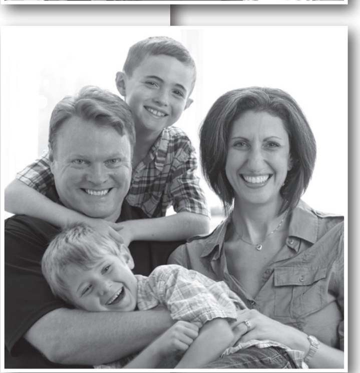
2012 Annual Report

Maryland Prepaid College Trust | Maryland College Investment Plan



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October 31, 2012

Dear Friends,

We are very pleased to report continued growth in the College Savings Plans of Maryland during Fiscal Year 2012. This is particularly significant given the volatility and mixed results of investment markets during the period, along with a modest economic recovery.

The Maryland Prepaid College Trust received 2,472 new enrollments. We are especially pleased that 15% of these new enrollments were for infants under 1 year of age. Total investments in the Trust reached $654 million for 29,706 beneficiaries. In addition, as of June 30, 2012, the Trust continued to be 117% funded to meet anticipated future tuition payments for our participants. This is the same funded ratio as of June 30, 2011, although the amount of the actuarial surplus as of June 30, 2012 increased slightly to $124.9 million. This actuarial surplus can help to offset potential negative future impacts that may result from either investment earnings that fall below our projection; future tuition increases that exceed our projection; or both.

It was also a positive year for the Maryland College Investment Plan. Approximately 12,500 new beneficiaries were enrolled during the fiscal year, bringing the total number of beneficiaries in this plan to 146,683. Contributions from account holders of approximately $332 million, along with an environment of mixed performance in investment markets, resulted in total investments in this plan of $2.67 billion as of June 30, 2012. In addition, the average account size reached $15,882 as of the end of the fiscal year.

With reports of nationwide student loan debt now estimated to exceed $1 trillion, Maryland families will need to continue to save what they can afford, in order to be able to send their children and grandchildren to college without incurring burdensome levels of debt.

Thank you for planning for the future by making college savings a priority in your family and for your participation in the College Savings Plans of Maryland.

Sincerely,

The Board

College Savings Plans of Maryland

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Front Cover Photos
Main photo: Vincent, College Savings Plans of Maryland Beneficiary

Inset photos, top to bottom: Anya, College Savings Plans of Maryland Beneficiary; Jeffery, Ileana, and Nancy, College Savings Plans of Maryland Grandmother, Beneficiary and Account Holder; Sean, Ryan, Troy, and Judy, College Savings Plans of Maryland Beneficiaries and Account Holders; Sidney, College Savings Plans of Maryland Beneficiary

COLLEGE SAVINGS PLANS OF MARYLAND – FEATURES AND BENEFITS

Sidney (3), College Savings Plans of Maryland Beneficiary

The **College Savings Plans of Maryland** offers affordable and flexible options to help families save for higher education expenses that can help lessen or even eliminate the need to borrow in the future to finance a college education. By choosing one or both plans, families are likely to find an option that suits their individual investing style, comfort level and budget.* Both plans can be used at nearly any public or private college nationwide – hence our marketing slogan – "Save Here. Go Anywhere."®

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. Families can purchase as little as a 1-semester University Plan or a 1-year Community College Plan and can then purchase additional semesters or years at nearly any time at prices in effect at the time of purchase. Account holders can purchase as many as seven years of University tuition benefits, although no more than five years can be purchased on a single account. The Trust is open to 12th graders or younger, including newborns, although beneficiaries must be enrolled in the Trust for at least three years before they can begin to use their tuition benefits.

The **Maryland College Investment Plan** (sometimes referred to as College Investment Plan or Plan) is administered by the College Savings Plans of Maryland Board and managed and distributed by T. Rowe Price. It allows participants to choose from a variety of mutual fund-based portfolios. These options include Enrollment-Based Portfolios where investment allocations adjust over time to become more conservatively invested as a child ages, and Fixed Portfolios with investment allocations that remain relatively static throughout the life of the investment. Flexible contribution amounts start at $25 per month with automatic monthly contributions. In addition, the Plan has no sales loads, commissions, or enrollment fee.

The **College Investment Plan** is open for enrollment year-round and is available to children and adults of any age. While most accounts are established for beneficiaries who are 18 years old or younger, the Plan can also be a good choice for adults who wish to save for their own future higher education at the undergraduate or graduate level. This Plan can also be used towards eligible trade and technical schools. Accounts can even be opened for a child who is not yet born. A future parent or grandparent can open an Account with him/herself as both the Account Holder and Beneficiary. When the child or grandchild is born, the Beneficiary can be changed to be the newborn child. This allows an early head start on saving for college.

In October 2012, we were pleased to learn that the College Investment Plan was one of four plans in the country to receive a "Gold" rating from Morningstar, Inc. The report expressed that Morningstar "has the highest conviction in the plan's ability to serve college savers well over the long term." The report also mentions T. Rowe Price's "top-notch investments" and that the Plan has been an industry leader for several years running because it offers "high-quality active strategies at a reasonable price." In addition to receiving a "Gold" rating in 2012, the College Investment Plan received a "Top" rating in Morningstar's previous rating system for 2011 and 2010.

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-advantaged college savings plans. Both plans offer generous Federal and Maryland State tax benefits including:

- Tax-deferred growth at the Federal and Maryland State level;
- Tax-free earnings at the Federal and Maryland State level 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. Contributions in excess of $2,500 annually in either plan may 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**.

**Please read our entire Enrollment Kit before deciding to enroll. If you or your beneficiary live outside of Maryland, check with your state to learn if it offers tax or other benefits for investing in its 529 plan. In addition, you should periodically assess and, if appropriate, adjust your Section 529 plan investment choices with your time horizon, risk tolerance and investment objectives in mind.*

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 period ended June 30, 2012.*

MIXED NEWS FOR STOCKS

U.S. stocks turned in mixed results for the 12-month period ended June 30, 2012. In general, domestic large-cap stocks performed well, while small- and mid-cap stocks posted modest losses. In the large-cap universe, growth stocks in the Russell 1000 Index outpaced value stocks, but the opposite was true among small- and mid-cap stocks, as measured by the Russell 2000 and Russell Midcap Indexes, respectively. Sector performance in the large-cap arena was mixed; defensive sectors, such as utilities, telecommunication services, and consumer staples, generally outperformed cyclical sectors, including energy and materials. Non-U.S. stock markets were sharply lower for the year—most regions and markets recorded double-digit losses. European debt issues, particularly in Greece, weighed on returns in European markets. Developed Asian markets also fell but fared better than those in Europe. Emerging markets lagged developed markets as the European debt crisis decreased demand for exports.

Global stock markets declined in the second half of 2011, a period characterized by volatile and inconsistent performance. Weakness in the U.S. and European economies drove declines early in the period on investor concerns about the European sovereign debt crisis. The market grew more volatile following the downgrade of the U.S. government's long-term credit rating. After bottoming in October, stocks rallied through the spring of 2012 thanks to the strengthening U.S. economy and the European Central Bank's efforts to quell the debt crisis. However, in the second quarter of 2012, stocks dipped again as investors became concerned about the deteriorating situation in the eurozone, where government bond yields in several European countries, especially Spain and Italy, were rising. Additionally, U.S. economic growth stalled, and it became clear that China's economic growth had slowed more than expected. In most markets, stocks gave back some of their first-quarter gains in the second quarter of 2012, but generated solid performance for the six-month period ended June 30, 2012.

BONDS STRONG DESPITE CREDIT DOWNGRADES

U.S. bonds produced strong returns for the year. Despite Standard & Poor's downgrade of the U.S. government's credit rating, Treasury yields plunged to historic lows, causing their prices to soar. Investors still considered U.S. Treasury bonds a safe haven, compared with corporate bonds that are more exposed to global economic uncertainty and the European debt crisis. The Federal Reserve (Fed) said it will keep short-term rates low through 2014 and announced that the central bank would extend "Operation Twist," a program designed to suppress long-term interest rates and reduce borrowing costs, through the end of 2012. Some investors were disappointed that the Fed didn't come up with a new plan to stimulate economic growth, but Fed Chairman Ben Bernanke made it clear that he is prepared to take further action if the U.S. economy falters in the coming months.

Long-term Treasury securities were far and away the top performers in the investment-grade universe. Municipal and corporate bonds also turned in solid results, while agency mortgage-backed and asset-backed securities were less robust. High yield securities, as measured by the JP Morgan Global High Yield Index, were one of the best-performing fixed income sectors for the first half of 2012 but trailed investment-grade issues, as measured by the Barclays U.S. Aggregate Index, for the year due to weakness in the second half of 2011.

A WORD ON MARKET FLUCTUATION

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 the College Investment Plan to decrease, regardless of performance or your selection of investment options. Any decrease in value could result in an actual or actuarial (unrealized) loss.

