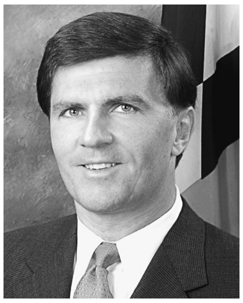
2005

ANNUAL REPORT

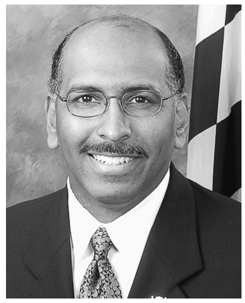
COLLEGE SAVINGS
PLANS OF MARYLAND

MARYLAND'S 529 PLANS

Maryland Prepaid College Trust   Maryland College Investment Plan



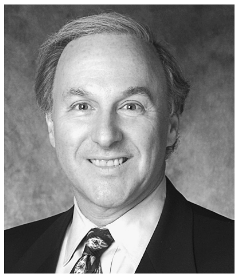
Robert L. Ehrlich, Jr.
Governor



Michael S. Steele
Lt. Governor

COLLEGE SAVINGS PLANS OF MARYLAND BOARD

Nancy K. Kopp
Board Chair
State Treasurer



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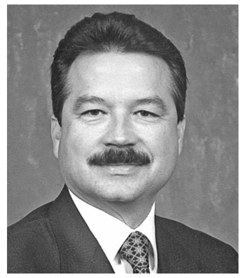
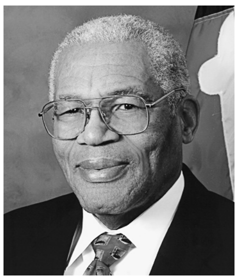
Vice-Chair
and *Public Member*



Thomas H. Price, III, Esq.
Board Secretary
and *Public Member*



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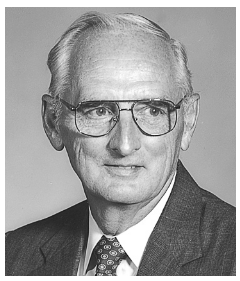
Higher Education Commission

Susan R. Buswell
Public Member

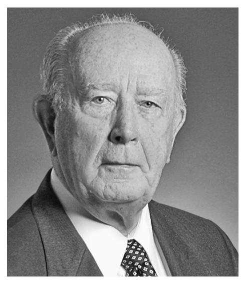
W. Gary Dorsch
Public Member
Term began November 1, 2004

Nancy S. Grasmick, Ph.D.
State Superintendent
of Schools

William E. Kirwan, Ph.D.
Chancellor,
University System of Maryland



Donald C. Linton, CPA
Public Member



William Donald Schaefer
State Comptroller

COLLEGE SAVINGS
PLANS OF MARYLAND

October, 2005

Dear Friends,

Over the past year, we continue to be both pleased and gratified by the strong increase in families participating in the **College Savings Plans of Maryland**. Total invested assets in both of our plans – the **Maryland Prepaid College Trust** and the **Maryland College Investment Plan** - exceeded $1.1 billion as of June 30, 2005 for approximately 84,000 beneficiaries.

Key developments over the past year include:

- Greater numbers of younger children are being enrolled, which indicates that more families are planning earlier to meet future college costs.
- More students in the plans are reaching college age and are using their accounts at colleges in Maryland and across the country.
- Two significant, favorable developments significantly improved the soundness of the **Prepaid College Trust**: tuition at Maryland public colleges rose approximately 6% for the 2005-2006 academic year vs. our initial projection of 10%; and investment earnings of 8.4% exceeded our target of 7.65%. As a result, the Prepaid College Trust is 95% funded as of June 30, 2005.
- The **College Investment Plan**, managed and distributed by T. Rowe Price, grew from $559 million in assets on June 30, 2004 to nearly $777 million in assets on June 30, 2005. After a thorough and competitive selection process, T. Rowe Price was selected to continue to serve as Program Manager of this Plan. We are particularly pleased that families will benefit by reduced fees as a result of this new contract.

Included in this Annual Report are financial statements for the **Prepaid College Trust** and the **College Investment Plan** that have been audited by Abrams, Foster, Nole & Williams, P.A., an independent accounting firm and auditor to the State of Maryland.

As participants in the **College Savings Plans of Maryland**, you are important advocates for the value and peace of mind that comes with taking action to save for future higher education expenses. We stand with you to help you continue to save and hope that you will reach out to your family, your friends and others in your community to spread the word about the importance of saving for college and the unique benefits of the State of Maryland's 529 college savings plans.

Sincerely,

The Board
College Savings Plans of Maryland

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COLLEGE SAVINGS PLANS OF MARYLAND - FEATURES AND BENEFITS

The **College Savings Plans of Maryland** offers dynamic features and benefits designed to help families get a jump start on saving for future higher education expenses. **The Maryland Prepaid College Trust** (sometimes referred to as Prepaid College Trust or Trust) allows participants to lock in future college tuition at today's prices and is backed by the security of a Maryland Legislative Guarantee. **The Maryland College Investment Plan** (sometimes referred to as College Investment Plan or Plan), managed and distributed by T. Rowe Price, offers the opportunity to choose from 12 different investment options ranging from conservative to aggressive with no sales commissions or loads. By choosing one or both plans, families are likely to find an option within the **College Savings Plans of Maryland** that suits their individual investing style, comfort level and budget.* Both plans can also be used towards eligible college expenses at nearly any college in the country.

The **Prepaid College Trust** and the **College Investment Plan** are Section 529 plans – named after the section of the Internal Revenue Code that permits states to establish and administer tax-deferred college savings plans. Both plans offer generous Federal and Maryland State tax benefits including:

- Tax-deferred growth at the Maryland State and Federal level;
- Tax-free earnings at the Maryland State and Federal level through at least 2010, provided the funds are used for eligible college expenses; and**
- Maryland State income deduction of contributions to either or both plans, up to $2,500 annually per account or beneficiary, depending on the plan. Excess contributions beyond $2,500 annually in either plan can be carried forward and deducted in future years.

Tax-deferred growth and federally tax-free earnings are features of all 529 plans, but the ability to deduct contributions from Maryland State income applies exclusively to the **College Savings Plans of Maryland**.

Families have responded favorably to the plans. The **Prepaid College Trust** enrolled approximately 2,300 new participants in the past year to bring the total number of accounts to approximately 24,500. The **College Investment Plan** continues to exceed participation expectations. As of June 30, 2005, assets of approximately $777 million were invested on behalf of approximately 60,000 beneficiaries. As of June 30, 2005, the two plans together had total invested assets of over $1.1 billion, a true testament to the commitment that participants are making to help pay for future higher education expenses.

Online enrollment continues to be very popular among new participants in both plans and is available by visiting **collegesavingsmd.org.** Account holders may also view their account information any time at the "Customer Corner" section of our web site. To date, over 5,000 participants have logged on and are using this excellent resource. Please continue to visit our web site frequently as the site is updated on a regular basis.

**Enrolling in the College Savings Plans of Maryland is an important decision for you and your family. Please read our entire enrollment kit before deciding to enroll. Enrollment and account maintenance fees may apply.*

***Please note that federally tax-free distributions will lapse in 2010 unless renewed by Congress. As of the date of this Annual Report, legislation has been introduced in Congress to eliminate the 2010 sunset provisions. However, there can be no assurance that the legislation will pass and become law. There also can be no assurance of the Federal tax treatment of Section 529 Plans, after 2010 regardless of whether such proposed legislation becomes law.*

MARKET COMMENTARY

Market performance has a direct effect on the overall performance of investments in the **College Savings Plans of Maryland**. The following is designed to provide a summary of market performance for the 12 months ended June 30, 2005.*

STOCKS POST SOLID GAINS

U.S. stocks rallied during the 12 months ended June 30, 2005, though virtually all of the positive results occurred in the fourth quarter of 2004. Stocks drifted lower early in the period as concerns about moderating economic growth, soaring oil prices, rising short-term interest rates (see the bond section in the next column), and an uncertain outcome in the presidential election weighed on investor confidence.

However, many of these concerns dissipated in late 2004, opening the door for a relief rally that sent stocks sharply higher. Most of the major stock indexes gained 10% or more in the fourth quarter of 2004. The stock market was stagnant during the first half of 2005, unable to generate any momentum as contradictory signals on the economy, inflation, and interest rates held the market in check.

As the chart on the following page shows, all of the major stock indexes posted gains for the one-year period. Mid-cap stocks posted the best domestic results, followed by small-cap and large-company issues. Value stocks continued their dominance, outperforming growth-oriented shares by a wide margin across all market capitalizations.

Foreign stocks outpaced the domestic market during the one-year period. All of the outperformance came in the second half of 2004, when the U.S. dollar declined against major foreign currencies, boosting overseas returns for U.S. investors. Emerging markets, led by Latin America, were the top international performers; among developed markets, Asian markets (excluding Japan) produced the strongest returns.

BONDS ALSO RALLY

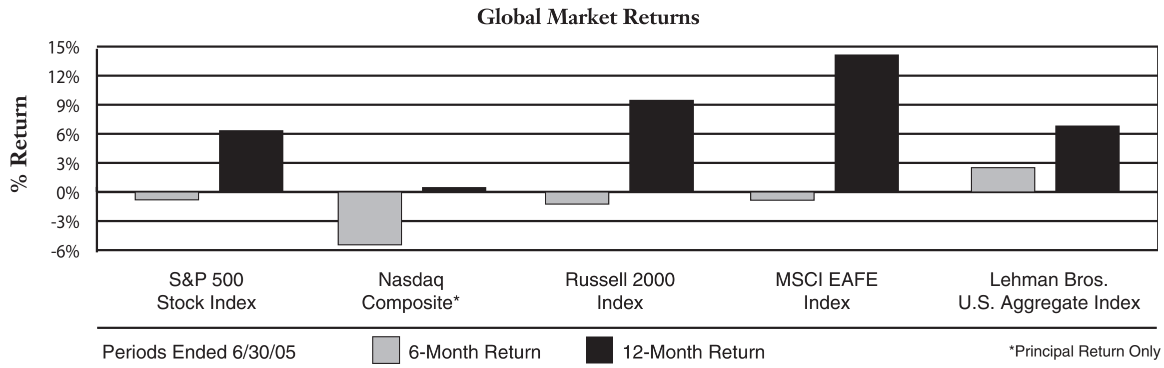
The U.S. bond market also rallied over the past year despite a series of interest rate increases by the Federal Reserve. The Federal Reserve raised its Federal funds rate target nine times, boosting the Federal funds rate from 1% to 3.25% as of June 30, 2005—its highest level since September 2001. Short-term bond yields, which are most sensitive to the Federal Reserve's interest rate moves, rose during the past year, but longer-term bond yields declined (see the chart on the following page) as investors grew confident that the Federal Reserve's actions are keeping inflation in check and the economy on a moderate growth track.

Every segment of the bond market posted positive results during the 12-month period. Corporate bonds were the top performers, led by the high-yield segment of the market. Treasury bonds, which have the greatest interest rate sensitivity, also produced strong results, especially in the last six months of the period. Mortgage-backed securities also posted positive results, but lagged as falling interest rates led to concerns about increased refinancing activity.

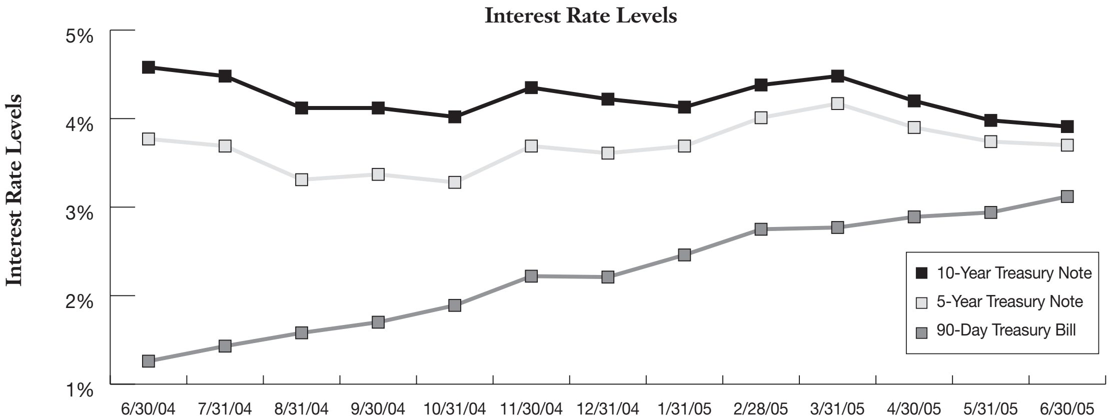
MARKET UNCERTAINTIES

Due to market uncertainties, the overall market value of the investments in the **Prepaid College Trust** and investments in the **College Investment Plan** are likely to be highly volatile and could be subject to wide fluctuations in response to factors such as regulatory or legislative changes, worldwide political uncertainties, and general economic conditions, including inflation and unemployment rates. All of these factors are beyond our control and may cause the overall value of the investments in the **Prepaid College Trust** and investments in the **College Investment Plan** to decrease regardless of our performance. Any decrease in value could result in an actual or unrealized loss, and a decrease in the actuarial valuation of the **Prepaid College Trust**.

** This discussion is not a comprehensive discussion of all stock market performance. It is also not intended to be a comprehensive discussion of risks associated with the College Savings Plans of Maryland. For a more detailed discussion of these risks, see the College Savings Plans of Maryland 2005-2006 Enrollment Kit.*



Source: T. Rowe Price Investment Services



Source: T. Rowe Price Investment Services

COLLEGE COSTS REVIEW

As an investor in the **College Savings Plans of Maryland**, you are not only receiving the benefits that the plans provide (convenience, flexibility, diversification, a wealth of choices, and tax savings), but you are also taking steps to overcome the most significant challenge facing prospective students—the sharply rising cost of a college education.

THE RISING COST OF A COLLEGE EDUCATION*

College education costs have been increasing at a faster rate than inflation every year since the early 1980s, and the most recent school year was no exception. According to the College Board, the average cost (tuition, fees, room, and board) of a four-year private college increased by 5.6% for the 2004–2005 school year, rising to $27,500. For the third straight year, however, the average cost of a four-year public university rose by even more—an 8% hike to $11,300. By comparison, inflation (as measured by the consumer price index) rose by about 2%. Note that additional expenses like books, supplies, and transportation—which can add another $2,000 or more to overall costs—are not included in these figures.

The last few years have seen a very large rise in the cost of higher education. A 2005 graduate that entered the average public four-year college in 2001 saw tuition surge by more than 45%—the highest four-year increase since 1990–1994. Not surprisingly, this tuition spike coincided with a noteworthy decline in state education funding. Among private colleges, tuition is up 25% over the past four years, less than for public schools but well ahead of the 8% total rise in the consumer price index.

If you are intimidated by the price tag on a college education, you're not alone. The good news is that help is available—the College Board estimates that students received a total of $142 billion in financial aid for the 2004-2005 academic year, an increase from the previous year.

