

**State of Illinois
Office of the Treasurer**

COLLEGE SAVINGS PROGRAM

FINANCIAL AUDIT

For the years ended June 30, 2007 and 2006

Performed as Special Assistant
Auditors for the Auditor General,
State of Illinois

State of Illinois
Office of the Treasurer

COLLEGE SAVINGS PROGRAM

FINANCIAL AUDIT
For the years ended June 30, 2007 and 2006

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State of Illinois
Office of the Treasurer

COLLEGE SAVINGS PROGRAM

TREASURER'S OFFICE OFFICIALS

Treasurer (Current)	Honorable Alexi Giannoulias
Treasurer (01/09/1995 to 01/08/2007)	Honorable Judy Baar Topinka
Chief of Staff	Ms. Robin Kelly
Deputy Treasurer	Mr. Edward Buckles
Deputy Treasurer	Mr. Raja Krishnamoorthi
Chief Legal Counsel	Mr. Paul Miller
Director of College Savings Program	Mr. Bartt Stevens
Inspector General	Mr. David Wells
Chief Internal Auditor	Ms. Barbara Ringler

The Office of the Treasurer maintains five office locations:

- Executive Office
State Capitol
219 State House
Springfield, Illinois 62706
- Operational divisions
Jefferson Terrace
300 West Jefferson Street
Springfield, Illinois 62702
- Unclaimed Property and other divisions
Myers Building
1 W. Old State Capitol Plaza
Springfield, Illinois 62701
- Chicago Office and Personnel/Legal/Programmatic
James R. Thompson Center
100 West Randolph Street
Suite 15-600
Chicago, Illinois 60601
- Programmatic
Mt. Vernon Office
200 Potomac Boulevard
Mt. Vernon, Illinois 62864

FINANCIAL STATEMENT REPORT

State of Illinois
Office of the Treasurer

COLLEGE SAVINGS PROGRAM

FINANCIAL STATEMENT REPORT

SUMMARY

The audits of the accompanying financial statements of the College Savings Program of the State of Illinois, Office of the Treasurer were performed by Crowe Chizek and Company LLC as of and for the years ended June 30, 2007 and 2006.

Based on their audits, the auditors expressed an unqualified opinion on the College Savings Program financial statements.



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Member Horwath International

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Springfield, Illinois 62704-6592
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Fax 217.862.2701
www.crowechizek.com

Independent Auditors' Report

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the College Savings Program (a fiduciary fund) of the State of Illinois, Office of the Treasurer, as of and for the years ended June 30, 2007 and 2006, as listed in the Table of Contents. These financial statements are the responsibility of the management of the State of Illinois, Office of the Treasurer. 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 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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.

As discussed in Note A, the financial statements of the College Savings Program of the State of Illinois, Office of the Treasurer present only this fiduciary fund and do not purport to, and do not, present fairly the financial position of the State of Illinois, Office of the Treasurer as of June 30, 2007 and 2006, and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United State of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the College Savings Program of the State of Illinois, Office of the Treasurer as of June 30, 2007 and 2006, and the changes in its financial position thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 30, 2007 on our consideration of the College Savings Program of the State of Illinois, Office of the Treasurer's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

Our audits were conducted for the purpose of forming an opinion on the financial statements of the College Savings Program of the State of Illinois, Office of the Treasurer. The statements of fiduciary net assets by portfolio, statements of changes in fiduciary net assets by portfolio, key performance measures, and investment policies, listed in the Table of Contents on pages 18 to 72, are presented for purposes of additional analysis and are not a required part of the financial statements. The statements of fiduciary net assets by portfolio and the statements of changes in fiduciary net assets by portfolio have been subjected to the auditing procedures applied in the audits of the financial statements and, in our opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole. The key performance measures and the investment policies have not been subjected to the auditing procedures applied in the audits of the financial statements, and accordingly, we express no opinion on them.

Crowe Chizek and Company LLC

Crowe Chizek and Company LLC

Springfield, Illinois
November 30, 2007

State of Illinois
Office of the Treasurer
COLLEGE SAVINGS PROGRAM
STATEMENTS OF FIDUCIARY NET ASSETS
June 30, 2007 and 2006

	ASSETS	
	2007	2006
Deposits and investments, at market		
Cash and cash equivalents	\$ 92,123,753	\$ 6,788,715
Dividends receivable	15,885,499	11,324,214
Mutual funds	2,424,616,587	1,827,454,207
Total assets	\$ 2,532,625,839	\$ 1,845,567,136
LIABILITIES AND NET ASSETS		
Accrued liabilities		
Payable for securities purchased	\$ 6,204,756	\$ 2,709,967
Insurance fees	16,713	23,709
Advisory fees	775,062	562,262
12b-1 fees	57,193	7,937
Total liabilities	7,053,724	3,303,875
Net assets available to participants	2,525,572,115	1,842,263,261
Total liabilities and net assets	\$ 2,532,625,839	\$ 1,845,567,136

The accompanying notes are an integral part of these statements.

State of Illinois
Office of the Treasurer
COLLEGE SAVINGS PROGRAM
STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS
For the years ended June 30, 2007 and 2006

Operations	<u>2007</u>	<u>2006</u>
Revenues (expenditures)		
Investment earnings	\$ 51,849,943	\$ 31,633,867
Gain (loss) on sale of securities	84,430,962	50,654,575
Net change in fair value of investments (unrealized)	165,183,577	38,367,269
Insurance fees	(99,110)	(93,650)
12b-1 fees	(396,403)	(29,259)
Bank custodial fees	<u>(7,172,979)</u>	<u>(5,235,448)</u>
Net investment earnings	293,795,990	115,297,354
Distributions to Shareholders		
Net Investment Income	<u>(144,585)</u>	<u>(5,690)</u>
Total decrease in net assets from distributions	(144,585)	(5,690)
Participant Transactions		
Program contributions	1,024,933,987	713,175,616
Program distributions	(635,412,175)	(432,716,063)
Distributions reinvested	<u>135,637</u>	<u>5,690</u>
Total increase from participant transactions	389,657,449	280,465,243
Net increase in net assets	683,308,854	395,756,907
Net assets, beginning of fiscal year	<u>1,842,263,261</u>	<u>1,446,506,354</u>
Net assets, end of fiscal year	<u>\$ 2,525,572,115</u>	<u>\$ 1,842,263,261</u>

The accompanying notes are an integral part of these statements.

State of Illinois
Office of the Treasurer
COLLEGE SAVINGS PROGRAM
NOTES TO THE FINANCIAL STATEMENTS
For the years ended June 30, 2007 and 2006

Background

In May 1999, the General Assembly of the State of Illinois adopted Public Act 91-0607 authorizing the State Treasurer of the State of Illinois (the "*Treasurer*") to establish and administer a program designed to be a "qualified state tuition program" under Section 529 of the Internal Revenue Code of 1986, as amended. The program is known as the College Savings Program (the "*Program*"). Participants of the Program have a choice of two Section 529 investment programs, the Bright Start College Savings Program ("*Bright Start*") and the Bright Directions College Savings Program ("*Bright Directions*"). Bright Start commenced operations on March 27, 2000. Bright Directions commenced operations on November 18, 2005. Consequently, the Statement of Changes in Fiduciary Net Assets includes Bright Start activity for the years ended June 30, 2007 and 2006 and Bright Directions activity for the year ended June 30, 2007 and for the period from November 18, 2005 (date of inception) to June 30, 2006. The Bright Directions Statement of Changes in Fiduciary Net Assets by Portfolio is presented for the year ended June 30, 2007 and for the period from November 18, 2005 (date of inception) to June 30, 2006.

The Program provides an opportunity for investors residing in Illinois to invest on a tax-favored basis toward the qualified higher education expenses of a designated beneficiary (the "*Beneficiary*") associated with attending an Institution of Higher Education. If the investor is not an Illinois taxpayer, depending upon the laws of the investor's home state or the home state of the investor's beneficiary, favorable state tax treatment or other benefits offered by such home state for investing in Section 529 college savings plans may be available only if invested in the home state's Section 529 plan. Institutions of Higher Education generally include accredited postsecondary educational institutions offering credit toward a bachelor's degree, an associate's degree, a graduate level or professional degree, or another recognized postsecondary credential including certain proprietary, postsecondary vocational and foreign institutions. The institution must be eligible to participate in the U.S. Department of Education student aid programs. Qualified higher education expenses generally include tuition, fees, books, supplies, and equipment required for the Beneficiary's enrollment plus, subject to certain limitations, room and board expenses provided the Beneficiary is enrolled on at least a half-time basis.

Under the Program, Program participants (the "*Account Owners*") make investments in accounts established for the purpose of meeting the qualified higher education expenses of the Beneficiaries designated on the Program accounts (the "*Accounts*"). Amounts contributed to the Program will be invested in the College Savings Trust (the "*Trust*"). As of June 30, 2007, ClearBridge Advisors, LLC performed investment advisory functions and Legg Mason Investor Services, LLC performed administrative and recordkeeping functions for the Bright Start Program. As of June 30, 2007 Union Bank and Trust Company advised the Treasurer on the investment of contributions and provided day-to-day administrative and marketing services for the Bright Directions Program. As such, as of June 30, 2007 ClearBridge Advisors, LLC, Legg Mason Investor Services, LLC and Union Bank and Trust Company acted as Managers (the "*Managers*") of the two investment programs. The Treasurer acts as trustee and is responsible for the overall administration of the Program.

State of Illinois
Office of the Treasurer
COLLEGE SAVINGS PROGRAM
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
For the years ended June 30, 2007 and 2006

Subsequent to the fiscal year ended June 30, 2007, the Services Agreement between the Treasurer and Clear Bridge Advisors, LLC and Legg Mason Investor Services, LLC was to expire. On March 12, 2007, Illinois Treasurer Alexi Giannoulias announced that Oppenheimer Funds Inc. had provided the successful response to the Request For Proposal for the management services of the Bright Start College Savings Program. Scoring was based on a matrix that included pricing (40%), investment performance (30%), plan for services (10%), past performance in the 529 industry (10%), ability to perform services (5%), and personnel/facilities (5%). The Program Manager of the Bright Start College Savings Program was transitioned from Clear Bridge Advisors, LLC and Legg Mason Investor Services, LLC to Oppenheimer Funds Inc. beginning July 20, 2007 and was completed July 23, 2007.

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

1. Financial Reporting Entity

As described in the Illinois Comprehensive Annual Financial Report, the State of Illinois is the primary government which includes all funds, elected offices, departments and agencies of the State, as well as boards, commissions, authorities, universities and colleges over which the State's executive or legislative branches exercise legal control.

The College Savings Program is not legally separate from the State of Illinois, and is, therefore, determined to be part of the primary government. The Program is included in the Illinois Comprehensive Annual Financial Report as a private-purpose trust fund, previously classified as an investment trust fund (See Note D). The scope of the College Savings Program financial statements presented herein is limited to the financial position of the College Savings Program private-purpose trust fund.

2. Fiduciary Fund

The College Savings Fund is classified as a private-purpose trust fund. This trust fund is used to account for assets held by the Treasurer in a trustee capacity. This fund is not held in the State Treasury and is a non-appropriated fund.

3. Basis of Accounting and Measurement Focus

The accounts of the College Savings Program are maintained and reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place.

State of Illinois
Office of the Treasurer
COLLEGE SAVINGS PROGRAM
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
For the years ended June 30, 2007 and 2006

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Cash and Cash Equivalents

Cash and cash equivalents consist of other bank deposits and timing differences associated with the purchase of mutual fund shares and short-term, highly liquid investments readily convertible to cash, with a maturity of 90 days or less at the time of purchase.

5. Investment Earnings

Investment earnings are a combination of dividend income, interest income and short and long-term capital gains both realized and unrealized, generated from mutual fund investments and cash deposits. Mutual fund yields are subject to market rate fluctuations.

6. Fair Value of Investments

Investments in the underlying funds are carried at fair value based on the closing net asset or unit value per share of each Underlying Fund on the day of valuation.

7. Management Estimates

To prepare financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make certain estimates that affect the reported amounts of assets and liabilities and 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. These estimates may differ from actual results.

8. Net Assets Available to Participants

The net assets available to participants represent deposits and investments at market less accrued liabilities. Deposits and investments include cash and cash equivalents, dividend and interest receivable and the effect of market fluctuations on participant deposits.

NOTE B - DEPOSITS AND INVESTMENTS

Governmental Accounting Standards Board Statement No. 31, *Accounting and Reporting for Certain Investments and External Investment Pools*, established standards for accounting for investments held by governmental entities. The College Savings Program has been designed as a qualified state tuition program under Section 529 of the Internal Revenue Code and reports all investments at market value.

State of Illinois
Office of the Treasurer
COLLEGE SAVINGS PROGRAM
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
For the years ended June 30, 2007 and 2006

NOTE B - DEPOSITS AND INVESTMENTS (Continued)

BRIGHT START COLLEGE SAVINGS PROGRAM

1. Permitted Deposits and Investments

The Treasurer's Bright Start investment activities are governed by the Treasurer's published Bright Start investment policy (included in the supplementary section of this report), which was developed in accordance with the State statute. In addition, the Treasurer's Office has adopted its own investment practices, which supplements the statutory requirements.

2. Investment Options

General Overview

The Bright Start Program offers several investment options. If the Account Owner opens an account through a financial institution that has chosen to accept deposits under Bright Start, there are two investment options:

- Age-Based Option
- Fixed Income Option

If the Account Owner opens an account through a financial institution that has chosen not to accept deposits, there are five different investment options:

- Age-Based Option
- Fixed Income Option
- Equity Option
- Balanced Option
- Principal Protection Income Option

Brief Description of Investment Options

Age-Based Option

The goal of a Portfolio under the Age-Based Option is to seek an asset allocation strategy consistent with the ages of the Beneficiaries of those Account Owners who have invested in that Portfolio. There is an Age-Based Option for Accounts opened through financial institutions accepting Deposits and an Age-Based Option for Accounts opened through financial institutions not accepting Deposits, which are distinct and different investment options.

