

Annual Report
June 30, 2008

Cash
Allocation
Account

NextGen College Investing Plan®



Maine State Treasurer



Cash Allocation Account

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Cash Allocation Account

Independent Auditors' Report

To the Management of the Finance Authority of Maine and Maine Advisory Committee on College Savings:

We have audited the accompanying financial statements of the Cash Allocation Account of the NextGen College Investing Plan® (the "Program"), a Program of the State of Maine, as of and for the year ended June 30, 2008, as shown on pages 6 through 10. These financial statements are the responsibility of the Program's management. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the respective financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Program's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the respective financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements of the Cash Allocation Account are intended to present only the financial position, and the changes in financial position of the Cash Allocation Account. They do not purport to, and do not, present fairly the financial position of Nextgen College Investing Plan as of June 30, 2008, and the changes in its financial position for the year then ended 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 Cash Allocation Account of the NextGen College Investing Plan as of June 30, 2008, and the changes in fiduciary net assets for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis on pages 3 and 4 is not a required part of the basic financial statement, but is supplementary information required by the Governmental Accounting Standards Board ("GASB"). This supplementary information is the responsibility of the Program's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit such information and we do not express an opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Cash Allocation Account of the NextGen College Investing Plan financial statements taken as a whole. The accompanying Other Financial Information on Pages 11 through 16 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Other Financial Information is the responsibility of the Program's management. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

DELOITTE & TOUCHE LLP
Princeton, New Jersey
December 8, 2008

Management's Discussion and Analysis

June 30, 2008 (unaudited)

As management of the NextGen College Investing Plan's Cash Allocation Account (the "Account"), we offer readers of the financial statements a discussion and analysis of the Account's financial performance for the fiscal year ended June 30, 2008.

Financial Highlights

The assets held for individuals and organizations participating in the Account exceeded its liabilities at the close of the fiscal year by \$372,068,423.

The Account had contributions of \$127,882,567 and withdrawals of \$45,587,986, providing for \$82,294,581 of net contributions during the fiscal year ended June 30, 2008.

Overview of the Financial Statements

This annual report consists of several parts including management's discussion and analysis (this section), the basic financial statements and other financial information. The basic financial statements are composed of a Statement of Fiduciary Net Assets, a Statement of Changes in Fiduciary Net Assets, and notes that explain some of the information in the financial statements and provide more detailed data.

The Statement of Fiduciary Net Assets presents information on the Account's assets and liabilities, with the difference between the two reported as net assets. This statement is prepared using the flow of economic resources measurement focus, whereby revenues and assets are recognized when a contribution to the Account is completed; withdrawals and refunds are recognized when payable; and expenses and liabilities are recognized when goods and services are provided, regardless of when cash is received or paid.

The Statement of Changes in Fiduciary Net Assets presents information showing how the net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flow. Thus, revenues and expenses are reported in this statement for some items that will result in cash flow in future fiscal years.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

As a separate account for the NextGen College Investing Plan (the "Program"), the Account's assets do not represent discretionary assets of the Finance Authority of Maine ("FAME") to finance its operations. The Account's assets can only be used for the benefit of participants and designated beneficiaries of the Program.

Financial Analysis

To begin the financial analysis, a summary of the Account's assets and liabilities as of June 30, 2008 and June 30, 2007 is presented below:

As of June 30	2008	2007
Total Assets	\$ 372,603,564	\$ 290,514,991
Total Liabilities	<u>535,141</u>	<u>565,447</u>
Total Net Assets	<u>\$ 372,068,423</u>	<u>\$ 289,949,544</u>

The condensed financial information above represents a snapshot of the overall financial condition of the Account.

Investments comprise \$370,623,161 of total assets. Other assets consist of \$670,353 in cash and receivables from interest and contributions in the total amount of \$1,310,050. Liabilities consist of payables for management fees, withdrawals and other liabilities in the amount of \$535,141.

