KPMG

COLLEGESENSE 529 HIGHER EDUCATION SAVINGS PLAN
SCHOLAR'SEDGE
THE EDUCATION PLAN

Financial Statements

June 30, 2007, 2006, and 2005

(With Independent Auditors' Report Thereon)

951

OFFICE OF THE STATE AUDITOR

Hector H. Balderas

December 11, 2008

SAO Ref. No. 951

Reed Dasenbrock, Chairman
Education Trust Board of New Mexico
1068 Cerrillos Road
Santa Fe, NM 87501-1650

SUBJECT: Audit Report—Education Trust Board of New Mexico— 2004-2005, 2005-2006, 2006-2007 Fiscal Year—Prepared by KPMG, LLP

Your agency audit report was received by the Office of the State Auditor (Office) on August 25, 2008. The State Auditor examination of the audit report required by Section 12-6-14 (D), NMSA 1978, has been completed. This letter is the authorization to make the final payment to the independent public accountant (IPA) who contracted to perform the agency's financial and compliance audit. In accordance with the Section 2 (B) of the audit contract, the IPA will deliver the specified number of copies of the audit to the agency.

As per your written request, this office is waiving the ten (10) day waiting period and is making the report public record immediately. The audit report will be:

- released by the Office of the State Auditor to the Legislative Finance Committee, the Department of Finance and Administration, and the State Treasurer; and

- presented by the agency to a quorum of the agency's governing authority at a public meeting, for approval, per Section 2.2.2.10.J.(3)(d) of 2.2.2 NMAC *Requirements for Contracting and Conducting Audits of Agencies*.

The independent public accountant's findings and comments are included in the audit report on pages 117. **It is ultimately the responsibility of the governing authority of the agency to take corrective action on all findings and comments.**

HECTOR H. BALDERAS
STATE AUDITOR

cc: Legislative Finance Committee
Department of Finance and Administration
Financial Control Division & Budget Division
Office of the State Treasurer
KPMG, LLP

2113 Warner Circle, Santa Fe, New Mexico 87505-5499
(505) 476-3800 · (800) 432-5517 · Fax (505) 827-3512
www.saonm.org

Table of Contents

COLLEGESENSE 529 HIGHER EDUCATION SAVINGS PLAN

Management Discussion and Analysis

June 30, 2007, 2006 and 2005

(Unaudited)

The following is a discussion and analysis of the financial performance of The CollegeSense 529 Higher Education Savings Plan (the Plan) for the years ended June 30, 2007, 2006 and 2005. The Plan assets are held in The Education Plan Trust of New Mexico (the Trust). Evergreen Investment Services, Inc. and Evergreen Investment Management Company, LLC are responsible for the management of the Plan and providing administrative and other related services to the Trust under a Services Agreement with the NM State Treasurer's Office. The Plan is intended to be a qualified state tuition program under Section 529 of the Internal Revenue Code of 1986, as amended. The Plan was created pursuant to New Mexico statute (21-21(k)-3 NMSA 1978) to encourage the investment of funds to be used for qualified higher education expenses at eligible educational institutions.

This discussion and analysis provides comparisons between the year ended June 30, 2007 and the previous year ended June 30, 2006, and the year ended June 30, 2006 and the previous year ended June 30, 2005, as required by the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. This report also includes a summary of the Plan's financial statements as required by GASB Statement No. 34. In addition, accompanying the annual report is Supplemental Information about the financial condition of each investment portfolio included in the Plan.

Financial Highlights

The assets held in trust for individuals and beneficiaries participating in the Plan exceeded its liabilities at the close of 2007, 2006 and 2005 by $861,153,473, $697,443,919, and $367,186,399, respectively. The Plan took in $240,866,968 and $576,173,666 in contributions from participants during the years ended June 30, 2007 and 2006, respectively. The Plan reported net increase in the change of the fair value of investments of $55,456,738 and $10,384,068, respectively.

Overview of the Financial Statements

This annual report consists of two primary parts – management discussion and analysis and the basic financial statements. The basic financial statements are composed of the statement of fiduciary net assets and the statement of changes in fiduciary net assets, and notes that explain some of the information in the financial statements and provide more detailed data.

The statement of fiduciary net assets presents information on the Plan's assets and liabilities, with the difference between the two reported as net assets. This statement provides information about the Plan as a whole and, along with the statement of changes in fiduciary net assets, is intended to help answer the question: Is the Plan, as a whole, better off or worse off as a result of the period's activities. The Plan's financial statements are prepared using the accrual basis of accounting, whereby contributions are recognized when enrollment in the Plan takes place; benefit distributions and refunds are recognized when payable; and liabilities are recognized when goods and services are received or investment transactions take place regardless of when cash is received or paid.

The statement of changes in fiduciary net assets presents information showing how the Plan's net assets changed during the most recent fiscal year, another important factor that needs to be considered in order to determine the financial health of the Plan. This statement presents information showing how the Plan's net assets changed during 2007 and 2006 based on activity from investment transactions and market activity. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of when cash is received or paid. Notes to financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

Financial Analysis

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

	2007	2006	2005
Assets:			
Investments, at value	$ 861,217,033	696,948,447	366,929,527
Cash	151,020	61,649	32,445
Receivables and other assets	2,320,764	1,474,903	975,613
Total assets	863,688,817	698,484,999	367,937,585
Liabilities:			
Cash overdraft	102,914	96,508	83,351
Payables and other liabilities	2,432,430	944,572	667,835
Total liabilities	2,535,344	1,041,080	751,186
Net assets:			
Held in trust for qualified state tuition plans and other purposes	$ 861,153,473	697,443,919	367,186,399

The investments of the Portfolios increased by $164 million, or 24%, from 2006 to 2007 and $330 million, or 90%, from 2005 to 2006. This increase is due to shareholder contributions, market valuations, and investment income. The total shareholder activity in 2007 and 2006 was $60.8 million and $297.9 million, respectively. Net investment income was approximately $12.9 million and $15.7 million in 2007 and 2006, respectively.

The majority of the receivables consist of shareholder contributions received but not invested as of June 30 and dividend receivables.

The majority of the liabilities consist of payables for securities purchased and shareholder redemptions processed but not yet delivered as of June 30.

(Continued)

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

		2007	2006
Operations:			
Investment income	$	20,864,504	22,284,306
Less expenses		7,951,147	6,600,571
Net investment income		12,913,357	15,683,735
Capital gains from underlying funds		34,516,432	6,264,877
Net increase in the change in fair value of investments		55,456,738	10,384,067
Total increase in net assets resulting from operations		102,886,527	32,332,679
Capital unit transactions:			
Benefits contributed/paid		60,823,027	297,924,841
Total increase in net assets		163,709,554	330,257,520
Net assets:			
Beginning of year		697,443,919	367,186,399
End of year	$	861,153,473	697,443,919

Investment income is comprised of dividend income. The decrease in income is the result of redemptions. The fund expenses are primarily distribution and administration fees. The increase in expenses is the result from the increase in net assets of the funds, as the majority of the funds' fees are based on assets.

Economic and Market Review

The past year was a time of transition for the U.S. economy. After several years of moderate economic growth, the U.S. economy began to slow during the second half of 2006, and the slowdown persisted through the end of the reporting period. More sluggish growth stemmed primarily from weakness in the housing sector, which softened after a long stretch of rising home values. In addition, generally poor business conditions in the automotive industry contributed to the economic slowdown. In this environment, after two years of steady rate hikes, the Federal Reserve Board (the Fed) held short-term interest rates steady. The Fed's unchanged policy stance reflected its members' belief that slowing economic growth would help relieve prevailing inflationary pressures.

However, employment levels generally remained high and the economy continued to create new jobs during the reporting period, indicating that a full-blown recession was unlikely. At the same time, the robust labor market and volatile energy prices during the first half of 2007 helped to stoke concerns about inflation, which has remained stubbornly above the Fed's "comfort zone." The "tug-of-war" between a slowing economy and persistent inflationary pressures caused many analysts to conclude in the spring of 2007 that the Fed might remain on hold for some time.

COLLEGESENSE 529 HIGHER EDUCATION SAVINGS PLAN

Management Discussion and Analysis

June 30, 2007, 2006 and 2005

(Unaudited)

Due to the Fed's rate hikes between June 2004 and June 2006, money market instruments provided higher yields during the reporting period than they had for the past several years. However, uncertainty regarding the economy, inflation, and Fed policy generally caused yield differences along the market's maturity range to narrow toward historically low levels. In fact, at times during the reporting period, shorter-term money market instruments offered slightly higher yields than longer-dated ones, a phenomenon known as an "inverted yield curve." Although the money market yield curve mostly returned to a "normalized" slope later in the reporting period, there remained very little difference in the yields of instruments with maturities between overnight and three months.

Finally, it is worth mentioning that turmoil in the subprime mortgage market in late February 2007 had virtually no impact on money market instruments. Because money market instruments are, by definition, high quality assets, they generally had no exposure to mortgages held by subprime borrowers. Even longer-term bonds bounced back after it became clearer to investors that higher delinquency rates were mostly confined to the subprime market segment.

Having acknowledged the prospect of an economic slowdown, the Federal Reserve cut its federal funds rate three times in 2007. Following the December cut, the Fed also announced it would make $60 billion available to boost liquidity among major global financial centers. Equity Market Emerging Markets led worldwide equities again in 2007, achieving its fifth consecutive year of double-digit gains. Largely unscathed by the credit crunch that has reverberated through many world markets, emerging market countries, particularly those in Latin America and the Far East, continue to benefit from a strong domestic base and favorable trade balances.

The domestic equity market managed to gain ground in 2007, despite increasingly jittery global financial conditions and an unsettling increase in market volatility. The S&P 500 hit five record highs during the year, but finished up only 3.5% (5.5% with dividends), as fallout from the troubled U.S. housing market and the subprime-perpetuated credit crisis echoed across international credit markets and the domestic economy.

There are some highlights behind the year's domestic equity market action. For the first calendar year since 1999, large-cap was the strongest size category, and mid-cap followed closely behind. The S&P Energy sector was the market's strongest on the basis of both weighted-excess and total return. The weakest S&P sectors were those most vulnerable to the credit-related turmoil that rocked the global lending community in 2007. A double digit decline in Financials, the largest of the ten S&P sectors, weighed particularly heavily on the index's performance. Poor results for retailers also sent the Consumer Discretionary sector tumbling for the year.

In the fixed income market, the Lehman Aggregate Bond Index posted a relatively strong total return for calendar 2007, as falling interest rates resulted in principal gains, which augmented interest income. Every major non-U.S. Treasury sector in the market recorded negative excess returns (including federal agencies) as investors sought quality and comfort.

KPMG LLP
Suite 2700
707 Seventeenth Street
Denver, CO 80202

Independent Auditors' Report

The Education Trust Board of New Mexico
1068 Cerrillos Road
Santa Fe, NM 87505

and

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

We have audited the accompanying combined statements of fiduciary net assets of the College Sense 529 Higher Education Savings Plan (the Plan) and the statements of fiduciary net assets of the Aggressive Portfolio, Moderately Aggressive Portfolio, Moderate Portfolio, Conservative Portfolio, School Years Portfolio, Fixed Income Portfolio, Equity Funds Portfolio, Capital Preservation Portfolio, Mainstay Large Cap Growth Portfolio, Evergreen Small-Mid Growth Portfolio, Evergreen International Equity Portfolio, and Mainstay High Yield Corporate Bond Portfolio (collectively referred to as the Portfolios) of the Plan as of June 30, 2007, 2006, and 2005, and the related combined statements of changes in fiduciary net assets of the Plan and statements of changes in fiduciary net assets of the Portfolios for the years ended June 30, 2007 and 2006. These financial statements are the responsibility of The Education Trust Board of New Mexico and Evergreen Investment Services, Inc. (Program Manager). Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net assets of the Plan and Portfolios as of June 30, 2007, 2006, and 2005, and the changes in fiduciary net assets for the years ended June 30, 2007 and 2006 in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2008 on our consideration of the Plan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

The management discussion and analysis on pages 1 through 4 is not a required part of the basic financial statements, but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit this information and express no opinion on it.

KPMG LLP

November 17, 2008

COLLEGESENSE 529 HIGHER EDUCATION SAVINGS PLAN

Combined Statements of Fiduciary Net Assets

June 30, 2007, 2006, and 2005

		2007	2006	2005
Assets:				
Investments, at value (cost $791,363,027, $682,490,542, and $362,856,327, respectively)	$	861,217,033	696,948,447	366,929,527
Cash		151,020	61,649	32,445
Receivables and other assets:				
Receivable for capital shares		881,653	353,021	386,792
Accrued income		1,357,251	1,060,568	546,608
Other assets		81,860	61,314	42,213
Total assets		863,688,817	698,484,999	367,937,585
Liabilities:				
Cash overdraft		102,914	96,508	83,351
Payables and other liabilities:				
Payable for capital shares		638,965	213,740	—
Payable for securities purchased		962,556	44,459	279,723
Administration fee payable		255,647	210,704	105,117
Distribution and service fee payable		490,531	474,292	239,253
Accrued expenses		84,731	1,377	43,742
Total liabilities		2,535,344	1,041,080	751,186
Net assets:				
Held in trust for qualified state tuition plans and other purposes	$	861,153,473	697,443,919	367,186,399
Class A-1:				
Net assets	$	301,099,934	237,687,837	77,295,160
Capital units outstanding (unlimited number authorized)		8,829,591	8,015,087	2,776,495
Class B-2:				
Net assets	$	287,093,239	231,436,671	154,271,913
Capital units outstanding (unlimited number authorized)		8,715,793	8,030,919	5,663,524
Class C-3:				
Net assets	$	112,263,356	95,989,910	64,076,323
Capital units outstanding (unlimited number authorized)		3,505,132	3,360,162	2,354,351
Class A-4:				
Net assets	$	76,176,390	62,318,121	21,071,543
Capital units outstanding (unlimited number authorized)		2,221,208	2,091,977	750,942
Class B-5:				
Net assets	$	52,007,005	42,704,827	30,542,139
Capital units outstanding (unlimited number authorized)		1,579,186	1,480,607	1,114,159
Class C-6:				
Net assets	$	32,513,549	27,306,553	19,929,321
Capital units outstanding (unlimited number authorized)		987,360	943,746	723,377

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

COLLEGESENSE 529 HIGHER EDUCATION SAVINGS PLAN

Combined Statements of Changes in Fiduciary Net Assets

Years ended June 30, 2007 and 2006

		2007	2006
Additions:			
Subscriptions	$	240,866,968	576,173,666
Investment income:			
Dividend income from underlying funds		20,864,504	22,284,306
Less expenses:			
Distribution fees		5,233,684	4,362,167
Administration fees		2,717,463	2,238,404
Net investment income		12,913,357	15,683,735
Capital gains from underlying funds		34,516,432	6,264,877
Net increase in the change in fair value of investments		55,456,738	10,384,067
Total additions		343,753,495	608,506,345
Deductions:			
Redemptions		(180,043,941)	(278,248,825)
Changes in net assets held in trust for individuals		163,709,554	330,257,520
Net assets at beginning of year		697,443,919	367,186,399
Net assets at end of year	$	861,153,473	697,443,919

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

COLLEGESENSE AGGRESSIVE PORTFOLIO

Statements of Fiduciary Net Assets

June 30, 2007, 2006, and 2005

	2007	2006	2005
Assets:			
Investments, at value (cost $179,295,428, $164,074,777, and $94,183,296, respectively)	$ 203,547,574	170,876,419	95,563,643
Cash	57,975	20,224	—
Receivables and other assets:			
Receivable for capital shares	42,320	133,142	113,658
Accrued income	118,752	77,394	84,135
Other assets	8,221	2,035	—
Total assets	203,774,842	171,109,214	95,761,436
Liabilities:			
Cash overdraft	—	—	5,307
Payables and other liabilities:			
Payable for capital shares	41,767	68,282	—
Payable for securities purchased	84,804	9,784	77,035
Administration fee payable	60,880	51,597	27,538
Distribution and service fee payable	114,001	98,259	61,992
Accrued expenses	—	—	321
Total liabilities	301,452	227,922	172,193
Net assets:			
Held in trust for qualified state tuition plans and other purposes	$ 203,473,390	170,881,292	95,589,243
Class A-1:			
Net assets	$ 73,334,248	60,892,681	21,657,133
Capital units outstanding (unlimited number authorized)	2,087,703	2,059,155	795,264
Net asset value per unit	35.13	29.57	27.23
Class B-2:			
Net assets	$ 75,783,424	66,860,545	49,032,085
Capital units outstanding (unlimited number authorized)	2,231,531	2,321,212	1,834,446
Net asset value per unit	33.96	28.80	26.73
Class C-3:			
Net assets	$ 15,759,084	14,035,011	11,242,909
Capital units outstanding (unlimited number authorized)	465,027	488,221	421,519
Net asset value per unit	33.89	28.75	26.67
Class A-4:			
Net assets	$ 20,195,094	15,083,531	5,025,408
Capital units outstanding (unlimited number authorized)	570,404	506,063	183,082
Net asset value per unit	35.40	29.81	27.45
Class B-5:			
Net assets	$ 11,671,870	8,785,419	5,615,932
Capital units outstanding (unlimited number authorized)	342,017	303,542	209,125
Net asset value per unit	34.13	28.94	26.85
Class C-6:			
Net assets	$ 6,729,670	5,224,105	3,015,776
Capital units outstanding (unlimited number authorized)	196,646	179,982	111,972
Net asset value per unit	34.22	29.03	26.93

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

COLLEGESENSE AGGRESSIVE PORTFOLIO

Statements of Changes in Fiduciary Net Assets

Years ended June 30, 2007 and 2006

		2007	2006
Additions:			
Subscriptions	$	40,956,948	130,403,336
Investment income:			
Dividend income from underlying funds		3,225,490	4,801,114
Less expenses:			
Distribution fees		1,244,902	1,080,450
Administration fees		659,323	563,146
Net investment income		1,321,265	3,157,518
Capital gains from underlying funds		12,985,353	2,547,773
Net increase in the change in fair value of investments		17,450,504	5,421,294
Total additions		72,714,070	141,529,921
Deductions:			
Redemptions		(40,121,972)	(66,237,872)
Change in net assets held in trust for individuals		32,592,098	75,292,049
Net assets at beginning of year		170,881,292	95,589,243
Net assets at end of year	$	203,473,390	170,881,292