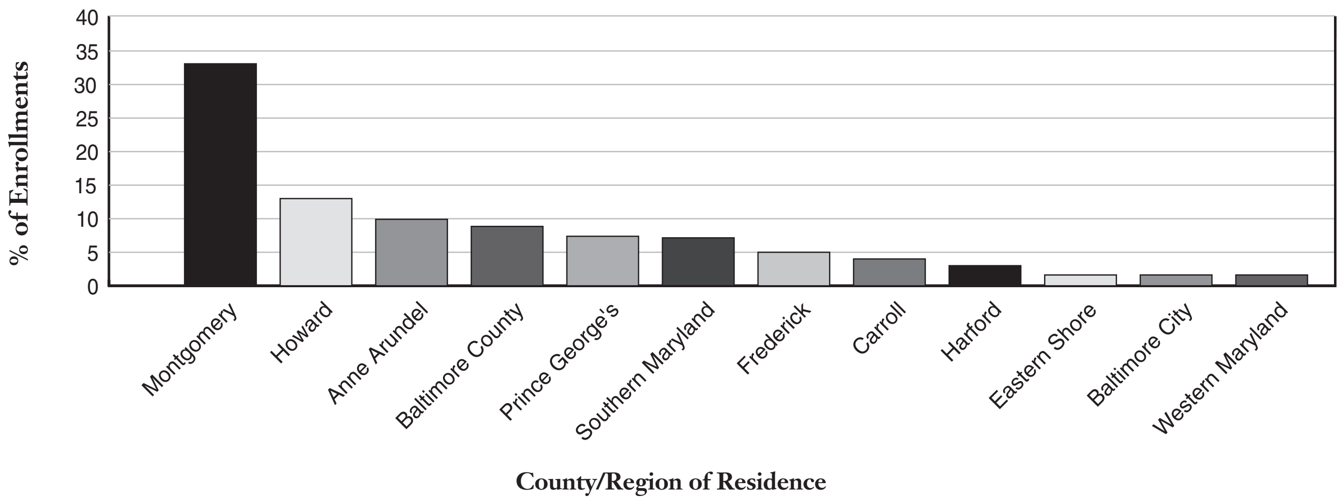
The bad news is that help comes at a price—the majority of that aid (54%) came from loans, with 40% from grants and 6% from work-study and education tax credits. The dollar amount of student loans tripled in the past decade, while the average loan per student more than doubled.

Contributing regularly to a college savings plan can help you overcome the upward spiral of college expenses and reduce or eliminate the need for student loans.

** All statistical information provided has been prepared by the College Board in its 2005 report.*

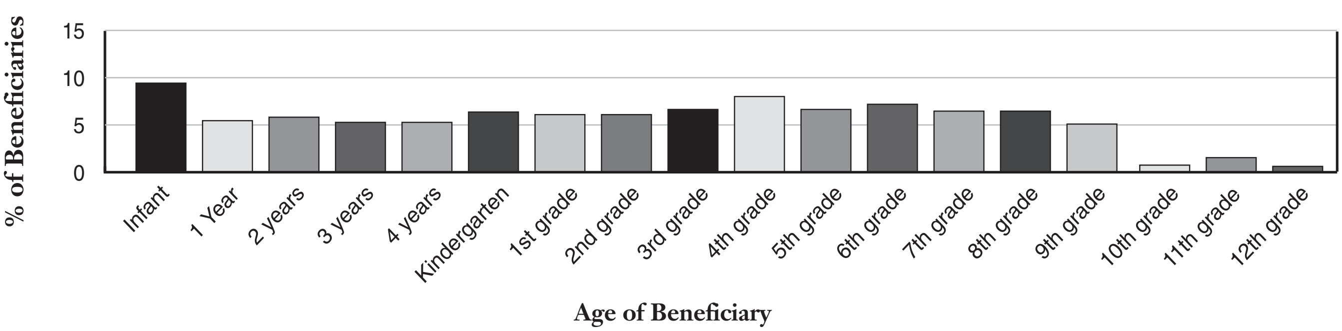
NEW ENROLLMENT BY COUNTY

Of the approximately 2,300 new enrollments that were received in the past year, Montgomery County residents produced the largest number of participants, accounting for over 33% of all new enrollments. Howard County was the second largest source of new enrollments (13%), followed by Anne Arundel (10%) and Baltimore (9%) counties, as illustrated in the following chart:



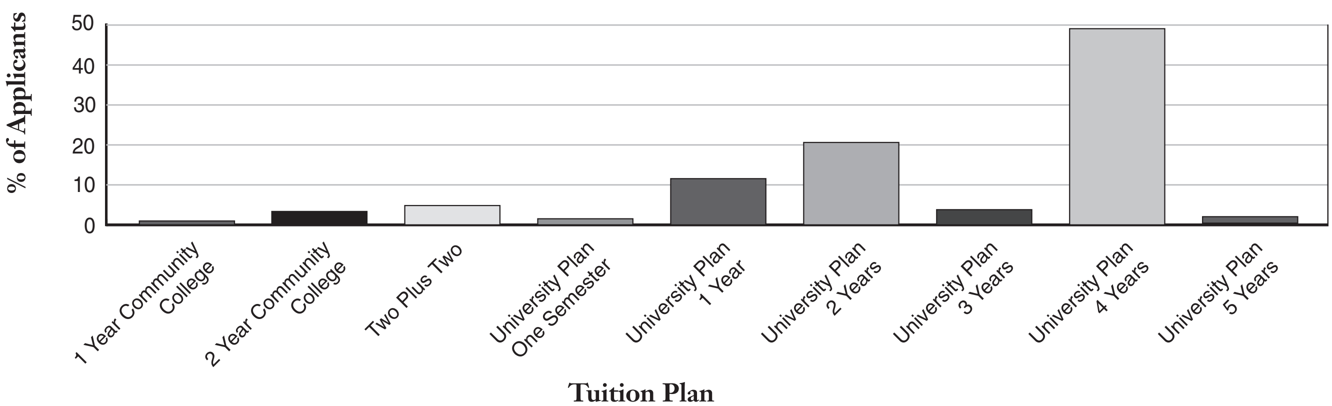
AGE OF BENEFICIARIES AT TIME OF ENROLLMENT

The infant category provided the largest single age group of new enrollments in 2004–2005. However, the majority of all new enrollments came from children that are in their elementary and early middle school years. The average age of all children enrolled this year in the Maryland Prepaid College Trust is about 7 years old. The 2004-2005 enrollment period was the first enrollment period opened to beneficiaries in each of the 10th, 11th, and 12th grades, which is reflected in the data below.



TUITION PLAN SELECTED

The 2004 – 2005 enrollment period marked the first time that the Trust offered a 1-semester University Plan option. However, the overwhelming majority of new enrollments were for the 4-year University Plan, as illustrated below:



MORE STUDENTS USE PREPAID COLLEGE TRUST TUITION BENEFITS AT COLLEGES NATIONWIDE

There are a total of 2,419 students eligible to use benefits for the Fall 2005 semester, as compared to approximately 1,400 students who were eligible for the prior academic year. Approximately 70% or 1,674 of eligible beneficiaries, as of September 8, 2005, have claimed their tuition benefits this fall. Approximately 58% of these students are attending Maryland public colleges, while 42% are attending a wide variety of private and out-of-state colleges across the country. The remaining 745 (or 30% of eligible beneficiaries) have yet to claim their Fall 2005 tuition benefits or have decided to defer using their tuition benefits until a future semester.

ACTUARIAL SOUNDNESS REPORT

The summary of the actuarial valuation of PricewaterhouseCoopers LLP and Richard M. Kaye & Associates dated October 10, 2005 appears on page 7. The purpose of the actuarial valuation is to assess the future value of the Trust's assets and its liabilities, and is discounted to reflect their present value.

The most significant change from Fiscal Year 2004 is the reduction in the Trust's actuarial deficit. At June 30, 2005, the Trust was 95% funded, with an actuarial deficit of $26.5 million. This is a substantial improvement over the last fiscal year, when the Trust was 85% funded and had an actuarial deficit of $75.1 million at June 30, 2004.

There are three key reasons for this significant improvement. In each case, the positive effect on the actuarial valuation resulted in a decrease in the actuarial deficit from what it would have been otherwise.

1- The weighted average tuition at Maryland's public colleges increased by 3.5% for the 2005-2006 academic year. This actual increase is less than our projection, which was that the weighted average tuition would increase by 10% for 2005-2006. Since the actual tuition increase was lower than our projection, this had a positive effect on the actuarial valuation.

2- Our projection for future tuition increases is lower for the 2006-2007 and 2007-2008 academic years than it was previously. Last year, our projected tuition increase was 8% annually for each of the academic years listed above. Given the moderation of tuition increases for Maryland public colleges in 2005-2006, and consistent with University System of Maryland projections, the Board reduced the projected tuition increases to 7% annually for 2006-2007 and 2007-2008. These reduced projected tuition increases had a positive effect on the actuarial valuation.

3- The Prepaid College Trust's investments produced an overall rate of 8.40% during Fiscal Year 2005, as compared with our stated goal of 7.65%. The amount of return above our goal had a positive effect on the actuarial valuation.

The key measures of soundness for the most recent five fiscal years are included in the chart below:

	At 6/30/05	At 6/30/04	At 6/30/03	At 6/30/02	At 6/30/01
Actuarial Surplus/(Deficit) ($mil)	($26.5)	($75.1)	($69.9)	($31.4)	$0.05
Funded Ratio	95%	85%	82%	88%	100%

PRICEWATERHOUSECOOPERS

October 10, 2005

PricewaterhouseCoopers LLP
One North Wacker
Chicago, IL 60606
Telephone (312) 298-2000
Facsimile (312) 298-6805

Ms. Nancy Kopp, Board Chair
c/o College Savings Plans of Maryland
217 East Redwood Street
Suite 1350
Baltimore, Maryland 21202

Dear Ms. Kopp:

PricewaterhouseCoopers LLP in conjunction with Richard M. Kaye & Associates has performed an actuarial valuation of the Maryland Prepaid College Trust as of the June 30, 2005. The valuation compares the value of the assets of the prepaid program to the value of expected future tuition payments to beneficiaries. The following pages summarize the actuarial valuation of the trust fund as of June 30, 2005.

A comparison of the assets and liabilities of the trust fund shows that as of June 30, 2005 there is a deficit of $26,618,194. The funded status of the program is presently about 95%, compared to about 85% one year ago.

The actuarial valuation was performed based upon generally accepted actuarial principles, and tests were performed as considered necessary to ensure the accuracy of the results. We certify that the amounts presented in the following pages have been appropriately determined according to the actuarial assumptions stated herein.

Respectfully submitted,

PricewaterhouseCoopers LLP

Michael Mielzynski

Michael Mielzynski, FCAS, MAAA
Actuarial Manager, PricewaterhouseCoopers LLP

Richard M. Kaye

Richard M. Kaye, FSA, CPA
Richard M. Kaye & Associates
Consultant to PricewaterhouseCoopers LLP

PRICEWATERHOUSECOOPERS
10/21/2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the **Prepaid College Trust's** financial performance provides an overview of its financial activities for the fiscal year ended June 30, 2005. This discussion is designed to provide a general overview of the Trust's operations and the College Savings Plans of Maryland management's analysis of its financial statements. The discussion should be read in conjunction with the Trust's financial statements and notes, which begin on page 14. Inquiries may be directed to the Trust at **collegesavingsmd.org** or by delivering your request to 217 E. Redwood Street, Suite 1350, Baltimore, MD 21202.

Prepaid College Trust Financial Statements

We have prepared the Trust's financial statements in accordance with the standards issued by the Governmental Accounting Standards Board (GASB). Financial statements provide information about the operation of the Trust as a whole and present a long-term view of the Trust's finances.

Financial Highlights

- Total assets of the Prepaid College Trust continued to increase as a result of receiving payments in fiscal year 2005 from the approximately 3,700 enrollments received during the fiscal year 2004 enrollment period. This is because the lump sum and down payments for these accounts were due on August 1, 2004. In addition, many of the more than 2,300 new participants in the Prepaid College Trust elected to make payments in advance of their due dates.

Contract Receipts from Participants *(in thousands)*

Fiscal Year Ended June 30, 2005	Fiscal Year Ended June 30, 2004
$78,541	$78,806

- Each account holder enters into a contract with the Prepaid College Trust for the prepayment of tuition. Each contract is for a specified number of years of community college or university tuition benefits, which become available based on the enrollment years purchased and after the contract, on behalf of the College Savings Plans of Maryland, has matured for at least three years. The Trust receives the entire enrollment fee for enrollments in the Trust and $45 of each $75 enrollment fee received from the College Investment Plan account holders. In addition, and also on behalf of the College Savings Plans of Maryland, the Trust receives 3 basis points from the College Investment Plan once total Plan assets reach $750 million, 5 basis points on $1-1.5 billion in assets, and 10 basis points on assets over $1.5 billion. One hundred basis points equals one percent.

The Trust uses these enrollment fees to pay the administrative expenses of the College Savings Plans of Maryland. Enrollment and other fees, as well as the administrative expenses of the College Savings Plans of Maryland are accounted for in the financial statements of the Trust.

Total revenues from tuition contracts decreased because the Prepaid College Trust received 1,200 fewer new enrollments compared to fiscal year 2004. The revenue decrease was reduced by the positive effect of increased contract prices. Total expense for tuition benefits for fiscal year 2005 decreased due to smaller tuition increases at the University System of Maryland and fewer new enrollments. Total expense for tuition benefits is recognized when the enrollment is received. Additionally, revenues from enrollment fees have decreased due to a lower level of new enrollments and a continued trend of increases in the number of participants paying a reduced enrollment fee for additional years and an overall lower number of new accounts opened in the Prepaid College Trust and the College Investment Plan.

Enrollment Fees *(in thousands)*

	Fiscal Year Ended June 30, 2005	Fiscal Year Ended June 30, 2004
Prepaid College Trust	$ 173	$ 258
College Investment Plan	535	636
Total	$ 708	$ 894

■ During fiscal year 2005, the Trust continued to invest the contract payments received into its diversified investment portfolio.

Investments *(in thousands)*

	Fiscal Year Ended June 30, 2005	Fiscal Year Ended June 30, 2004
Large Cap Value	$ 51,282	$ 42,380
S&P 500 Index	40,757	38,330
Large Cap Growth	37,922	38,182
Small Cap Core	43,821	38,472
Small Cap Value	33,903	- *
Intermediate Term Bond	91,638	63,595
Short Term Bond	16,109	20,709
International	26,284	12,599
Emerging markets	4,596	- *
Total investments	$ 346,312	$ 254,267

**Small cap value and emerging markets asset classes were added to the Maryland Prepaid College Trust Statement of Investment Policy during fiscal year 2005.*

ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

Statement of Net Assets

The Statement of Net Assets presents the assets, liabilities, and net assets of the Trust as of June 30, 2005. Net assets are defined as total assets less total liabilities. The Statement of Net Assests, along with all of the Trust's financial statements, is prepared using the accrual basis of accounting. Under this method of accounting, revenues and assets are recognized when the enrollment materials are received in good order, benefit distributions and refunds are recognized when paid, and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged.

The following chart presents the condensed statements of net assets as of June 30, 2005 and June 30, 2004:

(in millions)	As of June 30, 2005	As of June 30, 2004
Assets		
Current	$ 403.1	$ 297.4
Non current	128.6	133.4
Total	531.7	430.8
Liabilities		
Current	16.2	9.4
Non current	541.9	496.3
Total	558.1	505.7
Net Assets		
Unrestricted	(26.5)	(75.2)
Invested in capital assets	.1	.3
Total	$ (26.4)	$ (74.9)

The Trust classifies assets and liabilities as current and non-current. Current assets consist primarily of investments, tuition contracts receivable as well as cash and cash equivalents. Of these amounts, investments comprise approximately 85.9% of current assets. Tuition contracts receivable represent 99.9% of the non-current assets.