As illustrated by the summary above, the Account's net assets increased by \$82,118,879 in fiscal year 2008. This increase is primarily attributable to net contributions to the Account in fiscal year 2008.

Changes in net assets: The following represents the changes in net assets for the years ended June 30, 2008 and June 30, 2007.

As of June 30	2008	2007
Additions		
Contributions:		
Participants	\$ 127,882,567	\$ 103,524,671
Total contributions	<u>127,882,567</u>	<u>103,524,671</u>
Investment income:		
Net realized gain (loss) on sale of investments	12,012	(232)
Net (decrease) increase in fair value of investments	(175,702)	139,376
Interest, amortization of premium and accretion of discount	<u>15,114,249</u>	<u>13,321,436</u>
Total investment income	<u>14,950,559</u>	<u>13,460,580</u>
Total additions	<u>142,833,126</u>	<u>116,985,251</u>
Deductions		
Account withdrawals	45,587,986	34,666,849
Management fees	1,898,019	1,453,271
Investment income distributions	<u>13,228,242</u>	<u>11,867,933</u>
Total deductions	<u>60,714,247</u>	<u>47,988,053</u>
Change in net assets held for Participants	82,118,879	68,997,198
Net assets at beginning of year	289,949,544	220,952,346
Net assets at end of year	<u>\$ 372,068,423</u>	<u>\$ 289,949,544</u>

Cash Allocation Account

Financial Statements

Cash Allocation Account

Statement of Fiduciary Net Assets as of June 30, 2008

Assets:

Current Assets:

Investments at fair value (Cost - \$370,798,863).....		\$ 370,623,161
Cash.....		670,353
Receivables:		
Interest	\$ 1,053,084	
Contributions.....	256,966	1,310,050
Total assets.....	<u> </u>	<u>372,603,564</u>

Liabilities:

Current Liabilities:

Payables:

Withdrawals	275,346	
Management fees.....	<u>166,556</u>	441,902
Other liabilities		93,239
Total liabilities		<u>535,141</u>

Total net assets \$ 372,068,423

Units outstanding 372,244,125
Net asset value per unit \$ 1.00

See Notes to Financial Statements.

Cash Allocation Account

Statement of Changes in Fiduciary Net Assets
For the Year Ended June 30, 2008

Additions

Contributions:

Participants.....	\$127,882,567
Total contributions.....	<u>127,882,567</u>

Investment income:

Net realized gain on sale of investments	12,012
Net decrease in fair value of investments	(175,702)
Interest, amortization of premium and accretion of discount	15,114,249
Total investment income	<u>14,950,559</u>

Total additions	<u>142,833,126</u>
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Deductions

Account withdrawals	45,587,986
Management fees	1,898,019
Investment income distributions	<u>13,228,242</u>

Total deductions	<u>60,714,247</u>
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Change in net assets held for Participants.....	82,118,879
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Net assets at beginning of year	<u>289,949,544</u>
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Net assets at end of year	<u>\$372,068,423</u>
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See Notes to Financial Statements.

Cash Allocation Account

Notes to Financial Statements for the Year Ended June 30, 2008

1. Organization and Operations:

The Cash Allocation Account (the "Account"), is a separate account that was established as part of the Investment Fund by the Finance Authority of Maine ("FAME"), the NextGen College Investing Plan's (the "Program") Program Administrator. The Account commenced operations on September 5, 2001 and is managed exclusively for the Program and its Portfolios. These financial statements present only the financial position and change in financial position of the Account.