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

COLLEGESENSE MODERATELY AGGRESSIVE PORTFOLIO

Statements of Fiduciary Net Assets

June 30, 2007, 2006, and 2005

		2007	2006	2005
Assets:				
Investments, at value (cost $184,692,781, $158,059,105, and $82,248,637, respectively)	$	202,531,555	161,351,947	82,844,250
Cash		18,169	18,316	—
Receivables and other assets:				
Receivable for capital shares		116,003	78,307	83,581
Accrued income		260,658	215,286	138,303
Total assets		202,926,385	161,663,856	83,066,134
Liabilities:				
Cash overdraft		—	—	18,901
Payables and other liabilities:				
Payable for capital shares		57,892	29,873	—
Payable for securities purchased		280,157	19,973	74,703
Administration fee payable		60,103	48,742	23,511
Distribution and service fee payable		118,191	163,259	53,685
Accrued expenses		82,632	—	42,814
Total liabilities		598,975	261,847	213,614
Net assets:				
Held in trust for qualified state tuition plans and other purposes	$	202,327,410	161,402,009	82,852,520
Class A-1:				
Net assets	$	61,442,564	47,329,638	15,792,159
Capital units outstanding (unlimited number authorized)		1,788,632	1,597,734	567,038
Net asset value per unit		34.35	29.62	27.85
Class B-2:				
Net assets	$	75,347,426	60,969,859	38,007,802
Capital units outstanding (unlimited number authorized)		2,266,733	2,111,322	1,389,511
Net asset value per unit		33.24	28.88	27.35
Class C-3:				
Net assets	$	16,078,696	12,670,418	8,418,223
Capital units outstanding (unlimited number authorized)		485,326	440,220	308,788
Net asset value per unit		33.13	28.78	27.26
Class A-4:				
Net assets	$	22,910,243	18,226,009	5,975,319
Capital units outstanding (unlimited number authorized)		664,323	612,847	213,715
Net asset value per unit		34.49	29.74	27.96
Class B-5:				
Net assets	$	16,350,266	13,255,662	8,723,893
Capital units outstanding (unlimited number authorized)		492,231	459,335	319,147
Net asset value per unit		33.22	28.86	27.34
Class C-6:				
Net assets	$	10,198,215	8,950,423	5,935,124
Capital units outstanding (unlimited number authorized)		306,371	309,485	216,647
Net asset value per unit		33.29	28.92	27.40

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

COLLEGESENSE MODERATELY AGGRESSIVE PORTFOLIO

Statements of Changes in Fiduciary Net Assets

Years ended June 30, 2007 and 2006

		2007	2006
Additions:			
Subscriptions	$	59,988,090	133,768,119
Investment income:			
Dividend income from underlying funds		4,623,177	5,109,265
Less expenses:			
Distribution fees		1,250,717	1,013,635
Administration fees		633,135	510,795
Net investment income		2,739,325	3,584,835
Capital gains from underlying funds		8,465,360	1,059,252
Net increase in the change in fair value of investments		14,545,932	2,697,229
Total additions		85,738,707	141,109,435
Deductions:			
Redemptions		(44,813,306)	(62,559,946)
Change in net assets held in trust for individuals		40,925,401	78,549,489
Net assets at beginning of year		161,402,009	82,852,520
Net assets at end of year	$	202,327,410	161,402,009

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

COLLEGESENSE MODERATE PORTFOLIO

Statements of Fiduciary Net Assets

June 30, 2007, 2006, and 2005

		2007	2006	2005
Assets:				
Investments, at value (cost $164,094,777, $138,455,023, and $82,883,352, respectively)				
Investments, at value	$	176,958,506	140,441,923	83,073,228
Cash		—	12,678	—
Receivables and other assets:				
Receivable for capital shares		120,195	67,532	85,255
Accrued income		322,518	250,334	172,410
Other assets		42,070	34,480	15,487
Total assets		177,443,289	140,806,947	83,346,380
Liabilities:				
Cash overdraft		18,398	—	22,510
Payables and other liabilities:				
Payable for capital shares		83,540	13,524	—
Payable for securities purchased		293,212	4,709	24,364
Administration fee payable		52,495	42,517	24,046
Distribution and service fee payable		98,122	79,754	55,135
Total liabilities		545,767	140,504	126,055
Net assets:				
Held in trust for qualified state tuition plans and other purposes	$	176,897,522	140,666,443	83,220,325
Class A-1:				
Net assets	$	61,820,792	47,601,190	17,182,883
Capital units outstanding (unlimited number authorized)		1,807,121	1,595,822	607,533
Net asset value per unit		34.21	29.83	28.28
Class B-2:				
Net assets	$	55,992,750	43,717,141	34,455,447
Capital units outstanding (unlimited number authorized)		1,697,912	1,509,154	1,244,777
Net asset value per unit		32.98	28.97	27.68
Class C-3:				
Net assets	$	16,494,659	13,905,609	12,371,543
Capital units outstanding (unlimited number authorized)		502,348	482,102	448,927
Net asset value per unit		32.84	28.84	27.56
Class A-4:				
Net assets	$	19,651,997	16,745,979	5,121,649
Capital units outstanding (unlimited number authorized)		573,673	560,685	180,839
Net asset value per unit		34.26	29.87	28.32
Class B-5:				
Net assets	$	14,464,928	11,826,167	8,497,876
Capital units outstanding (unlimited number authorized)		439,659	409,210	307,756
Net asset value per unit		32.90	28.90	27.61
Class C-6:				
Net assets	$	8,472,396	6,870,357	5,590,927
Capital units outstanding (unlimited number authorized)		255,287	235,674	200,738
Net asset value per unit		33.19	29.15	27.85

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

COLLEGESENSE MODERATE PORTFOLIO

Statements of Changes in Fiduciary Net Assets

Years ended June 30, 2007 and 2006

		2007	2006
Additions:			
Subscriptions	$	59,198,587	124,716,941
Investment income:			
Dividend income from underlying funds		4,861,079	5,235,595
Less expenses:			
Distribution fees		1,039,024	901,522
Administration fees		555,663	472,055
Net investment income		3,266,392	3,862,018
Capital gains from underlying funds		6,718,246	508,325
Net increase in the change in fair value of investments		10,876,829	1,797,024
Total additions		80,060,054	130,884,308
Deductions:			
Redemptions		(43,828,975)	(73,438,190)
Change in net assets held in trust for individuals		36,231,079	57,446,118
Net assets at beginning of year		140,666,443	83,220,325
Net assets at end of year	$	176,897,522	140,666,443

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

COLLEGESENSE CONSERVATIVE PORTFOLIO

Statements of Fiduciary Net Assets

June 30, 2007, 2006, and 2005

	2007	2006	2005
Assets:			
Investments, at value (cost $140,511,325, $110,914,091, and $54,721,794, respectively)	$ 147,766,726	112,009,957	55,015,613
Cash	50,662	—	15,944
Receivables and other assets:			
Receivable for capital shares	377,715	46,279	101,131
Accrued income	382,466	274,019	105,718
Other assets	16,959	19,626	19,441
Total assets	148,594,528	112,349,881	55,257,847
Liabilities:			
Cash overdraft	—	61,856	—
Payables and other liabilities:			
Payable for capital shares	222,418	15,887	—
Payable for securities purchased	230,198	7,116	100,554
Administration fee payable	43,595	33,782	15,532
Distribution and service fee payable	85,949	66,494	35,167
Total liabilities	582,160	185,135	151,253
Net assets:			
Held in trust for qualified state tuition plans and other purposes	$ 148,012,368	112,164,746	55,106,594
Class A-1:			
Net assets	$ 51,130,450	37,706,217	11,400,733
Capital units outstanding (unlimited number authorized)	1,527,423	1,250,239	396,356
Net asset value per unit	33.47	30.16	28.76
Class B-2:			
Net assets	$ 43,640,998	29,247,932	15,952,729
Capital units outstanding (unlimited number authorized)	1,362,591	1,006,026	571,046
Net asset value per unit	32.03	29.07	27.94
Class C-3:			
Net assets	$ 30,352,568	25,422,469	15,268,736
Capital units outstanding (unlimited number authorized)	952,208	878,625	549,162
Net asset value per unit	31.88	28.93	27.80
Class A-4:			
Net assets	$ 10,111,160	8,815,902	3,185,518
Capital units outstanding (unlimited number authorized)	303,345	293,556	111,272
Net asset value per unit	33.33	30.03	28.63
Class B-5:			
Net assets	$ 7,658,454	6,821,380	5,898,758
Capital units outstanding (unlimited number authorized)	240,652	236,138	212,499
Net asset value per unit	31.82	28.89	27.76
Class C-6:			
Net assets	$ 5,118,738	4,150,846	3,400,120
Capital units outstanding (unlimited number authorized)	159,507	142,492	121,458
Net asset value per unit	32.09	29.13	27.99

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

COLLEGESENSE CONSERVATIVE PORTFOLIO

Statements of Changes in Fiduciary Net Assets

Years ended June 30, 2007 and 2006

		2007	2006
Additions:			
Subscriptions	$	50,367,449	90,924,897
Investment income:			
Dividend income from underlying funds		4,650,787	3,742,381
Less expenses:			
Distribution fees		891,557	681,694
Administrative fees		451,989	343,041
Net investment income		3,307,241	2,717,646
Capital gains from underlying funds		3,134,485	383,187
Net increase in the change in fair value of investments		6,159,535	802,047
Total additions		62,968,710	94,827,777
Deductions:			
Redemptions		(27,121,088)	(37,769,625)
Change in net assets held in trust for individuals		35,847,622	57,058,152
Net assets at beginning of year		112,164,746	55,106,594
Net assets at end of year	$	148,012,368	112,164,746

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

COLLEGESENSE SCHOOL YEARS PORTFOLIO

Statements of Fiduciary Net Assets

June 30, 2007, 2006, and 2005

		2007	2006	2005
Assets:				
Investments, at value (cost $32,634,026, $25,373,264, and $11,443,251, respectively)	$	32,408,991	25,116,437	11,555,857
Receivables and other assets:				
Receivable for capital shares		182,096	14,327	727
Accrued income		128,112	92,615	27,727
Other assets		—	1,899	1,089
Total assets		32,719,199	25,225,278	11,585,400
Liabilities:				
Cash overdraft		75,871	13,165	71
Payables and other liabilities:				
Payable for capital shares		170,536	41,437	—
Payable for securities purchased		41,692	350	727
Administration fee payable		9,429	7,625	3,295
Distribution and service fee payable		18,107	14,692	7,481
Accrued expenses		765	—	—
Total liabilities		316,400	77,269	11,574
Net assets:				
Held in trust for qualified state tuition plans and other purposes	$	32,402,799	25,148,009	11,573,826
Class A-1:				
Net assets	$	10,877,967	7,445,884	1,298,141
Capital units outstanding (unlimited number authorized)		362,296	258,360	45,951
Net asset value per unit		30.03	28.82	28.25
Class B-2:				
Net assets	$	3,884,792	2,497,345	1,367,961
Capital units outstanding (unlimited number authorized)		135,507	90,080	49,960
Net asset value per unit		28.67	27.72	27.38
Class C-3:				
Net assets	$	10,476,127	7,631,059	3,351,021
Capital units outstanding (unlimited number authorized)		363,061	273,485	121,592
Net asset value per unit		28.86	27.90	27.56
Class A-4:				
Net assets	$	3,307,896	3,446,700	1,763,649
Capital units outstanding (unlimited number authorized)		109,463	118,826	62,034
Net asset value per unit		30.22	29.01	28.43
Class B-5:				
Net assets	$	1,861,487	2,016,199	1,805,680
Capital units outstanding (unlimited number authorized)		64,627	72,382	65,632
Net asset value per unit		28.80	27.85	27.51
Class C-6:				
Net assets	$	1,994,530	2,110,822	1,987,374
Capital units outstanding (unlimited number authorized)		69,549	76,113	72,562
Net asset value per unit		28.68	27.73	27.39

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

COLLEGESENSE SCHOOL YEARS PORTFOLIO

Statements of Changes in Fiduciary Net Assets

Years ended June 30, 2007 and 2006

		2007	2006
Additions:			
Subscriptions	$	16,227,558	26,177,999
Investment income:			
Dividend income from underlying funds		1,261,237	855,275
Less expenses:			
Distribution fees		186,287	144,976
Administration fees		96,320	76,028
Net investment income		978,630	634,271
Capital gains (losses) from underlying funds		(27,729)	99,791
Net increase (decrease) in the change in fair value of investments		31,792	(369,433)
Total additions		17,210,251	26,542,628
Deductions:			
Redemptions		(9,955,461)	(12,968,445)
Change in net assets held in trust for individuals		7,254,790	13,574,183
Net assets at beginning of year		25,148,009	11,573,826
Net assets at end of year	$	32,402,799	25,148,009

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

COLLEGESENSE FIXED INCOME PORTFOLIO

Statements of Fiduciary Net Assets

June 30, 2007, 2006, and 2005

		2007	2006	2005
Assets:				
Investments, at value (cost $13,038,398, $14,574,595, and $4,650,841, respectively)	$	12,783,687	14,095,190	4,686,835
Cash		—	2	—
Receivables and other assets:				
Receivable for capital shares		—	1,000	850
Accrued income		42,918	52,190	15,273
Other assets		605	605	269
Total assets		12,827,210	14,148,987	4,703,227
Liabilities:				
Cash overdraft		6,804	—	36,562
Payables and other liabilities:				
Payable for capital shares		21,369	9,431	—
Payable for securities purchased		31,793	400	850
Administration fee payable		3,808	4,327	1,359
Distribution and service fee payable		6,947	7,548	3,396
Accrued expenses		—	—	46
Total liabilities		70,721	21,706	42,213
Net assets:				
Held in trust for qualified state tuition plans and other purposes	$	12,756,489	14,127,281	4,661,014
Class A-1:				
Net assets	$	6,130,039	7,367,333	758,945
Capital units outstanding (unlimited number authorized)		198,381	252,059	26,154
Net asset value per unit		30.90	29.23	29.02
Class B-2:				
Net assets	$	4,498,771	4,560,838	2,956,948
Capital units outstanding (unlimited number authorized)		152,865	162,623	105,409
Net asset value per unit		29.43	28.05	28.05
Class C-3:				
Net assets	$	2,127,679	2,199,110	945,121
Capital units outstanding (unlimited number authorized)		72,161	78,264	33,629
Net asset value per unit		29.49	28.10	28.10

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

COLLEGESENSE FIXED INCOME PORTFOLIO

Statements of Changes in Fiduciary Net Assets

Years ended June 30, 2007 and 2006

		2007	2006
Additions:			
Subscriptions	$	1,188,551	14,296,007
Investment income:			
Dividend income from underlying funds		685,264	695,135
Less expenses:			
Distribution fees		84,308	87,068
Administration fees		47,318	49,304
Net investment income		553,638	558,763
Capital gains (losses) from underlying funds		(50,024)	38,816
Net increase (decrease) in the change in fair value of investments		224,694	(515,399)
Total additions		1,916,859	14,378,187
Deductions:			
Redemptions		(3,287,651)	(4,911,920)
Change in net assets held in trust for individuals		(1,370,792)	9,466,267
Net assets at beginning of year		14,127,281	4,661,014
Net assets at end of year	$	12,756,489	14,127,281

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

COLLEGESENSE EQUITY FUNDS PORTFOLIO

Statements of Fiduciary Net Assets

June 30, 2007, 2006, and 2005

		2007	2006	2005
Assets:				
Investments, at value (cost $38,161,317, $33,579,546, and $13,237,503, respectively)	$	44,473,721	35,202,422	13,503,794
Cash		4,470	4,422	9,001
Receivables and other assets:				
Receivable for capital shares		6,300	2,137	—
Accrued income		10,803	2,973	2,876
Other assets		5,192	2,440	2,412
Total assets		44,500,486	35,214,394	13,518,083
Liabilities:				
Payables and other liabilities:				
Payable for capital shares		2,557	—	—
Payable for securities purchased		—	937	—
Administration fee payable		13,242	10,535	3,861
Distribution and service fee payable		23,716	18,955	7,940
Total liabilities		39,515	30,427	11,801
Net assets:				
Held in trust for qualified state tuition plans and other purposes	$	44,460,971	35,183,967	13,506,282
Class A-1:				
Net assets	$	22,112,836	17,398,610	4,872,578
Capital units outstanding (unlimited number authorized)		626,146	590,579	180,741
Net asset value per unit		35.32	29.46	26.96
Class B-2:				
Net assets	$	12,372,730	9,710,552	3,921,914
Capital units outstanding (unlimited number authorized)		358,234	334,554	146,549
Net asset value per unit		34.54	29.03	26.76
Class C-3:				
Net assets	$	9,975,405	8,074,805	4,711,790
Capital units outstanding (unlimited number authorized)		293,906	283,078	179,131
Net asset value per unit		33.94	28.53	26.30

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

COLLEGESENSE EQUITY FUNDS PORTFOLIO

Statements of Changes in Fiduciary Net Assets

Years ended June 30, 2007 and 2006

		2007	2006
Additions:			
Subscriptions	$	5,934,475	25,735,025
Investment income:			
Dividend income from underlying funds		333,517	890,513
Less expenses:			
Distribution fees		247,013	206,247
Administration fees		138,260	114,448
Net investment income (loss)		(51,756)	569,818
Capital gains from underlying funds		2,363,086	389,593
Net increase in the change in fair value of investments		4,689,528	1,356,585
Total additions		12,935,333	28,051,021
Deductions:			
Redemptions		(3,658,329)	(6,373,336)
Change in net assets held in trust for individuals		9,277,004	21,677,685
Net assets at beginning of year		35,183,967	13,506,282
Net assets at end of year	$	44,460,971	35,183,967

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

COLLEGESENSE CAPITAL PRESERVATION PORTFOLIO

Statements of Fiduciary Net Assets

June 30, 2007, 2006, and 2005

		2007	2006	2005
Assets:				
Investments, at value (cost $26,246,409, $29,092,983, and $19,052,095, respectively)	$	26,246,409	29,092,983	20,234,285
Cash		—	—	7,500
Receivables and other assets:				
Receivable for capital shares		35,582	10,297	1,590
Accrued income		91,024	95,757	166
Other assets		—	—	3,515
Total assets		26,373,015	29,199,037	20,247,056
Liabilities:				
Cash overdraft		334	21,487	—
Payables and other liabilities:				
Payable for capital shares		38,886	35,306	—
Payable for securities purchased		700	1,190	1,490
Administration fee payable		7,831	8,962	5,846
Distribution and service fee payable		17,590	20,309	14,208
Accrued expenses		1,334	1,334	561
Total liabilities		66,675	88,588	22,105
Net assets:				
Held in trust for qualified state tuition plans and other purposes	$	26,306,340	29,110,449	20,224,951
Class A-1:				
Net assets	$	7,510,213	8,067,073	4,137,486
Capital units outstanding (unlimited number authorized)		258,785	287,413	151,868
Net asset value per unit		29.02	28.07	27.24
Class B-2:				
Net assets	$	10,419,905	10,513,958	8,417,799
Capital units outstanding (unlimited number authorized)		373,906	387,189	316,969
Net asset value per unit		27.87	27.15	26.56
Class C-3:				
Net assets	$	8,376,222	10,529,418	7,669,666
Capital units outstanding (unlimited number authorized)		300,351	387,468	288,581
Net asset value per unit		27.89	27.17	26.58

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

COLLEGESENSE CAPITAL PRESERVATION PORTFOLIO

Statements of Changes in Fiduciary Net Assets

Years ended June 30, 2007 and 2006

		2007	2006
Additions:			
Subscriptions	$	2,655,028	21,224,045
Investment income:			
Dividend income from underlying funds		1,079,230	860,910
Less expenses:			
Distribution fees		215,698	197,950
Administration fees		95,748	85,101
Net investment income		767,784	577,859
Capital gains from underlying funds		—	1,193,543
Net decrease in the change in fair value of investments		—	(1,182,190)
Total additions		3,422,812	21,813,257
Deductions:			
Redemptions		(6,226,921)	(12,927,759)
Change in net assets held in trust for individuals		(2,804,109)	8,885,498
Net assets at beginning of year		29,110,449	20,224,951
Net assets at end of year	$	26,306,340	29,110,449

