Annual Report
June 30, 2004

Cash Allocation Account

NextGen College Investing Plan®

Maine State Treasurer
Dale McCormick

FINANCE AUTHORITY OF MAINE
Business & Education at Work for Maine
Program Administrator

Merrill Lynch
Program Manager

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Management's Discussion and Analysis

June 30, 2004 (unaudited)

As management of the NextGen College Investing Plan's Cash Allocation Account (the "Account"), we offer readers of the financial statements this discussion and analysis of the Account's financial performance for the fiscal year ended June 30, 2004.

Financial Highlights

The assets held for individuals and organizations participating in the Account exceeded its liabilities at the close of the fiscal year by $99,199,860.

The Account had contributions of $44,432,932 and withdrawals of $9,146,274, providing for $35,286,658 of net contributions during the fiscal year ended June 30, 2004.

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 accrual basis of accounting, 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 an exclusively managed account for the NextGen College Investing Plan (the "Program"), the Account's assets do not represent discretionary assets of 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, 2004 and 2003 is presented below:

As of June 30	2004	2003
Total Assets	$ 99,214,206	$ 65,019,715
Total Liabilities	14,346	1,040,659
Total Net Assets	$ 99,199,860	$ 63,979,056

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

Investments comprise $99,016,082 of total assets. Other assets include cash and receivables from interest and contributions. Liabilities consist of payables for management fees and accrued expenses and other liabilities in the total amount of $14,346.

As illustrated by the table above, the Account's net assets increased by $35,220,804 in fiscal year 2004. This increase is primarily attributable to $35,286,658 of net contributions to the Account in fiscal year 2004.

In addition, overall withdrawals from the Account decreased in fiscal year 2004, contributions to the Account exceeded withdrawal activity and resulted in net contributions to the Account of $35,286,658.

The Federal Reserve has signaled its intention to remove monetary policy accommodation over the course of several months by raising the federal funds rate, which is the interest rate at which banks lend to each other overnight. Relatively higher short-term interest rates in 2004 have increased the Account's yield recently. However, the Account has adopted a more conservative stance with respect to the weighted average maturity of the Account's investments as protection from undue interest rate risk

Changes in net assets: The following represents the changes in net assets for the years ended June 30, 2004 and 2003.

As of June 30	2004	2003
Additions		
Contributions		
Participants	$ 44,432,932	$ 21,209,167
Total contributions	44,432,932	21,209,167
Investment income		
Net increase (decrease) in fair value of investments	(65,854)	24,963
Net realized gain on sale of underlying investments	-	1,132
Interest and amortization of premium and discount	1,063,990	911,924
Total investment income	998,136	938,019
Total additions	45,431,068	22,147,186
Deductions		
Withdrawals	9,146,274	10,713,952
Management fees	641,599	403,609
Investment income distributions	422,391	508,315
Capital gain distributions	-	1,132
Total deductions	10,210,264	11,627,008
Change in net assets held for Participants	35,220,804	10,520,178
Net assets at beginning of year	63,979,056	53,458,878
Net assets at end of year	$ 99,199,860	$ 63,979,056

To the Management of FAME 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 June 30, 2004, and for the year ended June 30, 2004. 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 our 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 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 present only the Cash Allocation Account and do not purport to, and do not, present fairly the financial position of the NextGen College Investing Plan, as of June 30, 2004, 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, 2004, and the changes in financial position thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis on pages 2 and 3 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. 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 required supplementary information. However, we did not audit the information and express no 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 12 through 16 is presented for the 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. Other Financial 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 in relation to the basic financial statements taken as a whole.