The Account is invested primarily in securities similar to those in the Merrill Lynch Retirement Reserves Money Fund of the Merrill Lynch Retirement Series Trust. More specifically, the securities are high quality, short-term (not more than 762 days) and consist primarily of direct U.S. Government obligations, U.S. Government agency securities, obligations of domestic and foreign banks, U.S. dollar denominated commercial paper, other short-term debt securities issued by U.S. and foreign entities, and repurchase agreements. In addition, the Account is invested in certificates of deposit issued by Maine financial institutions ("Maine CDs") in accordance with instructions from FAME and the Maine State Treasurer (the "Treasurer"). BlackRock Investment Management, LLC ("BlackRock"), is responsible for the selection and management of the money market securities other than Maine CDs. The Treasurer selects the financial institutions from which any Maine CDs are purchased and is responsible for ensuring that Maine CDs are either insured by the Federal Deposit Insurance Corporation ("FDIC") or are fully collateralized. The Treasurer also determines the percentage of the assets of the Account that are invested in Maine CDs. Currently, not more than 10% of the assets in the Account are invested in Maine CDs. The Account is not a registered mutual fund.

FAME and the Treasurer have selected Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch"), a subsidiary of Merrill Lynch & Co., Inc. ("ML & Co."), to act as the Program Manager (the "Program Manager") pursuant to a Program Management Agreement (the "Management Agreement"), dated May 27, 1999, amended and restated as of February 7, 2007, among FAME, the Treasurer, Merrill Lynch and Financial Data Services, Inc. ("FDS"), an affiliate of Merrill Lynch which serves as Portfolio Servicing Agent for the Account. The Management Agreement provides that Merrill Lynch and FDS are responsible for providing certain administrative, recordkeeping and investment services for the Account.

On September 29, 2006, BlackRock, Inc. and ML & Co. combined ML & Co.'s investment management business, Merrill Lynch Investment Managers, L.P. ("MLIM"), and its affiliates, with BlackRock, Inc. as an independent company which operates under the BlackRock name and is governed by a board of directors with a majority of independent members. ML & Co. and The PNC Financial Services Group, Inc. are the principal owners of BlackRock, Inc.

Merrill Lynch entered into an agreement with State Street Corporation ("State Street") pursuant to which State Street provides certain accounting services to the Account.

The assets of the Account are included in the assets of the Program.

2. Significant Accounting Policies:

Basis of Accounting

The accompanying financial statements have been prepared in accordance with generally accepted principles and standards of the Governmental Accounting Standards Board ("GASB"). The Program (as defined in the NextGen Client Direct Series and Client Select Series Program Descriptions dated September 4, 2007 and supplements dated November 30, 2007, including the Account, is a private purpose trust fund under GASB 34, a type of fiduciary fund used to report all trust arrangements, other than pension (and other employee benefit) trust funds and investment trust funds, under which principal and income benefit individuals, private organizations, or other governments. Under the GASB standard, a fiduciary fund is used to account for assets held in a trustee or agency capacity for others, and therefore, cannot be used to support a government's own programs other than the Program related to the trust fund. The Account's financial statements are presented on the flow of economic resources measurement focus and the accrual basis of accounting in conformity with U.S. generally accepted accounting principles. Under this method of accounting, revenues are recorded when earned and

expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The Account's revenues are mainly derived from investment income and its expenses consist primarily of investment expenses and administrative costs associated with the Program.

Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, FAME has elected not to adopt Financial Accounting Standards Board ("FASB") statements and interpretations issued after November 30, 1989, unless GASB specifically adopts such FASB statements or interpretations.

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from management's estimates.

- (a) *Valuation of investments*- Portfolio securities with remaining maturities of greater than sixty days, for which market quotations are readily available, are valued at market value. As securities transition from sixty-one to sixty days to maturity, the difference between the valuation existing on the sixty-first day before maturity and maturity value is amortized on a straight-line basis to maturity. Securities maturing sixty days or less from their date of acquisition are valued at amortized cost, which approximates market value. For purpose of valuation, the maturity of a variable rate security is deemed to be the next coupon date on which the interest rate is to be adjusted. Other investments for which market value quotations are not available are valued at fair value as determined in good faith by or under the direction of BlackRock.
- (b) *Security transactions and investment income*- Security transactions are recorded on the dates the transactions are entered into (the trade dates). Realized gains and losses on security transactions are determined on the identified cost basis. Interest income (including amortization of premium and accretion of discount) is recognized on the accrual basis.
- (c) *Dividends and distributions* - The Account declares dividends daily and reinvests daily such dividends (net of non-resident alien tax and backup withholding tax withheld) in additional units at net asset value. Dividends and distributions are declared from the total of net investment income and net realized gain or loss on investments.

