STATE OF ILLINOIS
Office of the Treasurer

FISCAL OFFICER RESPONSIBILITIES

FINANCIAL AUDIT

For the Period July 1, 2006 through the
Opening of Business January 8, 2007

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

Part I

State of Illinois
Office of the Treasurer
FISCAL OFFICER RESPONSIBILITIES

CONTENTS

State of Illinois
Office of the Treasurer
FISCAL OFFICER RESPONSIBILITIES

TREASURER'S OFFICE OFFICIALS THROUGH JANUARY 8, 2007

Treasurer	Honorable Judy Baar Topinka (January 9, 1995 to January 8, 2007)
Treasurer	Honorable Alexi Giannoulias (January 8, 2007 to Present)
Chief of Staff	Ms. Nancy Kimme
Deputy Treasurer	Mr. Martin Noven
Chief Fiscal Officer/ Deputy Chief of Staff for Operations	Mr. Edward Buckles
Chief Legal Counsel	Ms. Alissa Camp
Manager of Banking	Ms. Rhonda Poeschel
Manager of Accounting	Mr. Chad Dierking
Inspector General	Mr. David Wells
Chief Internal Auditor	Ms. Barbara Ringler

The Office of the Treasurer maintains four 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

FINANCIAL STATEMENT REPORT

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State of Illinois
Office of the Treasurer
FISCAL OFFICER RESPONSIBILITIES

FINANCIAL STATEMENT REPORT

SUMMARY

The audit of the accompanying statement of assets, liabilities and accountabilities of the State of Illinois, Office of the Treasurer Fiscal Officer Responsibilities (Treasurer) as of the opening of business January 8, 2007 and the statement of investment income for the period July 1, 2006 through the opening of business January 8, 2007 was performed by Crowe Chizek and Company LLC.

Based on their audit, the auditors expressed an unqualified opinion on the Treasurer's financial statements. The financial statements of the Treasurer's Fiscal Officer Responsibilities have been prepared on a basis of accounting other than accounting principles generally accepted in the United States of America.

AUDITORS’ REPORTS

Crowe Chizek and Company LLC
Member Horwath International

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Springfield, Illinois 62704-6592
Tel 217.862.2700
Fax 217.862.2701
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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 State of Illinois, Office of the Treasurer, Fiscal Officer Responsibilities (the Treasurer) as of the opening of business January 8, 2007, and for the period July 1, 2006 through the opening of business January 8, 2007, 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 audit.

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. 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 audit provides a reasonable basis for our opinion.

As discussed in Note B, the financial statements of the Treasurer have been prepared on a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The financial statements referred to above have been prepared on the basis of the State of Illinois Fiscal Regulations and the reporting requirements of the Auditor General of the State of Illinois. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Treasurer as of the opening of business January 8, 2007.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and accountabilities of the State of Illinois, Office of the Treasurer, Fiscal Officer Responsibilities, as of the opening of business January 8, 2007, and the results of its investment activity for the period July 1, 2006 through the opening of business January 8, 2007 in conformity with the basis of presentation described in the Summary of Significant Accounting Policies-Basis of Presentation footnote.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 2, 2007 on our consideration 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 audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Fiscal Officer Responsibilities of the State of Illinois, Office of the Treasurer. The schedules of assets, liabilities and accountabilities, the assets detail, the liabilities and accountabilities detail, the investment income, the administrative responsibilities detail for the protest trust fund, inheritance and estate taxes, and the tobacco settlement recovery fund, and the investment policy, listed in the Table of Contents on pages 29-57, are presented for purposes of additional analysis and are not a required part of the financial statements. The schedules of assets, liabilities and accountabilities, the assets detail, the liabilities and accountabilities detail, the investment income, the administrative responsibilities detail for the protest trust fund, inheritance and estate taxes, and the tobacco settlement recovery fund have been subjected to the auditing procedures applied in the audit 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 investment policy has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on the policy.

Crowe Chizek and Company LLC

Crowe Chizek and Company LLC

Springfield, Illinois
April 2, 2007

Crowe Chizek and Company LLC
Member Horwath International

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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 financial statements as listed in the table of contents of the State of Illinois Office of the Treasurer, Fiscal Officer Responsibilities (the Treasurer) for the period July 1, 2006 through the opening of business January 8, 2007, and have issued our report thereon dated April 2, 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 Treasurer's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the 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 was for the limited purpose described in the first paragraph 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 that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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, Treasurer 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
April 2, 2007

FINANCIAL STATEMENTS

State of Illinois
Office of the Treasurer
FISCAL OFFICER RESPONSIBILITIES
STATEMENT OF ASSETS, LIABILITIES AND ACCOUNTABILITIES
As of the Opening of Business January 8, 2007

ASSETS AND OTHER DEBITS

CASH AND CASH EQUIVALENTS		
Demand deposits	$	1,108,288
Clearing account deposits and deposits in transit		110,652,129
Total cash		111,760,417
Time deposits		10,000,000
Repurchase Agreements		2,123,805,000
Commercial Paper		2,564,269,056
The Illinois Funds		931,137,734
Money Market Mutual Funds		300,358,238
Mortgage Reserve Fund		5,958
Total cash and cash equivalents		6,041,336,403
DEPOSITS AND INVESTMENTS, AT MARKET		
Short-term investments		
Time deposits		1,335,763,465
Federal Farm Credit Bank Bond		261,913,000
Federal Home Loan Mortgage Corporation		15,122,371
Federal National Mortgage Association		40,228,134
Federal Home Loan Bank		26,796,359
Foreign Investments		10,150,533
Long-term investments		
Time deposits		74,871,601
Federal Home Loan Mortgage Corporation		54,889,701
Federal National Mortgage Association		82,706,681
Federal Home Loan Bank		123,635,311
State of Illinois Secondary Pool Investment Program		1,421,514
Illinois Technology Development		4,350,384
Foreign Investments		29,715,949
Total deposits and investments		2,061,565,003
OTHER ASSETS		
Warrants cashed, but not canceled		183,008,682
Receivables from universities, agencies and retirement systems for monies advanced and securities purchased		1,236,726
Receivable from City of Edwardsville		310,392
Investment income earned, but not received		20,059,628
Illinois Insured Mortgage Pilot Program Trust		6,438,919
Total other assets		211,054,347
OTHER DEBITS		
Amount of future general revenue obligated for debt service		35,583,824,873
Total assets and other debits	$	43,897,780,626

The accompanying notes are an integral part of this statement.

State of Illinois
Office of the Treasurer
FISCAL OFFICER RESPONSIBILITIES
STATEMENT OF ASSETS, LIABILITIES AND ACCOUNTABILITIES - CONTINUED
As of the Opening of Business January 8, 2007

LIABILITIES AND ACCOUNTABILITIES

LIABILITIES FOR BALANCES ON DEPOSIT	
Comptroller	
Protested taxes	$ 313,200,155
Available for appropriation or expenditure	5,822,077,006
Agencies' deposits outside the State Treasury	780,123,151
Comptroller's warrants outstanding	899,943,631
Total liabilities for balances on deposit	7,815,343,943
GENERAL OBLIGATION INDEBTEDNESS	
Principal and interest due within one year	1,669,449,988
Thereafter	34,388,154,269
Total general obligation indebtedness	36,057,604,257
ACCOUNTABILITIES	
Receivable from City of Edwardsville	310,392
Investment income earned, but not received (net of cumulative market adjustments)	24,514,109
Federal Reserve Bank settlement account reserve	1,967
Mortgage Reserve Fund	5,958
Total accountabilities	24,832,426
Total liabilities and accountabilities	$ 43,897,780,626

The accompanying notes are an integral part of this statement.

State of Illinois
Office of the Treasurer
FISCAL OFFICER RESPONSIBILITIES
STATEMENT OF INVESTMENT INCOME
For the Period July 1, 2006 through the Opening of Business January 8, 2007

Investment income earned	$	220,794,052

The accompanying notes are an integral part of this statement.

NOTE A - AUTHORIZING LEGISLATION

The State of Illinois, Office of the Treasurer, is authorized by the State Treasurer Act (15 ILCS 505/et seq.). The State Treasurer shall receive the revenue and all other public monies of the State, and all monies authorized by law to be paid to her, and safely keep the same.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity: The State of Illinois, Office of the Treasurer is not a legally separate entity. It is an office of the primary government, which is the State of Illinois (the State) and is considered part of the State financial reporting entity. As such, it is included in the State of Illinois reporting entity. The Treasurer is custodian of the State's cash and investments comprised of the balances in the separate funds, which are considered to be either in the State Treasury or outside the State Treasury. Accounting control for funds outside the State Treasury is the responsibility of other State agencies. Further, the Treasurer is not responsible for determining that all cash received by State agencies is deposited in the State Treasury.

Basis of Presentation: The accompanying statements of assets, liabilities and accountabilities and of investment income have been prepared on the basis of State of Illinois Fiscal Regulations and the reporting requirements of the Auditor General. These statements do not present the financial position of the Treasurer and results of investment activity in accordance with accounting principles generally accepted in the United States of America because, with three exceptions, the statements only present those assets and activities for which the Treasurer is held accountable by statute in her fiscal officer responsibilities. The exceptions are the securities, funds and other assets of The Illinois Funds and College Savings Program and amounts receivable from inheritance tax assessments. The financial statements of The Illinois Funds and College Savings Program are audited annually and reported upon separately. See Administrative Responsibilities in the Supplementary Information section for inheritance and estate taxes.

State Treasury Funds: The accounting for the State Treasury Fund group, with the exception of general obligation indebtedness and the related amount of future general revenue obligated for debt service, is presented on a basis whereby: (a) assets in the State Treasury and the related liability to the Comptroller for available balances on deposit are recognized at the time the Comptroller "orders" cash into the State Treasury; (b) the liability to the Comptroller is reduced as warrants are presented to the Treasurer for countersignature; and (c) the cash in the State Treasury is reduced as warrants are paid by the Treasurer.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Funds Outside the State Treasury: Funds outside the State Treasury consist of State assets held by the Treasurer, primarily deposits in clearing accounts, demand deposits and temporary investments, which are not under the accounting control of the Comptroller. Such funds and the related liabilities or accountabilities to the depositing State agencies are recognized when the funds are deposited in clearing accounts or certain demand deposit accounts with the Treasurer. This liability or accountability is transferred to funds available for appropriation or expenditure when the Comptroller orders the funds into the State Treasury.

General Obligation Indebtedness: The liability for general obligation indebtedness is the aggregate amount of all future principal and interest payments necessary to retire such outstanding debt. The amount to be derived from future revenue for debt service is the difference between the currently outstanding certificates and bonded indebtedness and available balances in the bond redemption and interest fund. The expenditures from the proceeds of the certificates and bond issues are accounted for by other State agencies. This balance represents a liability that is not in compliance with accounting principles generally accepted in the United States of America. It represents the future revenue that will be needed to provide for future debt service.

Investment Income: Investment income is recorded by the Treasurer using the accrual basis of accounting whereby income is recognized and an accountability established as income is earned. Investment income is adjusted for the change in fair value before the income is allocated to the funds. Funds participating in the investment pool are allocated income monthly based on their proportionate share of the pooled investment base. As authorized by statute, segregated funds are individually invested and specifically credited with the income earned on those investments.

Cash and Cash Equivalents: Cash and cash equivalents include deposits and short-term, highly liquid investments readily convertible to cash, with a maturity of 90 days or less at the time of purchase.

Use of Estimates: In preparing financial statements, management is required to make estimates and assumptions that affect the reported amount of assets and liabilities during the reporting period. Actual results could differ from those estimates.

NOTE C - COMPENSATING BANKS FOR SERVICES

The principal method of payment for receipt and disbursement processing services provided by banks is by warrant from the Treasurer's Bank Services Trust Fund appropriation.

NOTE D - DEPOSITS AND INVESTMENTS

Overview: The Treasurer's investment activities are governed by the Treasurer's published investment policy that was developed in accordance with the State statute. Investments are recorded at fair market value. Short-term investments have a maturity date of less than one year. Unrealized gains and losses are accounted for in the investment in which the change in fair value occurred. In addition, the Treasurer's Office has adopted its own investment practices that supplement the statutory requirements.

Interest Rate Risk: Interest rate risk is the risk that changes in the interest rates will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses arising from rising interest rates, the Treasurer's investment policy limits the investment portfolio to maturities not to exceed five years with the majority required to be in authorized investments with less than one-year maturity. No more than 10% of the investment portfolio shall be allocated to investments with a 2 to 4 year maturity band. No more than 5% of the investment portfolio shall be allocated to investments with a 4 to 5 year maturity band. The portfolio shall not deviate from these guidelines unless specifically authorized by the Treasurer in writing. The Treasurer's Office uses the segmented time distribution method to identify and manage interest rate risk.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Cash received by the Treasurer is initially deposited in clearing accounts maintained in banks located in Illinois that are insured by the Federal Deposit Insurance Corporation (FDIC). Cash and cash equivalents include deposits and short-term, highly liquid investments readily convertible to cash, with a maturity of 90 days or less at the time of purchase. Surplus funds, as determined by the Treasurer, may be invested in time deposits, certificates of deposit and other interest-bearing accounts in FDIC-insured banks and savings and loan associations located in the State, credit unions whose principal office is located in Illinois, short-term obligations of corporations whose obligations (i.e. commercial paper) are rated by two or more standard rating services at a level that is at least as high as the following: A-1 by Standard & Poor's, P-1 by Moody's, F-1 by Fitch, D-1 by Duff & Phelps Credit Rating Company, A1 by IBCA, and TBW-1 by Thompson Bank Watch, repurchase agreements or other investments approved by State law. As of the opening of business January 8, 2007, the Treasurer's investments in commercial paper were rated P-1 by Moody's Investors Service and A-1+ by Standard and Poor's Ratings, except for those issued by American Express Company, Bear Stearns, and Morgan Stanley, which were rated A-1. The Treasurer's short-term investments in all U.S. Agency obligations, including collateral for repurchase agreements, are rated P-1 by Moody's Investors Service or F1+ by Fitch Ratings. The Treasurer's long-term investments in all U.S. Agency obligations are rated Aaa by Moody's Investors Service or

NOTE D - DEPOSITS AND INVESTMENTS (Continued)

AAA by Fitch Ratings. The Treasurer's short-term investment in foreign debt securities is rated A-1+ by Standard & Poor's Ratings and F1+ by Fitch Ratings. The Treasurer's long-term investments in foreign debt securities have multiple rates. Of the $29,715,949 invested, $20,000,000 is rated A2 by Moody's Investors Service and A+ by Standard & Poor's Ratings and $9,715,949 is rated Aaa by Moody's Investors Service and AAA by Standard & Poor's Ratings. The Treasurer's investments in The Illinois Funds is rated AAAm by Standard & Poor's Ratings. The Treasurer's investments in money market mutual funds are rated Aaa by Moody's Investors Service and AAAm by Standard & Poor's Ratings, except for those issued by American Freedom Funds and Allegiant Funds, which were not rated by Moody's Investors Service or Fitch Ratings, and the fund issued by SEI Investments, which was not rated by Standard & Poor's Ratings or Fitch Ratings.

The amount of the deposit not covered by Federal deposit insurance for all time deposits is required to be collateralized. Securities pledged as collateral to secure these deposits are required to have a market value at an established percentage of the deposit based on the type of security pledged. Securities that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts, which require a market value of at least 105% of the deposit. If the obligation of the United States and its agencies is a mortgage backed security, the securities pledged as collateral are required to have a market value of at least 110% of the deposit. Other securities that may be pledged as collateral to secure time deposits are MBIA Certificates (issued by the Municipal Bond Investors Assurance Corporation), Letters of Credit (issued by Federal Home Loan Bank (FHLB)), and Share Certificates (issued by credit unions), which require a market value of at least 102% of the deposit.

Obligations pledged to secure deposits must be delivered to a bank other than the institution in which the deposit was made. Written custodial agreements are required that provide, among other things, that the collateral securities are held separate from the assets of the custodial bank. Prior to placing the deposit and at least monthly thereafter, the Treasurer determines that the collateral has a market value adequate to secure the deposit.

The Treasurer has established accounts with The Illinois Funds for investment of State funds. The Illinois Funds participation provides comparable yields, a source of liquidity and requires less administrative intervention than other short-term investments. The management, custodianship and operation of The Illinois Funds are under the supervision of the State of Illinois, Office of the Treasurer.

NOTE D - DEPOSITS AND INVESTMENTS (Continued)

The Treasurer purchased investments in fourteen mutual funds. These mutual funds provide a comparable yield to other investments, particularly during times of falling interest rates and are a source of liquidity when cash is needed. Investments to the mutual funds can be made daily and interest income is received monthly.

Repurchase agreements are purchased from various financial institutions and rated brokerage firms located in the State. Securities pledged as collateral to secure these agreements are required to have a market value of at least 102% of the agreement. The agreements require both parties to maintain an acceptable margin on underlying securities to ensure the agreements are adequately collateralized. The Treasurer accepts only obligations of the United States government or its sponsored agencies as collateral for repurchase agreements.

All securities pledged to secure repurchase agreements are required to be delivered to a bank other than the institution from whom the investment was acquired. A written custodial agreement with the banks that hold the Treasurer's repurchase agreement collateral requires, among other things, that the collateral securities be held separately from the assets of the bank.

Commercial paper is purchased from various brokerage firms located in the State and is held in safekeeping by a bank for the Treasurer. A written custodial agreement requires, among other things, that the safekeeping bank hold the commercial paper separately from the assets of the bank.

Federal Farm Credit Banks Consolidated Systemwide Bonds are purchased from AgriBank, St. Paul, Minnesota. These bonds are held in book entry form in the Treasurer's account at the Federal Reserve Bank of Chicago. Bond proceeds are loaned to Illinois farmers through participating Production Credit Associations. Timely payments of interest and ultimate repayment of principal are 100% guaranteed by the AgriBank, a U.S. Government corporation.

The Treasurer's investment in the State of Illinois Secondary Pool Investment Program was deposited in a trust to purchase a security interest in a pool of Small Business Administration (SBA), Federal Home Loan Mortgage Corporation Adjustable Rate Mortgage (FHLMC ARM), and Federal National Mortgage Association Adjustable Rate Mortgage (FNMA ARM) loans. The securities have a floating rate indexed to the prime rate as quoted in *The Wall Street Journal* and are adjusted quarterly. The pool is guaranteed by the U.S. Government and/or the respective agency. The Trustee for the program is JP Morgan. The primary pool assembler is Meridian Capital Markets, Inc. Dana Investment Advisors, Inc. works with Meridian to assemble the SBA pools and to establish a fair market price. The pool's investment advisor is Mesirow Advanced Strategies, Inc.

NOTE D - DEPOSITS AND INVESTMENTS (Continued)

The Treasurer has purchased investments in U.S. Treasury Agencies. These Treasury purchases permit greater portfolio diversification, provide comparable yields to other investment options, and provide liquidity due to the active secondary market.

Deposits: The carrying amount of all the Treasurer's demand and time deposits at the opening of business January 8, 2007, was $111,760,417 and $1,420,635,066, respectively. The bank balance of all the Treasurer's demand and time deposits at the opening of business January 8, 2007, was $111,744,147 and $1,420,635,066, respectively. The classification of the bank balances, as defined by Governmental Accounting Standards Board Statement 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements* (GASB 3) is as follows:

	Demand Deposits	Time Deposits	Total Deposits
Amount insured by the FDIC	$ 772,342	$ 26,229,707	$ 27,002,049
Amount collateralized with securities held by the Treasurer's agent in the Treasurer's name	11,832,176	1,394,405,359	1,406,237,535
Uncollateralized*	99,139,629	-	99,139,629
	$ 111,744,147	$1,420,635,066	$1,532,379,213

* The uncollateralized amounts represent float balances which are unavailable funds, subject to the clearing process. These amounts are not required to be collateralized.

Investments: The Treasurer's net increase in the fair value of investments during the period July 1, 2006 through the opening of business January 8, 2007 was $7,236,361. This amount takes into account all changes in fair value (including purchases and maturities) that occurred during the year.

NOTE D - DEPOSITS AND INVESTMENTS (Continued)

At the opening of business January 8, 2007 in accordance with Governmental Accounting Standards Board Statement 40, *Deposit and Investment Risk Disclosures* (GASB 40), there is no custodial credit risk assumed by the Treasurer because the Treasurer's investments are represented by specific identifiable investment securities which are insured or registered, or are securities held by the Treasurer or her agent in the Treasurer's name. Excluding Time Deposits, the Treasurer had the following investments, stated at market value except for Federal Farm Credit Bank Bond and State of Israel Bonds, and maturities as of the opening of business January 8, 2007. (Amounts are in thousands.)

	Cash Equivalents	Less than 1 year	1-5 years	6-10 years	More than 10 years	Total
Commercial Paper	$ 2,564,269	$ -	$ -	$ -	$ -	$ 2,564,269
Repurchase Agreements	2,123,805	-	-	-	-	2,123,805
Federal Farm Credit Bank Bond*	-	261,913	-	-	-	261,913
Federal Home Loan Bank	-	26,796	123,635	-	-	150,431
Federal Home Loan Mortgage Corporation	-	15,122	54,890	-	-	70,012
Federal National Mortgage Association	-	40,228	82,707	-	-	122,935
State of Illinois Secondary Pool Investment Program	-	-	-	394	1,028	1,422
Foreign Investments**	-	10,151	29,716	-	-	39,867
Subtotal	$ 4,688,074	$ 354,210	$ 290,948	$ 394	$ 1,028	5,334,654
Illinois Technology Development						4,350
The Illinois Funds						931,138
Money Market Mutual Fund						300,358
Mortgage Reserve Fund						6
Total Investments, excluding Time Deposits						$ 6,570,506

*These securities are not actively traded on the open market. Furthermore, it is management's intention to hold these investments until maturity. Since these investments are not traded on the open market, establishing a market value as of the opening of business January 8, 2007, at an amount other than the par value is not possible.

**Denominated in US dollars. The State of Israel Bonds are not actively traded on the open market. Furthermore, it is management's intention to hold these investments until maturity. Since these investments are not traded on the open market, establishing a market value as of the opening of business January 8, 2007, at an amount other than the par value is not possible.

NOTE D - DEPOSITS AND INVESTMENTS (Continued)

The master repurchase agreements utilized by the Treasurer require the broker or financial institution to maintain the market value of collateral securities at 102% of the agreement. The carrying amount, including accrued interest, was approximately $2,123,805,000, and the market value of the collateral securities to be resold based on commitments under the repurchase agreements was approximately $2,164,255,735, as of the opening of business January 8, 2007.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of the Treasurer's investment in a single issuer. The following investments exceeded 5 percent of the total investments at the opening of business January 8, 2007. (Amounts are in thousands.)

	Carrying Value	% of Total Investments
Repurchase agreements:		
Barclay's	$ 500,000	7.61
Greenwich Capital	513,120	7.81
Northern Trust	860,685	13.10
Commercial paper:		
Bear Stearns	$ 721,633	10.98
GE Capital	449,803	6.85
SSB/Citigroup Global	745,827	11.35

NOTE E - ILLINOIS INSURED MORTGAGE PILOT PROGRAM TRUST

The Illinois Insured Mortgage Pilot Program Trust (the Trust) was created in October 1982 in order to stimulate construction activity in the State. The State purchased $120,000,000 of investment certificates for which the underlying collateral was a pool of mortgage loans issued by American National Bank and Trust Company of Chicago ("Trustee") for the purpose of providing financing to approved construction projects. The principal terms of the loans required "interest only" payments for seven years following the completion of construction with full payment of the outstanding principal balance at the end of the seventh year.

Prior to July 1, 1990, $69,790,000 of loans had been repaid prior to maturity. The remaining balance of $50,210,000 was loaned under seven mortgage agreements. Three mortgage agreements, originally totaling $40,650,000 were secured by hotel properties. The other four mortgage agreements, originally totaling $9,560,000 were secured by commercial properties.

NOTE E - ILLINOIS INSURED MORTGAGE PILOT PROGRAM TRUST (Continued)

In July 1991, Bank One, Springfield replaced American National Bank and Trust Company as Trustee of the Program. On February 24, 1995, Heritage/Pullman Bank & Trust Company replaced Bank One, Springfield as Trustee of the program. In 2001, Cosmopolitan Bank & Trust Company bought out Pullman Bank & Trust Company thus becoming Trustee of the program. Park National Bank became the Trustee of the program in January 2006 as a result of the merger of Cosmopolitan Bank & Trust Company and four other Illinois banks.

Hotel Properties: The two hotel loans, totaling $28,900,000, owned by the Trust, were restructured during fiscal year 1988. The restructured agreements were signed in December 1987, and January 1988. The restructured agreements extended the maturity from November 1990 for the Holiday Inn, Collinsville hotel and from December 1991 for the President Abraham Lincoln Hotel and Conference Center (President Lincoln), formerly the Renaissance, Springfield hotel to January 12, 1995, for both hotels. Monthly interest payments were required and all principal was due upon maturity. The average interest rates were reduced from 12 1/4% to 8% per annum retroactive to January 12, 1987. Annual interest rates were to increase from 2% to 14% during the 8-year period. Under the terms of the agreements, $ 4,339,000 of past-due interest was capitalized. It was the Treasurer's position that collection of the capitalized interest was uncertain and thus, was not added to the recorded value. Additionally, portions of the loan balances, including the capitalized interest, were guaranteed by a surety bond and letters of credit.

The President Lincoln, Springfield hotel, with an original loan balance of $15,500,000 entered into a second restructuring agreement on April 30, 1990, retroactive to January 1, 1990. The agreement requires quarterly payments based on cash flow, as defined therein, applied first to any outstanding principal. Interest is charged at 6% per annum on the outstanding principal; however, this interest is deferred until the principal has been satisfied and no interest is charged on deferred interest. The maturity date was extended to January 1, 2010; however, if the sum of unpaid principal and interest deferrals exceeds $18,000,000 at any time after January 1, 1999, the loan becomes immediately due by default. As of the opening of business January 8, 2007, the unpaid principal and interest totaled approximately $28,710,607.

Under the original restructured agreement effective January 12, 1987, the surety bond primarily covered 15% of the loan and accrued interest up to a maximum of $2,245,000. The amended surety bond under the current restructured agreement requires the borrower, at the borrower's expense, to maintain and keep in force during the term of the loan, a surety bond guaranteeing to the lender, in the amounts set forth in Schedule 1 of the Second Mortgage Loan Restructuring Closing Book, all or a portion of the Principal Amount. The lender has 45 days upon default to

NOTE E - ILLINOIS INSURED MORTGAGE PILOT PROGRAM TRUST (Continued)

notify the surety that there is a default and potential claim against the surety bond. Once the lender has obtained merchantable title, it can proceed with a claim against the surety bond. The surety can choose one of three options to determine the amount of its payment to the lender. It may pay: 1) the lesser of the percentage amount of the loss or the Maximum Amount for a claim made (as defined in Endorsement 2, Addendum A of the Agreement), or 2) the entire amount of the loss if the principal sum is in default and if the lender provides the surety with a merchantable title, or 3) the amount of the interest in default and assume the principal's obligation to pay future interest due and the principal sum provided the lender provides the surety with merchantable title. The estimated present value of the surety bond as of the opening of business January 8, 2007 is $5,784,000.

The Holiday Inn, Collinsville hotel, with an original loan balance of $13,400,000 signed a second restructuring agreement on January 10, 1991, retroactive to January 1, 1991. The terms of this agreement are similar to those discussed in the preceding paragraph, and results in required payments based on a calculation of defined cash flow, which are applied first to outstanding principal. Accrued and unpaid interest of approximately $428,000 was capitalized upon the second restructuring, but was not added to the Treasurer's recorded value. Interest is charged at 6% per annum on the outstanding principal; however, this interest is deferred until the principal has been satisfied and no interest is charged on deferred interest. The maturity date was extended to January 1, 2010; however, if at any time after January 1, 1999, the sum of unpaid principal and interest deferrals exceeds $17,700,000, the loan becomes immediately due by default. The unpaid principal and interest totaled approximately $29,722,163 at the opening of business January 8, 2007. As additional security for the loan, the borrower, at the borrower's expense, must obtain and deliver to the Trustee, no later than the closing date, and must maintain and keep in force during the term of the loan one or more unconditional, irrevocable, letters of credit in a total amount not less than 15% of the principal amount, issued by institutions which have a net worth of no less then ten million dollars. Furthermore, as described in the agreement regarding additional collateral, the borrower must, in cases when the additional collateral is set to expire within 60 days, deliver to the lender substitute collateral no later than 30 days prior to the date of such scheduled expiration. In the event that the substitute collateral is not received within the specified time, the lender can declare an event of default and immediately draw upon the additional security. The letters of credit expire on either December 15 or December 31 of each year. Provided that the borrower is not in default under the restructured loan documents, the amount of additional collateral can be adjusted to an amount equal to the lesser of: 1) the percentage of the loss or 2) the Maximum Amount, both of which are defined in Schedule 1 of the Second Agreement to Restructure the Loan. At a default date, the borrower has the option of providing additional collateral equal to either the Maximum Amount of $3,060,000 or 64% of

NOTE E - ILLINOIS INSURED MORTGAGE PILOT PROGRAM TRUST (Continued)

the loss. The value of the additional collateral equals $1,637,375 as of the opening of business January 8, 2007. Pursuant to the restructuring agreement, the Collinsville Mortgage is also secured by a personal guarantee in the maximum amount of $1,500,000. However, personal financial statements from the guarantors are not readily available, and thus the estimated value of the guarantee is unknown.