**** This discussion is not a comprehensive discussion of all investment 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 current College Savings Plans of Maryland Enrollment Kit.***

COLLEGE COSTS REVIEW*

Over the previous academic year, college costs rose faster than the rate of inflation, consistent with a 30-year trend. The "average total cost" of college consists of tuition, fees, room, and board. It does not include other expenses such as books, supplies, and transportation, which together can add several thousand dollars to annual college costs. Below are the most recent figures from the College Board on higher education costs for the 2012–2013 academic year. (See also the accompanying table.)

The average total cost of a four-year public college at in-state rates rose by 4.2% from the previous academic year. The average public four-year college now costs $17,860 per year. Over the decade from 2002–2003 to 2012–2013, the total cost for a public four-year college increased at an average annual rate of 3.8% beyond the general rate of general inflation. This rate of increase compares with 2.4% per year in the decade from 1982–1983 to 1992–1993, and 2.6% per year over the 10-year period from 1992–1993 to 2002–2003.

The average total cost of a four-year private college rose by 4.1% from the previous academic year. The average four-year private college now costs $39,518 per year. The total cost at private four-year colleges increased at an average annual rate of 2.3% beyond inflation over the decade from 2002-2003 to 2012-2013. This rate of increase compares with 3.9% per year in the decade from 1982–1983 to 1992–1983 and 2.6% per year over the 10-year period from 1992–1993 to 2002–2003.

College costs vary considerably, depending on factors such as public or private, in-state or out of state, and whether the college grants doctorate degrees (these institutions tend to be more costly). The diversity of educational options and the various sources of loans and financial aid have meant that college remains an attainable goal for families. However, it is important to consider the need for consistent, disciplined saving in an appropriate investment vehicle.

THE STATE OF FINANCIAL AID

Undergraduate and graduate students received approximately $236.7 billion in financial aid during the 2011–2012 academic year (the most recent data available), and financial aid remains an important source of funding for many families. In the 2011–2012 academic year, undergraduate students received an average of $13,218 per full-time equivalent student (FTE). In the same period, graduate students on average received $25,152 per FTE in aid.

With the establishment of new federal college affordability programs, grant aid per FTE rose by 6% from the previous year. Nonetheless, the average undergraduate received about $6,900 in grant aid in the 2011–2012 academic year.

Most families are still required to pay a significant amount "out of pocket" for annual college costs, and the majority of financial aid continues to come in the form of loans. Approximately two-thirds of bachelor's degree recipients at private colleges in 2010-2011 have college loans to repay, and among this group, the average debt is approximately $29.900. About 57% of students who earned bachelor's degrees in 2010-2011 from public four-year colleges have loans to repay averaging approximately $23,800.

The good news is that college savings plans across the nation have also grown substantially. Total assets reached an all-time high of $179 billion as of June 30, 2012, as reported by the College Savings Plans Network. This is a 7.2% increase for the fiscal year. In 2012, there were 11 million college savings plan accounts with an average of $16,300 per account, which is less than the national average for one year at a four-year public college.

**Statistical information provided is from the College Board's "Trends in College Pricing 2012" and "Trends in Student Aid 2012" for the 2012–2013 academic year.*

PUBLISHED TUITION, FEES, AND ROOM AND BOARD CHARGES – NATIONAL AVERAGE

	Four-Year Private College	Four-Year Public College**	Consumer Price Index***
2012–2013 Academic Year	$39,518	$17,860	N/A
Change from the previous academic year	4.1%	4.2%	1.9%
Average annual percentage increase over the past decade	2.4%	3.8%	2.4%

SOURCES: COLLEGE BOARD, BUREAU OF LABOR STATISTICS, T. ROWE PRICE, COLLEGE SAVINGS PLANS NETWORK

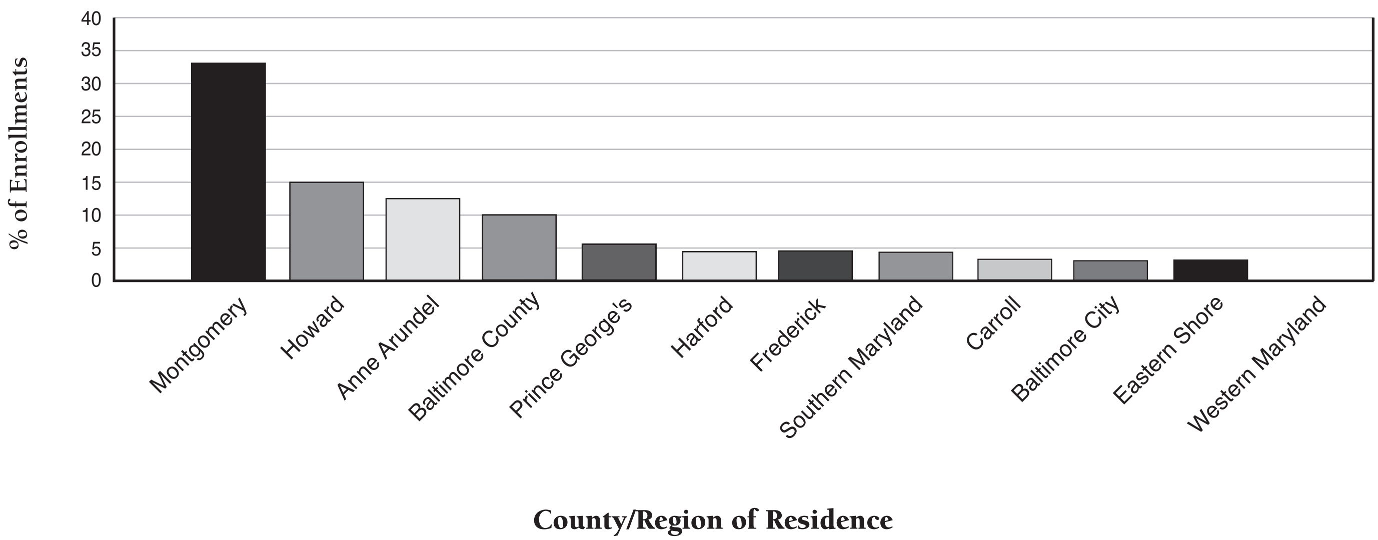
*** In-state Rates*

****As of June 30, 2012*

PROFILE OF NEW PREPAID COLLEGE TRUST ENROLLMENTS

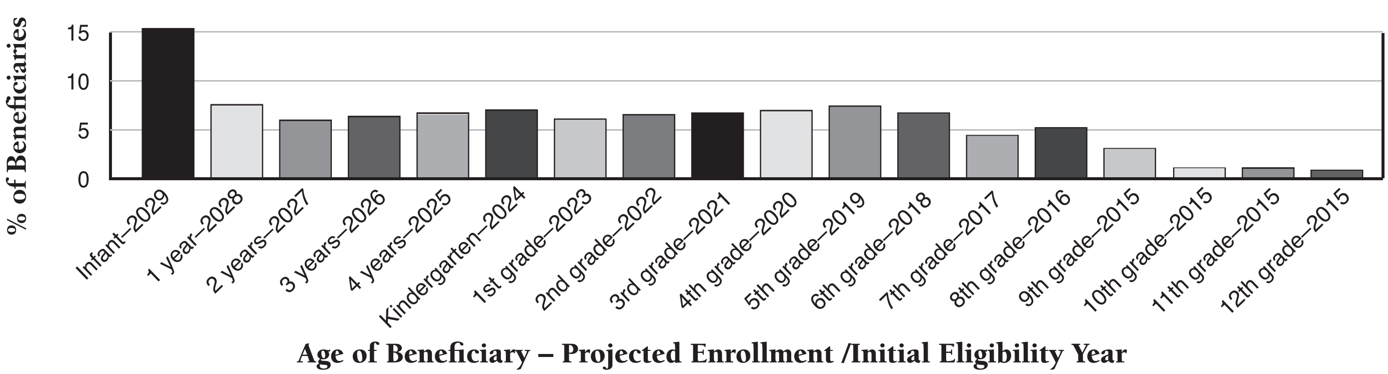
New Enrollment by County/Region

Of the approximately 2,472 new enrollments that were received in the past year, Montgomery County residents produced the largest number of account holders, accounting for 33% of all new enrollments. Howard County was the second largest source of new enrollments (15%), followed by Anne Arundel (13%), then Baltimore (10%) and Prince George's (6%) counties, as illustrated in the following chart:



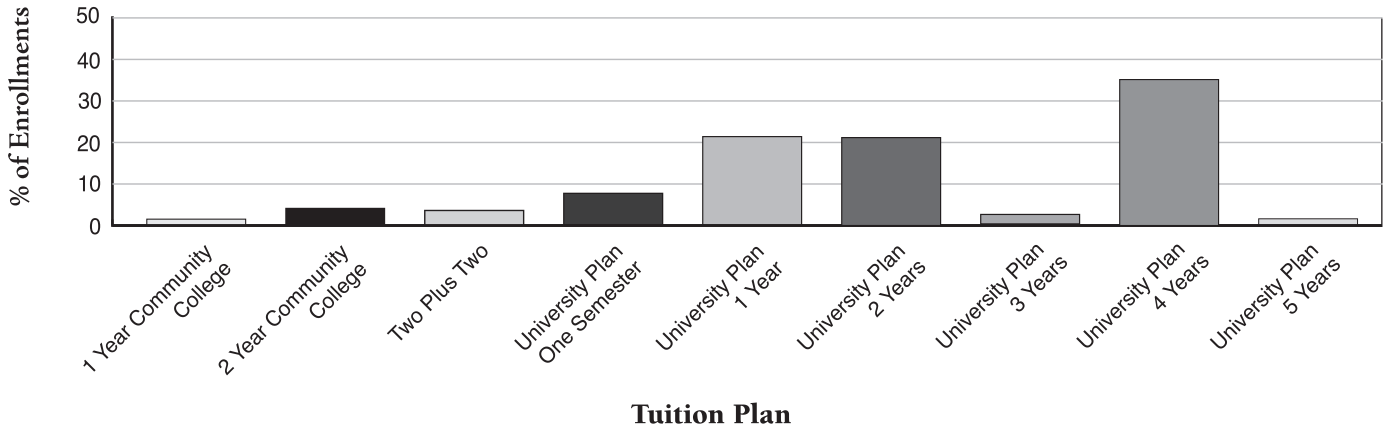
Age of New Beneficiaries at Time of Enrollment

The infant age group provided the largest percentage of new enrollments of any age group in 2011-2012, with 15% of new enrollments. This age group is the only age group that can be enrolled anytime during the year and is not limited to an enrollment period. From age 1 through 8th grade, enrollments are fairly evenly distributed, with each age group accounting for 4-7% of new enrollments. Combined enrollments for older students in the 9th-12th grades provided the remaining 6%.



Tuition Plan Selected

The four-year University Plan was our most popular enrollment option in 2011-2012, with 34% of new enrollments. The next most popular options were the one-year University Plan (23%) and the two-year University Plan (22%). Together, these three tuition plans comprised 79% of total tuition plans purchased.



MORE STUDENTS USE PREPAID COLLEGE TRUST TUITION BENEFITS AT COLLEGES NATIONWIDE

There are a total of 9,381 students eligible to use benefits for the Fall 2012 semester, as compared to approximately 8,835 students who were eligible for the prior academic year. Approximately 57% of eligible beneficiaries, as of October 21, 2012, have claimed their tuition benefits this Fall. Approximately 44% of these students are attending Maryland public colleges, while 56% are attending a wide variety of private and out-of-state colleges across the country. The remaining 43% of eligible beneficiaries have yet to claim their Fall 2012 tuition benefits or have decided to defer using their tuition benefits until a future semester.

ACTUARIAL SOUNDNESS REPORT

The summary of the actuarial valuation issued by Gabriel Roeder & Smith Company dated October 31, 2012 appears on page 6. 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.

As of June 30, 2012, the Trust was 117% funded with an actuarial surplus of $124.9 million, as compared with the previous fiscal year, where the Trust was also 117% funded with an actuarial surplus of $122.3 million.

There are two primary reasons for the small increase in the amount of the actuarial surplus. First, the weighted average tuition at Maryland's public 4-year colleges increased by 3.0% for the 2012-2013 academic year. This actual increase is less than our projected tuition increase of 7% and a mandatory fee increase of 10% for 2012-2013. Since the actual increase was lower than our projection, this had a positive effect on actuarial valuation. Second, the Trust's investments produced an overall return of 1.6% during fiscal year 2012, as compared with the stated goal of 7.65%. This had a negative effect on the actuarial valuation.

The key measures of soundness as of June 30 for each of the most recent five fiscal years are included in the chart below:

	2012	2011	2010	2009	2009
Actuarial Surplus/(Deficit) (mil)	$124.9	$122.3	$2.5	$(52.4)	$58.9
Funded Ratio	117%	117%	100%	92%	109%

GRS

Gabriel Roeder Smith & Company
Consultants & Actuaries

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October 31, 2012

Treasurer Nancy K. Kopp
Board Chair
College Savings Plans of Maryland
217 E. Redwood Street, Suite 1350
Baltimore, MD 21202

Re: Maryland Prepaid College Trust Actuarial Valuation as of June 30, 2012

Dear Treasurer Kopp:

At the request of the College Savings Plans of Maryland ("CSPM"), Gabriel, Roeder, Smith & Company ("GRS") has performed an actuarial soundness valuation of the Maryland Prepaid College Trust ("MPCT") as of June 30, 2012. The purpose of this actuarial valuation is to evaluate the financial viability of the program as of June 30, 2012.

The attached report presents the principal results of the actuarial valuation of the MPCT including the following:

- A comparison of the actuarial present value of the obligations for prepaid tuition contracts purchased through June 30, 2012, with the value of the assets associated with the program as of that same date;
- An analysis of the factors which caused the deficit/surplus to change since the prior actuarial valuation; and
- A summary of the actuarial assumptions and methods utilized in the actuarial calculations.

As of June 30, 2012, the present value of all future tuition obligations under contracts outstanding (and including future administrative expenses) at that date is $722.7 million. Fund assets as of June 30, 2012, including the market value of program assets and the present value of installment contract receivables, is $847.6 million.

The difference between the market value of assets of $847.6 million and program obligations of $722.7 million represents a program surplus of $124.9 million as of June 30, 2012. The comparable program surplus as of the last actuarial valuation as of June 30, 2011, was $122.3 million.

The funded ratio of the program as of June 30, 2012 is 117.3%. This compares with a funded ratio as of June 30, 2011 of 117.5%.

To the best of our knowledge, the information contained in this report is accurate and fairly presents the actuarial position of the Maryland Prepaid College Trust as of June 30, 2012.

The valuation results set forth in this report are based upon data and information, furnished by CSPM, concerning program benefits, financial transactions, and beneficiaries of the MPCT. The major actuarial assumptions used in this analysis were provided by and are the responsibility of CSPM. All calculations have been made in conformity with generally accepted actuarial principles and practices commonly applicable to similar types of arrangements.

Respectfully submitted,
Gabriel, Roeder, Smith and Company

Lance J. Weiss

Lance Weiss, EA, MAAA, FCA
Senior Consultant

Amy Williams

Amy Williams, ASA, MAAA, FCA
Consultant

SB & COMPANY, LLC
EXPERIENCE • QUALITY • CLIENT SERVICE

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of
College Savings Plans of Maryland

We have audited the accompanying statement of net assets of the Maryland Prepaid College Trust (the Trust), as of June 30, 2012, and the related statements of revenues, expenses, and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the 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 respective financial position of the Maryland Prepaid College Trust, as of June 30, 2012, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Trust's basic financial statements. The other data and information in the Annual Report is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or provide any assurance on them.

SB & Company, LLC

Hunt Valley, Maryland
October 31, 2012

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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, 2012. 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 mailing your request to 217 E. Redwood Street, Suite 1350, Baltimore, MD 21202. The financial statements of the Trust for the fiscal year ended June 30, 2012 have been audited by SB & Company, LLC who are also the independent auditors for the State of Maryland.

Prepaid College Trust Financial Statements

We have prepared the Prepaid College Trust financial statements in accordance with the standards issued by the Governmental Accounting Standard 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

- The Prepaid College Trust began receiving payments in fiscal year 2012 from approximately 2,400 new enrollments received during fiscal year 2011. This is because the initial payments for these accounts were due on August 1, 2011. The increase in contract receipts, when compared to the prior year, is due to a 3% increase in contract prices and a number of new enrollments in fiscal year 2012 whose account holders elected to make payments in fiscal year 2012 in advance of their August 1, 2012 due date.

Contract Receipts from Participants *(in thousands)*

Fiscal Year Ended June 30, 2012	Fiscal Year Ended June 30, 2011
$65,367	$60,603

- Each account holder enters into a contract with the Prepaid College Trust for the prepayment of tuition. Each contract is for one or two years of community college and/or a semester or year(s) of university tuition benefits, which become available based on the enrollment year(s) purchased and after the contract has matured for at least three years. The Trust uses fees from three sources to pay administrative expenses of the College Savings Plans of Maryland:

  (1) A percent of all contract payments made to the Prepaid College Trust – this fee has been 2.5% since the 2001 enrollment period;

  (2) Enrollment and other fees paid to the Prepaid College Trust; and

  (3) Payments from the Program Manager of the College Investment Plan as follows: 4 basis points (.04%) on College Investment Plan assets up to $1 billion and an additional 6 basis points (.06%) on assets over $ 1 billion

  Enrollment and other fees, as well as administrative expenses of the College Savings Plans of Maryland, are accounted for in the financial statements of the Prepaid College Trust.