3. Cash Allocation Account Agreement:

The Program Manager has entered into an investment advisory agreement with BlackRock. The Cash Allocation Account Agreement between the Program Manager and MLIM was amended and restated as of September 29, 2006 to recognize the assignment of the agreement by MLIM to BlackRock. BlackRock is responsible for the management of the Account's portfolio and provides the necessary personnel, facilities, equipment and certain other services necessary to the management of the Account. For such services, the Account pays a monthly fee based upon the average daily value of the Account's net assets at an annual rate that is the lesser of: 1) the expense ratio (as determined based upon the most recent prior annual expense ratio statement) of Class II shares of Merrill Lynch Retirement Reserves Money Fund, or 2) 0.70% of the average daily value of net assets in the Account. There will be no additional expenses accrued at the Account level. All remaining expenses will be paid by BlackRock.

As of June 30, 2008, accrued management fees payable were \$166,556.

4. Beneficial Interest:

The number of units sold, reinvested and redeemed during the year corresponds to the amounts included in the Statement of Changes in Fiduciary Net Assets. The value of units issued in reinvestment of dividends, distributions and payments is recorded at \$1.00 per unit. For the year ended June 30, 2008, the total value of units reinvested was \$13,244,095. Amounts reinvested are included with Participant Contributions as presented in the Statement of Changes in Fiduciary Net Assets.

5. Investments:

BlackRock invests and manages the Account’s investments except for the portion of the Account invested in Maine CDs. Investments are reported at fair value and are accounted for by the Account accordingly, with changes in the fair value included in investment earnings. In accordance with GASB Statement No. 40, the following information is provided:

- (a) *Custodial Credit Risk for Investments* – Is the risk that, in the event of the failure of counterparty to a transaction, the Account will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. All the Account’s investments are held in either the name of the Account or the Account’s Agent’s name, thereby mitigating this risk.
- (b) *Investment Credit Risk* – Is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The assets of the Account are invested in a portfolio of high-quality, short-term (not more than 762 days) money-market securities consisting primarily of direct U.S. Government obligations, U.S. Government agency securities, obligations of domestic and foreign banks, U.S. dollar denominated commercial paper, and other short-term debt securities issued by U.S. and foreign entities, and repurchase agreements. In addition, the Account invests in Maine CDs in accordance with instructions from FAME and the Treasurer. All Maine CDs are FDIC insured or fully collateralized. Credit quality ratings, as determined by nationally recognized statistical rating organizations (“NRSRO”) for the Account’s investments, are disclosed in the Account’s “Schedule of Investments as of June 30, 2008” located in the Other Financial Information section.
- (c) *Concentration of Credit Risk* – Is the risk of loss attributed to the magnitude of the Account’s investments in a single issuer. The Account intends to invest no more than a maximum of 10 percent (10%) of its assets in Maine CDs even though it has no prescribed limit on such investments. Other formalized policies limiting the Account’s exposure to concentration of credit risk have not been established. As of June 30, 2008, one of the Account’s investments exceeded 5% of its net assets.
- (d) *Interest Rate Risk* – Is the risk that changes in interest rates will adversely affect the fair value of an investment. The Account does invest in money-market securities which are subject to interest rate risk: their value will generally increase when interest rates decline and decrease when interest rates increase. Prices of longer-term securities generally change more in response to interest rate changes than the prices of shorter-term securities. Thus, the Account may lose money if short-term or long-term interest rates rise sharply or otherwise change in a manner not anticipated by the Account’s management. Interest rate risk is lessened by the Account’s practice of investing in high quality, short-term securities (not more than 762 days) and certificates of deposit with a term of one year or less. The interest rates associated with each of the Account’s investments are disclosed in the Account’s “Schedule of Investments as of June 30, 2008” located in the Other Financial Information section.