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

COLLEGESENSE MAINSTAY LARGE CAP GROWTH PORTFOLIO

Statements of Fiduciary Net Assets

June 30, 2007 and 2006

		2007	2006
Assets:			
Investments, at value (cost $2,757,566 and $2,347,487, respectively)	$	3,344,376	2,439,304
Cash		10,924	1,499
Receivables and other assets:			
Receivable for capital shares		471	—
Other assets		333	—
Total assets		3,356,104	2,440,803
Liabilities:			
Payables and other liabilities:			
Administration fee payable		981	726
Distribution and service fee payable		1,775	1,329
Accrued expenses		—	42
Total liabilities		2,756	2,097
Net assets:			
Held in trust for qualified state tuition plans and other purposes	$	3,353,348	2,438,706
Class A-1:			
Net assets	$	1,633,683	1,183,695
Capital units outstanding (unlimited number authorized)		51,680	44,324
Net asset value per unit		31.61	26.71
Class B-2:			
Net assets	$	1,251,052	950,261
Capital units outstanding (unlimited number authorized)		40,177	35,855
Net asset value per unit		31.14	26.50
Class C-3:			
Net assets	$	468,613	304,750
Capital units outstanding (unlimited number authorized)		15,049	11,498
Net asset value per unit		31.14	26.50

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

COLLEGESENSE MAINSTAY LARGE CAP GROWTH PORTFOLIO

Statements of Changes in Fiduciary Net Assets

Years ended June 30, 2007 and 2006

		2007	2006
Additions:			
Subscriptions	$	701,276	2,605,139
Investment income:			
Dividend income from underlying funds		374	906
Less expenses:			
Distribution fees		18,194	12,852
Administration fees		10,068	6,851
Net investment income (loss)		(27,888)	(18,797)
Capital gains from underlying funds		26,898	5,270
Net increase in the change in fair value of investments		494,993	91,817
Total additions		1,195,279	2,683,429
Deductions:			
Redemptions		(280,637)	(244,723)
Change in net assets held in trust for individuals		914,642	2,438,706
Net assets at beginning of year		2,438,706	—
Net assets at end of year	$	3,353,348	2,438,706

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

COLLEGESENSE EVERGREEN SMALL-MID GROWTH PORTFOLIO

Statements of Fiduciary Net Assets

June 30, 2007, 2006, and 2005

		2007	2006	2005
Assets:				
Investments, at value (cost $5,366,862, $3,798,646, and $435,558, respectively)	$	6,118,795	3,892,732	452,022
Cash		—	1,507	—
Other assets		2,501	—	—
Total assets		6,121,296	3,894,239	452,022
Liabilities:				
Cash overdraft		1,507	—	—
Payables and other liabilities:				
Administration fee payable		1,808	1,173	129
Distribution and service fee payable		3,273	2,350	249
Total liabilities		6,588	3,523	378
Net assets:				
Held in trust for qualified state tuition plans and other purposes	$	6,114,708	3,890,716	451,644
Class A-1:				
Net assets	$	2,991,079	1,560,443	195,102
Capital units outstanding (unlimited number authorized)		62,552	42,017	5,590
Net asset value per unit		47.82	37.14	34.90
Class B-2:				
Net assets	$	1,973,008	1,487,809	159,228
Capital units outstanding (unlimited number authorized)		44,593	42,975	4,857
Net asset value per unit		44.24	34.62	32.78
Class C-3:				
Net assets	$	1,150,621	842,464	97,314
Capital units outstanding (unlimited number authorized)		26,475	24,774	3,022
Net asset value per unit		43.46	34.01	32.20

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

COLLEGESENSE EVERGREEN SMALL-MID GROWTH PORTFOLIO

Statements of Changes in Fiduciary Net Assets

Years ended June 30, 2007 and 2006

		2007	2006
Additions:			
Subscriptions	$	1,341,924	3,907,913
Investment income:			
Dividend income from underlying funds		2,503	—
Less expenses:			
Distribution fees		32,121	24,812
Administration fees		17,079	12,014
Net investment income (loss)		(46,697)	(36,826)
Capital gains from underlying funds		635,215	20,211
Net increase in the change in fair value of investments		657,847	77,622
Total additions		2,588,289	3,968,920
Deductions:			
Redemptions		(364,297)	(529,848)
Change in net assets held in trust for individuals		2,223,992	3,439,072
Net assets at beginning of year		3,890,716	451,644
Net assets at end of year	$	6,114,708	3,890,716

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

COLLEGESENSE EVERGREEN INTERNATIONAL EQUITY PORTFOLIO

Statements of Fiduciary Net Assets

June 30, 2007 and 2006

		2007	2006
Assets:			
Investments, at value (cost $3,432,342 and $1,859,929, respectively)	$	3,961,551	2,071,589
Cash		6,320	1,501
Receivables and other assets:			
Receivable for capital shares		971	—
Other assets		5,957	207
Total assets		3,974,799	2,073,297
Liabilities:			
Payables and other liabilities:			
Administration fee payable		1,160	613
Distribution and service fee payable		2,299	1,173
Total liabilities		3,459	1,786
Net assets:			
Held in trust for qualified state tuition plans and other purposes	$	3,971,340	2,071,511
Class A-1:			
Net assets	$	1,578,831	921,969
Capital units outstanding (unlimited number authorized)		40,411	29,279
Net asset value per unit		39.07	31.49
Class B-2:			
Net assets	$	1,742,320	843,564
Capital units outstanding (unlimited number authorized)		45,257	26,984
Net asset value per unit		38.50	31.26
Class C-3:			
Net assets	$	650,189	305,978
Capital units outstanding (unlimited number authorized)		16,893	9,790
Net asset value per unit		38.49	31.25

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

COLLEGESENSE EVERGREEN INTERNATIONAL EQUITY PORTFOLIO

Statements of Changes in Fiduciary Net Assets

Years ended June 30, 2007 and 2006

		2007	2006
Additions:			
Subscriptions	$	1,590,366	2,054,402
Investment income:			
Dividend income from underlying funds		91,973	82,456
Less expenses:			
Distribution fees		19,862	10,135
Administration fees		10,223	5,167
Net investment income		61,888	67,154
Capital gains from underlying funds		265,048	19,170
Net increase in the change in fair value of investments		317,549	211,660
Total additions		2,234,851	2,352,386
Deductions:			
Redemptions		(335,022)	(280,875)
Change in net assets held in trust for individuals		1,899,829	2,071,511
Net assets at beginning of year		2,071,511	—
Net assets at end of year	$	3,971,340	2,071,511

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

COLLEGESENSE MAINSTAY HIGH YIELD CORPORATE BOND PORTFOLIO

Statements of Fiduciary Net Assets

June 30, 2007 and 2006

		2007	2006
Assets:			
Investments, at value (cost $1,071,796 and $361,733, respectively)	$	1,075,142	357,544
Cash		2,500	1,500
Other assets		22	22
Total assets		1,077,664	359,066
Liabilities:			
Payables and other liabilities:			
Administration fee payable		315	106
Distribution and service fee payable		561	170
Total liabilities		876	276
Net assets:			
Held in trust for qualified state tuition plans and other purposes	$	1,076,788	358,790
Class A-1:			
Net assets	$	537,232	213,104
Capital units outstanding (unlimited number authorized)		18,461	8,106
Net asset value per unit		29.10	26.29
Class B-2:			
Net assets	$	186,063	76,867
Capital units outstanding (unlimited number authorized)		6,487	2,945
Net asset value per unit		28.68	26.10
Class C-3:			
Net assets	$	353,493	68,819
Capital units outstanding (unlimited number authorized)		12,327	2,637
Net asset value per unit		28.68	26.10

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

COLLEGESENSE MAINSTAY HIGH YIELD CORPORATE BOND PORTFOLIO

Statements of Changes in Fiduciary Net Assets

Years ended June 30, 2007 and 2006

		2007	2006
Additions:			
Subscriptions	$	716,716	359,843
Investment income:			
Dividend income from underlying funds		49,873	10,756
Less expenses:			
Distribution fees		4,001	826
Administration fees		2,337	454
Net investment income		43,535	9,476
Capital gains (losses) from underlying funds		494	(54)
Net increase (decrease) in the change in fair value of investments		7,535	(4,189)
Total additions		768,280	365,076
Deductions:			
Redemptions		(50,282)	(6,286)
Change in net assets held in trust for individuals		717,998	358,790
Net assets at beginning of year		358,790	—
Net assets at end of year	$	1,076,788	358,790

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

(1) Organization

The CollegeSense 529 Higher Education Savings Plan (the Plan) is a variable return college savings program that enables individuals to save and invest in order to fund future higher education expenses of a child or beneficiary. The Plan is designed to be a qualified tuition program under Section 529 of the Internal Revenue Code of 1986, as amended, and is maintained by The Education Trust Board of New Mexico (the Trustee) under The Education Plan Trust of New Mexico (the Trust), a trust established under the laws of the State of New Mexico.

Evergreen Investment Services, Inc. (EIS) and Evergreen Investment Management Company, LLC (EIMC) are responsible for the management of the Plan and providing administrative and related services to the Trust (see note 8).

The Plan is sponsored by the State of New Mexico and is administered by EIS as the Program Manager. EIS is the primary distributor of the Plan. State tax treatment of the Plan assets varies from state to state. All contributions made to the Plan by New Mexico residents are New Mexico state tax deductible. Investment earnings in the Plan are exempt from New Mexico state income taxes, provided that the money is used to pay for qualified higher education expenses. Qualified distributions from the Plan will not be subject to federal tax. The Plan commenced operations on March 25, 2002.

The Plan is composed of 12 portfolios (the Portfolios), which are available through three investment options: the Age-Based Portfolio, the Custom Choice Portfolio, and the Individual Mutual Fund Portfolio options, each of which is invested in a unique composition of equity and/or fixed-income mutual funds (Underlying Funds).

The following table lists the portfolios available under each investment option:

	Age-based portfolio option	Custom choice portfolio option	Individual mutual fund portfolio option
The Aggressive Portfolio	X	X	
The Moderately Aggressive Portfolio	X	X	
The Moderate Portfolio	X	X	
The Conservative Portfolio	X	X	
The School Years Portfolio	X	X	
The Fixed Income Portfolio		X	
The Equity Funds Portfolio		X	
The Capital Preservation Portfolio*		X	
Mainstay Large Cap Growth Portfolio			X
Evergreen Small-Mid Growth Portfolio**			X
Evergreen International Equity Portfolio			X
Mainstay High Yield Corporate Bond Portfolio			X

* At the close of business on January 13, 2006. The Stable Value Portfolio merged into The Capital Preservation Portfolio.

** As of December 18, 2006, Evergreen Mid Cap Growth Portfolio changed its name to Evergreen Small-Mid Growth Portfolio. Along with the name change, the underlying investment changed from the Evergreen Mid Cap Growth Fund – Class I to the Evergreen Small-Mid Growth Fund – Class I.

The Capital Preservation Portfolio is a stable value investment product, which invests exclusively in the CollegeSense Capital Preservation Account. The CollegeSense Capital Preservation Account may invest in one or more "investment contracts" issued by one or more insurance companies or financial institutions, as well as shares of money market mutual funds managed by an investment manager (see note 7).

The Plan offers up to six classes of units for each portfolio: Classes A-1, A-4, B-2, B-5, C-3, and C-6. Expenses of each Portfolio are borne pro rata by the holders of each class of units.

Classes A-1 and A-4 pay an initial sales charge at the time of purchase. Classes B-2 and B-5 pay a contingent deferred sales charge that is payable upon redemption and decreases depending on how long the shares have been held. Classes C-3 and C-6 do not pay a front-end sales charge but are subject to a contingent deferred sales charge that is payable upon redemption within one year.

(2) Significant Accounting Policies

As a fiduciary fund, the Plan's financial statements are presented using the economic resources measurement focus and the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America, 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.

As permitted by GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Plan has elected not to adopt FASB statements and interpretations issued after November 30, 1989, unless GASB specifically adopts such FASB statements or interpretations.

(a) Security Valuation

Investments in the Underlying Funds are valued at the closing net asset value per share of each Underlying Fund as of the close of regular trading on the New York Stock Exchange on each day the exchange is open for trading.

The Capital Preservation Portfolio may also invest in certain guaranteed investment contracts that are held at contract value plus accrued interest. See note 7.

(b) Security Transactions

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

(c) Investment Income and Dividends

Dividend income is recorded on the ex-dividend date or upon ex-dividend notification in the case of certain foreign dividends where the ex-dividend date may have passed. Noncash dividends included in dividend income, if any, are recorded at the fair market value of the securities received. Interest income, which includes accretion of discount and amortization of premium, is accrued as earned. Income and capital gain distributions from the Underlying Funds 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.

(d) Allocation of Income, Expenses, Gains, and Losses

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

(e) Investment Transactions

Investment transactions, normally purchases and sales of shares of the Underlying Funds, are accounted for on the trade date. Gains or losses on investments sold are determined on the basis of identified cost.

(f) Units

The beneficial interest in each portfolio is expressed as a number of units. Subscriptions to and redemptions from the portfolio are subject to terms and limitations defined in the Disclosure Statement between the unit holder and the Plan. Subscriptions and redemptions are recorded upon receipt of the unit holder's instructions in good order, based on the next determined net asset value per unit (unit value). Unit values for each portfolio are determined daily. There are no distributions of net investment gains or net investment income to the Portfolios' unit holders.

(g) Use of Estimates

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

(3) Related-Party Information and Fees

(a) Expenses

Expenses of the Plan can be directly attributed to each portfolio. Expenses included in the accompanying financial statements reflect the expenses of each portfolio and do not include any expenses associated with the Underlying Funds.

(b) Administration Fee

Each portfolio is assessed a plan administration fee daily at an annual rate of 0.35% on its assets to cover the costs associated with the Plan, including, but not limited to, administrative and recordkeeping costs, customer accounts, on-line account access, plan administration, and any other expenses associated with the operation of the Plan. Of this fee, 0.05% is paid to the Education Trust Board of New Mexico, and the remaining 0.30% is paid to EIS and EIMC.

(c) Distribution and Service Fee

As primary distributor, EIS has entered into a distribution arrangement with NYLIFE Distributors, LLC (NYLIFE). Units of each portfolio are distributed by EIS and NYLIFE.

Each portfolio is assessed a distribution and service fee on its assets to cover the costs associated with the Plan, including but not limited to account servicing, sales and distribution. This fee is 0.25% of the average daily net assets for each of classes A-1 and A-4 and 1.00% of the average daily net assets for each of classes B-2, B-5, C-3, and C-6.

(4) Investments

Investments are reported at fair value and are accounted for by the Plan accordingly, with changes in the fair value included in investment earnings.

The following represents a calculation of the net increase in fair value of investments during the years ended June 30, 2007 and 2006:

		2007	2006
Value at end of period	$	861,217,033	696,948,447
Less: Cost of investments purchased during period		(327,887,347)	(484,402,486)
Plus: Proceeds from investments sold during period		238,629,824	171,032,510
Less: Value at beginning of period		(696,948,447)	(366,929,527)
Change in value of investments during period	$	75,011,063	16,648,944

(5) Income Taxes

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

(6) Investment Risks

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

(a) Custodial Credit Risk

Custodial Credit Risk is the risk that, in the event of a failure, the Plan deposits and investments may not be returned.

All of the Plan's investments are uninsured and unregistered and are held by a counterparty in the Plan's name. The Disclosure Statement and Customer Agreement provide greater detail about the investment policies and practices of the Plan.

The Plan's investments are also subject to certain credit, concentration of credit, interest rate, and foreign currency risks.

Because the Plan's investments are generally in mutual funds, this risk is significantly mitigated.

(Continued)

(b) *Credit Risk*

Credit Risk is the risk that an issuer to an investment will not fulfill its obligations. The Plan invests directly in pooled vehicles of various investment companies and the respective Underlying Fund's prospectus provides greater detail about the investment strategies and practices of the Underlying Funds, in compliance with federal regulations and specifically, the Form N-1A of the Investment Company Act of 1940, which focuses on disclosure to the investing public of information and policies about the Underlying Funds and its investment objectives, as well as on investment company structure and operations.

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

	Weighted credit rating	
	June 30, 2007	June 30, 2006
Evergreen adjustable rate fund	AAA	N/A
Evergreen core bond fund	AA+	AAA
Evergreen limited duration fund	AA	AA-
Evergreen select high yield fund	B+	BB-
Mainstay corporate high yield bond fund	BB-	BB-

(c) *Interest Rate Risk*

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The interest rate sensitivity of the debt instruments was not available. However, the respective Underlying Fund's prospectus provides greater detail about the investment policies and practices of the Underlying Fund, in compliance with federal regulations and specifically, the Form N-1A of the Investment Company Act of 1940, which focuses on disclosure to the investing public of information about the Underlying Fund and its investment objectives, as well as on investment company structure and operations.

Duration for the underlying fixed income funds are as follows:

	Duration (in years)	
	June 30, 2007	June 30, 2006
Evergreen adjustable rate fund	0.9	N/A
Evergreen core bond fund	4.8	4.8
Evergreen limited duration fund	1.7	1.6
Evergreen select high yield fund	4.0	4.3
Mainstay corporate high yield bond fund	4.0	3.5

(Continued)

(d) Foreign Currency Risk

Foreign Currency Risk is the risk that changes in exchange rates will adversely affect the fair value of an investment in a foreign financial institution. The Plan does invest in various foreign currencies in pooled vehicles. However, the respective Underlying Fund's prospectus provides greater detail about the investment policies and practices of the Underlying Fund, in compliance with federal regulations and specifically, the Form N-1A of the Investment Company Act of 1940, which focuses on disclosure to the investing public of information about the Underlying Fund and its investment objectives, as well as on investment company structure and operations.

(7) Guaranteed Investment Contract (GIC)

In accordance with GASB Statement No. 31, at June 30, 2007 and 2006, traditional GICs were valued at contract value of approximately $63,800,000 (fair value $63,100,000) and $58,200,000 (fair value $57,200,000), respectively. Such contracts for which the fair value was confirmed by New York Life and/or Prudential (the holders of the contract) remained with such institutions until the transaction noted in note 8. Such amounts of approximately $25 million in contract value were included in the transfer described in note 8 below.

(8) Subsequent Event

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

KPMG LLP
Suite 2700
707 Seventeenth Street
Denver, CO 80202

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

The Education Trust Board of New Mexico
1068 Cerrillos Road
Santa Fe, NM 87505

and

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

We have audited the accompanying combined statements of fiduciary net assets of the CollegeSense 529 Higher Education Savings Plan (the Plan) and the statements of fiduciary net assets of the Aggressive Portfolio, Moderately Aggressive Portfolio, Moderate Portfolio, Conservative Portfolio, School Years Portfolio, Fixed Income Portfolio, Equity Funds Portfolio, Capital Preservation Portfolio, Mainstay Large Cap Growth Portfolio, Evergreen Small-Mid Growth Portfolio, Evergreen International Equity Portfolio, and Mainstay High Yield Corporate Bond Portfolio (collectively referred to as the Portfolios) of the Plan as of June 30, 2007, 2006, and 2005, and the related combined statements of changes in fiduciary net assets of the Plan and statements of changes in fiduciary net assets of the Portfolios for the years ended June 30, 2007 and 2006, and have issued our report thereon dated November 17, 2008. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Plan's financial statements are free of material misstatement, we performed tests of 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 statements 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 which is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 07-01.