The hotel loans are considered to be nonperforming assets and, as such, interest is recorded only if received. If the interest receivable were recorded, the accrued interest balances for the hotels at the opening of business January 8, 2007, would be as follows:

	(In thousands)		
	Springfield	Collinsville	Total
Accrued interest receivable	$ 14,841	$ 15,293	$ 30,134

During 1995, the Treasurer authorized the Trustee, Pullman Bank and Trust Company, to sell the mortgage notes for $10 million, an amount that was greater than the most recent independent valuation available at the time. The Illinois Attorney General opined that his consent to the proposed sale was required and he refused to give it. As a consequence, the Treasurer did not proceed with the transaction.

Affiliates of the owners of the Springfield President Lincoln Hotel and the Collinsville Holiday Inn (plaintiffs) filed a lawsuit December 29, 1995, against the Trustee and the Treasurer seeking specific performance of the buy-sell agreement on which the terms agreed.

On March 13, 2000, the Circuit Court in Madison County entered a judgment order requiring the Trustee and Treasurer to sell the mortgage loans on the hotel properties to the plaintiffs. The court found that the plaintiffs were ready, willing and able to perform the buy-sell agreements at the time originally set for closing in 1995. The Trustee and the Treasurer have appealed the order. Appellate briefings were completed in February 2001 and oral arguments were heard later that year. The Illinois Appellate Court, Fifth District, affirmed the Circuit Court’s decision in all material respects. An appeal of that ruling was petitioned by the Trustee to the Illinois Supreme Court and granted on October 7, 2003. As of June 3, 2005, the Illinois Supreme Court reversed the Appellate Court’s decision on the basis of sovereign immunity. The plaintiffs have requested that the Illinois Supreme Court reconsider its decision. If the Illinois Supreme Court declines to do so, the case will be remanded to the Madison County Circuit Court and the stays will be vacated.

NOTE E - ILLINOIS INSURED MORTGAGE PILOT PROGRAM TRUST (Continued)

The Trustee of the Illinois Insured Mortgage Pilot Program at the direction of the Illinois State Treasurer filed two lawsuits on October 31, 1997, one against the Collinsville Hotel Venture and the other against the President Lincoln Hotel Venture, for breaching their cash flow notes by improperly deducting capital expenditures from cash flow in violation of their respective loan agreements. The loan agreements provide that capital expenditures may be deducted from cash flow only to the extent that payments pre-approved by the Trustee are made by the Ventures into a capital reserve account. The Trustee claims that these violations of the loan agreements, and the failure of the Ventures to pay upon demand money they improperly deducted from cash flow, constitute a default of the notes making them immediately due and payable.

The two lawsuits were filed in Cook County. The borrowers both asked the Court to stay the lawsuits while the Madison County action was pending, and their motions were granted.

After the final judgment was entered in the Madison County case, the Judge in Cook County who was presiding over the Collinsville case lifted his stay. Plaintiffs in the Madison County case then asked the Court to hold the Trustee and its counsel in contempt for pursuing the Cook County case. Eventually, the Trustee petitioned the Illinois Supreme Court for a supervisory order to allow it to proceed prosecuting the Cook County case without being held in contempt by the Madison County Court. The Supreme Court issued such a supervisory order in the fall of 2001, and the Cook County case is now proceeding. However, the Cook County case against the Springfield Hotel remains stayed.

As a result of discovery in the Collinsville case, the Trustee has determined that there have been additional events of default, and as a result it has now filed an amended complaint. In 2006, the Circuit Court of Cook County entered judgment in favor of the Trustee and against the borrowers declaring that the loan was in default and authorizing the Trustee to pursue collection proceedings against the personal guarantee. The borrowers petitioned the Court to reconsider its order. The petition was rejected by the Court and collection proceedings have been commenced against the guarantors. Citations to discover assets of the guarantors have been served. One guarantor’s lawyer has filed an appearance and a motion to quash certain citations. The other guarantor’s lawyer sent a copy of an un-filed appearance and has produced some documents in response to the citations. In 1997, the Trustee endeavored to draw on the letters of credit then in its possession. That attempt was enjoined by orders entered in the lawsuit filed in 1995 seeking to compel the Trustee to sell the borrower’s loan documents. As of April 24, 2006, such orders ceased to bind the Trustee. In July of 2006, the Trustee again presented drafts on all letters of credit, and collected $439,625 from The Bank of Edwardsville, $300,000 from U.S. Bank National Association, and $260,000 from Bank of America. The payments were

NOTE E - ILLINOIS INSURED MORTGAGE PILOT PROGRAM TRUST (Continued)

recorded as a reduction of principal. Regions Bank is refusing to pay the letters of credit it holds, which total $1,637,375. A suit against Regions Bank has been filed. Regions Bank appeared and filed an answer, affirmative defenses, and a third-party complaint. As of the opening of business January 8, 2007, the Trust's attorneys are assembling the documents that will need to be presented in the suit's discovery.

On January 2, 2007, the Trustee filed foreclosure complaints against both the Collinsville Hotel Venture and the President Lincoln Hotel Venture.

The Collinsville hotel foreclosure complaint was filed in the Madison County Circuit Court following (a) the entry of a judgment order in June 2006 by a Cook County circuit judge declaring the Hotel to be in default of its loan, and also entering a judgment in the amount of $1.5 million against two individuals who partially guaranteed the loan; and (b) the entry of an order in the same court denying the Hotel's motion to reconsider the ruling. The foreclosure complaint also requested the court appoint a receiver to operate the Hotel during foreclosure proceedings, and on January 12, 2007, an order appointing a receiver was entered. The receiver assumed management of the property that day. The Trustee is, concurrently, pursuing collection proceedings with respect to the judgment it obtained against the guarantors, and it has filed a lawsuit in the United States District Court for the Northern District of Illinois against Regions Bank to seek payment on four letters of credit, totaling $1.65 million, that were additional collateral for the loan.

The President Lincoln Hotel foreclosure complaint was filed in the Sangamon County Circuit Court following a ruling in December 2006 by a Cook County circuit judge declaring the Hotel to be in default of its loan. The complaint also requested the court appoint a receiver to operate the Hotel during foreclosure proceedings. On March 1, 2007, a court-appointed receiver formally took over operations of the President Lincoln Hotel. Although a favorable outcome is expected, the Illinois Office of the Treasurer does not believe the effect on financial position resulting from these proceedings can be determined at this time.

NOTE E - ILLINOIS INSURED MORTGAGE PILOT PROGRAM TRUST (Continued)

The following is a summary of the balances related to the restructured loans:

	(In thousands)		
	President Lincoln Springfield	Holiday Inn Collinsville	Total
Recorded Value			
Original loan balances	$ 15,500	$ 13,400	$ 28,900
Less provision to record write-down (permanent impairment) of outstanding loan balance recorded as of June 30, 1991	(4,086)	(564)	(4,650)
Less payments received-year ended June 30, 1992	(320)	(95)	(415)
Less provision to record write-down (permanent impairment) of outstanding loan balance recorded as of June 30, 1992	-	(2,000)	(2,000)
Less payments received-year ended June 30, 1993	(256)	(161)	(417)
Less provision to record write-down (permanent impairment) of outstanding loan balance recorded as of June 30, 1993	(3,638)	(3,580)	(7,218)
Less payments received-year ended June 30, 1994	(290)	(378)	(668)
Less provision to record write-down (permanent impairment) of outstanding loan balance recorded as of June 30, 1994	(3,435)	(2,312)	(5,747)
Adjustment for correction of an error	(1,305)	3,868	2,563
Less payments received-year ended June 30, 1995	(518)	(832)	(1,350)
June 30, 1995 – recorded value	1,652 #	7,346 ##	8,998
Less payments received – year ended June 30, 1996	(458)	(394)	(852)
Less payments received – year ended June 30, 1997	(185)	(180)	(365)
Less payments received – year ended June 30, 1998	(93)	-	(93)
Less payments received – year ended June 30, 1999	-	(107)	(107)
Less payments received – year ended June 30, 2000	-	-	-
Less payments received – year ended June 30, 2001	-	-	-
Less payments received – year ended June 30, 2002	(56)	-	(56)
Less payments received – year ended June 30, 2003	(86)	-	(86)
Less payments received – year ended June 30, 2004	-	-	-
Less payments received – year ended June 30, 2005	-	-	-
Less payments received – year ended June 30, 2006	-	-	-
Less payments received from July 1, 2006 through January 8, 2007	-	(999)	(999)
January 8, 2007 - recorded value	$ 774	$ 5,666	$ 6,440

NOTE E - ILLINOIS INSURED MORTGAGE PILOT PROGRAM TRUST (Continued)

	(In thousands)		
	President Lincoln Springfield	Holiday Inn Collinsville	Total
Loan Balance			
Original loan balances	$ 15,500	$ 13,400	$ 28,900
Interest capitalized upon first restructuring	592	3,747	4,339
Interest capitalized upon second restructuring	40	428	468
Payments received-years ended June 30, 1992, 1993, 1994, 1995, 1996, 1997,1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005 and 2006	(2,262)	(2,147)	(4,409)
Payments received-period July 1, 2006 through January 8, 2007	-	(999)	(999)
January 8, 2007 - loan balance	$ 13,870	$ 14,429	$ 28,299

Notes:
The valuation of the mortgage position at June 30, 1995, was estimated at $ 1,670,000.
The valuation of the mortgage position at June 30, 1995, was estimated at $ 8,850,000.

NOTE F - DEFEASED DEBT

There were no General Obligation Refunding Bonds issued during the period July 1, 2006 through the opening of business January 8, 2007.

In prior years, the State of Illinois defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the State of Illinois' financial statements. At the opening of business January 8, 2007, $697,420,000 of bonds outstanding was considered defeased.

NOTE G - SECURITIES UNDER CUSTODIAL RESPONSIBILITY OF THE TREASURER

At the opening of business January 8, 2007, the Treasurer was responsible for $12,944,055 of securities held in safekeeping for various State departments, agencies and institutions. Therefore, these are not reflected in the statement of assets, liabilities and accountabilities.

NOTE H - GENERAL OBLIGATION INDEBTEDNESS

A summary of the changes from June 30, 2006 to the opening of business January 8, 2007, in General Obligation Bonded Indebtedness by issue type follows:

	Antipollution Interest Rates varying from 8.00% to 11.00% Series Q through W, due serially to 2010	Multi-Purpose Interest Rates varying from 2.93% to 7.90% Series 1988 through 2006, due serially to 2034	Pension Funding Interest Rates varying from 2.50% to 5.10% Series 2003, due serially to 2033
Balance at June 30, 2006			
Principal	$ 12,680,000	$ 8,191,268,349	$ 10,000,000,000
Interest	1,681,450	5,639,697,335	10,460,275,000
Total	14,361,450	13,830,965,684	20,460,275,000
Redemptions charged to Appropriations			
Principal	3,880,000	254,979,578	-
Interest	579,150	334,093,874	248,100,000
Total	4,459,150	589,073,452	248,100,000
Certificates/Bonds issued			
Principal	-	-	-
Interest	-	-	-
Total	-	-	-
Refunding			
Principal	-	-	-
Interest	-	-	-
Total	-	-	-
Balance at opening of business January 8, 2007			
Principal	8,800,000	7,936,288,771	10,000,000,000
Interest	1,102,300	5,305,603,461	10,212,175,000
Total	$ 9,902,300	$ 13,241,892,232	$ 20,212,175,000

NOTE H - GENERAL OBLIGATION INDEBTEDNESS (Continued)

	General Obligation Refunding Interest Rates varying from 4.00% to 6.15% Series 1992 through 2006, due serially to 2022	Total Bonded Indebtedness	General Obligation Certificates	Total General Obligation Indebtedness
Balance at June 30, 2006				
Principal	$ 2,047,418,572	$ 20,251,366,921	$ -	$ 20,251,366,921
Interest	706,250,759	16,807,904,544	-	16,807,904,544
Total	2,753,669,331	37,059,271,465	-	37,059,271,465
Redemptions charged to Appropriations				
Principal	99,123,057	357,982,635	-	357,982,635
Interest	60,911,549	643,684,573	-	643,684,573
Total	160,034,606	1,001,667,208	-	1,001,667,208
Certificates/Bonds issued				
Principal	-	-	-	-
Interest	-	-	-	-
Total	-	-	-	-
Refunding				
Principal	-	-	-	-
Interest	-	-	-	-
Total	-	-	-	-
Balance at opening of business January 8, 2007				
Principal	1,948,295,515	19,893,384,286	-	19,893,384,286
Interest	645,339,210	16,164,219,971	-	16,164,219,971
Total	$ 2,593,634,725	$ 36,057,604,257	$ -	$ 36,057,604,257

NOTE H - GENERAL OBLIGATION INDEBTEDNESS (Continued)

Interest on zero coupon bonds is reflected in the above schedules as interest to agree to the charge to appropriations. Interest on such bonds is reflected as principal in the debt service requirement schedule below.

Future general obligation debt service requirements at the opening of business January 8, 2007, by fiscal year, are as follows:

Year ending January 7	Principal	Interest	Total
2008	$ 705,775,000	$ 963,674,988	$ 1,669,449,988
2009	765,340,000	939,721,669	1,705,061,669
2010	731,155,000	915,348,756	1,646,503,756
2011	739,805,000	888,622,619	1,628,427,619
2012	631,605,000	861,995,618	1,493,600,618
2013 – 2017	2,700,460,000	3,194,727,705	5,895,187,705
2018 – 2022	3,039,335,000	3,300,196,614	6,339,531,614
2023 – 2027	3,593,210,067	2,482,881,358	6,076,091,425
2028 – 2032	4,524,305,071	1,449,825,060	5,974,130,131
2033 – 2035	3,390,589,862	239,029,870	3,629,619,732
Total	$ 20,821,580,000	$ 15,236,024,257	$ 36,057,604,257

The principal amounts reflected above include accretion to date on zero-coupon bonds.

NOTE I - ARBITRAGE REBATE LIABILITY

Section 148(f) of the Internal Revenue Code of 1986 (the "Code") generally provides that an issuer of tax-exempt bonds must pay to the United States (i) the excess of (a) the amount earned on all nonpurpose investments made with gross proceeds of an issue (as defined in the Code and the applicable regulations promulgated or proposed thereunder) of tax-exempt bonds over (b) the amount which would have been earned if such nonpurpose investments had been invested at a rate equal to the yield on the issue (the "Excess"), plus (ii) any income attributable to the Excess. The Excess that arises from earnings on nonpurpose investments held in certain funds and accounts is the arbitrage rebate liability (the "Liability"). There is no liability for future years.

NOTE J – COMMITMENTS AND CONTINGENCIES

There have been several cases filed that challenge the constitutionality of legislation allowing the broader use of fee proceeds that are deposited into special funds the use of which is, by law, otherwise limited to specified purposes. The Treasurer has been named as a nominal defendant in these cases. The lead case is Illinois State Chamber of Commerce v. Filan. In the fiscal year

NOTE J – COMMITMENTS AND CONTINGENCIES (Continued)

2004 Budget Implementation Act, the legislature authorized the Director of the Governor's Office of Management and Budget to transfer funds from specialized or dedicated funds to the General Fund. Some of these specialized funds are funded by fees. The Chamber of Commerce, as an employer, pays a surcharge (fee) to the Department of Financial and Professional Regulation. The fee is then used by the Workers Compensation Commission (Commission) for the Commission's operations. The stated purpose of the fee is to reduce the amount of the Commission's operating expenses being paid from general tax revenues. However, the surcharge and fee generated more than twice the sum needed for the Commission's operating budget allowing the excess fees to be transferred to the General Fund. The Chamber of Commerce has alleged that this practice violates the tax uniformity clause of the Illinois Constitution, the due process clause of the Illinois Constitution and the United States Constitution, and the due takings clause, claiming the fee is, in effect a disproportional and unfair tax. On November 29, 2004, the Cook County Circuit Court ruled that the fee violated the Uniformity Clause and the Due Process Clause of the Illinois Constitution and ordered all monies currently held or to be collected to be placed in an escrow fund. On October 25, 2005, the circuit court allowed the Commission to withdraw operating funds from the escrow fund on a monthly basis to continue operating while the surcharge's constitutionality continues to be litigated. Appeals filed by the State in the First District Appellate Court are awaiting argument or decision.

The other cases are on hold pending the outcome of the lead case. In the aggregate, these cases involve an amount in excess of $10 million.

NOTE K – SUBSEQUENT EVENT

On February 7, 2007 the State of Illinois issued $900,000,000 of General Obligation Certificates pursuant to the provisions of Article IX, Section 9(c) of the Illinois Constitution and the provisions of the Short Term Borrowing Act. The purpose of the borrowing is to provide mid-fiscal year liquidity to the General Funds and the Hospital Provider Fund to make supplemental inpatient and outpatient payments to certain public and non-public hospitals within the State of Illinois and other medical claims. The certificates mature June 7, 2007.

SUPPLEMENTARY INFORMATION

State of Illinois
Office of the Treasurer
FISCAL OFFICER RESPONSIBILITIES
ASSETS, LIABILITIES AND ACCOUNTABILITIES
As of the Opening of Business January 8, 2007

The following is a summary of the assets, liabilities and accountabilities of the Treasurer's Fiscal Officer accounts:

Assets and other debits		
Cash and cash equivalents	$	6,041,336,403
Deposits and investments, at market		2,061,565,003
Other assets		211,054,347
Amount of future general revenue obligated for debt service		35,583,824,873
Total assets and other debits	$	43,897,780,626
Liabilities for balances on deposit		
Comptroller		
Protested taxes	$	313,200,155
Available for appropriation or expenditure		5,822,077,006
Agencies' deposits outside the State Treasury		780,123,151
Comptroller's warrants outstanding		899,943,631
Total liabilities for balances on deposit		7,815,343,943
General obligation indebtedness		36,057,604,257
Total liabilities		43,872,948,200
Accountabilities		
Receivable from City of Edwardsville		310,392
Investment income earned, but not received		24,514,109
Federal Reserve Bank settlement account reserve		1,967
Mortgage Reserve Fund		5,958
Total accountabilities		24,832,426
Total liabilities and accountabilities	$	43,897,780,626

State of Illinois
Office of the Treasurer
FISCAL OFFICER RESPONSIBILITIES
ASSETS - DETAIL
As of the Opening of Business January 8, 2007

Cash on hand, deposits, and cash equivalents are summarized below:

Cash and cash equivalents		
Demand deposits	$	1,108,288
Clearing account deposits and deposits in transit		110,652,129
Time deposits		10,000,000
Repurchase agreements		2,123,805,000
Commercial paper		2,564,269,056
The Illinois Funds		931,137,734
Money Market Mutual Fund		300,358,238
Mortgage Reserve Fund		5,958
Total cash and cash equivalents	$	6,041,336,403

Demand deposit accounts are the principal accounts used to process cash and investment transactions within the State Treasury. The clearing accounts are used to process collected receipts and to identify nonsufficient fund checks. Cash and cash equivalents include deposits and short-term, highly liquid investments readily convertible to cash, with a maturity of 90 days or less at the time of purchase.

State of Illinois
Office of the Treasurer
FISCAL OFFICER RESPONSIBILITIES
ASSETS - DETAIL - CONTINUED
As of the Opening of Business January 8, 2007

	Collected	Float	Total
Demand deposits			
Bank of America	$ 402,066	$ -	$ 402,066
JP Morgan	84,176	-	84,176
Illinois National Bank	10,304	-	10,304
National City	108,624	343,148	451,772
Northern Trust Company, Chicago	148,542	-	148,542
Wells Fargo Bank	5,397	-	5,397
	$ 759,109	$ 343,148	1,102,257
Net reconciling items (e.g., deposits-in-transit and outstanding drafts)			6,031
Total demand deposits			$ 1,108,288

Note - The total bank balances represent all funds recorded by the financial institution. This balance includes the float and collected amounts. The float balance represents funds credited to the ledger balance which were unavailable, subject to the clearing process. The collected balance represents available funds which have completed the clearing process.

State of Illinois
Office of the Treasurer
FISCAL OFFICER RESPONSIBILITIES
ASSETS - DETAIL - CONTINUED
As of the Opening of Business January 8, 2007

	Collected	Float	Total
Clearing account deposits			
and deposits in transit			
Bank of America	$ 862,114	$ 213,389	$ 1,075,503
National City	986	-	986
DuQuoin State Bank	15,152	15	15,167
JP Morgan	57,734	38,593,255	38,650,989
Illinois National Bank	1	69,127,365	69,127,366
US Bank-Springfield	49,458	-	49,458
Northern Trust Company, Chicago	(37,622)	6,499	(31,123)
International Bank of Chicago	161,351	5,632	166,983
MB Financial	63,919	1,520,322	1,584,241
Wells Fargo Bank	2,320	-	2,320
	$ 1,175,413	$ 109,466,477	110,641,890
Net reconciling items (e.g., deposits-in-transit and outstanding drafts)			10,239
Total clearing account deposits			$ 110,652,129

Note - The total bank balances represent all funds recorded by the financial institution. This balance includes the float and collected amounts. The float balance represents funds credited to the ledger balance which were unavailable, subject to the clearing process. The collected balance represents available funds which have completed the clearing process.

Deposits and Investments

Most of the Treasurer's investments at the opening of business January 8, 2007 are short-term due to the responsibility to keep funds "liquid" to reimburse banks for warrants paid.

Investments in the Treasurer's pooled accounts are authorized by statute. Certain investments are held in segregated accounts and are purchased at the request of the agency administering the segregated trust fund.

Short-term investments	
Time Deposits	$ 1,335,763,465
Federal Farm Credit Bank Bond	261,913,000
Federal Home Loan Mortgage Corporation	15,122,371
Federal National Mortgage Association	40,228,134
Federal Home Loan Bank	26,796,359
Foreign Investments	10,150,533
Total short-term investments	1,689,973,862
Long-term investments	
Time Deposits	74,871,601
Federal Home Loan Mortgage Corporation	54,889,701
Federal National Mortgage Association	82,706,681
Federal Home Loan Bank	123,635,311
State of Illinois Secondary Pool Investment Program	1,421,514
Illinois Technology Development	4,350,384
Foreign Investments	29,715,949
Total long-term investments	371,591,141
Total deposits and investments	$ 2,061,565,003

Deposits and Investments (Continued)

In allocating funds for short-term investment, the portions allocated to time deposits, certificates of deposit, commercial paper, mutual funds, and bank notes are based on forecasts of anticipated receipts and disbursements to determine funds not needed for at least 30 days from date of investment. Substantially all remaining available funds are invested in repurchase agreements with banks and brokerage firms.

The average yield for investments including amounts listed as cash equivalents, during the period July 1, 2006 through December 31, 2006 was 5.16%.

Other Assets

This classification includes other assets not available for investment and transactions in process. Details at the opening of business January 8, 2007 follow:

Warrants cashed, but not canceled	$	183,008,682
Receivables from universities, agencies and retirement systems for monies advanced and securities purchased		1,236,726
Receivable from City of Edwardsville		310,392
Investment income earned, but not received		20,059,628
Illinois Insured Mortgage Pilot Program Trust		6,438,919
Total other assets	$	211,054,347

The account balances of warrants cashed but not canceled and the receivable from universities, agencies and retirement systems represent cash expenditures from the State Treasury which were in the process of being recorded by the Comptroller at the opening of business January 8, 2007. The balances in these accounts will vary significantly from day to day, depending on the availability of investable funds and the timing of warrant presentation for payment.

The noninterest-bearing amount receivable from the City of Edwardsville (City) is stated as the unpaid balance of funds advanced to the City in 1967 for the planning and construction of a water main. The repayment terms require the City to pay into the State Treasury ten cents per one thousand gallons of water sold by the City to users receiving water from this main.

Repayments received for the period from July 1, 2006 through the opening of business January 8, 2007, were $ 5,077.

Other Assets (Continued)

Investment income earned but not received represents accrued income on investments not yet matured or collected. The balance fluctuates based on total investments and investment maturity dates.

As discussed in the notes to the financial statements, two hotel investments are presented as other assets because they are considered to be nonperforming assets.

Amount of Future General Revenue Obligated for Debt Service

The following summary reflects the general revenue obligated for debt service during fiscal year 2007 and thereafter:

	General Obligation Bonds
Certificates, bond and coupons maturing during the remainder of fiscal year 2007	$ 674,160,612
Less - balance on deposit in State Treasury at the opening of business January 8, 2007, for certificate and bond redemption and interest	(473,779,384)
Amount obligated from future general revenue	
Fiscal year 2007 general revenue	200,381,228
After June 30, 2007	35,383,443,645
Amount of future general revenue obligated for debt service at the opening of business January 8, 2007	$ 35,583,824,873

Amount of Future General Revenue Obligated for Debt Service (Continued)

A summary of the changes during the period July 1, 2006 through the opening of business January 8, 2007, in the amount of future general revenue obligated for debt service is as follows:

	General Obligation Bonds
Balance at June 30, 2006	$ 36,446,104,511
Issuance of certificates and bonds	-
Bonds and coupons redeemed and bonds refunded	(1,001,667,208)
Bonds and coupons refunded	-
Net decreases in balances on deposits in State Treasury	139,387,570
Balance at the opening of business January 8, 2007	$ 35,583,824,873

The amount of future general revenue obligated for debt service reconciled with total indebtedness at the opening of business January 8, 2007 is as follows:

	General Obligation Bonds
Amount of future general revenue obligated for debt service	$ 35,583,824,873
Balance in deposit in the State Treasury at the opening of business January 8, 2007 for bond redemption and interest	473,779,384
Total indebtedness at the opening of business January 8, 2007	$ 36,057,604,257

The liability for general obligation indebtedness is the aggregate amount of all future principal and interest payments necessary to retire such outstanding debt. The balancing amount included in assets in the statement of assets, liabilities and accountabilities of the Treasurer is equivalent to the amount to be derived from future general revenue for debt service. The proceeds of these certificate and bond issues are accounted for by other State agencies.

Under the Short Term Borrowing Act whenever casual deficits or failures in revenue of the State occur, monies borrowed are applied to the purpose for which they were obtained, or to pay the debts thus created, and to no other purpose. The interest and principal are paid by the Treasurer out of the General Obligation Bond Retirement and Interest Fund. All monies borrowed shall be borrowed for no longer than one year.

Amount of Future General Revenue Obligated for Debt Service (Continued)

The General Obligation Bond Act ("Act") was passed by the General Assembly in December 1984. Under this Act, effective December 1, 1984, the balance of, and monies directed to be included in the Capital Development Bond Retirement and Interest Fund, Anti-Pollution Bond Retirement and Interest Fund, Transportation Bond Series A Retirement and Interest Fund, Transportation Bond Series B Retirement and Interest Fund, Coal and Energy Development Bond Retirement and Interest Fund, and School Construction Bond Retirement and Interest Fund were transferred to and deposited in the General Obligation Bond Retirement and Interest Fund. This fund is used to make debt service payments on the State's general obligation bonds, which are payable from the funds listed above, as well as the bonds issued under the Act.

Liabilities for Balances on Deposit

Protested Taxes: Substantially all of the $313,200,155 at the opening of business January 8, 2007, in the Protest Trust Fund has been enjoined by the courts pending the outcome of cases in process. By statute, a taxpayer making a tax payment "under protest" has 30 days to initiate a court suit and obtain an injunction. If not enjoined, the tax payments are transferred to the fund in the State Treasury that would have received the original deposit.

Available for appropriation or expenditure: The State of Illinois' balance at the opening of business January 8, 2007 available to be appropriated by the general assembly or expended by State agencies.

Agencies' Deposits Outside the State Treasury: The liability for agencies' deposits not under the statutory recordkeeping control of the Comptroller at the opening of business January 8, 2007 consists of:

Treasurer's clearing account balances	$ 107,117,098
Treasurer's clearing account drafts in process of being ordered into the State Treasury	164,321,066
Deposits in process of being ordered into the Treasurer's clearing accounts	409,697,824
Deposits in demand accounts in process of being ordered into the State Treasury	98,987,163
Total agency deposits outside the State Treasury	$ 780,123,151

The Treasurer's liability for agencies' deposits outside the State Treasury is composed principally of deposits of county and municipal retailers' occupation taxes and State income taxes awaiting designation of account distribution before being deposited in the State Treasury. Agencies' deposits outside the State Treasury consist principally of cash and short-term investments.

Comptroller's Warrants Outstanding: Warrants prepared by the Comptroller are recorded as outstanding upon countersignature by the Treasurer. Warrants outstanding are reduced when paid warrants are returned to the Comptroller.

General Obligation Indebtedness

Reference is made to the Amount of Future General Revenue Obligated for Debt Service footnote for information relating to outstanding general obligation indebtedness.

Accountabilities

These captions present the balance of certain funds outside the State Treasury. Reference is made to the Supplementary Information - Other Assets for information relating to these accountabilities.