Current liabilities consist of accounts payable and accrued expenses. The current portion of the Trust's accrued tuition benefits and loans payable are also included in this category. Non-current liabilities consist of accrued tuition benefits and loans payable.

For the fiscal year ended June 30, 2005, the net assets of the Trust increased by $48.6 million. This was due primarily to two factors. The first and most significant was the positive effect of lower than projected increases in tuition for the current and succeeding years at the University System of Maryland. Since these lower increases in tuition were not included in the calculation for contract pricing for the 2004-2005 enrollment period, net assets were positively impacted. Net assets are reported in the soundness evaluation. Secondly, the Trust's rate of return exceeded its projected return on investments of 7.5%.

Statement of Revenue, Expenses and Changes in Net Assets

Changes in net assets are based on the activity presented in the Statement of Revenue, Expenses and Changes in Net Assets. The purpose of this statement is to present both operating and non-operating revenues received by the Trust and the expenses, gains and losses incurred by the Trust.

Operating revenue consist of tuition contract revenue and administrative fees, both of which are generated by new enrollments in the Trust. Operating expenses are those expenses paid to acquire goods or services and tuition benefits. Non-operating revenues are primarily revenues received from investments.

The chart below presents the condensed Statements of Revenue, Expenses and Changes in Net Assets for the fiscal years ended June 30, 2005 and June 30, 2004:

(in millions)	Fiscal Year Ended June 30, 2005	Fiscal Year Ended June 30, 2004
Operating revenue		
Tuition contracts	$ 85.7	$ 79.7
Administrative fees	2.6	2.8
Total	88.3	82.5
Operating expenses		
Tuition benefits	62.4	114.6
Administrative expenses	1.8	1.8
Total	64.2	116.4
Operating income (loss)	24.1	(33.9)
Non Operating revenue		
Unrealized investment gain	12.1	20.8
Realized gain	3.4	2.1
Investment income	9.0	4.9
Total	24.5	27.8
Change in Net Assets	$ 48.6	$ (6.1)

For the fiscal year ended June 30, 2005, the Trust reported an operating income of $24.1 million. The increase of $58.1 million from the fiscal year ended June 30, 2004 was the result of tuition benefit revenue exceeding tuition contract expense by $23.3 million and net administration and operating income of $0.9 million. Non Operating revenue includes $12.1 million unrealized investment gain, $3.4 million realized gain and $9.0 million of other income. Combined, Operating income and Non Operating revenue resulted in an increase in net assets of $ 54.7 million.

Statement of Cash Flows

The Statement of Cash Flows presents cash flows by the following categories: operating, investing, capital and related financing, and non-capital and related financing activities. The net cash provided by or used by the Trust by category is also presented.

The condensed Statements of Cash Flows for the fiscal years ended June 30, 2005 and June 30, 2004 is presented below:

(in millions)	Fiscal Year Ended June 30, 2005	Fiscal Year Ended June 30, 2004
Cash provided (used) by:		
Operating activities	$ 69.6	$ 72.3
Investing activities	(67.6)	(77.0)
Capital and related financing activities	(0.1)	(0.1)
Net change in cash	1.9	(4.8)
Cash and cash equivalents, Beginning of Year	1.6	6.4
Cash and cash equivalents, End of Year	$ 3.5	$ 1.6

Increases in cash were due primarily to contract payments made by account holders. These increases were used to purchase investments.

BUDGETARY CONTROL AND FINANCIAL OVERSIGHT

The Prepaid College Trust is administered by the College Savings Plans of Maryland, an independent State agency that does not receive an appropriation from the State of Maryland. The Board, however, in accordance with the enabling legislation for the Prepaid College Trust, prepares and submits an annual budget to the Maryland General Assembly for informational purposes. Also, in accordance with its fiduciary obligations, each quarter, the Board reviews a comparison of actual and budgeted expenses in connection with its administration of the Trust.

ECONOMIC FACTORS

Long-term variances in projections, particularly for tuition and investment returns, can affect the Trust's financial position. The Board and its actuarial consultants and investment advisors review the assumptions at least annually.

This review includes prior year trends in tuition increases and investment performance. Specifically, the Board reviewed the weighted average tuition for Maryland resident students at 4-year Maryland public universities, which increased 3.5% for the 2004-2005 academic year and increased 9.9% for the 2003-2004 academic year. The Board also reviewed the rate of return on the Trust's investments, which was 8.4% for fiscal year 2005 and 13.2% for fiscal year 2004.

As part of the Board's review of these trends, it consults with its investment advisors and actuaries and thoroughly reviews various potential scenarios when developing future projections which it believes to be reasonable. This year's projections were used in developing the Actuarial Soundness Report as of June 30, 2005 and were also used in calculating contract prices for the 2005-2006 enrollment period.

While both the Actuarial Soundness Report and the contract prices are based on many projections, two key projections are those for future tuition increases and investment returns. Key projections selected by the Board for tuition included average annual tuition increases of 7% for academic years 2006 and 2007 and 6% annually thereafter, with mandatory fees increasing at an annual rate of 10%. The Board selected a projected 7.65% annual rate of return for the Actuarial Soundness Report and used a slightly more conservative 7.5% rate of return to calculate prices. The Board believes that these key projections, while subject to sudden and unexpected changes in the future, are reasonable. The Board has chosen to fund the current actuarial deficit by amortizing it over a 2.5 year period in its calculation of contract prices.

CAPITAL ASSET AND DEBT ADMINISTRATION

The Trust had no significant capital asset additions or disposals during the fiscal year ended June 30, 2005. The Trust continued to repay its outstanding loan balance to the State. During the fiscal year ended June 30, 2005, the Trust made a payment on the loan in the amount of $120,000. As of June 30, 2005, the remaining loan balance was $160,000.

Abrams, Foster, Nole & Williams, P.A.
Certified Public Accountants

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Member: American Institute of Certified Public Accountants
and Maryland Association of Certified Public Accountants

Independent Public Accountants' Report

To the College Savings Plans of
Maryland Board

We have audited the statement of net assets of the Maryland College Prepaid Trust (the Trust), as of June 30, 2005, and the related statements of revenue, expenses, and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of Trust'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 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Maryland College Prepaid Trust as of June 30, 2005, and the changes in financial position and cash flows 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 8 through 12 is not a required part of the financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires 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.

We have not audited the other data included in the Annual Report and accordingly, we express no opinion thereon.

Abrams, Foster, Nole + Williams, P.A.

October 14, 2005

Baltimore, Maryland

Statement of Net Assets
As of June 30, 2005

(amounts in thousands)	Tuition and Investments	Administration/ Operating	Total
ASSETS			
Current assets:			
Cash and cash equivalents	$ 3,130	$ 369	$ 3,499
Investments, at fair value	346,312	0	346,312
Tuition contracts receivable	53,134	0	53,134
Accounts receivable	0	207	207
Total current assets	402,576	576	403,152
Non current assets:			
Capital assets, net	0	162	162
Tuition contracts receivable, net of current portion	128,436	0	128,436
Total non current assets	128,436	162	128,598
Total assets	531,012	738	531,750
LIABILITIES			
Current liabilities:			
Accrued tuition benefits	15,877	0	15,877
Accounts payable and accrued expenses	0	165	165
Loans payable to Maryland Higher Edu.Comm.	0	130	130
Other liabilities	0	45	45
Total current liabilities	15,877	340	16,217
Non current liabilities:			
Loans payable to Maryland Higher Education Commission, net of current portion	0	30	30
Accrued tuition benefits, net of current portion	541,889	0	541,889
Total non current liabilities	541,889	30	541,919
Total liabilities	557,766	370	558,136
NET ASSETS			
Invested in capital assets	0	162	162
Unrestricted:			
Tuition and investments	(27,509)	979	(26,530)
Total unrestricted	(27,509)	979	(26,530)
Restricted:			
Administration	755	(773)	(18)
Total restricted	755	(773)	(18)
Total net assets deficiency	$ (26,754)	$ 368	$ (26,386)

See accompanying notes to financial statements

Statement of Revenue, Expenses and Changes in Net Assets
For the Fiscal Year Ended June 30, 2005

(amounts in thousands)	Tuition and Investments	Administration/ Operating	Total
OPERATING REVENUE:			
Tuition contracts	$85,681	$ 0	$85,681
Management fee	0	1,931	1,931
Maryland College Investment Plan fees	0	535	535
Application and other fees	0	173	173
Total operating revenue	85,681	2,639	88,320
OPERATING EXPENSES:			
Tuition benefits	62,417	0	62,417
Salaries, wages and benefits	0	691	691
Technical and special fees	0	10	10
Communication	0	129	129
Travel	0	5	5
Marketing	0	294	294
Contractual services	0	364	364
Supplies	0	23	23
Equipment	0	49	49
Fixed charges	0	74	74
Depreciation	0	97	97
Other expenses	0	18	18
Total operating expenses	62,417	1,754	64,171
Operating income	23,264	885	24,149
NON OPERATING REVENUE:			
Unrealized gain on investments	12,078	0	12,078
Realized gain	3,357	0	3,357
Investment income	8,966	4	8,970
Other income	0	1	1
Total non operating revenue	24,401	5	24,406
Transfer to restricted reserve	200	(200)	0
Change in net assets	47,865	690	48,555
Total net assets, beginning of year	(74,619)	(322)	(74,941)
Total net assets, end of year	$(26,754)	$ 368	$(26,386)

See accompanying notes to financial statements

Statement of Cash Flows
For the Fiscal Year Ended June 30, 2005

(amounts in thousands)

Cash Flows from Operating Activities:	
Receipts from:	
Participants	$78,541
Maryland College Investment Plan enrollment fees	488
Payments to:	
Employees	(708)
Marketing	(305)
Contract vendors	(529)
Communication	(121)
Universities and participants	(7,620)
Other operating expenses	(121)
Net cash from operating activities	69,625
Cash Flows from Investing Activities:	
Investment income	12,327
Purchase of investments	(79,958)
Net cash from investing activities	(67,631)
Cash Flows from Capital and related Financing Activities:	
Repayment of Maryland Higher Education Commission loan	(120)
Sale of capital assets	1
Purchase of capital assets	(18)
Net cash from capital financing activities	(137)
Net Increase in cash and cash equivalents	1,857
Cash and cash equivalents, beginning of year	1,642
Cash and cash equivalents, End of Year	$ 3,499
Reconciliation of operating income to net cash from operating activities:	
Operating income	$24,149
Adjustments to reconcile operating income to net cash from operating activities:	
Depreciation	97
Change in non-cash operating assets and liabilities:	
Decrease in accounts payable	(266)
Increase in other liabilities	4
Increase in account receivable	(129)
Increase in tuition contracts receivable	(7,054)
Increase in accrued tuition benefits payable	52,824
Net cash from operating activities	$69,625
Non-cash Transactions:	
Unrealized gain on investments	$12,078

See accompanying notes to financial statements

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2005

1. ORGANIZATION AND PURPOSE

The purpose of the Maryland Prepaid College Trust (Trust) is to provide a means for payment of the cost of tuition and mandatory fees in advance of enrollment at eligible institutions of higher education. It provides for the payment of tuition and mandatory fees based in part on current costs of Maryland public colleges and universities. A purchaser enters into a contract for the future payment of tuition and mandatory fees for a designated beneficiary. When the beneficiary enrolls in college, the Trust will pay the contract benefits. Following graduation from high school, the beneficiary has ten years plus the number of years purchased to use the contract benefits. This time period may be extended by any time served in active military duty. The contract benefits are based on State of Maryland resident rates for Maryland public colleges and universities, but can be used towards these costs at any accredited, non-profit, degree granting, private or out-of-state college or university.

The Maryland General Assembly created the Trust during the 1997 legislative session. The Trust is a program of the College Savings Plans of Maryland, a component unit and independent agency of the State of Maryland, authorized by the Maryland Annotated Code (Code), Education Article, Section 18, Subtitle 19 (Enabling Legislation). The College Savings Plans of Maryland Board (Board) directs the Trust. The Board consists of ten members; five of which are ex-officio members. The ex-officio members are the Comptroller of the State of Maryland, the Treasurer of the State of Maryland, the Secretary of the Maryland Higher Education Commission, the Maryland State Superintendent of Schools and the Chancellor of the University System of Maryland. The five remaining members are public members appointed by the Governor of the State of Maryland.

By law, the Trust's funds are not considered moneys of the State and may not be deposited into the Maryland State Treasury. Funds remaining in the Trust at the end of any fiscal year remain in the Trust rather than reverting to the State General Fund. In addition, all administrative costs for the College Savings Plans of Maryland (including the Maryland College Investment Plan) are accounted for in the financial statements of the Trust.

Legislation passed in 2000 established an additional financial guarantee that requires the Governor to include in his budget the amount of any shortfall of Trust assets to pay current contract liabilities. As with all aspects of the Governor's budget, the Maryland General Assembly has final approval of any amount included. Based on information contained within the Actuarial Soundness Report dated October 10, 2005 and issued by PricewaterhouseCoopers LLP and Richard M. Kaye & Associates, as of June 30, 2005, assuming the Trust received and accepted no additional enrollments, the Governor would be required to include an amount in his budget for the 2024 fiscal year. If the Maryland General Assembly does not fully fund the budget request, the Board may adjust the terms of subsequent or current contracts to ensure continued actuarial soundness of the Trust.

Legislation passed in 1998 and 1999 established tax incentives for Maryland residents participating in the Trust. All contributions made by an account holder to the Trust may be deducted from Maryland State income in an amount up to $2,500 for each contract annually. Beginning January 1, 2002 earnings on contributions are tax free for Federal and State purposes when used toward eligible qualified higher education expenses. The Federal exemption expires in 2010 unless an act of Congress extends it.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus and Basis of Accounting

The activities operated by the Trust are accounted for as an enterprise fund. An enterprise fund focuses on the flow of economic resources, which, together with the maintenance of equity, is an important financial indicator. Therefore, the accompanying financial statements have been prepared on the accrual basis of accounting whereby revenues are recorded when earned and expenses are recorded when incurred, regardless of the timing of cash flows.

As permitted by Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Trust 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.

Effective July 1, 2004, the Trust adopted GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, an amendment of GASB Statement No. 3 *Deposits with Financial Institutions*, *Investments (including Repurchase Agreements)*, *and Reverse Repurchase Agreements*". GASB 40 requires disclosure of information regarding investments; interest risk, concentration of credit risk and custodial credit risk. This new statement has no impact on the Trust's financial position or results of operations.

The Trust's tuition and investment net assets are classified as unrestricted assets. It distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the Trust's principal ongoing operations. Revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the Trust are tuition contract payments and enrollment fees.

Revenue Recognition

The Trust records revenue for tuition contracts in the year the Trust enters into contracts with the account holder. Tuition contracts receivable is recorded at the present value of future expected contract payments. The Trust uses a 7.5% discount rate, which is based on the anticipated rate of return on investments over the life of the prepaid contract. The Trust recognizes revenue for enrollment fees when an enrollment fee is received and accepted by the Board.

Investments

Investments are stated at fair value as provided in GASB Statement No. 31. Unrealized appreciation and depreciation on investments due to changes in fair value is recognized in the Trust's operations each year. Investments are valued on a daily basis.

Tuition Contracts Receivable

Tuition contracts receivable as of the fiscal year end, reported on the Statement of Net Assets, represents management's best estimate of the present value of future contract payments. This is calculated by using a 7.5% discount rate.