Revenues from enrollment fees have decreased due the continuation of a reduced enrollment of $50 for enrollments received via the internet and a continued trend of an increase in the number of account holders paying a $20 enrollment fee for additional semesters or years. This past year, we expanded the $20 enrollment fee to also apply to account holders and beneficiaries who are currently enrolled in the College Investment Plan. Fees received from the College Investment Plan increased approximately 16% from 2011 due to the increase in Plan assets.

Enrollment and Administrative Fees *(in thousands)*

	Fiscal Year Ended June 30, 2012	Fiscal Year Ended June 30, 2011
Prepaid College Trust	$ 108	$ 116
College Investment Plan	1,853	1,592
Total	$ 1,961	$ 1,708

• During fiscal year 2012, the Trust continued to invest the contract payments received into its diversified investment portfolio.

Investments *(in thousands)*

	Fiscal Year Ended June 30, 2012	Fiscal Year Ended June 30, 2011
Large Cap Value	$ 68,084	$ 68,707
S&P 500 Core	76,039	51,252
Large Cap Growth	75,983	69,934
Small Cap Value	48,634	49,788
Small/Mid Cap Core	26,408	27,811
Small Cap Core	0	22,297
Real Estate	28,164	28,532
Intermediate Duration Fixed Income	201,836	186,024
Short Duration Fixed Income	32,312	31,483
International	51,018	57,391
International Emerging Markets	45,813	50,828
Total investments	$654,291	$644,047

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, 2012. Net assets are defined as total assets less total liabilities. The Statement of Net Assets, 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 Statement of Net Assets as of June 30, 2012 and June 30, 2011:

(in millions)	As of June 30, 2012	As of June 30, 2011
Assets		
Current	$750.9	$728.8
Noncurrent	114.2	113.2
Total	865.1	842.0
Liabilities		
Current	84.2	80.2
Noncurrent	652.7	635.8
Total	736.9	716.0
Net Assets	$128.2	$126.0

The Trust classifies assets and liabilities as current and noncurrent. Current assets consist primarily of investments, tuition contracts receivable, as well as cash and cash equivalents. Of these amounts, investments comprise approximately 87% of current assets. Tuition contracts receivable represent virtually all of the noncurrent assets.

Current liabilities consist of the current portion of the Trust's accrued tuition benefits. Also included in this category are payments received in advance of their due date, accounts payable and accrued expenses. Noncurrent liabilities consist of accrued tuition benefits.

For the fiscal year ended June 30, 2012, the net assets of the Trust increased by $2.3 million. This was due to two factors. The primary factor which caused net assets to increase was the continuation of the positive effect of lower than projected increases in tuition and mandatory fees for the current academic year at the University System of Maryland. The actual increase in tuition and mandatory fees was 3.0% as compared to the projected tuition increase of 7% and a mandatory fee increase of 10% for the 2012-2013 academic year. Since these lower increases in tuition and mandatory fees were included in the calculations for contract pricing for the 2011-2012 enrollment period and the previous soundness evaluation, net assets were positively impacted. This gain was partially offset by an actual investment return which was lower than the projected return of 7.5%.

Statement of Revenues, Expenses and Changes in Net Assets

Changes in net assets are based on the activity presented in the Statement of Revenues, 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 revenues consist of tuition contract revenue and administrative fees, both of which are primarily 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 Statement of Revenues, Expenses and Changes in Net Assets for the fiscal years ended June 30, 2012 and June 30, 2011:

(in millions)	Fiscal Year Ended June 30, 2012	Fiscal Year Ended June 30, 2011
Operating revenues		
Tuition contracts	$ 64.8	$ 67.8
Administrative fees	3.6	3.2
Total	68.4	71.0
Operating expenses		
Tuition benefits	73.5	62.8
Administrative expenses	2.2	2.1
Total	75.7	64.9
Operating income (loss)	(7.3)	6.1
Non-operating revenues		
Net increase (decrease) in the fair value of investments	(7.1)	98.8
Investment income	16.7	15.9
Total	9.6	114.7
Change in net assets	$ 2.3	$120.8

For the fiscal year ended June 30, 2012, the Trust reported an operating loss of $7.3 million. The decrease in operating income of $13.4 million from the fiscal year ended June 30, 2011 was the result of tuition benefit expense exceeding tuition contract revenue by $8.7 million and net administrative and operating income of $1.3 million for the fiscal year, as well as the $6.1 million decrease in net tuition contract revenue from the fiscal year ended June 30, 2011. Non-operating revenue includes $7.1 million unrealized and realized investment loss, and $16.7 million of other investment income. Combined, operating income and non-operating revenue resulted in an increase in net assets of $2.3 million.

Statement of Cash Flows

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

The condensed Statement of Cash Flows for the fiscal years ended June 30, 2012 and June 30, 2011 is presented below:

(in millions)	Fiscal Year Ended June 30, 2012	Fiscal Year Ended June 30, 2011
Cash from:		
Operating activities	$ 15.5	$ 14.4
Investing activities	(0.5)	(10.0)
Net change in cash	15.0	4.4
Cash and cash equivalents, beginning of year	15.9	11.5
Cash and cash equivalents, end of year	$ 30.9	$ 15.9

Increases in cash were due primarily to contract payments made by account holders as well as income received from the Trust's investment portfolio. These increases were primarily used to make tuition benefit payments and to pay administrative expenses of the Trust.

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 expenditures 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 consultant and investment advisor review the assumptions at least annually.

This review includes an analysis of prior year trends in tuition increases and investment performance. Specifically, the Board reviewed the weighted average tuition for Maryland resident students at four-year Maryland public universities, which increased 3.0% from the 2011-2012 academic year and 3.5% from the 2010-2011 academic year. The Board also reviewed the rate of return on the Prepaid College Trust investments, which was a gain of 1.6% and 21.0% for fiscal year 2012 and 2011, respectively.

As part of the Board's review of these trends, it consults with its investment advisor and actuary and thoroughly reviews various potential scenarios when developing future projections that it believes to be reasonable. This year's projections were used in developing the Actuarial Soundness Report as of June 30, 2012.

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 the Actuarial Soundness Report included average annual tuition increases of 6%, 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.

CAPITAL ASSETS

The Trust had no significant capital asset additions during the fiscal year ended June 30, 2012.

Statement of Net Assets
As of June 30, 2012

(amounts in thousands)

	Tuition and Investments	Administration/ Operating	Total
ASSETS			
Current assets:			
Cash and cash equivalents	$ 25,916	$ 4,983	$ 30,899
Investments, at fair value	654,291	0	654,291
Tuition contracts receivable	64,091	0	64,091
Interest receivable	1,214	0	1,214
Accounts receivable	0	391	391
Total current assets	745,512	5,374	750,886
Noncurrent assets:			
Capital assets, net	0	41	41
Tuition contracts receivable, net of current portion	114,198	0	114,198
Total noncurrent assets	114,198	41	114,239
Total assets	859,710	5,415	865,125
LIABILITIES			
Current liabilities:			
Accrued tuition benefits	69,973	0	69,973
Advance tuition contract payments	13,706	0	13,706
Accounts payable and accrued expenses	0	398	398
Compensated absences	0	104	104
Total current liabilities	83,679	502	84,181
Noncurrent liabilities:			
Accrued tuition benefits, net of current portion	652,706	0	652,706
Total noncurrent liabilities	652,706	0	652,706
Total liabilities	736,385	502	736,887
NET ASSETS			
Invested in capital assets	0	41	41
Unrestricted:			
Tuition and investments	122,552	4,872	127,424
Restricted:			
Administration	773	0	773
Total net assets	$123,325	$ 4,913	$128,238

See accompanying Notes to Financial Statements.

Statement of Revenues, Expenses and Changes in Net Assets
For the Fiscal Year Ended June 30, 2012

(amounts in thousands)

	Tuition and Investments	Administration/ Operating	Total
OPERATING REVENUES			
Tuition contracts	$ 64,775	$ 0	$ 64,775
Management fee	0	1,634	1,634
Maryland College Investment Plan fees	0	1,853	1,853
Enrollment and other fees	0	108	108
Total operating revenues	64,775	3,595	68,370
OPERATING EXPENSES			
Tuition benefits	73,489	0	73,489
Salaries, wages and benefits	0	1,100	1,100
Technical and special fees	0	70	70
Communication	0	104	104
Travel	0	12	12
Marketing	0	217	217
Contractual services	0	508	508
Supplies	0	35	35
Fixed charges	0	180	180
Depreciation	0	21	21
Other expenses	0	6	6
Total operating expenses	73,489	2,253	75,742
Operating income (loss)	(8,714)	1,342	(7,372)
NON-OPERATING REVENUES			
Net increase(decrease) in the fair value of investments	(7,101)	0	(7,101)
Investment income (loss)	16,735	1	16,736
Total non-operating revenues	9,634	1	9,635
Change in net assets	920	1,343	2,263
Total net assets, beginning of year	122,405	3,570	125,975
Total net assets, end of year	$123,325	$4,913	$128,238

See accompanying Notes to Financial Statements.

