

Annual Report  
June 30, 2006

Cash  
Allocation  
Account

NextGen College Investing Plan<sup>®</sup>



Maine State Treasurer



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## Cash Allocation Account

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## Cash Allocation Account

### Independent Auditors' Report

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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, 2006, 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 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 or the Program's internal control over financial reporting. Accordingly, we express no such opinion. An audit also 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 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, 2006, 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, 2006, and the changes in financial position, thereof 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 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 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 the purpose 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  
November 27, 2006

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# Management's Discussion and Analysis

June 30, 2006 (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, 2006.

## Financial Highlights

The assets held for individuals and organizations participating in the Account exceeded its liabilities at the close of the fiscal year by \$220,952,346.

The Account had contributions of \$110,054,382 and withdrawals of \$30,730,093, providing for \$79,324,289 of net contributions during the fiscal year ended June 30, 2006.

## 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, 2006 and June 30, 2005 is presented below:

<b>As of June 30</b>	<b>2006</b>	<b>2005</b>
Total Assets	\$ 221,326,331	\$ 141,836,983
Total Liabilities	<u>373,985</u>	<u>129,615</u>
Total Net Assets	<u>\$ 220,952,346</u>	<u>\$ 141,707,368</u>

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

Investments comprise \$219,904,830 of total assets. Other assets include receivables from interest and contributions. Liabilities consist of \$100,483 due to correspondent bank and payables for management fees, withdrawals and other liabilities in the total amount of \$273,502.

As illustrated by the summary above, the Account's net assets increased by \$79,244,978 in fiscal year 2006. This increase is primarily attributable to \$79,324,289 of net contributions to the Account in fiscal year 2006.

The economy grew at a robust rate throughout the year ending June 30, 2006, but subsequent data has confirmed a slowing rate of Gross Domestic Product growth to a more sustainable (estimated) 2.5-3% for the last half of 2006. The Fed finally broke the uninterrupted series of interest rate hikes since June 2004 at the August 8, 2006 Federal Open Market Committee meeting. Fed funds currently stand at 5.25%, and although Fed officials have indicated a willingness to raise rates again if necessary, the market is betting that we have seen the last rate hike in this cycle, and the next policy move by the Fed will be an ease. The main threat to economic growth is the slump in the housing market that has weakened considerably since last year at this time. Prices have fallen in some markets, and sales have slowed as higher interest rates have made homes less affordable. At the same time, energy prices have stayed at historically high levels for over a year, especially gasoline prices. Job growth, which was robust through the first quarter, has recently settled to a more moderate rate, and wage growth has barely kept up with inflation this year. In summary, consumers have been squeezed by rising costs over the past year, and as a result, Gross Domestic Product growth has moderated. The Fed is willing to take a wait and see attitude towards further rate hikes, willing to tolerate a little more inflation in order to prevent a more pronounced slowdown.

**Changes in net assets:** The following represents the changes in net assets for the years ended June 30, 2006 and June 30, 2005.

<b>As of June 30</b>	<b>2006</b>	<b>2005</b>
<b>Additions</b>		
Contributions:		
Participants	\$ 110,054,382	\$ 62,594,917
Total contributions	<u>110,054,382</u>	<u>62,594,917</u>
Investment income		
Net realized gain on sale of investments	313	-
Net decrease in fair value of investments	(79,311)	(17,811)
Interest, amortization of premium and accretion of discount	<u>8,209,214</u>	<u>3,054,326</u>
Total investment income	<u>8,130,216</u>	<u>3,036,515</u>
<b>Total additions</b>	<u>118,184,598</u>	<u>65,631,432</u>
<b>Deductions</b>		
Account withdrawals	30,730,093	20,069,598
Management fees	1,149,929	866,394
Investment income distributions	<u>7,059,598</u>	<u>2,187,932</u>
<b>Total deductions</b>	<u>38,939,620</u>	<u>23,123,924</u>
Change in net assets held for Participants	79,244,978	42,507,508
Net assets at beginning of year	<u>141,707,368</u>	<u>99,199,860</u>
<b>Net assets at end of year</b>	<u>\$ 220,952,346</u>	<u>\$ 141,707,368</u>