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

* * * * * * *

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

KPMG LLP

November 17, 2008

COLLEGESENSE 529 HIGHER EDUCATION SAVINGS PLAN

Schedule of Findings and Responses

June 30, 2007, 2006, and 2005

Finding No. 07-01

Criteria

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

Condition

We noted an instance in which the annual financial audit report was not delivered to the State Auditor by the December 15, 2007 deadline as specified in the audit contract. The annual financial audit report was received on August 25, 2008 by the Office of the State Auditor which was after the deadline.

Cause

The annual financial audit report was not delivered to the State Auditor by deadline primarily due to the late execution of the audit engagement letter between KPMG and the Board which occurred on November 13, 2007, approximately four weeks prior to the deadline. The annual financial audit report should have been filed with the State Auditor no later than December 15, 2007.

Effect

The users of the financial statements such as investors, legislators, creditors, bondholders, etc..., do not have timely audit reports and financial statements for their review. In addition, the Plan was not in compliance with state regulations when filing the annual financial report with the State Auditor after the December 15, 2007 deadline.

Recommendation

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

Plan Response to Finding No. 07-01

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

Contact: Ross Burkstaller, Program Manager

Exit Conference

An exit conference was conducted on April 8, 2008 in which the contents of this report were discussed with the following:

The Education Trust Board of New Mexico

Reed Dasenbrock	Chairman
Michael Custer	Board Member
Robert Desiderio	Board Member
Theresa Lucero	Board Member
Fran Lucero	Executive Assistant

OF1 Private Investments

Ross Burkstaller	Program Manager

KPMG

Robert Troccoli	Partner
Kelli High	Senior Manager

Financial Statement Preparation

The accompanying financial statements have been prepared by Evergreen Investments.

This page was intentionally left blank

Financial Analysis

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

		2007	2006	2005
Assets:				
Investments, at value	$	797,265,375	600,204,258	458,539,596
Cash		—	—	104,368
Receivables and other assets		1,114,967	1,259,467	624,157
Total assets		798,380,342	601,463,725	459,268,121
Liabilities:				
Cash overdraft		9,884	29,425	46,938
Payables and other liabilities		1,369,697	1,142,988	965,763
Total liabilities		1,379,581	1,172,413	1,012,701
Net assets:				
Held in trust for qualified state tuition plans and other purposes	$	797,000,761	600,291,312	458,255,420

The investments of the Portfolios increased by $197 million, or 33%, from 2006 to 2007 and $142 million, or 31%, from 2005 to 2006. This increase is due to shareholder contributions, market valuations, and investment income. The total shareholder activity in 2007 and 2006 was $91.5 million and $106.9 million, respectively. Net investment income was approximately $12.9 million and $11.2 million in 2007 and 2006, respectively.

The majority of the receivables consist of shareholder contributions received but not invested as of June 30 and dividend receivables.

The majority of the liabilities consist of shareholder redemptions processed but not yet delivered as of June 30 and accrued expenses.

(Continued)

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

	2007	2006
Operations:		
Investment income	$ 16,391,472	13,894,087
Less expenses	3,473,592	2,717,811
Net investment income	12,917,880	11,176,276
Capital gains from underlying funds	13,952,953	5,153,553
Net increase in change in fair value of investments	78,380,637	18,806,191
Total increase in net assets resulting from operations	105,251,470	35,136,020
Capital unit transactions:		
Benefits contributed/paid	91,457,979	106,899,872
Total increase in net assets	196,709,449	142,035,892
Net assets:		
Beginning of year	600,291,312	458,255,420
End of year	$ 797,000,761	600,291,312

Investment income is comprised of dividend and interest income. The increase in income is the result of the increase in the investments in the underlying funds. The fund expenses are primarily management, distribution, and administrative fees. The increase in expenses is the result from the increase in net assets of the funds, as the majority of the funds' fees are based on assets.

Economic and Market Review

The past year was a time of transition for the U.S. economy. After several years of moderate economic growth, the U.S. economy began to slow during the second half of 2006, and the slowdown persisted through the end of the reporting period. More sluggish growth stemmed primarily from weakness in the housing sector, which softened after a long stretch of rising home values. In addition, generally poor business conditions in the automotive industry contributed to the economic slowdown. In this environment, after two years of steady rate hikes, the Federal Reserve Board (the Fed) held short-term interest rates steady. The Fed's unchanged policy stance reflected its members' belief that slowing economic growth would help relieve prevailing inflationary pressures.

However, employment levels generally remained high and the economy continued to create new jobs during the reporting period, indicating that a full-blown recession was unlikely. At the same time, the robust labor market and volatile energy prices during the first half of 2007 helped to stoke concerns about inflation, which has remained stubbornly above the Fed's "comfort zone." The "tug-of-war" between a slowing economy and persistent inflationary pressures caused many analysts to conclude in the spring of 2007 that the Fed might remain on hold for some time.

(Continued)

Due to the Fed's rate hikes between June 2004 and June 2006, money market instruments provided higher yields during the reporting period than they had for the past several years. However, uncertainty regarding the economy, inflation, and Fed policy generally caused yield differences along the market's maturity range to narrow toward historically low levels. In fact, at times during the reporting period, shorter-term money market instruments offered slightly higher yields than longer-dated ones, a phenomenon known as an "inverted yield curve." Although the money market yield curve mostly returned to a "normalized" slope later in the reporting period, there remained very little difference in the yields of instruments with maturities between overnight and three months.

Finally, it is worth mentioning that turmoil in the subprime mortgage market in late February 2007 had virtually no impact on money market instruments. Because money market instruments are, by definition, high quality assets, they generally had no exposure to mortgages held by subprime borrowers. Even longer-term bonds bounced back after it became clearer to investors that higher delinquency rates were mostly confined to the subprime market segment.

Having acknowledged the prospect of an economic slowdown, the Federal Reserve cut its federal funds rate three times in 2007. Following the December cut, the Fed also announced it would make $60 billion available to boost liquidity among major global financial centers. Equity Market Emerging Markets led worldwide equities again in 2007, achieving its fifth consecutive year of double-digit gains. Largely unscathed by the credit crunch that has reverberated through many world markets, emerging market countries, particularly those in Latin America and the Far East, continue to benefit from a strong domestic base and favorable trade balances.

The domestic equity market managed to gain ground in 2007, despite increasingly jittery global financial conditions and an unsettling increase in market volatility. The S&P 500 hit five record highs during the year, but finished up only 3.5% (5.5% with dividends), as fallout from the troubled U.S. housing market and the subprime-perpetuated credit crisis echoed across international credit markets and the domestic economy.

There are some highlights behind the year's domestic equity market action. For the first calendar year since 1999, large-cap was the strongest size category, and mid-cap followed closely behind. The S&P Energy sector was the market's strongest on the basis of both weighted-excess and total return. The weakest S&P sectors were those most vulnerable to the credit-related turmoil that rocked the global lending community in 2007. A double digit decline in Financials, the largest of the ten S&P sectors, weighed particularly heavily on the index's performance. Poor results for retailers also sent the Consumer Discretionary sector tumbling for the year.

In the fixed income market, the Lehman Aggregate Bond Index posted a relatively strong total return for calendar 2007, as falling interest rates resulted in principal gains, which augmented interest income. Every major non-U.S. Treasury sector in the market recorded negative excess returns (including federal agencies) as investors sought quality and comfort.

KPMG

KPMG LLP
Suite 2700
707 Seventeenth Street
Denver, CO 80202

Independent Auditors' Report

The Education Trust Board of New Mexico
1068 Cerrillos Road
Santa Fe, NM 87505

and

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

We have audited the accompanying combined statements of fiduciary net assets of Scholar'sEdge (the Plan) and the statements of fiduciary net assets of the Large Cap Growth Portfolio, Short-Term Yields Portfolio, Small Cap Core Portfolio, Global Portfolio, Age-Based Aggressive Portfolio, Age-Based Moderately Aggressive Portfolio, Age-Based Moderate Portfolio, Conservative Portfolio, Age-Based School Years Portfolio, Large Cap Core Portfolio, Large Cap Value Portfolio, Intermediate Term Bond Portfolio, Diversified Income Portfolio, and Ultra Conservative Portfolio (collectively referred to as the Portfolios) of the Plan as of June 30, 2007, 2006, and 2005, and the related combined statements of changes in fiduciary net assets of the Plan and statements of changes in fiduciary net assets of the Portfolios for the years ended June 30, 2007 and 2006. These financial statements are the responsibility of The Education Trust Board of New Mexico and OFI Private Investments, Inc. (Program Manager). Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net assets of the Plan and Portfolios as of June 30, 2007, 2006, and 2005, and the changes in fiduciary net assets for the years ended June 30, 2007 and 2006 in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2008 on our consideration of the Plan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

The management discussion and analysis on pages 45 through 47 is not a required part of the basic financial statements, but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit this information and express no opinion on it.

KPMG LLP

November 17, 2008

SCHOLAR'SEDGE

Combined Statements of Fiduciary Net Assets

June 30, 2007, 2006, and 2005

		2007	2006	2005
Assets:				
Investments, at value (cost $692,726,756, $574,046,276, and $451,187,805, respectively)	$	797,265,375	600,204,258	458,539,596
Cash		—	—	104,368
Receivables and other assets:				
Receivable for capital shares		461,291	16,556	284,693
Receivable for securities sold		16,947	772,425	29,990
Accrued income		636,729	468,049	309,474
Other assets		—	2,437	—
Total assets		798,380,342	601,463,725	459,268,121
Liabilities:				
Cash overdraft		9,884	29,425	46,938
Payables and other liabilities:				
Payable for capital shares		143,914	126,929	383,102
Payable for securities purchased		741,451	640,561	120,461
Accrued expenses		484,332	375,498	462,200
Total liabilities		1,379,581	1,172,413	1,012,701
Net assets:				
Held in trust for qualified state tuition plans and other purposes	$	797,000,761	600,291,312	458,255,420
Class A:				
Net assets	$	532,461,862	396,428,362	299,369,064
Capital units outstanding (unlimited number authorized)		19,900,051	17,184,184	13,957,904
Class B:				
Net assets	$	249,355,127	193,562,977	152,235,134
Capital units outstanding (unlimited number authorized)		10,272,278	9,131,447	7,600,947
Class C:				
Net assets	$	15,183,772	10,299,973	6,651,222
Capital units outstanding (unlimited number authorized)		390,607	316,242	225,049

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

SCHOLAR'SEDGE

Combined Statements of Changes in Fiduciary Net Assets

Years ended June 30, 2007 and 2006

	2007	2006
Additions:		
Subscriptions	$ 277,503,620	242,031,309
Investment income:		
Dividend income from underlying funds	16,358,827	13,874,895
Interest	32,645	19,192
Less expenses:		
Management fees	1,040,896	805,549
Distribution fees	1,738,772	1,375,236
Administrative fees	693,924	537,026
Net investment income	12,917,880	11,176,276
Capital gains from underlying funds	13,952,953	5,153,553
Net increase in change in fair value of investments	78,380,637	18,806,191
Total additions	382,755,090	277,167,329
Deductions:		
Redemptions	(186,045,641)	(135,131,437)
Change in net assets held in trust for individuals	196,709,449	142,035,892
Net assets at beginning of year	600,291,312	458,255,420
Net assets at end of year	$ 797,000,761	600,291,312

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

SCHOLAR'SEDGE LARGE CAP GROWTH PORTFOLIO

Statements of Fiduciary Net Assets

June 30, 2007, 2006, and 2005

		2007	2006	2005
Assets:				
Investments, at value (cost $9,404,850, $8,621,440, and $6,350,133, respectively)	$	11,580,713	9,098,172	6,437,564
Cash		—	—	2,859
Receivables and other assets:				
Receivable for capital shares		7,377	9,722	1,737
Accrued income		23	—	—
Other assets		—	37	—
Total assets		11,588,113	9,107,931	6,442,160
Liabilities:				
Payables and other liabilities:				
Payable for capital shares		—	1,563	2,853
Payable for securities purchased		431	—	—
Accrued expenses		9,614	7,939	7,573
Total liabilities		10,045	9,502	10,426
Net assets:				
Held in trust for qualified state tuition plans and other purposes	$	11,578,068	9,098,429	6,431,734
Class A:				
Net assets	$	6,280,371	4,862,935	3,325,676
Capital units outstanding (unlimited number authorized)		176,206	160,212	116,820
Net asset value per unit		35.64	30.35	28.47
Public offering price per unit (net asset value plus sales charge of 4.75% of offering price)		37.42	31.87	29.89
Class B:				
Net assets	$	2,815,584	2,443,213	1,999,098
Capital units outstanding (unlimited number authorized)		84,001	85,268	73,879
Net asset value per unit		33.52	28.65	27.06
Class C:				
Net assets	$	2,482,113	1,792,281	1,106,960
Capital units outstanding (unlimited number authorized)		78,844	66,471	43,463
Net asset value per unit		31.48	26.96	25.47

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

SCHOLAR'SEDGE LARGE CAP GROWTH PORTFOLIO

Statements of Changes in Fiduciary Net Assets

Years ended June 30, 2007 and 2006

		2007	2006
Additions:			
Subscriptions	$	2,209,972	3,178,520
Investment income:			
Dividend income from underlying funds		—	44,732
Interest		257	394
Less expenses:			
Management fees		15,286	12,043
Distribution fees		35,409	28,609
Administrative fees		10,190	8,028
Net investment income (loss)		(60,628)	(3,554)
Capital losses from underlying funds		(7,780)	(4,489)
Net increase in change in fair value of investments		1,699,131	389,301
Total additions		3,840,695	3,559,778
Deductions:			
Redemptions		(1,361,056)	(893,083)
Change in net assets held in trust for individuals		2,479,639	2,666,695
Net assets at beginning of year		9,098,429	6,431,734
Net assets at end of year	$	11,578,068	9,098,429

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

SCHOLAR'SEDGE SHORT-TERM YIELDS PORTFOLIO

Statements of Fiduciary Net Assets

June 30, 2007, 2006, and 2005

		2007	2006	2005
Assets:				
Investments, at value (cost $5,812,614, $5,092,308, and $4,580,013, respectively)	$	5,812,614	5,092,308	4,580,013
Receivables and other assets:				
Receivable for capital shares		25,272	5,235	5,367
Receivable for securities sold		9,857	1,905	567
Accrued income		9,980	7,684	3,500
Other assets		—	49	—
Total assets		5,857,723	5,107,181	4,589,447
Liabilities:				
Cash overdraft		9,736	3,910	5,362
Payables and other liabilities:				
Payable for capital shares		6,301	4,982	—
Accrued expenses		5,462	5,144	8,542
Total liabilities		21,499	14,036	13,904
Net assets:				
Held in trust for qualified state tuition plans and other purposes	$	5,836,224	5,093,145	4,575,543
Class A:				
Net assets	$	2,882,179	2,211,043	1,951,751
Capital units outstanding (unlimited number authorized)		130,313	104,608	95,567
Net asset value per unit		22.12	21.14	20.42
Public offering price per unit (net asset value plus sales charge of 4.75% of offering price)		23.22	22.19	21.44
Class B:				
Net assets	$	2,954,045	2,882,102	2,623,792
Capital units outstanding (unlimited number authorized)		140,333	142,168	132,949
Net asset value per unit		21.05	20.27	19.74

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

SCHOLAR'SEDGE SHORT-TERM YIELDS PORTFOLIO

Statements of Changes in Fiduciary Net Assets

Years ended June 30, 2007 and 2006

		2007	2006
Additions:			
Subscriptions	$	2,188,227	1,852,632
Investment income:			
Dividend income from underlying funds		251,522	172,713
Interest		319	199
Less expenses:			
Management fees		7,931	6,999
Distribution fees		21,540	19,906
Administrative fees		5,287	4,666
Net investment income		217,083	141,341
Total additions		2,405,310	1,993,973
Deductions:			
Redemptions		(1,662,231)	(1,476,371)
Change in net assets held in trust for individuals		743,079	517,602
Net assets at beginning of year		5,093,145	4,575,543
Net assets at end of year	$	5,836,224	5,093,145

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

SCHOLAR'SEDGE SMALL CAP CORE PORTFOLIO

Statements of Fiduciary Net Assets

June 30, 2007, 2006, and 2005

		2007	2006	2005
Assets:				
Investments, at value (cost $7,962,393, $6,301,282, and $4,056,038, respectively)	$	9,400,134	6,974,934	4,222,776
Receivables and other assets:				
Receivable for capital shares		580	3,139	1,584
Accrued income		6	—	1,709
Other assets		—	39	—
Total assets		9,400,720	6,978,112	4,226,069
Liabilities:				
Cash overdraft		—	625	1,576
Payables and other liabilities:				
Payable for securities purchased		691	—	—
Accrued expenses		7,759	5,745	6,116
Total liabilities		8,450	6,370	7,692
Net assets:				
Held in trust for qualified state tuition plans and other purposes	$	9,392,270	6,971,742	4,218,377
Class A:				
Net assets	$	5,194,043	3,848,345	2,120,798
Capital units outstanding (unlimited number authorized)		101,805	87,544	56,813
Net asset value per unit		51.02	43.96	37.33
Public offering price per unit (net asset value plus sales charge of 4.75% of offering price)		53.56	46.15	39.19
Class B:				
Net assets	$	2,174,814	1,662,342	1,149,483
Capital units outstanding (unlimited number authorized)		44,331	39,128	31,762
Net asset value per unit		49.06	42.48	36.19
Class C:				
Net assets	$	2,023,413	1,461,055	948,096
Capital units outstanding (unlimited number authorized)		40,302	33,559	25,476
Net asset value per unit		50.21	43.54	37.22

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

SCHOLAR'SEDGE SMALL CAP CORE PORTFOLIO

Statements of Changes in Fiduciary Net Assets

Years ended June 30, 2007 and 2006

		2007	2006
Additions:			
Subscriptions	$	2,019,806	2,392,320
Investment income:			
Dividend income from underlying funds		168,762	60,924
Interest		289	332
Less expenses:			
Management fees		12,116	8,426
Distribution fees		27,373	19,810
Administrative fees		8,078	5,618
Net investment income		121,484	27,402
Capital gains from underlying funds		342,779	279,020
Net increase in change in fair value of investments		764,089	506,914
Total additions		3,248,158	3,205,656
Deductions:			
Redemptions		(827,630)	(452,291)
Change in net assets held in trust for individuals		2,420,528	2,753,365
Net assets at beginning of year		6,971,742	4,218,377
Net assets at end of year	$	9,392,270	6,971,742

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

SCHOLAR'SEDGE GLOBAL PORTFOLIO

Statements of Fiduciary Net Assets

June 30, 2007, 2006, and 2005

		2007	2006	2005
Assets:				
Investments, at value (cost $15,221,434, $10,108,320, and $5,322,314, respectively)	$	18,357,759	11,138,803	5,507,302
Cash		—	—	8,384
Receivables and other assets:				
Receivable for capital shares		7,612	3,193	4,171
Accrued income		39	—	2,869
Other assets		—	53	—
Total assets		18,365,410	11,142,049	5,522,726
Liabilities:				
Payables and other liabilities:				
Payable for securities purchased		1,454	2,005	—
Accrued expenses		13,537	8,195	7,624
Total liabilities		14,991	10,200	7,624
Net assets:				
Held in trust for qualified state tuition plans and other purposes	$	18,350,419	11,131,849	5,515,102
Class A:				
Net assets	$	10,770,991	6,625,770	2,849,403
Capital units outstanding (unlimited number authorized)		211,115	158,913	80,875
Net asset value per unit		51.02	41.69	35.23
Public offering price per unit (net asset value plus sales charge of 4.75% of offering price)		53.56	43.77	36.99
Class B:				
Net assets	$	3,109,323	1,855,878	1,254,076
Capital units outstanding (unlimited number authorized)		62,063	45,039	35,818
Net asset value per unit		50.10	41.21	35.01
Class C:				
Net assets	$	4,470,105	2,650,201	1,411,623
Capital units outstanding (unlimited number authorized)		85,107	61,315	38,382
Net asset value per unit		52.52	43.22	36.78