The following represents a calculation of the net increase in the fair value of investments during the year ended June 30, 2008:

Fair value at end of year	\$ 370,623,161
Less cost of investments purchased during year	(3,735,091,505)
Plus cost of investments redeemed during year	3,653,504,878
Less fair value at beginning of year	(289,212,236)
Change in fair value of investments during year	<u>\$ (175,702)</u>

6. Subsequent Event:

On September 15, 2008, Merrill Lynch & Co., Inc. and Bank of America Corporation entered into a merger agreement. This agreement provides that Merrill Lynch will become a wholly owned subsidiary of Bank of America. The transaction has been approved by the board of directors of each company and is expected to close on or after December 31, 2008, subject to shareholder approval at both companies, customary closing conditions and standard regulatory approvals.

OTHER FINANCIAL INFORMATION

The following information is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the Cash Allocation Account. It shows financial information of the Cash Allocation Account, which is included in the NextGen College Investing Plan.

Cash Allocation Account

Schedule of Investments as of June 30, 2008

(in Thousands)

S&P Ratings*	Moody's Ratings*	Issue	Face Amount	Interest Rate***	Maturity Date	Value
Maine Certificates of Deposit - 5.8%						
NR**	NR**	Androscoggin Savings Bank	\$ 95	4.89%	9/05/2008	\$ 95
NR**	NR**	Auburn Savings Bank, FSB	95	4.89	9/05/2008	95
NR**	NR**	Bangor Savings Bank	98	4.55	9/05/2008	98
			1,000	3.25	3/12/2009	999
NR**	NR**	Bath Savings Institution	1,000	5.01	9/05/2008	1,004
NR**	NR**	Biddeford Savings Bank	97	3.75	3/12/2009	98
NR**	NR**	Border Trust Co.	97	2.75	6/09/2009	96
NR**	NR**	Camden National Bank	98	1.46	3/12/2009	96
NR**	NR**	Citizens Fidelity Bank and Trust	4,000	2.75	6/09/2009	3,972
NR**	NR**	Damariscotta Bank and Trust Co.	96	2.47	6/09/2009	96
NR**	NR**	The First, NA	500	3.75	12/17/2008	500
			97	2.00	3/12/2009	96
NR**	NR**	Gorham Savings Bank	2,200	5.10	9/05/2008	2,208
			500	3.35	12/17/2008	501
			1,300	3.20	3/12/2009	1,298
NR**	NR**	Kennebec Savings Bank	96	3.30	3/12/2009	96
NR**	NR**	Machias Savings Bank	96	2.15	6/09/2009	95
NR**	NR**	Mechanics Savings Bank	97	3.36	12/17/2008	97
NR**	NR**	Northeast Bank	2,000	5.00	9/05/2008	2,008
			1,000	3.20	3/12/2009	999
			96	2.15	6/09/2009	95
NR**	NR**	Ocean Bank	97	2.02	3/12/2009	96
			2,700	3.05	3/12/2009	2,694
NR**	NR**	Savings Bank of Maine	97	2.60	6/09/2009	96
NR**	NR**	TD BankNorth, NA	3,500	5.12	9/05/2008	3,514
			400	3.35	12/17/2008	400
			98	1.46	3/12/2009	96
Total Maine Certificates of Deposit (Cost - \$21,551)						21,538
Certificates of Deposit - 2.1%						
NR**	NR**	Wachovia Bank, NA	8,000	3.18	12/22/2008	8,000
Total Certificates of Deposit (Cost - \$8,000)						8,000
Certificates of Deposit - Yankee - 19.5%						
NR**	NR**	Banco Bilbao Vizcaya Argentaria SA, NY	10,000	3.07	12/11/2008	9,994
NR**	NR**	Bank of Montreal, NY	7,000	2.83†	11/10/2008	6,996
A-1	Aa	Bank of Scotland Plc, NY	15,000	2.80†	10/27/2008	14,977
NR**	NR**	DnB NOR Bank ASA, NY	9,000	2.84	12/05/2008	8,985
NR**	NR**	Fortis Bank SA, NY	3,000	4.79	10/22/2008	3,016
NR**	NR**	Societe Generale, NY	15,000	2.70	8/11/2008	15,000
NR**	NR**	Toronto-Dominion Bank, NY	8,500	2.65	10/06/2008	8,492
			5,000	3.11	12/30/2008	4,998
Total Certificates of Deposit - Yankee (Cost - \$72,500)						72,458