State of Illinois
Office of the Treasurer
FISCAL OFFICER RESPONSIBILITIES
INVESTMENT INCOME
For the Period July 1, 2006 through the Opening of Business January 8, 2007

Investment income earned by the Treasurer is summarized by fund as follows:

General revenue fund	$ 121,250,932
Other State funds	79,096,969
Segregated State trust funds	20,446,151
	$ 220,794,052

An analysis of investment income earned, classified by fund, is shown below:

Fund participating in pooled investments	
General Revenue Fund	$ 121,250,932
Aggregated Operations Regulatory Fund	5,141
Airport Land Loan Revolving Fund	1,604
Alternative Compliance Market Account Fund	6,549
AML Reclamation Set Aside Fund	248,298
Assisted Living and Shared Housing Regulatory Fund	2,699
Auction Recovery Fund	7,858
Auction Reg. Administration Fund	15,185
Autism Research Checkoff Fund	1,366
Bank & Trust Company Fund	541,801
Brownfields Redevelopment Fund	133,061
Build Illinois Bond Retirement and Interest Fund	111,587
Build Illinois Capital Revolving Loan Fund	234,433
Build Illinois Fund	533,643
Capital Litigation Fund	119,144
Care Provide Per W Dev. Dis.	75,954
Cemetery Consumer Protection Fund	20,946
Child Abuse Prevention Fund	20,040
Clean Air Act (CAA) Permit Fund	380,796
Coal Mining Regulatory Fund	2,886
Common School Fund	574,693
Community College Health Insurance Security Fund	255,096
Community DD Services Medicaid Trust Fund	102,960
Community Mental Health Medical Trust Fund	401,886
Community Water Supply Laboratory Fund	44,695
County Automobile Renting Tax Fund	1,740

State of Illinois
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FISCAL OFFICER RESPONSIBILITIES
INVESTMENT INCOME - CONTINUED
For the Period July 1, 2006 through the Opening of Business January 8, 2007

Fund participating in pooled investments		
County Hospital Services Fund	$	276,340
County Option Motor Fuel Tax Fund		113,210
County Water Commission Tax Fund		305,733
Credit Union Fund		82,398
Design Professionals Administration and Investigation Fund		13,518
Diabetes Research Checkoff Fund		2,506
Drug Rebate Fund		1,364,885
Drycleaner Environmental Response Trust Fund		83,093
DuQuoin State Fair Harness Racing Trust Fund		149
Early Intervention Services Fund		190,131
Environmental Laboratory Certification Fund		1,848
EPA Court Ordered Trust Fund		259
Explosive Regulatory Fund		1,228
Facilities Management Fund		237,822
Fair Share Trust		5,727
Family Care Fund		30,909
Federal Asset Forfeiture Fund		12,279
Federal Home Investment Trust Fund		29,229
Federal Student Loan Fund		940,445
Federal Workforce Training Fund		5,119
Fire Truck Revolving Loan Fund		38,223
Fish and Wildlife Endowment Fund		36,049
Food and Drug Safety Fund		15,055
Gaining Early Awareness & Readiness for Undergraduate Programs Fund		36,990
General Assembly Retirement Excess Benefits Fund		142
General Assembly Retirement Fund		65,934
General Obligation Bond Retirement and Interest Fund		13,070,006
General Professions Dedicated Fund		291,931
Group Insurance Premium		255,427
Group Workers Compensation Pool		14,496
Hansen-Therkelsen Memorial Deaf Student College Fund		21,981
Health & Human Services Medicaid Trust Fund		1,201,301
Health Insurance Reserve Fund		1,222,762
Hearing Instrument Dispenser Examining and Disciplinary Fund		4,918
Help Illinois Vote Fund		1,569,743
Home Inspector Administration Fund		33,090

Fund participating in pooled investments		
Home Rule City Retailers’ Occupation Tax Fund	$	708,977
Home Rule Municipal Retailers’ Occupation Tax Fund		308,153
Hospital Provider Fund		67,839
Illinois Affordable Housing Trust Fund		694,873
Illinois Beach Marina Fund		11,304
Illinois Clean Water Act		455,741
Illinois Equity Fund		50,016
Illinois Farmer and Agri-Business Loan Guarantee Fund		207,781
Illinois Habitat Fund		55,932
Illinois State Dental Disciplinary Fund		74,894
Illinois State Medical Disciplinary Fund		282,259
Illinois State Pharmacy Disciplinary Fund		149,001
Illinois State Podiatric Disciplinary Fund		10,123
Illinois Veteran's Assistance Fund		105,424
Industrial Commission Surcharge Escrow Fund		586,694
Innovations in Long-Term Care Quality Demonstration Grants		70,403
Intercity Passenger Rail Fund		11,605
Judges Retirement Excess Benefits Fund		1,647
Judges Retirement Fund		299,719
Juvenile Accountability Incentive Block Grant Fund		152,475
Kaskaskia Commons Permanent School Fund		5,992
Large Business Attraction Fund		49,312
Law Enforcement Camera Grant Fund		1,874
Local Government Health Insurance Reserve Fund		178,364
Long-Term Care Provider Fund		594,547
Medicaid Buy-In Program Revolving Fund		29,385
Metro East Mass Transit District Tax Fund		95,737
Metropolitan Pier and Exposition Authority Trust Fund		182,617
Motor Vehicle Theft Prevention Fund		74,573
Municipal Automobile Renting Tax Fund		21,044
Municipal Economic Development Fund		810
Non-Home Rule Municipal Retailer’s Occupation Tax Fund		40,305
Nuclear Safety Emergency Preparedness Fund		258,231
Nursing Dedicated and Professional Fund		239,035
Off-highway Vehicle Trails Fund		54,371
Optometric Licensing and Disciplinary Committee Fund		13,014

Fund participating in pooled investments	
Personal Property Tax Replacement Fund	$ 1,576,456
Petroleum Resources Revolving Fund	13,118
Petroleum Violation Fund	104,213
Plugging and Restoration Fund	13,187
Post Trans Main and Retention	3,204
Professional Services Fund	202,204
Professions Indirect Cost Fund	110,414
Public Agriculture Loan Guarantee	276,093
Public Health Services Revolving Fund	34,976
Public Infrastructure Construction Loan Revolving Fund	53,033
Public Pension Regulation Fund	21,882
Radiation Protection Fund	36,493
Radioactive Waste Facility Development and Operation Fund	13,459
Rail Freight Loan Repayment Fund	97,050
Rate Adjustment Fund	71,663
Real Estate Audit Fund	4,412
Real Estate License Administration Fund	335,259
Real Estate Recovery Fund	25,746
Real Estate Research and Education Fund	18,260
Regional Transit Authority Public Transportation Tax Fund	118
Regional Transit Authority Sales Tax Trust Fund	1,240,796
Registered CPA Administration and Disciplinary Fund	31,207
Replacement Vehicle Tax-Municipal Trust Fund	12
Response Contractor’s Indemnification Fund	6
Road Fund	15,595,772
Road Transportation A Fund	1,617,661
Salmon Fund	5,757
Savings and Residential Finance Regulatory Fund	593,867
School Technology Revolving Loan Fund	50,057
Second Injury Fund	12,269
Securities Audit and Enforcement Fund	186,868
Self-Insurers Administration Fund	12,547
Self-Insurers Security Fund	759,571
Self-Sufficiency Trust Fund	6
Sheffield February 1982 Agreed Order Fund	102,399
Special Tax Inc.	73,532

State of Illinois
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FISCAL OFFICER RESPONSIBILITIES
INVESTMENT INCOME - CONTINUED
For the Period July 1, 2006 through the Opening of Business January 8, 2007

Fund participating in pooled investments	
State Assets Forfeiture Fund	$ 51,345
State Construction Account Fund	733,102
State Employees Retirement Excess Benefits Fund	584
State Employees Retirement System Fund	6,226,291
State Employees' Deferred Compensation Plan Fund	108,167
State Furbearer Fund	4,201
State Migratory Waterfowl Stamp Fund	67,468
State Pheasant Fund	18,953
State Rail Freight Loan Repayment Fund	203,861
State Treasurer Court - Ordered Escrow (Harland vs. Sweet) Fund	16,672
Student Loan Operating Fund	530,117
Teachers' Health Insurance Security Fund	1,443,928
Teachers' Retirement Excess Benefits Fund	101,618
Teachers' Retirement System Fund	1,860,715
Ticket for the Cure Fund	75,829
Toxic Pollution Prevention Fund	1,946
Underground Resource Conservation Enforcement Trust Fund	20,281
Vince Demuzio Memorial Colon Cancer Fund	1,238
Violent Crime Victims Assistance Fund	71,132
Water Pollution Control Revolving Fund	10,581,884
Wildlife and Fish Fund	1,044,231
Wildlife and Prairie Park Fund	2,634
Worker's Compensation Revolving Fund	1,074,161
Worker's Compensation Benefit Trust Fund	36
Total pooled investment income	200,347,901

State of Illinois
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FISCAL OFFICER RESPONSIBILITIES
INVESTMENT INCOME - CONTINUED
For the Period July 1, 2006 through the Opening of Business January 8, 2007

Segregated Investments	
Agrichemical Incident Response Trust Fund	$ 18,715
College Savings Pool Administration Fund	26,517
Deferred Lottery Prize Winners Trust Fund	191,004
Illinois Habitat Endowment Trust Fund	300,833
Illinois Municipal Retirement Fund	559,113
Illinois Prepaid Tuition Trust Fund	178,119
Illinois Rural Rehabilitation Fund	1,779
Illinois State Toll Highway Revenue Fund	17,280,902
National Heritage Endowment Trust Fund	28,766
Radioactive Waste Facility Closure and Compensation Fund	2,760
Title III Social Security and Employment Service	569,190
Tobacco IPTIP	925,021
Unemployment Compensation Special Administration Fund	363,432
Total segregated investment income	20,446,151
Total investment income	$ 220,794,052

State of Illinois
Office of the Treasurer
FISCAL OFFICER RESPONSIBILITIES
INVESTMENT INCOME - CONTINUED
For the Period July 1, 2006 through the Opening of Business January 8, 2007

An analysis of investment income earned by funds participating in pooled investments is shown below by type of investment:

The Illinois Funds	$ 22,609,509
Time Deposits	33,666,916
Money Market Mutual Fund	8,179,615
Clearing account	57,711
Repurchase Agreements	56,950,676
Commercial Paper	56,665,683
Federal Farm Credit Bank Bond Private Placement	5,981,055
Federal Home Loan Mortgage Corporation	2,954,822
Federal National Mortgage Association	5,672,103
Federal Home Loan Bank Notes	6,616,999
State of Illinois Secondary Pool Investment Program	30,821
Illinois Technology Development	(322,085)
Foreign Investments	1,284,076
Total pooled investment income	$ 200,347,901

PROTEST TRUST FUND

Liability at July 1, 2006	$ 273,348,327
Add	
Trust receipts collected by other State agencies	47,397,399
	320,745,726
Deduct	
Trust disbursements for refunds of successfully protested tax payments	949,155
Transfers to other funds	6,596,416
	7,545,571
Liability at the opening of business January 8, 2007	$ 313,200,155

INHERITANCE AND ESTATE TAXES

The Treasurer's Fiscal Officer Responsibilities include joint responsibility with the Attorney General of the State of Illinois (Attorney General) for the collection of inheritance and estate taxes assessed by the circuit courts and the Attorney General, respectively, and collected by the 102 county treasurers.

Gross inheritance and estate tax receipts for the period from July 1, 2006 through the opening of business January 8, 2007, were $ 151,547,034. This amount does not reflect refunds and fees distributed to county treasurers.

TOBACCO SETTLEMENT RECOVERY FUND

Pursuant to Public Act 91-0646, the State Treasurer shall make deposits into the Tobacco Settlement Recovery Fund that shall contain deposits of all monies paid to the State for settlement and investment income. The following is a detail of the deposits into Fund Number 733:

Tobacco Settlement proceeds	$	2,498,000
Interest and other investment income		915,000
Total receipts and deposits	$	3,413,000

Following is the current State of Illinois, Office of the Treasurer, investment policy:

1.0 POLICY:

Under this instrument, the Illinois State Treasurer's Investment Policy ("Policy"), it is the policy of the Treasurer of the State of Illinois ("Treasurer") to invest all funds under her control in a manner that provides the highest investment return using authorized instruments while meeting the State's daily cash flow demands in conformance with all state statutes governing the investment of public funds.

This Policy applies to all investments entered into on or after the adoption of this instrument. Until the expiration of investments made prior to the adoption of this Policy, such investments will continue to be governed by the policies in effect at the time such investments were made.

2.0 OBJECTIVE:

The primary objective in the investment of state funds is to ensure the safety of principal, while managing liquidity to pay the financial obligations of the State, and providing the highest investment return using authorized instruments.

2.1 Safety:

The safety of principal is the foremost objective of the investment program. State investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the portfolio. To attain this objective, diversification, as defined in Section 8.0 of this Policy, is required to ensure that the Treasurer prudently manages market, interest rate and credit risk.

2.2 Liquidity:

The investment portfolio shall remain sufficiently liquid to enable the State to meet all operating requirements that might be reasonably projected.

2.3 Return On Investment:

The investment portfolio shall be designed to obtain the highest available return, taking into account the Treasurer's investment risk constraints and cash flow needs. The Portfolio Manager shall seek to obtain the highest available return using authorized investments during budgetary and economic cycles as mandated in Section 1.0 of this Policy. When the Treasurer deposits funds in support of community development efforts, the rate of return shall include benefits other than direct investment income as authorized by Section 7 of the Deposit of State Moneys Act (15 ILCS 520/7).

The rate of return achieved on the Treasurer's portfolio is measured at regular intervals against relevant industry benchmarks established by the Portfolio Manager, with the advice and consent of the Investment Policy Committee(1), to determine the effectiveness of investment decisions in meeting investment goals.

1. The Investment Policy Committee is chaired by the Treasurer and includes the following members of the Treasurer's office staff: Chief of Staff, Deputy Chief of Staff/Chief Fiscal Officer, Deputy Chief of Staff for Law & Policy, , Inspector General, Chief Internal Auditor, Manager of Banking, Portfolio Manager, Manager of Accounting, Director of Illinois Funds, Deputy Director-Division of Economic Opportunity, Director of Legislative Affairs, Director of Economic Development, Program Director for Agriculture and Experience Illinois, Manager of Bright Start, Director of Unclaimed Property, and the Press Secretary.

3.0 ETHICS AND CONFLICTS OF INTEREST:

Authorized investment officers and employees in policy-making positions shall refrain from personal business activity that could conflict, or give the appearance of a conflict with proper execution of the investment program, or that could impair their ability to make impartial investment decisions. Such individuals shall disclose to the Treasurer any material financial interests in financial institutions that conduct business within the State, and they shall further disclose any personal financial investment positions that could be related to the performance of the investment portfolio. In addition, such individuals shall subordinate their personal investment transactions to those of the investment portfolio, particularly with regard to the time of purchases and sales.

4.0 AUTHORIZED BROKER/DEALERS AND FINANCIAL INSTITUTIONS:
A list shall be maintained of approved financial institutions, which shall be utilized by authorized investment officers selecting institutions to provide investment services. No state funds may be deposited in any financial institution until investment officers have conducted a safety and soundness review of the financial institution by consulting IDC, Sheshunoff, and/or Veribanc bank rating services, unless the financial institution has not yet been rated by the bank rating services, in which case the institution may be eligible for a deposit that at maturity will not exceed $100,000. The amount and duration of deposits shall be based on the safety and soundness review in accordance with guidelines established by the Investment Policy Committee and the diversification limits set forth in Section 8.0. No public deposit may be made except in a qualified public depository as defined by the Deposit of State Moneys Act (15 ILCS 520).

In addition, a list shall be maintained of approved security broker/dealers selected according to their creditworthiness, and their financial significance in the state, which shall be measured in terms of the location of the broker/dealer's corporate office, the number of full-time employees, the size of its payroll, or the extent that the broker/dealer has an economic presence in the state. The list may include “primary” dealers or regional dealers who qualify under Securities and Exchange Commission Rule 240.15c3-1 (Net Capital Requirements for Brokers or Dealers).

All financial institutions and broker/dealers who want to qualify to bid for investment transactions shall initially, and on a periodic basis upon request, provide to the Treasurer's authorized investment officers the following, where applicable:

a) Audited financial statements or a published Statement of Condition;

b) Proof of minority/female/disabled broker status;

c) A trading resolution;

d) Proof of State of Illinois registration;

e) Proof of registration with the Securities and Exchange Commission;

f) Completed Broker/Dealer Questionnaire;

g) Certification of notice and knowledge of this Policy;

h) Published reports for brokers from rating agencies with investment grade ratings;

i) Proof of emerging broker status; and

j) Balance sheets from Consolidated Reports of Condition and Income (or the entire report when requested), Statements of Financial Condition, or Office of Thrift Supervision Financial Reports.

An annual review of the financial condition and registration of qualified bidders will be conducted by the Treasurer's authorized investment officers. More frequent reviews may be conducted if warranted.

To the extent that the Investment Policy Committee deems it advisable to hire external investment advisors, it may do so in accordance with the procurement rules at 44 Ill. Adm. Code 1400.

5.0 AUTHORIZED AND SUITABLE INVESTMENTS:

The Treasurer has authorized the following types of investments subject to the provisions of the Deposit of State Moneys Act (15 ILCS 520) and the Public Funds Investment Act (30 ILCS 235):

a) Securities that are guaranteed by the full faith and credit of the United States as to principal and interest;

b) Obligations of agencies and instrumentalities of the United States as originally issued by the agencies and instrumentalities;

c) Interest-bearing savings accounts, interest-bearing certificates of deposit, or interest-bearing time deposits of a bank as defined by Section 2 of the Illinois Banking Act (205 ILCS 5/2);

d) Interest-bearing accounts or certificates of deposit of any savings and loan association incorporated under the laws of the State of Illinois, any other state, or the United States;

e) Dividend-bearing share accounts, share certificate accounts, or class of share accounts of a credit union chartered under the laws of the State of Illinois or the United States, which maintains its principal office in the State of Illinois;

f) Commercial paper of a corporation that is organized in the United States with assets exceeding $500,000,000 and is rated by two or more standard rating services at a level that is at least as high as the following: A-1 by Standard & Poor's, P-1 by Moody's, F-1 by Fitch, D-1 by Duff & Phelps Credit Rating Company, A1 by IBCA, and TBW-1 by Thompson Bank Watch; and the corporation is not a forbidden entity, as defined in Section 22.6 of the Deposit of State Monies Act(effective Jan. 27, 2006);

g) Money market mutual funds registered under the Investment Company Act of 1940 (15 U.S.C.A. § 80a-1 et seq.) and rated at the highest classification of at least one standard rating service;

h) The Illinois Funds created under Section 17 of the State Treasurer Act (15 ILCS 505/17);

i) Repurchase agreements of government securities having the meaning set out in the Government Securities Act of 1986 (1 U.S.C.A. § 78o-5); and

j) Obligations of National Mortgage Associations established by or under the National Housing Act (1201 U.S.C. 1701 et seq.).

k) Securities of a foreign government, other than the Republic of Sudan (effective Jan. 27, 2006), that are guaranteed by the full faith and credit of that government as to principal and interest and rated A or higher by at least two of the standard rating services, but only if the foreign government has not defaulted and has met its payment obligations in a timely manner on all similar obligations for at least 25 years prior to the time of acquiring those obligations.

l) Investments made in accordance with the Technology Development Act (30 ILCS 265/1 et seq.).

Suitable securities in the Treasurer's portfolio may be lent in accordance with Federal Financial Institution Examination Council guidelines.

6.0 INVESTMENTS RESTRICTIONS:

a) The following investments are prohibited:

i. Investments in derivative products;

ii. Leveraging of assets through reverse repurchase agreements;

iii. Direct investments in tri-party repurchase agreements.

b) Repurchase agreements may only be executed with approved financial institutions or broker/dealers meeting the Treasurer's standards, which include mutual execution of a Master Repurchase Agreement adopted by the Treasurer.

c) Investments may not be made in any savings and loan association unless a commitment by the savings and loan association, executed by the president or chief executive officer of that association, is submitted in the form required by Section 22.5 of the Deposit of State Moneys Act (15 ILCS 520/22.5).

d) Any investments prohibited by Section 22.6 of the Deposit of State Monies Act (effective Jan. 27, 2006).

7.0 COLLATERALIZATION:

All State deposits, repurchase agreements and securities lending shall be secured as required by the Treasurer (2) and provided for by the Deposit of State Moneys Act (15 ILCS 520) and the Treasurer's Acceptable Collateral Listing, which may change from time to time.

The Treasurer may take possession and title to any securities held as collateral and hold such securities until it is prudent to dispose of them.

2. The Treasurer maintains a list of acceptable collateral.

8.0 DIVERSIFICATION:

The investment portfolio shall be diversified to eliminate the risk of loss resulting from concentration of assets in a specific maturity, a specific issuer or a specific class of securities. In order to properly manage any risk attendant to the investment of state assets, the portfolio shall not deviate from the following diversification guidelines unless specifically authorized by the Treasurer in writing:

a.The Treasurer shall seek to achieve diversification in the portfolio by distributing investments among authorized investment categories among financial institutions, issuers and broker/dealers;

b.The investment portfolio shall not hold time deposits and/or term repurchase agreements that constitute more than 15% of any single financial institution's total deposits. Any deposits and/or repurchase agreements that constitute more than 10% of an institution's total deposits must qualify as community development deposits described in Section 7 of the Deposit of State Moneys Act (15 ILCS 520/7).

c. No financial institution shall at any time hold more than $100,000,000 of time deposits and/or term repurchase agreements other than community development deposits described in Section 7 of the Deposit of State Moneys Act (15 ILCS 520/7). Provided, however, that:

i. Financial institutions holding deposits that exceed $100,000,000.00 on the date that this Policy is adopted, shall continue to be eligible to hold deposits that do not exceed the amount of deposits held on that date.

ii. Financial institutions that, as a result of a merger or acquisition, hold deposits that exceed $100,000,000.00 may continue to be eligible to hold deposits that do not exceed the amount of deposits held on the date of the merger or acquisition.

d. The investment portfolio shall not contain investments that exceed the following diversification limits that apply to the total assets in the portfolio at the time of the origination or purchase, as monitored on a daily basis and as maturity of instruments occur, and as adjusted as appropriate:

i. With the exception of cash equivalents, treasury securities and time deposits, as defined in Section 5.0 of this Policy, no more than 35% of the portfolio shall be invested in other investment categories,

ii. No more than one-third of the investment portfolio shall be invested in commercial paper,

iii. As much as 40% of the portfolio may be invested in time deposits when required by the cash flow of the State,

iv. No more than ½ of 1% of the investment portfolio shall be invested in Foreign Government Securities, not to exceed a five year maturity, as defined in Section 5.0(k) of this Policy,

v. No more than 10% of the investment portfolio shall be allocated to investments with a 2-4 year maturity band,

vi. No more than 5% of the investment portfolio shall be allocated to investments with a 4-5 year maturity band (not including Foreign Government Securities).

e. The Treasurer shall invest the majority of state funds in authorized investments of less than one-year maturity. There shall be no limit to the amount of investment portfolio allocated to investments with a 0-2 year maturity band.

9.0 CUSTODY AND SAFEKEEPING:

The custody and safekeeping of collateral will be handled by Illinois financial institutions selected pursuant to a competitive selection process in compliance with the Treasurer's office procurement rules at 44 Ill. Adm. Code 1400. Financial institutions selected by the Treasurer's office to perform custody and safekeeping services will be required to enter into a contractual agreement approved by the Chief Legal Counsel.

All security transactions entered into by the Treasurer shall be conducted on a delivery-versus-payment (DVP) or receipt-versus-payment (RVP) basis. Securities shall be held by a safekeeping agent designated by the Treasurer, and evidenced by safekeeping receipts.

10.0 INTERNAL CONTROLS:

The Treasurer, as the Chief Investment Officer and with the assistance of the Investment Policy Committee, shall establish a system of internal controls and written operational procedures that shall be documented and filed with Treasurer's Inspector General for review. The controls shall be designed to prevent the loss of public funds arising from fraud, employee error, and misrepresentation by third parties, unanticipated changes in financial markets or imprudent actions by authorized investment officers.

a) Asset Allocation: The allocation of assets within investment categories authorized under Section 5.0 of this Policy shall be approved by the Treasurer in writing.

b) Competitive Bidding: Authorized investment officers shall obtain competitive bids from at least three (3) broker/dealers prior to executing the purchase or sale of any authorized investments.

Certificates of deposit shall be purchased by authorized investment officers on the basis of a qualified financial institution's ability to pay a required rate of interest to the Treasurer, which is established on a daily basis. Such rate is generally determined on the basis of treasury or other appropriate market rates for a comparable term.

11.0 LIMITATION OF LIABILITY:

The standard of prudence to be used by authorized investment officers shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. Authorized investment officers acting in accordance with written procedures and this Policy and exercising due diligence will be relieved of personal liability for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely manner and necessary action is taken to control adverse developments.

12.0 REPORTING:

Quarterly reports are presented by the Chief Financial Officer to the Investment Policy Committee, chaired by the Treasurer, for its review. The quarterly report shall contain sufficient information to enable the Investment Policy Committee to review the investment portfolio, its effectiveness in meeting the needs of the Treasurer's office for safety, liquidity, rate of return, and diversification, and the general performance of the portfolio. The following information shall be included in the quarterly reports:

a)Performance as compared to established benchmarks;

b)Asset allocation;

c) Any circumstances resulting in a deviation from the standards established in Section 9.0 of this Policy;

d) Impact of any material change in investment policy adopted during the quarter;

e) The average days to maturity;

f) A listing of all investments in the portfolio by class or type marked to market value; and

g) The income earned from the investments as of the report date.

The Treasurer shall develop performance reports in compliance with established industry reporting standards within six (6) months following the adoption of this Investment Policy. Such reporting standards shall be in accordance with Generally Accepted Accounting Principles ("GAAP").

The Treasurer reserves the right to amend this Policy at any time upon the advice and consent of the Investment Policy Committee.

STATE OF ILLINOIS
Office of the Treasurer

THE ILLINOIS FUNDS

FINANCIAL AUDIT

For the Period July 1, 2006 through the
Opening of Business January 8, 2007

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

Part II

State of Illinois
Office of the Treasurer
THE ILLINOIS FUNDS

CONTENTS

State of Illinois
Office of the Treasurer
THE ILLINOIS FUNDS

TREASURER'S OFFICE OFFICIALS THROUGH JANUARY 8, 2007

Treasurer	Honorable Judy Baar Topinka (January 9, 1995 to January 8, 2007)
Treasurer	Honorable Alexi Giannoulias (January 8, 2007 to Present)
Chief of Staff	Ms. Nancy Kimme
Chief Fiscal Officer/ Deputy Chief of Staff for Operations	Mr. Edward Buckles
Deputy Treasurer	Mr. Martin Noven
Chief Legal Counsel	Ms. Alissa Camp
Director of Economic Opportunity	Mr. Rick Hackler
Assistant Director of The Illinois Funds	Mr. Randy Coffey
Portfolio Manager	Mr. Mark Polistina
Inspector General	Mr. David Wells
Manager of Accounting Division	Mr. Chad Dierking
Chief Internal Auditor	Ms. Barbara Ringler

The Office of the Treasurer maintains four 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

FINANCIAL STATEMENT REPORT

State of Illinois
Office of the Treasurer
THE ILLINOIS FUNDS

FINANCIAL STATEMENT REPORT

SUMMARY

The audit of the accompanying financial statements of The Illinois Funds of the State of Illinois, Office of the Treasurer was performed by Crowe Chizek and Company LLC for the period July 1, 2006 through the opening of business January 8, 2007.

Based on their audit, the auditors expressed an unqualified opinion on The Illinois Funds financial statements.

Crowe Chizek and Company LLC
Member Horwath International

3201 West White Oaks Drive, Suite 202
Springfield, Illinois 62704-6592
Tel 217.862.2700
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 Illinois Funds (a fiduciary fund) of the State of Illinois, Office of the Treasurer for the period July 1, 2006 through the opening of business January 8, 2007, 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 audit.

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. 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 audit provides a reasonable basis for our opinion.

As discussed in Note A, the financial statements of The Illinois Funds 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 the opening of business January 8, 2007, and its changes in financial position for the period July 1, 2006 through the opening of business January 8, 2007 in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Illinois Funds of the State of Illinois, Office of the Treasurer as of the opening of business January 8, 2007, and the changes in its financial position thereof for the period July 1, 2006 through the opening of business January 8, 2007 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 April 2, 2007, on our consideration of The Illinois Funds 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 audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements of The Illinois Funds of the State of Illinois, Office of the Treasurer. The portfolio of investments and the investment policies, listed in the Table of Contents on pages 19-37, are presented for purposes of additional analysis and are not a required part of the financial statements. The portfolio of investments has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole. The investment policies have not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on them.

Crowe Chizek and Company LLC

Crowe Chizek and Company LLC

Springfield, Illinois
April 2, 2007

Crowe Chizek and Company LLC
Member Horwath International

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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 Illinois Funds of the State of Illinois, Office of the Treasurer for the period July 1, 2006 through the opening of business January 8, 2007, and have issued our report thereon dated April 2, 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 Illinois Funds in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the 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 was for the limited purpose described in the first paragraph 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 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 Illinois Funds' 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
April 2, 2007

State of Illinois
Office of the Treasurer
THE ILLINOIS FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
As of the Opening of Business January 8, 2007

ASSETS	
Cash equivalents	
Repurchase agreements, including accrued interest of $ 2,243,562	$ 5,167,243,562
Commercial paper, net of unamortized discount of $ 395,165	259,604,835
Money market mutual funds	382,794,629
Total cash equivalents	5,809,643,026
Deposits and investments	
Certificates of deposit, including accrued interest of $ 121,637	122,611,637
U.S. agency obligations	
Federal Home Loan Bank Debentures, net of unamortized discount of $ 252	13,999,748
Federal Home Loan Mortgage Corporation interest bearing notes	4,000,000
Total deposits and investments	140,611,385
Accrued interest receivable	988,921
Total assets	$ 5,951,243,332

The accompanying notes are an integral part of this statement.