Statement of Cash Flows
For the Fiscal Year Ended June 30, 2012

(amounts in thousands)

Cash Flows from Operating Activities:	
Receipts from:	
Account holders	$65,475
Maryland College Investment Plan fees	1,836
Payments to:	
Employees	(1,169)
Marketing	(251)
Contract vendors	(440)
Communication	(99)
Universities and account holders	(49,750)
Other operating expenses	(118)
Net cash from operating activities	15,484
Cash Flows from Investing Activities:	
Interest income	9
Purchase of investments	(471)
Net cash used for investing activities	(462)
Cash Flows Used for Capital and Related Financing Activities:	
Purchase of capital assets	(20)
Net cash from capital financing activities	(20)
Net increase in cash and cash equivalents	15,002
Cash and cash equivalents, beginning of year	15,897
Cash and cash equivalents, end of year	$ 30,899
Reconciliation of operating income to net cash from operating activities:	
Operating income (loss)	$ (7,372)
Adjustments to reconcile operating income to net cash from operating activities:	
Depreciation	21
Change in non-cash operating assets and liabilities:	
Increase in accounts payable	37
Increase in other liabilities	3
Decrease in accounts receivable	98
Decrease in tuition contracts receivable	1,894
Decrease in advance contract payments	(1,303)
Increase in accrued tuition benefits payable	22,106
Net cash from operating activities	$15,484
Non-cash transactions:	
Unrealized loss on investments	$20,272

See accompanying Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2012

1. ORGANIZATION AND PURPOSE

The purpose of the Maryland Prepaid College Trust (the 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. An account holder 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. The beneficiary has ten years after the projected enrollment year, plus the number of years purchased, to use the contract benefits. This time period may be extended by any time served in active U.S. military duty. The contract benefits are based on State of Maryland resident rates for Maryland four-year public colleges and universities and in-county rates for Maryland community colleges. Contract benefits can be used towards these costs at any accredited, 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 (State), 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 Higher Education, 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.

By law, the Trust's funds are not considered moneys of the State and may not be deposited into the General Fund of the State of Maryland. 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 therein. Based on information contained within the Actuarial Soundness Report dated October 31, 2012 and issued by Gabriel Roeder Smith & Company, as of June 30, 2012, the Governor would not be required to include an amount in any future budget. If a future appropriation would be required and 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. As of June 30, 2012, the Trust assets exceeded its discounted estimated liability for future tuition and mandatory fee payments.

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 adjusted gross income in an amount up to $2,500 for each contract annually. Contributions made in excess of $2,500 per account in a single year may be carried forward and deducted from an account holder's State adjusted gross income in consecutive future years until the full amount contributed to the account has been deducted. Beginning January 1, 2002, earnings on contributions are tax free for Federal and State purposes when used toward eligible qualified higher education expenses.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

The Trust follows 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.

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 the contract is 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 except for fixed income, debt, emerging markets equity funds and the global REIT fund. These funds are valued no less frequently than monthly ($53,362,179 or 8.2% of net investments as of June 30, 2012).

Tuition Contracts Receivable

Tuition contracts receivable as of June 30, 2012 as 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 before any adjustments due to temporary salary reductions outlined in Executive Order 01.01.2010.11. Employees fully vested in all earned but unused annual leave, up to a maximum of 600 hours, are eligible to receive compensation, at the current rate before any adjustments due to temporary salary reductions outlined in Executive Order 01.01.2010.11, on termination of State employment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 $5,000,000 per annum.

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

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, 2012, the carrying amount of the Trust's cash and cash equivalents was $30,899,997. The bank balance totaled $36,267,796 and pooled cash maintained by the State Treasurer totaled $364,346. The Prepaid College Trust periodically deposits funds into pooled cash accounts maintained by the State Treasurer for the purpose of paying Prepaid College Trust administrative expenses. Of the bank balances, $250,000 represents deposits covered by federal depository insurance and $29,196,514 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, domestic, foreign 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 target of the Trust. It is management's practice to have no investments with longer maturities than what is expected to fund tuition obligations based on actuarial projections.

4. INVESTMENTS (CONTINUED)

As of June 30, 2012, the Trust had the following investment maturities (amounts in thousands):

		Investment Maturities (in Years)				
Investment Type	Fair Value	Less than 1	1-5	6-10	11-15	More than 15
U.S. Govt. money market mutual fund	$ 16,414	$ 16,414	$ 0	$ 0	$ 0	$ 0
U.S. Treasury bills	639	639	0	0	0	0
U.S. Treasury notes	37,764	0	20,008	17,756	0	0
U.S. Govt. agencies	71,215	0	466	3,398	6,256	61,095
Corporate bonds	90,312	3,563	34,539	22,080	2,617	27,513
Municipal bonds	6,369	91	652	173	0	5,453
High-yield fixed income fund	6,048	6,048	0	0	0	0
Emerging market debt fund	5,037	5,037	0	0	0	0
International fixed income fund	1,750	1,750	0	0	0	0
Global REIT fund	17,265	17,265	0	0	0	0
Common stock	146,178	146,178	0	0	0	0
REITS	2,040	2,040	0	0	0	0
Preferred stock	1,409	1,409	0	0	0	0
Emerging market equity fund	23,262	23,262	0	0	0	0
Large cap mutual fund	68,084	68,084	0	0	0	0
S&P 500 Index mutual fund	76,039	76,039	0	0	0	0
International mutual fund	51,018	51,018	0	0	0	0
Emerging markets mutual fund	22,550	22,550	0	0	0	0
Real estate mutual fund	10,898	10,898	0	0	0	0
Total	$654,291	$452,285	$55,665	$43,407	$ 8,873	$94,061

Credit Risk

The Investment Policy details the minimum quality standards for the Trust's bond portfolios. As of June 30, 2012 the average rating in each portfolio must be "AA-" or better. 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. The U.S. Government money market fund is not considered to have credit risk and is not rated. All such investments are in mutual fund shares stated at fair value based upon quoted market prices.

As of June 30, 2012, the Trust had the following investments and quality ratings:

Investment Type	Fair Value	Rating	Rating Organization
U.S. Government agencies	$ 109,618	*	*
Bonds	11,576	AAA	Moody's
Bonds	14,260	AA	Moody's
Bonds	21,888	A	Moody's
Bonds	34,685	Less than A	Moody's
Bonds	14,272	Not rated	

**Effective August 5, 2011, Standard and Poor's modified its long-term sovereign credit rating on the United States of America to AA+ and affirmed the A-1+ short-term rating.*

4. INVESTMENTS (CONTINUED)

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 each bond portfolio's market value, except U.S. Treasury notes and bonds. It also limits a single investment to 7.5% of the 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, 2012, was as follows (amounts in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets being depreciated:				
Computers	$180	$20	$(31)	$169
Furniture	19	0	0	19
Equipment	5	0	0	5
Software	57	0	0	57
Perpetual software license	561	0	0	561
Total capital assets at historical cost	822	20	(31)	811
Less accumulated depreciation for:				
Computers	171	10	(31)	150
Furniture	15	1	0	16
Equipment	5	0	0	5
Software	57	0	0	57
Perpetual software license	532	10	0	542
Total accumulated depreciation	780	21	(31)	770
Capital assets, net	$ 42	$ (1)	$ 0	$ 41

6. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

As of June 30, 2012, accounts payable and accrued expenses consisted of the following (amounts in thousands)

Due to vendors	$345
Salaries and employee benefits	53
Total	$398

7. PENSION AND POST-RETIREMENT 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 (the System). This system is a cost sharing multiple-employer defined benefit pension plan administered by the System Board of Trustees in accordance with Article 73B 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 Board of Trustees. The Trust's only liability for retirement benefits is its required annual contribution, which it has funded 100 percent during the years ended June 30, 2012, 2011, and 2010. The required annual contributions for the fiscal years ended June 30, 2012, 2011 and 2010, respectively were: $89,437, $83,311, and $64,430. As of June 30, 2012, there were no retirees from the Trust. 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. In addition, the plan is included in the State's Comprehensive Annual Report (CAFR), which can be obtained from the Comptroller of Maryland, Goldstein Treasury Building, Annapolis, Maryland 21404.

7. PENSION AND POST-RETIREMENT BENEFITS (CONTINUED)

Eligible employees of the Trust, as employees of the State, are also entitled to certain healthcare benefits upon retirement. These other post employment benefits are administered by the State Office of Personnel through a trust established by the State to accumulate funds to pay benefits as a cost sharing multiple employer plan. Under the plan, retired employees are able to purchase health insurance benefits with the State paying a portion of the cost. The Trust is not required to make contributions to the plan. As of June 30, 2012, there were no retirees from the Trust. The Other Post Employment Trust of the State of Maryland prepares separate audited financial statements and the plan is included in the State's CAFR, both of which can be obtained from the Comptroller of Maryland.