Cash Allocation Account

Schedule of Investments as of June 30, 2008 (continued)

(in Thousands)

S&P Ratings*	Moody's Ratings*	Issue	Face Amount	Interest Rate***	Maturity Date	Value
Commercial Paper - 40.4%						
NR**	NR**	Amstel Funding Corp.	\$ 1,450	3.00%	7/21/2008	\$ 1,448
NR**	NR**	Atlantic Asset Securitization Corp.	15,000	2.70	7/01/2008	15,000
NR**	NR**	Bank of America Corp.	5,000	3.84	7/11/2008	4,995
NR**	NR**	Beethoven Funding Corp.	6,750	2.85	7/21/2008	6,739
			8,428	2.85	7/25/2008	8,412
NR**	NR**	Bryant Park Funding LLC	3,000	2.60	7/18/2008	2,996
NR**	NR**	CRC Funding, LLC	7,000	2.73	8/04/2008	6,983
NR**	NR**	Concord Minutemen Capital Co., LLC	1,000	2.75	7/11/2008	999
			10,000	2.80	7/11/2008	9,992
NR**	NR**	Fairway Finance Co., LLC	7,000	2.67	7/08/2008	6,996
NR**	NR**	Falcon Asset Securitization Corp.	5,344	2.67	8/14/2008	5,327
NR**	NR**	JPMorgan Chase & Co.	3,000	2.93	8/05/2008	2,992
NR**	NR**	LMA Americas LLC	10,500	2.70	7/15/2008	10,489
NR**	NR**	Raiffeisen Zentralbank Oesterreich AG	11,000	2.74	8/21/2008	10,958
NR**	NR**	Royal Bank of Scotland Group Plc	3,100	2.96	10/21/2008	3,072
NR**	NR**	Societe Generale	3,200	2.94	11/10/2008	3,165
NR**	NR**	Surrey Funding Corp.	1,000	2.70	7/10/2008	999
NR**	NR**	Thames Asset Global Securitization No. 1, Inc.	9,460	2.90	7/09/2008	9,454
NR**	NR**	Thunder Bay Funding LLC	15,000	2.60	7/09/2008	14,991
NR**	NR**	UniCredito Italiano Bank (Ireland) Plc	5,043	2.97	8/06/2008	5,028
NR**	NR**	Windmill Funding Corp.	9,247	2.68	7/17/2008	9,236
NR**	NR**	Yorktown Capital, LLC	10,000	2.88	7/23/2008	9,983
Total Commercial Paper (Cost - \$150,255)						150,254
Medium-Term Notes - 11.7%						
A	NR**	Alliance & Leicester Plc	1,500	2.47†	9/05/2008	1,499
A+	Aa	Bank of Montreal	4,000	2.95†	5/29/2009	3,999
AA	Aa1	Calyon, NY	10,000	2.90†	10/24/2008	9,997
NR**	NR**	Citigroup, Inc.	12,000	3.60†	5/05/2009	11,911
NR**	NR**	Goldman Sachs Group, Inc.	1,500	2.54†	9/12/2008	1,498
NR**	NR**	HSBC Finance Corp.	1,000	2.54†	8/22/2008	1,000
			2,000	2.47†	9/06/2008	1,997
A-3	P-3	MetLife Funding, Inc.	520	2.50†	10/06/2008	520
NR**	NR**	Northern Rock Plc	1,000	2.77†	7/08/2008	1,000
NR**	Aa	Royal Bank of Scotland Group Plc	10,000	2.96†	9/26/2008	9,982
Total Medium-Term Notes (Cost - \$43,513)						43,403