State of Illinois
Office of the Treasurer
THE ILLINOIS FUNDS
STATEMENT OF FIDUCIARY NET ASSETS - CONTINUED
As of the Opening of Business January 8, 2007

LIABILITIES AND NET ASSETS

Accrued liabilities		
Bank custodial fees	$	40,815
State management fees		67,961
Accrued dividends payable		5,843,453
Total liabilities		5,952,229
Net assets available to participants		5,945,291,103
Total liabilities and net assets	$	5,951,243,332
The pricing of shares		
Participant shares outstanding, ($ 1.00 par, unlimited shares authorized)	$	5,945,291,103
Participant net asset value, offering and redemption price per share	$	1.00

The accompanying notes are an integral part of this statement.

State of Illinois
Office of the Treasurer
THE ILLINOIS FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
For the Period July 1, 2006 through the Opening of Business January 8, 2007

Operations		
Revenues		
Investment earnings	$	164,422,709
Expenses		
Bank custodial fees		1,113,840
State management fees		1,858,062
Total expenses		2,971,902
Net investment earnings		161,450,807
Dividends to shareholders from net investment income		(161,450,807)
Share transactions (dollar amounts and number of shares are the same)		
Subscriptions		8,524,340,952
Reinvestments		153,991,983
Redemptions		(8,447,837,847)
Net increase in net assets and shares resulting from share transactions		230,495,088
Net assets, July 1, 2006		5,714,796,015
Net assets, opening of business on January 8, 2007	$	5,945,291,103

The accompanying notes are an integral part of this statement.

Background

The Illinois Funds was established in 1976 to supplement and enhance the investment opportunities available to custodians of public agency funds throughout the State of Illinois. The management, custodianship, and operation of The Illinois Funds are under the supervision of the State of Illinois, Office of the Treasurer ("Treasurer").

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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 Illinois Funds is not legally separate from the State of Illinois and is, therefore, determined to be part of the primary government. The Illinois Funds is included in the Illinois Comprehensive Annual Financial Report as an investment trust fund. The Illinois Funds consists of an internal and external portion. The internal portion is the portion that belongs to the State and its component units. The external portion is the portion belonging to the noncomponent-unit participants. The scope of The Illinois Funds' financial statements presented herein is limited to the financial position of The Illinois Funds, including net assets available to all participants, both internal and external, and the changes in net assets. The internal portion of the Illinois Funds is included in the various funds in the Illinois Comprehensive Annual Financial Report as an investment.

Securities held by the Custodian, U.S. Bank of Illinois ("USB"), for safekeeping on behalf of The Illinois Funds' participants under a separate agreement are not recorded in the accounts or reported in the accompanying financial statements of The Illinois Funds. This service is provided by USB to all Illinois Funds' participants at a discounted fee.

Fiduciary Fund: The Illinois Funds is classified as an investment trust fund. This investment trust fund is used to account for assets held by The Illinois Funds in a trustee capacity or as an agent for public treasurers and other custodians of public monies throughout the State of Illinois. This investment trust fund is not held in the State Treasury and is a non-appropriated fund.

Basis of Accounting and Measurement Focus: The accounts of The Illinois Funds 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.

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash Equivalents, Deposits, and Investments: Cash equivalents are defined as short-term, highly liquid investments readily convertible to cash with maturities of 90 days or less at time of purchase.

Repurchase agreements (securities purchased under agreements to resell) are carried at the amounts at which the securities will be subsequently resold, including accrued interest (which represents current value), as specified in the agreements.

Commercial paper is stated at amortized cost, which excludes accrued interest and includes accretion of discounts and amortization of premiums. Commercial paper utilizes the straight-line method of amortization or accretion. It is the intent of management to hold commercial paper to maturity.

Certificates of deposit with financial institutions are stated at cost plus accrued interest, which represents current value. Certificates of deposit may be subject to certain withdrawal restrictions. It is the intent of management to hold the time deposits to maturity.

Money market mutual funds are carried at cost and are purchased from various brokerage firms. The funds are comprised of U.S. Treasury obligations. Mutual fund yields are subject to market rate fluctuations.

U.S. Agency obligations are stated at amortized cost, which excludes accrued interest and includes accretion of discounts and amortization of premiums. U.S. Agency discount notes utilize the constant yield method and all others use straight-line amortization. It is the intent of management to hold U.S. Agency securities to maturity unless market conditions provide for realization of a gain and management determines a sale would be in the best interest of The Illinois Funds.

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 reported period. These estimates may differ from actual results.

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 Illinois Funds operates as a 2a7-like pool and, thus, reports all investments at amortized cost rather than market value.

Permitted Deposits and Investments: The Treasurer's investment activities are governed by the Treasurer's published investment policies, which were developed in accordance with the State statute and the desire to maintain The Illinois Funds' AAAm rating from Standard & Poor's. In addition, the Treasurer's Office has adopted its own investment practices, which supplement the statutory requirements.

The Illinois Funds offers two investment options, the Money Market Fund and the Prime Fund.

For the Money Market Fund, the Treasurer may invest in time deposits and other interest-bearing accounts in banks and savings and loan associations located in Illinois that are insured by the Federal Deposit Insurance Corporation ("FDIC"), credit unions whose principal office is located in Illinois, obligations of the United States and its agencies, short-term obligations of corporations whose obligations are rated among the three highest classifications established by at least two standard rating services, repurchase agreements, or other investments approved by State law. The Treasurer's current investment policy for the Money Market Fund does not include any investment in short-term obligations of corporations (commercial paper).

For the Prime Fund, the Treasurer may invest in time deposits and other interest-bearing accounts in banks and savings and loan associations located in Illinois that are insured by FDIC, credit unions whose principal office is located in Illinois, high-grade commercial paper rated A1/P1 or higher, U.S. government agency securities, The Illinois Funds Money Market Fund, repurchase agreements, and AAA rated money market funds. The Prime Funds' investment in the Illinois Funds Money Market Fund was rated AAAm by Standard and Poor's Ratings.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Illinois Funds' long-term investments in U.S. agency obligations were rated Aaa by Moody's Investors Service and AAA by Standard and Poor's Ratings. The Illinois Funds' short-term investments in U.S. agency obligations, including collateral for repurchase agreements, were rated P-1 by Moody's Investors Service and F1+ by Fitch Ratings. Its short-term investments in commercial paper were rated P-1 by Moody's Investors Service and A-1 by Standard and Poor's Ratings, except for those issued by Deutsche Bank, UBS Finance, and UBS Americas, which were rated A-1+. Its investments in money market mutual funds were rated Aaa by Moody's Investors Service and AAAm by Standard and Poor's Ratings.

NOTE B - DEPOSITS AND INVESTMENTS (Continued)

The Treasurer's policy requires all time deposits and other interest-bearing deposits to have collateral equal to at least 105% of the amount of the deposit not covered by Federal deposit insurance. Securities eligible to be pledged as collateral are U.S. Treasury and Agency obligations.

Obligations pledged to secure deposits must be delivered to the appointed Custodian of The Illinois Funds. Prior to placing the deposit, and on a daily basis thereafter, the Treasurer determines that the collateral has a market value adequate to secure the deposit.

Repurchase agreements are purchased from various brokerage firms and financial institutions. Securities pledged as collateral to secure these agreements are required to have a market value of at least 102% of the agreement. The agreements require both parties to maintain an acceptable margin (yield) on underlying securities to ensure that the agreements are adequately collateralized. The Treasurer accepts only U.S. agency obligations and U.S. Treasury obligations as collateral for repurchase agreements. All securities pledged to secure repurchase agreements are required to be delivered to the appointed Custodian of The Illinois Funds.

Other instruments, such as U.S. Treasury obligations, may be purchased from various brokerage firms and held in safekeeping by the appointed Custodian of The Illinois Funds.

Deposits: Certificates of deposit had both carrying values and bank balances (excluding accrued interest) of $122,490,000 at the opening of business on January 8, 2007. These deposits were fully insured or collateralized by securities held by the Treasurer or by her agent in the name of The Illinois Funds at the opening of business on January 8, 2007.

NOTE B - DEPOSITS AND INVESTMENTS (Continued)

Investments: At the opening of business on January 8, 2007, in accordance with Governmental Accounting Standards Board Statement 40, *Deposit and Investment Risk Disclosures* (GASB 40), there was no custodial credit risk assumed by the Illinois Funds because the investments are represented by specific identifiable investment securities which are insured or registered, or are securities held by the Treasurer or her agent in the name of the Illinois Funds. Excluding time deposits, the Illinois Funds had the following investments, stated at carrying value, and maturities as of the opening of business on January 8, 2007. (Amounts are in thousands.)

	Cash Equivalents	Less Than One Year	Total
Repurchase agreements	$ 5,167,243	$ -	$ 5,167,243
Commercial paper	259,605	-	259,605
U.S. agency securities	-	18,000	18,000
Subtotal	$ 5,426,848	$ 18,000	5,444,848
Treasury-only money market mutual funds			382,795
Total investments, excluding time deposits			$ 5,827,643

The master repurchase agreements utilized by The Illinois Funds require the broker or financial institution to maintain the market value of collateral securities at 102% of the agreement. The carrying amount of the repurchase agreements (excluding accrued interest) was $ 5,165,000,000 as of the opening of business on January 8, 2007. The market value, including accrued interest, of the underlying securities to be resold based on commitments under the repurchase agreements was approximately $ 5,274,192,449 as of the opening of business on January 8, 2007.

NOTE B - DEPOSITS AND INVESTMENTS (Continued)

Interest Rate Risk: Interest Rate risk is the risk that changes in the interest rates will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses arising from rising interest rates, the investment policies limit the investment portfolio maturities. The Money Market Fund investment policy limits its investment portfolio to maturities not to exceed two years with a minimum of 75% required to be in authorized investments with less than one-year maturity. Additionally, certificates of deposit held in the Money Market Fund's portfolio cannot constitute more than 10% of any single financial institution's total deposits and no investment category shall exceed 25% of the portfolio, with the exception of cash equivalents and U.S. Treasury securities. The Prime Fund investment policy subjects its investment portfolio to the same limitations as those provided for the investment funds of the State Treasury. Therefore, the Prime Fund investment policy limits the investment portfolio to maturities not to exceed three years. However, the Prime Fund investment policy specifically requires that no more than 50% of total assets can be invested in securities with maturities greater than 30 days issued by any single permissible United States government agency or instrumentality; no more than 5% of total assets can be invested in securities issued by any single commercial paper issuer (calculated at the time of purchase); and, a maximum of 33.3% of the portfolio may be invested in direct commercial paper obligations that do not exceed 180 days to maturity. Additionally, a maximum of 25% of the Prime Fund's total assets may be invested in any approved AAAm money market fund (i.e. The Illinois Funds Money Market Fund). The Treasurer's Office uses the segmented time distribution method to identify and manage interest rate risk.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of the Illinois Funds' investment in a single issuer. The following investments exceeded 5% of the Illinois Funds total investments at the opening of business on January 8, 2007. (Amounts are in thousands.)

	Carrying Value	% of Total Investments
Repurchase agreements:		
Bear Stearns	$ 1,000,435	17.17
Greenwich Capital	500,217	8.58
HSBC	800,347	13.73
Mizuho	400,174	6.87
Morgan Stanley	800,347	13.73
Nesbitt Burns	500,217	8.58
UBS	740,322	12.70

NOTE C - INVESTMENT INCOME

The Illinois Funds follows the accounting practice known as equalization. Accordingly, distributable investment income is allocated daily and paid monthly to participants on a pro rata (per share) basis and accumulated investment income payable is credited to The Illinois Funds' net asset base. A portion of the proceeds from sales and costs of repurchases of The Illinois Funds' capital shares (equivalent, on a per share basis, to the amount of distributable investment income on the date of the transaction) are credited or charged to undistributed income. As a result, undistributed investment income per share is unaffected by sales or redemptions of The Illinois Funds capital shares.

Periodically, throughout the fiscal year, market conditions may enable The Illinois Funds to realize capital gains by selling securities, which have appreciated in value. These gains are placed in a separate account within The Illinois Funds' portfolio. These gains may be distributed to participants during the fiscal year based on average daily account balance. During the period July 1, 2006 through the opening of business on January 8, 2007, there were none of these sales.

NOTE D - ADMINISTRATIVE FEES

To administer The Illinois Funds, the Treasurer has established a division entitled the "The Illinois Funds' Administrative Office." This division had 37 employees as of the opening of business on January 8, 2007. The revenues and expenditures of the division are recorded in an enterprise fund maintained by the Treasurer entitled The Illinois Funds' Administrative Trust Fund No. 195.

USB performs the custodial responsibilities for the administration of The Illinois Funds. USB calculates the administrative and custodial fees paid to the State Treasurer and USB, respectively. Fees are calculated on a tiered structure. Both fees are paid from a charge based on the net asset value of The Illinois Funds. The fee is accrued daily and withdrawn monthly from the fund. The custodian's fee for the Money Market Fund is calculated at 0.05% for the first $ 2,000,000,000; 0.025% for the next $ 1,000,000,000; 0.0248% for the next $ 500,000,000; and 0.0246% for the amount over $ 3,500,000,000 per annum of the market value of the total amount of The Illinois Funds. The custodian's fee for the Prime Fund is calculated at 0.0516% for the first $ 500,000,000; 0.0295% for the next $ 500,000,000; 0.0265% for the next $ 500,000,000; 0.0255% for the next $ 500,000,000; and 0.025% for the amount over $ 2,000,000,000 per annum of the market value of the total amount of the fund.

NOTE D - ADMINISTRATIVE FEES (Continued)

The State Treasurer receives 0.06% per annum of the net asset value of The Illinois Funds. This fee is used to defray administrative costs associated with investing The Illinois Funds' assets, to increase marketing efforts needed to expand participation in The Illinois Funds, and to improve the level of service to participants.

The Treasurer's Office has the ability to rebate to The Illinois Funds' participants any excess administrative fees collected. There were no excess administrative fees rebated to The Illinois Funds' participants during the period July 1, 2006 through the opening of business on January 8, 2007.

The Treasurer received fees and paid expenditures from the Administrative Trust Fund No. 195 approximating the following:

Fees received	$ 1,858,000
Expenditures	1,588,000

Additionally, 30 ILCS 105/8h permits the Governor to order the transference of money from the Administrative Trust Fund No. 195 to the General Revenue Fund No. 001. The Governor ordered fund transfers of $525,000 from the Administrative Fund during the period July 1, 2006 through the opening of business on January 8, 2007.

NOTE E - NET ASSETS AVAILABLE TO PARTICIPANTS

The net assets available to participants represents the total value of all participant deposits including late deposits held in an overnight investment account as of the opening of business on January 8, 2007.

The Illinois Funds operates as an open-end mutual fund. Participants' deposits and withdrawals were accounted for as purchases and sales of The Illinois Funds' capital shares. The amount of net proceeds from the sale of shares represents the gross withdrawals, which were redeemed from The Illinois Funds' shares during the year. The cost of shares purchased represents the gross deposits, which were invested in The Illinois Funds' shares during the year. These amounts did not include deposits or earnings, which were remitted directly to participants versus invested (or reinvested) in The Illinois Funds' shares.

NOTE E - NET ASSETS AVAILABLE TO PARTICIPANTS (Continued)

Net assets for the Money Market Fund, including accrued dividends payable, were $4,921,561,573 as of the opening of business on January 8, 2007. Net assets for the Prime Fund, including accrued dividends payable, were $1,029,572,983 as of the opening of business on January 8, 2007.

NOTE F - RELATED PARTIES

The Illinois Funds' Administrative Office, a division of the State Treasurer's Office, is responsible for the administration of The Illinois Funds, including management of investments and marketing services. The Illinois Funds' Administrative Office received fees as stated in Note D during the period July 1, 2006 through the opening of business on January 8, 2007. The Illinois Funds' Administrative Trust Fund No. 195 was maintained by the Treasurer in a separate investment account of The Illinois Funds. The cash balance at the opening of business on January 8, 2007 was approximately $ 855,000.

The State of Illinois, its agencies, and its universities invest in the Illinois Funds. The detail follows:

Total number of participants	2,148
Number of State of Illinois participants	28
Balance of State of Illinois investments	$ 1,323,136,552

SUPPLEMENTARY INFORMATION

State of Illinois
Office of the Treasurer
THE ILLINOIS FUNDS
PORTFOLIO OF INVESTMENTS
As of the Opening of Business January 8, 2007

	Execution Date	Interest Rate	Maturity Date	Face Amount	Current Value*
Repurchase Agreements					
BARCLAY'S CAPITAL MARKETS	01/05/07	5.250%	01/08/07	$ 175,000,000	$ 175,076,563
BEAR STEARNS	01/05/07	5.210%	01/08/07	800,000,000	800,347,333
BEAR STEARNS	01/05/07	5.250%	01/08/07	200,000,000	200,087,500
GREENWICH CAPITAL	01/05/07	5.200%	01/08/07	400,000,000	400,173,333
GREENWICH CAPITAL	01/05/07	5.250%	01/08/07	100,000,000	100,043,750
HSBC	01/05/07	5.210%	01/08/07	800,000,000	800,347,333
MIZUHO SECURITIES USA	01/05/07	5.220%	01/08/07	400,000,000	400,174,000
MORGAN STANLEY	01/05/07	5.200%	01/08/07	800,000,000	800,346,667
NESBITT BURNS	01/05/07	5.210%	01/08/07	500,000,000	500,217,083
SALOMON SMITH BARNEY	01/05/07	5.180%	01/08/07	250,000,000	250,107,917
UBS	01/05/07	5.210%	01/08/07	500,000,000	500,217,083
UBS	01/05/07	5.250%	01/08/07	240,000,000	240,105,000
Total Repurchase Agreements				$ 5,165,000,000	$ 5,167,243,562

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PORTFOLIO OF INVESTMENTS - CONTINUED
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	Execution Date	Effective Yield	Maturity Date	Market Value**	Amortized Cost
Commercial Paper					
ADM	12/19/2006	5.300	01/30/07	$ 19,933,205	$ 19,935,222
BEAR STEARNS	12/20/2006	5.260	01/26/07	49,863,096	49,868,500
DEUTSCHE BANK	12/8/2006	5.250	01/08/07	49,992,808	50,000,000
MORGAN STANLEY	12/15/2006	5.260	01/18/07	44,928,666	44,934,250
UBS AMERICAS	12/19/2006	5.265	01/19/07	49,913,452	49,919,563
UBS FINANCE	12/15/2006	5.270	01/16/07	44,941,525	44,947,300
Total Commercial Paper				$ 259,572,752	$ 259,604,835

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PORTFOLIO OF INVESTMENTS - CONTINUED
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	Execution Date	Interest Rate	Maturity Date	Face Amount	Current Value*
Certificates of Deposits					
AM HEARTLAND BK	03/06/06	4.930	03/06/07	$ 250,000	$ 250,236
AMER HEARTLAND BK	05/11/06	5.160	05/11/07	250,000	250,247
AMER HEARTLAND BK	10/06/06	5.270	10/05/07	250,000	250,253
AMERICAN EAGLE BANK-S ELGIN	08/11/06	5.280	08/10/07	100,000	100,101
AMERICAN HEARTLAND & TRUST	11/02/06	5.350	11/02/07	250,000	250,257
AMERICAN HEARTLAND & TRUST SGR	01/04/07	5.280	01/04/08	250,000	250,239
AMERICAN HEARTLAND AND TRUST	04/25/06	5.090	04/25/07	250,000	250,244
AMERICAN HEARTLAND BANK & TRUST	06/02/06	5.160	05/25/07	250,000	250,247
AMERICAN HEARTLAND BANK & TRUST	09/12/06	5.220	09/12/07	300,000	300,300
AMERICAN HEARTLAND BANK & TRUST	09/19/06	5.240	09/19/07	500,000	500,502
AMERICAN HEARTLAND BANK-SUGAR GR	01/04/07	5.280	01/04/08	250,000	250,239
AMERICAN HEARTLAND BNK & TRST	08/16/06	5.320	08/16/07	250,000	250,255
AMERICAN HEARTLAND BNK &TRST	02/17/06	4.880	02/16/07	250,000	250,234
AMERICAN HEARTLAND-SUGAR GROVE	08/08/06	5.270	08/08/07	250,000	250,253
AMERICAN METRO BANK-CHICAGO	09/05/06	5.300	01/09/07	100,000	100,102
AMERICAN METRO BANK-CHICAGO	05/10/06	4.920	03/23/07	100,000	100,094
ANNA NATIONAL BANK OF ANNA	08/10/06	5.290	08/10/07	400,000	400,406
ARCOLA HOMESTEAD SAVINGS ARCOLA	07/25/06	5.370	07/25/07	95,000	95,098
ASSOCIATED BANK CHICAGO	08/28/06	5.290	08/28/07	100,000	100,101
BANCO POPULAR - RIVER GROVE	08/04/06	5.310	08/03/07	6,000,000	6,006,110
BANK OF DWIGHT	06/02/06	5.150	05/25/07	1,000,000	1,000,988
BANK OF PONTIAC	03/02/06	4.870	03/02/07	750,000	750,701
BANKORION	11/09/06	5.310	11/09/07	1,000,000	1,001,018
CARLINVILLE NATIONAL BANK	12/04/06	5.260	12/04/07	1,000,000	1,001,009
CENTRAL BANK ASHKUM	05/05/06	5.130	05/04/07	300,000	300,295
CITIZENS COMMUNITY BANK MASCOUTH	09/05/06	5.270	09/05/07	1,000,000	1,001,011

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PORTFOLIO OF INVESTMENTS - CONTINUED
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	Execution Date	Interest Rate	Maturity Date	Face Amount	Current Value*
Certificates of Deposits - Continued					
CITIZENS FIRST NATIONAL BNK PRIN	09/06/06	5.270	01/09/07	$ 95,000	$ 95,096
COLLINSVILLE BUILDING & LOAN	01/04/07	5.280	01/04/08	95,000	95,091
COMMUNITY BANK HOOPESTON	03/03/06	4.860	02/02/07	500,000	500,466
COMMUNITY BANK HOOPESTON	07/24/06	5.370	02/20/07	300,000	300,309
COMMUNITY BANK OF HOOPESTON	09/22/06	5.230	04/20/07	1,000,000	1,001,003
COMMUNITY BANK OF HOOPESTON	06/20/06	5.360	06/20/07	1,000,000	1,001,028
CORN BELT & TRUST CO PITTSFIELD	07/14/06	5.490	07/13/07	400,000	400,421
CORN BELT BANK & TRUST	09/26/06	5.230	09/25/07	200,000	200,201
CORN BELT BANK & TRUST CO PITTSF	09/15/06	5.240	09/14/07	95,000	95,095
CROSSROADS BANK - EFFINGHAM	12/15/06	5.250	12/14/07	1,000,000	1,001,007
DUQUOIN STATE BANK	11/02/06	5.330	06/04/07	1,800,000	1,801,840
DUQUOIN STATE BANK	08/02/06	5.290	08/02/07	600,000	600,609
DUQUOIN STATE BANK	09/13/06	5.230	09/13/07	1,000,000	1,001,003
EAST DUBUQUE SAVINGS BANK	09/26/06	5.230	09/25/07	500,000	500,502
EDGAR COUNTY BANK & TRUST	09/05/06	5.290	09/05/07	3,000,000	3,003,044
FARMERS & MERCHANT VIRDEN	05/03/06	5.100	05/03/07	300,000	300,293
FARMER'S STATE BANK, EMDEN	12/12/06	5.270	12/12/07	600,000	600,606
FEDERAL SAVINGS BANK MASCOUTAH	09/26/06	5.230	06/25/07	95,000	95,095
FIRST BANK MONTICELLO	07/05/06	5.500	02/02/07	2,100,000	2,102,215
FIRST BANK OF HIGHLAND PARK	10/03/06	5.290	02/02/07	500,000	500,507
FIRST BANK OF HIGHLAND PARK	10/19/06	5.240	02/16/07	500,000	500,502
FIRST BANK OF HIGHLAND PARK	11/03/06	5.370	03/05/07	500,000	500,515
FIRST BANK OF HIGHLAND PARK	11/15/06	5.300	03/14/07	500,000	500,508
FIRST BANK OF HIGHLAND PARK	12/15/06	5.250	04/16/07	500,000	500,503
FIRST NATIONAL BANK AND TRUST	03/17/06	4.960	03/16/07	600,000	600,571
FIRST NATIONAL BANK CHRISMAN	02/02/06	4.710	02/02/07	1,000,000	1,000,903

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	Execution Date	Interest Rate	Maturity Date	Face Amount	Current Value*
Certificates of Deposits - Continued					
FIRST NATIONAL BANK CHRISMAN	07/17/06	5.440	02/13/07	$ 500,000	$ 500,522
FIRST NATIONAL BANK CHRISMAN	05/23/06	5.160	02/16/07	700,000	700,693
FIRST NATIONAL BANK CHRISMAN	09/15/06	5.240	04/13/07	1,000,000	1,001,005
FIRST NATIONAL BANK DIETERICH	02/21/06	4.850	02/21/07	300,000	300,279
FIRST NATIONAL BANK DIETERICH	05/03/06	5.100	05/03/07	300,000	300,293
FIRST NATIONAL BANK DIETERICH	06/14/06	5.290	06/14/07	800,000	800,812
FIRST NATIONAL BANK MT. AUBURN	08/10/06	5.280	08/10/07	300,000	300,304
FIRST NATIONAL BANK OF GRNT PARK	05/05/06	5.160	05/04/07	100,000	100,099
FIRST NATIONAL BANK TAYLORVILLE	11/02/06	5.290	11/02/07	800,000	800,812
FIRST STATE BANK BLOOMINGTON	05/11/06	5.160	05/11/07	2,000,000	2,001,979
FIRST STATE BANK OF MONTICELLO	08/16/06	5.300	08/16/07	1,000,000	1,001,016
GALENA STATE BANK	05/12/06	5.160	05/11/07	700,000	700,693
GALENA STATE BANK & TRUST GALENA	09/06/06	5.290	07/06/07	1,000,000	1,001,015
GALENA STATE BANK AND TRUST	12/05/06	5.300	04/04/07	1,050,000	1,051,067
GERMANTOWN TRUST	11/09/06	5.310	05/08/07	400,000	400,407
GERMANTOWN TRUST & SAVINGS	07/10/06	5.480	06/05/07	500,000	500,526
GUARDIAN SVGS BANK GRANITE CITY	09/26/06	5.230	09/25/07	100,000	100,100
HERRIN SECURITY BK	03/06/06	4.930	03/06/07	500,000	500,473
HIGHLAND COMMUNITY BANK CHICAGO	02/03/06	4.710	02/02/07	100,000	100,090
INTERNATIONAL BANK CHICAGO	11/03/06	5.370	11/02/07	1,000,000	1,001,030
INTERNATIONAL BANK CHICAGO	11/17/06	5.350	11/16/07	1,000,000	1,001,026
INTERNATIONAL BANK OF CHICAGO	03/17/06	4.960	03/16/07	1,500,000	1,501,427
INTERNATIONAL BANK OF CHICAGO	09/22/06	5.230	09/21/07	425,000	425,426
INTERNATIONAL BANK OF CHICAGO	11/09/06	5.310	11/09/07	1,500,000	1,501,528
IROQUOIS FARMERS STATE BANK	07/12/06	5.470	07/12/07	300,000	300,315
LABE BANK-CHICAGO	02/06/06	4.810	02/06/07	100,000	100,092

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	Execution Date	Interest Rate	Maturity Date	Face Amount	Current Value*
Certificates of Deposits - Continued					
LAKE BANK CHICAGO	04/05/06	5.040	04/05/07	$ 8,500,000	$ 8,508,216
LAKE FOREST BANK AND TRUST	04/11/06	5.050	04/11/07	5,000,000	5,004,842
MARINE BANK-SPFLD	11/17/06	5.300	05/16/07	5,000,000	5,005,082
MARSHALL COUNTY STATE BANK VARNA	02/06/06	4.770	02/06/07	300,000	300,274
MARSHALL COUNTY STATE BANK VARNA	09/18/06	5.240	09/18/07	500,000	500,502
MARSHALL COUNTY STATE BANK-VARNA	09/15/06	5.230	09/14/07	500,000	500,501
MIDWEST BANK WESTERN IL MONMOUTH	09/19/06	5.240	09/18/07	300,000	300,302
NATIONAL BANK & TRUST CO, SYCMOR	12/08/06	5.280	06/06/07	1,000,000	1,001,013
NATIONAL BANK AND TRUST SYCAMORE	09/22/06	5.220	09/21/07	1,250,000	1,251,251
NATIONAL BANK OF EARLVILLE	06/06/06	5.250	06/06/07	400,000	400,403
NATIONAL BNK & TRST SYCAMORE	10/06/06	5.260	04/04/07	1,000,000	1,001,009
NORTH COUNTY SAVINGS	03/13/06	4.940	03/13/07	95,000	95,090
NORTHSHORE COMMUNITY BANK	03/24/06	4.950	03/23/07	5,000,000	5,004,747
OLD EXCHANGE NATIONAL OKAWVILLE	10/04/06	5.330	04/03/07	600,000	600,613
PARKWAY BANK AND TRUST-HARDWAY	05/05/06	5.160	05/04/07	8,000,000	8,007,917
PARTNERS BANK - GLEN CARBON	02/09/06	4.810	02/09/07	1,500,000	1,501,384
PEKIN NATIONAL BANK	08/25/06	5.290	02/21/07	600,000	600,609
PEOPLES NATIONAL BANK MCLEANSBOR	01/04/07	5.280	07/05/07	100,000	100,095
PLAZA BANK NORRIDGE	03/03/06	4.900	03/02/07	5,000,000	5,004,699
PRAIRIE NATIONAL BANK STEWARDSON	04/26/06	5.130	04/25/07	1,000,000	1,000,984
PRAIRIE NATIONAL BANK STEWARDSON	09/06/06	5.290	09/06/07	1,000,000	1,001,015
PULASKI SAVINGS BANK CHICAGO	05/03/06	5.100	05/03/07	95,000	95,093
SOUTH SIDE BANK PEORIA	01/27/06	4.670	01/25/07	2,000,000	2,001,791
SOUTHERN ILLINOIS BANK	11/13/06	5.310	04/12/07	250,000	250,255
STATE BANK OF CHRISMAN	02/03/06	4.770	02/02/07	600,000	600,549
STATE BANK OF CHRISMAN	06/07/06	5.180	06/07/07	100,000	100,099

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	Execution Date	Interest Rate	Maturity Date	Face Amount	Current Value*
Certificates of Deposits - Continued					
STATE BANK OF CHRISMAN	07/19/06	5.430	07/19/07	$ 500,000	$ 500,521
STREATOR HOME BUILDING & ASSOC	07/14/06	5.440	01/10/07	95,000	95,099
TOWN AND COUNTRY BANK QUINCY	03/17/06	4.960	03/16/07	1,000,000	1,000,951
TOWN AND COUNTY BANK ANIOCH	09/05/06	5.270	09/05/07	865,000	865,874
TOWN AND COUNTY BANK SPRINGFIELD	11/16/06	5.300	05/15/07	1,000,000	1,001,016
UNITED COMMUNITY BANK	07/19/06	5.430	07/19/07	900,000	900,937
UNITED COMMUNITY BANK CHATHAM	11/09/06	5.310	04/09/07	5,000,000	5,005,092
UNITED COMMUNITY BANK CHATHAM	06/27/06	5.450	06/26/07	1,000,000	1,001,045
UNITED COMMUNITY BANK-CHATHAM	08/11/06	5.260	08/10/07	5,000,000	5,005,044
WABASH SAVINGS BANK MT CARMEL	08/02/06	5.330	08/02/07	95,000	95,097
WASHINGTON FEDERAL BANK SVGS	07/21/06	5.420	07/21/07	95,000	95,099
WEST SUBURBAN BANK	12/22/06	5.240	06/20/07	5,000,000	5,005,025
Total Certificates of Deposits				$ 122,490,000	$ 122,611,637

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	Execution Date	Effective Yield	Maturity Date	Market Value**	Amortized Cost
United States Agency Securities***					
Federal Home Loan Mtg Corp Notes					
Federal Home Loan Mtg Corp Notes	02/14/06	5.020%	02/14/07	$ 2,000,000	$ 2,000,000
Federal Home Loan Mtg Corp Notes	02/10/06	4.996%	03/07/07	1,998,340	2,000,000
Total Federal Home Loan Mtg Corp Notes				$ 3,998,340	$ 4,000,000
Federal Home Loan Bank Debentures					
Federal Home Loan Bank Debentures	03/01/06	4.995%	01/29/07	$ 2,499,225	$ 2,500,000
Federal Home Loan Bank Debentures	03/01/06	4.995%	01/29/07	2,499,225	2,500,000
Federal Home Loan Bank Debentures	09/12/06	5.400%	09/12/07	2,000,000	2,000,000
Federal Home Loan Bank Debentures	03/22/06	5.086%	02/22/07	1,999,380	1,999,748
Federal Home Loan Bank Debentures	06/21/06	5.500%	06/21/07	5,004,700	5,000,000
Total Federal Home Loan Bank Debentures				$ 14,002,530	$ 13,999,748

* Current value represents the face amount plus accrued interest, which approximates market.
** Market value represents the closing bid price on January 5, 2007.
*** It is the intent of management to hold direct U.S. Agency Securities to maturity unless market conditions provide for realization of a gain and management determines a sale would be in the best interest of The Illinois Funds.