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

SCHOLAR'SEDGE GLOBAL PORTFOLIO

Statements of Changes in Fiduciary Net Assets

Years ended June 30, 2007 and 2006

		2007	2006
Additions:			
Subscriptions	$	5,439,168	5,073,854
Investment income:			
Dividend income from underlying funds		158,750	45,829
Interest		858	887
Less expenses:			
Management fees		21,751	12,368
Distribution fees		45,207	27,349
Administrative fees		14,501	8,245
Net investment income (loss)		78,149	(1,246)
Capital gains from underlying funds		692,014	212,281
Net increase in change in fair value of investments		2,105,842	845,495
Total additions		8,315,173	6,130,384
Deductions:			
Redemptions		(1,096,603)	(513,637)
Change in net assets held in trust for individuals		7,218,570	5,616,747
Net assets at beginning of year		11,131,849	5,515,102
Net assets at end of year	$	18,350,419	11,131,849

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

SCHOLAR'SEDGE AGE-BASED AGGRESSIVE PORTFOLIO

Statements of Fiduciary Net Assets

June 30, 2007, 2006, and 2005

		2007	2006	2005
Assets:				
Investments, at value (cost $166,357,372, $150,149,657, and $128,477,985, respectively)	$	208,821,129	164,499,042	131,679,223
Receivables and other assets:				
Receivable for capital shares		83,341	76,595	81,589
Receivable for securities sold		—	—	17,333
Accrued income		590	—	—
Other assets		—	463	—
Total assets		208,905,060	164,576,100	131,778,145
Liabilities:				
Cash overdraft		—	—	17,313
Payables and other liabilities:				
Payable for capital shares		7,426	2,000	64,740
Payable for securities purchased		47,965	19,760	—
Accrued expenses		109,736	89,974	126,862
Total liabilities		165,127	111,734	208,915
Net assets:				
Held in trust for qualified state tuition plans and other purposes	$	208,739,933	164,464,366	131,569,230
Class A:				
Net assets	$	149,757,457	116,979,132	91,630,841
Capital units outstanding (unlimited number authorized)		4,714,683	4,448,940	3,866,802
Net asset value per unit		31.76	26.29	23.70
Public offering price per unit (net asset value plus sales charge of 4.75% of offering price)		33.35	27.60	24.88
Class B:				
Net assets	$	58,982,476	47,485,234	39,938,389
Capital units outstanding (unlimited number authorized)		1,960,250	1,892,457	1,752,972
Net asset value per unit		30.09	25.09	22.78

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

SCHOLAR'SEDGE AGE-BASED AGGRESSIVE PORTFOLIO

Statements of Changes in Fiduciary Net Assets

Years ended June 30, 2007 and 2006

	2007	2006
Additions:		
Subscriptions	$ 47,271,770	45,716,140
Investment income:		
Dividend income from underlying funds	1,978,872	1,619,500
Interest	6,406	4,457
Less expenses:		
Management fees	279,374	229,293
Distribution fees	395,976	337,780
Administrative fees	186,247	152,860
Net investment income	1,123,681	904,024
Capital gains from underlying funds	5,729,197	2,440,068
Net increase in change in fair value of investments	28,114,372	11,148,147
Total additions	82,239,020	60,208,379
Deductions:		
Redemptions	(37,963,453)	(27,313,243)
Change in net assets held in trust for individuals	44,275,567	32,895,136
Net assets at beginning of year	164,464,366	131,569,230
Net assets at end of year	$ 208,739,933	164,464,366

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

SCHOLAR'SEDGE AGE-BASED MODERATELY AGGRESSIVE PORTFOLIO

Statements of Fiduciary Net Assets

June 30, 2007, 2006, and 2005

	2007	2006	2005
Assets:			
Investments, at value (cost $130,968,922, $108,171,580, and $80,694,205, respectively)	$ 156,094,061	112,908,972	82,153,318
Cash	—	—	5,958
Receivables and other assets:			
Receivable for capital shares	171,454	127,676	68,581
Accrued income	21,592	15,799	8,524
Other assets	—	469	—
Total assets	156,287,107	113,052,916	82,236,381
Liabilities:			
Payables and other liabilities:			
Payable for capital shares	5,989	19,329	5,949
Payable for securities purchased	64,475	62,637	9,585
Accrued expenses	84,224	60,626	85,029
Total liabilities	154,688	142,592	100,563
Net assets:			
Held in trust for qualified state tuition plans and other purposes	$ 156,132,419	112,910,324	82,135,818
Class A:			
Net assets	$ 109,530,321	79,658,241	57,588,377
Capital units outstanding (unlimited number authorized)	3,551,059	3,107,292	2,425,682
Net asset value per unit	30.84	25.64	23.74
Public offering price per unit (net asset value plus sales charge of 4.75% of offering price)	32.38	26.91	24.93
Class B:			
Net assets	$ 46,602,098	33,252,083	24,547,441
Capital units outstanding (unlimited number authorized)	1,581,076	1,347,152	1,065,691
Net asset value per unit	29.47	24.68	23.03

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

SCHOLAR'SEDGE AGE-BASED MODERATELY AGGRESSIVE PORTFOLIO

Statements of Changes in Fiduciary Net Assets

Years ended June 30, 2007 and 2006

		2007	2006
Additions:			
Subscriptions	$	54,898,353	48,523,736
Investment income:			
Dividend income from underlying funds		2,353,595	2,337,452
Interest		4,370	3,393
Less expenses:			
Management fees		198,689	148,245
Distribution fees		291,585	217,427
Administrative fees		132,457	98,829
Net investment income		1,735,234	1,876,344
Capital gains from underlying funds		2,012,503	1,373,469
Net increase in change in fair value of investments		20,387,747	3,278,279
Total additions		79,033,837	55,051,828
Deductions:			
Redemptions		(35,811,742)	(24,277,322)
Change in net assets held in trust for individuals		43,222,095	30,774,506
Net assets at beginning of year		112,910,324	82,135,818
Net assets at end of year	$	156,132,419	112,910,324

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

SCHOLAR'SEDGE AGE-BASED MODERATE PORTFOLIO

Statements of Fiduciary Net Assets

June 30, 2007, 2006, and 2005

	2007	2006	2005
Assets:			
Investments, at value (cost $121,490,127, $97,904,327, and $76,579,936, respectively)	$ 138,540,465	102,127,782	77,862,438
Cash	—	—	68,338
Receivables and other assets:			
Receivable for capital shares	39,348	174,650	22,168
Accrued income	38,415	28,443	16,043
Other assets	—	344	—
Total assets	138,618,228	102,331,219	77,968,987
Liabilities:			
Payables and other liabilities:			
Payable for capital shares	46,067	450	68,316
Payable for securities purchased	43,671	96,122	34,365
Accrued expenses	80,671	61,951	91,140
Total liabilities	170,409	158,523	193,821
Net assets:			
Held in trust for qualified state tuition plans and other purposes	$ 138,447,819	102,172,696	77,775,166
Class A:			
Net assets	$ 94,603,726	68,301,325	53,068,918
Capital units outstanding (unlimited number authorized)	3,151,937	2,660,556	2,231,125
Net asset value per unit	30.01	25.67	23.79
Public offering price per unit (net asset value plus sales charge of 4.75% of offering price)	31.51	26.95	24.97
Class B:			
Net assets	$ 43,844,093	33,871,371	24,706,248
Capital units outstanding (unlimited number authorized)	1,526,601	1,368,606	1,069,198
Net asset value per unit	28.72	24.75	23.11

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

SCHOLAR'SEDGE AGE-BASED MODERATE PORTFOLIO

Statements of Changes in Fiduciary Net Assets

Years ended June 30, 2007 and 2006

		2007	2006
Additions:			
Subscriptions	$	53,990,337	44,723,829
Investment income:			
Dividend income from underlying funds		3,187,139	3,111,330
Interest		4,126	2,487
Less expenses:			
Management fees		181,741	136,769
Distribution fees		293,054	221,398
Administrative fees		121,160	91,178
Net investment income		2,595,310	2,664,472
Capital gains from underlying funds		2,965,512	528,904
Net increase in change in fair value of investments		12,826,883	2,940,953
Total additions		72,378,042	50,858,158
Deductions:			
Redemptions		(36,102,919)	(26,460,628)
Change in net assets held in trust for individuals		36,275,123	24,397,530
Net assets at beginning of year		102,172,696	77,775,166
Net assets at end of year	$	138,447,819	102,172,696

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

SCHOLAR'SEDGE CONSERVATIVE PORTFOLIO

Statements of Fiduciary Net Assets

June 30, 2007, 2006, and 2005

	2007	2006	2005
Assets:			
Investments, at value (cost $94,668,777, $77,937,391, and $64,075,346, respectively)	$ 101,666,119	79,498,259	64,717,677
Receivables and other assets:			
Receivable for capital shares	57,897	259,757	39,009
Receivable for securities sold	—	—	3,703
Accrued income	238,844	178,866	140,363
Other assets	—	713	—
Total assets	101,962,860	79,937,595	64,900,752
Liabilities:			
Cash overdraft	—	—	3,690
Payables and other liabilities:			
Payable for capital shares	51,534	6,598	140,367
Payable for securities purchased	261,703	217,882	1,015
Accrued expenses	60,433	48,865	70,317
Total liabilities	373,670	273,345	215,389
Net assets:			
Held in trust for qualified state tuition plans and other purposes	$ 101,589,190	79,664,250	64,685,363
Class A:			
Net assets	$ 69,129,304	53,107,143	42,201,724
Capital units outstanding (unlimited number authorized)	2,495,410	2,143,445	1,789,478
Net asset value per unit	27.70	24.78	23.58
Public offering price per unit (net asset value plus sales charge of 4.75% of offering price)	29.08	26.01	24.76
Class B:			
Net assets	$ 32,459,886	26,557,107	22,483,639
Capital units outstanding (unlimited number authorized)	1,248,324	1,133,570	1,000,698
Net asset value per unit	26.00	23.43	22.47

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

SCHOLAR'SEDGE CONSERVATIVE PORTFOLIO

Statements of Changes in Fiduciary Net Assets

Years ended June 30, 2007 and 2006

		2007	2006
Additions:			
Subscriptions	$	45,198,340	38,042,165
Investment income:			
Dividend income from underlying investments		3,039,384	2,187,865
Interest		8,127	2,236
Less expenses:			
Management fees		134,948	108,759
Distribution fees		222,313	183,813
Administrative fees		89,965	72,505
Net investment income		2,600,285	1,825,024
Capital gains from underlying funds		1,509,979	498,029
Net increase in change in fair value of investments		5,436,474	918,537
Total additions		54,745,078	41,283,755
Deductions:			
Redemptions		(32,820,138)	(26,304,868)
Change in net assets held in trust for individuals		21,924,940	14,978,887
Net assets at beginning of year		79,664,250	64,685,363
Net assets at end of year	$	101,589,190	79,664,250

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

SCHOLAR'SEDGE AGE-BASED SCHOOL YEARS PORTFOLIO

Statements of Fiduciary Net Assets

June 30, 2007, 2006, and 2005

		2007	2006	2005
Assets:				
Investments, at value (cost $46,012,829, $34,312,822, and $25,544,534, respectively)	$	46,033,194	33,671,169	25,388,279
Receivables and other assets:				
Receivable for capital shares		2,673	83,007	8,387
Receivable for securities sold		6,899	11,584	11,435
Accrued income		181,107	127,430	70,112
Other assets		—	207	—
Total assets		46,223,873	33,893,397	25,478,213
Liabilities:				
Cash overdraft		13	24,097	8,381
Payables and other liabilities:				
Payable for capital shares		11,407	9,670	70,153
Payable for securities purchased		187,347	137,027	33,360
Accrued expenses		37,197	28,129	23,374
Total liabilities		235,964	198,923	135,268
Net assets:				
Held in trust for qualified state tuition plans and other purposes	$	45,987,909	33,694,474	25,342,945
Class A:				
Net assets	$	25,385,395	17,635,765	13,321,708
Capital units outstanding (unlimited number authorized)		1,071,559	794,320	612,234
Net asset value per unit		23.69	22.20	21.76
Public offering price per unit (net asset value plus sales charge of 4.75% of offering price)		24.87	23.31	22.84
Class B:				
Net assets	$	20,602,514	16,058,709	12,021,235
Capital units outstanding (unlimited number authorized)		906,895	748,807	567,543
Net asset value per unit		22.72	21.45	21.18

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

SCHOLAR'SEDGE AGE-BASED SCHOOL YEARS PORTFOLIO

Statements of Changes in Fiduciary Net Assets

Years ended June 30, 2007 and 2006

		2007	2006
Additions:			
Subscriptions	$	22,726,775	17,065,562
Investment income:			
Dividend income from underlying funds		1,896,177	1,398,681
Interest		2,792	1,901
Less expenses:			
Management fees		56,899	42,757
Distribution fees		131,483	100,518
Administrative fees		37,932	28,504
Net investment income		1,672,655	1,228,803
Capital losses from underlying funds		(141,935)	(278,743)
Net increase (decrease) in change in fair value of investments		662,018	(485,398)
Total additions		24,919,513	17,530,224
Deductions:			
Redemptions		(12,626,078)	(9,178,695)
Change in net assets held in trust for individuals		12,293,435	8,351,529
Net assets at beginning of year		33,694,474	25,342,945
Net assets at end of year	$	45,987,909	33,694,474

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

SCHOLAR'SEDGE LARGE CAP CORE PORTFOLIO

Statements of Fiduciary Net Assets

June 30, 2007, 2006, and 2005

		2007	2006	2005
Assets:				
Investments, at value (cost $6,528,133, $5,298,645, and $3,820,149, respectively)	$	7,814,781	5,719,153	3,894,641
Cash		—	—	2,082
Receivables and other assets:				
Receivable for capital shares		6,376	2,209	—
Accrued income		23	—	50
Other assets		—	11	—
Total assets		7,821,180	5,721,373	3,896,773
Liabilities:				
Payables and other liabilities:				
Payable for capital shares		—	750	2,074
Payable for securities purchased		814	8,002	—
Accrued expenses		6,924	5,257	6,278
Total liabilities		7,738	14,009	8,352
Net assets:				
Held in trust for qualified state tuition plans and other purposes	$	7,813,442	5,707,364	3,888,421
Class A:				
Net assets	$	4,009,528	2,845,596	1,772,199
Capital units outstanding (unlimited number authorized)		108,530	91,617	62,378
Net asset value per unit		36.94	31.06	28.41
Public offering price per unit (net asset value plus sales charge of 4.75% of offering price)		38.79	32.61	29.83
Class B:				
Net assets	$	2,292,394	1,701,320	1,297,075
Capital units outstanding (unlimited number authorized)		63,961	56,119	46,430
Net asset value per unit		35.84	30.32	27.94
Class C:				
Net assets	$	1,511,520	1,160,448	819,147
Capital units outstanding (unlimited number authorized)		40,545	36,779	28,172
Net asset value per unit		37.28	31.55	29.08

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

SCHOLAR'SEDGE LARGE CAP CORE PORTFOLIO

Statements of Changes in Fiduciary Net Assets

Years ended June 30, 2007 and 2006

		2007	2006
Additions:			
Subscriptions	$	1,881,358	1,878,160
Investment income:			
Dividend income from underlying funds		60,136	44,627
Interest		392	276
Less expenses:			
Management fees		10,125	7,177
Distribution fees		24,981	18,836
Administrative fees		6,750	4,784
Net investment income		18,672	14,106
Capital gains (losses) from underlying funds		246,039	(2,146)
Net increase in change in fair value of investments		866,140	346,016
Total additions		3,012,209	2,236,136
Deductions:			
Redemptions		(906,131)	(417,193)
Change in net assets held in trust for individuals		2,106,078	1,818,943
Net assets at beginning of year		5,707,364	3,888,421
Net assets at end of year	$	7,813,442	5,707,364

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

SCHOLAR'SEDGE LARGE CAP VALUE PORTFOLIO

Statements of Fiduciary Net Assets

June 30, 2007, 2006, and 2005

		2007	2006	2005
Assets:				
Investments, at value (cost $8,265,305, $6,410,152, and $4,295,994, respectively)	$	10,174,593	6,619,442	4,418,507
Receivables and other assets:				
Receivable for capital shares		18,871	2,314	10,633
Accrued income		14	—	1,678
Other assets		—	19	—
Total assets		10,193,478	6,621,775	4,430,818
Liabilities:				
Cash overdraft		—	—	10,616
Payables and other liabilities:				
Payable for capital shares		—	750	—
Payable for securities purchased		381	—	—
Accrued expenses		8,450	5,609	6,338
Total liabilities		8,831	6,359	16,954
Net assets:				
Held in trust for qualified state tuition plans and other purposes	$	10,184,647	6,615,416	4,413,864
Class A:				
Net assets	$	5,505,818	3,579,682	2,218,048
Capital units outstanding (unlimited number authorized)		124,019	102,752	67,973
Net asset value per unit		44.39	34.84	32.63
Public offering price per unit (net asset value plus sales charge of 4.75% of offering price)		46.61	36.58	34.26
Class B:				
Net assets	$	2,361,222	1,577,980	1,187,568
Capital units outstanding (unlimited number authorized)		55,440	46,846	37,419
Net asset value per unit		42.59	33.68	31.74
Class C:				
Net assets	$	2,317,607	1,457,754	1,008,248
Capital units outstanding (unlimited number authorized)		55,798	44,393	32,546
Net asset value per unit		41.54	32.84	30.98

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

SCHOLAR'SEDGE LARGE CAP VALUE PORTFOLIO

Statements of Changes in Fiduciary Net Assets

Years ended June 30, 2007 and 2006

		2007	2006
Additions:			
Subscriptions	$	2,217,861	2,363,164
Investment income:			
Dividend income from underlying funds		143,925	116,586
Interest		545	282
Less expenses:			
Management fees		12,364	8,434
Distribution fees		28,511	19,943
Administrative fees		8,242	5,623
Net investment income		95,353	82,868
Capital gains from underlying funds		170,322	141,403
Net increase in change in fair value of investments		1,699,998	86,777
Total additions		4,183,534	2,674,212
Deductions:			
Redemptions		(614,303)	(472,660)
Change in net assets held in trust for individuals		3,569,231	2,201,552
Net assets at beginning of year		6,615,416	4,413,864
Net assets at end of year	$	10,184,647	6,615,416