DELOITTE & TOUCHE LLP
Princeton, New Jersey

December 1, 2004

Cash Allocation Account

Financial Statements

Cash Allocation Account

Statement of Fiduciary Net Assets as of June 30, 2004

Assets:		
Current Assets:		
Investments at fair value (Cost - $99,058,336)		$ 99,016,082
Cash		777
Receivables:		
Interest	$ 118,935	
Contributions	78,412	197,347
Total assets		99,214,206
Liabilities:		
Current Liabilities:		
Management fees payable		5,685
Accrued expenses and other liabilities		8,661
Total liabilities		14,346
Total net assets		$ 99,199,860
Units outstanding		99,242,114
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, 2004

Additions	
Contributions:	
Participants	$ 44,432,932
Total contributions	44,432,932
Investment income:	
Net decrease in fair value of investments	(65,854)
Interest and amortization and accretion of premium and discount	1,063,990
Total investment income	998,136
Total additions	45,431,068
Deductions	
Account withdrawals	9,146,274
Management fees	641,599
Investment income distributions	422,391
Total deductions	10,210,264
Change in net assets held for Participants	35,220,804
Net assets at beginning of year	63,979,056
Net assets at end of year	$ 99,199,860

See Notes to Financial Statements.

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 being 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 will be 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 will be high quality, short-term (not more than 762 days) and will 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, and other short-term debt securities issued by U.S. and foreign entities repurchase agreements. In addition, the Account will be 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”). Merrill Lynch Investment Managers, L.P. (“MLIM”) is responsible for the selection and management of the money market securities other than Maine CDs. The Treasurer will select the financial institutions from which any Maine CDs are purchased and is responsible for ensuring that any Maine CDs are either insured by the Federal Deposit Insurance Corporation or are fully collateralized. The Treasurer will also determine the percentage of the assets of the Account that are invested in Maine CDs. Currently, it is anticipated that a maximum of 10% of the assets in the Account will be invested in Maine CDs. The Account is not a registered mutual fund.

FAME and the Treasurer have selected Merrill Lynch to act as the Program Manager (the “Program Manager”) pursuant to a Program Management Agreement (the “Management Agreement”), dated May 27, 1999, as amended and restated through December 1, 2001 and further amended by letter dated September 5, 2003 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.

The Account 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 NextGen College Investing Plan.

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”). As a GASB Statement No. 34 fiduciary 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 accounting principles generally accepted in the United States of America. 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. GASB Statement No. 34 defines the Account as a private purpose trust fund, a type of fiduciary fund pursuant to that Statement. The GASB Statement No. 34 requires that such fiduciary funds be used to report 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. A private-purpose trust fund is a 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. Revenues mainly are derived from investment income. 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 accounting principles generally accepted in the United States of America 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 the 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 MLIM.

(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 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 MLIM. The general partner of MLIM is Princeton Services, Inc. ("PSI"), an indirect, wholly-owned subsidiary of Merrill Lynch & Co., Inc. ("ML & Co."), which is the limited partner. MLIM is responsible for the management of the Account's portfolio and provides the necessary personnel, facilities, equipment and certain other services necessary to the operations 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 MLIM.

As of June 30, 2004, accrued management fees payable were $5,685.

4. Beneficial Interest:

The number of units sold, reinvested and redeemed during the period corresponds to the amounts included in the Statement of Changes in Fiduciary Net Assets, value of units issued in reinvestment of dividends and distributions and payments in accordance with trust agreements are recorded at $1.00 per unit.

5. Investments:

MLIM 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 accordingly, with changes in the fair value included in investment earnings. In accordance with GASB Statement No. 3, the Account's investments are classified into three categories of custodial credit risk. Category 1 includes investments that are insured or registered for which the securities are held by the Account or its agent in the Account's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the Program's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agency, but not in the Account's name. All the Account's investments are considered to be Category 1.

The following represents a calculation of the net increase in the fair value of investments during the year ended June 30, 2004:

Fair value at end of year	$ 99,016,082
Less cost of investments purchased during year	(582,427,242)
Plus cost of investments redeemed during year	548,196,706
Less fair value at beginning of year	(64,851,400)
Net decrease in fair value of investments during year	$ (65,854)

* * * * *

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, 2004

(in Thousands)

