

STATEMENT OF FINANCIAL CONDITION

TIAA-CREF INDIVIDUAL &
INSTITUTIONAL SERVICES, LLC

(A wholly-owned subsidiary of Teachers
Insurance and Annuity Association
of America)

JUNE 30, 2006
(UNAUDITED)



**FINANCIAL SERVICES
FOR THE GREATER GOOD®**

TIAA-CREF Individual & Institutional Services, LLC

(A wholly-owned subsidiary of Teachers Insurance and Annuity Association of America)

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June 30, 2006

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Statement of financial condition

TIAA-CREF Individual & Institutional Services, LLC

(A wholly-owned subsidiary of Teachers Insurance and Annuity Association of America)

June 30, 2006

Assets

Cash	\$ 21,789,862
Cash segregated under federal regulations	91,219,004
Investment, at market value	438,486
Receivables from clearing broker	225,212
Receivables from Trust Company	3,551,605
Due from other affiliated entities	12,690,802
NSSC security deposit	20,000
NASDAQ stock	3,300
Total assets	\$129,938,271

Liabilities and Member's Capital

Due to TIAA & TIAA-CREF Trust Company	\$ 31,610,631
Cash held temporarily for customers	17,031,593
Other liabilities	130,965
Total liabilities	48,773,189
Member's capital	81,165,082
Total liabilities and member's capital	\$129,938,271

The accompanying notes are an integral part of this statement of financial condition.

TIAA-CREF Individual & Institutional Services, LLC
(A wholly-owned subsidiary of Teachers Insurance and
Annuity Association of America)
June 30, 2006

Note 1—Organization

TIAA-CREF Individual & Institutional Services, LLC (“Services”) was incorporated on September 4, 1990 as a membership corporation and is a wholly-owned subsidiary of Teachers Insurance and Annuity Association of America (“TIAA”), a legal reserve life insurance company established under the insurance laws of the State of New York in 1918. Services is a registered broker-dealer under the Securities Exchange Act of 1934 and a member of the National Association of Securities Dealers, Inc. Effective January 1, 2004, Services was converted from a membership corporation to a single member limited liability company (“LLC”).

In January 2003, Services began offering various affiliated and non-affiliated mutual funds to customers through retirement plans holding these mutual funds shares through omnibus accounts established at the mutual funds, and providing custodial services with respect to these funds. Beginning November 2005, Services began exiting the business of providing these custodial services, a process it expects to complete by the end of 2006.

TIAA participants have the ability to invest in and redeem shares in affiliated and non-affiliated mutual funds through their retirement plans utilizing various platforms. Services provides execution and clearance functions for these transactions and to the extent that participants’ monies are pending settlement, such monies are disclosed on the accompanying Statement of Financial Condition as either Cash Held Temporarily for Customers or due to TIAA. As necessary, these funds are segregated in a Special Reserve Bank Account under Rule 15c3-3 of the Securities and Exchange Commission. Upon final settlement, the participants’ mutual fund shares are held in book entry form at the funds.

Effective January 1, 2004, Services entered into an arrangement with Teacher Personal Investors Services, Inc. (“TPIS”), an affiliated broker-dealer, authorizing TPIS to distribute on a wholesale basis the variable annuity certificates of College Retirement Equities Fund (“CREF”) and TIAA Real Estate Account (“REA”) to third party advisors and other entities. CREF is a registered management investment company and a companion organization to TIAA. REA is a variable annuity separate account of TIAA. Also effective January 1, 2004, Services contracted with TPIS to distribute the shares of various mutual funds and tuition savings plans for which TPIS is the principal underwriter on a retail basis.

Beginning in late 2004, Services began offering brokerage services to individuals as an introducing broker clearing on a fully disclosed basis through Pershing, LLC.

Various cash disbursements for Services are made by TIAA, which is reimbursed by Services in accordance with a Cash Disbursement and Reimbursement Agreement between Services and TIAA. TIAA allocates certain of its costs and expenses, as well as certain direct costs, to Services.

Note 2—Significant Accounting Policies**Basis of Presentation**

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

Use of Estimates

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

Valuation of Investments

Investment is carried at market value and is held at State Street Bank.

Note 3—Cash and Cash Equivalents

Approximately 86% of Services' cash and cash equivalents are held by one money-center bank. This bank is also the custodian of Services' segregated cash.

Note 4—Investments

As of June 30, 2006, Services held one U.S. government security, carried at fair value, which matured on July 21, 2006.

