

In terms of fixed-income holdings, the Portfolio had a 40% allocation in total to two domestic bond funds, Dreyfus Bond Market Index Fund and Vanguard Intermediate Term Bond Index Fund. Dreyfus Bond Market Index Fund returned 3.54% and underperformed the Barclays Capital U.S. Aggregate Bond Index, which returned 3.90%. Vanguard Intermediate Term Bond Index Fund returned 5.40% and performed in line with the Barclays Capital U.S. Government & Credit 5-10 Year Index, which returned 5.50%. Most domestic fixed-income asset classes,

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particularly more defensive types of securities, performed modestly this period. The market tended to favor equities and certain higher-yielding fixed-income securities, including international fixed-income securities.

Conservative Index Portfolio

For the 12-month period ended June 30, 2011, the Portfolio returned 14.46%, underperforming its benchmark, which returned 14.73%.

During the reporting period, the Portfolio's largest equity allocation was to Vanguard Total Stock Market Index Fund, with a Portfolio allocation of 20%. This underlying investment returned 32.58%, in line with the 32.62% return of the MSCI U.S. Broad Market Index. The Portfolio's next largest equity allocation was to Dreyfus S&P 500 Index Fund, with an allocation of 12.5%. This underlying fund returned 30.49%, in line with the return of the S&P 500 Index, which returned 30.69%. It was a strong period for domestic equities, as the global economy continued to recover and many companies reported healthy corporate earnings.

The Portfolio had a 7.5% allocation to one international-focused underlying equity investment, OFIPI International Index Strategy. OFIPI International Index Strategy returned 31.77% and outperformed the MSCI EAFE Index, which returned 30.93%.

In terms of fixed-income holdings, the Portfolio had a 50% allocation in total to two domestic bond funds, Dreyfus Bond Market Index Fund and Vanguard Intermediate Term Bond Index Fund. Dreyfus Bond Market Index Fund returned 3.54% and underperformed the Barclays Capital U.S. Aggregate Bond Index, which returned 3.90%. Vanguard Intermediate Term Bond Index Fund returned 5.40% and performed in line with the Barclays Capital U.S. Government & Credit 5-10 Year Index, which returned 5.50%. Most domestic fixed-income asset classes, particularly more defensive types of securities, performed modestly this period. The market tended to favor equities and certain higher-yielding fixed-income securities, including international fixed-income securities. 10% of the Portfolio was allocated to Oppenheimer Institutional Money Market Fund, which returned 0.16%, compared to the iMoney Net First Tier Institutional Index, which returned 0.09%. Performance of money-market instruments remained under pressure during the period as the Federal Reserve kept rates between 0% and 0.25%, which represent historic lows.

Ultra Conservative Index Portfolio

For the 12-month period ended June 30, 2011, the Portfolio returned 8.71%, underperforming its benchmark, which returned 9.06%.

In terms of fixed-income holdings, the Portfolio had a 60% allocation in total to two domestic bond funds, Dreyfus Bond Market Index Fund and Vanguard Intermediate Term Bond Index Fund. Dreyfus Bond Market Index Fund returned 3.54% and underperformed the Barclays Capital U.S. Aggregate Bond Index, which returned 3.90%. Vanguard Intermediate Term Bond

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Index Fund returned 5.40% and performed in line with the Barclays Capital U.S. Government & Credit 5-10 Year Index, which returned 5.50%. Most domestic fixed-income asset classes, particularly more defensive types of securities, performed modestly this period. The market tended to favor equities and certain higher-yielding fixed-income securities, including international fixed-income securities. 20% of the Portfolio was allocated to Oppenheimer Institutional Money Market Fund, which returned 0.16%, compared to the iMoney Net First Tier Institutional Index, which returned 0.09%. Performance of money-market instruments remained under pressure during the period as the Federal Reserve kept rates between 0% and 0.25%, which represent historic lows.

During the reporting period, the Portfolio's largest equity allocation was to Vanguard Total Stock Market Index Fund, with a Portfolio allocation of 10%. This underlying investment returned 32.58%, in line with the 32.62% return of the MSCI U.S. Broad Market Index. The Portfolio's next largest domestic equity allocation was to Dreyfus S&P 500 Index Fund, with an allocation of 5%. This underlying fund returned 30.49%, in line with the return of the S&P 500 Index, which returned 30.69%. It was a strong period for domestic equities, as the global economy continued to recover and many companies reported healthy corporate earnings.

The Portfolio had a 5% allocation to one international-focused underlying equity investment, OFIPI International Index Strategy. OFIPI International Index Strategy returned 31.77% and outperformed the MSCI EAFE Index, which returned 30.93%.

School Years Index Portfolio

For the 12-month period ended June 30, 2011, the Portfolio returned 5.36%, underperforming its benchmark, which returned 5.69%.

In terms of fixed-income holdings, the Portfolio had a 44% allocation to Vanguard Intermediate Term Bond Index Fund and a 6% allocation to Dreyfus Bond Market Index Fund. Vanguard Intermediate Term Bond Index Fund returned 5.40% and performed in line with the Barclays Capital U.S. Government & Credit 5-10 Year Index, which returned 5.50%. Dreyfus Bond Market Index Fund returned 3.54% and underperformed the Barclays Capital U.S. Aggregate Bond Index, which returned 3.90%. Most domestic fixed-income asset classes, particularly more defensive types of securities, performed modestly this period. The market tended to favor equities and certain higher-yielding fixed-income securities, including international fixed-income securities. 40% of the Portfolio was allocated to Oppenheimer Institutional Money Market Fund, which returned 0.16%, compared to the iMoney Net First Tier Institutional Index, which returned 0.09%. Performance of money-market instruments remained under pressure during the period as the Federal Reserve kept rates between 0% and 0.25%, which represent historic lows.

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During the reporting period, the Portfolio's largest equity allocation was to Vanguard Total Stock Market Index Fund, with a Portfolio allocation of 6%. This underlying investment returned 32.58%, in line with the 32.62% return of the MSCI U.S. Broad Market Index. The Portfolio's next largest domestic equity allocation was to Dreyfus S&P 500 Index Fund, with an allocation of 3%. This underlying fund returned 30.49%, in line with the return of the S&P 500 Index, which returned 30.69%. It was a strong period for domestic equities, as the global economy continued to recover and many companies reported healthy corporate earnings. The Portfolio had a 1% allocation to one international-focused underlying equity investment, OFIPI International Index Strategy. OFIPI International Index Strategy returned 31.77% and outperformed the MSCI EAFE Index, which returned 30.93%.