Issue	Face Amount	Interest Rate*	Maturity Date	Value
Maine Certificates of Deposit – 9.0%				
Auburn Savings and Loan	$ 97	2.13 %	12/16/2004	$ 97
Bangor Savings Bank	98	1.25	9/03/2004	98
	500	1.43	12/16/2004	499
Biddeford Savings Bank	97	1.65	3/10/2005	97
Border Trust Co	97	1.50	6/07/2005	96
Camden National Bank	98	1.30	3/10/2005	97
	550	1.76	3/10/2005	549
Damariscotta Bank & Trust	98	1.34	3/10/2005	97
First Federal Savings & Loan	98	1.30	3/10/2005	97
First National Bank	2,000	1.55	9/03/2004	2,000
	97	1.30	3/10/2005	97
First National Bank Harbor	97	1.39	6/07/2005	96
Gorham Savings Bank	500	1.35	12/16/2004	499
	97	1.34	6/07/2005	96
Kennebec Federal Savings	97	1.60	12/16/2004	97
Kennebec Savings Bank	98	1.50	9/03/2004	98
	500	1.35	12/16/2004	499
Kennebunk Savings Bank	98	1.34	6/07/2005	97
Machias Savings Bank	97	1.30	3/10/2005	97
Mechanics Savings Bank	400	2.08	9/03/2004	400
	97	1.98	12/16/2004	97
	500	1.784	3/10/2005	499
Merrill Merchants Bank	97	2.25	6/07/2005	97
Northeast Bank	1,000	1.59	9/03/2004	1,000
	97	1.59	3/10/2005	97
People's Heritage	500	1.43	12/16/2004	499
	98	1.30	3/10/2005	97
Skowhegan Savings Bank	97	1.53	12/16/2004	97
United Kingfield Bank	97	1.53	12/16/2004	97
	550	1.76	3/10/2005	549
Total Maine Certificates of Deposit (Cost - $8,947)				8,932
Certificates of Deposit - Yankee - 1.0%				
Canadian Imperial Bank of Commerce†	1,000	1.289	7/15/2005	1,000
Total Certificates of Deposit - Yankee (Cost - $1,000)				1,000

Cash Allocation Account (continued)

Schedule of Investments as of June 30, 2004

(in Thousands)

Issue	Face Amount	Interest Rate*	Maturity Date	Value
Commercial Paper - 69.2%				
Amsterdam Funding Corporation	$ 1,794	1.12 %	7/12/2004	$ 1,793
Aspen Funding Corp.	1,051	1.11	7/26/2004	1,050
	2,154	1.30	7/27/2004	2,152
Blue Ridge Asset Funding Corporation	2,344	1.09	7/06/2004	2,344
	2,323	1.20	7/14/2004	2,322
CRC Funding, LLC	2,736	1.20	8/05/2004	2,733
Compass Securitization LLC	1,662	1.08	7/15/2004	1,661
Delaware Funding Corporation	1,267	1.10	7/12/2004	1,267
Edison Asset Securitization, LLC	2,000	1.07	7/07/2004	2,000
Falcon Asset Securitization Corporation	2,356	1.26	7/29/2004	2,354
Grampian Funding Limited	3,137	1.20	7/16/2004	3,135
HBOS Treasury Services PLC	1,300	1.071	7/01/2004	1,300
	1,100	1.10	7/08/2004	1,100
Jupiter Securitization Corporation	1,342	1.05	7/01/2004	1,342
Morgan Stanley	1,421	1.09	7/06/2004	1,421
Morgan Stanley Dean Witter†	800	1.58	10/28/2004	800
Morgan Stanley Group	1,972	1.15	7/13/2004	1,971
Old Line Funding Corporation	3,476	1.25	7/22/2004	3,473
Park Avenue Receivables Company LLC	4,366	1.10	7/09/2004	4,365
Preferred Receivables Fund	1,590	1.32	7/30/2004	1,588
San Paolo- IMI US Financials	1,100	1.13	7/19/2004	1,099
Sheffield Receivables Corp.	2,500	1.10	7/08/2004	2,499
	1,878	1.21	7/15/2004	1,877
Sigma Financial Corp.	1,000	1.15	10/18/2004	995
	2,032	1.25	10/21/2004	2,022
Societe Generale North A	1,242	1.21	10/01/2004	1,237
Spintab AB	4,515	1.15	7/21/2004	4,512
Svenska Handelsbanken, I	4,000	1.30	9/01/2004	3,990
Tulip Funding Corp.	1,300	1.31	7/28/2004	1,299
Variable Funding Capital	3,477	1.05	7/02/2004	3,477
White Pine Finance LLC	2,834	1.11	7/20/2004	2,832
	1,069	1.19	8/09/2004	1,068
Windmill Funding Corp.	1,587	1.05	7/07/2004	1,587
Total Commercial Paper (Cost - $68,671)				68,665