Note 5—Income Taxes

Services is a single member LLC and, as such, is treated as a division of TIAA for federal income tax purposes. Because of its status, Services is disregarded as a separate entity for income tax purposes. No benefit was recorded in the financial statements, as Services does not participate in TIAA's tax-sharing agreement, and therefore does not receive reimbursement for its losses from TIAA. On a stand alone basis Services would have a gross deferred tax asset of \$14.8 million as of June 30, 2006 derived from cumulative net operating losses. Since the tax benefits from these losses will not be settled, an offsetting valuation allowance has been established against the deferred tax asset.

Note 6—Special Reserve Bank Account

Cash of \$91,219,004 has been segregated in a special reserve bank account for the exclusive benefit of customers under Rule 15c3-3 of the Securities and Exchange Commission.

Note 7—Minimum Net Capital Requirements

As a registered broker-dealer, Services is subject to the minimum net capital requirements pursuant to Uniform Net Capital Rule 15c3-1 of the Securities and Exchange Commission. Under that Rule, Services is required to maintain minimum net capital, as defined, equal to the greater of

\$250,000 or 6 $\frac{1}{8}$ percent of aggregate indebtedness as defined. At June 30, 2006, Services had net capital of \$77,098,594 which exceeded required net capital by \$73,847,049 and a ratio of aggregate indebtedness to net capital of .63 to 1.

Note 8—Commitments

The Company clears all of its securities transactions through a clearing broker on a fully disclosed basis. Pursuant to the terms of the agreement between the Company and the clearing broker, the clearing broker has the right to charge the Company for losses that result from a counterparty's failure to fulfill its contractual obligations.

As the right to charge the Company has no maximum amount and applies to all trades executed through the clearing broker, the Company believes there is no maximum amount assignable to this right. At June 30, 2006, the Company has recorded no liability with regard to the right. The Company paid the clearing broker no amounts related to these guarantees during the period.

Services' retail brokerage clients conduct securities transactions on either a cash or margin basis. In margin transactions, credit is extended to customers by Pershing LLC ("lender") subject to various regulatory and internal margin requirements. As an introducing broker, it is Services' responsibility to collect initial margin requirements from its clients and to monitor the adequacy of such collateral on an ongoing basis. In this regard, Services may require the deposit of additional collateral or may reduce security positions as necessary to satisfy regulatory and internal requirements. Margin transactions may expose Services to credit and market risk in the event a client fails to satisfy its obligations. In that event, Services may be required to purchase or sell financial instruments at current market prices to satisfy the customer's obligation to the lender. There is no maximum amount to the indemnification and no amount is accrued for this year end. Services mitigates this risk by revaluing collateral at current prices, limiting portfolio concentration and by monitoring com-

pliance with credit limits and industry regulations. At June 30, 2006, Services' clients had no unsecured debit balances with the lender and accordingly no reserve for such balances was required.

Note 9—Fair Value of Financial Instruments

Statement of Financial Accounting Standards ("SFAS") No. 107 entitled "Disclosures about Fair Value of Financial Instruments," requires entities to disclose information about the estimated fair values of their financial instruments. Substantially all of the Company's assets and liabilities are considered financial instruments as defined by SFAS No. 107 and are either already carried at fair value or are short-term in nature, bear interest at current market rates or are subject to frequent repricing. Therefore, their carrying amounts approximate their fair value.

Note 10—Financial Instruments with Off-Balance Sheet Risk and Concentration of Credit

In the normal course of business, the Company, acting as an agent, executes transactions on behalf of its customers. If the agency transactions do not settle because of failure by either the customer or the counterparty to perform, the Company may be required to discharge the obligation of the nonperforming party. In such circumstances, the Company may sustain a loss if the market value of the security is different from the contract amount of the transaction.

Note 11—Related Party Transactions

Services provides administrative and distribution services related to the issuance of variable annuity contracts by CREF and REA. REA is a variable annuity separate account of TIAA. All services performed by Services are at cost, pursuant to a Principal Underwriting and Administrative Services Agreement between Services and CREF and Services and REA, with fees paid to Services based on a percentage of CREF's and

REA's average daily net assets, adjusted to actual costs quarterly.

At June 30, 2006, due from other affiliated entities totaled \$1,543,858 from REA and from CREF \$11,146,944 related to distribution and administration fees. In accordance with the agreement between Services and TIAA, Services is not obligated to pay TIAA for any accrued revenue until and unless it is received. At June 30, 2006, \$31,589,588 is due to TIAA related to such expenses.

Services also distributes shares of various affiliated mutual funds on a retail basis under an agreement with TPIS. All revenues and expenses related to these services are allocated to Services.

Based upon the agreements that Services has with the TIAA-CREF Trust Company ("Trust Company"), JPMorgan Chase provides treasury services related to Trust Company including cash management, banking and disbursement services. At June 30, 2006, receivable from Trust Company totaled \$3,551,605 relating to funds to be received to reimburse Services for funds paid out to participants.



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