8. 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.

9. 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 actuary. 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 or in-county tuition and mandatory fees at each Maryland public college times the number of full- time equivalent in-state or in-county students enrolled at that college, added together. This total is then divided by the number of full-time equivalent in-state or in-county students enrolled at all Maryland public colleges. For the fiscal year ended June 30, 2012, the tuition component of the WAT for Maryland public universities and community colleges is projected to increase 6% per annum, and the mandatory fee component of the WAT is projected to increase 10% per annum.

Investment Return: The actuarial valuation of the Trust fund was determined using an assumed 7.65% rate of return on investments. It is further assumed that the Trust fund 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 2012-2013 WAT with an 8% bias load added to university plan contracts.

Bias Load: The term bias load is a reference to the expectation that more beneficiaries of the Trust will attend a Maryland public 4-year university with tuition and mandatory fees that are higher than the WAT. The 8% bias load used relates to the estimated percentage increase in expenditures by the Trust over the WAT as a result of the attendance by beneficiaries at these colleges.

Changes in accrued tuition benefits payable for the year ended June 30, 2012 are as follows (amounts in thousands):

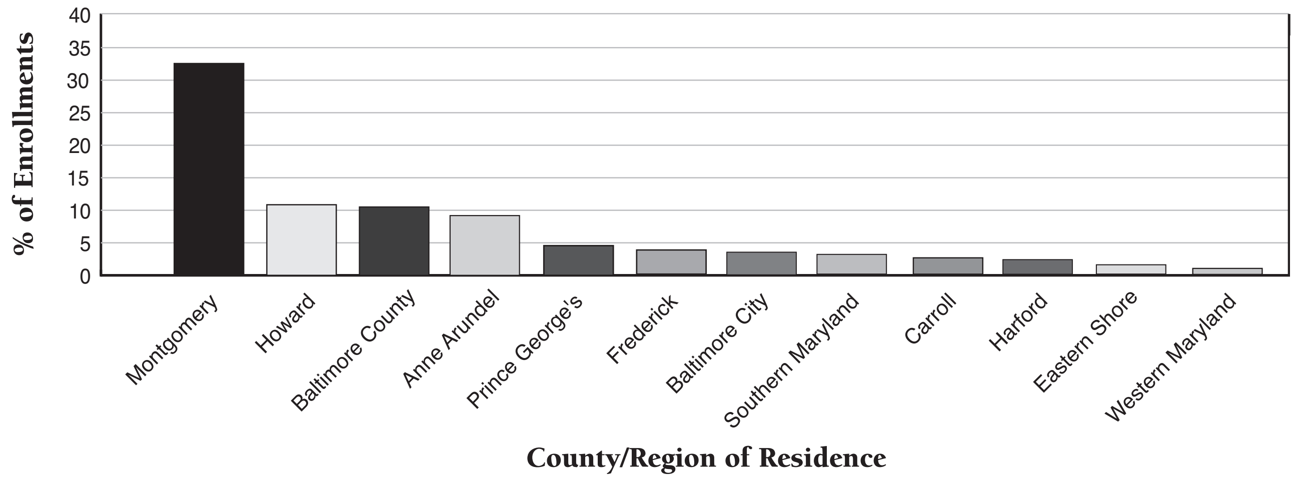
July 1, 2011	Increase	Decrease	June 30, 2012	Amount due within one year
$ 700,573	$ 71,856	$ 49,750	$ 722,679	$ 69,973

PROFILE OF NEW COLLEGE INVESTMENT PLAN ENROLLMENTS

New Enrollment by County/Region

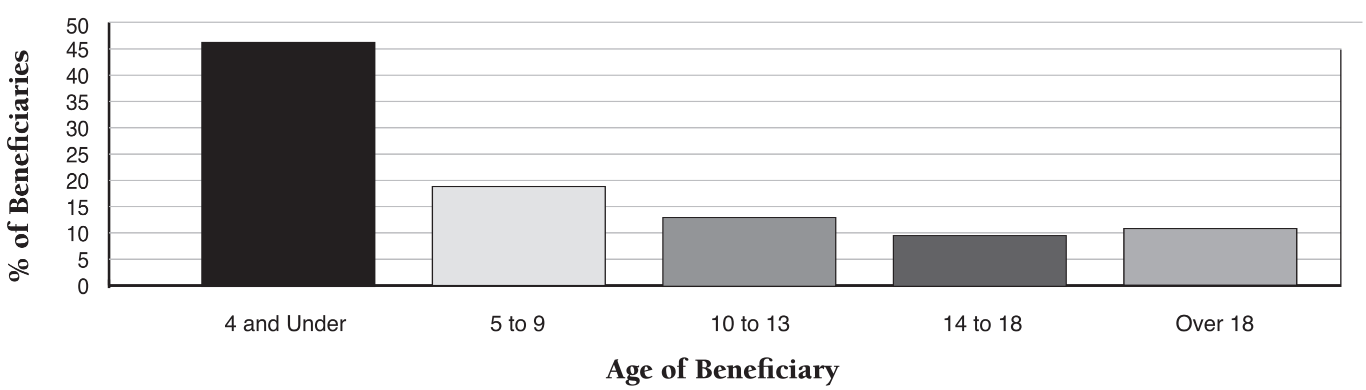
Of the 19,591 new accounts in the College Investment Plan for the year ended June 30, 2012, Montgomery had the highest number of any Maryland county or region at 33% of the total. Approximately 30% of new accounts were concentrated in Howard County (11%), Baltimore County (10%), and Anne Arundel County (9%). The following chart shows a breakdown of the counties and regions of residence for the College Investment Plan Account Holders.

ENROLLMENTS BY COUNTY



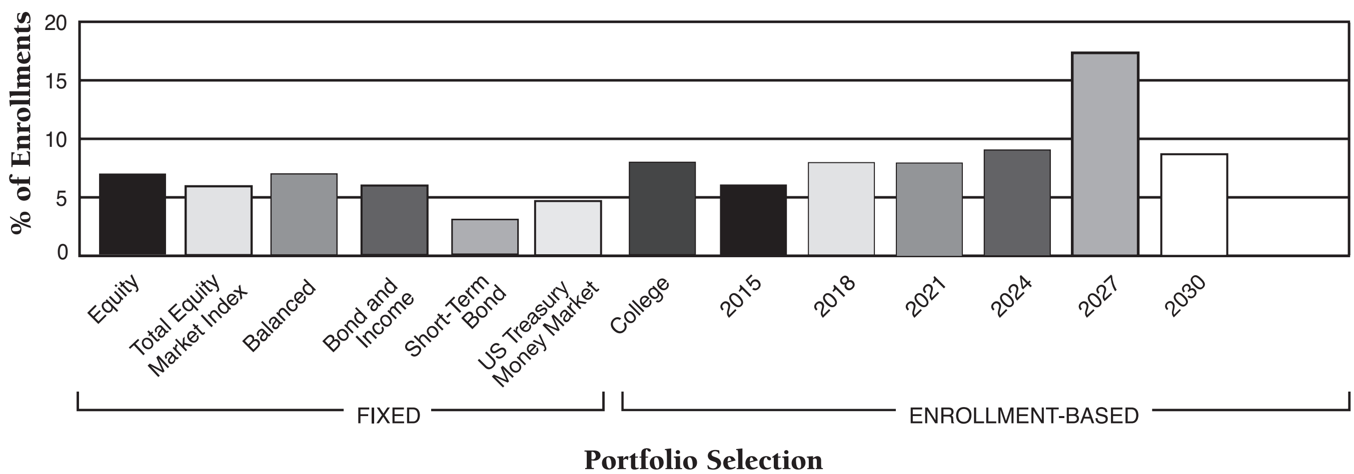
Age of New Beneficiaries at Time of Enrollment

Approximately 47% of all new beneficiaries were 4 years old or younger and approximately 66% of beneficiaries were 9 years old or younger. The College Investment Plan permits beneficiaries of any age, with 10% of new beneficiaries over 18 years of age, as shown in the chart below.



Investment Portfolio Selections

Trends in investment selection by new account holders during the fiscal year show that the Enrollment-Based Portfolios, with investment mixes that automatically adjust to be more conservative over time, continue to be a popular choice. Portfolio 2027 was selected for 18% of new accounts, the most of any investment portfolio. Among the Fixed Portfolios, each portfolio was selected for 5% – 8% of new accounts, except for the Short-Term Bond Portfolio, which was selected for 4% of new accounts.



SYSTEMATIC INVESTING

Over 45% of accounts in the College Investment Plan are funded by the automatic monthly contribution feature. Automatic monthly contributions are made by automatically debiting a bank account or making a payroll deduction.