State of Illinois
Office of the Treasurer
COLLEGE SAVINGS PROGRAM
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
For the years ended June 30, 2007 and 2006

NOTE B - DEPOSITS AND INVESTMENTS (Continued)

Based on the age of the Beneficiary, the following six Age-Based Portfolios are available:

- Portfolio One (Age of Beneficiary 0-6)
- Portfolio Two (Age of Beneficiary 7-9)
- Portfolio Three (Age of Beneficiary 10-11)
- Portfolio Four (Age of Beneficiary 12-14)
- Portfolio Five (Age of Beneficiary 15-17)
- Portfolio Six (Age of Beneficiary 18 and up)

Account assets generally do not remain in the Age-Based Portfolio in which they are initially invested. Account assets are redeemed when the Beneficiary attains an age that is greater than the upper limit of the age range that corresponds to a particular Portfolio, including the Portfolio in which assets were invested initially. The Manager then reinvests these assets in the Portfolio that corresponds to the age of the Beneficiary. This continues until the Beneficiary is 18 years old, or the assets are withdrawn from the Account, whichever occurs first. The asset allocation strategy for the Age-Based Option becomes increasingly conservative with each successive Portfolio.

Fixed Income Option

The goal of a Portfolio under the Fixed Income Option is to seek the relatively more stable returns of a fixed income investment in exchange for giving up the long-term return potential that the stock market offers. There is a Fixed Income Option for Accounts opened through financial institutions accepting Deposits and a Fixed Income Option for Accounts opened through financial institutions not accepting Deposits, which are distinct and different investment options, as a result of differing investment components.

Equity Option

The goal of the Portfolio under the Equity Option is to seek long-term capital appreciation through investments in equity mutual funds. The Equity Option is only appropriate for investors with longer time horizons, who are comfortable with an increased level of risk while seeking higher longer-term returns, or who use this investment option as part of an overall college savings strategy that includes less aggressive investments. Participants that open an account through a financial institution not accepting deposits may select to invest in the Equity Option. Participants that open an account through a financial institution accepting deposits may not select the Equity Option because the Portfolio invests entirely in equities and does not invest in deposits.

State of Illinois
Office of the Treasurer
COLLEGE SAVINGS PROGRAM
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
For the years ended June 30, 2007 and 2006

NOTE B - DEPOSITS AND INVESTMENTS (Continued)

Balanced Option

The goal of the Portfolio under the Balanced Option is to seek attractive total return with reasonable safety of principal through investment in equity and fixed income securities. Participants that open an account through a financial institution not accepting deposits may select to invest in the Balanced Option. Participants that open an account through a financial institution accepting deposits may not select the Balanced Option because the Portfolio invests entirely in Funds, and does not invest in deposits.

Principal Protection Income Option

The goal of the Portfolio under the Principal Protection Income Option is to seek higher current returns than most money market portfolios, while protecting an investor's principal investment from fluctuations in value typically associated with fixed income portfolios. The Principal Protection Income Option may be appropriate for investors who are seeking current returns with stability of principal and who are willing to forego the return potential that the stock market offers. The Principal Protection Income Option may also be appropriate as a part of an overall college savings strategy that includes more aggressive investments. Participants that open an account through a financial institution that has chosen not to accept deposits may select to invest in the Principal Protection Income Option. Participants that open an account through a financial institution that has chosen to accept deposits may not select the Principal Protection Income Option as an investment option for their account because the Portfolio does not invest in deposits.

Additional Program Information

Additional information concerning the Bright Start College Savings Program may be obtained online at www.brightstartadvisor.com or by calling toll free 1-877-432-7444.

Investment Risk

As of June 30, 2007 Bright Start had holdings in mutual bond funds valued at \$564.3 million. Of this, \$147.2 million had weighted average maturities (the "WAM") of one through five years (S&P rated AA), \$239.8 million had WAM's of six to ten years (\$75.5 million S&P rated AA and \$164.3 million S&P rated AAA) and \$177.3 million had WAM's of more than ten years (S&P rated A-). In addition, Bright Start had holdings in Money Market Funds valued at \$79.7 million at June 30, 2007. The Money Market Fund had a WAM of 73 days.

State of Illinois
Office of the Treasurer
COLLEGE SAVINGS PROGRAM
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
For the years ended June 30, 2007 and 2006

NOTE B - DEPOSITS AND INVESTMENTS (Continued)

In its investment policy, the Treasurer's Office has adopted a long-term total return strategy. A long-term diversified asset allocation strategy based on (1) asset classes (stock, bonds, cash, etc.), (2) geography/country, (3) industry, and (4) maturity will be the primary method of risk control.

The investments in the Bright Start College Savings Program are not guaranteed or insured by the State of Illinois, Office of the Treasurer, the Program Manager, affiliates of the Program Manager, the FDIC, or any other party.

BRIGHT DIRECTIONS COLLEGE SAVINGS PROGRAM

1. Permitted Deposits and Investments

The Treasurer's Bright Directions investment activities are governed by the Treasurer's published Bright Directions investment policy (included in the supplementary section of this report), which was developed in accordance with the State statute. In addition, the Treasurer's Office has adopted its own investment practices, which supplements the statutory requirements.

2. Investment Options

General Overview

The Bright Directions Program offers the following Portfolios:

- Three Age-Based Portfolios
- Seven Target Portfolios
- Twenty-five Individual Fund Portfolios

The three Age-Based portfolios are designed to reduce the Account's exposure to principal loss the closer the Beneficiary gets to college; the seven Target Portfolios keep the same asset allocation between equity, fixed income, and money market securities over the life of the Account; and the Individual Fund Portfolios each invest in a single mutual fund. The Age-Based, Target, and Individual Fund Portfolios have been designed by the Treasurer, Program Manager, and Wilshire Associates.

State of Illinois
Office of the Treasurer
COLLEGE SAVINGS PROGRAM
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
For the years ended June 30, 2007 and 2006

NOTE B - DEPOSITS AND INVESTMENTS (Continued)

Brief Description of Investment Options

Age-Based Portfolios

The Age-Based Portfolios generally invest in a mix of equity, fixed income, and money market funds allocated based on the current age of the Beneficiary. The Age-Based Portfolios adjust over time so that as the Beneficiary nears college age each Age-Based Portfolio's allocation between equity, fixed income, and money market funds becomes more conservative relative to the allocation in earlier years.

Program participants may choose from the following three Age-Based Portfolios

- Age-Based Aggressive Portfolio
- Age-Based Growth Portfolio
- Age-Based Balanced Portfolio

Target Portfolios

The Target Portfolios are asset allocation portfolios that invest in a set or "static" mix of equity, fixed income, or money market funds. The allocation between equity, fixed income, and money market investments within the Target Portfolios does not change as the Beneficiary gets older.

The seven Target Portfolios, ranging from the most aggressive to conservative, are as follows:

- Fund 100
- Fund 80
- Fund 60
- Fund 40
- Fund 20
- Fund 10
- Fixed Income Fund

State of Illinois
Office of the Treasurer
COLLEGE SAVINGS PROGRAM
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
For the years ended June 30, 2007 and 2006

NOTE B - DEPOSITS AND INVESTMENTS (Continued)

Individual Fund Portfolios

The Bright Directions Program offers twenty-five Individual Fund Portfolios. Each Individual Fund Portfolio is invested solely in shares of a single underlying mutual fund. Account balances may be allocated among one or more Individual Fund Portfolios according to the Account Owners investment objectives, investment time horizon, and risk tolerance.

The Individual Fund Portfolios offered are as follows:

- BGI Institutional Money Market 529 Portfolio
 - PIMCO Short-Term 529 Portfolio
 - PIMCO Low Duration 529 Portfolio
 - PIMCO Total Return 529 Portfolio
 - Calvert Income 529 Portfolio
 - T.Rowe Price Balanced 529 Portfolio
 - T. Rowe Price Real Estate 529 Portfolio
 - Calvert Social Investment Equity 529 Portfolio
 - American Century Value 529 Portfolio
 - DFA U.S. Large Cap Value 529 Portfolio
 - T. Rowe Price Equity Income 529 Portfolio
 - American Century Equity Growth 529 Portfolio
 - Northern Institutional Equity Index 529 Portfolio
 - American Century Ultra 529 Portfolio
 - Northern Institutional Diversified Growth 529 Portfolio
 - T. Rowe Price Extended Equity Market Index 529 Portfolio
 - American Century Vista 529 Portfolio
 - Ariel 529 Portfolio
 - Legg Mason U.S. Small Cap Value 529 Portfolio
 - Northern Institutional Small Company Index 529 Portfolio
 - Fidelity Advisor Small Cap 529 Portfolio
 - William Blair Small Cap Growth 529 Portfolio
 - AllianceBernstein International Value 529 Portfolio
 - Northern Institutional International Equity Index 529 Portfolio
 - Fidelity Advisor Diversified International 529 Portfolio
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State of Illinois
Office of the Treasurer
COLLEGE SAVINGS PROGRAM
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
For the years ended June 30, 2007 and 2006

NOTE B - DEPOSITS AND INVESTMENTS (Continued)

Additional Program Information

Additional information concerning the Bright Directions College Savings Program, including a complete description of investment options, may be obtained online at www.brightdirections.com or by calling 1-866-722-7283.

Investment Risk

As of June 30, 2007 Bright Directions had holdings in mutual bond funds valued at \$55.6 million. Of this, \$8.8 million had WAM's of less than a year (S&P rated AA), \$42.8 million had WAM's of one through five years (S&P rated AA+), and \$4.0 million had WAM's of six through ten years (S&P rated AA). In addition, Bright Directions had holdings in Money Market Funds valued at \$9.2 million at June 30, 2007. The Money Market Fund had a WAM of 53 days.

In its investment policy the Treasurer's Office has adopted a long-term total return strategy. A long-term diversified asset allocation strategy based on (1) asset classes (stock, bonds, cash, etc.), (2) geography/country, (3) industry, and (4) maturity will be the primary method of risk control.

The investments in the Bright Directions College Savings Program are not guaranteed or insured by the State of Illinois, Office of the Treasurer, the Program Manager, affiliates of the Program Managers, the FDIC, or any other party.

NOTE C - ADMINISTRATIVE FEES

To administer the College Savings Program, the Treasurer has a division entitled, "The College Savings Program Division." This division had seven employees at June 30, 2007 and six employees at June 30, 2006. The revenues and expenses of the division are recorded in an enterprise proprietary fund maintained by the Treasurer entitled College Savings Program Administrative Trust Fund No. 668.

The Managers of the College Savings Program receive fees for their services. The Bright Start Program Manager received, as its total compensation, an amount equal to a charge against the assets of the Trust at an annual rate of 0.99% of the average daily balance of the net assets of the Trust. The fee is payable monthly solely from earnings of the Program, and includes the fees and expenses charged by the Funds in which the Portfolios invest. The Bright Directions Program Management fee is at an annual rate of 0.45% of the average daily net assets of each Portfolio.

State of Illinois
Office of the Treasurer
COLLEGE SAVINGS PROGRAM
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
For the years ended June 30, 2007 and 2006

NOTE C - ADMINISTRATIVE FEES (Continued)

The College Savings Program custodial/advisory fees paid from the Trust and the College Savings Program Administrative Trust Fund expenditures are as follows:

	<u>2007</u>	<u>2006</u>
Custodial/advisory fees	\$ 7,172,979	\$ 5,235,448
Expenditures	648,763	632,504

NOTE D - FUND RECLASSIFICATION

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the government's own programs. The fiduciary fund category includes pension (and other employee benefit) trust funds, investment trust funds, agency funds, and private-purpose trust funds. A private-purpose trust fund may be used to report any trust arrangements not properly reported in a pension trust fund or an investment trust fund under which principal and income benefit individuals, private organizations, or other governments.

The College Savings Program (Fund 1668) was previously classified as an investment trust fund. The fund classification was reevaluated during the current period and it was determined the private-purpose trust fund category is most definitive of the fiduciary funds in representing the reporting entity. The reclassification from investment trust fund to private-purpose trust fund had no effect on net assets or on the change in net assets of the fund.

SUPPLEMENTARY INFORMATION

State of Illinois
Office of the Treasurer
BRIGHT START COLLEGE SAVINGS PROGRAM
STATEMENTS OF FIDUCIARY NET ASSETS BY PORTFOLIO
As of June 30, 2007

	<u>Portfolio One</u>	<u>Portfolio Two</u>	<u>Portfolio Three</u>	<u>Portfolio Four</u>	<u>Portfolio Five</u>
ASSETS					
Deposits and investments					
Cash and cash equivalents	\$ 873,040	\$ 305,006	\$ 490,732	\$ 443,496	\$ 41,242,035
Dividends receivable	657,654	642,293	439,869	719,279	734,497
Mutual funds	450,118,845	275,565,231	172,618,555	243,058,959	165,824,168
Total assets	\$ 451,649,539	\$ 276,512,530	\$ 173,549,156	\$ 244,221,734	\$ 207,800,700
LIABILITIES AND NET ASSETS					
Accrued liabilities					
Payable for securities purchased	\$ 877,696	\$ 764,454	\$ 614,468	\$ 890,746	\$ 781,945
Insurance Fees	-	-	-	-	-
Advisory fees	109,337	77,757	49,699	77,487	76,863
Total liabilities	987,033	842,211	664,167	968,233	858,808
Net assets available to participants	450,662,506	275,670,319	172,884,989	243,253,501	206,941,892
Total liabilities and net assets	\$ 451,649,539	\$ 276,512,530	\$ 173,549,156	\$ 244,221,734	\$ 207,800,700

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STATEMENTS OF FIDUCIARY NET ASSETS BY PORTFOLIO - CONTINUED
As of June 30, 2007

	<u>Portfolio Six</u>	<u>All Equity</u>	<u>Fixed Income</u>	<u>Principal Prot Inc</u>	<u>Balanced Option</u>
ASSETS					
Deposits and investments					
Cash and cash equivalents	\$ 34,774,239	\$ (211,737)	\$ (1,558)	\$ 3,645,704	\$ 489,755
Dividends receivable	458,589	1,045,922	253,721	10,797,227	135,106
Mutual funds	81,531,630	644,703,017	54,165,860	66,258,318	42,996,962
	<u>116,764,458</u>	<u>645,537,202</u>	<u>54,418,023</u>	<u>80,701,249</u>	<u>43,621,823</u>
Total assets	<u>\$ 116,764,458</u>	<u>\$ 645,537,202</u>	<u>\$ 54,418,023</u>	<u>\$ 80,701,249</u>	<u>\$ 43,621,823</u>
LIABILITIES AND NET ASSETS					
Accrued liabilities					
Payable for securities purchased	\$ 596,274	\$ 1,144,179	\$ 308,576	\$ 65,376	\$ 152,094
Insurance Fees	-	-	-	16,713	-
Advisory fees	48,667	170,265	13,054	55,806	10,916
	<u>644,941</u>	<u>1,314,444</u>	<u>321,630</u>	<u>137,895</u>	<u>163,010</u>
Total liabilities	644,941	1,314,444	321,630	137,895	163,010
Net assets available to participants	<u>116,119,517</u>	<u>644,222,758</u>	<u>54,096,393</u>	<u>80,563,354</u>	<u>43,458,813</u>
Total liabilities and net assets	<u>\$ 116,764,458</u>	<u>\$ 645,537,202</u>	<u>\$ 54,418,023</u>	<u>\$ 80,701,249</u>	<u>\$ 43,621,823</u>