## **Cash Allocation Account**

Financial Statements

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## Cash Allocation Account

Statement of Fiduciary Net Assets as of June 30, 2006

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### Assets:

#### Current Assets:

Investments at fair value (Cost - \$220,044,206).....		\$ 219,904,830
Receivables:		
Interest .....	\$ 796,285	
Contributions.....	527,715	1,324,000
Other assets.....		<u>97,501</u>
Total assets.....		<u>221,326,331</u>

### Liabilities:

#### Current Liabilities:

Due to correspondent bank.....		100,483
Payables:		
Management fees.....	97,058	
Withdrawals .....	<u>93,125</u>	190,183
Other liabilities .....		<u>83,319</u>
Total liabilities .....		<u>373,985</u>

**Total net assets** ..... \$ 220,952,346

Units outstanding ..... 221,091,722

Net asset value per unit ..... \$ 1.00

See Notes to Financial Statements.

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## Cash Allocation Account

Statement of Changes in Fiduciary Net Assets  
For the Year Ended June 30, 2006

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### Additions

#### Contributions:

Participants.....	<u>\$110,054,382</u>
Total contributions.....	<u>110,054,382</u>

#### Investment income:

Net realized gain on sale of investments .....	313
Net decrease in fair value of investments .....	(79,311)
Interest, amortization of premium and accretion of discount .....	<u>8,209,214</u>
Total investment income .....	<u>8,130,216</u>

<b>Total additions</b> .....	<u>118,184,598</u>
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### Deductions

Account withdrawals .....	30,730,093
Management fees .....	1,149,929
Investment income distributions .....	<u>7,059,598</u>

<b>Total deductions</b> .....	<u>38,939,620</u>
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Change in net assets held for Participants.....	79,244,978
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Net assets at beginning of year .....	<u>141,707,368</u>
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<b>Net assets at end of year</b> .....	<u><u>\$220,952,346</u></u>
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See Notes to Financial Statements.

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# Cash Allocation Account

## Notes to Financial Statements

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### 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 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"). Merrill Lynch Investment Managers, L.P. ("MLIM") is responsible for the selection and management of the money market securities other than Maine CDs. (See Note 6 for additional information.) The Treasurer selects 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 also determines 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 investment company.

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, as amended and restated through September 20, 2004 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. (See Note 6 for additional information.) The Management Agreement provides that Merrill Lynch and FDS are responsible for providing certain administrative, recordkeeping and investment services for the Account.

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 Program Description dated January 25, 2006), 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.

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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 fair 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 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 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.
- (d) *Due to correspondent bank* – The Account recorded a bank overdraft, which resulted from a timing difference of a security transaction settlement.

### **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., 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 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 MLIM. (See Note 6 for additional information.)

As of June 30, 2006, accrued management fees payable were \$97,058.

### **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, 2006, the total value of units reinvested was \$7,043,149. Amounts reinvested are included with Participant Contributions as presented in the Statement of Changes in Fiduciary Net Assets.

**5. Investments:**

MLIM invests and manages the Account’s investments except for the portion of the Account invested in Maine CDs. (See Note 6 for additional information.) 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 Cash Allocation 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 certificates of deposit issued by Maine financial institutions (“Maine CD’s”) in accordance with instructions from FAME and the Treasurer. All Maine Certificates of Deposit 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, 2006” 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, 2006, none of the Account’s investments exceed 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, 2006” located in the Other Financial Information section.