STUDENTS USING ACCOUNTS TOWARD COLLEGE EXPENSES

Many beneficiaries who were enrolled in the College Investment Plan in the initial years after the Plan's launch in December 2001 are now reaching college age. Since July 1, 2011, distributions have been taken for 12,572 unique beneficiaries totaling approximately $159 million.

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of
College Savings Plans of Maryland

We have audited the accompanying statement of fiduciary net assets of the Maryland College Investment Plan (the Plan), as of June 30, 2012, and the related statement of changes in fiduciary 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 respective financial position of the Maryland College Investment Plan, as of June 30, 2012, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Plan's basic financial statements. The other data and information, including the individual portfolio statements of net assets as of June 30, 2012, and the individual portfolio statements of operations and changes in net assets for the year then ended, in the Annual Report, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or provide any assurance on them.

Hunt Valley, Maryland
October 31, 2012

SB + Company, LLC

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, 2012. 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 38. Inquiries may be directed to the College Investment Plan at CollegeSavingsMD.org or by mailing your request to 217 E. Redwood Street, Suite 1350, Baltimore, MD 21202. The financial statements of the Plan for the fiscal year ended June 30, 2012 have been audited by SB & Company, LLC who are also the independent auditors for the State of Maryland.

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 44.

FINANCIAL HIGHLIGHTS BY PORTFOLIO – AS OF JUNE 30, 2012*

General commentary on benchmarks

To assist in reviewing the performance of the portfolios, we have established a weighted benchmark for each portfolio. Each asset class benchmark is selected as an appropriate representation of the assets in underlying mutual funds and is weighted at the strategic neutral allocation of the asset class within each fund. Additionally, the portfolios invest in securities that are outside of the designated benchmark that have been strategically incorporated to potentially add long-term performance benefits while also helping to dampen portfolio volatility.

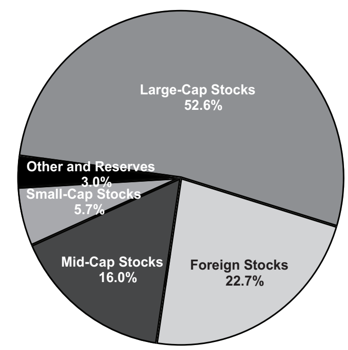
PORTFOLIO 2030

Portfolio 2030 had a positive return for the six months ended June 30, 2012 and negative performance for the 12 months ended June 30, 2012. The Portfolio outperformed its weighted benchmark over the six-month period and performed in line with its weighted benchmark over the 12-month period.

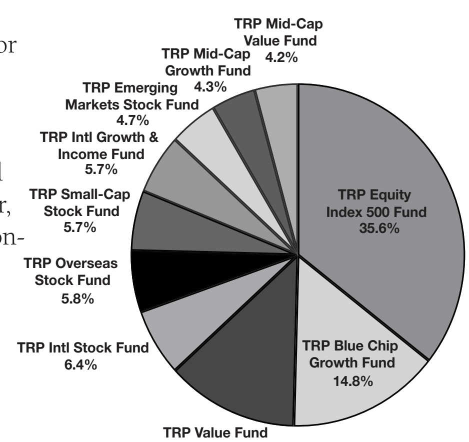
Among U.S. equity holdings, the Portfolio had a large investment in the Equity Index 500 Fund, which generated solid returns for the six and 12 months ended June 30, 2012. For the 12-month period, the Small-Cap Stock Fund and Blue Chip Growth Fund outperformed their benchmarks and had positive returns. The Blue Chip Growth Fund outperformed the Russell 1000 Growth Index due to stock selection in the information technology and materials sectors. The Value Fund had a slight negative return and underperformed its benchmark due to stock selection in the utilities sector. For the six-month period, the Small-Cap Stock Fund and Blue Chip Growth Fund produced strong returns and outperformed their respective benchmarks due to stock selection in the consumer discretionary sector. The Value Fund and Mid-Cap Growth Fund had solid returns but underperformed their benchmarks.

The International Stock Fund and Overseas Stock Fund generated negative absolute returns for the year but outperformed their respective benchmarks due to stock selection. The Emerging Markets Stock Fund also had negative returns for the 12-month period and performed in line with its benchmark. Over the six-month period, the International Stock Fund and Overseas Stock Fund generated positive returns and outperformed their benchmarks. The International Stock Fund outperformed due to stock selection in the industrials and business services sector, while the Overseas Stock Fund outperformed due to stock selection in the consumer discretionary and telecommunication services sectors.

ASSET CLASS ALLOCATION



MUTUAL FUND ALLOCATION



Performance Comparison as of June 30, 2012

	6 MONTHS	12 MONTHS	ANNUALIZED SINCE INCEPTION**
PORTFOLIO 2030	8.27%	-0.24%	8.69%
Weighted Benchmark*	7.95%	-0.26%	8.69%

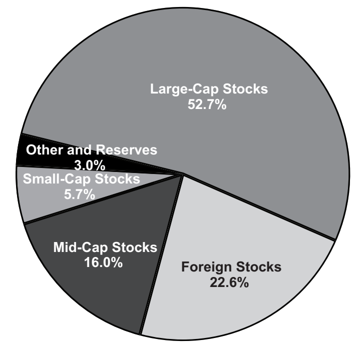
PORTFOLIO 2027

Portfolio 2027 had a positive return for the six months ended June 30, 2012 and negative performance for the 12 months ended June 30, 2012. The Portfolio outperformed its weighted benchmark over the six-month period and performed in line with its weighted benchmark over the 12-month period.

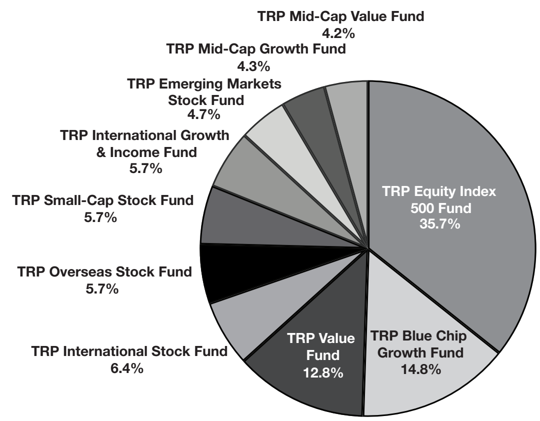
Among U.S. equity holdings, the Portfolio had a large investment in the Equity Index 500 Fund, which generated solid returns for the six and 12 months ended June 30, 2012. For the 12-month period, the Small-Cap Stock Fund and Blue Chip Growth Fund outperformed their benchmarks and had positive returns. The Blue Chip Growth Fund outperformed the Russell 1000 Growth Index due to stock selection in the information technology and materials sectors. The Value Fund had a slight negative return and underperformed its benchmark due to stock selection in the utilities sector. For the six-month period, the Small-Cap Stock Fund and Blue Chip Growth Fund produced strong returns and outperformed their respective benchmarks due to stock selection in the consumer discretionary sector. The Value Fund and Mid-Cap Growth Fund had solid returns but underperformed their benchmarks.

The International Stock Fund and Overseas Stock Fund generated negative absolute returns for the year but outperformed their respective benchmarks due to stock selection. The Emerging Markets Stock Fund also had negative returns for the 12-month period and performed in line with its benchmark. Over the six-month period, the International Stock Fund and Overseas Stock Fund generated positive returns and outperformed their benchmarks. The International Stock Fund outperformed due to stock selection in the industrials and business services sector, while the Overseas Stock Fund outperformed due to stock selection in the consumer discretionary and telecommunication services sectors.

ASSET CLASS ALLOCATION



MUTUAL FUND ALLOCATION



Performance Comparison as of June 30, 2012

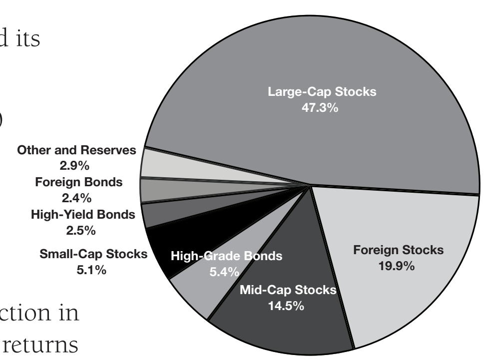
	6 MONTHS	12 MONTHS	ANNUALIZED SINCE INCEPTION**
PORTFOLIO 2027	8.30%	-0.25%	2.90%
Weighted Benchmark*	7.95%	-0.26%	2.58%

PORTFOLIO 2024

Portfolio 2024 had a positive return for the six and 12 months ended June 30, 2012. The Portfolio outperformed its weighted benchmark over the six-month period but lagged its weighted benchmark over the 12-month period.