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STATEMENTS OF FIDUCIARY NET ASSETS BY PORTFOLIO - CONTINUED
As of June 30, 2007

	<u>Total</u>
ASSETS	
Deposits and investments	
Cash and cash equivalents	\$ 82,050,712
Dividends receivable	15,884,157
Mutual funds	<u>2,196,841,545</u>
Total assets	<u>\$ 2,294,776,414</u>
LIABILITIES AND NET ASSETS	
Accrued liabilities	
Payable for securities purchased	\$ 6,195,808
Insurance Fees	16,713
Advisory fees	<u>689,851</u>
Total liabilities	6,902,372
Net assets available to participants	<u>2,287,874,042</u>
Total liabilities and net assets	<u>\$ 2,294,776,414</u>

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	<u>Portfolio One</u>	<u>Portfolio Two</u>	<u>Portfolio Three</u>	<u>Portfolio Four</u>	<u>Portfolio Five</u>
ASSETS					
Deposits and investments					
Cash and cash equivalents	\$ 2,072,970	\$ 357,583	\$ 181,284	\$ 380,668	\$ 240,636
Dividends receivable	607,117	494,077	345,170	565,155	538,023
Mutual funds	383,252,171	200,976,257	128,433,948	188,813,014	154,259,046
Total assets	<u>\$ 385,932,258</u>	<u>\$ 201,827,917</u>	<u>\$ 128,960,402</u>	<u>\$ 189,758,837</u>	<u>\$ 155,037,705</u>
LIABILITIES AND NET ASSETS					
Accrued liabilities					
Payable for securities purchased	\$ 88,048	\$ 295,229	\$ 101,712	\$ 224,753	\$ 188,638
Insurance Fees					
Advisory fees	74,397	43,190	28,143	47,780	49,365
Total liabilities	162,445	338,419	129,855	272,533	238,003
Net assets	<u>385,769,813</u>	<u>201,489,498</u>	<u>128,830,547</u>	<u>189,486,304</u>	<u>154,799,702</u>
Total liabilities and net assets	<u>\$ 385,932,258</u>	<u>\$ 201,827,917</u>	<u>\$ 128,960,402</u>	<u>\$ 189,758,837</u>	<u>\$ 155,037,705</u>

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STATEMENTS OF FIDUCIARY NET ASSETS BY PORTFOLIO - CONTINUED
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	<u>Portfolio Six</u>	<u>All Equity</u>	<u>Fixed Income</u>	<u>Principal Prot Inc</u>	<u>Balanced Option</u>
ASSETS					
Deposits and investments					
Cash and cash equivalents	\$ 93,451	\$ 1,469,945	\$ (19,689)	\$ 222,823	\$ 150,496
Dividends receivable	279,132	905,355	243,657	7,274,881	71,459
Mutual funds	78,846,245	509,070,927	53,226,827	69,860,330	23,082,942
	<u>79,218,828</u>	<u>511,446,227</u>	<u>53,450,795</u>	<u>77,358,034</u>	<u>23,304,897</u>
Total assets	<u>\$ 79,218,828</u>	<u>\$ 511,446,227</u>	<u>\$ 53,450,795</u>	<u>\$ 77,358,034</u>	<u>\$ 23,304,897</u>
LIABILITIES AND NET ASSETS					
Accrued liabilities					
Payable for securities purchased	\$ 103,563	\$ 1,575,138	\$ 1,395	\$ 11,408	\$ 120,083
Insurance Fees				23,709	-
Advisory fees	32,615	103,172	13,305	53,080	5,121
	<u>136,178</u>	<u>1,678,310</u>	<u>14,700</u>	<u>88,197</u>	<u>125,204</u>
Total liabilities	<u>136,178</u>	<u>1,678,310</u>	<u>14,700</u>	<u>88,197</u>	<u>125,204</u>
Net assets	<u>79,082,650</u>	<u>509,767,917</u>	<u>53,436,095</u>	<u>77,269,837</u>	<u>23,179,693</u>
Total liabilities and net assets	<u>\$ 79,218,828</u>	<u>\$ 511,446,227</u>	<u>\$ 53,450,795</u>	<u>\$ 77,358,034</u>	<u>\$ 23,304,897</u>

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STATEMENTS OF FIDUCIARY NET ASSETS BY PORTFOLIO - CONTINUED
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	<u>Total</u>
ASSETS	
Deposits and investments	
Cash and cash equivalents	\$ 5,150,167
Dividends receivable	11,324,026
Mutual funds	<u>1,789,821,707</u>
 Total assets	 <u><u>\$ 1,806,295,900</u></u>
 LIABILITIES AND NET ASSETS	
Accrued liabilities	
Payable for securities purchased	\$ 2,709,967
Insurance Fees	23,709
Advisory fees	<u>450,168</u>
 Total liabilities	 3,183,844
 Net assets	 <u>1,803,112,056</u>
 Total liabilities and net assets	 <u><u>\$ 1,806,295,900</u></u>

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STATEMENTS OF FIDUCIARY NET ASSETS BY PORTFOLIO
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	AllianceBernstein International Value 529 Portfolio	American Century Equity Growth 529 Portfolio	American Century Ultra 529 Portfolio	American Century Value 529 Portfolio	American Century Vista 529 Portfolio	Ariel 529 Portfolio
ASSETS						
Deposits and investments, at market						
Cash and cash equivalents	\$ 17,795	\$ 11,390	\$ 3,281	\$ (687)	\$ 3,434	\$ 14,625
Dividends receivable	-	-	-	-	-	-
Mutual funds	<u>8,123,778</u>	<u>3,337,682</u>	<u>832,501</u>	<u>2,016,090</u>	<u>560,014</u>	<u>3,353,024</u>
Total assets	<u>\$ 8,141,573</u>	<u>\$ 3,349,072</u>	<u>\$ 835,782</u>	<u>\$ 2,015,403</u>	<u>\$ 563,448</u>	<u>\$ 3,367,649</u>
LIABILITIES AND NET ASSETS						
Accrued liabilities						
Income Distributions Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Advisory Fees	2,896	1,203	283	738	187	1,210
12b-1 fees	<u>1,581</u>	<u>678</u>	<u>146</u>	<u>516</u>	<u>117</u>	<u>670</u>
Total liabilities	<u>4,477</u>	<u>1,881</u>	<u>429</u>	<u>1,254</u>	<u>304</u>	<u>1,880</u>
Net assets available to participants	<u>8,137,096</u>	<u>3,347,191</u>	<u>835,353</u>	<u>2,014,149</u>	<u>563,144</u>	<u>3,365,769</u>
Total liabilities and net assets	<u>\$ 8,141,573</u>	<u>\$ 3,349,072</u>	<u>\$ 835,782</u>	<u>\$ 2,015,403</u>	<u>\$ 563,448</u>	<u>\$ 3,367,649</u>

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STATEMENTS OF FIDUCIARY NET ASSETS BY PORTFOLIO - CONTINUED
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	Calvert Income 529 Portfolio	Calvert Social Investment Equity 529 Portfolio	DFA U.S. Large Cap Value 529 Portfolio	Fidelity Advisor Diversified International 529 Portfolio	Fidelity Advisor Small Cap 529 Portfolio	Legg Mason U.S. Small Cap Value 529 Portfolio
ASSETS						
Deposits and investments, at market						
Cash and cash equivalents	\$ 11,317	\$ 1,904	\$ 24,656	\$ 12,829	\$ 1,107	\$ 4,596
Dividends receivable	-	-	-	-	-	-
Mutual funds	<u>3,946,523</u>	<u>1,061,914</u>	<u>9,634,505</u>	<u>5,591,526</u>	<u>1,414,926</u>	<u>2,421,804</u>
Total assets	<u>\$ 3,957,840</u>	<u>\$ 1,063,818</u>	<u>\$ 9,659,161</u>	<u>\$ 5,604,355</u>	<u>\$ 1,416,033</u>	<u>\$ 2,426,400</u>
LIABILITIES AND NET ASSETS						
Accrued liabilities						
Income Distributions Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Advisory Fees	1,402	375	3,490	1,993	503	872
12b-1 fees	<u>819</u>	<u>204</u>	<u>1,740</u>	<u>1,031</u>	<u>321</u>	<u>492</u>
Total liabilities	<u>2,221</u>	<u>579</u>	<u>5,230</u>	<u>3,024</u>	<u>824</u>	<u>1,364</u>
Net assets available to participants	<u>3,955,619</u>	<u>1,063,239</u>	<u>9,653,931</u>	<u>5,601,331</u>	<u>1,415,209</u>	<u>2,425,036</u>
Total liabilities and net assets	<u>\$ 3,957,840</u>	<u>\$ 1,063,818</u>	<u>\$ 9,659,161</u>	<u>\$ 5,604,355</u>	<u>\$ 1,416,033</u>	<u>\$ 2,426,400</u>

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STATEMENTS OF FIDUCIARY NET ASSETS BY PORTFOLIO - CONTINUED
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	Northern Institutional Diversified Growth 529 Portfolio	Northern Institutional Equity Index 529 Portfolio	Northern Institutional International Equity Index 529 Portfolio	Northern Institutional Small Company Index 529 Portfolio	Pimco Low Duration 529 Portfolio	Pimco Short-Term 529 Portfolio
ASSETS						
Deposits and investments, at market						
Cash and cash equivalents	\$ 7,165	\$ (987)	\$ 212	\$ 301	\$ 3,436	\$ 2,938
Dividends receivable	-	-	-	-	-	-
Mutual funds	<u>1,693,204</u>	<u>2,932,493</u>	<u>2,110,927</u>	<u>625,132</u>	<u>1,598,744</u>	<u>984,029</u>
Total assets	<u>\$ 1,700,369</u>	<u>\$ 2,931,506</u>	<u>\$ 2,111,139</u>	<u>\$ 625,433</u>	<u>\$ 1,602,180</u>	<u>\$ 986,967</u>
LIABILITIES AND NET ASSETS						
Accrued liabilities						
Income Distributions Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Advisory Fees	604	1,059	744	227	573	360
12b-1 fees	<u>332</u>	<u>352</u>	<u>287</u>	<u>145</u>	<u>201</u>	<u>164</u>
Total liabilities	<u>936</u>	<u>1,411</u>	<u>1,031</u>	<u>372</u>	<u>774</u>	<u>524</u>
Net assets available to participants	<u>1,699,433</u>	<u>2,930,095</u>	<u>2,110,108</u>	<u>625,061</u>	<u>1,601,406</u>	<u>986,443</u>
Total liabilities and net assets	<u>\$ 1,700,369</u>	<u>\$ 2,931,506</u>	<u>\$ 2,111,139</u>	<u>\$ 625,433</u>	<u>\$ 1,602,180</u>	<u>\$ 986,967</u>

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STATEMENTS OF FIDUCIARY NET ASSETS BY PORTFOLIO - CONTINUED
As of June 30, 2007

	Pimco Total Return 529 Portfolio	T.Rowe Price Extended Equity Market Index 529 Portfolio	T.Rowe Price Balanced 529 Portfolio	T.Rowe Price Equity Income 529 Portfolio	T.Rowe Price Real Estate 529 Portfolio
ASSETS					
Deposits and investments, at market					
Cash and cash equivalents	\$ (549)	\$ 8,647	\$ 42,042	\$ 10,694	\$ 5,877
Dividends receivable	-	-	-	-	-
Mutual funds	<u>5,110,141</u>	<u>2,006,003</u>	<u>3,890,413</u>	<u>4,069,595</u>	<u>2,348,344</u>
Total assets	<u>\$ 5,109,592</u>	<u>\$ 2,014,650</u>	<u>\$ 3,932,455</u>	<u>\$ 4,080,289</u>	<u>\$ 2,354,221</u>
LIABILITIES AND NET ASSETS					
Accrued liabilities					
Income Distributions Payable	\$ -	\$ -	\$ -	\$ -	\$ -
Advisory Fees	1,837	724	1,413	1,473	868
12b-1 fees	<u>858</u>	<u>413</u>	<u>1,162</u>	<u>1,038</u>	<u>486</u>
Total liabilities	<u>2,695</u>	<u>1,137</u>	<u>2,575</u>	<u>2,511</u>	<u>1,354</u>
Net assets available to participants	<u>5,106,897</u>	<u>2,013,513</u>	<u>3,929,880</u>	<u>4,077,778</u>	<u>2,352,867</u>
Total liabilities and net assets	<u>\$ 5,109,592</u>	<u>\$ 2,014,650</u>	<u>\$ 3,932,455</u>	<u>\$ 4,080,289</u>	<u>\$ 2,354,221</u>

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STATEMENTS OF FIDUCIARY NET ASSETS BY PORTFOLIO - CONTINUED
As of June 30, 2007