1.0 Policy: It is the policy of the Treasurer of the State of Illinois ("Treasurer") to invest funds pooled by local governments in the Money Market Fund within The Illinois Funds (previously referred to as the Illinois Public Treasurers' Investment Pool or IPTIP) in a manner which will provide the highest investment return using authorized instruments, while meeting the daily cash flow demands of participants and conforming to all state statutes governing the investment of public funds.

2.0 Objective: The primary objective in the investment of funds within the Money Market Fund is the safety of principal, while providing all participants a competitive rate of return and daily access to invested funds.

2.1 Safety: The safety of principal is the foremost objective of the investment program. Money Market Fund investments shall be undertaken in a manner, which seeks to ensure the preservation of capital in the portfolio. To obtain this objective, diversification is required to ensure that the Money Market Fund properly manages market, interest rate and credit risk.

2.2 Liquidity: The investment portfolio shall remain sufficiently liquid to enable the Money Market Fund to meet all operating requirements which might be reasonably anticipated.

2.3 Return on Investment: The investment portfolio shall be designed to obtain the highest available return, taking into account the Money Market Fund's investment risk constraints and cash flow needs.

The Treasurer will select an accepted industry benchmark which best reflects the Money Market Fund's portfolio and will measure performance against the benchmark over a market cycle. The benchmark will be periodically reviewed for suitability.

3.0 Ethics and Conflicts of Interest: Authorized investment staff and employees in policy making positions for the Money Market Fund shall refrain from personal business activity that conflicts with proper execution of the investment program, or which impairs their ability to make impartial investment decisions. Such individuals shall disclose to the Treasurer any material financial interests in financial institutions or broker/dealers that conduct business within the State. They shall further disclose any personal investments that are related to the performance of the Money Market Fund's portfolio. In addition, such individuals shall subordinate their personal investment transactions to those of the Money Market Fund, particularly with regard to the time of purchase and sales.

4.0 Authorized Broker/Dealers and Financial Institutions: Authorized investment staff shall utilize the Treasurer's approved list of financial institutions when selecting institutions to provide investment services. No public deposit shall be made except in a qualified public depository as defined by state statutes.

In addition, a list shall also be maintained of approved security broker/dealers selected according to their credit worthiness, and their financial significance in the State, which shall be measured in terms of the location of the broker/dealer's corporate office and the extent to which the broker/dealer has a large labor or economic impact on the State. They may include "primary" dealers or regional dealers that qualify under Securities and Exchange Commission Rule 15C3-1 (uniform net capital rule).

All financial institutions and brokers/dealers interested in becoming qualified parties for investment transactions must supply the Treasurer's authorized investment staff with the following or equivalent acceptable to the Treasurer, where applicable:

- audited financial statements
- proof of National Association of Security Dealers certification
- trading resolutions
- proof of state registration
- completed broker/dealer questionnaire
- certification of having read the Money Market Fund's investment policy
- depository contracts
- published reports for brokers from rating agencies with investment grade ratings
- emerging broker status
- Consolidated Reports of Condition and Income

An annual review of the financial condition and registration of qualified parties will be conducted by the Treasurer's authorized investment staff. More frequent reviews may be conducted.

A current audited financial statement or equivalent acceptable to the Treasurer is required to be on file for each financial institution and broker/dealer with which The Illinois Funds establishes a depository, trading, or safekeeping relationship. Qualified parties shall submit updated financial statements or equivalent acceptable to the Treasurer when a material change in any of the above occurs.

5.0 Authorized and Suitable Investments: The following investments are permitted investments of state funds according to the Deposit of State Moneys Act (15 ILCS 520/22.5) and the Public Funds Investment Act (30 ILCS 235/2) and are authorized to the extent they are approved by Standard & Poor's for AAAm rated funds:

- In bonds, notes, certificate of indebtedness, treasury bills or other securities now or hereafter issued, which are guaranteed by the full faith and credit of the United States of America as to principal and interest; Public Funds Investment Act (30 ILCS 235/2) & Deposit of State Moneys Act (15 ILCS 520/22.5)

- Repurchase Agreements of government securities having the meaning set out in the Government Securities Act of 1986 subject to the provisions of that Act and the regulations issued thereunder; Public Funds Investment Act (30 ILCS 235/2) & Deposit of State Moneys Act (15 ILCS 520/22.5)

- Interest bearing savings accounts, interest-bearing certificates of deposits or interest bearing time deposits or any other investments constituting direct obligations of any bank as defined by the Illinois Bank Act (205 ILCS 5/1 et seq.); Public Funds Investment Act (30 ILCS 235/2) & Deposit of State Moneys Act (15 ILCS 520/22/5)

- In money market mutual funds registered under the Investment Company Act of 1940, provided that the portfolio of any such money market mutual fund is limited to United States Treasury Securities and to agreements to repurchase such obligations and the fund is rated AAA. Public Funds Investment Act (30 ILCS 235/2) & Deposit of State Moneys Act (15 ILCS 520/22.5)

- Suitable securities in the Money Market Fund's portfolio may be lent in accordance with Federal Financial Institution Examination Council guidelines

6.0 Investment Restrictions: The following restrictions shall apply to all Money Market Fund investment transactions:

- Investments in derivative products and leveraging of assets through reverse repurchase agreements are prohibited
- Repurchase agreements may only be executed with financial institutions or broker/dealers meeting the Treasurer's standards, which shall include mutual execution of a Master Repurchase Agreement adopted by the Treasurer.
- Certificates of deposit may not be purchased from the Money Market Fund's custodial institution or any of its subcontractors
- Investments in Bankers' Acceptances of any kind.
- Any investments prohibited by Section 22.6 of the Deposit of State Moneys Act (effective Jan. 27, 2006).

7.0 Collateralization: All Money Market Fund deposits and repurchase agreements shall be secured by direct U.S. Treasury and/or U.S. Agency obligations as required by the Treasurer and provided for by the Deposit of State Moneys Act (15 ILCS 520) and the Treasurer's Acceptable Collateral Listing, which may change from time to time.

8.0 Safekeeping and Custody: All security transactions entered into by the Money Market Fund shall be conducted on a delivery-versus-payment (DVP) or receipt-versus-payment (RVP) basis. Securities shall be held by a safekeeping agent designated by the Treasurer, and evidenced by safekeeping receipts.

9.0 Diversification: The Money Market Fund portfolio shall be diversified to eliminate the risk of loss resulting from concentration of assets in a specific maturity, a specific issuer or a specific class of securities. In order to properly manage any risk attendant to the investment of Money Market Fund assets, the Money Market Fund portfolio shall not exceed the following diversification limits unless specifically authorized by the Treasurer:

1. The Money Market Fund shall seek to achieve diversification in the portfolio by reasonably distributing investments within authorized investment categories among financial institutions, issuers and broker/dealers.

2. The Money Market Fund shall at no time hold certificates of deposit constituting more than 10 percent of any single financial institution's total deposits.

3. No investment category shall exceed 25% of the Money Market Fund portfolio, with the exception of cash equivalents and U.S. Treasury securities.

4. The Money Market Fund shall invest a minimum of 75% of its assets in authorized investments of less than one-year maturity. No investment shall exceed two years maturity.

10.0 Internal Controls: The Treasurer shall establish a system of internal controls, which shall be documented in writing and filed with the Inspector General of the Treasurer's Office for review as an adjunct to the annual independent examination of the financial statements of the Money Market Fund. The controls shall be designed to prevent losses of public funds arising from fraud, employee error, and misrepresentation by third parties, unanticipated changes in financial markets or imprudent actions by authorized investment staff of the Money Market Fund.

The Treasurer shall publish the current investment policy yearly in a newspaper of general circulation in both Springfield and Chicago.

10.1 Asset Allocation: The Treasurer shall approve asset allocation among investment categories authorized under Section 5.0 of this Investment Policy.

10.2 Competitive Bidding: Authorized investment staff shall obtain competitive bids from at least three broker/dealers prior to executing repurchase agreements or purchasing treasury securities from a broker/dealer. Notwithstanding the foregoing, authorized investment staff may tender bids directly through a single broker/dealer for the original auction of individual U.S. Treasury obligations. Certificates of deposit shall be purchased by authorized investment staff on the basis of a financial institution's ability to pay the Treasurer's required interest rate. Such rate is generally determined on the basis of U.S. Treasury rates for a comparable term.

11.0 Limitations of Liability: Authorized investment staff, acting in accordance with written procedures and this investment policy and exercising due diligence, shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

The Treasurer is bonded to a level of $150,000 for the faithful performance of duties in relations to the Illinois Public Treasurers' Investment Pool.

12.0 Reporting: Reports shall be presented quarterly by the Director of The Illinois Funds to the Treasurer and The Illinois Funds participants. The quarterly report shall contain the following:

- performance as compared to the established benchmark
- asset allocation
- any deviation from the standards established in Section 9.0 above
- any change in investment policy adopted during the quarter
- the average days to maturity

A listing of all investments in the portfolio marked to market shall be provided to the Treasurer and The Illinois Funds participants annually.

The Treasurer shall develop performance reports in compliance with established industry reporting standards within six months following the adoption of this investment policy. Such reporting standards may include those sanctioned by the Association of Investment Management Research (AIMR) in accordance with Generally Accepted Accounting Principles (GAAP).

1.0 Policy: The State Treasurer of Illinois has authority under Section 17 of the State Treasurer's Act (15 ILCS 505/17) to establish and administer an investment pool to supplement and enhance investment opportunities otherwise available to managers of public funds or public agencies in the state. The Treasurer may invest the assets of the investment pool in the same types of investments and subject to the same limitations provided for the investment of funds in the State Treasury. This policy specifically addresses The Illinois Funds Prime Fund. The Prime Fund will provide opportunities for public agencies to invest in a fund that has been rated AAAm by Standard & Poor's and also has the potential to generate enhanced return for public investors. This is accomplished by requiring a 30-day minimum deposit, by investing more funds in high quality instruments with a relatively higher return and maintaining a maximum weighted average portfolio maturity of 60 days.

2.0 Objective: The primary objectives of The Prime Fund are to invest public funds with a more long-term objective than the Illinois Funds Money Market Fund and create opportunities for enhanced investment return for public investors in the State of Illinois. The Fund has a AAAm rating from Standard & Poor's, which is the best rating available for a Local Government Investment Pool. The AAAm rating ensures that investments are placed only in the highest quality investments.

2.1 Safety: The safety of principal is one of the main objectives of the investment program. Prime Fund investments will be undertaken in a manner which seeks to ensure the preservation of principal in the portfolio while providing enhanced return. To obtain this objective, diversification among permissible investments is required to ensure that The Prime Fund properly manages market, interest rate and credit risk.

2.2 Liquidity: The investment portfolio will remain sufficiently liquid to enable The Prime Fund to meet all participant redemption demands that might be reasonably anticipated.

2.3 Return on Investment: The investment portfolio will be designed to obtain an enhanced return by requiring a minimum of 30 days for each deposit, a seven day notice for any withdrawal, and reasonable penalties for early withdrawal of funds prior to the expiration of the 30 day minimum and/or seven day notice period.

The Treasurer will select accepted industry benchmarks which best reflect The Prime Fund's portfolio and measure performance against certain benchmarks over time. The Treasurer will periodically review benchmarks for suitability.

3.0 Ethics and Conflicts of Interest: Authorized investment staff and employees in policy making positions for The Prime Fund will refrain from personal business activity that conflicts with proper execution of the investment program, or which impairs their ability to make impartial investment decisions. Such individuals will disclose to the Treasurer any material financial interests in financial institutions or broker/dealers that conduct business within the State. They will further disclose any personal investments that are related to the performance of The Prime Fund's portfolio. In addition, such individuals will subordinate their personal investment transactions to those of The Prime Fund, particularly with regard to the time of purchase and sales.

4.0 Authorized Broker/Dealers and Financial Institutions: Authorized investment staff will utilize the Treasurer's approved list of broker/dealers and financial institutions when selecting institutions to provide investment services.

In addition, a list will be maintained of approved security broker/dealers selected according to their creditworthiness, and their financial significance in the State. Broker/dealers will be evaluated on the basis of the location of their corporate office and the extent to which the broker/dealer has a labor or economic impact on the State. This list may include "primary" dealers or regional dealers that qualify under Securities and Exchange Commission Rule 15C3-1 (uniform net capital rule).

All financial institutions and broker/dealers interested in becoming qualified parties for investment transactions must supply the Treasurer's authorized investment staff with the following or equivalent acceptable to the Treasurer, where applicable:

- audited financial statements
- proof of National Association of Security Dealers certification
- trading resolutions
- proof of registration in the State of Illinois
- completed broker/dealer questionnaire
- certification of having read The Prime Fund's investment policy
- depository contracts
- published reports from rating agencies for brokers with investment grade ratings
- proof of emerging broker status
- Consolidated Reports of Condition and Income

An annual review of the financial condition and registration of qualified parties and investments will be conducted by the Treasurer's authorized investment staff. More frequent reviews may be conducted.

A current audited financial statement or equivalent acceptable to the Treasurer is required to be on file for each financial institution and broker/dealer with which The Prime Fund establishes a depository, trading, or safekeeping relationship. Qualified parties will submit updated financial statements or equivalent acceptable to the Treasurer when a material change in any of the above occurs.

5.0 Authorized and Suitable Investments: The following investments are permitted investments of state funds according to the Deposit of State Moneys Act (15 ILCS 520/22.5) and the Public Funds Investment Act (30 ILCS 235/2) and are authorized to the extent they are approved by Standard &Poor's for AAAm rated funds:

- In bonds, notes, certificates of indebtedness, treasury bills or other securities now or hereafter issued, which are guaranteed by the full faith and credit of the United States of America as to principal and interest; Public Funds Investment Act (30 ILCS 235/2) & Deposit of State Moneys Act (15 ILCS 520/22.5)

- In bonds, notes, debentures, or similar obligations of the United States of America or its agencies; Public Funds Investment Act (30 ILCS 235/2) & Deposit of State Moneys Act (15 ILCS 520/22.5)

- Repurchase agreements of government securities having the meaning set out in the Government Securities Act of 1986 subject to the provisions of that Act and the regulations issues thereunder; Public Funds Investment Act (30 ILCS 235/2) & Deposit of State Moneys Act (15 ILCS 520/22.5)

- In short term obligations of corporations organized in the United States with assets exceeding $500,000,000 if (i) such obligations are rated at the time of purchase at one of the 2 highest classifications established by at least 2 standard rating services and which mature not later than 180 days from the date of purchase, (ii) such purchase do not exceed 10% of the corporations outstanding obligations, (iii) no more than one-third of the public agency's funds may be invested in short term obligations of corporations and (iv) the corporation is not a forbidden entity as defined in Section 22.6 of the Deposit of State Monies Act (effective Jan 27, 2006); Public Funds Investment Act (30 ILCS 235/2) & Deposit of State Moneys Act (15 ILCS 520/22.5)

- The Public Treasurers' Investment Pool created under Section 17 of the State Treasurer Act; Public Funds Investment Act (30 ILCS 235/2) & Deposit of State Moneys Act (15 ILCS 520/22.5)

- In money market mutual funds registered under the Investment Company Act of 1940, provided the portfolio of any such money market mutual fund is limited to United States Treasury and United States Agency Securities and agreements to repurchase such obligations provided the funds are rated AAA; Public Funds Investment Act (30 ILCS 235/2) & Deposit of State Moneys Act (15 ILCS 520/22.5)

- Bonds, notes, debentures, or similar obligations of a foreign government, other than the Republic of Sudan (effective Jan 27, 2006), that are guaranteed by the full faith and credit of that government as to principal and interest, but only if the foreign government has not defaulted and has met its payment obligations for a period of at least 25 years immediately before the time of acquiring those obligations; Deposit of State Moneys Act (15 ILCS 520/22.5)

- Bonds issued by counties or municipal corporations of the State of Illinois; Deposit of State Moneys Act (15 ILCS 520/22.5)

- Interest bearing savings accounts, interest-bearing certificates of deposits or interest bearing time deposits or any other investments constituting direct obligations of any bank as defined by the Illinois Banking Act(205 ILCS 5/1 et seq.); Public Funds Investment Act (30 ILCS 235/2) & Deposit of State Moneys Act (15 ILCS 520/22.5)

Suitable securities in the Prime Funds portfolio may be lent in accordance with the Federal Financial Institution Examination Council Guidelines.

6.0 Investment Restrictions: The following restrictions will apply to all Prime Fund investment transactions:

- Investments in derivative products and leveraging of assets through reverse repurchase agreements are prohibited.

- Repurchase agreements may only be executed with financial institutions or broker/dealers meeting the Treasurer’s standards, which will include mutual execution of a Master Repurchase Agreement adopted by the Treasurer.

- There will be no investments in mortgage-backed securities of any kind.

- There will be no investments in asset-backed securities of any kind.

- There will be no investments in Bankers’ Acceptances of any kind.

- There will be no investments prohibited by Section 22.6 of the Deposit of State Moneys Act (effective Jan. 27, 2006).

7.0 Collateralization: All Prime Fund deposits and repurchase agreements shall be secured by direct U.S. Treasury and/or U.S. Agency obligations as required by the Treasurer and provided for by the Deposit of State Moneys Act (15 ILCS 520) and the Treasurer's Acceptable Collateral Listing, which may change from time to time.

8.0 Safekeeping and Custody: All direct treasury, agency and instrumentality security transactions entered into by The Prime Fund will be conducted on a delivery-versus-payment (DVP) or receipt-versus-payment (RVP) basis. Securities will be held by a safekeeping agent designated by the Treasurer, and evidenced by safekeeping receipts. Commercial Paper will settle daily with the Depository Trust Company.

9.0 Diversification: The primary purpose of diversification in general is to control credit and market risk. The Prime Fund portfolio will be diversified to eliminate the risk of loss resulting from concentration of assets in a specific maturity, a specific issuer or a specific class of securities. The majority of Prime Fund investments will be in direct obligations of the United States Treasury and United States Government Agencies and Instrumentalities as listed in section 5.0. In order to properly manage any risk that may be attendant to the investment of Prime Fund assets, The Prime Fund portfolio will observe the following diversification limits:

- The Prime Fund will invest no more than 50 percent of its total assets in securities with maturities greater than 30 days issued by any single permissible United States Government Agency or Instrumentality.

- The Prime Fund will invest no more than 5 percent of its total assets in securities issued by any single Commercial Paper Issuer (calculated at the time of purchase).

- A maximum of 33.3 percent of the portfolio may be invested in direct Commercial Paper Obligations not to exceed 180 days to maturity.

- A maximum of 25 percent of total assets may be invested in any approved AAAm Money Market Fund.

The Prime Fund will seek to achieve diversification in the portfolio by reasonably distributing investments within authorized investment categories, issuers and broker/dealers.

10.0 Internal Controls: The Treasurer will establish a system of internal controls, which will be documented in writing and filed with the Inspector General of the Treasurer's Office for review as an adjunct to the annual independent examination of the financial statements of The Prime Fund. The controls will be designed to prevent loss of public funds arising from fraud, employee error, misrepresentation by third parties, unanticipated changes in financial markets or imprudent actions by authorized investment staff of The Prime Fund. The Treasurer will publish the current investment policy annually in a newspaper of general circulation in both Springfield and Chicago.

11.0 Asset Allocation: The Treasurer shall approve asset allocation among investment categories authorized under Section 5.0 of this Investment Policy.

12.0 Competitive Bidding: Authorized investment staff will obtain competitive bids from at least three broker/dealers prior to executing repurchase agreements, purchasing United States Treasury securities, United States Government Agency or Instrumentality securities or Commercial Paper from a broker/dealer. Notwithstanding the foregoing, authorized investment staff may tender bids directly through a single broker/dealer for the original auction of individual U.S. Treasury obligations without obtaining competitive bids.

13.0 Liability: Authorized investment staff, acting in accordance with written procedures and this investment policy and exercising due diligence, will be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments. The Treasurer is bonded to a level of $150,000 for the faithful performance of duties in relation to The Illinois Funds.

14.0 Reporting: A quarterly report will be presented by the Director of The Illinois Funds to the Treasurer and the Treasurer's Investment Policy Committee (listing of committee members attached). The quarterly report will contain the following:

- performance as compared to established benchmarks

- asset allocation

- any deviation from the standards established in Section 9.0 above

- any change in investment policy adopted during the quarter

- the weighted portfolio average days to maturity

An external audit listing all securities marked to market will be provided to the Treasurer and all participants annually.

STATE OF ILLINOIS
Office of the Treasurer

COLLEGE SAVINGS PROGRAM

FINANCIAL AUDIT

For the Period July 1, 2006 through the
Opening of Business January 8, 2007

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

Part III

State of Illinois
Office of the Treasurer
COLLEGE SAVINGS PROGRAM

CONTENTS

State of Illinois
Office of the Treasurer
COLLEGE SAVINGS PROGRAM

TREASURER'S OFFICE OFFICIALS THROUGH JANUARY 8, 2007

Treasurer	Honorable Judy Baar Topinka (January 9, 1995 to January 8, 2007)
Treasurer	Honorable Alexi Giannoulias (January 8, 2007 to Present)
Chief of Staff	Ms. Nancy Kimme
Chief Fiscal Officer/ Deputy Chief of Staff for Operations	Mr. Edward Buckles
Deputy Treasurer	Mr. Martin Noven
Chief Legal Counsel	Ms. Alissa Camp
Inspector General	Mr. David Wells
Director of College Savings Program	Mr. Bartt Stevens
Manager of Accounting Division	Mr. Chad Dierking
Chief Internal Auditor	Ms. Barbara Ringler

The Office of the Treasurer maintains four 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

FINANCIAL STATEMENT REPORT

State of Illinois
Office of the Treasurer
COLLEGE SAVINGS PROGRAM

FINANCIAL STATEMENT REPORT

SUMMARY

The audit of the accompanying financial statements of the College Savings Program of the State of Illinois, Office of the Treasurer was performed by Crowe Chizek and Company LLC for the period July 1, 2006 through the opening of business January 8, 2007.

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

Crowe Chizek and Company LLC
Member Horwath International

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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 for the period July 1, 2006 through the opening of business January 8, 2007, 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 audit.

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. 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 audit provides a reasonable basis for our opinion.

As discussed in Note A, the financial statements present only the College Savings Program and do not purport to, and do not, present fairly the financial position of the State of Illinois, Office of the Treasurer as of the opening of business January 8, 2007, and its changes in financial position for the period July 1, 2006 through the opening of business January 8, 2007 in conformity with accounting principles generally accepted in the United States 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 the opening of business January 8, 2007, and the changes in financial position thereof for the period July 1, 2006 through the opening of business January 8, 2007 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 April 2, 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 the College Savings Program of the State of Illinois, Office of the Treasurer's 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 audit.

Our audit was 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 statement of fiduciary net assets by portfolio, statement of changes in fiduciary net assets by portfolio, key performance measures, and investment policies, listed in the Table of Contents on pages 41-75, 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 audit 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 audit of the financial statements, and accordingly, we express no opinion on them.

Crowe Chizek and Company LLC

Crowe Chizek and Company LLC

Springfield, Illinois
April 2, 2007

Crowe Chizek and Company LLC
Member Horwath International

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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 for the period July 1, 2006 through the opening of business January 8, 2007, and have issued our report thereon dated April 2, 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 in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the 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 was for the limited purpose described in the first paragraph 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 that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College Savings Program of 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
April 2, 2007

State of Illinois
Office of the Treasurer
COLLEGE SAVINGS PROGRAM
STATEMENT OF FIDUCIARY NET ASSETS
As of the Opening of Business January 8, 2007

ASSETS

Deposits and investments, at market		
Cash and cash equivalents	$	32,819,797
Dividends receivable		43,302,701
Mutual funds		2,160,320,445
Total assets	$	2,236,442,943

LIABILITIES AND NET ASSETS

Accrued liabilities		
Payable for securities purchased	$	24,518,122
Insurance fees		51,155
Advisory fees		1,041,575
12b-1 fees		33,323
Total liabilities		25,644,175
Net assets		2,210,798,768
Total liabilities and net assets	$	2,236,442,943

The accompanying notes are an integral part of these statements.

State of Illinois
Office of the Treasurer
COLLEGE SAVINGS PROGRAM
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
For the Period July 1, 2006 through the Opening of Business January 8, 2007

OPERATIONS	
Revenues (expenditures)	
Investment earnings	$ 28,337,303
Gain (loss) on sale of securities	80,943,007
Net change in fair value of investments (unrealized)	72,527,534
Insurance fees	(51,222)
12b-1 fees	(116,072)
Bank custodial fees	(3,256,673)
Net investment earnings	178,383,877
DISTRIBUTIONS TO PARTICIPANTS	
Net Investment Income	(40,211)
Total decrease in net assets from distributions	(40,211)
PARTICIPANT TRANSACTIONS	
Program contributions	529,837,452
Program distributions	(339,685,822)
Distributions reinvested	40,211
Total increase from participant transactions	190,191,841
Net increase in net assets	368,535,507
Net assets, July 1, 2006	1,842,263,261
Net assets, Opening of Business January 8, 2007	$ 2,210,798,768

The accompanying notes are an integral part of these statements.

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.

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"* include most community colleges, public and private four-year colleges, universities, graduate and post-graduate programs, and certain proprietary and vocational schools. *"Qualified higher education expenses"* include tuition, fees, books, supplies, and equipment required for the enrollment or attendance of a Beneficiary at an Institution of Higher Education plus, subject to certain limitations, room and board expenses for a student attending such an institution on at least a half time basis.