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

SCHOLAR'SEDGE INTERMEDIATE TERM BOND PORTFOLIO

Statements of Fiduciary Net Assets

June 30, 2007, 2006, and 2005

		2007	2006	2005
Assets:				
Investments, at value (cost $2,413,704, $2,149,125, and $1,518,783, respectively)	$	2,358,826	2,063,084	1,517,196
Cash		—	—	9
Receivables and other assets:				
Receivable for capital shares		—	45	175
Receivable for securities sold		191	—	—
Accrued income		9,489	7,735	5,342
Other assets		—	2	—
Total assets		2,368,506	2,070,866	1,522,722
Liabilities:				
Cash overdraft		135	—	—
Payables and other liabilities:				
Payable for securities purchased		9,811	8,276	5,343
Accrued expenses		2,595	2,178	2,929
Total liabilities		12,541	10,454	8,272
Net assets:				
Held in trust for qualified state tuition plans and other purposes	$	2,355,965	2,060,412	1,514,450
Class A:				
Net assets	$	955,985	897,127	488,153
Capital units outstanding (unlimited number authorized)		42,266	42,130	22,764
Net asset value per unit		22.62	21.29	21.44
Public offering price per unit (net asset value plus sales charge of 4.75% of offering price)		23.75	22.36	22.51
Class B:				
Net assets	$	784,098	697,240	584,395
Capital units outstanding (unlimited number authorized)		35,998	33,738	27,872
Net asset value per unit		21.78	20.67	20.97
Class C:				
Net assets	$	615,882	466,045	441,902
Capital units outstanding (unlimited number authorized)		28,141	22,447	20,977
Net asset value per unit		21.89	20.76	21.07

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

SCHOLAR'SEDGE INTERMEDIATE TERM BOND PORTFOLIO

Statements of Changes in Fiduciary Net Assets

Years ended June 30, 2007 and 2006

		2007	2006
Additions:			
Subscriptions	$	530,674	876,857
Investment income:			
Dividend income from underlying funds		111,911	84,505
Interest		117	150
Less expenses:			
Management fees		3,373	2,801
Distribution fees		9,642	8,486
Administrative fees		2,249	1,868
Net investment income		96,764	71,500
Capital losses from underlying funds		(7,224)	(8,494)
Net increase (decrease) in change in fair value of investments		31,163	(84,454)
Total additions		651,377	855,409
Deductions:			
Redemptions		(355,824)	(309,447)
Change in net assets held in trust for individuals		295,553	545,962
Net assets at beginning of year		2,060,412	1,514,450
Net assets at end of year	$	2,355,965	2,060,412

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

SCHOLAR'SEDGE DIVERSIFIED INCOME PORTFOLIO

Statements of Fiduciary Net Assets

June 30, 2007, 2006, and 2005

		2007	2006	2005
Assets:				
Investments, at value (cost $6,225,357, $5,014,819, and $3,451,324, respectively)	$	6,356,203	4,788,302	3,465,638
Cash		—	—	4
Receivables and other assets:				
Receivable for capital shares		791	8,864	1,929
Receivable for securities sold		—	998	—
Accrued income		4,452	3,318	1,773
Other assets		—	31	—
Total assets		6,361,446	4,801,513	3,469,344
Liabilities:				
Cash overdraft		—	793	—
Payables and other liabilities:				
Payable for securities purchased		284	—	—
Accrued expenses		6,474	4,630	5,116
Total liabilities		6,758	5,423	5,116
Net assets:				
Held in trust for qualified state tuition plans and other purposes	$	6,354,688	4,796,090	3,464,228
Class A:				
Net assets	$	2,822,109	2,328,947	1,681,424
Capital units outstanding (unlimited number authorized)		97,140	89,939	65,882
Net asset value per unit		29.05	25.89	25.52
Public offering price per unit (net asset value plus sales charge of 4.75% of offering price)		30.50	27.19	26.79
Class B:				
Net assets	$	1,769,447	1,154,954	867,558
Capital units outstanding (unlimited number authorized)		62,147	45,179	34,196
Net asset value per unit		28.47	25.56	25.37
Class C:				
Net assets	$	1,763,132	1,312,189	915,246
Capital units outstanding (unlimited number authorized)		61,870	51,278	36,033
Net asset value per unit		28.50	25.59	25.40

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

SCHOLAR'SEDGE DIVERSIFIED INCOME PORTFOLIO

Statements of Changes in Fiduciary Net Assets

Years ended June 30, 2007 and 2006

		2007	2006
Additions:			
Subscriptions	$	1,734,998	1,943,366
Investment income:			
Dividend income from underlying funds		288,362	299,115
Interest		275	301
Less expenses:			
Management fees		8,426	6,149
Distribution fees		22,591	16,756
Administrative fees		5,618	4,099
Net investment income		252,002	272,412
Capital losses from underlying funds		(6,515)	(6,915)
Net increase (decrease) in change in fair value of investments		357,363	(240,831)
Total additions		2,337,848	1,968,032
Deductions:			
Redemptions		(779,250)	(636,170)
Change in net assets held in trust for individuals		1,558,598	1,331,862
Net assets at beginning of year		4,796,090	3,464,228
Net assets at end of year	$	6,354,688	4,796,090

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

SCHOLAR'SEDGE ULTRA CONSERVATIVE PORTFOLIO

Statements of Fiduciary Net Assets

June 30, 2007, 2006, and 2005

		2007	2006	2005
Assets:				
Investments, at value (cost $71,394,939, $56,574,408, and $42,421,051, respectively)	$	74,254,784	56,004,836	42,695,024
Cash		—	—	16,734
Receivables and other assets:				
Receivable for capital shares		39,699	16,019	36,315
Receivable for securities sold		—	2,069	—
Accrued income		132,155	98,774	57,511
Total assets		74,426,638	56,121,698	42,805,584
Liabilities:				
Payables and other liabilities:				
Payable for capital shares		15,190	80,837	65,443
Payable for securities purchased		122,424	88,850	—
Accrued expenses		51,256	41,256	14,962
Total liabilities		188,870	210,943	80,405
Net assets:				
Held in trust for qualified state tuition plans and other purposes	$	74,237,768	55,910,755	42,725,179
Class A:				
Net assets	$	45,634,635	33,547,311	25,150,042
Capital units outstanding (unlimited number authorized)		3,924,009	3,191,916	2,463,511
Net asset value per unit		11.63	10.51	10.21
Public offering price per unit (net asset value plus sales charge of 4.75% of offering price)		12.21	11.03	10.72
Class B:				
Net assets	$	28,603,133	22,363,444	17,575,137
Capital units outstanding (unlimited number authorized)		2,500,858	2,147,370	1,724,520
Net asset value per unit		11.44	10.41	10.19

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

SCHOLAR'SEDGE ULTRA CONSERVATIVE PORTFOLIO

Statements of Changes in Fiduciary Net Assets

Years ended June 30, 2007 and 2006

		2007	2006
Additions:			
Subscriptions	$	35,195,981	28,401,004
Investment income:			
Dividend income from underlying funds		2,720,292	2,351,036
Interest		3,772	1,897
Less expenses:			
Management fees		97,873	75,329
Distribution fees		189,107	154,605
Administrative fees		65,248	50,219
Net investment income		2,371,836	2,072,780
Capital gains (losses) from underlying funds		448,062	(18,834)
Net increase (decrease) in change in fair value of investments		3,429,417	(843,545)
Total additions		41,445,296	29,611,405
Deductions:			
Redemptions		(23,118,283)	(16,425,829)
Change in net assets held in trust for individuals		18,327,013	13,185,576
Net assets at beginning of year		55,910,755	42,725,179
Net assets at end of year	$	74,237,768	55,910,755

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

(1) Organization and Fund Objectives

(a) Organization

Scholar'sEdge (the Plan) was established by the Education Trust Board of New Mexico (Board or, when applicable, the Trustee). The Plan is maintained by the State of New Mexico and is administered by the Board, which serves as trustee of the trust. The Board has the authority to appoint a Program Manager, adopt rules and regulations to implement and administer the Plan and Trust, and establish investment policies for the Trust. OFI Private Investments, Inc. is the Program Manager of the Plan. OppenheimerFunds Distributor Inc. is the sole distributor of the Plan. The Plan is a savings vehicle for higher education expenses under Section 529 of the U.S. Internal Revenue Code of 1986, as amended (Section 529). The Plan is comprised of 14 different investment portfolios (Portfolios), which commenced operations on January 31, 2005, except the Ultra Conservative Portfolio, which commenced operations April 15, 2005. The Portfolios offer different asset allocation mixes to provide for investors that have different needs, time frames, and risk tolerances. The Portfolios include Aggressive Portfolio, Moderately Aggressive Portfolio, Moderate Portfolio, Conservative Portfolio, Ultra Conservative Portfolio, School Years Portfolio, Short Term Yield Fund Portfolio, Large Cap Growth Portfolio, Large Cap Core Portfolio, Large Cap Value Portfolio, Small Cap Core Portfolio, Global Portfolio, Intermediate Term Bond Portfolio, and Diversified Income Portfolio. Each Portfolio is offered in retail Class A shares, and in some cases, Class B and Class C shares are available. All classes of shares have identical rights to earnings and assets, except for class-specific expenses.

(b) Fund Objectives

Each Portfolio invests substantially all its assets in a combination of mutual funds managed by OppenheimerFunds, Baron, Fidelity, and Mainstay. These underlying mutual funds are: Oppenheimer Capital Appreciation Fund, Oppenheimer Main Street Fund, Oppenheimer Main Street Small Cap Fund, Oppenheimer Global Fund, Oppenheimer Value Fund, Oppenheimer Strategic Income Fund, Oppenheimer High Yield Fund, Oppenheimer Limited-Term Government Fund, Oppenheimer International Bond Fund, Oppenheimer Core Bond Fund, and Oppenheimer Money Market Fund. These underlying funds are diversified management investment companies registered under the Investment Company Act of 1940, as amended.

(2) Significant Accounting Policies

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

(a) Basis of Presentation

As a fiduciary fund, the Plan's financial statements are presented using the economic resources measurement focus and the accrual basis of accounting in conformity with generally accepted accounting principles in the United States as defined by the Governmental Accounting Standards Board (GASB). Under this method of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of the related cash flows.

(Continued)

As permitted by GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the Plan has elected not to adopt FASB Statements and interpretations issued after November 30, 1989, unless GASB specifically adopts such FASB statements or interpretations.

(b) Security Valuation

Each Portfolio calculates the net asset value of its units as of the close of The New York Stock Exchange (the Exchange), normally 4:00 P.M. Eastern time, on each day the Exchange is open for business. The Portfolios will, under normal circumstances, invest in the Class A shares of Oppenheimer Capital Appreciation Fund, Oppenheimer Main Street Fund, Oppenheimer Main Street Small Cap Fund, Oppenheimer Global Fund, Oppenheimer Value Fund, Oppenheimer Strategic Income Fund, Oppenheimer Bond Fund, Oppenheimer High Yield Fund, Oppenheimer Limited-Term Government Fund, Oppenheimer International Bond Fund, Baron Growth Fund, Fidelity Advisor Diversified International Fund, and the Mainstay High Yield Corporate Bond Fund, as well as the institutional Class Y shares of Oppenheimer Capital Appreciation Fund, Oppenheimer Main Street Fund, Oppenheimer Value Fund, Oppenheimer Global Fund, Oppenheimer Strategic Income Fund, Oppenheimer Core Bond Fund, Oppenheimer Limited-Term Government Fund, Oppenheimer International Bond Fund, and Oppenheimer Money Market Fund (collectively referred to as the Underlying Funds). The net asset values of the Underlying Funds are determined as of the close of the Exchange, on each day the Exchange is open for trading. Short-term "money market type" debt securities with remaining maturities of sixty days or less are valued at amortized cost (which approximates market value).

(c) Security Transactions

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

(d) Investment Income and Dividends

Dividend income is recorded on the ex-dividend date or upon ex-dividend notification in the case of certain foreign dividends where the ex-dividend date may have passed. Noncash dividends included in dividend income, if any, are recorded at the fair market value of the securities received. Interest income, which includes accretion of discount and amortization of premium, is accrued as earned. Income and capital gain distributions from the Underlying Funds 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.

(e) Allocation of Income, Expenses, Gains, and Losses

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

(f) ***Units***

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

(g) ***Use of Estimates***

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

(3) Related-Party Information and Fees

(a) ***Expenses***

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

(b) ***Management Fees***

A management fee at the annual rate of 0.15% of the average daily net assets of the Plan is paid on a monthly basis to OppenheimerFunds for plan administration and investment management services. OppenheimerFunds receives compensation directly from certain of the Underlying Funds in which the Portfolios invest for serving as the investment adviser of those funds.

(c) ***Transfer Agent***

OppenheimerFunds Services, a division of OppenheimerFunds, Inc., acts as the transfer agent and shareholder servicing agent for the Underlying Funds.

(Continued)

(d) ***Administrative Fees***

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

(e) ***Service Plan for Class A Units***

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 0.75% 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 of 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.

(f) ***Sales Charges***

Front-end sales charges and contingent deferred sales charges (CDSC) do not represent expenses of the Portfolios. They are deducted from the proceeds of sales of Portfolios 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%. Class B units include a CDSC of 5% (1 year) and 4% (since inception). Class C units include the CDSC of 1% for the 1-year period.

(4) Income Taxes

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

(Continued)

(5) Investment Risk

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

(a) Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a failure, the Plan deposits and investments may not be returned.

Because the Plan's investments are generally in mutual funds, this risk is significantly mitigated.

(b) Credit Risk

Credit risk is the risk that an issuer to an investment will not fulfill its obligations. The Plan invests directly in pooled vehicles of various investment companies and the respective Underlying Fund's prospectus provides greater detail about the investment strategies and practices of the Underlying Funds, in compliance with federal regulations and specifically, the Form N-1A of the Investment Company Act of 1940, which focuses on disclosure to the investing public of information and policies about the Underlying Funds and its investment objectives, as well as on investment company structure and operations.

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

	Weighted credit rating	
	June 30, 2007	**June 30, 2006**
Oppenheimer Strategic Income	A	A
Oppenheimer Core Bond Fund	AA	AA
Oppenheimer Limited Term Government Fund	AAA	AAA
Oppenheimer International Bond Fund	AA	A

(c) Interest Rate Risk

Interest rate risk refers to the value fluctuations of fixed income securities resulting from the inverse relationship between price and yield. The market value fluctuations of fixed-income securities that the funds already hold will not affect the interest payable on those securities. However, the fluctuations will affect the market value and in turn will affect the Fund's net asset values. As of June 30, 2007, the Portfolios held investments in bond fixed income mutual funds totaling $258,444,329.

Duration for the underlying fixed income funds are as follows:

	Duration (in years)	
	June 30, 2007	June 30, 2006
Oppenheimer Strategic Income	4.77	5.20
Oppenheimer Core Bond Fund	5.00	4.75
Oppenheimer Limited Term Government Fund	2.01	2.13
Oppenheimer International Bond Fund	5.45	4.88

(d) Foreign Currency Risk

Foreign Currency Risk is the risk that changes in exchange rates will adversely affect the fair value of an investment in a foreign financial institution. The Plan does invest in various foreign currencies in pooled vehicles. However, the respective Underlying Fund's prospectus provides greater detail about the investment policies and practices of the Underlying Fund, in compliance with federal regulations and specifically, the Form N-1A of the Investment Company Act of 1940, which focuses on disclosure to the investing public of information about the Underlying Fund and its investment objectives, as well as on investment company structure and operations.

(6) Subsequent Event

Effective October 22, 2007, six additional Age Based Portfolios were introduced. The Plan processed a transfer of several shareholder approved accounts to the additional Portfolios on their inception date.

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

Recent economic events have resulted in an unusually high degree of volatility in the financial markets since year end. At October 31, 2008, the combined net assets of the Plan were approximately $1.22 billion (unaudited). This compares to approximately $861 million for the New Mexico CollegeSense 529 Higher Education Savings Plan and $797 million for Scholar'sEdge, or collectively approximately $1.66 billion at June 30, 2007.

KPMG

KPMG LLP
Suite 2700
707 Seventeenth Street
Denver, CO 80202

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

The Education Trust Board of New Mexico
1068 Cerrillos Road
Santa Fe, NM 87505

and

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

We have audited the accompanying combined statements of fiduciary net assets of Scholar'sEdge (the Plan) and the statements of fiduciary net assets of the Large Cap Growth Portfolio, Short-Term Yields Portfolio, Small Cap Core Portfolio, Global Portfolio, Age-Based Aggressive Portfolio, Age-Based Moderately Aggressive Portfolio, Age-Based Moderate Portfolio, Conservative Portfolio, Age-Based School Years Portfolio, Large Cap Core Portfolio, Large Cap Value Portfolio, Intermediate Term Bond Portfolio, Diversified Income Portfolio, and Ultra Conservative Portfolio (collectively referred to as the Portfolios) of the Plan as of June 30, 2007, 2006, and 2005, and the related combined statements of changes in fiduciary net assets of the Plan and statements of changes in fiduciary net assets of the Portfolios for the years ended June 30, 2007 and 2006, and have issued our report thereon dated November 17, 2008. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Plan's financial statements are free of material misstatement, we performed tests of 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 statements 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 which is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 07-01.

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

* * * * * * *

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

KPMG LLP

November 17, 2008

SCHOLAR'SEDGE

Schedule of Findings and Responses

June 30, 2007, 2006, and 2005

Finding No. 07-01

Criteria

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

Condition

We noted an instance in which the annual financial audit report was not delivered to the State Auditor by the December 15, 2007 deadline as specified in the audit contract. The annual financial audit report was received on August 25, 2008 by the Office of the State Auditor which was after the deadline.

Cause

The annual financial audit report was not delivered to the State Auditor by deadline primarily due to the late execution of the audit engagement letter between KPMG and the Board which occurred on November 13, 2007, approximately four weeks prior to the deadline. The annual financial audit report should have been filed with the State Auditor no later than December 15, 2007.

Effect

The users of the financial statements such as investors, legislators, creditors, bondholders, etc..., do not have timely audit reports and financial statements for their review. In addition, the Plan was not in compliance with state regulations when filing the annual financial report with the State Auditor after the December 15, 2007 deadline.

Recommendation

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

Plan Response to Finding No. 07-01

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

Contact: Ross Burkstaller, Program Manager

SCHOLAR'SEDGE

Exit Conference

Years ended June 30, 2007, 2006, and 2005

Exit Conference

An exit conference was conducted on April 8, 2008 in which the contents of this report were discussed with the following:

The Education Trust Board of New Mexico

Reed Dasenbrock	Chairman
Michael Custer	Board Member
Robert Desiderio	Board Member
Theresa Lucero	Board Member
Fran Lucero	Executive Assistant

OF1 Private Investments

Ross Burkstaller	Program Manager

KPMG

Robert Troccoli	Partner
Kelli High	Senior Manager

Financial Statement Preparation

The accompanying financial statements have been prepared by OFI Private Investments.

This page was intentionally left blank

Financial Analysis

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

	2007	2006	2005
Assets:			
Investments, at value	$ 310,513,488	237,743,792	190,122,764
Receivables and other assets	413,824	331,767	251,323
Total assets	310,927,312	238,075,559	190,374,087
Liabilities:			
Cash overdraft	21,522	97,329	40,104
Payables and other liabilities	367,504	312,544	148,536
Total liabilities	389,026	409,873	188,640
Net assets:			
Held in trust for qualified state tuition plans and other purposes	$ 310,538,286	237,665,686	190,185,447

The investments of the Portfolios increased by $73 million, or 31%, from 2006 to 2007 and $48 million, or 25%, from 2005 to 2006. This increase is due to shareholder contributions, market valuations, and investment income. The total shareholder activity in 2007 and 2006 was $29.8 million and $30.9 million, respectively. Net investment income was approximately $6.2 million and $5.5 million in 2007 and 2006, respectively.