	Barclays Institutional Money Market 529 Portfolio	William Blair Small Cap Growth 529 Portfolio	Fixed Income Fund	Fund 10	Fund 20
ASSETS					
Deposits and investments, at market					
Cash and cash equivalents	\$ 5,268,445	\$ 6,290	\$ 434,190	\$ 1,652,349	\$ 1,898,948
Dividends receivable	767	-	63	239	273
Mutual funds	<u>-</u>	<u>3,759,585</u>	<u>434,191</u>	<u>2,457,221</u>	<u>7,478,068</u>
Total assets	<u>\$ 5,269,212</u>	<u>\$ 3,765,875</u>	<u>\$ 868,444</u>	<u>\$ 4,109,809</u>	<u>\$ 9,377,289</u>
LIABILITIES AND NET ASSETS					
Accrued liabilities					
Income Distributions Payable	\$ 8,948	\$ -	\$ -	\$ -	\$ -
Advisory Fees	1,897	1,351	308	1,472	3,333
12b-1 fees	<u>1,247</u>	<u>570</u>	<u>270</u>	<u>1,269</u>	<u>2,735</u>
Total liabilities	<u>12,092</u>	<u>1,921</u>	<u>578</u>	<u>2,741</u>	<u>6,068</u>
Net assets available to participants	<u>5,257,120</u>	<u>3,763,954</u>	<u>867,866</u>	<u>4,107,068</u>	<u>9,371,221</u>
Total liabilities and net assets	<u>\$ 5,269,212</u>	<u>\$ 3,765,875</u>	<u>\$ 868,444</u>	<u>\$ 4,109,809</u>	<u>\$ 9,377,289</u>

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	Fund 40	Fund 60	Fund 80	Fund 100	Total
ASSETS					
Deposits and investments, at market					
Cash and cash equivalents	\$ 141,911	\$ 116,403	\$ 213,370	\$ 155,112	\$ 10,073,041
Dividends receivable	-	-	-	-	1,342
Mutual funds	19,905,403	33,462,160	52,461,043	38,154,059	227,775,042
Total assets	<u>\$ 20,047,314</u>	<u>\$ 33,578,563</u>	<u>\$ 52,674,413</u>	<u>\$ 38,309,171</u>	<u>\$ 237,849,425</u>
LIABILITIES AND NET ASSETS					
Accrued liabilities					
Income Distributions Payable	\$ -	\$ -	\$ -	\$ -	\$ 8,948
Advisory Fees	7,072	11,973	18,970	13,801	85,211
12b-1 fees	5,616	9,105	13,053	9,575	57,193
Total liabilities	<u>12,688</u>	<u>21,078</u>	<u>32,023</u>	<u>23,376</u>	<u>151,352</u>
Net assets available to participants	<u>20,034,626</u>	<u>33,557,485</u>	<u>52,642,390</u>	<u>38,285,795</u>	<u>237,698,073</u>
Total liabilities and net assets	<u>\$ 20,047,314</u>	<u>\$ 33,578,563</u>	<u>\$ 52,674,413</u>	<u>\$ 38,309,171</u>	<u>\$ 237,849,425</u>

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	AllianceBernstein International Value 529 Portfolio	American Century Equity Growth 529 Portfolio	American Century Ultra 529 Portfolio	American Century Value 529 Portfolio	American Century Vista 529 Portfolio	Ariel 529 Portfolio
ASSETS						
Deposits and investments						
Cash and cash equivalents	\$ (446)	\$ (191)	\$ (51)	\$ (90)	\$ 6,164	\$ 6,939
Dividends receivable	-	-	-	-	-	-
Mutual funds	<u>1,245,389</u>	<u>643,024</u>	<u>197,521</u>	<u>418,704</u>	<u>59,698</u>	<u>766,276</u>
Total assets	<u>\$ 1,244,943</u>	<u>\$ 642,833</u>	<u>\$ 197,470</u>	<u>\$ 418,614</u>	<u>\$ 65,862</u>	<u>\$ 773,215</u>
LIABILITIES AND NET ASSETS						
Accrued liabilities						
Advisory Fees	\$ 1,199	\$ 911	\$ 297	\$ 297	\$ 259	\$ 1,243
12b-1 fees	<u>141</u>	<u>168</u>	<u>26</u>	<u>107</u>	<u>14</u>	<u>138</u>
Total liabilities	<u>1,340</u>	<u>1,079</u>	<u>323</u>	<u>404</u>	<u>273</u>	<u>1,381</u>
Net assets	<u>1,243,603</u>	<u>641,754</u>	<u>197,147</u>	<u>418,210</u>	<u>65,589</u>	<u>771,834</u>
Total liabilities and net assets	<u>\$ 1,244,943</u>	<u>\$ 642,833</u>	<u>\$ 197,470</u>	<u>\$ 418,614</u>	<u>\$ 65,862</u>	<u>\$ 773,215</u>

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	Calvert Income 529 Portfolio	Calvert Social Investment Equity 529 Portfolio	DFA U.S. Large Cap Value 529 Portfolio	Fidelity Advisor Diversified International 529 Portfolio	Fidelity Advisor Small Cap 529 Portfolio	Legg Mason U.S. Small Cap Value 529 Portfolio
ASSETS						
Deposits and investments						
Cash and cash equivalents	\$ 6,712	\$ (34)	\$ (590)	\$ 727	\$ (142)	\$ 121
Dividends receivable	-	-	-	-	-	-
Mutual funds	<u>379,574</u>	<u>130,940</u>	<u>1,883,668</u>	<u>1,197,946</u>	<u>245,687</u>	<u>463,428</u>
Total assets	<u>\$ 386,286</u>	<u>\$ 130,906</u>	<u>\$ 1,883,078</u>	<u>\$ 1,198,673</u>	<u>\$ 245,545</u>	<u>\$ 463,549</u>
LIABILITIES AND NET ASSETS						
Accrued liabilities						
Advisory Fees	\$ 762	\$ 150	\$ 1,141	\$ 978	\$ 269	\$ 368
12b-1 fees	<u>42</u>	<u>2</u>	<u>181</u>	<u>186</u>	<u>55</u>	<u>75</u>
Total liabilities	<u>804</u>	<u>152</u>	<u>1,322</u>	<u>1,164</u>	<u>324</u>	<u>443</u>
Net assets	<u>385,482</u>	<u>130,754</u>	<u>1,881,756</u>	<u>1,197,509</u>	<u>245,221</u>	<u>463,106</u>
Total liabilities and net assets	<u>\$ 386,286</u>	<u>\$ 130,906</u>	<u>\$ 1,883,078</u>	<u>\$ 1,198,673</u>	<u>\$ 245,545</u>	<u>\$ 463,549</u>

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	Northern Institutional Diversified Growth 529 Portfolio	Northern Institutional Equity Index 529 Portfolio	Northern Institutional International Equity Index 529 Portfolio	Northern Institutional Small Company Index 529 Portfolio	Pimco Low Duration 529 Portfolio	Pimco Short-Term 529 Portfolio
ASSETS						
Deposits and investments						
Cash and cash equivalents	\$ (64)	\$ 152	\$ (122)	\$ 54	\$ 6,709	\$ (73)
Dividends receivable	-	-	-	-	-	-
Mutual funds	<u>318,275</u>	<u>453,633</u>	<u>283,648</u>	<u>65,425</u>	<u>278,523</u>	<u>404,098</u>
Total assets	<u>\$ 318,211</u>	<u>\$ 453,785</u>	<u>\$ 283,526</u>	<u>\$ 65,479</u>	<u>\$ 285,232</u>	<u>\$ 404,025</u>
LIABILITIES AND NET ASSETS						
Accrued liabilities						
Advisory Fees	\$ 111	\$ 153	\$ 866	\$ 29	\$ 88	\$ 135
12b-1 fees	<u>37</u>	<u>29</u>	<u>19</u>	<u>14</u>	<u>22</u>	<u>35</u>
Total liabilities	<u>148</u>	<u>182</u>	<u>885</u>	<u>43</u>	<u>110</u>	<u>170</u>
Net assets	<u>318,063</u>	<u>453,603</u>	<u>282,641</u>	<u>65,436</u>	<u>285,122</u>	<u>403,855</u>
Total liabilities and net assets	<u>\$ 318,211</u>	<u>\$ 453,785</u>	<u>\$ 283,526</u>	<u>\$ 65,479</u>	<u>\$ 285,232</u>	<u>\$ 404,025</u>

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STATEMENTS OF FIDUCIARY NET ASSETS BY PORTFOLIO - CONTINUED
As of June 30, 2006

	Pimco Total Return 529 Portfolio	T.Rowe Price Extended Equity Market Index 529 Portfolio	T.Rowe Price Balanced 529 Portfolio	T.Rowe Price Equity Income 529 Portfolio	T.Rowe Price Real Estate 529 Portfolio
ASSETS					
Deposits and investments					
Cash and cash equivalents	\$ 6,450	\$ 146	\$ 45	\$ 649	\$ 6,731
Dividends receivable	-	-	-	-	-
Mutual funds	<u>1,273,354</u>	<u>282,048</u>	<u>467,242</u>	<u>440,973</u>	<u>449,884</u>
Total assets	<u>\$ 1,279,804</u>	<u>\$ 282,194</u>	<u>\$ 467,287</u>	<u>\$ 441,622</u>	<u>\$ 456,615</u>
LIABILITIES AND NET ASSETS					
Accrued liabilities					
Advisory Fees	\$ 1,433	\$ 227	\$ 674	\$ 1,588	\$ 893
12b-1 fees	<u>201</u>	<u>41</u>	<u>104</u>	<u>117</u>	<u>55</u>
Total liabilities	<u>1,634</u>	<u>268</u>	<u>778</u>	<u>1,705</u>	<u>948</u>
Net assets	<u>1,278,170</u>	<u>281,926</u>	<u>466,509</u>	<u>439,917</u>	<u>455,667</u>
Total liabilities and net assets	<u>\$ 1,279,804</u>	<u>\$ 282,194</u>	<u>\$ 467,287</u>	<u>\$ 441,622</u>	<u>\$ 456,615</u>

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	Barclays Institutional Money Market 529 Portfolio	William Blair Small Cap Growth 529 Portfolio	Fixed Income Fund	Fund 10	Fund 20
ASSETS					
Deposits and investments					
Cash and cash equivalents	\$ 802,126	\$ 5,895	\$ 79,515	\$ 173,308	\$ 389,506
Dividends receivable	110	-	11	23	44
Mutual funds	<u>-</u>	<u>845,782</u>	<u>79,649</u>	<u>254,271</u>	<u>1,226,014</u>
Total assets	<u>\$ 802,236</u>	<u>\$ 851,677</u>	<u>\$ 159,175</u>	<u>\$ 427,602</u>	<u>\$ 1,615,564</u>
LIABILITIES AND NET ASSETS					
Accrued liabilities					
Advisory Fees	\$ 195	\$ 1,419	\$ 51	\$ 340	\$ 2,340
12b-1 fees	<u>114</u>	<u>64</u>	<u>27</u>	<u>109</u>	<u>490</u>
Total liabilities	<u>309</u>	<u>1,483</u>	<u>78</u>	<u>449</u>	<u>2,830</u>
Net assets	<u>801,927</u>	<u>850,194</u>	<u>159,097</u>	<u>427,153</u>	<u>1,612,734</u>
Total liabilities and net assets	<u>\$ 802,236</u>	<u>\$ 851,677</u>	<u>\$ 159,175</u>	<u>\$ 427,602</u>	<u>\$ 1,615,564</u>

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STATEMENTS OF FIDUCIARY NET ASSETS BY PORTFOLIO - CONTINUED
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	Fund 40	Fund 60	Fund 80	Fund 100	Total
ASSETS					
Deposits and investments					
Cash and cash equivalents	\$ 10,850	\$ 27,675	\$ 36,792	\$ 73,085	\$ 1,638,548
Dividends receivable	-	-	-	-	188
Mutual funds	<u>3,159,729</u>	<u>5,197,271</u>	<u>8,240,911</u>	<u>6,279,915</u>	<u>37,632,500</u>
Total assets	<u>\$ 3,170,579</u>	<u>\$ 5,224,946</u>	<u>\$ 8,277,703</u>	<u>\$ 6,353,000</u>	<u>\$ 39,271,236</u>
LIABILITIES AND NET ASSETS					
Accrued liabilities					
Advisory Fees	\$ 16,818	\$ 21,313	\$ 26,975	\$ 28,572	\$ 112,094
12b-1 fees	<u>860</u>	<u>1,215</u>	<u>1,755</u>	<u>1,494</u>	<u>7,937</u>
Total liabilities	<u>17,678</u>	<u>22,528</u>	<u>28,730</u>	<u>30,066</u>	<u>120,031</u>
Net assets	<u>3,152,901</u>	<u>5,202,418</u>	<u>8,248,973</u>	<u>6,322,934</u>	<u>39,151,205</u>
Total liabilities and net assets	<u>\$ 3,170,579</u>	<u>\$ 5,224,946</u>	<u>\$ 8,277,703</u>	<u>\$ 6,353,000</u>	<u>\$ 39,271,236</u>

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	<u>Portfolio One</u>	<u>Portfolio Two</u>	<u>Portfolio Three</u>	<u>Portfolio Four</u>	<u>Portfolio Five</u>
Operations					
Revenues (expenditures)					
Investment earnings	\$ 5,525,565	\$ 5,251,662	\$ 4,025,358	\$ 6,563,247	\$ 6,950,274
Gain (loss) on sale of securities	27,613,582	10,133,269	5,773,941	5,990,892	2,241,682
Net change in fair value of investments	39,078,381	18,511,004	10,266,437	12,728,687	6,894,735
Insurance Fees	-	-	-	-	-
Bank custodial fees	(1,066,731)	(679,887)	(440,658)	(714,530)	(740,656)
Net investment earnings	71,150,797	33,216,048	19,625,078	24,568,296	15,346,035
Participant Transactions					
Program contributions	109,149,199	138,439,749	110,691,901	114,512,337	103,706,035
Program distributions	(115,407,303)	(97,474,976)	(86,262,537)	(85,313,436)	(66,909,880)
Total increase from participant transactions	(6,258,104)	40,964,773	24,429,364	29,198,901	36,796,155
Net increase in net assets	64,892,693	74,180,821	44,054,442	53,767,197	52,142,190
Net assets, June 30, 2006	385,769,813	201,489,498	128,830,547	189,486,304	154,799,702
Net assets, June 30, 2007	\$ 450,662,506	\$ 275,670,319	\$ 172,884,989	\$ 243,253,501	\$ 206,941,892