Under the Program, Program participants (the *"Account Owners"*) may 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"*). The Treasurer has selected ClearBridge Advisors, LLC, the asset management group formed by Legg Mason Inc., to advise the Treasurer on the investment of Trust assets, to administer the Trust assets and to provide other services relating to Bright Start. The Treasurer has selected Union Bank and Trust Company to advise the Treasurer on the investment of Trust assets, to administer the Trust assets and to provide other services relating to Bright Directions. As such, ClearBridge Advisors, LLC and Union Bank and Trust Company (the "*Managers*") will be acting as agents of the Treasurer, as trustees of the Trust. The Treasurer retains ultimate authority to manage the investments of the Trust.

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 fiscal year 2006 Illinois Comprehensive Annual Financial Report as an investment trust fund. 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, previously classified as an investment trust fund. (See Note E)

2. *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.

3. *Cash and Cash Equivalents*

Cash and cash equivalents consist of bank deposits and timing differences associated with the purchase of mutual fund shares.

4. *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.

5. *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.

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. *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.

7. *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.

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.

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, which was developed in accordance with the State statute. In addition, the Treasurer's Office has adopted its own investment practices, which supplement the statutory requirements.

2. *Investment Options*

General Information

The Bright Start Program offers several investment options. If a participant opens an account through a financial institution that has chosen to accept deposits under Bright Start, there are two investment options: Age-Based Option and Fixed Income Option.

If a participant 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, the Principal Protection Income Option and the Balanced Option.

NOTE B – DEPOSITS AND INVESTMENTS (Continued)

The Age-Based Option for accounts opened through financial institutions accepting deposits and the Age-Based Option for accounts opened through financial institutions not accepting deposits are distinct and different investment options as a result of differing non-equity investment components. The Fixed Income Option for accounts opened through financial institutions accepting deposits and the Fixed Income Option for accounts opened through financial institutions not accepting deposits are also distinct and different investment options as a result of differing investment components. The financial institution at which a participant opens an account and its acceptance or rejection of deposits under the Act will affect a program participant's choice of investment options. Choice of investment options may be based on the age of the beneficiary and tolerance for investment risk, among other factors. Under federal tax law, however, participants are not permitted to direct the actual investment of their account assets. Consequently, participants may not choose the particular investments in which a portfolio invests. Participants may move their investment from one investment option to another for the same account once per year.

The Equity Option is an investment portfolio which seeks long-term capital appreciation through investments in equity mutual funds. It is only appropriate for investors with longer time horizons, who are comfortable with an increased level of risk or who use this investment option as part of an overall college savings strategy that includes less aggressive investments.

The Principal Protection Income Option is a conservative investment portfolio which 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. Its objective is to provide a current return that is typically higher than most money market portfolios, while protecting an investor's principal investment (including previously accrued income) from fluctuations in value typically associated with fixed income portfolios. The portfolio will enter into contracts ("wrapper agreements") with financial institutions enabling it to value its fixed income securities at book value (cost). It may also be appropriate as part of an overall college savings strategy that includes more aggressive investments.

The Balanced Option is an investment portfolio which seeks to provide attractive total return with reasonable safety of principal through investment in equity and fixed income securities.

ClearBridge Advisors, LLC will invest the assets of each portfolio in certain mutual funds managed by affiliates of ClearBridge Advisors, LLC and by entities unaffiliated with ClearBridge Advisors, LLC, in certain deposits (in the case of an account opened through a financial institution accepting deposits under the Act) or in other investments as directed by the Treasurer in accordance with the policy statement, which sets forth the policies, objectives and guidelines that govern the investment of such assets. The Treasurer may amend or supplement the policy statement from time to time in accordance with the College Savings Program Services Agreement between the Treasurer and ClearBridge Advisors, LLC. In allocating portfolio assets among the deposits or other investments, ClearBridge Advisors, LLC may not deviate from the policy statement.

NOTE B – DEPOSITS AND INVESTMENTS (Continued)

Description of the Funds

At the direction of the Treasurer and in accordance with the Policy Statement, ClearBridge Advisors, LLC intends to invest the Portfolios in whole or in part in the Funds, which are registered mutual funds managed by affiliates of ClearBridge Advisors, LLC. The assets of each Portfolio will be invested according to the target asset allocations discussed in the Bright Start Investment Policy.

Equity Funds

The Salomon Brothers Investors Value Fund primarily seeks long-term growth of capital, and secondarily seeks current income. Under normal circumstances, the fund invests primarily in common stocks of established U.S. companies having market capitalization's of at least $5 billion at the time of investment, but may also invest in other equity securities and, to a lesser degree, in debt securities. The manager of the Fund emphasizes individual security selection while diversifying such Fund's investments across industries in an effort to help to reduce risk. The manager of such Fund seeks to identify companies with favorable valuations and attractive growth potential, and employs fundamental analysis to analyze each company in detail, ranking its management, strategy and competitive market position.

Legg Mason Partners Large Capitalization Growth Fund seeks long-term growth of capital. Under normal circumstances, the fund invests at least 80% of the value of its net assets, plus any borrowings for investment purposes, in equity securities, or other investments with similar economic characteristics, of companies with large market capitalizations. Large capitalization companies are those with market capitalizations similar to companies in the Russell 1000 Index. Equity securities include U.S. exchange traded and over-the-counter common stocks, debt securities convertible into equity securities, and warrants and rights relating to equity securities. The fund may invest up to 10% of its net assets in securities of foreign issuers directly or in the form of depositary receipts representing an interest in those securities.

Oppenheimer Main Street Small Cap Fund seeks capital appreciation by investing primarily in the securities of companies with relatively small market capitalizations at the time of investment. The Fund currently considers an issuer having a market capitalization of up to $3 billion to be a small-cap issuer. The Fund measures capitalization at the time the fund buys the security, and is not required to sell the security if the issuer's capitalization exceeds $3 billion.

NOTE B – DEPOSITS AND INVESTMENTS (Continued)

MFS Institutional International Research Equity Fund seeks capital appreciation. Under normal market conditions, such Fund invests at least 80% of its net assets in equity securities of foreign companies, including common stocks, preferred stocks, convertible securities and depositary receipts for those securities. The Fund focuses on foreign companies (including emerging market issuers) that the manager of the Fund believes have favorable growth prospects and attractive valuations based on current and expected earnings or cash flow. The Fund does not emphasize any particular country, but from time to time focus its investments in individual countries or regions. The Fund’s investments may include securities traded on securities exchanges or in the over-the-counter markets.

Fixed Income Funds

Legg Mason Partners Investment Grade Bond Fund seeks as high a level of current income as is consistent with prudent investment management and preservation of capital. Under normal circumstances, the fund invests at least 80% of the value of its net assets, plus any borrowings for investment purposes, in “investment grade” fixed income securities. These are securities rated by a national ratings organization within one of the top four categories or, if unrated, are judged by the manager to be of comparable quality. The fund may also invest in U.S. government securities and U.S. dollar-denominated fixed income securities of foreign issuers. The fund may invest in securities having any maturity. The fund may, but need not, use interest rate futures and options on interest rate futures, to hedge against interest rate changes, as a substitute for buying or selling securities, and as a cash flow management technique.

Legg Mason Partners U.S. Government Securities Fund seeks high current income consistent with liquidity and security of principal. Under normal circumstances, the Fund will invest at least 80% of its net assets in debt securities issued or guaranteed by the U.S. government, its agencies or instrumentalities, and in related investments. The United States government securities in which the Fund invests primarily consists of mortgage-related securities and U.S. Treasury securities.

Legg Mason Partners Short-Term Investment Grade Bond Fund seeks current income, preservation of capital and liquidity. Under normal circumstances, the fund invests at least 80% of its net assets in “investment grade” fixed income securities. These are securities rated by a national ratings organization at the time of purchase within one of the top four categories or, if unrated, are judged by the investment adviser to be of comparable credit quality. Securities in which the Fund invests include corporate debt securities, bank obligations, mortgage and asset-backed securities and securities issued by the United States government and its agencies and instrumentalities. Such Fund may also invest in United States dollar denominated fixed income securities of foreign issuers. The Fund maintains an average dollar-weighted portfolio maturity of between one and four years; the duration of the portfolio of such Fund will normally be no greater than 3.5 years.

NOTE B – DEPOSITS AND INVESTMENTS (Continued)

Legg Mason Partners Core Plus Bond Fund Inc. seeks maximum total return consisting of capital appreciation and income, consistent with the preservation of capital. Under normal market conditions, the fund invests at least 80% of its net assets in investment grade fixed income securities of U.S. issuers or other investments with similar economic characteristics. The fund may invest in U.S. government obligations, Investment grade U.S. corporate debt, Mortgage-backed securities, and up to 20% of net assets in high yield, high risk corporate and government debt securities rated below investment grade or, if unrated, determined by the fund's manager to be of comparable quality, and in U.S. dollar denominated and non-U.S. dollar denominated debt issued by foreign corporations and foreign governments, their agencies or instrumentalities, of which no more than 10% of the fund's assets may be invested in fixed income securities of emerging market issuers. Such Fund will normally maintain an average effective duration of three years to six years.

Smith Barney Cash Portfolio is a money market fund that seeks maximum current income and preservation of capital. The Fund invests in high quality U.S. dollar denominated short-term debt securities. These may include obligations issued by U.S. and foreign banks, the U.S. government, its agencies and instrumentalities, U.S. states and municipalities and U.S. and foreign corporate issuers. The Fund may invest in all types of money market instruments, including commercial paper, certificates of deposit, bankers' acceptances, mortgage-backed and asset-backed securities, repurchase agreements, and other short-term debt securities. The Fund will invest at least 25% of its total assets in obligations of domestic and foreign banks. Shares of such Fund are not insured or guaranteed by the United States government.

<u>Investment Risk</u>

As of the opening of business January 8, 2007 Bright Start had bond mutual funds valued at $506.9 million. Of this, $128.1 million had weighted average maturities (the *"WAM"*) of one through five years, $218.9 million had WAM's of six to ten years and $159.9 million had WAM's of more than ten years. These funds are not rated.

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.

NOTE B – DEPOSITS AND INVESTMENTS (Continued)

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, which was developed in accordance with the State statute. In addition, the Treasurer's Office has adopted its own investment practices, which supplement the statutory requirements.

2. *Investment Options*

General Information

The Bright Directions Program has the following Portfolios available:

- 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.

Description of the Funds

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.

Within the Age-Based portfolios, Account owners may choose from among an aggressive, growth, or balanced asset allocation based on, among other factors, investment goals and objectives, and tolerance for market volatility and investment risk. For example, the Age-Based Aggressive Portfolio is invested entirely in equity investment funds when the Beneficiary is young. By contrast, the Age-Based Balanced Portfolio is modestly weighted towards equity funds when the Beneficiary is young. The current targeted asset allocation of each Portfolio is set forth in the following table:

NOTE B – DEPOSITS AND INVESTMENTS (Continued)

Age of Beneficiary	Age-Based Aggressive (Equity/Fixed Income/ Money Market)	Age-Based Growth (Equity/Fixed Income/ Money Market)	Age-Based Balanced (Equity/Fixed Income/ Money Market)
0 – 8	100/0/0	80/20/0	60/40/0
9 – 12	80/20/0	60/40/0	40/60/0
13 – 16	60/40/0	40/60/0	20/60/20
17 – 20	40/60/0	20/60/20	10/50/40
21+	20/60/20	10/50/40	0/50/50

The three Age-Based Portfolios are briefly described as follows:

Age-Based Aggressive Portfolio – Under this option, the Account is allocated entirely to equity mutual funds in the early years of the designated Beneficiary's life and maintains a portion of the Portfolio invested in equity investment funds throughout. As the Beneficiary nears college age, the equity allocation decreases, and the fixed income and money market allocation increases.

Age-Based Growth Portfolio – Under this option, the Account is allocated more heavily to equity mutual funds in the early years of the designated Beneficiary's life. As the Beneficiary nears college age, the equity allocation decreases, and the fixed income and money market allocation increases.

Age-Based Balanced Portfolio – Under this option, the Account is balanced between equity mutual funds and fixed income mutual funds in the early years of the designated Beneficiary's life. As the Beneficiary reaches age 21, the Portfolio is allocated entirely to fixed income and money market investment funds.

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 briefly described below.

NOTE B – DEPOSITS AND INVESTMENTS (Continued)

Fund 100 – Seeks maximum capital appreciation by investing 100% in a broad range of domestic and international equity mutual funds. This strategy is only appropriate for investors with longer time horizons and who are comfortable with an increased level of risk in an effort to obtain higher longer-term returns, or who use this investment option as part of an overall college savings strategy that includes less aggressive investments. The current targeted asset allocation or investment mix is presented in the following table:

Target Portfolio	U.S. Domestic Equity	International Equity	Fixed Income	Money Market
Fund 100	80%	20%	0%	0%

Fund 80 – Seeks a high level of capital appreciation and some income by investing 80% in a broad range of domestic and international equity mutual funds with the remaining 20% invested in fixed income mutual funds.

Target Portfolio	U.S. Domestic Equity	International Equity	Fixed Income	Money Market
Fund 80	64%	16%	20%	0%

Fund 60 – Seeks moderate capital appreciation and income by investing 60% in a broad range of domestic and international equity mutual funds with the remaining 40% invested in fixed income mutual funds.

Target Portfolio	U.S. Domestic Equity	International Equity	Fixed Income	Money Market
Fund 60	48%	12%	40%	0%

Fund 40 – Seeks moderate income and capital appreciation by investing 60% in fixed income mutual funds with the remaining 40% invested in a broad range of domestic and international equity mutual funds.

Target Portfolio	U.S. Domestic Equity	International Equity	Fixed Income	Money Market
Fund 40	32%	8%	60%	0%

NOTE B – DEPOSITS AND INVESTMENTS (Continued)

Fund 20 – Seeks income and some capital appreciation by investing 60% in fixed income mutual funds, 20% in money market mutual funds, and 20% in a broad range of domestic and international equity mutual funds.

Target Portfolio	U.S. Domestic Equity	International Equity	Fixed Income	Money Market
Fund 20	16%	4%	60%	20%

Fund 10 – Seeks income and some capital appreciation by investing 40% in money market mutual funds, 50% in short-term bond mutual funds, and 10% in domestic and international equity mutual funds.

Target Portfolio	U.S. Domestic Equity	International Equity	Fixed Income	Money Market
Fund 10	8%	2%	50%	40%

Fixed Income Fund – Seeks to preserve principal investment with less volatility than an all bond portfolio, while providing modest current income by investing 50% in money market mutual funds and 50% in short-term bond mutual funds.

Target Portfolio	U.S. Domestic Equity	International Equity	Fixed Income	Money Market
Fixed Income Fund	0%	0%	50%	50%

The actual investments of any of these Portfolios may vary. The Program Manager will rebalance the investments in each Portfolio in the underlying investments on an ongoing basis.

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.

NOTE B – DEPOSITS AND INVESTMENTS (Continued)

The Individual Fund Portfolios are briefly described as follows:

Money Market 529 Portfolio

BGI Institutional Money Market 529 Portfolio – invests solely in the BGI Institutional Money Market Fund (Inst. Class). The Fund seeks to achieve a high level of income consistent with liquidity and the preservation of capital.

Fixed Income 529 Portfolios

PIMCO Short-Term 529 Portfolio – invests solely in the PIMCO Short-Term Fund (Inst. Class). The Fund seeks maximum current income, consistent with preservation of capital and daily liquidity. The average portfolio duration is 0-1 year.

PIMCO Low Duration 529 Portfolio – invests solely in the PIMCO Low Duration Fund (Inst. Class). The Fund seeks maximum total return, consistent with preservation of capital and prudent investment management. The average portfolio duration is 1-3 years.

PIMCO Total Return 529 Portfolio – invests solely in the PIMCO Total Return Fund (Inst. Class). The Fund seeks maximum total return, consistent with preservation of capital and prudent investment management. The average portfolio duration is 3-6 years.

Calvert Income 529 Portfolio – invests solely in the Calvert Income Fund (Inst. Class). The Fund seeks to maximize income, to the extent consistent with preservation of capital, through investment in bonds and other income producing securities.

Balanced 529 Portfolio

T. Rowe Price Balanced 529 Portfolio – invests solely in the T. Rowe Price Balanced Fund (Inv. Class). The Fund seeks to provide capital growth, current income, and preservation of capital through a portfolio of stocks and fixed-income securities.

Real Estate 529 Portfolio

T. Rowe Price Real Estate 529 Portfolio – invests solely in the T. Rowe Price Real Estate Fund. The fund seeks to provide long-term growth through a combination of capital appreciation and current income.

NOTE B – DEPOSITS AND INVESTMENTS (Continued)

Socially Responsible 529 Portfolio

Calvert Social Investment Equity 529 Portfolio – invests solely in the Calvert Social Investment Equity Fund (Inst. Class). CSIF Equity seeks growth of capital through investment in stocks of issuers in industries believed to offer opportunities for potential capital appreciation and which meet the Fund's investment and social criteria.

Domestic (U.S.) Equity 529 Portfolios

American Century Value 529 Portfolio – invests solely in the American Century Value Fund (Inst. Class). The Fund seeks long-term capital growth. Income is a secondary objective.

DFA U.S. Large Cap Value 529 Portfolio – invests solely in the DFA U.S. Large Cap Value Fund (Inst. Class). The Fund seeks to achieve long-term capital appreciation.

T. Rowe Price Equity Income 529 Portfolio – invests solely in the T. Rowe Price Equity Income Fund. The Fund seeks to provide substantial dividend income as well as long-term growth of capital through investments in the common stocks of established companies.

American Century Equity Growth 529 Portfolio – invests solely in the American Century Equity Growth Fund (Inst. Class). The Fund seeks capital appreciation by investing in common stocks.

Northern Institutional Equity Index 529 Portfolio – invests solely in the Northern Institutional Equity Index Fund. The Fund seeks to provide investment results approximating the aggregate price and dividend performance of the securities included in the Standard & Poor's 500 Composite Stock Price Index ("S&P 500 Index").

American Century Ultra 529 Portfolio – invests solely in the American Century Ultra Fund (Inst. Class). This Fund seeks long-term capital growth.

Northern Institutional Diversified Growth 529 Portfolio – invests solely in the Northern Institutional Diversified Growth Fund. The Fund seeks to provide long-term capital appreciation with income a secondary consideration.

NOTE B – DEPOSITS AND INVESTMENTS (Continued)

T. Rowe Price Extended Equity Market Index 529 Portfolio – invests solely in the T. Rowe Price Extended Equity Market Index Fund. The Fund seeks to match the performance of the U.S. stocks not included in the S&P 500, which are primarily small- and mid-capitalization stocks. The Fund uses the Dow Jones Wilshire 4500 Completion Index to represent this universe.

American Century Vista 529 Portfolio – invests solely in the American Century Vista Fund (Inst. Class). The Fund seeks long-term capital growth.

Ariel 529 Portfolio – invests solely in the Ariel Fund (Inst. Class). The Fund seeks long-term capital appreciation.

Legg Mason U.S. Small Cap Value 529 Portfolio – invests solely in the Legg Mason U.S. Small Cap Value Fund (Inst. Class). The Fund seeks long-term capital appreciation.

Northern Institutional Small Company Index 529 Portfolio – invests solely in the Northern Institutional Small Company Index Fund. The Fund seeks to provide investment results approximating the aggregate price and dividend performance of the securities included in the Russell 2000 Index.

Fidelity Advisor Small Cap 529 Portfolio – invests solely in the Fidelity Advisor Small Cap Fund (Inst. Class). The Fund seeks long-term growth of capital.

William Blair Small Cap Growth 529 Portfolio – invests solely in the William Blair Small-Cap Growth Fund (Inst. Class). The Fund seeks long-term capital appreciation.

<u>International Equity 529 Portfolios</u>

AllianceBernstein International Value 529 Portfolio – invests solely in the AllianceBernstein International Value Fund (Advisor Class). The Fund seeks long-term growth of capital.

Northern Institutional International Equity Index 529 Portfolio – solely in the Northern Institutional International Equity Index Fund. The Fund seeks to provide investment results approximating the aggregate price and dividend performance of the securities included in the "MSCI EAFE Index."

Fidelity Advisor Diversified International 529 Portfolio – invests solely in the Fidelity Advisor Diversified International Fund. The Fund seeks capital growth.

NOTE B – DEPOSITS AND INVESTMENTS (Continued)

Investment Risk

As of the opening of business January 8, 2007 Bright Directions had bond mutual funds valued at $31.4 million. Of this, $5.0 million had WAM's of less than a year (S&P rated AA+), $24.6 million had WAM's of one through five years (S&P rated AAA), and $1.8 million had WAM's of six through ten years (S&P rated AA). In addition, Bright Directions had Money Market Funds valued at $6.2 million as of the opening of business 1/8/07. The Money Market Fund had a WAM of 35 days and is unrated.

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 five employees at the opening of business January 8, 2007. 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.

ClearBridge Advisors, LLC performs the custodial responsibilities for the administration of Bright Start. ClearBridge Advisors, LLC calculates the administrative and custodial fees, which are reviewed by Treasurer personnel. The fees are paid from a charge based on the net asset value of Bright Start. The fee is accrued daily and withdrawn monthly from the Bright Start College Savings Program. The custodian's fee is calculated at 0.99% of the total net asset value.

Union Bank and Trust Company performs the custodial responsibilities for the administration of the Bright Directions College Savings Program. Union Bank and Trust Company calculates the administrative and custodial fees, which are reviewed by Treasurer personnel. The fees are based on the following fee structure:

NOTE C – ADMINISTRATIVE FEES (Continued)

Fee Structure A

Annual Asset-Based Fees							Additional Investor Expenses	
Portfolio	**Estimated Underlying Fund Expenses[1]**	**Program Management Fees**	**State Fee[2]**	**Misc. Fee**	**Annual Servicing Fee**	**Total Annual Asset-Based Fees**	**Maximum Initial Sales Charge[3]**	**Account Fee[4]**
Target Portfolios								
Fund 100	0.58%	0.45%	None	None	0.25%	1.28%	3.50%	$12
Fund 80	0.55%	0.45%	None	None	0.25%	1.25%	3.50%	$12
Fund 60	0.52%	0.45%	None	None	0.25%	1.22%	3.50%	$12
Fund 40	0.50%	0.45%	None	None	0.25%	1.20%	3.50%	$12
Fund 20	0.41%	0.45%	None	None	0.25%	1.11%	3.50%	$12
Fund 10	0.33%	0.45%	None	None	0.25%	1.03%	3.50%	$12
Fixed Income	0.28%	0.45%	None	None	0.25%	0.98%	3.50%	$12
Age-Based Portfolios								
Aggressive								
Ages 0-8	0.58%	0.45%	None	None	0.25%	1.28%	3.50%	$12
Ages 9-12	0.55%	0.45%	None	None	0.25%	1.25%	3.50%	$12
Ages 13-16	0.52%	0.45%	None	None	0.25%	1.22%	3.50%	$12
Ages 17-20	0.50%	0.45%	None	None	0.25%	1.20%	3.50%	$12
Ages 21+	0.41%	0.45%	None	None	0.25%	1.11%	3.50%	$12
Growth								
Ages 0-8	0.55%	0.45%	None	None	0.25%	1.25%	3.50%	$12
Ages 9-12	0.52%	0.45%	None	None	0.25%	1.22%	3.50%	$12
Ages 13-16	0.50%	0.45%	None	None	0.25%	1.20%	3.50%	$12
Ages 17-20	0.41%	0.45%	None	None	0.25%	1.11%	3.50%	$12
Ages 21+	0.33%	0.45%	None	None	0.25%	1.03%	3.50%	$12
Balanced								
Ages 0-8	0.52%	0.45%	None	None	0.25%	1.22%	3.50%	$12
Ages 9-12	0.50%	0.45%	None	None	0.25%	1.20%	3.50%	$12
Ages 13-16	0.41%	0.45%	None	None	0.25%	1.11%	3.50%	$12
Ages 17-20	0.33%	0.45%	None	None	0.25%	1.03%	3.50%	$12
Ages 21+	0.28%	0.45%	None	None	0.25%	0.98%	3.50%	$12

NOTE C – ADMINISTRATIVE FEES (Continued)

Fee Structure A (Continued)

Annual Asset-Based Fees							Additional Investor Expenses	
Portfolio	**Estimated Underlying Fund Expenses[1]**	**Program Management Fees**	**State Fee[2]**	**Misc. Fee**	**Annual Servicing Fee**	**Total Annual Asset-Based Fees**	**Maximum Initial Sales Charge[3]**	**Account Fee[4]**
Individual Fund Portfolios								
BGI Institutional Money Market 529 Portfolio	0.12%	0.45%	None	None	0.25%	.82%	None	$12
PIMCO Short-Term 529 Portfolio	0.45%	0.45%	None	None	0.25%	1.15%	None	$12
PIMCO Low Duration 529 Portfolio	0.43%	0.45%	None	None	0.25%	1.13%	None	$12
PIMCO Total Return 529 Portfolio	0.43%	0.45%	None	None	0.25%	1.13%	3.50%	$12
Calvert Income 529 Portfolio	0.56%	0.45%	None	None	0.25%	1.26%	3.50%	$12
T. Rowe Price Balanced 529 Portfolio	0.75%	0.45%	None	None	0.25%	1.45%	3.50%	$12
T. Rowe Price Real Estate 529 Portfolio	0.90%	0.45%	None	None	0.25%	1.60%	3.50%	$12
Calvert Social Investment Equity 529 Portfolio	0.68%	0.45%	None	None	0.25%	1.38%	3.50%	$12
American Century Value 529 Portfolio	0.79%	0.45%	None	None	0.25%	1.49%	3.50%	$12
DFA U.S. Large Cap Value 529 Portfolio	0.32%	0.45%	None	None	0.25%	1.02%	3.50%	$12

NOTE C – ADMINISTRATIVE FEES (Continued)

Fee Structure A (Continued)

Annual Asset-Based Fees							Additional Investor Expenses	
Portfolio	**Estimated Underlying Fund Expenses[1]**	**Program Management Fees**	**State Fee[2]**	**Misc. Fee**	**Annual Servicing Fee**	**Total Annual Asset-Based Fees**	**Maximum Initial Sales Charge[3]**	**Account Fee[4]**
T. Rowe Price Equity Income 529 Portfolio	0.74%	0.45%	None	None	0.25%	1.44%	3.50%	$12
American Century Equity Growth 529 Portfolio	0.48%	0.45%	None	None	0.25%	1.18%	3.50%	$12
Northern Institutional Equity Index 529 Portfolio	0.21%	0.45%	None	None	0.25%	0.91%	3.50%	$12
American Century Ultra 529 Portfolio	0.79%	0.45%	None	None	0.25%	1.49%	3.50%	$12
Northern Institutional Diversified Growth 529 Portfolio	0.77%	0.45%	None	None	0.25%	1.47%	3.50%	$12
T. Rowe Price Extended Equity Market Index 529 Portfolio	0.40%	0.45%	None	None	0.25%	1.10%	3.50%	$12
American Century Vista 529 Portfolio	0.80%	0.45%	None	None	0.25%	1.50%	3.50%	$12
Ariel 529 Portfolio	1.07%	0.45%	None	None	0.25%	1.77%	3.50%	$12
Legg Mason U.S. Small Cap Value 529 Portfolio	0.93%	0.45%	None	None	0.25%	1.63%	3.50%	$12

NOTE C – ADMINISTRATIVE FEES (Continued)

Fee Structure A (Continued)

Annual Asset-Based Fees							Additional Investor Expenses	
Portfolio	**Estimated Underlying Fund Expenses[1]**	**Program Management Fees**	**State Fee[2]**	**Misc. Fee**	**Annual Servicing Fee**	**Total Annual Asset-Based Fees**	**Maximum Initial Sales Charge[3]**	**Account Fee[4]**
Northern Institutional Small Company Index 529 Portfolio	0.31%	0.45%	None	None	0.25%	1.01%	3.50%	$12
Fidelity Advisor Small Cap 529 Portfolio	1.01%	0.45%	None	None	0.25%	1.71%	3.50%	$12
William Blair Small Cap Growth 529 Portfolio	1.21%	0.45%	None	None	0.25%	1.91%	3.50%	$12
AllianceBernstein International Value 529 Portfolio	0.90%	0.45%	None	None	0.25%	1.60%	3.50%	$12
Northern Institutional International Equity Index 529 Portfolio	0.41%	0.45%	None	None	0.25%	1.11%	3.50%	$12
Fidelity Advisor Diversified International 529 Portfolio	1.03%	0.45%	None	None	0.25%	1.73%	3.50%	$12

1 For registered mutual funds, in the absence of a change that would materially affect the information, based on the most recent fiscal year reported upon in the applicable fund's most recent prospectus, and for Portfolios invested in multiple registered mutual funds, based on a weighted average of each fund's total annual operating expenses, in accordance with the Portfolio's asset allocation as of the date of this Program Disclosure Statement.

2 The Program Manager pays a fee to the Treasurer that is used to offset the Treasurer's expenses in administering the Program in an amount equal to the greater of $350,000 or 0.05% of the aggregate assets in the Program. The Program Manager pays such fee out of its Program Management Fee.

3 Contributions that constitute a Qualified Rollover Distribution from another 529 qualified tuition program, excluding other Illinois Section 529 programs, may be made to Fee Structure A without the imposition of an initial sales charge.

4 A quarterly account fee of $3 will be deducted from the Accounts each quarter and Accounts incur an initial one-time $10 set up fee.