The majority of the receivables consist of shareholder contributions received but not invested as of June 30 and dividend receivables.

The majority of the liabilities consist of shareholder redemptions processed but not yet delivered as of June 30 and accrued expenses.

(Continued)

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

		2007	2006
Operations:			
Investment income	$	6,914,431	6,027,735
Less expenses		680,450	543,333
Net investment income		6,233,981	5,484,402
Capital gains from underlying funds		5,811,136	2,224,950
Net increase in the change in fair value of investments		31,040,330	8,826,071
Total increase in net assets resulting from operations		43,085,447	16,535,423
Capital unit transactions:			
Benefits contributed/paid		29,787,153	30,944,816
Total increase in net assets		72,872,600	47,480,239
Net assets:			
Beginning of year		237,665,686	190,185,447
End of year	$	310,538,286	237,665,686

Investment income is comprised of dividend and interest income. The increase in income is the result of the increase in the investments in the underlying funds. The fund expenses are primarily management, distribution, and administrative fees. The increase in expenses is the result from the increase in net assets of the funds, as the majority of the funds' fees are based on assets.

Economic and Market Review

The past year was a time of transition for the U.S. economy. After several years of moderate economic growth, the U.S. economy began to slow during the second half of 2006, and the slowdown persisted through the end of the reporting period. More sluggish growth stemmed primarily from weakness in the housing sector, which softened after a long stretch of rising home values. In addition, generally poor business conditions in the automotive industry contributed to the economic slowdown. In this environment, after two years of steady rate hikes, the Federal Reserve Board (the Fed) held short-term interest rates steady. The Fed's unchanged policy stance reflected its members' belief that slowing economic growth would help relieve prevailing inflationary pressures.

However, employment levels generally remained high and the economy continued to create new jobs during the reporting period, indicating that a full-blown recession was unlikely. At the same time, the robust labor market and volatile energy prices during the first half of 2007 helped to stoke concerns about inflation, which has remained stubbornly above the Fed's "comfort zone." The "tug-of-war" between a slowing economy and persistent inflationary pressures caused many analysts to conclude in the spring of 2007 that the Fed might remain on hold for some time.

(Continued)

Due to the Fed's rate hikes between June 2004 and June 2006, money market instruments provided higher yields during the reporting period than they had for the past several years. However, uncertainty regarding the economy, inflation, and Fed policy generally caused yield differences along the market's maturity range to narrow toward historically low levels. In fact, at times during the reporting period, shorter-term money market instruments offered slightly higher yields than longer-dated ones, a phenomenon known as an "inverted yield curve." Although the money market yield curve mostly returned to a "normalized" slope later in the reporting period, there remained very little difference in the yields of instruments with maturities between overnight and three months.

Finally, it is worth mentioning that turmoil in the subprime mortgage market in late February 2007 had virtually no impact on money market instruments. Because money market instruments are, by definition, high quality assets, they generally had no exposure to mortgages held by subprime borrowers. Even longer-term bonds bounced back after it became clearer to investors that higher delinquency rates were mostly confined to the subprime market segment.

Having acknowledged the prospect of an economic slowdown, the Federal Reserve cut its federal funds rate three times in 2007. Following the December cut, the Fed also announced it would make $60 billion available to boost liquidity among major global financial centers. Equity Market Emerging Markets led worldwide equities again in 2007, achieving its fifth consecutive year of double-digit gains. Largely unscathed by the credit crunch that has reverberated throughout many world markets, emerging market countries, particularly those in Latin America and the Far East, continue to benefit from a strong domestic base and favorable trade balances.

The domestic equity market managed to gain ground in 2007, despite increasingly jittery global financial conditions and an unsettling increase in market volatility. The S&P 500 hit five record highs during the year, but finished up only 3.5% (5.5% with dividends), as fallout from the troubled U.S. housing market and the subprime-perpetuated credit crisis echoed across international credit markets and the domestic economy.

There are some highlights behind the year's domestic equity market action. For the first calendar year since 1999, large-cap was the strongest size category, and mid-cap followed closely behind. The S&P Energy sector was the market's strongest on the basis of both weighted-excess and total return. The weakest S&P sectors were those most vulnerable to the credit-related turmoil that rocked the global lending community in 2007. A double digit decline in Financials, the largest of the ten S&P sectors, weighed particularly heavily on the index's performance. Poor results for retailers also sent the Consumer Discretionary sector tumbling for the year.

In the fixed income market, the Lehman Aggregate Bond Index posted a relatively strong total return for calendar 2007, as falling interest rates resulted in principal gains, which augmented interest income. Every major non-U.S. Treasury sector in the market recorded negative excess returns (including federal agencies) as investors sought quality and comfort.

KPMG

KPMG LLP
Suite 2700
707 Seventeenth Street
Denver, CO 80202

Independent Auditors' Report

The Education Trust Board of New Mexico
1068 Cerrillos Road
Santa Fe, NM 87505

and

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

We have audited the accompanying combined statements of fiduciary net assets of The Education Plan (the Plan) and the statements of fiduciary net assets of the Aggressive Portfolio, Moderately Aggressive Portfolio, Moderate Portfolio, Conservative Portfolio, School Years Portfolio, Short Term Yield Portfolio, and Ultra Conservative Portfolio (collectively referred to as the Portfolios) of the Plan as of June 30, 2007, 2006, and 2005, and the related combined statements of changes in fiduciary net assets of the Plan and statements of changes in fiduciary net assets of the Portfolios for the years ended June 30, 2007 and 2006. These financial statements are the responsibility of The Education Trust Board of New Mexico and OFI Private Investments, Inc. (Program Manager). Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net assets of the Plan and Portfolios as of June 30, 2007, 2006, and 2005, and the changes in fiduciary net assets for the years ended June 30, 2007 and 2006 in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2008 on our consideration of the Plan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

The management discussion and analysis on pages 91 through 93 is not a required part of the basic financial statements, but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit this information and express no opinion on it.

KPMG LLP

November 17, 2008

THE EDUCATION PLAN

Combined Statements of Fiduciary Net Assets

June 30, 2007, 2006, and 2005

	2007	2006	2005
Assets:			
Investments, at value (cost $267,789,742, $226,060,376, and $187,265,634, respectively)	$ 310,513,488	237,743,792	190,122,764
Receivables and other assets:			
Receivable for capital shares	145,447	127,467	48,600
Receivable for securities sold	22,210	20,356	51,795
Accrued income	246,167	183,255	124,045
Other assets	—	689	26,883
Total assets	310,927,312	238,075,559	190,374,087
Liabilities:			
Cash overdraft	21,522	97,329	40,104
Payables and other liabilities:			
Payable for capital shares	82,538	129,027	52,090
Payable for securities purchased	284,966	183,517	96,446
Total liabilities	389,026	409,873	188,640
Net assets:			
Held in trust for qualified state tuition plans and other purposes	$ 310,538,286	237,665,686	190,185,447
Class 4:			
Net assets	$ 310,538,286	237,655,686	190,185,447
Capital units outstanding (unlimited number authorized)	22,726,074	20,409,090	17,707,071

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

THE EDUCATION PLAN

Combined Statements of Changes in Fiduciary Net Assets

Years ended June 30, 2007 and 2006

	2007	2006
Additions:		
Subscriptions	$ 101,642,761	87,484,262
Investment income:		
Dividend income from underlying funds	6,903,687	6,020,443
Interest	10,744	7,292
Less expenses:		
Management fees	408,274	326,017
Administrative fees	272,176	217,316
Net investment income	6,233,981	5,484,402
Capital gain from underlying funds	5,811,136	2,224,950
Net increase in change in fair value of investments	31,040,330	8,826,071
Total additions	144,728,208	104,019,685
Deductions:		
Redemptions	(71,855,608)	(56,539,446)
Change in net assets held in trust for individuals	72,872,600	47,480,239
Net assets at beginning of year	237,665,686	190,185,447
Net assets at end of year	$ 310,538,286	237,665,686

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

THE EDUCATION PLAN AGGRESSIVE PORTFOLIO

Statements of Fiduciary Net Assets

June 30, 2007, 2006, and 2005

	2007	2006	2005
Assets:			
Investments, at value (cost $86,963,060, $82,961,149, and $74,546,346, respectively)	$ 109,905,526	90,947,353	76,244,150
Cash	—	—	11,228
Receivables and other assets:			
Receivable for capital shares	51,678	42,379	—
Receivable for securities sold	—	20,356	—
Accrued income	208	—	14,744
Other assets	—	153	—
Total assets	109,957,412	91,010,241	76,270,122
Liabilities:			
Cash overdraft	—	52,048	—
Payables and other liabilities:			
Payable for capital shares	15,262	54,201	—
Payable for securities purchased	7,107	—	11,232
Total liabilities	22,369	106,249	11,232
Net assets:			
Held in trust for qualified state tuition plans and other purposes	$ 109,935,043	90,903,992	76,258,890
Class 4:			
Net assets	$ 109,935,043	90,903,992	76,258,890
Capital units outstanding (unlimited number authorized)	7,975,634	7,983,354	7,442,139
Net asset value per unit	13.78	11.39	10.25

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

THE EDUCATION PLAN AGGRESSIVE PORTFOLIO

Statements of Changes in Fiduciary Net Assets

Years ended June 30, 2007 and 2006

		2007	2006
Additions:			
Subscriptions	$	21,535,068	22,920,136
Investment income:			
Dividend income from underlying funds		1,165,010	1,132,830
Interest		2,957	2,272
Less expenses:			
Management fees		151,028	128,960
Administrative fees		100,685	85,972
Net investment income		916,254	920,170
Capital gains from underlying funds		3,400,724	1,421,035
Net increase in change in fair value of investments		14,956,262	6,288,186
Total additions		40,808,308	31,549,527
Deductions:			
Redemptions		(21,777,257)	(16,904,425)
Change in net assets held in trust for individuals		19,031,051	14,645,102
Net assets at beginning of year		90,903,992	76,258,890
Net assets at end of year	$	109,935,043	90,903,992

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

THE EDUCATION PLAN MODERATELY AGGRESSIVE PORTFOLIO

Statements of Fiduciary Net Assets

June 30, 2007, 2006, and 2005

		2007	2006	2005
Assets:				
Investments, at value (cost $57,025,070, $43,635,885, and $31,347,877, respectively)	$	67,567,490	45,663,717	31,884,788
Receivables and other assets:				
Receivable for capital shares		37,056	53,934	26,265
Receivable for securities sold		—	—	16,718
Accrued income		9,965	6,844	3,410
Other assets		—	111	—
Total assets		67,614,511	45,724,606	31,931,181
Liabilities:				
Cash overdraft		—	—	16,710
Payables and other liabilities:				
Payable for capital shares		34,347	4,650	—
Payable for securities purchased		11,775	985	—
Total liabilities		46,122	5,635	16,710
Net assets:				
Held in trust for qualified state tuition plans and other purposes	$	67,568,389	45,718,971	31,914,471
Class 4:				
Net assets	$	67,568,389	45,718,971	31,914,471
Capital units outstanding (unlimited number authorized)		4,746,238	3,874,534	2,946,946
Net asset value per unit		14.24	11.80	10.83

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

THE EDUCATION PLAN MODERATELY AGGRESSIVE PORTFOLIO

Statements of Changes in Fiduciary Net Assets

Years ended June 30, 2007 and 2006

	2007	2006
Additions:		
Subscriptions	$ 25,439,206	20,346,923
Investment income:		
Dividend income from underlying funds	1,143,425	1,081,908
Interest	2,295	1,517
Less expenses:		
Management fees	83,280	59,558
Administrative fees	55,515	39,705
Net investment income	1,006,925	984,162
Capital gains from underlying funds	887,926	546,913
Net increase in change in fair value of investments	8,514,588	1,491,146
Total additions	35,848,645	23,369,144
Deductions:		
Redemptions	(13,999,227)	(9,564,644)
Change in net assets held in trust for individuals	21,849,418	13,804,500
Net assets at beginning of year	45,718,971	31,914,471
Net assets at end of year	$ 67,568,389	45,718,971

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

THE EDUCATION PLAN MODERATE PORTFOLIO

Statements of Fiduciary Net Assets

June 30, 2007, 2006, and 2005

	2007	2006	2005
Assets:			
Investments, at value (cost $42,512,255, $32,963,880, and $27,158,089, respectively)	$ 48,384,115	34,568,634	27,595,196
Receivables and other assets:			
Receivable for capital shares	36,166	22,531	17,885
Receivable for securities sold	—	—	9,408
Accrued income	14,199	10,325	5,867
Other assets	—	48	—
Total assets	48,434,480	34,601,538	27,628,356
Liabilities:			
Cash overdraft	—	—	9,406
Payables and other liabilities:			
Payable for capital shares	1,990	23,599	—
Payable for securities purchased	39,900	2,645	16,137
Total liabilities	41,890	26,244	25,543
Net assets:			
Held in trust for qualified state tuition plans and other purposes	$ 48,392,590	34,575,294	27,602,813
Class 4:			
Net assets	$ 48,392,590	34,575,294	27,602,813
Capital units outstanding (unlimited number authorized)	3,339,977	2,798,058	2,433,550
Net asset value per unit	14.49	12.36	11.34

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

THE EDUCATION PLAN MODERATE PORTFOLIO

Statements of Changes in Fiduciary Net Assets

Years ended June 30, 2007 and 2006

		2007	2006
Additions:			
Subscriptions	$	18,118,904	13,104,753
Investment income:			
Dividend income from underlying funds		1,247,833	1,214,097
Interest		1,546	1,021
Less expenses:			
Management fees		61,383	47,409
Administrative fees		40,922	31,606
Net investment income		1,147,074	1,136,103
Capital gains from underlying funds		986,579	220,261
Net increase in change in fair value of investments		4,267,106	1,167,727
Total additions		24,519,663	15,628,844
Deductions:			
Redemptions		(10,702,367)	(8,656,363)
Change in net assets held in trust for individuals		13,817,296	6,972,481
Net assets at beginning of year		34,575,294	27,602,813
Net assets at end of year	$	48,392,590	34,575,294

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

THE EDUCATION PLAN CONSERVATIVE PORTFOLIO

Statements of Fiduciary Net Assets

June 30, 2007, 2006, and 2005

	2007	2006	2005
Assets:			
Investments, at value (cost $30,005,034, $24,766,534, and $22,098,871, respectively)	$ 32,375,162	25,377,858	22,298,650
Receivables and other assets:			
Receivable for capital shares	11,630	5,541	2,850
Receivable for securities sold	—	—	6,936
Accrued income	82,925	62,809	50,909
Other assets	—	32	—
Total assets	32,469,717	25,446,240	22,359,345
Liabilities:			
Cash overdraft	—	—	6,934
Payables and other liabilities:			
Payable for capital shares	8,304	22,495	—
Payable for securities purchased	98,230	67,401	50,909
Total liabilities	106,534	89,896	57,843
Net assets:			
Held in trust for qualified state tuition plans and other purposes	$ 32,363,183	25,356,344	22,301,502
Class 4:			
Net assets	$ 32,363,183	25,356,344	22,301,502
Capital units outstanding (unlimited number authorized)	2,341,803	2,059,331	1,919,380
Net asset value per unit	13.82	12.31	11.62

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

THE EDUCATION PLAN CONSERVATIVE PORTFOLIO

Statements of Changes in Fiduciary Net Assets

Years ended June 30, 2007 and 2006

		2007	2006
Additions:			
Subscriptions	$	13,315,727	11,042,853
Investment income:			
Dividend income from underlying funds		1,101,850	833,741
Interest		1,019	752
Less expenses:			
Management fees		43,345	36,682
Administrative fees		28,896	24,454
Net investment income		1,030,628	773,357
Capital gains from underlying funds		457,443	177,416
Net increase in change in fair value of investments		1,758,804	411,599
Total additions		16,562,602	12,405,225
Deductions:			
Redemptions		(9,555,763)	(9,350,383)
Change in net assets held in trust for individuals		7,006,839	3,054,842
Net assets at beginning of year		25,356,344	22,301,502
Net assets at end of year	$	32,363,183	25,356,344

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

THE EDUCATION PLAN SCHOOL YEARS PORTFOLIO

Statements of Fiduciary Net Assets

June 30, 2007, 2006, and 2005

		2007	2006	2005
Assets:				
Investments, at value (cost $23,320,293, $19,094,314, and $14,757,384, respectively)	$	23,338,262	18,725,901	14,652,699
Receivables and other assets:				
Receivable for capital shares		1,233	714	75
Receivable for securities sold		—	—	9,921
Accrued income		84,731	62,842	25,208
Other assets		—	83	26,883
Total assets		23,424,226	18,789,540	14,714,786
Liabilities:				
Cash overdraft		—	45,281	9,916
Payables and other liabilities:				
Payable for capital shares		22,635	24,082	52,090
Payable for securities purchased		87,414	66,448	—
Total liabilities		110,049	135,811	62,006
Net assets:				
Held in trust for qualified state tuition plans and other purposes	$	23,314,177	18,653,729	14,652,780
Class 4:				
Net assets	$	23,314,177	18,653,729	14,652,780
Capital units outstanding (unlimited number authorized)		1,844,976	1,580,860	1,272,618
Net asset value per unit		12.64	11.80	11.51

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

THE EDUCATION PLAN SHORT TERM YIELD PORTFOLIO

Statements of Changes in Fiduciary Net Assets

Years ended June 30, 2007 and 2006

		2007	2006
Additions:			
Subscriptions	$	2,093,073	1,470,019
Investment income:			
Dividend income from underlying funds		199,578	128,191
Interest		358	136
Less expenses:			
Management fees		6,046	5,015
Administrative fees		4,031	3,343
Net investment income		189,859	119,969
Total additions		2,282,932	1,589,988
Deductions:			
Redemptions		(1,619,721)	(1,447,727)
Change in net assets held in trust for individuals		663,211	142,261
Net assets at beginning of year		3,595,633	3,453,372
Net assets at end of year	$	4,258,844	3,595,633

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

THE EDUCATION PLAN ULTRA CONSERVATIVE PORTFOLIO

Statements of Fiduciary Net Assets

June 30, 2007, 2006, and 2005

		2007	2006	2005
Assets:				
Investments, at value (cost $23,713,081, $19,049,788, and $13,907,551, respectively)	$	24,691,984	18,871,503	13,998,234
Cash		—	—	48
Receivables and other assets:				
Receivable for capital shares		7,467	1,200	—
Receivable for securities sold		19,250	—	392
Accrued income		46,583	34,811	21,113
Other assets		—	247	—
Total assets		24,765,284	18,907,761	14,019,787
Liabilities:				
Cash overdraft		18,684	—	—
Payables and other liabilities:				
Payable for securities purchased		40,540	46,038	18,168
Total liabilities		59,224	46,038	18,168
Net assets:				
Held in trust for qualified state tuition plans and other purposes	$	24,706,060	18,861,723	14,001,619
Class 4:				
Net assets	$	24,706,060	18,861,723	14,001,619
Capital units outstanding (unlimited number authorized)		2,119,005	1,795,734	1,376,682
Net asset value per unit		11.66	10.50	10.17

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

THE EDUCATION PLAN ULTRA CONSERVATIVE PORTFOLIO

Statements of Changes in Fiduciary Net Assets

Years ended June 30, 2007 and 2006

		2007	2006
Additions:			
Subscriptions	$	10,327,846	10,610,164
Investment income:			
Dividend income from underlying funds		979,800	815,107
Interest		988	688
Less expenses:			
Management fees		32,783	24,607
Administrative fees		21,855	16,379
Net investment income		926,150	774,809
Capital gains (losses) from underlying funds		147,081	(13,515)
Net increase (decrease) in change in fair value of investments		1,157,188	(268,969)
Total additions		12,558,265	11,102,489
Deductions:			
Redemptions		(6,713,928)	(6,242,385)
Change in net assets held in trust for individuals		5,844,337	4,860,104
Net assets at beginning of year		18,861,723	14,001,619
Net assets at end of year	$	24,706,060	18,861,723

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

(1) Organization and Fund Objectives

(a) Organization

The Education Plan (the Plan) was established by the Education Trust Board of New Mexico (Board or, when applicable, the Trustee). The Plan is maintained by the State of New Mexico and is administered by the Board, which serves as trustee of the trust. The Board has the authority to appoint a Program Manager, adopt rules and regulations to implement and administer the Plan and Trust, and establish investment policies for the Trust. OFI Private Investments, Inc. is the Program Manager of the Plan. OppenheimerFunds Distributor Inc. is the sole distributor of the Plan. The Plan is a savings vehicle for higher education expenses under Section 529 of the U.S. Internal Revenue Code of 1986, as amended (Section 529). The Plan is comprised of seven different investment portfolios (Portfolios), which commenced operations on January 31, 2005, except the Ultra Conservative Portfolio, which commenced operations April 15, 2005. The Portfolios offer different asset allocation mixes to provide for investors that have different needs, time frames, and risk to tolerances. The Portfolios include Aggressive Portfolio, Moderately Aggressive Portfolio, Moderate Portfolio, Conservative Portfolio, Ultra Conservative Portfolio, School Years Portfolio, and Short Term Yield Fund Portfolio. Each Portfolio is offered in Direct Sold Class 4 shares.