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	<u>Portfolio Six</u>	<u>All Equity</u>	<u>Fixed Income</u>	<u>Principal Prot Inc</u>	<u>Balanced Option</u>
Operations					
Revenues (expenses)					
Investment earnings	\$ 4,297,489	\$ 4,833,461	\$ 2,901,769	\$ 3,623,149	\$ 1,023,309
Gain (loss) on sale of securities	140,310	31,872,947	(248,121)	-	836,106
Net change in fair value of investments	1,402,901	63,152,854	383,718	-	1,627,748
Insurance Fees	-	-	-	(99,110)	-
Bank custodial fees	(482,674)	(1,551,713)	(161,677)	(660,141)	(94,359)
Net investment earnings	5,358,026	98,307,549	2,875,689	2,863,898	3,392,804
Participant Transactions					
Program contributions	72,485,765	109,419,335	12,490,056	29,408,207	21,220,692
Program distributions	(40,806,924)	(73,272,043)	(14,705,447)	(28,978,588)	(4,334,376)
Total increase from participant transactions	31,678,841	36,147,292	(2,215,391)	429,619	16,886,316
Net increase in net assets	37,036,867	134,454,841	660,298	3,293,517	20,279,120
Net assets, June 30, 2006	79,082,650	509,767,917	53,436,095	77,269,837	23,179,693
Net assets, June 30, 2007	\$ 116,119,517	\$ 644,222,758	\$ 54,096,393	\$ 80,563,354	\$ 43,458,813

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For the year ended June 30, 2007

	<u>Total</u>
Operations	
Revenues (expenses)	
Investment earnings	\$ 44,995,283
Gain (loss) on sale of securities	84,354,608
Net change in fair value of investments	154,046,465
Insurance Fees	(99,110)
Bank custodial fees	<u>(6,593,026)</u>
Net investment earnings	276,704,220
Participant Transactions	
Program contributions	821,523,276
Program distributions	<u>(613,465,510)</u>
Total increase from participant transactions	208,057,766
Net increase in net assets	484,761,986
Net assets, June 30, 2006	<u>1,803,112,056</u>
Net assets, June 30, 2007	<u><u>\$ 2,287,874,042</u></u>

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	<u>Portfolio One</u>	<u>Portfolio Two</u>	<u>Portfolio Three</u>	<u>Portfolio Four</u>	<u>Portfolio Five</u>
Operations					
Revenues (expenditures)					
Investment earnings	\$ 4,094,345	\$ 3,604,012	\$ 2,838,561	\$ 4,566,585	\$ 4,524,640
Gain (loss) on sale of securities	17,934,206	5,610,832	3,494,840	3,538,173	1,255,522
Net change in fair value of investments	19,853,559	2,695,162	459,249	(1,145,733)	(2,547,189)
Insurance Fees	-	-	-	-	-
Bank custodial fees	(910,220)	(490,829)	(326,728)	(538,134)	(545,322)
Net investment earnings	40,971,890	11,419,177	6,465,922	6,420,891	2,687,651
Participant Transactions					
Program contributions	108,531,745	104,187,787	86,488,636	97,645,081	78,282,705
Program distributions	(81,091,872)	(69,364,116)	(66,525,941)	(63,077,532)	(45,554,767)
Total increase from participant transactions	27,439,873	34,823,671	19,962,695	34,567,549	32,727,938
Net increase in net assets	68,411,763	46,242,848	26,428,617	40,988,440	35,415,589
Net assets, June 30, 2005	317,358,050	155,246,650	102,401,930	148,497,864	119,384,113
Net assets, June 30, 2006	\$ 385,769,813	\$ 201,489,498	\$ 128,830,547	\$ 189,486,304	\$ 154,799,702

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	<u>Portfolio Six</u>	<u>All Equity</u>	<u>Fixed Income</u>	<u>Principal Prot Inc</u>	<u>Balanced Option</u>
Operations					
Revenues (expenses)					
Investment earnings	\$ 2,257,320	\$ 3,372,336	\$ 2,564,998	\$ 3,146,532	\$ 416,236
Gain (loss) on sale of securities	38,148	18,748,699	(211,452)	-	246,719
Net change in fair value of investments	(665,828)	23,116,752	(2,992,188)	-	(296,400)
Insurance Fees	-	-	-	(93,650)	-
Bank custodial fees	(321,887)	(1,235,476)	(163,155)	(620,695)	(41,455)
Net investment earnings	1,307,753	44,002,311	(801,797)	2,432,187	325,100
Participant Transactions					
Program contributions	49,252,481	95,427,294	10,536,023	25,037,680	17,257,227
Program distributions	(25,728,267)	(43,084,947)	(13,527,141)	(21,578,267)	(1,739,192)
Total increase from participant transactions	23,524,214	52,342,347	(2,991,118)	3,459,413	15,518,035
Net increase in net assets	24,831,967	96,344,658	(3,792,915)	5,891,600	15,843,135
Net assets, June 30, 2005	54,250,683	413,423,259	57,229,010	71,378,237	7,336,558
Net assets, June 30, 2006	\$ 79,082,650	\$ 509,767,917	\$ 53,436,095	\$ 77,269,837	\$ 23,179,693

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For the year ended June 30, 2006

	<u>Total</u>
Operations	
Revenues (expenses)	
Investment earnings	\$ 31,385,565
Gain (loss) on sale of securities	50,655,687
Net change in fair value of investments	38,477,384
Insurance Fees	(93,650)
Bank custodial fees	<u>(5,193,901)</u>
Net investment earnings	115,231,085
Participant Transactions	
Program contributions	672,646,659
Program distributions	<u>(431,272,042)</u>
Total increase from participant transactions	241,374,617
Net increase in net assets	356,605,702
Net assets, June 30, 2005	<u>1,446,506,354</u>
Net assets, June 30, 2006	<u><u>\$ 1,803,112,056</u></u>

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	AllianceBernstein International Value 529 Portfolio	American Century Equity Growth 529 Portfolio	American Century Ultra 529 Portfolio	American Century Value 529 Portfolio	American Century Vista 529 Portfolio	Ariel 529 Portfolio
OPERATIONS						
Revenues (expenditures)						
Investment earnings	\$ 231,537	\$ 107,301	\$ 27,192	\$ 77,219	\$ 1,789	\$ 88,562
Gain (loss) on sale of securities	1,599	5,086	(704)	314	288	3,621
Net change in fair value of investments	877,304	199,394	31,021	115,653	85,088	327,641
12b-1 fees	(10,104)	(5,478)	(1,184)	(3,648)	(793)	(4,941)
Bank custodial fees	(19,145)	(9,014)	(2,110)	(5,096)	(1,182)	(8,655)
Net investment earnings	1,081,191	297,289	54,215	184,442	85,190	406,228
DISTRIBUTIONS TO PARTICIPANTS						
Net investment income	-	-	-	-	-	-
Total decrease in net assets from distributions	-	-	-	-	-	-
PARTICIPANT TRANSACTIONS						
Program contributions	6,016,975	2,575,408	675,824	1,485,162	428,464	2,368,313
Program distributions	(204,673)	(167,260)	(91,833)	(73,665)	(16,099)	(180,606)
Distributions reinvested	-	-	-	-	-	-
Total increase from participant transactions	5,812,302	2,408,148	583,991	1,411,497	412,365	2,187,707
Net increase in net assets	6,893,493	2,705,437	638,206	1,595,939	497,555	2,593,935
Net assets, June 30, 2006	1,243,603	641,754	197,147	418,210	65,589	771,834
Net assets, June 30, 2007	\$ 8,137,096	\$ 3,347,191	\$ 835,353	\$ 2,014,149	\$ 563,144	\$ 3,365,769

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	Calvert Income 529 Portfolio	Calvert Social Investment Equity 529 Portfolio	DFA U.S. Large Cap Value 529 Portfolio	Fidelity Advisor Diversified International 529 Portfolio	Fidelity Advisor Small Cap 529 Portfolio	Legg Mason U.S. Small Cap Value 529 Portfolio
OPERATIONS						
Revenues (expenditures)						
Investment earnings	\$ 99,467	\$ 16,483	\$ 161,764	\$ 202,318	\$ 48,467	\$ 163,231
Gain (loss) on sale of securities	(335)	730	1,360	243	(140)	440
Net change in fair value of investments	(29,658)	42,877	833,066	478,514	108,103	8,285
12b-1 fees	(4,537)	(1,136)	(11,190)	(7,322)	(2,216)	(3,410)
Bank custodial fees	(8,251)	(2,303)	(24,037)	(14,255)	(3,318)	(6,151)
Net investment earnings	56,686	56,651	960,963	659,498	150,896	162,395
DISTRIBUTIONS TO PARTICIPANTS						
Net investment income	-	-	-	-	-	-
Total decrease in net assets from distributions	-	-	-	-	-	-
PARTICIPANT TRANSACTIONS						
Program contributions	3,694,857	918,355	7,103,982	4,015,310	1,121,918	1,918,922
Program distributions	(181,406)	(42,521)	(292,770)	(270,986)	(102,826)	(119,387)
Distributions reinvested	-	-	-	-	-	-
Total increase from participant transactions	3,513,451	875,834	6,811,212	3,744,324	1,019,092	1,799,535
Net increase in net assets	3,570,137	932,485	7,772,175	4,403,822	1,169,988	1,961,930
Net assets, June 30, 2006	385,482	130,754	1,881,756	1,197,509	245,221	463,106
Net assets, June 30, 2007	\$ 3,955,619	\$ 1,063,239	\$ 9,653,931	\$ 5,601,331	\$ 1,415,209	\$ 2,425,036

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	Northern Institutional Diversified Growth 529 Portfolio	Northern Institutional Equity Index 529 Portfolio	Northern Institutional International Equity Index 529 Portfolio	Northern Institutional Small Company Index 529 Portfolio	Pimco Low Duration 529 Portfolio	Pimco Short-Term 529 Portfolio
OPERATIONS						
Revenues (expenditures)						
Investment earnings	\$ 56,462	\$ 78,953	\$ 113,178	\$ 1,488	\$ 46,153	\$ 36,025
Gain (loss) on sale of securities	(39)	199	178	574	(347)	(180)
Net change in fair value of investments	78,964	163,455	134,075	41,076	(14,922)	(3,935)
12b-1 fees	(1,997)	(1,960)	(1,721)	(890)	(1,568)	(1,262)
Bank custodial fees	(4,013)	(6,675)	(4,758)	(1,356)	(4,300)	(3,219)
Net investment earnings	129,377	233,972	240,952	40,892	25,016	27,429
DISTRIBUTIONS TO PARTICIPANTS						
Net investment income	-	-	-	-	-	-
Total decrease in net assets from distributions	-	-	-	-	-	-
PARTICIPANT TRANSACTIONS						
Program contributions	1,318,312	2,271,477	1,616,553	529,346	1,374,204	666,284
Program distributions	(66,319)	(28,957)	(30,038)	(10,613)	(82,936)	(111,125)
Distributions reinvested	-	-	-	-	-	-
Total increase from participant transactions	1,251,993	2,242,520	1,586,515	518,733	1,291,268	555,159
Net increase in net assets	1,381,370	2,476,492	1,827,467	559,625	1,316,284	582,588
Net assets, June 30, 2006	318,063	453,603	282,641	65,436	285,122	403,855
Net assets, June 30, 2007	<u>\$ 1,699,433</u>	<u>\$ 2,930,095</u>	<u>\$ 2,110,108</u>	<u>\$ 625,061</u>	<u>\$ 1,601,406</u>	<u>\$ 986,443</u>

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	Pimco Total Return 529 Portfolio	T.Rowe Price Extended Equity Market Index 529 Portfolio	T.Rowe Price Balanced 529 Portfolio	T.Rowe Price Equity Income 529 Portfolio	T.Rowe Price Real Estate 529 Portfolio
OPERATIONS					
Revenues (expenditures)					
Investment earnings	\$ 166,575	\$ 15,688	\$ 105,702	\$ 110,111	\$ 82,754
Gain (loss) on sale of securities	(346)	1,457	6,343	3,981	373
Net change in fair value of investments	(83,180)	176,905	174,716	244,232	(143,654)
12b-1 fees	(6,945)	(2,759)	(8,048)	(6,651)	(3,392)
Bank custodial fees	(14,183)	(4,801)	(9,423)	(8,857)	(6,256)
Net investment earnings	61,921	186,490	269,290	342,816	(70,175)
DISTRIBUTIONS TO PARTICIPANTS					
Net investment income	-	-	-	-	-
Total decrease in net assets from distributions	-	-	-	-	-
PARTICIPANT TRANSACTIONS					
Program contributions	4,225,707	1,645,168	3,586,328	3,498,738	2,026,063
Program distributions	(458,901)	(100,071)	(392,247)	(203,693)	(58,688)
Distributions reinvested	-	-	-	-	-
Total increase from participant transactions	3,766,806	1,545,097	3,194,081	3,295,045	1,967,375
Net increase in net assets	3,828,727	1,731,587	3,463,371	3,637,861	1,897,200
Net assets, June 30, 2006	1,278,170	281,926	466,509	439,917	455,667
Net assets, June 30, 2007	\$ 5,106,897	\$ 2,013,513	\$ 3,929,880	\$ 4,077,778	\$ 2,352,867

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	Barclays Institutional Money Market 529 Portfolio	William Blair Small Cap Growth 529 Portfolio	Fixed Income Fund	Fund 10	Fund 20
OPERATIONS					
Revenues (expenditures)					
Investment earnings	\$ 169,920	\$ 117,831	\$ 24,792	\$ 106,415	\$ 256,091
Gain (loss) on sale of securities	-	903	(332)	2,191	7,497
Net change in fair value of investments	-	276,442	(2,690)	12,345	73,115
12b-1 fees	(9,567)	(3,828)	(1,843)	(7,720)	(19,304)
Bank custodial fees	(14,393)	(9,779)	(2,168)	(9,263)	(22,316)
Net investment earnings	145,960	381,569	17,759	103,968	295,083
DISTRIBUTIONS TO PARTICIPANTS					
Net investment income	(144,585)	-	-	-	-
Total decrease in net assets from distributions	(144,585)	-	-	-	-
PARTICIPANT TRANSACTIONS					
Program contributions	6,587,315	2,661,218	1,009,440	4,220,880	8,825,570
Program distributions	(2,269,134)	(129,027)	(318,430)	(644,933)	(1,362,166)
Distributions reinvested	135,637	-	-	-	-
Total increase from participant transactions	4,453,818	2,532,191	691,010	3,575,947	7,463,404
Net increase in net assets	4,455,193	2,913,760	708,769	3,679,915	7,758,487
Net assets, June 30, 2006	801,927	850,194	159,097	427,153	1,612,734
Net assets, June 30, 2007	\$ 5,257,120	\$ 3,763,954	\$ 867,866	\$ 4,107,068	\$ 9,371,221