NOTE C – ADMINISTRATIVE FEES (Continued)

Fee Structure C

	Annual Asset-Based Fees						Additional Investor Expenses	
Portfolio	**Estimated Underlying Fund Expenses[1]**	**Program Management Fees**	**State Fee[2]**	**Misc. Fee**	**Annual Servicing Fee**	**Total Annual Asset-Based Fees**	**Maximum Initial Sales Charge[3]**	**Account Fee[4]**
Target Portfolios								
Fund 100	0.58%	0.45%	None	None	0.50%	1.53%	None	$12
Fund 80	0.55%	0.45%	None	None	0.50%	1.50%	None	$12
Fund 60	0.52%	0.45%	None	None	0.50%	1.47%	None	$12
Fund 40	0.50%	0.45%	None	None	0.50%	1.45%	None	$12
Fund 20	0.41%	0.45%	None	None	0.50%	1.36%	None	$12
Fund 10	0.33%	0.45%	None	None	0.50%	1.28%	None	$12
Fixed Income	0.28%	0.45%	None	None	0.50%	1.23%	None	$12
Age-Based Portfolios								
Aggressive								
Ages 0-8	0.58%	0.45%	None	None	0.50%	1.53%	None	$12
Ages 9-12	0.55%	0.45%	None	None	0.50%	1.50%	None	$12
Ages 13-16	0.52%	0.45%	None	None	0.50%	1.47%	None	$12
Ages 17-20	0.50%	0.45%	None	None	0.50%	1.45%	None	$12
Ages 21+	0.41%	0.45%	None	None	0.50%	1.36%	None	$12
Growth								
Ages 0-8	0.55%	0.45%	None	None	0.50%	1.50%	None	$12
Ages 9-12	0.52%	0.45%	None	None	0.50%	1.47%	None	$12
Ages 13-16	0.50%	0.45%	None	None	0.50%	1.45%	None	$12
Ages 17-20	0.41%	0.45%	None	None	0.50%	1.36%	None	$12
Ages 21+	0.33%	0.45%	None	None	0.50%	1.28%	None	$12
Balanced								
Ages 0-8	0.52%	0.45%	None	None	0.50%	1.47%	None	$12
Ages 9-12	0.50%	0.45%	None	None	0.50%	1.45%	None	$12
Ages 13-16	0.41%	0.45%	None	None	0.50%	1.36%	None	$12
Ages 17-20	0.33%	0.45%	None	None	0.50%	1.28%	None	$12
Ages 21+	0.28%	0.45%	None	None	0.50%	1.23%	None	$12

NOTE C – ADMINISTRATIVE FEES (Continued)

Fee Structure C (Continued)

Annual Asset-Based Fees							Additional Investor Expenses	
Portfolio	**Estimated Underlying Fund Expenses[1]**	**Program Management Fees**	**State Fee[2]**	**Misc. Fee**	**Annual Servicing Fee**	**Total Annual Asset-Based Fees**	**Maximum Initial Sales Charge[3]**	**Account Fee[4]**
Individual Fund Portfolios								
BGI Institutional Money Market 529 Portfolio	0.12%	0.45%	None	None	0.50%	1.07%	None	$12
PIMCO Short-Term 529 Portfolio	0.45%	0.45%	None	None	0.50%	1.40%	None	$12
PIMCO Low Duration 529 Portfolio	0.43%	0.45%	None	None	0.50%	1.38%	None	$12
PIMCO Total Return 529 Portfolio	0.43%	0.45%	None	None	0.50%	1.38%	None	$12
Calvert Income 529 Portfolio	0.56%	0.45%	None	None	0.50%	1.51%	None	$12
T. Rowe Price Balanced 529 Portfolio	0.75%	0.45%	None	None	0.50%	1.70%	None	$12
T. Rowe Price Real Estate 529 Portfolio	0.90%	0.45%	None	None	0.50%	1.85%	None	$12
Calvert Social Investment Equity 529 Portfolio	0.68%	0.45%	None	None	0.50%	1.63%	None	$12
American Century Value 529 Portfolio	0.79%	0.45%	None	None	0.50%	1.74%	None	$12
DFA U.S. Large Cap Value 529 Portfolio	0.32%	0.45%	None	None	0.50%	1.27%	None	$12
T. Rowe Price Equity Income 529 Portfolio	0.74%	0.45%	None	None	0.50%	1.69%	None	$12

NOTE C – ADMINISTRATIVE FEES (Continued)

Fee Structure C (Continued)

	Annual Asset-Based Fees						Additional Investor Expenses	
Portfolio	**Estimated Underlying Fund Expenses**[1]	**Program Management Fees**	**State Fee**[2]	**Misc. Fee**	**Annual Servicing Fee**	**Total Annual Asset-Based Fees**	**Maximum Initial Sales Charge**[3]	**Account Fee**[4]
American Century Equity Growth 529 Portfolio	0.48%	0.45%	None	None	0.50%	1.43%	None	$12
Northern Institutional Equity Index 529 Portfolio	0.21%	0.45%	None	None	0.50%	1.16%	None	$12
American Century Ultra 529 Portfolio	0.79%	0.45%	None	None	0.50%	1.74%	None	$12
Northern Institutional Diversified Growth 529 Portfolio	0.77%	0.45%	None	None	0.50%	1.72%	None	$12
T. Rowe Price Extended Equity Market Index 529 Portfolio	0.40%	0.45%	None	None	0.50%	1.35%	None	$12
American Century Vista 529 Portfolio	0.80%	0.45%	None	None	0.50%	1.75%	None	$12
Ariel 529 Portfolio	1.07%	0.45%	None	None	0.50%	2.02%	None	$12
Legg Mason U.S. Small Cap Value 529 Portfolio	0.93%	0.45%	None	None	0.50%	1.88%	None	$12
Northern Institutional Small Company Index 529 Portfolio	0.31%	0.45%	None	None	0.50%	1.26%	None	$12

NOTE C – ADMINISTRATIVE FEES (Continued)

Fee Structure C (Continued)

Annual Asset-Based Fees							Additional Investor Expenses	
Portfolio	**Estimated Underlying Fund Expenses[1]**	**Program Management Fees**	**State Fee[2]**	**Misc. Fee**	**Annual Servicing Fee**	**Total Annual Asset-Based Fees**	**Maximum Initial Sales Charge[3]**	**Account Fee[4]**
Fidelity Advisor Small Cap 529 Portfolio	1.01%	0.45%	None	None	0.50%	1.96%	None	$12
William Blair Small Cap Growth 529 Portfolio	1.21%	0.45%	None	None	0.50%	2.16%	None	$12
AllianceBernstein International Value 529 Portfolio	0.90%	0.45%	None	None	0.50%	1.85%	None	$12
Northern Institutional International Equity Index 529 Portfolio	0.41%	0.45%	None	None	0.50%	1.36%	None	$12
Fidelity Advisor Diversified International 529 Portfolio	1.03%	0.45%	None	None	0.50%	1.98%	None	$12

1 For registered mutual funds, in the absence of a change that would materially affect the information, based on the most recent fiscal year reported upon in the applicable fund's most recent prospectus, and for Portfolios invested in multiple registered mutual funds, based on a weighted average of each fund's total annual operating expenses, in accordance with the Portfolio's asset allocation as of the date of this Program Disclosure Statement.

2 The Program Manager pays a fee to the Treasurer that is used to offset the Treasurer's expenses in administering the Program in an amount equal to the greater of $350,000 or 0.05% of the aggregate assets in the Program. The Program Manager pays such fee out of its Program Management Fee.

3 Contributions that constitute a Qualified Rollover Distribution from another 529 qualified tuition program, excluding other Illinois Section 529 programs, may be made to Fee Structure A without the imposition of an initial sales charge.

4 A quarterly account fee of $3 will be deducted from the Accounts each quarter and Accounts incur an initial one-time $10 set up fee.

NOTE C – ADMINISTRATIVE FEES (Continued)

Fee Structure E

Annual Asset-Based Fees							Additional Investor Expenses	
Portfolio	**Estimated Underlying Fund Expenses[1]**	**Program Management Fees**	**State Fee[2]**	**Misc. Fee**	**Annual Servicing Fee**	**Total Annual Asset-Based Fees**	**Maximum Initial Sales Charge[3]**	**Account Fee[4]**
Target Portfolios								
Fund 100	0.58%	0.45%	None	None	0.25%	1.28%	None	$12
Fund 80	0.55%	0.45%	None	None	0.25%	1.25%	None	$12
Fund 60	0.52%	0.45%	None	None	0.25%	1.22%	None	$12
Fund 40	0.50%	0.45%	None	None	0.25%	1.20%	None	$12
Fund 20	0.41%	0.45%	None	None	0.25%	1.11%	None	$12
Fund 10	0.33%	0.45%	None	None	0.25%	1.03%	None	$12
Fixed Income	0.28%	0.45%	None	None	0.25%	0.98%	None	$12
Age-Based Portfolios								
Aggressive								
Ages 0-8	0.58%	0.45%	None	None	0.25%	1.28%	None	$12
Ages 9-12	0.55%	0.45%	None	None	0.25%	1.25%	None	$12
Ages 13-16	0.52%	0.45%	None	None	0.25%	1.22%	None	$12
Ages 17-20	0.50%	0.45%	None	None	0.25%	1.20%	None	$12
Ages 21+	0.41%	0.45%	None	None	0.25%	1.11%	None	$12
Growth								
Ages 0-8	0.55%	0.45%	None	None	0.25%	1.25%	None	$12
Ages 9-12	0.52%	0.45%	None	None	0.25%	1.22%	None	$12
Ages 13-16	0.50%	0.45%	None	None	0.25%	1.20%	None	$12
Ages 17-20	0.41%	0.45%	None	None	0.25%	1.11%	None	$12
Ages 21+	0.33%	0.45%	None	None	0.25%	1.03%	None	$12
Balanced								
Ages 0-8	0.52%	0.45%	None	None	0.25%	1.22%	None	$12
Ages 9-12	0.50%	0.45%	None	None	0.25%	1.20%	None	$12
Ages 13-16	0.41%	0.45%	None	None	0.25%	1.11%	None	$12
Ages 17-20	0.33%	0.45%	None	None	0.25%	1.03%	None	$12
Ages 21+	0.28%	0.45%	None	None	0.25%	0.98%	None	$12

NOTE C – ADMINISTRATIVE FEES (Continued)

Fee Structure E (Continued)

Annual Asset-Based Fees							Additional Investor Expenses	
Portfolio	**Estimated Underlying Fund Expenses[1]**	**Program Management Fees**	**State Fee[2]**	**Misc. Fee**	**Annual Servicing Fee**	**Total Annual Asset-Based Fees**	**Maximum Initial Sales Charge[3]**	**Account Fee[4]**
Individual Fund Portfolios								
BGI Institutional Money Market 529 Portfolio	0.12%	0.45%	None	None	0.25%	0.82%	None	$12
PIMCO Short-Term 529 Portfolio	0.45%	0.45%	None	None	0.25%	1.15%	None	$12
PIMCO Low Duration 529 Portfolio	0.43%	0.45%	None	None	0.25%	1.13%	None	$12
PIMCO Total Return 529 Portfolio	0.43%	0.45%	None	None	0.25%	1.13%	None	$12
Calvert Income 529 Portfolio	0.56%	0.45%	None	None	0.25%	1.26%	None	$12
T. Rowe Price Balanced 529 Portfolio	0.75%	0.45%	None	None	0.25%	1.45%	None	$12
T. Rowe Price Real Estate 529 Portfolio	0.90%	0.45%	None	None	0.25%	1.60%	None	$12
Calvert Social Investment Equity 529 Portfolio	0.68%	0.45%	None	None	0.25%	1.38%	None	$12
American Century Value 529 Portfolio	0.79%	0.45%	None	None	0.25%	1.49%	None	$12
DFA U.S. Large Cap Value 529 Portfolio	0.32%	0.45%	None	None	0.25%	1.02%	None	$12
T. Rowe Price Equity Income 529 Portfolio	0.74%	0.45%	None	None	0.25%	1.44%	None	$12

NOTE C – ADMINISTRATIVE FEES (Continued)

Fee Structure E (Continued)

Annual Asset-Based Fees							Additional Investor Expenses	
Portfolio	**Estimated Underlying Fund Expenses**[1]	**Program Management Fees**	**State Fee**[2]	**Misc. Fee**	**Annual Servicing Fee**	**Total Annual Asset-Based Fees**	**Maximum Initial Sales Charge**[3]	**Account Fee**[4]
American Century Equity Growth 529 Portfolio	0.48%	0.45%	None	None	0.25%	1.18%	None	$12
Northern Institutional Equity Index 529 Portfolio	0.21%	0.45%	None	None	0.25%	0.91%	None	$12
American Century Ultra 529 Portfolio	0.79%	0.45%	None	None	0.25%	1.49%	None	$12
Northern Institutional Diversified Growth 529 Portfolio	0.77%	0.45%	None	None	0.25%	1.47%	None	$12
T. Rowe Price Extended Equity Market Index 529 Portfolio	0.40%	0.45%	None	None	0.25%	1.10%	None	$12
American Century Vista 529 Portfolio	0.80%	0.45%	None	None	0.25%	1.50%	None	$12
Ariel 529 Portfolio	1.07%	0.45%	None	None	0.25%	1.77%	None	$12
Legg Mason U.S. Small Cap Value 529 Portfolio	0.93%	0.45%	None	None	0.25%	1.63%	None	$12
Northern Institutional Small Company Index 529 Portfolio	0.31%	0.45%	None	None	0.25%	1.01%	None	$12

NOTE C – ADMINISTRATIVE FEES (Continued)

Fee Structure E (Continued)

Annual Asset-Based Fees							Additional Investor Expenses	
Portfolio	**Estimated Underlying Fund Expenses**[1]	**Program Management Fees**	**State Fee**[2]	**Misc. Fee**	**Annual Servicing Fee**	**Total Annual Asset-Based Fees**	**Maximum Initial Sales Charge**[3]	**Account Fee**[4]
Fidelity Advisor Small Cap 529 Portfolio	1.01%	0.45%	None	None	0.25%	1.71%	None	$12
William Blair Small Cap Growth 529 Portfolio	1.21%	0.45%	None	None	0.25%	1.91%	None	$12
AllianceBernstein International Value 529 Portfolio	0.90%	0.45%	None	None	0.25%	1.60%	None	$12
Northern Institutional International Equity Index 529 Portfolio	0.41%	0.45%	None	None	0.25%	1.11%	None	$12
Fidelity Advisor Diversified International 529 Portfolio	1.03%	0.45%	None	None	0.25%	1.73%	None	$12

1 For registered mutual funds, in the absence of a change that would materially affect the information, based on most recent fiscal year reported upon in the applicable fund's most recent prospectus, and for Portfolios invested in multiple registered mutual funds, based on a weighted average of each fund's total annual operating expenses, in accordance with the Portfolios asset allocation as of the date of this Program Disclosure Statement.

2 The Program Manager pays a fee to the Treasurer that is used to offset the Treasurer's expenses in administering the Program in an amount equal to the greater of $350,000 or 0.05% of the aggregate assets in the Program. The Program Manager pays such fee out of its Program Management Fee.

3 Contributions that constitute a Qualified Rollover Distribution from another 529 qualified tuition program, excluding other Illinois Section 529 programs, may be made to Fee Structure A without the imposition of an initial sales charge.

4 A quarterly account fee of $3 will be deducted from the Accounts each quarter and Accounts incur an initial one-time $10 set up fee.

NOTE C – ADMINISTRATIVE FEES (Continued)

Fee Structure F

Annual Asset-Based Fees							Additional Investor Expenses	
Portfolio	**Estimated Underlying Fund Expenses[1]**	**Program Management Fees**	**State Fee[2]**	**Misc. Fee**	**Annual Servicing Fee**	**Total Annual Asset-Based Fees**	**Maximum Initial Sales Charge[3]**	**Account Fee[4]**
Target Portfolios								
Fund 100	0.58%	0.45%	None	None	None	1.03%	None	$12
Fund 80	0.55%	0.45%	None	None	None	1.00%	None	$12
Fund 60	0.52%	0.45%	None	None	None	0.97%	None	$12
Fund 40	0.50%	0.45%	None	None	None	0.95%	None	$12
Fund 20	0.41%	0.45%	None	None	None	0.86%	None	$12
Fund 10	0.33%	0.45%	None	None	None	0.78%	None	$12
Fixed Income	0.28%	0.45%	None	None	None	0.73%	None	$12
Age-Based Portfolios								
Aggressive								
Ages 0-8	0.58%	0.45%	None	None	None	1.03%	None	$12
Ages 9-12	0.55%	0.45%	None	None	None	1.00%	None	$12
Ages 13-16	0.52%	0.45%	None	None	None	0.97%	None	$12
Ages 17-20	0.50%	0.45%	None	None	None	0.95%	None	$12
Ages 21+	0.41%	0.45%	None	None	None	0.86%	None	$12
Growth								
Ages 0-8	0.55%	0.45%	None	None	None	1.00%	None	$12
Ages 9-12	0.52%	0.45%	None	None	None	0.97%	None	$12
Ages 13-16	0.50%	0.45%	None	None	None	0.95%	None	$12
Ages 17-20	0.41%	0.45%	None	None	None	0.86%	None	$12
Ages 21+	0.33%	0.45%	None	None	None	0.78%	None	$12
Balanced								
Ages 0-8	0.52%	0.45%	None	None	None	0.97%	None	$12
Ages 9-12	0.50%	0.45%	None	None	None	0.95%	None	$12
Ages 13-16	0.41%	0.45%	None	None	None	0.86%	None	$12
Ages 17-20	0.33%	0.45%	None	None	None	0.78%	None	$12
Ages 21+	0.28%	0.45%	None	None	None	0.73%	None	$12

NOTE C – ADMINISTRATIVE FEES (Continued)

Fee Structure F (Continued)

Annual Asset-Based Fees							Additional Investor Expenses	
Portfolio	**Estimated Underlying Fund Expenses**[1]	**Program Management Fees**	**State Fee**[2]	**Misc. Fee**	**Annual Servicing Fee**	**Total Annual Asset-Based Fees**	**Maximum Initial Sales Charge**[3]	**Account Fee**[4]
Individual Fund Portfolios								
BGI Institutional Money Market 529 Portfolio	0.12%	0.45%	None	None	None	0.57%	None	$12
PIMCO Short-Term 529 Portfolio	0.45%	0.45%	None	None	None	0.90%	None	$12
PIMCO Low Duration 529 Portfolio	0.43%	0.45%	None	None	None	0.88%	None	$12
PIMCO Total Return 529 Portfolio	0.43%	0.45%	None	None	None	0.88%	None	$12
Calvert Income 529 Portfolio	0.56%	0.45%	None	None	None	1.01%	None	$12
T. Rowe Price Balanced 529 Portfolio	0.75%	0.45%	None	None	None	1.20%	None	$12
T. Rowe Price Real Estate 529 Portfolio	0.90%	0.45%	None	None	None	1.35%	None	$12
Calvert Social Investment Equity 529 Portfolio	0.68%	0.45%	None	None	None	1.13%	None	$12
American Century Value 529 Portfolio	0.79%	0.45%	None	None	None	1.24%	None	$12
DFA U.S. Large Cap Value 529 Portfolio	0.32%	0.45%	None	None	None	0.77%	None	$12
T. Rowe Price Equity Income 529 Portfolio	0.74%	0.45%	None	None	None	1.19%	None	$12

NOTE C – ADMINISTRATIVE FEES (Continued)

Fee Structure F (Continued)

Annual Asset-Based Fees							Additional Investor Expenses	
Portfolio	**Estimated Underlying Fund Expenses[1]**	**Program Management Fees**	**State Fee[2]**	**Misc. Fee**	**Annual Servicing Fee**	**Total Annual Asset-Based Fees**	**Maximum Initial Sales Charge[3]**	**Account Fee[4]**
American Century Equity Growth 529 Portfolio	0.48%	0.45%	None	None	None	0.93%	None	$12
Northern Institutional Equity Index 529 Portfolio	0.21%	0.45%	None	None	None	0.66%	None	$12
American Century Ultra 529 Portfolio	0.79%	0.45%	None	None	None	1.24%	None	$12
Northern Institutional Diversified Growth 529 Portfolio	0.77%	0.45%	None	None	None	1.22%	None	$12
T. Rowe Price Extended Equity Market Index 529 Portfolio	0.40%	0.45%	None	None	None	0.85%	None	$12
American Century Vista 529 Portfolio	0.80%	0.45%	None	None	None	1.25%	None	$12
Ariel 529 Portfolio	1.07%	0.45%	None	None	None	1.52%	None	$12
Legg Mason U.S. Small Cap Value 529 Portfolio	0.93%	0.45%	None	None	None	1.38%	None	$12
Northern Institutional Small Company Index 529 Portfolio	0.31%	0.45%	None	None	None	0.76%	None	$12
Fidelity Advisor Small Cap 529 Portfolio	1.01%	0.45%	None	None	None	1.46%	None	$12

NOTE C – ADMINISTRATIVE FEES (Continued)

Fee Structure F (Continued)

Annual Asset-Based Fees							Additional Investor Expenses	
Portfolio	**Estimated Underlying Fund Expenses[1]**	**Program Management Fees**	**State Fee[2]**	**Misc. Fee**	**Annual Servicing Fee**	**Total Annual Asset-Based Fees**	**Maximum Initial Sales Charge[3]**	**Account Fee[4]**
William Blair Small Cap Growth 529 Portfolio	1.21%	0.45%	None	None	None	1.66%	None	$12
AllianceBernstein International Value 529 Portfolio	0.90%	0.45%	None	None	None	1.35%	None	$12
Northern Institutional International Equity Index 529 Portfolio	0.41%	0.45%	None	None	None	0.86%	None	$12
Fidelity Advisor Diversified International 529 Portfolio	1.03%	0.45%	None	None	None	1.48%	None	$12

1 For registered mutual funds, in the absence of a change that would materially affect the information, based on the most recent fiscal year reported upon in the applicable fund's most recent prospectus, and for Portfolios invested in multiple registered mutual funds, based on a weighted average of each fund's total annual operating expenses, in accordance with the Portfolio's asset allocation as of the date of this Program Disclosure Statement.

2 The Program Manager pays a fee to the Treasurer that is used to offset the Treasurer's expenses in administering the Program in an amount equal to the greater of $350,000 or 0.05% of the aggregate assets in the Program. The Program Manager pays such fee out of its Program Management Fee.

3 Contributions that constitute a Qualified Rollover Distribution from another 529 qualified tuition program, excluding other Illinois Section 529 programs, may be made to Fee Structure A without the imposition of an initial sales charge.

4 A quarterly account fee of $3 will be deducted from the Accounts each quarter and Accounts incur an initial one-time $10 set up fee.

NOTE C – ADMINISTRATIVE FEES (Continued)

The College Savings Program custodial/advisory fees, 12b-1 fees and the College Savings Program Administrative Trust Fund expenditures are as follows:

	As of the Opening of Business January 8, 2007
Custodial/advisory fees	$3,256,673
12b-1 fees	116,072
Expenditures	307,615

NOTE D – NET ASSETS AVAILABLE TO PARTICIPANTS

The net assets available to participants represent the total value of all participant deposits including market fluctuations, dividend and interest income.

NOTE E – 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
STATEMENT OF FIDUCIARY NET ASSETS BY PORTFOLIO
As of the Opening of Business January 8, 2007

	Portfolio One	Portfolio Two	Portfolio Three	Portfolio Four	Portfolio Five
ASSETS					
Deposits and investments					
Cash and cash equivalents	$ 2,456,454	$ 3,714,858	$ 2,696,774	$ 2,356,471	$ 3,680,160
Dividends receivable	14,681,805	4,200,507	2,680,420	1,997,451	135,895
Mutual funds	410,269,044	237,067,720	151,318,150	218,103,292	186,395,498
Total assets	$ 427,407,303	$ 244,983,085	$ 156,695,344	$ 222,457,214	$ 190,211,553
LIABILITIES AND NET ASSETS					
Accrued liabilities					
Payable for securities purchased	$ 2,023,023	$ 3,600,891	$ 2,504,393	$ 2,183,786	$ 3,678,222
Insurance Fees	-	-	-	-	-
Advisory fees	110,315	67,154	43,504	70,944	73,863
Total liabilities	2,133,338	3,668,045	2,547,897	2,254,730	3,752,085
Net assets	425,273,965	241,315,040	154,147,447	220,202,484	186,459,468
Total liabilities and net assets	$ 427,407,303	$ 244,983,085	$ 156,695,344	$ 222,457,214	$ 190,211,553

State of Illinois
Office of the Treasurer
BRIGHT START COLLEGE SAVINGS PROGRAM
STATEMENT OF FIDUCIARY NET ASSETS BY PORTFOLIO - CONTINUED
As of the Opening of Business January 8, 2007

	Portfolio Six	All Equity	Fixed Income	Principal Prot Inc	Balanced Option
ASSETS					
Deposits and investments					
Cash and cash equivalents	$ 2,245,792	$ 6,272,937	$ 630,136	$ 494,178	$ 1,417,984
Dividends receivable	86,474	10,173,613	54,403	8,997,440	289,531
Mutual funds	97,069,150	577,878,531	54,466,165	68,699,353	33,469,660
Total assets	$ 99,401,416	$ 594,325,081	$ 55,150,704	$ 78,190,971	$ 35,177,175
LIABILITIES AND NET ASSETS					
Accrued liabilities					
Payable for securities purchased	$ 2,401,208	$ 6,080,456	$ 637,125	$ -	$ 1,409,018
Insurance Fees	-	-	-	51,155	-
Advisory fees	49,649	156,692	16,988	68,309	9,283
Total liabilities	2,450,857	6,237,148	654,113	119,464	1,418,301
Net assets	96,950,559	588,087,933	54,496,591	78,071,507	33,758,874
Total liabilities and net assets	$ 99,401,416	$ 594,325,081	$ 55,150,704	$ 78,190,971	$ 35,177,175

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As of the Opening of Business January 8, 2007

	Total
ASSETS	
Deposits and investments	
Cash and cash equivalents	$ 25,965,744
Dividends receivable	43,297,539
Mutual funds	2,034,736,563
Total assets	$ 2,103,999,846
LIABILITIES AND NET ASSETS	
Accrued liabilities	
Payable for securities purchased	$ 24,518,122
Insurance Fees	51,155
Advisory fees	666,701
Total liabilities	25,235,978
Net assets	2,078,763,868
Total liabilities and net assets	$ 2,103,999,846

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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	$ 42,448	$ 674	$ 18,015	$ (169)	$ (48)	$ 2,043
Dividends receivable	-	-	-	-	-	-
Mutual funds	4,239,195	2,165,138	475,993	1,161,530	247,407	1,896,007
Total assets	$ 4,281,643	$ 2,165,812	$ 494,008	$ 1,161,361	$ 247,359	$ 1,898,050
LIABILITIES AND NET ASSETS						
Accrued liabilities						
Advisory Fees	$ 8,690	$ 4,938	$ 1,291	$ 4,144	$ 140	$ 4,032
12b-1 fees	795	500	108	298	69	409
Total liabilities	9,485	5,438	1,399	4,442	209	4,441
Net assets	4,272,158	2,160,374	492,609	1,156,919	247,150	1,893,609
Total liabilities and net assets	$ 4,281,643	$ 2,165,812	$ 494,008	$ 1,161,361	$ 247,359	$ 1,898,050

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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	$ 432	$ 978	$ 52,486	$ 16,899	$ 1,494	$ 33,320
Dividends receivable	-	-	-	-	-	-
Mutual funds	1,773,907	498,355	5,389,044	3,197,859	729,351	1,364,525
Total assets	$ 1,774,339	$ 499,333	$ 5,441,530	$ 3,214,758	$ 730,845	$ 1,397,845
LIABILITIES AND NET ASSETS						
Accrued liabilities						
Advisory Fees	$ 3,556	$ 1,980	$ 8,076	$ 6,555	$ 1,954	$ 2,411
12b-1 fees	332	87	868	618	191	277
Total liabilities	3,888	2,067	8,944	7,173	2,145	2,688
Net assets	1,770,451	497,266	5,432,586	3,207,585	728,700	1,395,157
Total liabilities and net assets	$ 1,774,339	$ 499,333	$ 5,441,530	$ 3,214,758	$ 730,845	$ 1,397,845

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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	$ 3,424	$ 8,742	$ 1,089	$ 207	$ 10,100	$ 183
Dividends receivable	-	-	-	-	-	-
Mutual funds	894,926	1,362,956	1,067,385	278,639	1,010,597	739,406
Total assets	$ 898,350	$ 1,371,698	$ 1,068,474	$ 278,846	$ 1,020,697	$ 739,589
LIABILITIES AND NET ASSETS						
Accrued liabilities						
Advisory Fees	$ 1,698	$ 802	$ 2,075	$ 366	$ 373	$ 290
12b-1 fees	150	130	121	59	147	103
Total liabilities	1,848	932	2,196	425	520	393
Net assets	896,502	1,370,766	1,066,278	278,421	1,020,177	739,196
Total liabilities and net assets	$ 898,350	$ 1,371,698	$ 1,068,474	$ 278,846	$ 1,020,697	$ 739,589