Cash Allocation Account

Schedule of Investments as of June 30, 2008 (concluded)

(in Thousands)

S&P Ratings*	Moody's Ratings*	Issue	Face Amount	Interest Rate***	Maturity Date	Value
U.S. Government Agency Obligations - Discount - 17.7%						
NR**	NR**	Fannie Mae	\$ 21,977	2.18%	8/06/2008	\$ 21,929
			7,510	2.15	8/20/2008	7,488
NR**	NR**	Freddie Mac	5,819	2.53	8/18/2008	5,800
			15,000	2.25	9/08/2008	14,933
			8,935	2.22	9/15/2008	8,891
			7,040	2.56	2/02/2009	6,931
Total U.S. Government Agency Obligations - Discount (Cost - \$65,980)						65,972
U.S. Government Agency Obligations - Non-Discount - 0.9%						
NR**	NR**	Federal Home Loan Bank	3,500	2.75	2/20/2009	3,498
Total U.S. Government Agency Obligations - Non-Discount (Cost - \$3,500)						3,498
Municipal Bonds - 1.5%						
A-1+	VMIG-1	Denver, Colorado, City and County School District Number 01, Taxable Pension Funding, Certificates of Participation, Refunding, Variable Rate Demand Note, Series A, (a)	5,500	2.70	7/02/2008	5,500
Total Municipal Bonds (Cost - \$5,500)						5,500
Total Investments (Cost - \$370,799) - 99.6%						370,623
Other Assets Less Liabilities - 0.4%						1,445
Net Assets - 100.0%						<u>\$372,068</u>

* Ratings of issues shown are unaudited.

** Not Rated.

*** Certain securities are traded on a discount basis; the interest rates shown reflect the discount rates paid at the time of purchase. Certain other securities bear interest at the rate shown, payable at fixed dates or upon maturity. Interest rates on variable rate securities are adjusted periodically based on appropriate indexes; the interest rates shown are the rates in effect at June 30, 2008.

† Variable rate security.

(a) FSA Insured.

Cash Allocation Account

Schedule of Operations for the Year Ended June 30, 2008

Investment Income:

Interest, amortization of premium and accretion of discount.....	\$ 15,114,249
Total income	<u>15,114,249</u>

Expenses:

Management fees	<u>1,898,019</u>
Total expenses.....	<u>1,898,019</u>
Net investment income	<u>13,216,230</u>

Net Realized and Unrealized Gain (Loss) on Investments:

Net realized gain on sale of investments.....	12,012
Net decrease in fair value of investments.....	<u>(175,702)</u>
Net realized and unrealized loss	<u>(163,690)</u>

Net Increase in Net Assets Resulting from Operations	<u>\$ 13,052,540</u>
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Cash Allocation Account

Financial Highlights for the Year Ended June 30, 2008

	For the Year Ended June 30, 2008
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The following per unit data and ratios have been derived from information provided in the financial statements and other financial information.	
Per Unit Operating Performance:	
Net asset value, beginning of year	\$ 1.00
Net investment income*0393
Net realized gain and decrease in fair value of investments	(.0005)
Total from investment operations	<u>.0388</u>
Less dividends from net investment income to Participants.....	<u>(.0398)</u>
Net asset value, end of year.....	<u>\$ 1.00</u>
Total Investment Return:	
Based on net asset value per unit	<u>3.93%</u>
Ratios to Average Net Assets:	
Expenses.....	<u>.56%</u>
Net investment income	<u>3.92%</u>
Supplemental Data:	
Net assets, end of year (in thousands)	<u>\$ 372,068</u>

* Based on average units outstanding.

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June 30, 2008