State of Illinois
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BRIGHT DIRECTIONS COLLEGE SAVINGS PROGRAM
STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS BY PORTFOLIO - CONTINUED
For the year ended June 30, 2007

	Fund 40	Fund 60	Fund 80	Fund 100	Total
OPERATIONS					
Revenues (expenditures)					
Investment earnings	\$ 539,478	\$ 973,631	\$ 1,550,932	\$ 1,077,151	\$ 6,854,660
Gain (loss) on sale of securities	8,282	9,773	14,062	9,283	76,354
Net change in fair value of investments	395,582	1,232,287	2,745,817	2,559,194	11,137,112
12b-1 fees	(38,087)	(64,670)	(92,331)	(65,901)	(396,403)
Bank custodial fees	(46,413)	(82,654)	(130,210)	(91,399)	(579,953)
Net investment earnings	858,842	2,068,367	4,088,270	3,488,328	17,091,770
DISTRIBUTIONS TO PARTICIPANTS					
Net investment income	-	-	-	-	(144,585)
Total decrease in net assets from distributions	-	-	-	-	(144,585)
PARTICIPANT TRANSACTIONS					
Program contributions	18,556,524	31,155,209	44,864,993	30,447,892	203,410,711
Program distributions	(2,533,641)	(4,868,509)	(4,559,846)	(1,973,359)	(21,946,665)
Distributions reinvested	-	-	-	-	135,637
Total increase from participant transactions	16,022,883	26,286,700	40,305,147	28,474,533	181,599,683
Net increase in net assets	16,881,725	28,355,067	44,393,417	31,962,861	198,546,868
Net assets, June 30, 2006	3,152,901	5,202,418	8,248,973	6,322,934	39,151,205
Net assets, June 30, 2007	\$ 20,034,626	\$ 33,557,485	\$ 52,642,390	\$ 38,285,795	\$ 237,698,073

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STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS BY PORTFOLIO
For the Period November 18, 2005 (Date of Inception) to June 30, 2006

	AllianceBernstein International Value 529 Portfolio	American Century Equity Growth 529 Portfolio	American Century Ultra 529 Portfolio	American Century Value 529 Portfolio	American Century Vista 529 Portfolio	Ariel 529 Portfolio
OPERATIONS						
Revenues (expenditures)						
Investment earnings	\$ 1,694	\$ 2,727	\$ 53	\$ 3,813	\$ -	\$ 202
Gain (loss) on sale of securities	96	(56)	(689)	(109)	(107)	(131)
Net change in fair value of investments	20,088	3,021	(8,093)	(3,677)	829	(22,857)
12b-1 fees	(559)	(802)	(112)	(477)	(71)	(544)
Bank custodial fees	(1,236)	(867)	(235)	(566)	(103)	(775)
Net investment earnings	20,083	4,023	(9,076)	(1,016)	548	(24,105)
DISTRIBUTIONS TO SHAREHOLDERS						
Net investment income	-	-	-	-	-	-
Total decrease in net assets from distributions	-	-	-	-	-	-
PARTICIPANT TRANSACTIONS						
Program contributions	1,245,672	664,148	219,994	439,884	80,729	811,980
Program distributions	(22,152)	(26,417)	(13,771)	(20,658)	(15,688)	(16,041)
Distributions reinvested	-	-	-	-	-	-
Total increase from participant transactions	1,223,520	637,731	206,223	419,226	65,041	795,939
Net increase in net assets	1,243,603	641,754	197,147	418,210	65,589	771,834
Net assets, November 18, 2005 (Date of inception)	-	-	-	-	-	-
Net assets, June 30, 2006	\$ 1,243,603	\$ 641,754	\$ 197,147	\$ 418,210	\$ 65,589	\$ 771,834

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STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS BY PORTFOLIO - CONTINUED
For the Period November 18, 2005 (Date of Inception) to June 30, 2006

	Calvert Income 529 Portfolio	Calvert Social Investment Equity 529 Portfolio	DFA U.S. Large Cap Value 529 Portfolio	Fidelity Advisor Diversified International 529 Portfolio	Fidelity Advisor Small Cap 529 Portfolio	Legg Mason U.S. Small Cap Value 529 Portfolio
OPERATIONS						
Revenues (expenditures)						
Investment earnings	\$ 6,361	\$ 236	\$ 7,464	\$ 800	\$ 8,519	\$ 11,535
Gain (loss) on sale of securities	(138)	(405)	(15)	1,157	(425)	(18)
Net change in fair value of investments	(6,073)	(2,144)	22,062	(9,326)	(4,416)	(8,159)
12b-1 fees	(190)	(24)	(710)	(948)	(286)	(389)
Bank custodial fees	(464)	(153)	(1,816)	(1,423)	(377)	(672)
Net investment earnings	(504)	(2,490)	26,985	(9,740)	3,015	2,297
DISTRIBUTIONS TO SHAREHOLDERS						
Net investment income	-	-	-	-	-	-
Total decrease in net assets from distributions	-	-	-	-	-	-
PARTICIPANT TRANSACTIONS						
Program contributions	401,422	150,414	1,876,240	1,243,874	263,658	476,582
Program distributions	(15,436)	(17,170)	(21,469)	(36,625)	(21,452)	(15,773)
Distributions reinvested	-	-	-	-	-	-
Total increase from participant transactions	385,986	133,244	1,854,771	1,207,249	242,206	460,809
Net increase in net assets	385,482	130,754	1,881,756	1,197,509	245,221	463,106
Net assets, November 18, 2005 (Date of inception)	-	-	-	-	-	-
Net assets, June 30, 2006	\$ 385,482	\$ 130,754	\$ 1,881,756	\$ 1,197,509	\$ 245,221	\$ 463,106

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STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS BY PORTFOLIO - CONTINUED
For the Period November 18, 2005 (Date of Inception) to June 30, 2006

	Northern Institutional Diversified Growth 529 Portfolio	Northern Institutional Equity Index 529 Portfolio	Northern Institutional International Equity Index 529 Portfolio	Northern Institutional Small Company Index 529 Portfolio	Pimco Low Duration 529 Portfolio	Pimco Short-Term 529 Portfolio
OPERATIONS						
Revenues (expenditures)						
Investment earnings	\$ 1,572	\$ 2,418	\$ 634	\$ 166	\$ 3,008	\$ 4,780
Gain (loss) on sale of securities	(588)	(213)	178	(480)	(40)	(15)
Net change in fair value of investments	(8,575)	(7,738)	6,291	(332)	(2,218)	(1,025)
12b-1 fees	(193)	(137)	(72)	(62)	(118)	(222)
Bank custodial fees	(471)	(453)	(233)	(102)	(298)	(491)
Net investment earnings	(8,255)	(6,123)	6,798	(810)	334	3,027
DISTRIBUTIONS TO SHAREHOLDERS						
Net investment income	-	-	-	-	-	-
Total decrease in net assets from distributions	-	-	-	-	-	-
PARTICIPANT TRANSACTIONS						
Program contributions	340,990	474,851	292,746	81,952	300,634	423,768
Program distributions	(14,672)	(15,125)	(16,903)	(15,706)	(15,846)	(22,940)
Distributions reinvested	-	-	-	-	-	-
Total increase from participant transactions	326,318	459,726	275,843	66,246	284,788	400,828
Net increase in net assets	318,063	453,603	282,641	65,436	285,122	403,855
Net assets, November 18, 2005 (Date of inception)	-	-	-	-	-	-
Net assets, June 30, 2006	<u>\$ 318,063</u>	<u>\$ 453,603</u>	<u>\$ 282,641</u>	<u>\$ 65,436</u>	<u>\$ 285,122</u>	<u>\$ 403,855</u>

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STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS BY PORTFOLIO - CONTINUED
For the Period November 18, 2005 (Date of Inception) to June 30, 2006

	Pimco Total Return 529 Portfolio	T.Rowe Price Extended Equity Market Index 529 Portfolio	T.Rowe Price Balanced 529 Portfolio	T.Rowe Price Equity Income 529 Portfolio	T.Rowe Price Real Estate 529 Portfolio
OPERATIONS					
Revenues (expenditures)					
Investment earnings	\$ 13,538	\$ 153	\$ 7,042	\$ 4,005	\$ 4,735
Gain (loss) on sale of securities	(35)	(283)	(203)	(232)	(264)
Net change in fair value of investments	(18,383)	3,016	(1,357)	(2,016)	19,375
12b-1 fees	(873)	(165)	(373)	(385)	(224)
Bank custodial fees	(1,259)	(278)	(411)	(468)	(404)
Net investment earnings	(7,012)	2,443	4,698	904	23,218
DISTRIBUTIONS TO SHAREHOLDERS					
Net investment income	-	-	-	-	-
Total decrease in net assets from distributions	-	-	-	-	-
PARTICIPANT TRANSACTIONS					
Program contributions	1,306,007	296,496	477,443	454,747	450,370
Program distributions	(20,825)	(17,013)	(15,632)	(15,734)	(17,921)
Distributions reinvested	-	-	-	-	-
Total increase from participant transactions	1,285,182	279,483	461,811	439,013	432,449
Net increase in net assets	1,278,170	281,926	466,509	439,917	455,667
Net assets, November 18, 2005 (Date of inception)	-	-	-	-	-
Net assets, June 30, 2006	<u>\$ 1,278,170</u>	<u>\$ 281,926</u>	<u>\$ 466,509</u>	<u>\$ 439,917</u>	<u>\$ 455,667</u>

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STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS BY PORTFOLIO - CONTINUED
For the Period November 18, 2005 (Date of Inception) to June 30, 2006

	Barclays Institutional Money Market 529 Portfolio	William Blair Small Cap Growth 529 Portfolio	Fixed Income Fund	Fund 10	Fund 20
OPERATIONS					
Revenues (expenditures)					
Investment earnings	\$ 8,530	\$ 1,596	\$ 2,863	\$ 6,605	\$ 16,568
Gain (loss) on sale of securities	-	(413)	(13)	(128)	109
Net change in fair value of investments	-	(18,669)	(496)	(1,075)	(7,453)
12b-1 fees	(504)	(232)	(153)	(431)	(1,780)
Bank custodial fees	(770)	(775)	(278)	(659)	(1,780)
Net investment earnings	7,256	(18,493)	1,923	4,312	5,664
DISTRIBUTIONS TO SHAREHOLDERS					
Net investment income	(5,690)	-	-	-	-
Total decrease in net assets from distributions	(5,690)	-	-	-	-
PARTICIPANT TRANSACTIONS					
Program contributions	875,376	885,536	177,565	485,129	1,629,681
Program distributions	(80,705)	(16,849)	(20,391)	(62,288)	(22,611)
Distributions reinvested	5,690	-	-	-	-
Total increase from participant transactions	800,361	868,687	157,174	422,841	1,607,070
Net increase in net assets	801,927	850,194	159,097	427,153	1,612,734
Net assets, November 18, 2005 (Date of inception)	-	-	-	-	-
Net assets, June 30, 2006	<u>\$ 801,927</u>	<u>\$ 850,194</u>	<u>\$ 159,097</u>	<u>\$ 427,153</u>	<u>\$ 1,612,734</u>

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BRIGHT DIRECTIONS COLLEGE SAVINGS PROGRAM
STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS BY PORTFOLIO - CONTINUED
For the Period November 18, 2005 (Date of Inception) to June 30, 2006

	Fund 40	Fund 60	Fund 80	Fund 100	Total
OPERATIONS					
Revenues (expenditures)					
Investment earnings	\$ 24,373	\$ 36,781	\$ 43,533	\$ 21,998	\$ 248,302
Gain (loss) on sale of securities	(781)	493	2,195	441	(1,112)
Net change in fair value of investments	(14,685)	(23,273)	(26,766)	14,009	(110,115)
12b-1 fees	(2,767)	(4,077)	(5,980)	(5,399)	(29,259)
Bank custodial fees	(3,084)	(5,494)	(8,464)	(6,688)	(41,547)
Net investment earnings	3,056	4,430	4,518	24,361	66,269
DISTRIBUTIONS TO SHAREHOLDERS					
Net investment income	-	-	-	-	(5,690)
Total decrease in net assets from distributions	-	-	-	-	(5,690)
PARTICIPANT TRANSACTIONS					
Program contributions	3,218,941	5,296,021	8,757,298	6,428,809	40,528,957
Program distributions	(69,096)	(98,033)	(512,843)	(130,236)	(1,444,021)
Distributions reinvested	-	-	-	-	5,690
Total increase from participant transactions	3,149,845	5,197,988	8,244,455	6,298,573	39,090,626
Net increase in net assets	3,152,901	5,202,418	8,248,973	6,322,934	39,151,205
Net assets, November 18, 2005 (Date of inception)	-	-	-	-	-
Net assets, June 30, 2006	<u>\$ 3,152,901</u>	<u>\$ 5,202,418</u>	<u>\$ 8,248,973</u>	<u>\$ 6,322,934</u>	<u>\$ 39,151,205</u>

State of Illinois
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COLLEGE SAVINGS PROGRAM
BRIGHT START KEY PERFORMANCE MEASURES
As of June 30, 2007
Unaudited

	<u>Illinois</u>	<u>National</u>	<u>Total</u>
Number of Participant Accounts	106,234	38,464	144,698
Net Assets	\$1,712,534,254	\$575,323,468	\$2,287,857,722

Note: There may be a difference between the Net Assets presented above and the Net Asset information presented in the statements. This is the result of the figures being extracted from different reporting systems. Additionally, the portfolios are on a one-day lag with respect to subscriptions and redemptions (which is a standard accounting practice for registered and non-registered investment entities).

State of Illinois
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BRIGHT START KEY PERFORMANCE MEASURES
As of June 30, 2006
Unaudited

	<u>Illinois</u>	<u>National</u>	<u>Total</u>
Number of Participant Accounts	97,194	38,185	135,379
Net Assets	\$1,335,229,038	\$467,897,888	\$1,803,126,926

Note: There may be a difference between the Net Assets presented above and the Net Asset information presented in the statements. This is the result of the figures being extracted from different reporting systems. Additionally, the portfolios are on a one-day lag with respect to subscriptions and redemptions (which is a standard accounting practice for registered and non-registered investment entities).