The following represents a calculation of the net decrease in the fair value of investments during the year ended June 30, 2006:

Fair value at end of year	\$ 219,904,830
Less cost of investments purchased during year	(1,762,030,985)
Plus cost of investments redeemed during year	1,683,399,193
Less fair value at beginning of year	<u>(141,352,349)</u>
Change in fair value of investments during year	<u>\$ (79,311)</u>

**6. Subsequent Events:**

As of the close of business on September 29, 2006, Merrill Lynch combined its money management unit, MLIM with BlackRock, Inc. and its affiliates. The MLIM Portfolios and MLIM Underlying Funds in the Program were re-branded as BlackRock.

In connection with the foregoing, the Cash Allocation Account Agreement between the Program Manager and MLIM was amended and restated as of the close of business on September 29, 2006, to recognize the assignment of such agreement by MLIM to BlackRock Capital Management, Inc., and the Management Agreement was amended and restated as of the close of business on September 29, 2006 to reflect the Program Manager’s ability to delegate certain obligations to BlackRock. BlackRock has assumed those obligations previously delegated to MLIM by the Program Manager.

In addition, the Program Description was amended and restated as of October 2, 2006 and supplemented on November 10, 2006.

## **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, 2006

(in Thousands)

S&P Ratings*	Moody's Ratings*	Issue	Face Amount	Interest Rate**	Maturity Date	Value
<b>Maine Certificates of Deposit – 6.4%</b>						
NR‡	NR‡	Bangor Savings Bank	\$ 98	3.96 %	9/05/2006	\$ 97
NR‡	NR‡	Biddeford Savings Bank	97	4.85	3/12/2007	96
NR‡	NR‡	Border Trust Co.	97	5.00	6/07/2007	96
NR‡	NR‡	Camden National Bank	98	4.85	3/12/2007	97
NR‡	NR‡	Damariscotta Bank & Trust	97	5.00	6/07/2007	96
NR‡	NR‡	First National Bank	500	4.40	12/18/2006	498
			3,200	4.89	3/12/2007	3,185
			97	5.00	3/12/2007	97
NR‡	NR‡	Gorham Savings Bank	500	4.40	12/18/2006	497
			97	5.00	6/07/2007	97
NR‡	NR‡	Kennebec Federal Savings	97	4.85	3/12/2007	96
NR‡	NR‡	Kennebec Savings Bank	99	3.96	9/05/2006	98
NR‡	NR‡	Machias Savings Bank	96	5.00	6/07/2007	96
NR‡	NR‡	Mechanics Savings Bank	800	4.21	9/05/2006	798
			97	4.40	12/18/2006	97
NR‡	NR‡	Merrill Merchants Bank	97	5.08	6/07/2007	97
NR‡	NR‡	Northeast Bank	1,900	4.17	9/05/2006	1,895
			1,800	4.85	3/12/2007	1,796
			96	5.00	6/07/2007	96
NR‡	NR‡	River Green Bank	96	5.00	6/07/2007	96
NR‡	NR‡	TD BankNorth	3,500	4.50	9/05/2006	3,493
			400	4.60	12/18/2006	399
			98	5.39	3/12/2007	97
NR‡	NR‡	United Kingfield Bank	97	4.40	12/18/2006	97
<b>Total Maine Certificates of Deposit (Cost – \$14,153)</b>						<b>14,107</b>
<b>Certificates of Deposit – Euro – 0.9%</b>						
A-1+	P-1	BNP Paribas	1,000	4.395	10/04/2006	997
A-1+	P-1	Credit Agricole	1,000	3.86	7/05/2006	1,000
<b>Total Certificates of Deposit – Euro (Cost – \$2,000)</b>						<b>1,997</b>
<b>Certificates of Deposit – Yankee – 3.4%</b>						
A-1+	P-1	Banco Bilbao Vizcaya	500	4.80	12/08/2006	498
A-1	P-1	Canadian Imperial Bank of Commerce	1,000	5.279†	7/15/2007	1,000
A-1+	P-1	Rabobank Nederland	1,500	4.52	10/31/2006	1,494
A-1+	P-1	Royal Bank of Canada	2,000	4.03	7/24/2006	1,999
A-1	P-1	Swedbank	1,000	5.199	3/30/2007	997
A-1	P-1	Toronto Dominion Bank	1,500	3.95	7/24/2006	1,499
<b>Total Certificates of Deposit – Yankee (Cost – \$7,500)</b>						<b>7,487</b>