Capital Assets

Capital assets are stated at cost less accumulated depreciation. Capital assets are depreciated on a straight-line basis over the following useful lives:

Computers	3 years
Furniture	10 years
Equipment	5 years
Software	3 years
Perpetual Software License	7 years

The capitalization threshold for all capital assets is $500.

Compensated Absences

The Trust accrues for obligations that may arise in connection with compensated absences for annual leave at the current rate of employee pay. Employees fully vested in all earned but unused annual leave, up to a maximum of 400 hours, are eligible to receive compensation, at the current rate of employee pay, on termination of State employment.

Net Asset Deficiency

The Board has chosen to resolve asset deficiency for the fiscal year ended June 30, 2005 by amortizing it over a 2.5 year period in the calculation of contract prices.

Risk Management

The Trust is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to and illness of employees; and natural disasters. The Trust participates in the State's various self-insurance programs. The State is self-insured for general liability, property and casualty, workers compensation, environmental and anti-trust liabilities and certain employee health benefits.

The State allocates the cost of providing claims servicing and claims payment by charging a "premium" to the Trust based on a percentage of the Trust's estimated current-year payroll or based on the average loss experienced by the Trust. This charge considers recent trends in actual claims experience of the State as a whole and makes provisions for catastrophic losses.

The Trust is also exposed to various risks of loss related to securities fraud. The College Savings Plans of Maryland and its Board, individually and collectively, are insured under a Directors and Officers liability insurance policy. The amount of the coverage is $3,000,000 per annum.

There have been no significant reductions in insurance coverage from the prior year. The amount of settlements have not exceeded insurance coverage in the past three fiscal years. In addition, there have never been any insurance claims against the Trust.

3. DEPOSITS AND INVESTMENTS

Custodial Risk

Cash and cash equivalents consist of amounts maintained in a bank account controlled by the Trust, pooled cash maintained by the Maryland State Treasurer and overnight investments with original maturities of 90 days or less. Cash deposits of the Trust are made in accordance with the Code, which requires depositories to give security in the form of collateral as provided in the Code, for the safekeeping, when required, of these deposits.

As of June 30, 2005, the carrying amount of the Trust's cash and cash equivalents was $3,499,451. The bank balance totaled $3,710,037 and pooled cash maintained by the State Treasurer totaled $11,590. Of the bank balances, $185,103 represents deposits covered by Federal depository insurance and $3,524,934 represents repurchase agreements categorized as uninsured and unregistered (with securities held by the pledging financial institution's agent but not in the Trust's name).

4. INVESTMENTS

Interest Rate Risk

The Maryland Prepaid College Trust Statement of Investment Policy (Investment Policy), adopted by the Board as required by the Enabling Legislation, allows the Trust to purchase investments including domestic and international equities, investment grade and high yield bonds, and other governmental agency instruments, as well as money market deposits based on the Investment Policy's specified portfolio allocation.

The Investment Policy specifies the portfolio allocation, which considers the investment safety and liquidity characteristics while aiming for the specified yield targets of the Trust. It is management's practice to have no investments with longer maturities than what is expected to fund tuition obligations.

As of June 30, 2005, the Trust had the following investments and maturities (amounts in thousands):

		Investment Maturities (in Years)				
Investment Type	**Fair Value**	**Less than 1**	**1-5**	**6-10**	**11-15**	**More than 15**
Money market	$ 11,274	$ 11,274	$ 0	$ 0	$ 0	$ 0
U.S. Treasury notes	17,817	0	11,346	3,570		2,901
U.S. Govt. agencies	32,692	0	3,063	1,024	3,572	25,033
Corporate bonds	45,919	4,736	11,522	8,727	2,591	18,343
Municipal bonds	4,884	15	571	1,344	1,300	1,654
Common stock	109,436	109,436				
REIT	1,371	1,371				
Large cap mutual fund	51,282	51,282				
S&P 500 Index mutual fund	40,757	40,757				
International mutual fund	26,284	26,284				
Emerging markets mutual fund	4,596	4,596				

Credit Risk

The Investment Policy details the minimum quality standards for its bond portfolios. The average rating in each portfolio must be “A” or better by either S&P or Moody’s. The Trust’s mutual fund investments, excluding repurchase agreements that are treated as cash equivalents, are not subject to classification by credit risk because the Trust owns units rather than specific securities. All such investments are in mutual fund shares stated at fair value based upon quoted market prices.

At June 30, 2005, the Trust had the following investments and quality ratings (amounts in thousands):

Investment Type	**Fair Value**	**Rating**	**Rating Organization**
U.S. Government agencies	$ 50,509		
Bonds	15,521	AAA	Moody’s
Bonds	2,942	AA	Moody’s
Bonds	8,836	A	Moody’s
Bonds	15,299	Less than A	Moody’s
Bonds	8,205	Not rated by Moody’s	

Concentration of Credit Risk

The Trust’s policy for reducing the risk of loss is detailed in the Investment Policy. The Investment Policy limits a single investment to 5% of a bond portfolio’s market value, except U.S. Treasury notes and bonds. It also limits a single investment to 10% of an equity portfolio’s market value. Furthermore, the Investment Policy defines the maximum allowed in a single sector.

Custodial Risk

The Trust’s securities are issued in the Trust's name and are maintained in separate accounts held by M&T Bank, the Trust's custodian.

5. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2005 was as follows (amounts in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets being depreciated:				
Computers	$ 141.7	$ 8.2	$ (69.0)	$ 80.9
Furniture	11.3	–	–	11.3
Equipment	9.1	–	–	9.1
Software	57.2	–	–	57.2
Perpetual Software License	495.2	–	–	495.2
Total capital assets at historical cost	714.5	8.2	(69.0)	653.7
Less accumulated depreciation for:				
Computers	113.1	22.6	(69.0)	66.7
Furniture	6.0	1.1	–	7.1
Equipment	7.0	1.5	–	8.5
Software	54.0	1.5	–	55.5
Perpetual Software License	283.0	70.7	–	353.7
Total accumulated depreciation	463.1	97.4	(69.0)	491.5
Capital assets, net	$ 251.4	$ (89.2)	$ –	$ 162.2

6. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

At June 30, 2005, accounts payable and accrued expenses consisted of the following (amounts in thousands):

Due to vendors	$ 146.7
Salaries and employee benefits	18.0
Total	$ 164.7

7. LOANS PAYABLE

The Trust was granted loans in 1998, 1999 and 2000 totaling $650,000 from the Maryland Higher Education Commission (MHEC), of which $490,000 has been repaid as of June 30, 2005. The loans are non-interest bearing. During the 2000 legislative session, the General Assembly included a provision in the annual budget bill, which permits the Trust to delay its outstanding loan repayments until the Trust is financially self-sufficient.

The balance of the MHEC loans classified as long-term loans payable for the fiscal year ended June 30, 2005 is $30,000. Long-term loans are those with a maturity date of more than 12 months. Short-term loans are those loans payable in 12 months or less. MHEC loan payable activity for the fiscal year ended June 30, 2005 was as follows (amounts in thousands):

July 1, 2004	Additions	Reductions	June 30, 2005	Amount due within one year
$280	$ -	$(120)	$160	$130

8. OTHER LIABILITIES

At June 30, 2005, other liabilities consisted of the following (amounts in thousands):

Compensated Absences	$ 40.4
Workers' Compensation	5.0
Total	$ 45.4

9. PENSION AND POSTRETIREMENT BENEFITS

Eligible employees of the Trust, as employees of the State, are covered under the retirement plans of the State Retirement and Pension System of Maryland (System) and are also entitled to certain healthcare benefits upon retirement. The system is a cost sharing multiple-employer defined benefit pension plan administered by the System Board of Trustees in accordance with Article 73 B of the Code. Eligible employees are required to contribute to the System a fixed percentage of their regular salaries and wages that exceed the Social Security wage base. The Trust is required to make contributions to the System based on actuarial valuations. The contribution requirements of eligible employees and the Trust are established and may be amended by the System's Board of Trustees. The Trust's only liability for retirement and post employment benefits is its required annual contribution, which it has fully funded during the years ended June 30, 2005, 2004 and 2003. These contributions amounted to $24,914, $21,236, and $22,895 for the fiscal years ended June 30, 2005, 2004 and 2003, respectively. The System prepares a separate audited Comprehensive Annual Financial Report, which can be obtained from the State Retirement and Pension System of Maryland, 120 East Baltimore Street, Baltimore, Maryland 21202.

10. TAX EXEMPT STATUS

The Trust is exempt from Federal taxation in accordance with Section 529 of the Internal Revenue Code. Additionally, the Trust is exempt from State and local taxation in accordance with the Enabling Legislation.

11. ACCRUED TUITION BENEFITS

The Trust's consulting actuary independently determines the Trust's actuarial present value of future contract tuition benefit payments. The actuarial calculation is based on the present value of estimated future tuition benefit payments to be made from the Trust, which includes assumptions for future tuition and mandatory fee increases and contract terminations that are determined by the Board and its actuaries. A 7.5% discount rate is used in determining the value of the future contract tuition benefits.

The significant assumptions used for this calculation are discussed below:

Tuition and Mandatory Fee Increases: The Weighted Average Tuition (WAT) is the in-state tuition and mandatory fees at each Maryland public college times the number of full-time equivalent in-state students enrolled at that college, added together. This total is then divided by the number of full-time equivalent in-state students enrolled at all Maryland pubic colleges. The tuition component of WAT for Maryland public universities and community colleges is projected to increase 7% for 2006 and 2007 and 6% per annum thereafter, and the mandatory fee component is projected to increase 10% per annum.

Investment Return: The actuarial valuation of the Trust was determined using an assumed 7.65% rate of return on investments. It is further assumed that the Trust is exempt from Federal income tax.

Enrollment of Trust Beneficiaries: It is assumed that beneficiaries will attend college full-time, commencing with their expected matriculation date. Contract beneficiaries are assumed to attend the various colleges and universities in the same proportion as the headcount information that was used to determine the 2005-2006 WAT with a 6% bias load added.

Bias Load: The term *bias load* is a reference to the expectation that more beneficiaries of the Trust will attend a Maryland public college with tuition and mandatory fees that are higher than the WAT. The 6% bias load actually used relates to the estimated percentage increase in expenditures by the Trust over and above the WAT as a result of the attendance by beneficiaries at these colleges.

Death and Disabilities: Mortality rates for beneficiaries are assumed to follow the 1990 U.S. Life Tables.

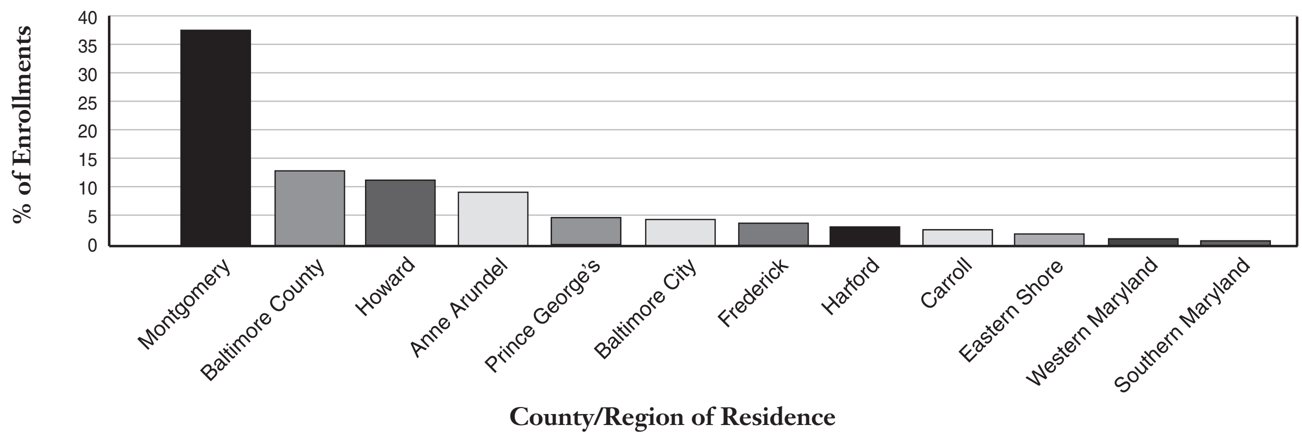
Changes in accrued tuition benefits payable for the fiscal year ended June 30, 2005 are as follows (amounts in thousands):

July 1, 2004	Increases	Decreases	June 30, 2005	Amount due within one year
$ 504,942	$ 60,444	$ 7,620	$ 557,766	$ 15,877

PROFILE OF NEW COLLEGE INVESTMENT PLAN ENROLLMENTS

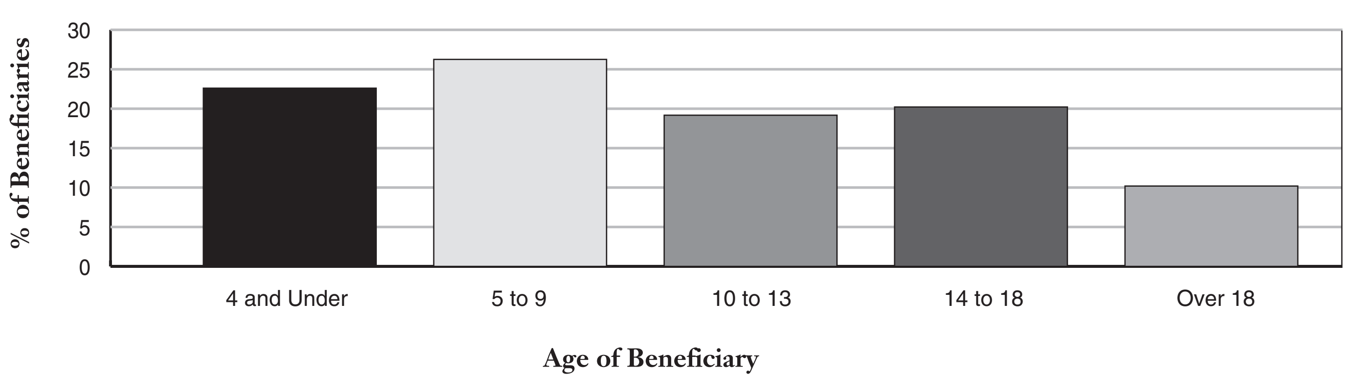
Enrollment by County

Of the 39,495 account holders in the College Investment Plan as of June 30, 2005, new enrollments have been concentrated in Montgomery (37%), Baltimore (14%) and Howard (12%) counties. However, there have been gains in Plan participation in other parts of the State, most notably in Southern and Western Maryland. The following chart shows a breakdown of the counties and regions of residence for the College Investment Plan participants.