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BRIGHT DIRECTIONS KEY PERFORMANCE MEASURES
As of June 30, 2007
Unaudited

	<u>Illinois</u>	<u>Out of State</u>	<u>Total</u>
Number of Participant Accounts	19,956	617	20,573
Market Value	\$226,916,263	10,772,577	\$237,688,840

Note: There may be a difference between the Market Value presented above and the information presented in the statements. Two systems are used to calculate the information and each uses a different level of decimal rounding.

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BRIGHT DIRECTIONS KEY PERFORMANCE MEASURES
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Unaudited

	<u>Illinois</u>	<u>Out of State</u>	<u>Total</u>
Number of Participant Accounts	3,768	158	3,926
Market Value	\$37,145,786	\$2,354,510	\$39,500,296

Note: There may be a difference between the Market Value presented above and the information presented in the statements. Two systems are used to calculate the information and each uses a different level of decimal rounding.

State of Illinois
Office of the Treasurer
COLLEGE SAVINGS PROGRAM
BRIGHT START INVESTMENT POLICY
For the year ended June 30, 2007
Unaudited

I. Statement of Purpose of Investment Policy

The purpose of this Statement is to assist contractors retained by the Treasurer to provide services related to the management of the assets of the Bright Start® College Savings Pool (the "Pool") and to assist the Treasurer's Office in evaluating the performance of such contractors by:

- Describing the Treasurer's investment objectives;
- Providing general guidelines for the investment of assets of the Pool;
- Describing the Treasurer's long-term investment strategy;
- Describing the process of evaluating the performance of contractors that provide investment management services to the Pool; and
- Specifying the responsibilities of any contractors that provide investment management services to the Pool.

This is the official Investment Policy Statement of the Pool. Deviation from this Policy is not permitted without prior, explicit, written permission from the Treasurer.

II. Establishment and Authority of Entity

The Pool has been established as a "qualified tuition program" in accordance with Section 529 of the Internal Revenue Code of 1986, as amended. It was established to provide families with a new opportunity to invest toward future college education expenses.

III. Participating Financial Institutions

Any financial institution insured by the Federal Deposit Insurance Corporation and all credit unions, lawfully doing business in the State, may participate in the Pool to the extent permitted by applicable law.

IV. Investment Philosophy

The Treasurer has adopted a long-term total return strategy regarding the Pool and its investments. In order to achieve the Pool's objectives, investments shall be diversified so as to minimize the risk of loss. While some asset classes may experience short-term and intermediate-term volatility, their long-term return assumptions justify their inclusion. A long-term focus on investment results as well as prudent diversification across public security markets will be the primary risk control mechanisms.

State of Illinois
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COLLEGE SAVINGS PROGRAM
BRIGHT START INVESTMENT POLICY - CONTINUED
For the year ended June 30, 2007
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In its investment strategy, the Treasurer has relied on prevailing financial theory, which currently utilizes a long-term diversified asset allocation strategy. A prudently allocated investment program possesses a significant level of diversification, which produces risk reduction. In terms of impact, diversification shall be considered along the following lines: (1) asset classes (stocks, bonds, cash, etc.), (2) geography/country, (3) industry, and (4) maturity.

Contributions to the Pool will be directed to one of seventeen underlying portfolios (the "Underlying Portfolios"), each with a designated mix of investments. The determination of the investment parameters of each Underlying Portfolio shall be made by the Treasurer and shall take into account the financial characteristics of the investments in the Pool. The investment parameters will also give due consideration to the fact that the investment horizon for participants will vary from a few months to over 18 years.

The Treasurer will review the investment performance of each Underlying Portfolio at least quarterly and shall review this Investment Policy Statement at least annually.

The holdings of the Pool and the Underlying Portfolios are divided into the following broad asset categories:

- A. Short-term Investments
- B. Fixed-Income Securities
- C. Large Capitalization U.S. Stocks
- D. Small Capitalization U.S. Stocks
- E. International Stocks

The Treasurer will establish reasonable guidelines for each Underlying Portfolio, specifying (as applicable) limits on asset and asset class exposures. While the investment parameters offered under the Pool are developed by the Treasurer, participants bear the risk of investment results. Individual participants who seek investments materially different from those offered may wish to select an investment alternative outside of the Pool.

The administration and offering of the Pool should not be relied upon as a guarantee to participants. Each participant should seek appropriate advice as he or she deems necessary.

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COLLEGE SAVINGS PROGRAM
BRIGHT START INVESTMENT POLICY - CONTINUED
For the year ended June 30, 2007
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V. Investment Objectives

The overall investment program for the Pool and, as applicable, the individual Underlying Portfolios provided to the participants shall seek to achieve the following long-term investment objectives:

- A. A long-term competitive rate of return on investments that is equal to or exceeds a return of the applicable benchmarks shown in Section VII hereof.
- B. An investment program flexible enough to meet the needs of participants based upon their age or investment objective or the age of the beneficiary and which provides each individual with the ability to invest in a diversified portfolio to meet his or her long-term investment goals.

VI. Investment Responsibilities

The Treasurer is responsible for the investment policy, the direction of investments and administration of the assets of the Pool. In order to properly carry out his responsibilities, the Treasurer may rely on one or more contractors to assist in the administration of the Pool. The Treasurer has engaged, and plans to rely heavily on Legg Mason Investor Services Inc. ("LMIS") for various investment management and administrative services. Among the current responsibilities of LMIS is the implementation of the investment strategy outlined in this Policy and the rebalancing of the Underlying Portfolios when market movement and/or cash flows cause an asset class to be outside its policy allocation bands. The Treasurer's Office and LMIS shall meet quarterly to review portfolio performance as compared to the applicable benchmarks and peer group performance.

In managing the investments of the College Savings Pool and the Underlying Portfolios, LMIS agrees that it will act with the skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like objectives.

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COLLEGE SAVINGS PROGRAM
BRIGHT START INVESTMENT POLICY - CONTINUED
For the year ended June 30, 2007
Unaudited

VII. Investment Parameters

Contributions will be invested in one of seventeen Underlying Portfolios, each with a designated mix of investments which is appropriate for the age of the participant or the investment objective of the Portfolio. Each Underlying Portfolio allocates assets in a combination of mutual funds investing in large capitalization U.S. stocks, small capitalization U.S. stocks, international stocks, fixed-income and short-term investments. The asset allocation of each Underlying Portfolio will be established by the Treasurer and managed by LMIS. The Treasurer may adjust the weighting in stocks, bonds and cash in each Underlying Portfolio and may change the mutual funds within the Underlying Portfolios consistent with this Investment Policy Statement and its agreement with the Manager.

The policy target asset allocations and benchmarks for the mutual funds within the Underlying Portfolios are shown below. There is a permissible range of plus or minus 5% around the target allocation for each mutual fund.

Age Based Portfolios -- Bank Accepts Deposits

		#1 Portfolio (0-6 yrs)	#2 Portfolio (7-9 yrs)	#3 Portfolio (10-11)	#4 Portfolio (12-14 yrs)	#5 Portfolio (15-17 yrs)	#6 Portfolio (18+ yrs)
	Benchmark						
Large Cap Value	Russell 1000 Value	25%	25%	20%	20%	15%	5%
Large Cap Growth	Russell 1000 Growth	25%	25%	20%	20%	15%	5%
Small Cap Blend	Russell 2000 Stock	20%	10%	10%	5%	0%	0%
International Equity	MS EAFE	20%	10%	10%	5%	0%	0%
Investment Grade Bond	Citigroup 10+ yr	0%	10%	20%	0%	10%	0%
US Government Securities	ML Mortgages, GNMA Master	0%	0%	0%	0%	10%	0%
Short-term Investment Grade Bond	Citigroup Govt/Corp 1-5 yr	0%	0%	0%	0%	0%	40%
Bank Deposits		10%	20%	20%	50%	50%	50%

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BRIGHT START INVESTMENT POLICY - CONTINUED
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Age Based Portfolios -- Bank Rejects Deposits

	Benchmark	#1 Portfolio (0-6 yrs)	#2 Portfolio (7-9 yrs)	#3 Portfolio (10-11)	#4 Portfolio (12-14 yrs)	#5 Portfolio (15-17 yrs)	#6 Portfolio (18+ yrs)
Large Cap Value	Russell 1000 Value	25%	25%	20%	20%	15%	5%
Large Cap Growth	Russell 1000 Growth	25%	25%	20%	20%	15%	5%
Small Cap Blend	Russell 2000 Stock	20%	10%	10%	5%	0%	0%
International Equity	MSCI EAFE	20%	10%	10%	5%	0%	0%
Investment Grade Bond	Citigroup Corp 10+ yr	10%	15%	20%	15%	10%	0%
US Government Securities	Mortgages, ML GNMA Master	0%	15%	20%	20%	20%	0%
Short-term Investment Grade Bond	Citigroup Govt/Corp 1-5 yr	0%	0%	0%	15%	20%	60%
Money Market: Cash	ML 3-mo T-Bills	0%	0%	0%	0%	20%	30%

		Fixed Income Portfolio		Equity Portfolio
		Bank Accepts	Bank Rejects	Bank Rejects
Large Cap Value	Russell 1000 Value	0%	0%	40%
Large Cap Growth	Russell 1000 Growth	0%	0%	40%
Small Cap Blend	Russell 2000 Stock	0%	0%	10%
International Equity	MSCI EAFE	0%	0%	10%
Investment Grade Bond	Citigroup Corp 10+ yr	20%	0%	0%
US Government Securities	Mortgages, ML GNMA Master	30%	0%	0%
Short-term Investment Grade Bond	Citigroup Govt/Corp 1-5 yr	0%	0%	0%
Core Plus Bond	Lehman Aggregate	0%	100%	0%
Bank Deposits		50%	0%	0%

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BRIGHT START INVESTMENT POLICY - CONTINUED
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Each mutual fund's return objective is to equal or exceed, over a three-year rolling period, the return of the applicable benchmark. Volatility, measured by the standard deviation of quarterly returns over that period, is expected to be similar to the benchmark. Each mutual fund is also expected to perform favorably relative to its peer group.

To the extent that the assets of an Underlying Portfolio are invested in one or more mutual funds approved by the Treasurer having investment objectives consistent with the above-noted asset allocation categories, the above-noted percentage guidelines shall be deemed satisfied. This shall be the case even if such a mutual fund's underlying assets may not be entirely invested in the asset class in which such fund has been placed.

Principal Protection Income Option Portfolio

The Principal Protection Income Option Portfolio is a separate underlying portfolio managed primarily as a diversified portfolio of investment grade readily marketable U.S. government securities, foreign government securities, corporate fixed-income securities, mortgage related securities and asset-backed securities of domestic and foreign issuers, that attempts to reduce significantly under normal circumstances fluctuations in the value of its assets, other than money market securities and money market fund securities, by entering into one or more contracts (known as "Wrapper Agreements"), each with a financial institution such as an insurance company or a bank whose long-term credit rating is in the highest two categories as determined by Standard and Poor's and Moody's. A Wrapper Agreement enables the Principal Protection Income Option Portfolio, regardless of market fluctuations, to value the assets of the Portfolio covered by the Wrapper Agreement at their book value. The Principal Protection Income Option Portfolio may invest in interest only or principal only securities, long and short positions in exchange-traded futures, exchange-traded options (i.e. puts and calls) on futures, and the writing of covered calls on exchange-traded futures, for the express purpose of managing Portfolio interest rate risk

A portion of each Underlying Portfolio may be invested in repurchase agreements, shares of a money market mutual fund, Bank Deposits or other money market instruments and accounts to provide flexibility in meeting redemptions, expenses and the timing of new investments.

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VIII. Investments in the Bank Deposit Pool

A. Investment Objective of Bank Deposit Pool

The Bank Deposit Pool shall consist of three separate sub-pools: longer-term, medium-term and short-term. All sub-pools shall maintain liquidity reserves, consistent with the projected liquidity needs of the Bank Deposit Pool, which may hinder the attainment of other investment goals. Each sub-pool will have additional investment objectives. The achievement of these objectives is contingent upon the availability of Time Deposits or Certificates of Deposit ("CDs" or "CD") throughout the yield curve. The longer-term sub-pool shall seek to provide a return competitive with Certificates of Deposit with an average maturity of 6 to 10 years. The medium-term sub-pool shall seek to provide a return competitive with Certificates of Deposit with an average maturity of 4 to 6 years. The short-term sub-pool shall seek current income. The investment objectives are subject to the requirements and limitations set forth in and imposed by Illinois Public Act 91-0607.

B. LMIS as Manager of Bank Deposit Pool

The Manager will be responsible for managing the assets in the Bank Deposit Pool in accordance with the Bank Deposit Pool's investment objective and subject to the requirements and limitations set forth in and imposed by Illinois Public Act 91-0607.

C. Investment Pending Bank Investment Dates

LMIS shall establish at least two annual Bank Investment Dates to enable LMIS to ensure that at least once each year each participating financial institution will receive the amount of deposits that it is entitled to receive under Illinois Public Act 91-0607. LMIS shall invest assets held in the Bank Deposit Pool pending the Bank Investment Dates, with a particular emphasis on providing for the liquidity needs of the Bank Deposit Pool (satisfy redemptions, pay fees, etc.). All contributions to the Bank Deposit Pool received prior to the Bank Investment Dates shall be invested by LMIS in deposits at one or more of the financial institutions designated in writing by the Treasurer's Office ("Designated Banks") with a maturity date that falls on or before the applicable Bank Investment Date.

All contributions to the Bank Deposit Pool received prior to the Bank Investment Date shall be invested by LMIS taking into consideration the interest rates offered by Designated Banks on instruments having a maturity of up to one year and The Manager's judgment and assessment of current and future interest rate environment.

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Once purchased, all CDs will be held to maturity (subject to early termination to satisfy liquidity needs of Bank Deposit Pool). Upon maturity of a CD, LMIS will be responsible for investing proceeds received upon maturity and prior to the applicable Bank Investment Date(s).

D. Investment at Bank Investment Dates

The Manager will seek to construct a portfolio designed to meet the Bank Deposit Pool's investment objective (see above) that takes into account the requirements of the Act, including the annual rebalancing.

The Manager will be responsible for ensuring that the amount invested in deposits will be adjusted on at least an annual basis to provide each participating financial institution with the amount of deposits required by the Act.