## Cash Allocation Account

Schedule of Investments as of June 30, 2006 (continued)

(in Thousands)

S&P Ratings*	Moody's Ratings*	Issue	Face Amount	Interest Rate**	Maturity Date	Value
<b>Commercial Paper – 79.4%</b>						
A-1+	P-1	Amstel Funding Corp.	\$ 9,915	5.08 %	7/06/2006	\$ 9,911
A-1	P-1	Amsterdam Funding Corp.	4,110	5.09	7/07/2006	4,108
A-1+	P-1	Barton Capital Corp.	3,500	5.06	7/03/2006	3,500
A-1	P-1	Bryant Park Funding LLC	4,169	5.24	8/15/2006	4,143
A-1+	P-1	CC USA Inc.	4,000	4.90	7/05/2006	3,999
A-1+	P-1	CRC Funding, LLC	8,922	5.35	8/17/2006	8,862
A-1+	P-1	Ciesco, LLC	5,129	5.29	8/10/2006	5,100
A-1	P-1	Compass Securitization LLC	850	5.13	7/10/2006	849
			8,381	5.30	7/27/2006	8,351
A-1+	P-1	Dorada Finance Inc.	3,000	5.29	8/01/2006	2,987
A-1	P-1	FCAR Owner Trust	9,000	5.25	7/21/2006	8,976
A-1	P-1	Falcon Asset Securitization Corp.	7,968	5.11	7/11/2006	7,959
A-1+	P-1	Grampian Funding Ltd.	8,811	5.25	9/15/2006	8,713
A-1+	P-1	Greyhawk Funding LLC	7,140	5.23	7/19/2006	7,123
			3,000	5.30	8/07/2006	2,985
A-1	P-1	Jupiter Securitization Corp.	8,369	5.30	7/28/2006	8,338
A-1+	P-1	Kitty Hawk Funding Corp.	4,500	5.13	7/12/2006	4,494
A-1	P-1	New Center Asset Trust	4,689	5.23	7/18/2006	4,679
			4,000	5.23	7/20/2006	3,990
A-1+	P-1	Newport Funding Corp.	7,151	5.14	9/05/2006	7,083
A-1	P-1	Park Avenue Receivables Co. LLC	4,512	5.11	7/10/2006	4,508
			5,000	5.29	7/26/2006	4,983
A-1	P-1	Preferred Receivables Funding Corp.	4,430	5.24	7/26/2006	4,415
A-1	P-1	Ranger Funding Co. LLC	3,517	5.20	7/17/2006	3,510
			3,971	5.28	8/08/2006	3,950
A-1+	P-1	Sheffield Receivables Corp.	7,887	5.15	7/14/2006	7,875
A-1+	P-1	Solitaire Funding LLC	1,060	5.15	7/13/2006	1,058
A-1+	P-1	Surrey Funding Corp.	8,326	5.05	7/25/2006	8,301
A-1	P-1	Thunder Bay Funding LLC	7,730	5.10	7/07/2006	7,726
A-1+	P-1	Windmill Funding Corp.	10,000	5.26	8/03/2006	9,955
A-1+	P-1	Yorktown Capital, LLC	3,103	5.29	7/20/2006	3,095
<b>Total Commercial Paper (Cost - \$175,531)</b>						<b>175,526</b>

## Cash Allocation Account

Schedule of Investments as of June 30, 2006 (concluded)

(in Thousands)