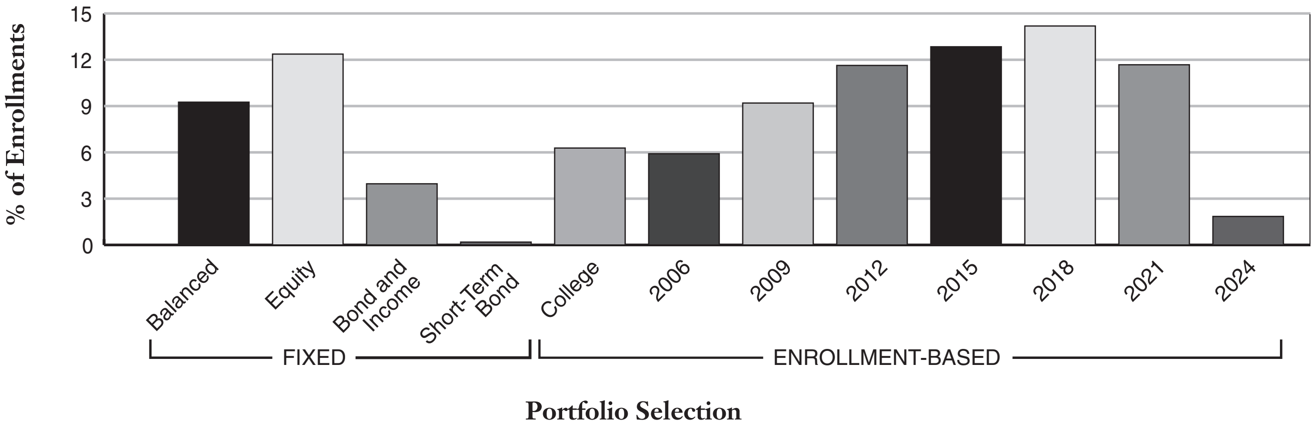
Age of Beneficiaries at Time of Enrollment

The College Investment Plan has experienced a broad distribution of accounts for beneficiaries among a wide range of age groups. The trend indicates that Maryland families are starting to save for beneficiaries at an earlier age. Almost 50% of beneficiaries are under 9 years of age, with nearly half of those age 4 or under at the time of enrollment. The College Investment Plan allows beneficiaries of any age, with more than 10% of all beneficiaries over 18 years of age, as shown in the chart below.



Investment Portfolio Selected

Account holder trends in investment selection show that the Enrollment-Based Portfolios, with investment mixes that automatically adjust to be more conservative over time, continue to be a popular choice in the College Investment Plan. With a participation rate of nearly 14%, Portfolio 2018 was the most popular selection in Enrollment-Based Portfolios. The Equity Portfolio within the Fixed Portfolio classification is the most popular investment choice, with a 13% participation rate.



SYSTEMATIC INVESTING

Nearly 40% of accounts in the College Investment Plan are funded by the automatic monthly contribution feature. Automatic monthly contributions are made by automatically debiting a checking or savings account or making an after-tax payroll deduction.

STUDENTS USING ACCOUNTS TOWARD COLLEGE EXPENSES

Since the launch of the College Investment Plan in December 2001, most account holders have been focused on creating and contributing to accounts. However, distributions began to occur since shortly after the launch of the Plan. Since July 1, 2004, distributions have been taken for 3,282 unique beneficiaries totaling approximately $36.6 million. There is no minimum amount of time that funds need to be invested in the College Investment Plan before they can be used for eligible higher education expenses.

MANAGEMENT'S DISCUSSION AND ANALYSIS

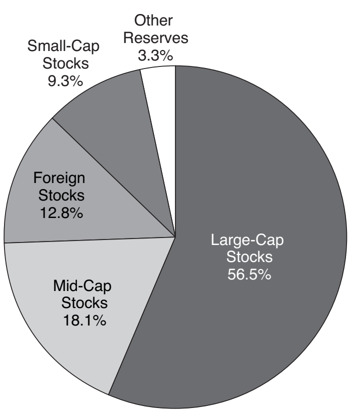
Our discussion and analysis of the College Investment Plan's financial performance provides an overview of its financial activities for the fiscal year ended June 30, 2005. This discussion is designed to provide a general overview of the College Investment Plan operations and the Board's insight into its financial statements. This discussion was prepared by the College Savings Plans of Maryland and should be read in conjunction with the Maryland College Investment Plan's financial statements and notes, which begin on page 35. Inquiries may be directed to the College Investment Plan at **collegesavingsmd.org** or by delivering your request to 217 E. Redwood Street, Suite 1350, Baltimore, MD 21202.

College Investment Plan Financial Statements and Other Financial Information

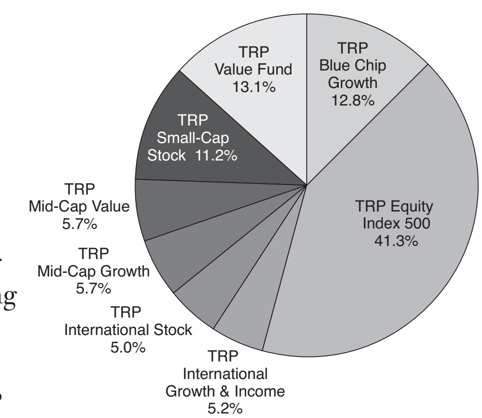
The College Investment Plan financial statements were prepared in accordance with standards issued by GASB. The financial statements contained in this Annual Report provide information about the activities of the College Investment Plan as a whole and present a long-term view of the Plan's finances. Portfolio financial statements are presented as Supplementary Information beginning on page 40.

Financial Highlights By Portfolio - as of June 30, 2005**

ASSET CLASS ALLOCATION



MUTUAL FUND ALLOCATION



PORTFOLIO 2024

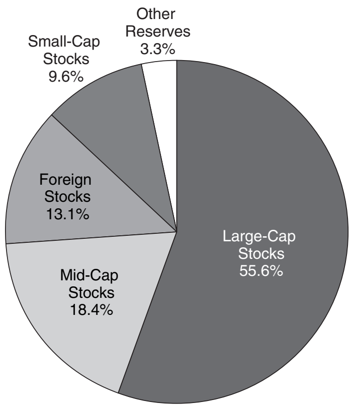
Portfolio 2024 posted a loss for the six months ended June 30, 2005, but a solid gain for the 12 months ended June 30, 2005. Both the six- and 12-month results for the all-stock portfolio trailed the performance of its weighted benchmark.

The best performers in the portfolio during the past 12 months were the international holdings, reflecting the general outperformance of overseas stocks. Among domestic holdings, the portfolio's value components produced the best results, as the Value Fund earned 10.02% and the Mid-Cap Value Fund gained 12.35% for the 12-month period. Despite their strong absolute performance, however, they trailed their respective value counterparts in the benchmark, and were the primary reason for the portfolio's overall underperformance. Stock selection among consumer discretionary stocks and a significant underweight to the strong oil and gas industry hampered the Mid-Cap Value Fund, while lighter exposure to energy and utilities hurt the Value Fund. The portfolio's holdings in the Blue Chip Growth, Mid-Cap Growth and Small Cap Stock Funds modestly outperformed their segments of the benchmark but could not offset the weakness in the value segments.

Performance Comparison as of June 30, 2005

	6 MONTHS	12 MONTHS	ANNUALIZED SINCE INCEPTION
PORTFOLIO 2024	-0.75%	7.84%	11.41%
Weighted Benchmark*	-0.14%	8.92%	12.08%

ASSET CLASS ALLOCATION

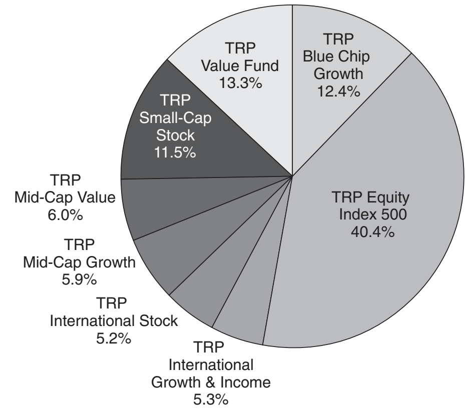


PORTFOLIO 2021

Portfolio 2021 posted a loss for the six months ended June 30, 2005, but registered a positive return for the 12 months ended June 30, 2005. Both the six- and 12-month results lagged the performance of the portfolio's weighted benchmark.

The best performers in the portfolio during the past 12 months were the international holdings, reflecting the general outperformance of overseas stocks. Among domestic holdings, the portfolio's value components produced the best results, as the Value Fund earned 10.02% and the Mid-Cap Value Fund gained 12.35% for the 12-month period. Despite their strong absolute performance, however, they trailed their respective value counterparts in the benchmark, and were the primary reason for the portfolio's overall underperformance. Stock selection among consumer discretionary stocks and a significant underweight to the strong oil and gas industry hampered the Mid-Cap Value Fund, while lighter exposure to energy and utilities hurt the Value Fund. The portfolio's holdings in the Blue Chip Growth, Mid-Cap Growth and Small Cap Stock Funds modestly outperformed their segments of the benchmark but could not offset the weakness in the value segments.

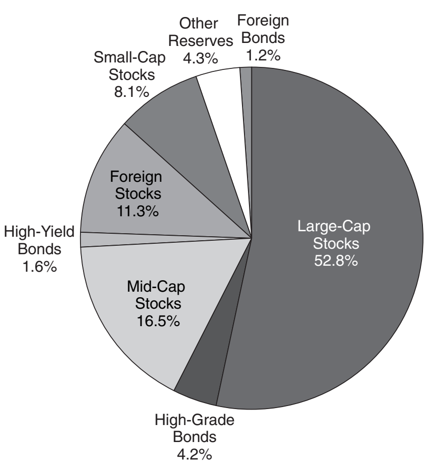
MUTUAL FUND ALLOCATION



Performance Comparison as of June 30, 2005

	6 MONTHS	12 MONTHS	ANNUALIZED SINCE INCEPTION
PORTFOLIO 2021	-0.84%	7.85%	4.56%
Weighted Benchmark*	-0.14%	8.92%	5.48%

ASSET CLASS ALLOCATION

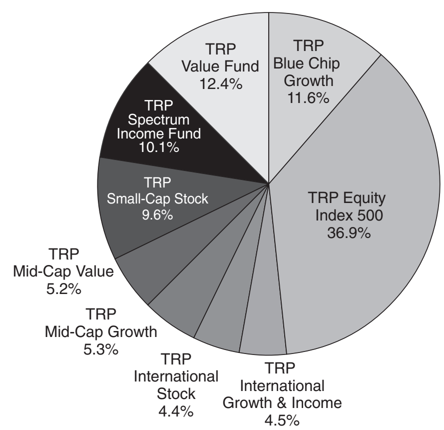


PORTFOLIO 2018

Portfolio 2018 posted a loss for the six months ended June 30, 2005, but gained ground for the 12 months ended June 30. Both the six- and 12-month results trailed the performance of its weighted benchmark.

The best performers in the portfolio during the past 12 months were the international holdings, reflecting the general outperformance of overseas stocks. Among domestic holdings, the portfolio's value components produced the best results, as the Value Fund earned 10.02% and the Mid-Cap Value Fund gained 12.35% for the 12-month period. Despite their strong absolute performance, however, they trailed their respective value counterparts in the benchmark, and were the primary reason for the portfolio's overall underperformance. Stock selection among consumer discretionary stocks and a significant underweight to the strong oil and gas industry hampered the Mid-Cap Value Fund, while lighter exposure to energy and utilities hurt the value fund. The portfolio's fixed-income component posted solid gains and contributed positively to relative performance.

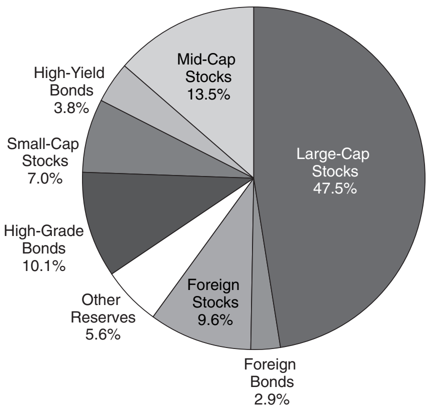
MUTUAL FUND ALLOCATION



Performance Comparison as of June 30, 2005

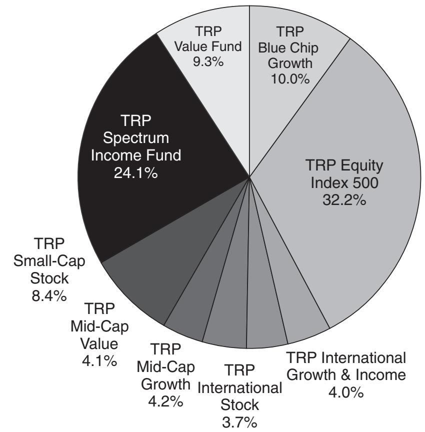
	6 MONTHS	12 MONTHS	ANNUALIZED SINCE INCEPTION
PORTFOLIO 2018	-0.77%	7.60%	4.49%
Weighted Benchmark*	-0.12%	8.71%	5.30%

ASSET CLASS ALLOCATION



PORTFOLIO 2015

MUTUAL FUND ALLOCATION



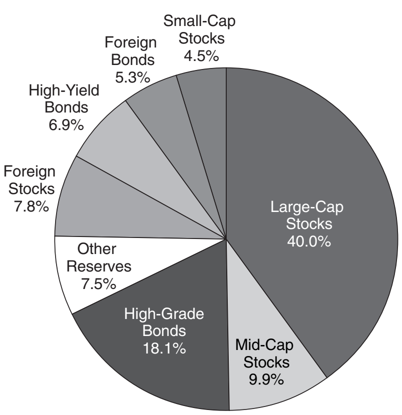
Portfolio 2015 posted a loss for the six months ended June 30, 2005, but produced positive results for the 12 months ended June 30. Both the six- and 12-month results lagged the performance of the portfolio's weighted benchmark.

The best performers in the portfolio during the past 12 months were the international holdings, reflecting the general outperformance of overseas stocks. Among domestic holdings, the portfolio's value components produced the best results, as the Value Fund earned 10.02% and the Mid-Cap Value Fund gained 12.35% for the 12-month period. Despite their strong absolute performance, however, they trailed their respective value counterparts in the benchmark, and were the primary reason for the portfolio's overall underperformance. The portfolio's holdings in the Blue Chip Growth, Mid-Cap Growth and Small Cap Stock Funds modestly outperformed their segments of the benchmark but could not offset the weakness in the value segments. The portfolio's fixed-income component posted solid gains and contributed positively to relative performance.

Performance Comparison as of June 30, 2005

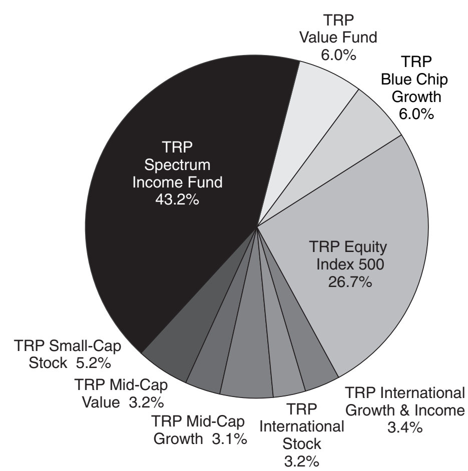
	6 MONTHS	12 MONTHS	ANNUALIZED SINCE INCEPTION
PORTFOLIO 2015	-0.54%	7.58%	4.58%
Weighted Benchmark*	0.53%	8.44%	4.96%

ASSET CLASS ALLOCATION



PORTFOLIO 2012

MUTUAL FUND ALLOCATION



Portfolio 2012 posted a loss for the six months ended June 30, 2005, but gained for the 12 months ended June 30. This performance reflected the portfolio's balanced asset allocation of approximately 55% stocks and approximately 45% bonds at the end of the period. Both the six- and 12-month results fell short of the performance of the portfolio's weighted benchmark.