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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	Barclays Institutional Money Market 529 Portfolio
ASSETS						
Deposits and investments						
Cash and cash equivalents	$ 41,115	$ 10,096	$ 1,656	$ 224	$ 11,883	$ 3,946,689
Dividends receivable	-	-	-	-	-	2,730
Mutual funds	3,277,987	1,121,253	2,120,753	1,769,088	1,418,055	-
Total assets	$ 3,319,102	$ 1,131,349	$ 2,122,409	$ 1,769,312	$ 1,429,938	$ 3,949,419
LIABILITIES AND NET ASSETS						
Accrued liabilities						
Advisory Fees	$ 5,158	$ 1,649	$ 3,240	$ 4,237	$ 3,626	$ 1,254
12b-1 fees	598	243	687	499	286	895
Total liabilities	5,756	1,892	3,927	4,736	3,912	2,149
Net assets	3,313,346	1,129,457	2,118,482	1,764,576	1,426,026	3,947,270
Total liabilities and net assets	$ 3,319,102	$ 1,131,349	$ 2,122,409	$ 1,769,312	$ 1,429,938	$ 3,949,419

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	William Blair Small Cap Growth 529 Portfolio	Fixed Income Fund	Fund 10	Fund 20	Fund 40	Fund 60
ASSETS						
Deposits and investments						
Cash and cash equivalents	$ 12,942	$ 339,509	$ 865,571	$ 1,069,730	$ 180,058	$ 56,811
Dividends receivable	-	307	978	1,147	-	-
Mutual funds	2,280,776	279,609	1,296,017	4,103,845	10,860,328	18,852,951
Total assets	$ 2,293,718	$ 619,425	$ 2,162,566	$ 5,174,722	$ 11,040,386	$ 18,909,762
LIABILITIES AND NET ASSETS						
Accrued liabilities						
Advisory Fees	$ 3,853	$ 3,022	$ 2,565	$ 10,973	$ 31,763	$ 45,878
12b-1 fees	311	171	634	1,609	3,245	5,564
Total liabilities	4,164	3,193	3,199	12,582	35,008	51,442
Net assets	2,289,554	616,232	2,159,367	5,162,140	11,005,378	18,858,320
Total liabilities and net assets	$ 2,293,718	$ 619,425	$ 2,162,566	$ 5,174,722	$ 11,040,386	$ 18,909,762

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	Fund 80	Fund 100	Total
ASSETS			
Deposits and investments			
Cash and cash equivalents	$ 44,970	$ 80,482	$ 6,854,053
Dividends receivable	-	-	5,162
Mutual funds	29,963,425	19,747,575	125,583,882
Total assets	$ 30,008,395	$ 19,828,057	$ 132,443,097
LIABILITIES AND NET ASSETS			
Accrued liabilities			
Advisory Fees	$ 127,135	$ 77,150	$ 374,874
12b-1 fees	7,909	5,410	33,323
Total liabilities	135,044	82,560	408,197
Net assets	29,873,351	19,745,497	132,034,900
Total liabilities and net assets	$ 30,008,395	$ 19,828,057	$ 132,443,097

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	Portfolio One	Portfolio Two	Portfolio Three	Portfolio Four	Portfolio Five
OPERATIONS					
Revenues (expenditures)					
Investment earnings	$ 3,534,230	$ 2,729,016	$ 2,068,101	$ 3,266,241	$ 3,346,331
Gain (loss) on sale of securities	26,549,867	9,777,481	5,593,613	5,718,237	2,072,562
Net change in fair value of investments	11,156,313	8,990,706	5,315,597	8,397,688	6,043,857
Insurance Fees	-	-	-	-	-
Bank custodial fees	(501,825)	(305,017)	(197,958)	(329,457)	(345,072)
Net investment earnings	40,738,585	21,192,186	12,779,353	17,052,709	11,117,678
PARTICIPANT TRANSACTIONS					
Program contributions	56,735,406	71,052,784	60,022,312	61,953,864	57,256,614
Program distributions	(57,969,839)	(52,419,428)	(47,484,765)	(48,290,393)	(36,714,526)
Total increase from participant transactions	(1,234,433)	18,633,356	12,537,547	13,663,471	20,542,088
Net increase in net assets	39,504,152	39,825,542	25,316,900	30,716,180	31,659,766
Net assets, July 1, 2006	385,769,813	201,489,498	128,830,547	189,486,304	154,799,702
Net assets, Opening of Business January 8, 2007	$ 425,273,965	$ 241,315,040	$ 154,147,447	$ 220,202,484	$ 186,459,468

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	Portfolio Six	All Equity	Fixed Income	Principal Prot Inc	Balanced Option
OPERATIONS					
Revenues (expenses)					
Investment earnings	$ 2,027,359	$ 2,899,328	$ 1,515,608	$ 1,784,403	$ 457,314
Gain (loss) on sale of securities	164,580	30,414,404	(183,145)	-	806,049
Net change in fair value of investments	1,507,996	26,951,761	1,885,591	-	1,041,214
Insurance Fees	-	-	-	(51,222)	-
Bank custodial fees	(227,926)	(711,213)	(84,237)	(342,774)	(39,303)
Net investment earnings	3,472,009	59,554,280	3,133,817	1,390,407	2,265,274
PARTICIPANT TRANSACTIONS					
Program contributions	39,787,792	53,979,592	6,887,438	17,574,924	10,065,595
Program distributions	(25,391,892)	(35,213,856)	(8,960,759)	(18,163,661)	(1,751,688)
Total increase from participant transactions	14,395,900	18,765,736	(2,073,321)	(588,737)	8,313,907
Net increase in net assets	17,867,909	78,320,016	1,060,496	801,670	10,579,181
Net assets, July 1, 2006	79,082,650	509,767,917	53,436,095	77,269,837	23,179,693
Net assets, Opening of Business January 8, 2007	$ 96,950,559	$ 588,087,933	$ 54,496,591	$ 78,071,507	$ 33,758,874

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	Total
OPERATIONS	
Revenues (expenses)	
Investment earnings	$ 23,627,931
Gain (loss) on sale of securities	80,913,648
Net change in fair value of investments	71,290,723
Insurance Fees	(51,222)
Bank custodial fees	(3,084,782)
Net investment earnings	172,696,298
PARTICIPANT TRANSACTIONS	
Program contributions	435,316,321
Program distributions	(332,360,807)
Total increase from participant transactions	102,955,514
Net increase in net assets	275,651,812
Net assets, July 1, 2006	1,803,112,056
Net assets, Opening of Business January 8, 2007	$ 2,078,763,868

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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
OPERATIONS					
Revenues (expenditures)					
Investment earnings	$ 231,537	$ 65,439	$ 27,192	$ 66,742	$ 1,789
Gain (loss) on sale of securities	211	2,028	(68)	60	35
Net change in fair value of investments	141,889	42,092	(10,640)	11,564	6,946
12b-1 fees	(2,677)	(1,907)	(405)	(1,080)	(244)
Bank custodial fees	(5,644)	(2,862)	(750)	(1,479)	(370)
Net investment earnings	365,316	104,790	15,329	75,807	8,156
DISTRIBUTIONS TO PARTICIPANTS					
Net investment income	-	-	-	-	-
Total decrease in net assets from distributions	-	-	-	-	-
PARTICIPANT TRANSACTIONS					
Program contributions	2,715,215	1,491,414	333,192	681,282	182,064
Program distributions	(51,976)	(77,584)	(53,059)	(18,380)	(8,659)
Distributions reinvested	-	-	-	-	-
Total increase from participant transactions	2,663,239	1,413,830	280,133	662,902	173,405
Net increase in net assets	3,028,555	1,518,620	295,462	738,709	181,561
Net assets, July 1, 2006	1,243,603	641,754	197,147	418,210	65,589
Net assets, Opening of Business January 8, 2007	$ 4,272,158	$ 2,160,374	$ 492,609	$ 1,156,919	$ 247,150

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	Ariel 529 Portfolio	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
OPERATIONS						
Revenues (expenditures)						
Investment earnings	$ 88,563	$ 23,237	$ 16,483	$ 123,337	$ 202,318	$ 48,467
Gain (loss) on sale of securities	180	(169)	93	343	42	(160)
Net change in fair value of investments	18,040	18,450	3,059	194,879	(17,840)	(26,692)
12b-1 fees	(1,592)	(890)	(248)	(2,886)	(2,250)	(696)
Bank custodial fees	(2,803)	(2,044)	(653)	(7,332)	(4,535)	(1,019)
Net investment earnings	102,388	38,584	18,734	308,341	177,735	19,900
DISTRIBUTIONS TO PARTICIPANTS						
Net investment income	-	-	-	-	-	-
Total decrease in net assets from distributions	-	-	-	-	-	-
PARTICIPANT TRANSACTIONS						
Program contributions	1,093,007	1,375,858	361,728	3,315,963	1,916,502	488,154
Program distributions	(73,620)	(29,473)	(13,950)	(73,474)	(84,161)	(24,575)
Distributions reinvested	-	-	-	-	-	-
Total increase from participant transactions	1,019,387	1,346,385	347,778	3,242,489	1,832,341	463,579
Net increase in net assets	1,121,775	1,384,969	366,512	3,550,830	2,010,076	483,479
Net assets, July 1, 2006	771,834	385,482	130,754	1,881,756	1,197,509	245,221
Net assets, Opening of Business January 8, 2007	$ 1,893,609	$ 1,770,451	$ 497,266	$ 5,432,586	$ 3,207,585	$ 728,700

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	Legg Mason U.S. Small Cap Value 529 Portfolio	Northern Institutional Diversfied Growth 529 Portfolio	Northern Institutional Equity Index 529 Portfolio	Northern Institutional International Equity Index 529 Portfolio	Northern Institutional Small Company Index 529 Portfolio
OPERATIONS					
Revenues (expenditures)					
Investment earnings	$ 90,723	$ 56,462	$ 61,129	$ 113,178	$ 1,488
Gain (loss) on sale of securities	215	34	111	11	555
Net change in fair value of investments	(19,830)	(7,905)	20,577	(48,693)	5,994
12b-1 fees	(958)	(479)	(476)	(392)	(193)
Bank custodial fees	(1,925)	(1,232)	(1,789)	(1,206)	(307)
Net investment earnings	68,225	46,880	79,552	62,898	7,537
DISTRIBUTIONS TO PARTICIPANTS					
Net investment income	-	-	-	-	-
Total decrease in net assets from distributions	-	-	-	-	-
PARTICIPANT TRANSACTIONS					
Program contributions	880,670	536,764	840,982	723,873	214,977
Program distributions	(16,844)	(5,205)	(3,371)	(3,134)	(9,529)
Distributions reinvested	-	-	-	-	-
Total increase from participant transactions	863,826	531,559	837,611	720,739	205,448
Net increase in net assets	932,051	578,439	917,163	783,637	212,985
Net assets, July 1, 2006	463,106	318,063	453,603	282,641	65,436
Net assets, Opening of Business January 8, 2007	$ 1,395,157	$ 896,502	$ 1,370,766	$ 1,066,278	$ 278,421

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	Pimco Low Duration 529 Portfolio	Pimco Short-Term 529 Portfolio	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
OPERATIONS						
Revenues (expenditures)						
Investment earnings	$ 14,370	$ 14,923	$ 60,069	$ 15,688	$ 46,520	$ 44,977
Gain (loss) on sale of securities	33	(12)	1,406	93	5,660	1,896
Net change in fair value of investments	3,632	(517)	36,029	40,411	63,501	57,917
12b-1 fees	(538)	(421)	(2,349)	(749)	(2,449)	(1,673)
Bank custodial fees	(1,429)	(1,306)	(4,847)	(1,365)	(2,822)	(2,162)
Net investment earnings	16,068	12,667	90,308	54,078	110,410	100,955
DISTRIBUTIONS TO PARTICIPANTS						
Net investment income	-	-	-	-	-	-
Total decrease in net assets from distributions	-	-	-	-	-	-
PARTICIPANT TRANSACTIONS						
Program contributions	749,077	354,755	2,119,555	826,283	1,844,393	1,258,701
Program distributions	(30,090)	(32,081)	(174,687)	(32,830)	(302,830)	(34,997)
Distributions reinvested	-	-	-	-	-	-
Total increase from participant transactions	718,987	322,674	1,944,868	793,453	1,541,563	1,223,704
Net increase in net assets	735,055	335,341	2,035,176	847,531	1,651,973	1,324,659
Net assets, July 1, 2006	285,122	403,855	1,278,170	281,926	466,509	439,917
Net assets, Opening of Business January 8, 2007	$ 1,020,177	$ 739,196	$ 3,313,346	$ 1,129,457	$ 2,118,482	$ 1,764,576

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	T.Rowe Price Real Estate 529 Portfolio	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	$ 33,534	$ 55,144	$ 117,831	$ 7,158	$ 36,512	$ 108,034
Gain (loss) on sale of securities	68	-	20	(150)	649	1,684
Net change in fair value of investments	68,605	-	(38,559)	58	627	20,648
12b-1 fees	(927)	(3,161)	(1,045)	(434)	(1,970)	(6,353)
Bank custodial fees	(1,895)	(4,693)	(3,143)	(612)	(2,586)	(6,869)
Net investment earnings	99,385	47,290	75,104	6,020	33,232	117,144
DISTRIBUTIONS TO PARTICIPANTS						
Net investment income	-	(40,211)	-	-	-	-
Total decrease in net assets from distributions	-	(40,211)	-	-	-	-
PARTICIPANT TRANSACTIONS						
Program contributions	891,019	4,034,747	1,397,760	605,346	1,972,784	3,925,259
Program distributions	(20,045)	(936,694)	(33,504)	(154,231)	(273,802)	(492,997)
Distributions reinvested	-	40,211	-	-	-	-
Total increase from participant transactions	870,974	3,138,264	1,364,256	451,115	1,698,982	3,432,262
Net increase in net assets	970,359	3,145,343	1,439,360	457,135	1,732,214	3,549,406
Net assets, July 1, 2006	455,667	801,927	850,194	159,097	427,153	1,612,734
Net assets, Opening of Business January 8, 2007	$ 1,426,026	$ 3,947,270	$ 2,289,554	$ 616,232	$ 2,159,367	$ 5,162,140

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	Fund 40	Fund 60	Fund 80	Fund 100	Total
OPERATIONS					
Revenues (expenditures)					
Investment earnings	$ 281,681	$ 618,510	$ 1,138,788	$ 897,549	$ 4,709,372
Gain (loss) on sale of securities	(669)	6,904	3,003	5,253	29,359
Net change in fair value of investments	45,506	157,233	271,188	178,642	1,236,811
12b-1 fees	(11,222)	(18,972)	(27,220)	(19,216)	(116,072)
Bank custodial fees	(13,337)	(24,650)	(38,187)	(26,038)	(171,891)
Net investment earnings	301,959	739,025	1,347,572	1,036,190	5,687,579
DISTRIBUTIONS TO PARTICIPANTS					
Net investment income	-	-	-	-	(40,211)
Total decrease in net assets from distributions	-	-	-	-	(40,211)
PARTICIPANT TRANSACTIONS					
Program contributions	8,291,905	14,542,826	21,428,785	13,126,291	94,521,131
Program distributions	(741,387)	(1,625,949)	(1,151,979)	(739,918)	(7,325,015)
Distributions reinvested	-	-	-	-	40,211
Total increase from participant transactions	7,550,518	12,916,877	20,276,806	12,386,373	87,236,327
Net increase in net assets	7,852,477	13,655,902	21,624,378	13,422,563	92,883,695
Net assets, July 1, 2006	3,152,901	5,202,418	8,248,973	6,322,934	39,151,205
Net assets, Opening of Business January 8, 2007	$ 11,005,378	$ 18,858,320	$ 29,873,351	$ 19,745,497	$ 132,034,900

State of Illinois
Office of the Treasurer
BRIGHT START COLLEGE SAVINGS PROGRAM
KEY PERFORMANCE MEASURES
As of the Opening of Business January 8, 2007
Unaudited

	Illinois Residents	Out of State	Total
Number of Participant Accounts	102,110	38,584	140,694
Dollar amount	$ 1,548,534,685	$ 536,625,019	$ 2,085,159,704

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

State of Illinois
Office of the Treasurer
BRIGHT DIRECTIONS COLLEGE SAVINGS PROGRAM
KEY PERFORMANCE MEASURES
As of the Opening of Business January 8, 2007
Unaudited

	Illinois Residents	Out of State	Total
Number of Participant Accounts	11,878	350	12,228
Dollar amount	$ 126,823,396	$ 5,211,502	$ 132,034,898

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

State of Illinois
Office of the Treasurer
COLLEGE SAVINGS PROGRAM
BRIGHT START INVESTMENT POLICY
As of the Opening of Business January 8, 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.

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.

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 her 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, CAM North America, LLC (the “Manager”) for various investment management and related administrative services. Among the current responsibilities of the Manager 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 the Manager 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, the Manager 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.

VII. Investment Parameters

Contributions will be invested in one of seventeen Underlying Portfolios, each with a designated mix of investments that is appropriate for 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 the Manager. 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

Mutual Fund Category	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 10+ yr	0%	10%	20%	0%	10%	0%
US Govt. Securities	ML Mtg., GNMA Master	0%	0%	0%	0%	10%	0%
Short-term Inv Grade Bond	Citigroup Govt/Corp 1-5 yr	0%	0%	0%	0%	0%	40%
Bank Deposits		10%	20%	20%	50%	50%	50%

Age Based Portfolios -- Bank Rejects Deposits

Mutual Fund Category	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 10+ yr	10%	15%	20%	15%	10%	0%
US Government Securities	ML Mtg. GNMA Master	0%	15%	20%	20%	20%	0%
Short-term Inv 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, Equity or Balanced Options

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

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.

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. CAM North America, LLC (ClearBridge Advisors,LLC) 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

The Manager shall establish at least two annual Bank Investment Dates to enable the Manager 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. The Manager 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 the Manager 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 the Manager 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.

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, the Manager 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) and 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 the Manager 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 the Manager's judgment and assessment of the current and future interest rate environment.

On Bank Investment Dates or upon maturity of CDs, the Manager 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).

State of Illinois
Office of the Treasurer
COLLEGE SAVINGS PROGRAM
BRIGHT DIRECTIONS INVESTMENT POLICY
As of the Opening of Business January 8, 2007
Unaudited

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.

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.

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 her 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.

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.

<u>Age Based Portfolios</u>

Aggressive

	Benchmark	#1 Portfolio (0-8 yrs)	#2 Portfolio (9-12 yrs)	#3 Portfolio (13-16 yrs)	#4 Portfolio (17-20 yrs)	#5 Portfolio (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

	Benchmark	#1 Portfolio (0-8 yrs)	#2 Portfolio (9-12 yrs)	#3 Portfolio (13-16 yrs)	#4 Portfolio (17-20 yrs)	#5 Portfolio (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

	Benchmark	#1 Portfolio (0-8 yrs)	#2 Portfolio (9-12 yrs)	#3 Portfolio (13-16 yrs)	#4 Portfolio (17-20 yrs)	#5 Portfolio (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%

<u>Target Portfolios</u>

	Benchmark	Fund 100	Fund 80	Fund 60	Fund 40	Fund 20	Fund 10	Fixed Income
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%

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:

Asset Class	Benchmark
Corporate Bond	Lehman U.S. Credit
Balanced	40% Lehman Aggregate; 50% S&P 500; 10% MSCI EAFE
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

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.

AGREED-UPON PROCEDURES
RELATING TO THE TRANSITION
OF THE STATE OF ILLINOIS
OFFICE OF THE TREASURER

For the Period July 1, 2006 through the
Opening of Business January 8, 2007

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

Part IV

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Honorable William G. Holland
Auditor General
State of Illinois

Honorable Judy Baar Topinka
Outgoing State Treasurer
State of Illinois

Honorable Alexi Giannoulias
State Treasurer
State of Illinois

As Special Assistant Auditors for the Auditor General, we have performed each of the procedures enumerated below, which were agreed to by the Auditor General, the Outgoing State Treasurer and the State Treasurer, solely to assist the users in evaluating management's assertions regarding insurance, fixed assets, unclaimed property, locally held funds, and unexpended appropriations reported in the *Turnover Book*. Management of the Office of the State Treasurer is responsible for the information presented. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested, or for any other purpose.

The procedures we performed and the issues noted based upon these procedures are as follows:

Insurance in Force

1. We agreed the list of insurance policies in force, as reported in the *Turnover Book*, to the evidence supporting existence of those policies provided by management.

   Issues:
   - Three insurance policies listed in the *Turnover Book* incorrectly reported policy numbers as follows: policy numbers B80603301, B80603523, B80603520 were listed in the *Turnover Book* as 8603301, 8603523, and 8603520, respectively.
   - The insuring company name, policy number, begin date, and end date for the Illinois State Board of Investment bond as listed in the *Turnover Book* was incorrect as the policy was not issued as of the date of the *Turnover Book,* the opening of business of January 8, 2007.

Insurance in Force - Continued

2. We confirmed with the appropriate parties the policy numbers, policy terms, description of coverage, including dollar limitations and deductible amounts of each policy.

   The procedure was completed with no issues noted.

3. We confirmed with the appropriate parties that the insurance policies listed as being in force remained in force as of the opening of business January 8, 2007.

   Issues: The Illinois State Board of Investments bond was effective as of January 18, 2007 and was, therefore, not in force as of the opening of business January 8, 2007.

Management Comments: Management stated certain information requested by the Illinois State Board of Investments for the bond was of a personal financial nature relating to Treasurer-Elect Giannoulias; therefore, management forwarded the request to the Treasurer-Elect to allow the information to be handled in a confidential manner. Due to the short time frame involved in obtaining the bond, there was a delay between the date of inauguration and the date the bond became effective. Since the turnover book was completed over a weekend we could not have known the exact date the bond would become effective.

Fixed Assets

1. We selected a sample of 50 assets from the Fixed Asset List by Building/Floor provided by management. We located each item in the sample selected and performed the following procedures:

   a. Agreed the property identification number listed in the Fixed Asset List by Building/Floor to the property identification tag number on the asset.

      The procedure was completed with no issues noted.

   b. Agreed the asset to the description noted in the Fixed Asset List by Building/Floor.

      The procedure was completed with no issues noted.

   c. Traced each asset in the sample into the total item count reported in the Fixed Asset List by Building/Floor.

      The procedure was completed with no issues noted.

2. We selected a sample of 50 assets from various locations in the Chicago and Springfield offices. We traced each item in the sample selected to the Fixed Asset List by Building/Floor and performed the following procedures:

   a. Agreed the property identification tag number to the number listed in the Fixed Asset List by Building/Floor.

      The procedure was completed with no issues noted.

b. Agreed the asset to the description noted in the Fixed Asset List by Building/Floor.

   The procedure was completed with no issues noted.

c. Traced each asset in the sample into the total item count reported in the Fixed Asset List by Building/Floor.

   The procedure was completed with no issues noted.

3. We tested the mathematical accuracy of the Fixed Asset List by Building/Floor.

   The procedure was completed with no issues noted.

4. We agreed the total property count reported on the Fixed Asset List by Building/Floor to the item count reported in the *Turnover Book*.

   The procedure was completed with no issues noted.

5. We inquired with management whether the Office of the Treasurer entered into any lease or installment agreements during the period July 1, 2006 through opening of business January 8, 2007 and obtained a listing of all lease and installment agreements entered into during this time period.

   The procedure was completed with no issues noted.

6. We contacted the Illinois Office of the Comptroller (IOC) and inquired whether any Accounting for Leases-Lessee forms (SCO-560) were filed with the IOC for the period July 1, 2006 through opening of business January 8, 2007 and obtained a listing of all Forms SCO-560 filed during this time period.

   The procedure was completed with no issues noted.

7. For each Form SCO-560, we performed the following procedures:

   a. Agreed the terms of the lease or installment purchase agreement to Form SCO-560 to determine whether the information was properly reported on the form.

      The procedure was completed with no issues noted.

   b. Obtained the classification and asset value documentation from the IOC and agreed that documentation to the assets recorded in the Agency Report of State Property, if applicable.

      The procedure was completed with no issues noted.

Unclaimed Property

1. We selected a sample of 55 items from the Safekeeping Property Items Report provided by management. We located each item in the sample selected and performed the following procedures:

   a. Agreed the property identification number listed in the Safekeeping Property Items Report to the identification number on the property.

   b. Agreed the item to the description noted in the Safekeeping Property Items Report.

   Issues: 3 of the 55 (5.45%) items selected could not be located; therefore, the property identification number and the description listed in the Safekeeping Property Items Report could not be agreed to the property.

2. We selected a sample of 55 items from locations within the vault. We traced each item in the sample selected to the Safekeeping Property Items Report and performed the following procedures:

   a. Agreed the property identification number to the number listed in the Safekeeping Property Items Report.

   b. Agreed the item to the description noted in the Safekeeping Property Items Report.

   Issues: 1 of 55 (1.82%) items selected was not listed in the Safekeeping Property Items Report; therefore, the property identification number found on the item and the description could not be agreed to the report.

3. We agreed the total unclaimed property item count reported on the Safekeeping Property Items Report to the item count reported in the *Turnover Book*.

   Issues: The number of items reported in the Safekeeping Property Items Report agreed to the number of items reported in the *Turnover Book;* however, there were 60 of 85,332 (.07%) items reported which were unresolved discrepancies.

4. We confirmed with ACS/Mellon the shares of stock and mutual funds held as of December 31, 2006 and agreed the number of shares to the Treasurer's records.

   The procedure was completed with no issues noted.

5. We agreed the confirmed number of shares held by ACS/Mellon as of December 31, 2006 to the number of shares reported in the *Turnover Book*.

   Issues: The number of shares reported in the *Turnover Book* as held by ACS/Mellon as of December 31, 2006 was agreed to the ACS/Mellon confirmation; however, the *Turnover Book* reported all shares held in stocks and the confirmation reported shares held in stocks and mutual funds.

Unclaimed Property - Continued

6. For a judgmental sample of 25 other mutual fund brokers, we confirmed the number of shares held as of December 31, 2006 and agreed the number of shares to the Treasurer's records.

   The procedure was completed with no issues noted.

7. We agreed the total number of shares reported in the *Turnover Book* as held by other mutual fund brokers to the total number of shares recorded in the Treasurer's records as of December 31, 2006.

   The procedure was completed with no issues noted.

Management Comments: Management personnel stated the Treasurer's Office became responsible for the administration of unclaimed property on July 1, 1999. Accuracy of unclaimed property records became a priority and since that time, staff has continued to correct the unclaimed property records received when responsibility was transferred to the Treasurer. The issues noted relate to unclaimed property items received by the State prior to July 1, 1999 and the correction of the entries related to those items. During the time the Agreed-Upon Procedures were being performed, Unclaimed Property staff followed their normal process to revise information in the Wagers System as errors or inconsistencies became known, leading to irreconcilable differences between the December 1, 2006 and the January 7, 2007 reports. Management also stated they will continue to focus on improving the accuracy of the unclaimed property records. The original inventory sheet related to the item described in Procedure 2 was located, and the system has been updated to include a listing and description of that specific item.

Locally Held Funds

1. We obtained a list of all Locally Held Funds maintained by the Treasurer's Office.

   The procedure was completed with no issues noted.

2. We confirmed the cash balance in each Locally Held Fund with the appropriate financial institutions as of the opening of business January 8, 2007.

   The procedure was completed with no issues noted.

3. We agreed the confirmed cash balances as of the opening of business January 8, 2007 for each Locally Held Fund to the amount reported in the *Turnover Book*.

   Issues: The cash balance confirmed was $46.23 more than the amount reported in the *Turnover Book* in the Home Loan Collateral Fund. The cash and cash equivalents held in the account was not included in the cash balance reported in the *Turnover Book*.

Management Comments: Management personnel stated they inquired with the financial institution regarding the additional $46.23 confirmed in the Home Loan Collateral Fund. The financial institution determined the $46.23 was confirmed in error due to interest being recorded on a certificate of deposit the day after it matured and was rolled over.

Unexpended Appropriations

1. We obtained the Unexpended Appropriations Schedule from the Office of the Treasurer and re-computed the mathematical accuracy of the Unexpended Appropriations Schedule.

   The procedure was completed with no issues noted.

2. We obtained the Recap of the Treasurer's FY07 Budget/Spending Schedule (Recap) from the Office of the Treasurer and traced the fund name, fund number, original appropriation, year to date expenditures and unexpended appropriations from the Unexpended Appropriations Schedule to the Recap.

   The procedure was completed with no issues noted.

3. We obtained the Voucher Report – Expenditure Summary by Appropriation Code (VO 710) and traced the expenditures on the VO 710 to the Unexpended Appropriations Schedule.

   The procedure was completed with no issues noted.

4. We obtained the Office of the Treasurer Voucher Report – Appropriation and Detail Object Expenditures by Quarter (VO 300) and traced the appropriation detail on the VO 300 to summary amounts to the Recap.

   The procedure was completed with no issues noted.

5. We traced expenditure detail on the VO 300 to the summary amounts on the VO 710.

   The procedure was completed with no issues noted.

6. We obtained the Office of the Comptroller – Expenditure Object Report by fund and compared the appropriation amounts to the Office of the Treasurer records.

   The procedure was completed with no issues noted.

7. We compared expended and unexpended amounts from the Office of the Treasurer records to the Comptroller's Records and related reconciliations.

   The procedure was completed with no issues noted.

8. We agreed the unexpended appropriations in the Office of the Treasurer records to the amounts reported in the *Turnover Book.*

   The procedure was completed with no issues noted.

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on the identity and amount of moneys, papers and property listed in the *Turnover Book*. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, the Outgoing State Treasurer, the State Treasurer, and the State of Illinois Office of the Treasurer 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
April 2, 2007