The portfolios will be constructed by LMIS taking into consideration the interest rates offered by the relevant institutions on various types of deposits, the amount to be invested in deposits at each institution, the liquidity needs of the portfolios to provide for withdrawals and the required readjustment of deposits among financial institutions, the ages of the beneficiaries of the account in each portfolio and the projected dates on which such accounts will be transferred from one account to another, and LMIS's judgment and assessment of the current and future interest rate environment.

On Bank Investment Dates or upon maturity of CDs, LMIS will exercise judgment on the current and future interest rate environment when it purchases CDs. However, once purchased, all CDs will be held to maturity (subject to early termination to satisfy liquidity needs of the Bank Deposit Pool)

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1.0 Statement of Purpose of Investment Policy: The purpose of this statement is to assist contractors retained by the Treasurer to provide services related to the management of the assets of the Illinois College Savings Pool that are contributed to the Bright Directions College Savings Program (the "Program") and to assist the Treasurer's Office in evaluating the performance of such contractors by:

- Describing the Treasurer's investment objectives;
- Providing general guidelines for the investment of assets of the Program;
- Describing the Treasurer's long-term investment strategy;
- Describing the process of evaluating the performance of employees or contractors that provide investment management services to the Program; and
- Specifying the responsibilities of any contractors that provide investment management services to the Program.

This is the official Investment Policy Statement of the Program. Deviation from this Policy is not permitted without prior, explicit, written permission from the Treasurer.

2.0 Establishment and Authority of Entity: The Bright Directions College Savings Program has been established as part of the Illinois College Savings Pool, and is intended to qualify as a qualified tuition program in accordance with Section 529 of the Internal Revenue Code of 1986, as amended. The Program is sold through financial advisors and was established to compliment the existing Bright Start College Savings Program by allowing families to utilize a financial advisor to assist them with investing toward future college education expenses.

3.0 Participating Financial Institution: Accounts in the Program will be distributed through registered broker-dealers and financial institutions that have entered into a Selling Agent Agreement with Northern Trust Securities, Inc., acting as distributor for the Program. All new accounts in the Program will be processed through Union Bank & Trust Company ("Union Bank") as a participating financial institution. Union Bank has elected not to accept deposits in the Program as provided in Illinois Public Act 91-0607.

4.0 Investment Philosophy: The Treasurer has adopted a long-term total return strategy regarding the Program and its investments. In order to achieve the Program's objectives, investments shall be diversified so as to minimize the risk of loss. While some asset classes may experience short-term and intermediate-term volatility, their long-term return assumptions justify their inclusion. A long-term focus on investment results as well as prudent diversification across public security markets will be the primary risk control mechanisms.

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In its investment strategy, the Treasurer has relied on prevailing financial theory, which currently utilizes a long-term diversified asset allocation strategy. A prudently allocated investment program possesses a significant level of diversification, which produces risk reduction. In terms of impact, diversification shall be considered along the following lines: (1) asset classes (stocks, bonds, cash, etc.), (2) geography/country, (3) industry, and (4) maturity.

Contributions to the Program will be directed to one of thirty-five underlying portfolios (the "Underlying Portfolios"), each composed of a designated mix of investments or an individual investment fund. The determination of the investment parameters of each Underlying Portfolio shall be made by the Treasurer and shall take into account the financial characteristics of the investments in the Program. The investment parameters will also give due consideration to the fact that the investment horizon for participants will vary from a few months to over 18 years.

The Treasurer will review the investment performance of each Underlying Portfolio at least quarterly and shall review this Investment Policy Statement at least annually.

The holdings of the Program and the Underlying Portfolios are divided into the following broad asset categories:

- A. Short Term Investments
- B. Fixed Income Securities
- C. Domestic Equity Securities
- D. International Equity Securities

The Treasurer will establish reasonable guidelines for each Underlying Portfolio, specifying (as applicable) limits on asset and asset class exposures, risk constraints and investment return objectives. While the investment parameters offered under the Program are developed by the Treasurer, participants bear the risk of investment results. Individual participants who seek investments materially different from those offered may wish to select an investment alternative outside of the Program.

The administration and offering of the Program should not be relied upon as a guarantee to participants. Each participant should seek appropriate advice as he or she deems necessary.

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5.0 Investment Objectives: The overall investment program for the Program and, as applicable, the individual Underlying Portfolios provided to the participants shall seek to achieve the following long-term investment objectives:

- A long-term competitive rate of return on investments that is equal to or exceeds a return of the applicable benchmarks shown in Section 7.0 hereof.
- An investment program flexible enough to meet the needs of participants based upon their age or investment objective and which provides each individual with the ability to invest in a diversified portfolio to meet his or her long-term investment goals.

6.0 Investment Responsibilities: The Treasurer is responsible for the investment policy, the direction of investments and administration of the assets of the Program. In order to properly carry out his responsibilities, the Treasurer may rely on one or more contractors to assist in the administration of the Program. The Treasurer has engaged, and plans to rely heavily on Union Bank for administrative services and on Union Bank and its consultant, Wilshire Associates, Inc., for investment management services. Among the current responsibilities of Union Bank is the implementation of the investment strategy outlined in this Policy and the rebalancing of the Underlying Portfolios when market movement and/or cash flows cause an asset class to be outside its policy allocation bands. With the Treasurer's approval, Union Bank has retained Wilshire Associates, Inc. to provide it with portfolio design, due diligence and ongoing monitoring services with respect to the Underlying Portfolios and the implementation of the investment strategy outlined in this policy. The Treasurer's Office and Union Bank shall meet quarterly to review portfolio performance as compared to the applicable benchmarks and peer group performance.

In managing the investments of the Program and the Underlying Portfolios, Union Bank agrees that it will act with the skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like objectives.

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7.0 Investment Parameters: Contributions will be invested in one of thirty-five Underlying Portfolios, each composed of a designated mix of investments or an individual investment fund, which is appropriate for the age of the participant or the investment objective of the Portfolio. Each Underlying Portfolio allocates assets among domestic equity securities, international equity securities, fixed-income securities and money market investments. The asset allocation of each Underlying Portfolio will be established by the Treasurer and managed by Union Bank. The Treasurer may adjust the weighting in stocks, bonds and cash in each Underlying Portfolio and may change the mutual funds within the Underlying Portfolios consistent with this Investment Policy Statement.

The policy target asset allocations and benchmarks for the mutual funds within the Underlying Portfolios are shown below. There is a permissible range of plus or minus 5% around the target allocation for each mutual fund.

Age Based Portfolios

Aggressive

		#1 Portfolio	#2 Portfolio	#3 Portfolio	#4 Portfolio	#5 Portfolio
	Benchmark	(0-8 yrs)	(9-12 yrs)	(13-16 yrs)	(17-20 yrs)	(21+ yrs)
Large Cap Value	Russell 1000 Value	22.00%	17.50%	13.20%	8.70%	4.30%
Large Cap Blend	S&P 500	22.00%	17.80%	13.20%	9.00%	4.60%
Large Cap Growth	Russell 1000 Growth	22.00%	17.50%	13.20%	8.70%	4.30%
Small Cap Value	Russell 2000 Value	4.50%	3.60%	2.70%	1.70%	0.80%
Small Cap Blend	Russell 2000	5.00%	4.00%	3.00%	2.20%	1.20%
Small Cap Growth	Russell 2000 Growth	4.50%	3.60%	2.70%	1.70%	0.80%
Foreign Stock	MSCI EAFE	20.00%	16.00%	12.00%	8.00%	4.00%
Money Market	3-month T-Bills	0.00%	0.00%	0.00%	0.00%	20.00%
Ultra-Short Bond	3-month T-Bills	0.00%	0.00%	0.00%	20.00%	25.00%
Short Bond	ML 1-3 yr Treasury	0.00%	0.00%	20.00%	20.00%	20.00%
Intermediate Bond	Lehman Aggregate	0.00%	20.00%	20.00%	20.00%	15.00%

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Growth

		#1 Portfolio	#2 Portfolio	#3 Portfolio	#4 Portfolio	#5 Portfolio
	Benchmark	(0-8 yrs)	(9-12 yrs)	(13-16 yrs)	(17-20 yrs)	(21+ yrs)
Large Cap Value	Russell 1000 Value	17.50%	13.20%	8.70%	4.30%	2.20%
Large Cap Blend	S&P 500	17.80%	13.20%	9.00%	4.60%	2.20%
Large Cap Growth	Russell 1000 Growth	17.50%	13.20%	8.70%	4.30%	2.20%
Small Cap Value	Russell 2000 Value	3.60%	2.70%	1.70%	0.80%	0.30%
Small Cap Blend	Russell 2000	4.00%	3.00%	2.20%	1.20%	0.80%
Small Cap Growth	Russell 2000 Growth	3.60%	2.70%	1.70%	0.80%	0.30%
Foreign Stock	MSCI EAFE	16.00%	12.00%	8.00%	4.00%	2.00%
Money Market	3-month T-Bills	0.00%	0.00%	0.00%	20.00%	40.00%
Ultra-Short Bond	3-month T-Bills	0.00%	0.00%	20.00%	25.00%	30.00%
Short Bond	ML 1-3 yr Treasury	0.00%	20.00%	20.00%	20.00%	20.00%
Intermediate Bond	Lehman Aggregate	20.00%	20.00%	20.00%	15.00%	00.00%

Balanced

		#1 Portfolio	#2 Portfolio	#3 Portfolio	#4 Portfolio	#5 Portfolio
	Benchmark	(0-8 yrs)	(9-12 yrs)	(13-16 yrs)	(17-20 yrs)	(21+ yrs)
Large Cap Value	Russell 1000 Value	13.20%	8.70%	4.30%	2.20%	0.00%
Large Cap Blend	S&P 500	13.20%	9.00%	4.60%	2.20%	0.00%
Large Cap Growth	Russell 1000 Growth	13.20%	8.70%	4.30%	2.20%	0.00%
Small Cap Value	Russell 2000 Value	2.70%	1.70%	0.80%	0.30%	0.00%
Small Cap Blend	Russell 2000	3.00%	2.20%	1.20%	0.80%	0.00%
Small Cap Growth	Russell 2000 Growth	2.70%	1.70%	0.80%	0.30%	0.00%
Foreign Stock	MSCI EAFE	12.00%	8.00%	4.00%	2.00%	0.00%
Money Market	3-month T-Bills	0.00%	0.00%	20.00%	40.00%	50.00%
Ultra-Short Bond	3-month T-Bills	0.00%	20.00%	25.00%	30.00%	30.00%
Short Bond	ML 1-3 yr Treasury	20.00%	20.00%	20.00%	20.00%	20.00%
Intermediate Bond	Lehman Aggregate	20.00%	20.00%	15.00%	00.00%	00.00%

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Target Portfolios

		Fund 100	Fund 80	Fund 60	Fund 40	Fund 20	Fund 10	Fixed Income
Benchmark								
Large Cap Value	Russell 1000 Value	22.00%	17.50%	13.20%	8.70%	4.30%	2.20%	0.00%
Large Cap Blend	S&P 500	22.00%	17.80%	13.20%	9.00%	4.60%	2.20%	0.00%
Large Cap Growth	Russell 1000 Growth	22.00%	17.50%	13.20%	8.70%	4.30%	2.20%	0.00%
Small Cap Value	Russell 2000 Value	4.50%	3.60%	2.70%	1.70%	0.80%	0.30%	0.00%
Small Cap Blend	Russell 2000	5.00%	4.00%	3.00%	2.20%	1.20%	0.80%	0.00%
Small Cap Growth	Russell 2000 Growth	4.50%	3.60%	2.70%	1.70%	0.80%	0.30%	0.00%
Foreign Stock	MSCI EAFE	20.00%	16.00%	12.00%	8.00%	4.00%	2.00%	0.00%
Money Market	3-month T-Bills	0.00%	0.00%	0.00%	0.00%	20.00%	40.00%	50.00%
Ultra-Short Bond	3-month T-Bills	0.00%	0.00%	0.00%	20.00%	25.00%	30.00%	30.00%
Short Bond	ML 1-3 yr Treasury	0.00%	0.00%	20.00%	20.00%	20.00%	20.00%	20.00%
Intermediate Bond	Lehman Aggregate	0.00%	20.00%	20.00%	20.00%	15.00%	00.00%	00.00%

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Individual Fund Portfolios

Participants in the Program open their Accounts through registered broker-dealers and other financial advisors. As a result, the Treasurer deems it appropriate to offer individual mutual funds as separate Underlying Portfolios in the Program. The individual mutual funds the Treasurer selects will be described in the Program's current Program Disclosure Statement and may include the asset classes and benchmarks included in the Age-Based and Target Portfolios supplemented with the following asset classes and additional benchmarks:

<u>Asset Class</u>	<u>Benchmark</u>
Corporate Bond	Lehman U.S. Credit
	40% Lehman Aggregate; 50% S&P 500; 10% MSCI EAFE
Balanced	
Large Cap Value	Russell 3000 Value
Mid-Cap Growth	Russell Mid-Cap Growth
Small-Cap Value	Russell 2500 Value
Mid-Cap Blend	Wilshire 4500 Index
Socially Responsible	S&P 500
Real Estate	DJ Wilshire Real Estate Securities

7.0 Investment Parameters – Continued

Each mutual fund's return objective is to equal or exceed, over a three-year rolling period, the return of the applicable benchmark. Volatility, measured by the standard deviation of quarterly returns over that period, is expected to be similar to the benchmark. Each mutual fund is also expected to perform favorably relative to its peer group.

To the extent that the assets of an Underlying Portfolio are invested in one or more mutual funds approved by the Treasurer having investment objectives consistent with the above-noted asset allocation categories, the above-noted percentage guidelines shall be deemed satisfied. This shall be the case even if such a mutual fund's underlying assets may not be entirely invested in the asset class in which such fund has been placed.



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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

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the College Savings Program of the State of Illinois, Office of the Treasurer as of and for the year ended June 30, 2007, and have issued our report thereon dated November 30, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the State of Illinois, Office of the Treasurer's internal control over financial reporting of the College Savings Program as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the State of Illinois, Office of the Treasurer'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 State of Illinois, Office of the Treasurer'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 statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, the State of Illinois, Office of the Treasurer, the College Savings Program's management and is not intended to be and should not be used by anyone other than these specified parties.

Crowe Chizek and Company LLC

Crowe Chizek and Company LLC

Springfield, Illinois
November 30, 2007