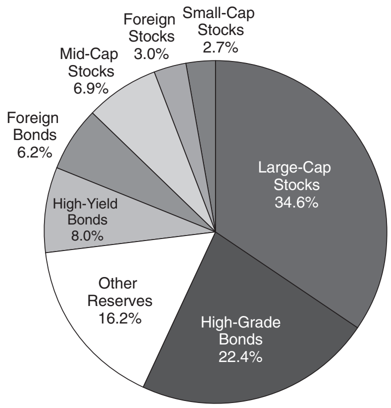
International stocks posted the best results in the portfolio during the past 12 months. Value holdings were the top performers among the portfolio's domestic equity components, but they failed to keep pace with the value elements of the benchmark, causing the portfolio to lag its benchmark overall. Stock selection among consumer discretionary stocks and a significant underweight to the strong oil and gas industry hampered the Mid-Cap Value Fund, while lighter exposure to energy and utilities hurt the Value Fund. In contrast, the portfolio's fixed-income holdings contributed favorably to relative results thanks to diversifying elements such as international bonds and high-yield corporate securities.

Performance Comparison as of June 30, 2005

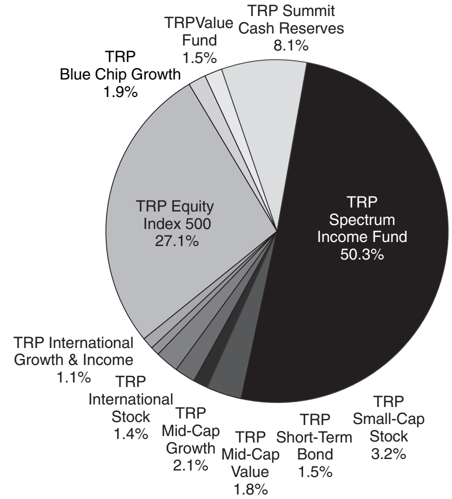
	6 MONTHS	12 MONTHS	ANNUALIZED SINCE INCEPTION
PORTFOLIO 2012	-0.38%	7.59%	5.18%
Weighted Benchmark*	0.96%	8.12%	5.02%

PORTFOLIO 2009

ASSET CLASS ALLOCATION



MUTUAL FUND ALLOCATION



Portfolio 2009 posted a loss for the six months ended June 30, 2005, but rallied for the 12 months ended June 30, 2005. The portfolio's six- and 12-month results trailed the performance of its weighted benchmark.

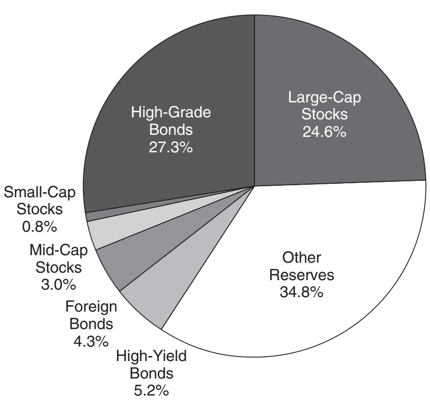
The portfolio's fixed-income position, which made up about half of the portfolio, generated positive results during the period. The strong performance of high-yield corporate securities and international bonds contributed to the fixed-income component's outperformance versus its counterpart in the benchmark. The equity portion of the portfolio also posted a positive return, but it slightly lagged the equity portion of the weighted benchmark, causing the portfolio to underperform relative to its weighted benchmark. Within the equity allocation, the Value Fund and the Mid-Cap Value Fund contributed to underperformance, as they were unable to keep pace with their respective components of the benchmark. International stocks posted the best results in the portfolio during the past 12 months.

Performance Comparison as of June 30, 2005

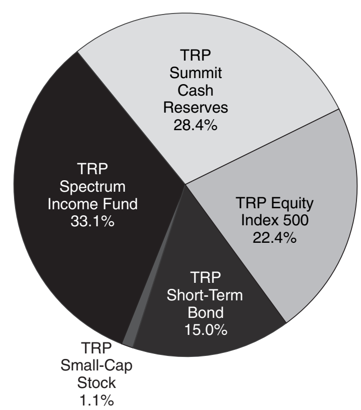
	6 MONTHS	12 MONTHS	ANNUALIZED SINCE INCEPTION
PORTFOLIO 2009	-0.07%	6.94%	5.67%
Weighted Benchmark*	1.24%	7.15%	4.90%

PORTFOLIO 2006

ASSET CLASS ALLOCATION



MUTUAL FUND ALLOCATION



Portfolio 2006 posted positive results for both the six and 12 months ended June 30, 2005. The portfolio lagged its weighted benchmark in both time periods.

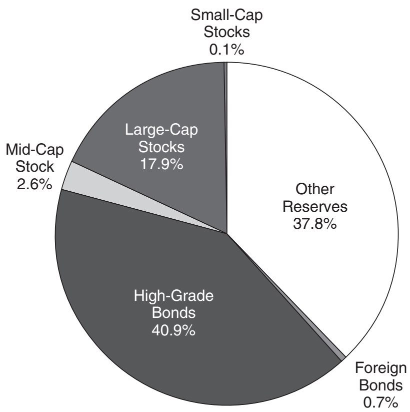
The portfolio's fixed-income segment contributed positively to performance relative to the benchmark. Positions in high-yield corporate securities and emerging market bonds helped the portfolio's bond holdings outperform their benchmarks. The money market component was increased to approximately 30% of the portfolio to maximize the benefits from the Federal Reserve's series of short-term interest rate hikes. Operating expenses contributed to the underperformance of the portfolio. Although the equity portion of the portfolio posted a positive return, it slightly lagged the S&P 500 and therefore it also contributed to the underperformance relative to the weighted benchmark.

Performance Comparison as of June 30, 2005

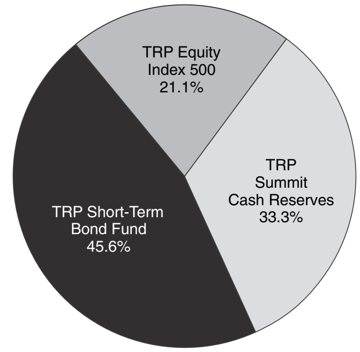
	6 MONTHS	12 MONTHS	ANNUALIZED SINCE INCEPTION
PORTFOLIO 2006	0.15%	5.31%	4.96%
Weighted Benchmark*	1.27%	5.44%	4.08%

PORTFOLIO FOR COLLEGE

ASSET CLASS ALLOCATION



MUTUAL FUND ALLOCATION



The Portfolio for College posted a positive return for both the six and 12 months ended June 30, 2005. The portfolio trailed its weighted benchmark over both time periods, primarily because the equity index and money market funds slightly lagged their unmanaged benchmarks.

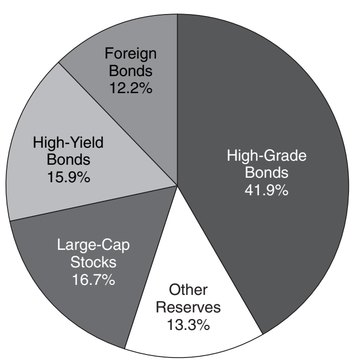
The portfolio's stock component posted the best results, though it comprised just 20% of the portfolio. The portfolio's short-term bond holdings gained modestly, reflecting an emphasis on higher-yielding securities such as corporate and asset-backed bonds. The money market position was increased to approximately 35% of the portfolio during the period, helping the portfolio benefit from the Federal Reserve's cycle of short-term interest rate increases.

Performance Comparison as of June 30, 2005

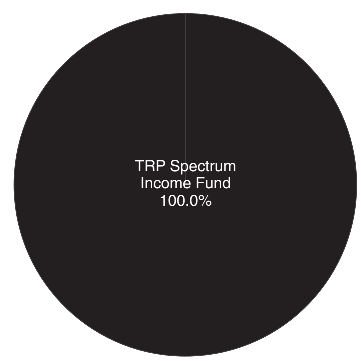
	6 MONTHS	12 MONTHS	ANNUALIZED SINCE INCEPTION
PORTFOLIO FOR COLLEGE	0.42%	2.58%	2.28%
Weighted Benchmark*	0.73%	3.10%	2.73%

BOND AND INCOME PORTFOLIO

ASSET CLASS ALLOCATION



MUTUAL FUND ALLOCATION



The Fixed-Income Portfolio posted a positive return for both the six and 12 months ended June 30, 2005. The portfolio outperformed its benchmark, the Lehman Brothers U.S. Aggregate Index, for the 12-month period but trailed the index over the last six months.

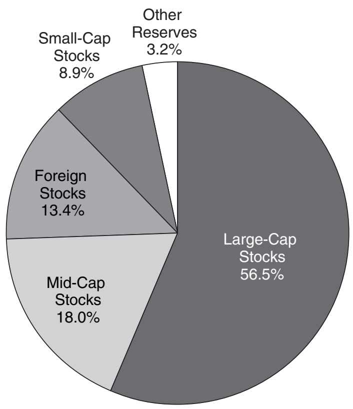
The portfolio's broad diversification was the main reason for its outperformance of the benchmark during the past 12 months. The portfolio included dividend-paying stocks, international bonds, and high-yield corporate bonds which enhanced results for the one-year period, especially in the second half of 2004. Further reductions to the portfolio's interest rate sensitivity also boosted relative results. However, the portfolio's diversified holdings lagged later in the period, resulting in the portfolio's underperformance of its benchmark over the last six months.

Performance Comparison as of June 30, 2005

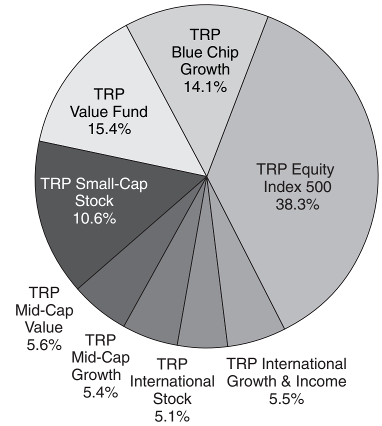
	6 MONTHS	12 MONTHS	ANNUALIZED SINCE INCEPTION
BOND & INCOME PORTFOLIO	0.55%	7.57%	7.99%
Lehman Brothers U.S. Aggregate Index	2.51%	6.80%	5.71%

EQUITY PORTFOLIO

ASSET CLASS ALLOCATION



MUTUAL FUND ALLOCATION



The Equity Portfolio posted a loss for the six months ended June 30, 2005, but posted a gain for the 12 months ended June 30, 2005. Both the 6- and 12-month results modestly trailed the performance of the portfolio's weighted benchmark.

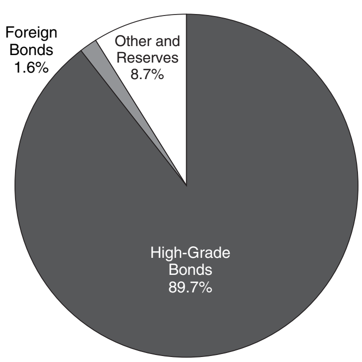
Among domestic holdings, the portfolio's value components produced the best results, as the Value Fund earned 10.02% and the Mid-Cap Value Fund gained 12.35% for the 12-month period. Despite their strong absolute performance, however, they trailed their respective value counterparts in the benchmark, and were the primary reason for the portfolio's overall underperformance. The portfolio's holdings in the Blue Chip Growth, Mid-Cap Growth and Small Cap Stock Funds modestly outperformed their segments of the benchmark but could not offset the weakness in the value segments. The best performers in the portfolio during the past 12 months were the international holdings, reflecting the general outperformance of overseas stocks.

Performance Comparison as of June 30, 2005

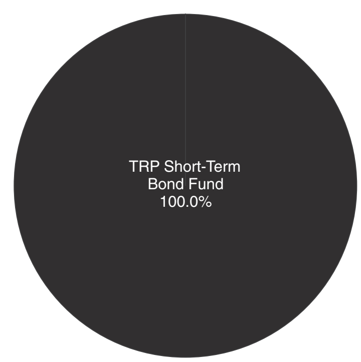
	6 MONTHS	12 MONTHS	ANNUALIZED SINCE INCEPTION
EQUITY PORTFOLIO	-0.84%	7.85%	4.58%
Weighted Benchmark*	-0.15%	8.85%	5.37%

SHORT-TERM BOND PORTFOLIO

ASSET CLASS ALLOCATION



MUTUAL FUND ALLOCATION



The Short-Term Bond Portfolio posted a gain for both the six and 12 months ended June 30, 2005. The portfolio narrowly trailed its benchmark, the Lehman Brothers 1- to 3-Year Government/Credit Index, for both periods, primarily due to operating expenses.

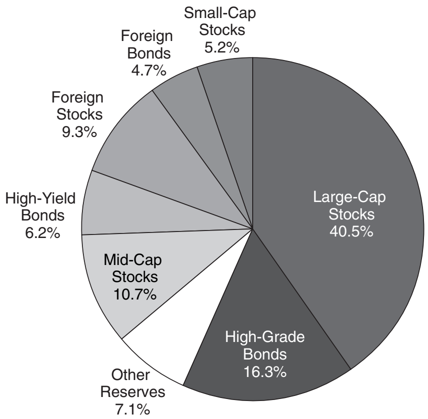
Short-term bond yields continued to rise during the past 12 months—the two-year Treasury note yield climbed from 2.7% to 3.7% as of June 30, 2005—thanks to nine short-term interest rate hikes by the Federal Reserve. The portfolio's positive results for the 12-month period reflected an emphasis on yield, with a concentration in higher-yielding corporate bonds and asset-backed securities. A shift into inflation-protected Treasury bonds in early 2005 also enhanced results, while a position in foreign bonds detracted from performance as the dollar strengthened.

Performance Comparison as of June 30, 2005

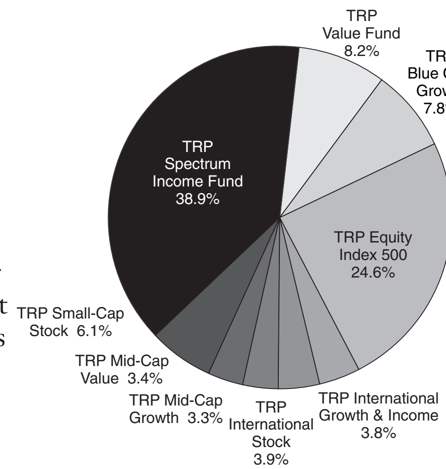
	6 MONTHS	12 MONTHS	ANNUALIZED SINCE INCEPTION
SHORT TERM BOND PORTFOLIO	0.79%	1.99%	1.38%
Lehman Bros. 1-to 3-Year Government/Credit Index	0.96%	2.23%	1.75%

BALANCED PORTFOLIO

ASSET CLASS ALLOCATION



MUTUAL FUND ALLOCATION



The Balanced Portfolio posted a loss for the six months ended June 30, 2005, but gained for the 12 months ended June 30, 2005. This performance reflected the portfolio's balanced mutual fund allocation of approximately 60% stocks and 40% bonds. Both the six- and 12-month results fell short of the performance of the portfolio's weighted benchmark.

Value holdings were the top performers among the portfolio's domestic equity components, but they failed to keep pace with the value elements of the benchmark, causing the portfolio to lag its benchmark overall. Stock selection among consumer discretionary stocks and a significant underweight to the strong oil and gas industry hampered the Mid-Cap Value Fund, while lighter exposure to energy and utilities hurt the Value Fund. In contrast, the portfolio's fixed-income holdings contributed favorably to relative results thanks to diversifying elements such as international bonds and high-yield corporate securities. International stocks posted the best results in the portfolio during the past 12 months.