(b) Fund Objectives

Each Portfolio invests substantially all its assets in a combination of mutual funds managed by OppenheimerFunds, Baron, Fidelity, and Mainstay. These underlying mutual funds are: Oppenheimer Capital Appreciation Fund, Oppenheimer Main Street Fund, Oppenheimer Global Fund, Oppenheimer Value Fund, Oppenheimer Strategic Income Fund, Oppenheimer Limited-Term Government Fund, Oppenheimer International Bond Fund, Oppenheimer Core Bond Fund, Oppenheimer Money Market Fund, Baron Growth Fund, Fidelity Advisor Diversified International Fund, and Mainstay High Yield Corporate Bond Fund. These underlying funds are diversified management investment companies registered under the Investment Company Act of 1940, as amended.

(2) Significant Accounting Policies

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

(a) Basis of Presentation

As a fiduciary fund, the Plan's financial statements are presented using the economic resources measurement focus and the accrual basis of accounting in conformity with generally accepted accounting principles in the United States as defined by the Governmental Accounting Standards Board (GASB). Under this method of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

As permitted by GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting,* the Plan has elected not to adopt FASB statements and interpretations issued after November 30, 1989, unless GASB specifically adopts such FASB statements or interpretations.

(b) Security Valuation

Each Portfolio calculates the net asset value of its units as of the close of The New York Stock Exchange (the Exchange), normally 4:00 P.M. Eastern time, on each day the Exchange is open for business. The Portfolios will, under normal circumstances, invest in the Class A shares of Oppenheimer Capital Appreciation Fund, Oppenheimer Main Street Fund, Oppenheimer Main Street Small Cap Fund, Oppenheimer Global Fund, Oppenheimer Value Fund, Oppenheimer Strategic Income Fund, Oppenheimer Bond Fund, Oppenheimer High Yield Fund, Oppenheimer Limited-Term Government Fund, Oppenheimer International Bond Fund, Baron Growth Fund, Fidelity Advisor Diversified International Fund, and the Mainstay High Yield Corporate Bond Fund, as well as the institutional Class Y shares of Oppenheimer Capital Appreciation Fund, Oppenheimer Main Street Fund, Oppenheimer Value Fund, Oppenheimer Global Fund, Oppenheimer Strategic Income Fund, Oppenheimer Core Bond Fund, Oppenheimer Limited-Term Government Fund, Oppenheimer International Bond Fund, and Oppenheimer Money Market Fund (collectively referred to as the Underlying Funds). The net asset values of the Underlying Funds are determined as of the close of the Exchange, on each day the Exchange is open for trading. Short-term "money market type" debt securities with remaining maturities of sixty days or less are valued at amortized cost (which approximates market value).

(c) Security Transactions

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

(d) Investment Income and Dividends

Dividend income is recorded on the ex-dividend date or upon ex-dividend notification in the case of certain foreign dividends where the ex-dividend date may have passed. Noncash dividends included in dividend income, if any, are recorded at the fair market value of the securities received. Interest income, which includes accretion of discount and amortization of premium, is accrued as earned. Income and capital gain distributions from the Underlying Funds 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.

(e) Allocation of Income, Expenses, Gains, and Losses

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

(f) Units

The Portfolios have authorized an unlimited number of no par values of capital unit transactions. Contributions and withdrawals are recorded at the unit value determined on the valuation date following receipt of notice of the contribution or withdrawal. Contributions and withdrawals are subject to sufficient advance notifications as outlined in the Plan Description and Participation

Agreement. The Portfolios' unit values are determined daily. Net investment income for all Portfolios is retained and reflected in the net asset value of each Portfolio.

(g) Use of Estimates

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

(3) Related-Party Information and Fees

(a) Expenses

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

(b) Management Fees

A management fee at the annual rate of 0.15% of the average daily net assets of the Plan is paid on a monthly basis to OppenheimerFunds for plan administration and investment management services. OppenheimerFunds receives compensation directly from certain of the Underlying Funds in which the Portfolios invest for serving as the investment adviser of those funds.

(c) Transfer Agent Fee

OppenheimerFunds Services, a division of OppenheimerFunds, Inc., acts as the transfer agent and shareholder-servicing agent for the Underlying Funds.

(d) Administrative Fees

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

(4) Income Taxes

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

(5) Investment Risk

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

(a) Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a failure, the Plan deposits and investments may not be returned.

Because the Plan's investments are generally in mutual funds, this risk is significantly mitigated.

(b) Credit Risk

Credit risk is the risk that an issuer to an investment will not fulfill its obligations. The Plan invests directly in pooled vehicles of various investment companies and the respective Underlying Fund's prospectus provides greater detail about the investment strategies and practices of the Underlying Funds, in compliance with federal regulations and specifically, the Form N-1A of the Investment Company Act of 1940, which focuses on disclosure to the investing public of information and policies about the Underlying Funds and its investment objectives, as well as on investment company structure and operations.

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

	Weighted credit rating	
	June 30, 2007	June 30, 2006
Oppenheimer Strategic Income	A	A
Oppenheimer Core Bond Fund	AA	AA
Oppenheimer Limited Term Government Fund	AAA	AAA
Oppenheimer International Bond Fund	AA	A

(c) Interest Rate Risk

Interest rate risk refers to the value fluctuations of fixed income securities resulting from the inverse relationship between price and yield. The market value fluctuations of fixed-income securities that the funds already hold will not affect the interest payable on those securities. However, the fluctuations will affect the market value and in turn will affect the Fund's net asset values. As of June 30, 2007, the Portfolios held investments in bond fixed income mutual funds totaling $91,878,837.

Duration for the underlying fixed income funds are as follows:

	Duration (in years)	
	June 30, 2007	June 30, 2006
Oppenheimer Strategic Income	4.77	5.20
Oppenheimer Core Bond Fund	5.00	4.75
Oppenheimer Limited Term Government Fund	2.01	2.13
Oppenheimer International Bond Fund	5.45	4.88

(d) ***Foreign currency Risk***

Foreign Currency Risk is the risk that changes in exchange rates will adversely affect the fair value of an investment in a foreign financial institution. The Plan does invest in various foreign currencies in pooled vehicles. However, the respective Underlying Fund's prospectus provides greater detail about the investment policies and practices of the Underlying Fund, in compliance with federal regulations and specifically, the Form N-1A of the Investment Company Act of 1940, which focuses on disclosure to the investing public of information about the Underlying Fund and its investment objectives, as well as on investment company structure and operations.

(6) Subsequent Event

Effective October 22, 2007, six additional Age Based Portfolios were introduced. The Plan processed a transfer of several shareholder approved accounts to the additional Portfolios on their inception date.

Recent economic events have resulted in an unusually high degree of volatility in the financial markets since year end. At October 31, 2008, the combined net assets of the Plan were approximately $240 million (unaudited), compared to approximately $311 million at June 30, 2007.

KPMG

KPMG LLP
Suite 2700
707 Seventeenth Street
Denver, CO 80202

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

The Education Trust Board of New Mexico
106B Cerrillos Road
Santa Fe, NM 87505

and

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

We have audited the accompanying combined statements of fiduciary net assets of The Education Plan (the Plan) and the statements of fiduciary net assets of the Aggressive Portfolio, Moderately Aggressive Portfolio, Moderate Portfolio, Conservative Portfolio, School Years Portfolio, Short Term Yield Portfolio, and Ultra Conservative Portfolio (collectively referred to as the Portfolios) of the Plan as of June 30, 2007, 2006, and 2005, and the related combined statements of changes in fiduciary net assets of the Plan and statements of changes in fiduciary net assets of the Portfolios for the years ended June 30, 2007 and 2006, and have issued our report thereon dated November 17, 2008. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Plan's financial statements are free of material misstatement, we performed tests of 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 statements 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 which is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 07-01.

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

* * * * * * *

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

KPMG LLP

November 17, 2008

THE EDUCATION TRUST BOARD OF NEW MEXICO

Schedule of Findings and Responses

June 30, 2007, 2006, and 2005

Finding No. 07-01

Criteria

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

Condition

We noted an instance in which the annual financial audit report was not delivered to the State Auditor by the December 15, 2007 deadline as specified in the audit contract. The annual financial audit report was received on August 25, 2008 by the Office of the State Auditor which was after the deadline.

Cause

The annual financial audit report was not delivered to the State Auditor by deadline primarily due to the late execution of the audit engagement letter between KPMG and the Board which occurred on November 13, 2007, approximately four weeks prior to the deadline. The annual financial audit report should have been filed with the State Auditor no later than December 15, 2007.

Effect

The users of the financial statements such as investors, legislators, creditors, bondholders, etc..., do not have timely audit reports and financial statements for their review. In addition, the Plan was not in compliance with state regulations when filing the annual financial report with the State Auditor after the December 15, 2007 deadline.

Recommendation

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

Plan Response to Finding No. 07-01

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

Contact: Ross Burkstaller, Program Manager

THE EDUCATION TRUST BOARD OF NEW MEXICO

Exit Conference

Years ended June 30, 2007, 2006, and 2005

Exit Conference

An exit conference was conducted on April 8, 2008 in which the contents of this report were discussed with the following:

The Education Trust Board of New Mexico

Reed Dasenbrock	Chairman
Michael Custer	Board Member
Robert Desiderio	Board Member
Theresa Lucero	Board Member
Fran Lucero	Executive Assistant

OF1 Private Investments

Ross Burkstaller	Program Manager

KPMG

Robert Troccoli	Partner
Kelli High	Senior Manager

Financial Statement Preparation

The accompanying financial statements have been prepared by OFI Private Investments.

KPMG

KPMG LLP
Suite 2700
707 Seventeenth Street
Denver, CO 80202

RECEIVED
DEC 0 1 2008
STATE AUDITOR

November 17, 2008

The Education Trust Board of New Mexico
1068 Cerrillos Road
Santa Fe, NM 87501

Ladies and Gentlemen:

We have audited the accompanying combined statements of fiduciary net assets of the CollegeSense 529 Higher Education Savings Plan (CollegeSense) and the statements of fiduciary net assets of the Aggressive Portfolio, Moderately Aggressive Portfolio, Moderate Portfolio, Conservative Portfolio, School Years Portfolio, Fixed Income Portfolio, Equity Funds Portfolio, Capital Preservation Portfolio, Mainstay Large Cap Growth Portfolio, Evergreen Small-Mid Growth Portfolio, Evergreen International Equity Portfolio, and Mainstay High Yield Corporate Bond Portfolio (collectively referred to as the Portfolios) of CollegeSense as of June 30, 2007, 2006, and 2005, and the related combined statements of changes in fiduciary net assets of CollegeSense and statements of changes in fiduciary net assets of the Portfolios for the years ended June 30, 2007 and 2006, the accompanying combined statements of fiduciary net assets of Scholar'sEdge and the statements of fiduciary net assets of the Large Cap Growth Portfolio, Short-Term Yields Portfolio, Small Cap Core Portfolio, Global Portfolio, Age-Based Aggressive Portfolio, Age-Based Moderately Aggressive Portfolio, Age-Based Moderate Portfolio, Conservative Portfolio, Age-Based School Years Portfolio, Large Cap Core Portfolio, Large Cap Value Portfolio, Intermediate Term Bond Portfolio, Diversified Income Portfolio, and Ultra Conservative Portfolio (collectively referred to as the Portfolios) of Scholar'sEdge as of June 30, 2007, 2006, and 2005, and the related combined statements of changes in fiduciary net assets of Scholar'sEdge and statements of changes in fiduciary net assets of the Portfolios for the years ended June 30, 2007 and 2006, and the accompanying combined statements of fiduciary net assets of The Education Plan and the statements of fiduciary net assets of the Aggressive Portfolio, Moderately Aggressive Portfolio, Moderate Portfolio, Conservative Portfolio, School Years Portfolio, Short Term Yield Portfolio, and Ultra Conservative Portfolio (collectively referred to as the Portfolios) of The Education Plan as of June 30, 2007, 2006, and 2005, and the related combined statements of changes in fiduciary net assets of The Education Plan and statements of changes in fiduciary net assets of the Portfolios for the years ended June 30, 2007 and 2006. These financial statements are the responsibility of The Education Trust Board of New Mexico, and Evergreen Investment Services, Inc. and OFI Private Investments, Inc. (Program Managers). Our responsibility is to express an opinion on these financial statements based on our audits.

Our Responsibility under Professional Standards

We are responsible for forming and expressing an opinion about whether the financial statements, which have been prepared by the Program Managers with the oversight of the Education Trust Board of New Mexico, are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles. We have a responsibility to perform our audit of the financial statements in accordance with professional standards. In carrying out this responsibility, we planned and performed the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. Because of the nature of audit evidence and the characteristics of fraud, we are to obtain reasonable, not absolute, assurance that material misstatements are

detected. We have no responsibility to plan and perform the audit to obtain reasonable assurance that misstatements, whether caused by error or fraud, that are not material to the financial statements are detected. Our audit does not relieve management or the Education Trust Board of New Mexico of their responsibilities.

In accordance with *Government Auditing Standards*, we have also issued our reports dated November 17, 2008 on our consideration of the Plan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

In addition, in planning and performing our audits, we considered the Plan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Plan's internal control over financial reporting. However, during the course of our audits, we identified a deficiency in internal control that we consider to be a significant deficiency. Our required communications to you in writing under professional standards, of all significant deficiencies in internal control identified during our audit were provided to you under a separate cover in our Reports 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* dated November 17, 2008.

We also have a responsibility to communicate significant matters related to the financial statement audit that are, in our professional judgment, relevant to the responsibilities of the Education Trust Board of New Mexico in overseeing the financial reporting process. We are not required to design procedures for the purpose of identifying other matters to communicate to you.

Accounting Practices and Alternative Treatments

Significant Accounting Policies

The significant accounting policies used by the Plan are described in note 2 to the financial statements.

Guaranteed Investment Contracts (GIC)

In accordance with GASB Statement No. 31, at June 30, 2007 and 2006, traditional GICs were valued at contract value of approximately $63,800,000 (fair value $63,100,000), and $58,200,000 (fair value $57,200,000), respectively. Such contracts for which the fair value was confirmed by New York Life and/or Prudential (the holders of the contract) remained with such institutions until the subsequent event noted below. Such amounts of $25 million in contract value were included in the transfer described in the subsequent event below.

Subsequent Event

Effective October 22, 2007, six additional Age Based Portfolios were introduced. The Plan processed a transfer of several shareholder approved accounts to the additional Portfolios on their inception date.

KPMG

Effective April 18, 2008, OFI Private Investments acquired the assets of the New Mexico CollegeSense 529 Savings Program. The acquired assets were combined with the existing assets of the Scholar'sEdge Plan.

Qualitative Aspects of Accounting Practices

We have discussed with the Education Trust Board of New Mexico and management our judgments about the quality, not just the acceptability, of the Plans' accounting principles as applied in its financial reporting. The discussions generally included such matters as the consistency of the Plans' accounting policies and their application, and the understandability and completeness of the Plans' financial statements, which include related disclosures.

Management Judgments and Accounting Estimates

The preparation of the financial statements requires management of the Plans to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. We noted no significant accounting estimates during the process of conducting our audit.

Uncorrected and Corrected Misstatements

In connection with our audit of the Plans' financial statements, we identified no material uncorrected or corrected misstatements.

Additionally, we inquired of management as to the existence of internal controls that would have otherwise prevented or detected a misstatement of this nature and noted that there were none. As a result, we have concluded that there were no deficiencies of internal controls over financial reporting.

Disagreements with Management

There were no disagreements with management on financial accounting, and reporting matters that, if not satisfactorily resolved, would have caused a modification of our auditors' report on the Plans' financial statements.

Management's Consultation with Other Accountants

To the best of our knowledge, management has not consulted with or obtained opinions, written or oral, from other independent accountants during the years ended June 30, 2007, 2006, and 2005.

Other Information in Documents Containing Audited Financial Statements

Our responsibility for other information in documents containing the Plans' financial statements and our auditors' reports thereon does not extend beyond the financial information identified in our auditors' report, and we have no obligation to perform any procedures to corroborate other information contained in these documents. The management discussion and analysis on pages 1 through 3, 40 through 42, and 82 through 84, are not a required part of the basic financial statements, but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurements and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Significant Issues Discussed, or Subject to Correspondence, with Management

Major Issues Discussed with Management Prior to Retention

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with you and management each year prior to our retention by you as the Plans' auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Material Written Communications

Attached to this letter please find copies of the following material written communications between management and us:

1) Engagement letter; and

2) Management representation letters

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in working with management during the performance of our audit.

Independence

Our professional standards and other regulatory requirements specify that we communicate to you in writing, at least annually, all independence-related relationships between our firm and the Plans and provide confirmation that we are independent accountants with respect to the Plans.

We are not aware of any additional independence-related relationships between our firm and the Plans other than the professional services that have been provided to the Plans, which are summarized below.

We have summarized the fees paid or payable to the firm relating to the audits of the Plans' financial statements billed in 2007 and 2008:

Audits as of June 30, 2007, 2006, and 2005	$	438,195

Confirmation of Audit Independence

We hereby confirm that as of November 17, 2008, we are independent accountants with respect to the Plans under all relevant professional and regulatory standards.

* * * * * * *

The Education Trust Board of New Mexico
November 17, 2008
Page 5

This letter is intended solely for the information and use of the Education Trust Board of New Mexico and the Program Managers, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

KPMG LLP

cc: Ross Burkstaller, *Program Manager*, OFI Private Investments, Inc.
Donna Winn, *President and Chief Executive Officer*, OFI Private Investments, Inc.
Kasey Phillips, *Senior Vice President*, Evergreen Investment Services, Inc.