Cash Allocation Account (concluded)

Schedule of Investments as of June 30, 2004

(in Thousands)

Issue	Face Amount	Interest Rate*	Maturity Date	Value
Medium-Term Notes† - 1.8%				
Household Finance Corporation	$ 400	1.26 %	8/18/2004	$ 400
Morgan Stanley Group, Inc.	340	1.33	7/27/2005	340
Northern Rock PLC	1,000	1.41	7/08/2005	1,000
Total Medium-Term Notes (Cost - $1,740)				1,740
U.S. Government Agency Obligations-Non-Discount - 18.8%				
Fannie Mae	3,000	1.045†	10/29/2004	2,999
	3,000	1.204†	2/18/2005	3,000
	1,000	1.61	5/13/2005	996
	1,000	1.75	5/23/2005	997
	500	2.11	8/26/2005	498
	500	2.07	10/21/2005	497
Federal Farm Credit Banks†	1,500	1.02	11/04/2004	1,500
	2,000	1.024	5/02/2005	2,000
	4,000	1.131	6/13/2005	4,000
Federal Home Loan Banks	500	1.50	8/26/2005	495
Freddie Mac	500	3.25	11/15/2004	503
	700	1.50	5/13/2005	696
	500	2.29	10/28/2005	498
Total U.S. Government Agency Obligations-Non-Discount (Cost - $18,700)				18,679
Total Investments (Cost - $99,058) - 99.8%				99,016
Other Assets Less Liabilities - 0.2%				184
Net Assets - 100.0%				$99,200

* Commercial Paper and certain U.S. Government Agency Obligations are traded on a discount basis; the interest rates shown reflect the discount rates paid at the time of purchase by the Account. Other securities bear interest at the rates shown, payable at fixed dates or upon maturity. Interest rates on variable rate securities are adjusted periodically based upon appropriate indexes; the interest rates shown are the rates in effect at June 30, 2004.

† Variable rate note.

Cash Allocation Account

Schedule of Operations for the Year Ended June 30, 2004

Investment Income:	
Interest and amortization and accretion of premium and discount	$ 1,063,990
Total income	1,063,990
Expenses:	
Management fees	641,599
Total expenses	641,599
Net investment income	422,391
Net Unrealized Loss on Investments:	
Net decrease in fair value of investments	(65,854)
Net Increase in Net Assets Resulting from Operations	$ 356,537

Cash Allocation Account

Financial Highlights for the Year Ended June 30, 2004

The following per unit data and ratios have been derived from information provided in the financial statements and other financial information.

Increase (Decrease) in Net Asset Value:	**For the Year Ended June 30, 2004**
Per Unit Operating Performance:	
Net asset value, beginning of year	$ 1.00
Net investment income	.0046
Net decrease in fair value of investments	(.0007)
Total from investment operations	.0039
Less dividends from net investment income to Participants	(.0046)
Net asset value, end of year	$ 1.00
Total Investment Return:	
Based on net asset value per unit	.46%
Ratios to Average Net Assets:	
Expenses	.70%
Net investment income and realized gain on investments	.46%
Supplemental Data:	
Net assets, end of year (in thousands)	$ 99,200

Program Management provided by Merrill Lynch, Pierce, Fenner & Smith Incorporated.

Member, Securities Investor Protection Corporation (SIPC).

Printed in the U.S.A.

NextGen Cash - 6/04

June 30, 2004