Performance Comparison as of June 30, 2005

	6 MONTHS	12 MONTHS	ANNUALIZED SINCE INCEPTION
BALANCED PORTFOLIO	-0.36%	7.70%	6.30%
Weighted Benchmark*	0.94%	8.22%	5.89%

** The Weighted Benchmark is a composite of each benchmark associated with each asset contained within the portfolio.*

**Inception date for Portfolio 2024 and Short-Term Bond Portfolio is October 31, 2003. Inception date for all other portfolios is November 26, 2001.

Benchmark performance inception date for Portfolio 2024 and Short-Term Bond Portfolio is October 31, 2003. Benchmark performance inception date for all other portfolios is November 30, 2001.

ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

Statement of Fiduciary Net Assets

The Statement of Fiduciary Net Assets presents the assets, liabilities, and net assets of the College Investment Plan as of June 30, 2005. This statement, along with the College Investment Plan's Statement of Changes in Fiduciary Net Assets, is prepared using the accrual basis of accounting. Under this method of accounting, revenues and assets are recognized when enrollment materials are received in good order (including the payment of the required enrollment fee), distributions from an account are recognized when paid, and expenses and liabilities are recognized when services are provided, regardless of when cash is exchanged.

The net assets of the College Investment Plan increased by $218 million. This was due to the addition of approximately 14,800 new accounts as well as the additional investments made into existing Plan accounts.

The College Investment Plan Statement of Fiduciary Net Assets includes assets, liabilities and net assets. We classify assets as current and non current. Current assets consist primarily of investments. Of these amounts, investments comprise in excess of 99% of current assets. Non current assets are less than 1% of all assets and are detailed in the Portfolio Financial Statements contained in the Supplementary Information.

Net assets consist primarily of contributions to accounts and investment earnings, net of distributions from accounts.

Statement of Changes in Fiduciary Net Assets

Changes in net assets as presented on the Statement of Changes in Fiduciary Net Assets are based on the activity of the College Investment Plan. The purpose of this statement is to present the account contributions and increases or decreases in the fair value of investments of the College Investment Plan and the payments or distributions made by the Plan.

Additions are the result of contributions to accounts in the College Investment Plan. Deductions are those payments or distributions made from accounts.

Portfolio Financial Statements

The Statement of Net Assets by Portfolio, the Statement of Operations and Changes in Net Assets and the Financial Highlights are included in this Annual Report as supplementary statements. These statements contain certain information for each of the portfolios within the College Investment Plan as of June 30, 2005.

The Statement of Net Assets by Portfolio details the investments and net assets for each portfolio. This statement also contains information regarding the investments in the underlying mutual funds for each of the portfolios. Net assets consist of account contributions and investment earnings and losses, net of distributions from accounts.

The Statement of Operations and Changes in Net Assets reports the investment income and the realized and unrealized gains and losses for each portfolio. This statement also includes information regarding account contributions and distributions from accounts for each portfolio. An account holder's interest in a portfolio is represented as a number of units.

The Financial Highlights statement includes net asset value information, total return and various ratios for each individual portfolio.

Budgetary Control and Financial Oversight

The College Investment Plan is administered by the College Savings Plans of Maryland. The Board, in accordance with the enabling legislation for the College Investment Plan, prepares and submits an annual budget to the Maryland General Assembly for informational purposes. In accordance with its fiduciary obligations, each quarter, the Board reviews a comparison of actual and budgeted expenses in connection with its administration of the College Savings Plans of Maryland.

Abrams, Foster, Nole & Williams, P.A.
Certified Public Accountants

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Baltimore, MD 21210-1815
(410) 433-6830 / Fax (410) 433-6871

Member: American Institute of Certified Public Accountants
and Maryland Association of Certified Public Accountants

Independent Public Accountants' Report

The College Savings Plans of
Maryland Board

We have audited the accompanying financial statements of fiduciary net assets of the Maryland College Investment Plan (the Plan), as of June 30, 2005, and the individual portfolio statements of net assets (the Portfolios), as of June 30, 2005, and the related statements of changes in fiduciary net assets and portfolio statements of operations and changes in the net assets for the year then ended. These financial statements are the responsibility of the Plan'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 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Plan and each of the individual Portfolios constituting the Plan as of June 30, 2005, and the changes in the Plan's financial position and the Portfolios results of operations 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 25 through 33 is not a required part of the financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires 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.

We have not audited the other data included in the Annual Report and accordingly, we express no opinion thereon.

Abrams, Foster, Nole + Williams, P.A.

October 14, 2005

Baltimore, Maryland

Statement of Fiduciary Net Assets
As of June 30, 2005

(amounts in thousands)

ASSETS	
Current assets:	
Investments, at fair value	$777,492
Other assets	12,121
Total current assets	789,613
TOTAL ASSETS	789,613
LIABILITIES	
Current liabilities:	
Other liabilities	12,465
TOTAL LIABILITIES	12,465
NET ASSETS	
Restricted held in trust for:	
Individuals and organizations	777,148
TOTAL NET ASSETS	$777,148

See accompanying notes to financial statements

Statement of Changes in Fiduciary Net Assets
For the Fiscal Year Ended June 30, 2005

(amounts in thousands)

ADDITIONS:	
Contributions:	
Account holders	$210,217
Total contributions	210,217
Investment income:	
Net increase in fair value of investments	34,005
Net investment income	10,599
Total investment income	44,604
DEDUCTIONS:	
Payments in accordance with trust agreements	36,614
Total deductions	36,614
Net additions to net assets	218,207
Net assets, Beginning of year	558,941
Net assets, End of Year	$777,148

See accompanying notes to financial statements

Notes to Financial Statements
Year Ended June 30, 2005

1. ORGANIZATION AND PURPOSE

The Maryland College Investment Plan (Plan) was established under the Maryland College Investment Trust (Trust) to allow investors to save for qualified higher education expenses on a tax-advantaged basis in accordance with the provisions of Section 529 of the Internal Revenue Code. The Plan is a private purpose trust fund, used to account for resources legally held in trust for individual investors. The College Savings Plans of Maryland Board (Board) serves as trustee for the Trust, and T. Rowe Price Associates, Inc. (Price Associates or the Program Manager) serves as the program manager. The Plan is marketed directly to investors without sales charges, and offers eight enrollment-based and four fixed investment portfolios (individually, a Portfolio and collectively, the Portfolios). Each Portfolio invests in predetermined underlying equity, fixed-income, and/or money market mutual funds (Underlying Mutual Funds) managed by Price Associates or T. Rowe Price International, Inc., a wholly owned subsidiary of Price Associates.

The Maryland General Assembly passed House Bill 11, which created the Plan, during the 2000 legislative session. The Plan is a separate program, authorized by the Maryland Annotated Code Education Article, Section 18, Subtitle 19A (Enabling Legislation). The Board directs the Trust. The Board consists of ten members, five of whom are ex-officio members. The ex-officio members are the State Comptroller, the State Treasurer, the Secretary of the Maryland Higher Education Commission, the State Superintendent of Schools, and the Chancellor of the University System of Maryland. The five remaining members are public members appointed by the Governor.

The Enabling Legislation allows that all contributions made by an account holder to the Plan may be deducted from Maryland State income in an amount up to $2,500 for each beneficiary annually. Beginning January 1, 2002, earnings on contributions are tax free for Federal and State purposes when used toward eligible qualified higher education expenses. The Federal exemption expires in 2010 unless an act of Congress extends it.

All administrative costs for the College Savings Plan of Maryland (including the Plan) are accounted for in the financial statements of the Prepaid College Trust.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The accompanying Plan financial statements were prepared in accordance with accounting principles generally accepted in the United States of America, which require the use of estimates. The financial statements of the Plan use an economic resources measurement focus and the accrual basis of accounting, whereby revenues are recorded when earned and expenses are recorded when incurred, regardless of the timing of cash flows.

As permitted by Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Plan 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.

Units

Each investor's beneficial interest in the net assets of a Portfolio is represented by units, an unlimited number of which are authorized. Contributions to and distributions from the Plan are recorded upon receipt of participant instructions in good order, based on the next determined net asset value per unit. Net investment income and net realized gains accumulate in the net asset value of each Portfolio and are not separately distributed to participants.

Investment Income and Transactions

Income and capital gain distributions from the Underlying Mutual Funds are recorded on the ex-dividend date, which is the date that you are required to be a shareholder of record in order to receive the dividend. Investment transactions in shares of the Underlying Mutual Funds are accounted for on the trade date. Realized gains and losses are reported on the identified cost basis.

3. INVESTMENTS

The Plan is not restricted in its investments by legal or contractual provisions. Investments are stated at fair value as provided in GASB Statement No. 31. The Plan invests solely in mutual funds, which are valued at each Underlying Mutual Fund's closing net asset value per share on the date of valuation. Unrealized appreciation/depreciation on investments due to changes in fair value is recognized in the Plan's operations each year.

The Plan's investments in mutual funds expose it to market risk in the form of equity price risk – that is, the potential future loss of value that would result from a decline in the fair values of the Underlying Mutual Funds. Each Underlying Mutual Fund and its underlying net assets are also subject to market risk that may arise from changes in equity prices, credit ratings, foreign currency exchange rates, and interest rates. The Plan's investments in mutual fund shares are not subject to classification by credit risk.

At June 30, 2005, the Plan held the following aggregate investments in mutual funds (amounts in thousands):

	Aggregate Cost	Unrealized Gain/(Loss)	Aggregate Fair Value
Domestic stock funds			
T. Rowe Price Blue Chip Growth Fund	$ 53,219	$ 7,382	$ 60,601
T. Rowe Price Equity Index 500 Fund	207,288	26,177	233,465
T. Rowe Price Mid-Cap Growth Fund	20,402	7,155	27,557
T. Rowe Price Mid-Cap Value Fund	23,099	4,584	27,683
T. Rowe Price Small-Cap Stock Fund	42,819	9,160	51,979
T. Rowe Price Value Fund	51,327	11,575	62,902
Total domestic stock funds	398,154	66,033	464,187
International stock funds			
T. Rowe Price Intl. Growth & Income Fund	19,934	6,010	25,944
T. Rowe Price International Stock Fund	20,205	4,977	25,182
Total international stock funds	40,139	10,987	51,126
Domestic bond funds			
T. Rowe Price Short-Term Bond Fund	32,156	(226)	31,930
Blended asset funds			
T. Rowe Price Spectrum Income Fund	183,969	9,805	193,774
Money market funds			
T. Rowe Price Summit Cash Reserves Fund	36,475	-	36,475
Total Investments in Mutual Funds	$690,893	$86,599	$777,492

Each Underlying Mutual Fund that invests in bonds is subject to interest rate risk, the decline in bond prices that usually accompanies a rise in interest rates. The weighted average maturity and weighted average effective duration of the underlying net assets of applicable Underlying Mutual Funds were as follows at June 30, 2005:

In years	Weighted Average Maturity	Weighted Average Duration
Domestic bond funds		
T. Rowe Price Short-Term Bond Fund	2.1	1.6
Blended asset funds		
T. Rowe Price Spectrum Income Fund	6.5	3.6

4. TAX EXEMPT STATUS

The Plan is exempt from Federal taxation in accordance with Section 529 of the Internal Revenue Code and is exempt from State and local taxation in accordance with the Enabling Legislation. Accordingly, the Plan makes no provision for income taxes.

5. RELATED PARTIES

Price Associates is a wholly owned subsidiary of T. Rowe Price Group, Inc. Price Associates and its wholly owned subsidiaries provide investment management, record keeping and account servicing, administrative, distribution and marketing, custodial, and certain other services to the Plan. Price Associates and its wholly owned subsidiaries also serve as investment manager for each of the Underlying Mutual Funds, and certain officers and directors of Price Associates and its subsidiaries are also officers and directors of the Underlying Mutual Funds.

Each Portfolio pays an all-inclusive program fee to Price Associates at a rate of up to 0.38% of the Portfolio's average daily net assets. The fee is accrued daily and paid monthly. Program fees payable by the Portfolios at June 30, 2005 totaled $222,390. In addition, each Portfolio indirectly bears its pro-rata share of the fees and expenses of the Underlying Mutual Funds in which it invests.

The Portfolios pay no investment management fees; however, Price Associates receives asset-based management fees from the Underlying Mutual Funds in which the Portfolios invest. The costs associated with record keeping and related unit holder servicing for the Portfolios are passed to each Underlying Mutual Fund in proportion to the average daily value of its shares owned by the Portfolios. The impact of Portfolio-related costs borne by the Underlying Mutual Funds is reflected in the valuations of the Underlying Mutual Funds, which, in turn, affect the net asset values of the Portfolios.

Price Associates has agreed to limit the ratio of the Plan's direct and indirect expenses to average net assets (Plan's effective expense ratio) to 1.05% per year. For purposes of the limitation, expenses include the program fee charged to the Portfolios as well as the effect of the weighted average expense ratios of the Underlying Mutual Funds in which the Portfolios invest. Expenses in excess of the limit are borne by Price Associates (expense waivers) in the form of reduced program fees paid by each Portfolio to Price Associates. Expense waivers, if any, are allocated to the Portfolios on the basis of relative average net assets and are subject to later repayment by the Portfolios to the extent that repayment would not cause the Plan's effective expense ratio to exceed the 1.05% limit. Pursuant to this limit, the cumulative amount of program fees waived by Price Associates subject to future repayment by the Portfolios was $0 as of June 30, 2005.

The staff of the Board supports Price Associates' management of the Plan in accordance with applicable laws and regulations, Board policy, and the Board's contract with Price Associates. Employees of the Board review and obtain Board approval of all Plan disclosure documents, review and approve all marketing initiatives in accordance with the approved marketing plan, and monitor the implementation and employee training of operational procedures. The Trust coordinates several contracts between the Board and its service providers for services to both the Trust and the Plan. The Board receives compensation for services that the Board and its staff render on behalf of the Plan, in the amount of $45 of each $75 enrollment fee received from College Investment Plan account holders. This compensation is recorded in the financial statements of the Maryland Prepaid College Trust.