S&P Ratings*	Moody's Ratings*	Issue	Face Amount	Interest Rate**	Maturity Date	Value
<b>Medium-Term Notes – 5.3%</b>						
A+	Aa3	Alliance & Leicester	\$ 1,500	5.135 †%	7/06/2007	\$ 1,500
AA-	Aa2	Bank of America, NA	3,000	5.31 †	8/10/2006	3,000
A+	Aa3	Goldman Sachs Group, Inc.	1,500	5.219 †	7/13/2007	1,500
AA-	Aa3	HSBC Finance	2,000	5.128 †	7/06/2007	2,000
AA-	Aa3	Household Finance Corp.	1,000	5.353 †	7/23/2007	1,000
AA	Aa2	MetLife Funding, Inc.	520	5.148 †	7/06/2007	520
A+	A1	Northern Rock Plc	1,000	5.353 †	7/06/2007	1,000
AAA	Aaa	Sigma Finance Corp.	1,300	4.91 †	1/26/2007	1,294
<b>Total Medium-Term Notes (Cost – \$11,820)</b>						11,814
<b>Promissory Notes – 0.9%</b>						
A-1	P-1	Goldman Sachs Group, Inc.	2,000	5.423	10/10/2006	2,000
<b>Total Promissory Notes (Cost – \$2,000)</b>						2,000
<b>U.S. Government Agency Obligations – Non-Discount – 3.2%</b>						
AAA	Aaa	Fannie Mae	500	3.00	9/20/2006	497
			1,000	4.875	12/28/2007	991
AAA	Aaa	Federal Home Loan Bank System	1,000	3.80 †	12/29/2006	992
			300	3.45	1/10/2007	297
AAA	Aaa	Freddie Mac	1,000	4.00	7/13/2007	985
			1,000	4.45	9/28/2007	987
			1,000	4.655	10/11/2007	989
			750	4.75	10/24/2007	742
AAA	Aaa	U.S. Treasury Notes	500	4.375	1/31/2008	494
<b>Total U.S. Government Agency Obligations – Non-Discount (Cost – \$7,040)</b>						6,974
<b>Total Investments (Cost – \$220,044) – 99.5%</b>						219,905
<b>Other Assets Less Liabilities – 0.5%</b>						1,047
<b>Net Assets – 100.0%</b>						<u>\$ 220,952</u>

\* Ratings of issues shown are unaudited.

\*\* 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 rates 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, 2006.

† Variable rate security.

‡ Not Rated.

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## Cash Allocation Account

Schedule of Operations for the Year Ended June 30, 2006

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### Investment Income:

Interest, amortization of premium and accretion of discount.....	\$ 8,209,214
Total income .....	<u>8,209,214</u>

### Expenses:

Management fees .....	<u>1,149,929</u>
Total expenses.....	<u>1,149,929</u>
Net investment income .....	<u>7,059,285</u>

### Net Realized and Unrealized Gain (Loss) on Investments:

Net realized gain on sale of investments.....	313
Net decrease in fair value of investments.....	<u>(79,311)</u>
Net realized and unrealized loss .....	<u>(78,998)</u>

<b>Net Increase in Net Assets Resulting from Operations .....</b>	<b>\$ <u>6,980,287</u></b>
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## Cash Allocation Account

Financial Highlights for the Year Ended June 30, 2006

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	<b>For the Year Ended June 30, 2006</b>
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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.	
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<b>Per Unit Operating Performance:</b>	
Net asset value, beginning of year .....	\$ 1.00
Net investment income .....	.0365
Net realized gain and decrease in fair value of investments .....	(.0004)
Total from investment operations .....	<u>.0361</u>
Less dividends from net investment income to Participants.....	<u>(.0365)</u>
Net asset value, end of year.....	<u>\$ 1.00</u>
<b>Total Investment Return:</b>	
Based on net asset value per unit .....	<u>3.65%</u>
<b>Ratios to Average Net Assets:</b>	
Expenses.....	<u>.60%</u>
Net investment income .....	<u>3.70%</u>
<b>Supplemental Data:</b>	
Net assets, end of year (in thousands) .....	<u>\$ 220,952</u>

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June 30, 2006