SUPPLEMENTARY INFORMATION

MARYLAND COLLEGE INVESTMENT PLAN

Fiscal Year Ended June 30, 2005

Amounts in thousands, except net asset value per unit

Statements of Net Assets	PORTFOLIO 2024			PORTFOLIO 2021			PORTFOLIO 2018		
	Percent of Net Assets	Shares	Value	Percent of Net Assets	Shares	Value	Percent of Net Assets	Shares	Value
Investments at value									
T. Rowe Price Blue Chip Growth Fund	12.8%	39	$ 1,190	12.4%	286	$ 8,693	11.6%	376	$ 11,442
T. Rowe Price Equity Index 500 Fund	41.4%	121	3,860	40.5%	888	28,442	36.9%	1,136	36,378
T. Rowe Price International Growth & Income Fund	5.1%	38	481	5.3%	294	3,698	4.5%	353	4,445
T. Rowe Price International Stock Fund	5.0%	36	461	5.2%	286	3,621	4.4%	343	4,354
T. Rowe Price Mid-Cap Growth Fund	5.7%	10	532	5.9%	82	4,157	5.3%	102	5,194
T. Rowe Price Mid-Cap Value Fund	5.7%	23	528	6.0%	183	4,220	5.2%	222	5,132
T. Rowe Price Short-Term Bond Fund	0.0%	-	-	0.0%	-	-	0.0%	-	-
T. Rowe Price Small-Cap Stock Fund	11.2%	33	1,040	11.4%	256	8,062	9.6%	301	9,469
T. Rowe Price Spectrum Income Fund	0.0%	-	-	0.0%	-	-	10.1%	836	9,960
T. Rowe Price Summit Cash Reserves Fund	0.0%	-	-	0.0%	-	-	0.0%	-	-
T. Rowe Price Value Fund	13.1%	53	1,222	13.3%	407	9,332	12.4%	531	12,173
Total Investments at value	100.0%		9,314	100.0%		70,225	100.0%		98,547
Other Assets Less Liabilities	0.0%		(3)	0.0%		(29)	0.0%		(43)
NET ASSETS	**100.0%**		**$ 9,311**	**100.0%**		**$ 70,196**	**100.0%**		**$ 98,504**
Composition of Net Assets:									
Paid-in capital			$ 8,878			$ 60,370			$ 83,331
Retained earnings			$ 433			$ 9,826			$ 15,173
Units Outstanding			778			5,436			7,646
NET ASSET VALUE PER UNIT			**$ 11.97**			**$ 12.91**			**$ 12.88**
Investments at cost			$ 8,963			$ 61,444			$ 85,135

PORTFOLIO 2015			PORTFOLIO 2012			PORTFOLIO 2009			PORTFOLIO 2006		
Percent of Net Assets	Shares	Value	Percent of Net Assets	Shares	Value	Percent of Net Assets	Shares	Value	Percent of Net Assets	Shares	Value
10.0%	325	$ 9,877	6.0%	201	$ 6,101	1.9%	54	$ 1,631	0.0%	-	$ -
32.2%	996	31,905	26.7%	853	27,320	27.1%	725	23,234	22.4%	390	12,491
4.0%	313	3,941	3.4%	279	3,507	1.1%	73	919	0.0%	-	-
3.7%	292	3,709	3.2%	260	3,293	1.4%	95	1,207	0.0%	-	-
4.2%	81	4,113	3.1%	62	3,170	2.1%	36	1,810	0.0%	-	-
4.1%	177	4,099	3.2%	142	3,283	1.8%	68	1,581	0.0%	-	-
0.0%	-	-	0.0%	-	-	1.5%	261	1,234	15.0%	1,765	8,348
8.4%	264	8,319	5.2%	169	5,339	3.2%	86	2,707	1.1%	19	590
24.1%	2,004	23,882	43.2%	3,717	44,301	50.3%	3,611	43,048	33.1%	1,542	18,375
0.0%	-	-	0.0%	-	-	8.1%	6,956	6,956	28.4%	15,816	15,816
9.3%	405	9,279	6.0%	270	6,180	1.5%	57	1,297	0.0%	-	-
100.0%		99,124	100.0%		102,494	100.0%		85,624	100.0%		55,620
0.0%		(43)	0.0%		(45)	0.0%		(38)	0.0%		(26)
100.0%		**$ 99,081**	**100.0%**		**$ 102,449**	**100.0%**		**$ 85,586**	**100.0%**		**$ 55,594**
		$ 84,321			$ 87,168			$ 73,421			$ 48,325
		$ 14,760			$ 15,281			$ 12,165			$ 7,269
		7,669			7,765			6,384			4,246
		$ 12.92			**$ 13.19**			**$ 13.41**			**$ 13.09**
		$ 86,855			$ 90,813			$ 77,836			$ 51,610

SUPPLEMENTARY INFORMATION

MARYLAND COLLEGE INVESTMENT PLAN

Fiscal Year Ended June 30, 2005

Amounts in thousands, except net asset value per unit

Statements of Net Assets	PORTFOLIO FOR COLLEGE			BOND AND INCOME PORTFOLIO		
	Percent of Net Assets	Shares	Value	Percent of Net Assets	Shares	Value
Investments at value						
T. Rowe Price Blue Chip Growth Fund	0.0%	-	$ -	0.0%	-	$ -
T. Rowe Price Equity Index 500 Fund	21.1%	271	8,666	0.0%	-	-
T. Rowe Price International Growth & Income Fund	0.0%	-	-	0.0%	-	-
T. Rowe Price International Stock Fund	0.0%	-	-	0.0%	-	-
T. Rowe Price Mid-Cap Growth Fund	0.0%	-	-	0.0%	-	-
T. Rowe Price Mid-Cap Value Fund	0.0%	-	-	0.0%	-	-
T. Rowe Price Short-Term Bond Fund	45.6%	3,962	18,739	0.0%	-	-
T. Rowe Price Small-Cap Stock Fund	0.0%	-	-	0.0%	-	-
T. Rowe Price Spectrum Income Fund	0.0%	-	-	100.0%	2,201	26,239
T. Rowe Price Summit Cash Reserves Fund	33.3%	13,703	13,703	0.0%	-	-
T. Rowe Price Value Fund	0.0%	-	-	0.0%	-	-
Total Investments at value	100.0%		41,108	100.0%		26,239
Other Assets Less Liabilities	0.0%		(20)	0.0%		(13)
NET ASSETS	**100.0%**		**$ 41,088**	**100.0%**		**$ 26,226**
Composition of Net Assets:						
Paid-in capital			$ 38,207			$ 21,319
Retained earnings			$ 2,881			$ 4,907
Units Outstanding			3,443			1,809
NET ASSET VALUE PER UNIT			**$ 11.93**			**$ 14.50**
Investments at cost			$ 39,927			$ 24,085

EQUITY PORTFOLIO			SHORT-TERM BOND PORTFOLIO			BALANCED PORTFOLIO			TOTAL		
Percent of Net Assets	**Shares**	**Value**	**Percent of Net Assets**	**Shares**	**Value**	**Percent of Net Assets**	**Shares**	**Value**	**Percent of Net Assets**	**Shares**	**Value**
14.1%	527	$ 16,028	0.0%	-	$ -	7.8%	185	$ 5,639	7.8%	1,993	$ 60,601
38.3%	1,356	43,428	0.0%	-	-	24.6%	554	17,741	30.0%	7,290	233,465
5.5%	497	6,246	0.0%	-	-	3.8%	215	2,707	3.3%	2,062	25,944
5.1%	452	5,736	0.0%	-	-	3.9%	221	2,801	3.2%	1,985	25,182
5.4%	122	6,202	0.0%	-	-	3.3%	47	2,379	3.6%	542	27,557
5.6%	277	6,388	0.0%	-	-	3.4%	106	2,452	3.6%	1,198	27,683
0.0%	-	-	100.0%	763	3,609	0.0%	-	-	4.1%	6,751	31,930
10.6%	382	12,024	0.0%	-	-	6.1%	141	4,429	6.7%	1,651	51,979
0.0%	-	-	0.0%	-	-	38.9%	2,346	27,969	24.9%	16,257	193,774
0.0%	-	-	0.0%	-	-	0.0%	-	-	4.7%	36,475	36,475
15.4%	765	17,527	0.0%	-	-	8.2%	257	5,892	8.1%	2,745	62,902
100.0%		113,579	100.0%		3,609	100.0%		72,009	100.0%		777,492
0.0%		(51)	0.0%		(1)	0.0%		(32)	0.0%		(344)
100.0%		**$ 113,528**	**100.0%**		**$ 3,608**	**100.0%**		**$ 71,977**			**$ 777,148**
		$ 94,952			$ 3,558			$ 61,220			$665,070
		$ 18,576			$ 50			$ 10,757			$112,078
		8,788			353			5,252			
		$ 12.92			**$ 10.23**			**$ 13.70**			
		$ 96,636			$ 3,642			$ 63,947			$690,893

SUPPLEMENTARY INFORMATION

MARYLAND COLLEGE INVESTMENT PLAN

Fiscal Year Ended June 30, 2005

Amounts in thousands

Statements of Operations and Changes in Net Assets	PORTFOLIO 2024	PORTFOLIO 2021	PORTFOLIO 2018	PORTFOLIO 2015	PORTFOLIO 2012
Operations					
Net investment income					
Income distributions from underlying funds	$ 52	$ 566	$ 1,047	$ 1,446	$ 2,026
Expenses					
Program fee	19	201	295	301	313
Shareholder servicing fees	23	183	228	215	195
Shareholder servicing fees reimbursed by underlying funds	(23)	(183)	(228)	(215)	(195)
Program fee recaptured by Program Manager	-	2	3	3	3
Total expenses	19	203	298	304	316
Net investment income	33	363	749	1,142	1,710
Net realized and unrealized gain (loss)					
Net realized gain (loss)					
Sale of underlying funds	3	(2)	(50)	(7)	104
Capital gain distributions from underlying funds	37	522	743	745	768
Net realized gain (loss)	40	520	693	738	872
Change in unrealized gain (loss)	262	3,308	4,588	4,119	3,701
Net realized and unrealized gain (loss)	302	3,828	5,281	4,857	4,573
Increase (decrease) in net assets from operations	335	4,191	6,030	5,999	6,283
Unit Transactions					
Participant contributions	6,811	24,369	26,663	25,929	26,104
Participant distributions	(136)	(1,699)	(2,017)	(2,707)	(2,527)
Increase (decrease) in net assets from unit transactions	6,675	22,670	24,646	23,222	23,577
NET ASSETS					
Increase (decrease) during period	7,010	26,862	30,676	29,221	29,861
Beginning of period	2,301	43,334	67,828	69,860	72,588
End of period	**$9,311**	**$70,196**	**$98,504**	**$99,081**	**$102,449**
Unit information (number of units)					
Unit information, beginning of period	207	3,620	5,669	5,816	5,923
Units issued	582	1,951	2,139	2,069	2,039
Units redeemed	(11)	(135)	(162)	(216)	(197)
Units outstanding, end of period	778	5,436	7,646	7,669	7,765

PORTFOLIO 2009	PORTFOLIO 2006	PORTFOLIO FOR COLLEGE	BOND AND INCOME PORTFOLIO	EQUITY PORTFOLIO	SHORT-TERM BOND PORTFOLIO	BALANCED PORTFOLIO	TOTAL
$ 2,050	$ 1,466	$ 903	$ 1,011	$ 980	$ 81	$ 1,371	$ 12,999
264	180	137	87	352	10	219	2,378
152	105	110	72	212	7	150	1,652
(152)	(105)	(110)	(72)	(212)	(7)	(150)	(1,652)
2	2	1	1	3	-	2	22
266	182	138	88	355	10	221	2,400
1,784	1,284	765	923	625	71	1,150	10,599
354	339	(86)	(15)	(23)	(6)	(18)	593
621	247	-	240	869	-	546	5,338
975	586	(86)	225	846	(6)	528	5,931
1,997	708	303	570	5,843	(10)	2,685	28,074
2,972	1,294	217	795	6,689	(16)	3,213	34,005
4,756	2,578	982	1,718	7,314	55	4,363	44,604
21,389	11,886	11,713	6,300	26,102	2,459	20,492	210,217
(2,320)	(3,746)	(8,846)	(4,014)	(4,381)	(939)	(3,282)	(36,614)
19,069	8,140	2,867	2,286	21,721	1,520	17,210	173,603
23,824	10,718	3,849	4,003	29,035	1,575	21,573	218,207
61,762	44,876	37,239	22,223	84,494	2,032	50,404	558,941
$85,586	**$55,594**	**$41,088**	**$26,226**	**$113,529**	**$3,607**	**$71,977**	**$777,148**
4,927	3,612	3,203	1,649	7,054	203	3,964	
1,634	926	994	444	2,084	243	1,537	
(177)	(292)	(754)	(284)	(350)	(93)	(249)	
6,384	4,246	3,443	1,809	8,788	353	5,252	

MARYLAND COLLEGE INVESTMENT PLAN

Fiscal Year Ended June 30, 2005

For a unit outstanding throughout the period

	PORTFOLIO 2024	PORTFOLIO 2021	PORTFOLIO 2018	PORTFOLIO 2015	PORTFOLIO 2012	PORTFOLIO 2009	PORTFOLIO 2006	PORTFOLIO FOR COLLEGE	BOND AND INCOME PORTFOLIO	EQUITY PORTFOLIO	SHORT-TERM BOND PORTFOLIO	BALANCED PORTFOLIO
Net Asset Value												
Beginning of period	$11.10	$11.97	$11.97	$12.01	$12.26	$12.54	$12.43	$11.63	$13.48	$11.98	$10.03	$12.72
Investment activities *												
Net investment income (1)	0.07	0.08	0.11	0.17	0.25	0.32	0.33	0.24	0.53	0.08	0.27	0.25
Net realized and unrealized gain (loss)	0.80	0.86	0.80	0.74	0.68	0.55	0.33	0.06	0.49	0.86	(0.07)	0.73
Total from investment activities	0.87	0.94	0.91	0.91	0.93	0.87	0.66	0.30	1.02	0.94	0.20	0.98
Net Asset Value												
End of period	**$11.97**	**$12.91**	**$12.88**	**$12.92**	**$13.19**	**$13.41**	**$13.09**	**$11.93**	**$14.50**	**$12.92**	**$10.23**	**$13.70**
RATIOS †												
Total Return	**7.84%**	**7.85%**	**7.60%**	**7.58%**	**7.59%**	**6.94%**	**5.31%**	**2.58%**	**7.57%**	**7.85%**	**1.99%**	**7.70%**
Ratio of expenses to average net assets	0.36%	0.36%	0.36%	0.36%	0.36%	0.36%	0.36%	0.36%	0.36%	0.36%	0.36%	0.36%
Ratio of net investment income to average net assets	0.62%	0.65%	0.91%	1.36%	1.96%	2.43%	2.55%	2.00%	3.78%	0.64%	2.71%	1.89%
Portfolio turnover rate	1.8%	0.1%	5.5%	6.1%	7.5%	10.0%	32.8%	23.9%	7.4%	0.7%	25.0%	2.0%
SUPPLEMENTAL INFORMATION												
Weighted-average expense ratio of the underlying mutual funds in which each portfolio invests (2)	0.67%	0.68%	0.68%	0.68%	0.68%	0.63%	0.56%	0.48%	0.72%	0.69%	0.55%	0.69%
Effective expense ratio	1.03%	1.04%	1.04%	1.04%	1.04%	0.99%	0.92%	0.84%	1.08%	1.05%	0.91%	1.05%
Net Assets, end of period (in thousands)	$9,311	$70,196	$98,504	$99,081	$102,449	$85,586	$55,594	$41,088	$26,226	$113,528	$3,608	$71,977

* Per unit amounts were calculated based on average units outstanding during the fiscal year.
† Ratios reflect the activity of each Portfolio, and do not include the activity of the underlying mutual funds in which each Portfolio invests.
1 Recognition of the Portfolios' net investment income is affected by the timing of dividend declarations by the underlying mutual funds in which the Portfolios invest.
2 Reflects the indirect expense impact to the Portfolio from its investment(s) in the underlying mutual funds, based on the actual expense ratio of each underlying mutual fund weighted for the Portfolio's relative average investment therein. The net asset value per unit (NAV) is calculated at the close of the New York Stock Exchange on each day the exchange is open for business. Each Portfolio's NAV is computed by dividing the value of its net assets by the number of Portfolio units outstanding. A Portfolio's investments in the underlying mutual funds are valued at each underlying mutual fund's closing NAV per share on the date of the valuation.

COLLEGE SAVINGS
PLANS OF MARYLAND

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