Among U.S. equity holdings, the Portfolio had a large investment in the Equity Index 500 Fund, which generated solid returns for the six and 12 months ended June 30, 2012. For the 12-month period, the Small-Cap Stock Fund and Blue Chip Growth Fund outperformed their benchmarks and had positive returns. The Value Fund had a slight negative return and underperformed its benchmark due to stock selection in the utilities sector. For the six-month period, the Small-Cap Stock Fund and Blue Chip Growth Fund produced strong returns and outperformed their respective benchmarks due to stock selection in the consumer discretionary sector. The Value Fund and Mid-Cap Growth Fund had solid returns but underperformed their benchmarks.

ASSET CLASS ALLOCATION

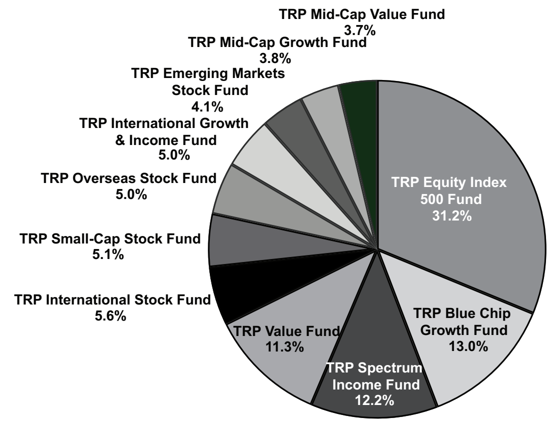


The International Stock Fund and Overseas Stock Fund generated negative absolute returns for the year but outperformed their respective benchmarks due to stock selection. The Emerging Markets Stock Fund also had negative returns for the 12-month period and performed in line with its benchmark. Over the six-month period, the International Stock Fund and Overseas Stock Fund generated positive returns and outperformed their benchmarks. The International Stock Fund outperformed due to stock selection in the industrials and business services sector, while the Overseas Stock Fund outperformed due to stock selection in the consumer discretionary and telecommunication services sectors.

PORTFOLIO 2024, CONTINUED

The Portfolio's fixed income holdings in the Spectrum Income Fund posted a solid gain for the full year ended June 30, 2012, as did its benchmark, the Barclays U.S. Aggregate Bond Index. However, the Spectrum Income Fund underperformed its benchmark over the 12-month period due to its exposure to high yield bonds, non-U.S. bonds, and dividend-paying stocks. Over the six-month period ended June 30, 2012, the Spectrum Income Fund had solid returns and outperformed its benchmark, due primarily to out-of-benchmark allocations in dividend-paying equities, high yield bonds, and non-U.S. bonds.

MUTUAL FUND ALLOCATION



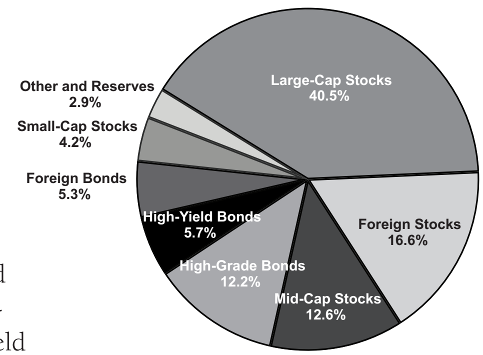
Performance Comparison as of June 30, 2012

	6 MONTHS	12 MONTHS	ANNUALIZED SINCE INCEPTION**
PORTFOLIO 2024	7.99%	0.38%	5.44%
Weighted Benchmark*	7.34%	0.67%	5.34%

PORTFOLIO 2021

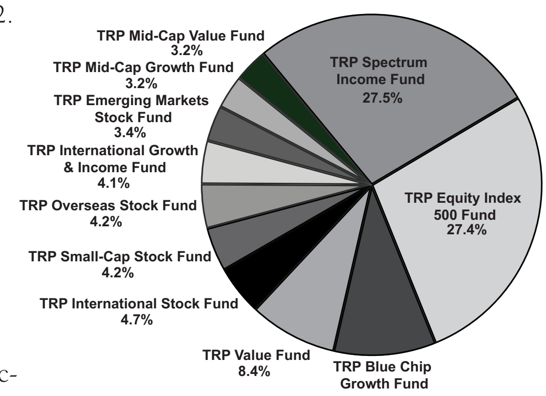
Portfolio 2021 had a positive return for the six and 12 months ended June 30, 2012. The Portfolio outperformed its weighted benchmark over the six-month period but lagged its weighted benchmark over the 12-month period.

ASSET CLASS ALLOCATION



The Portfolio's fixed income holdings in the Spectrum Income Fund posted a solid gain for the full year ended June 30, 2012, as did its benchmark, the Barclays U.S. Aggregate Index. However, the Spectrum Income Fund underperformed its benchmark over the 12-month period. Its exposure to high yield bonds, non-U.S. bonds, and dividend-paying stocks weighed on relative performance over the period. Over the six-month period ended June 30, 2012, the Spectrum Income Fund had solid returns and outperformed its benchmark, primarily due to out-of-benchmark allocations in dividend-paying equities, high yield bonds, and emerging market bonds.

MUTUAL FUND ALLOCATION



Among U.S. equity holdings, the Portfolio has a large investment in the Equity Index 500 Fund, which generated solid returns for the six and 12 months ended June 30, 2012. For the 12-month period, the Small-Cap Stock Fund and Blue Chip Growth Fund outperformed their benchmarks and had positive returns. The Value Fund had a slight negative return and underperformed its benchmark due to stock selection in the utilities sector. For the six-month period, the Small-Cap Stock Fund and Blue Chip Growth Fund produced strong returns and outperformed their respective benchmarks due to stock selection in the consumer discretionary sector. The Value Fund and Mid-Cap Growth Funds had solid returns but underperformed their benchmarks.

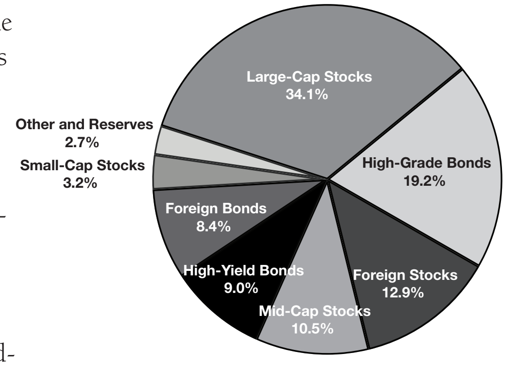
The International Stock Fund and Overseas Stock Fund generated negative absolute returns for the year but outperformed their respective benchmarks due to stock selection. The Emerging Markets Stock Fund also had negative returns for the 12-month period and performed in line with its benchmark. Over the six-month period, the International Stock Fund and Overseas Stock Fund generated positive returns and outperformed their benchmarks. The International Stock Fund outperformed due to stock selection in the industrials and business services sector, while the Overseas Stock Fund outperformed due to stock selection in the consumer discretionary and telecommunication services sectors.

Performance Comparison as of June 30, 2012

	6 MONTHS	12 MONTHS	ANNUALIZED SINCE INCEPTION**
PORTFOLIO 2021	7.50%	1.33%	4.47%
Weighted Benchmark*	6.54%	1.98%	4.71%

PORTFOLIO 2018

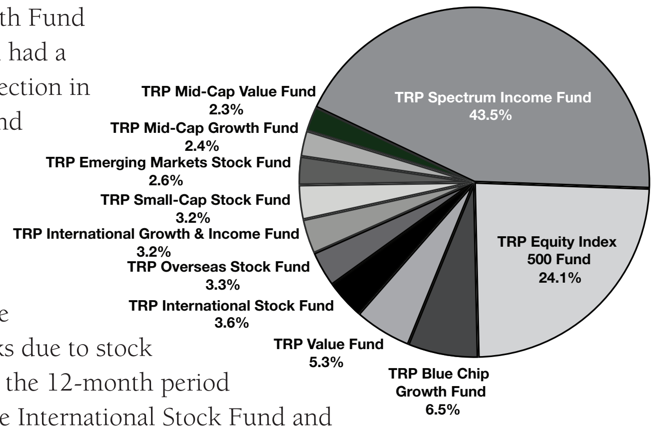
ASSET CLASS ALLOCATION



Portfolio 2018 had a positive return for the six and 12 months ended June 30, 2012. The Portfolio outperformed its weighted benchmark over the six-month period but lagged its weighted benchmark over the 12-month period.

The Portfolio's fixed income holdings in the Spectrum Income Fund posted a solid gain for the full year ended June 30, 2012, as did its benchmark, the Barclays U.S. Aggregate Bond Index. However, the Spectrum Income Fund underperformed its benchmark over the 12-month period. Its exposure to high yield bonds, non-U.S. bonds, and dividend-paying stocks weighed on relative performance over the period. Over the six-month period ended June 30, 2012, the Spectrum Income Fund had solid returns and outperformed its benchmark, primarily due to out-of-benchmark allocations in dividend-paying equities, high yield bonds, and emerging market bonds.

MUTUAL FUND ALLOCATION



Among U.S. equity holdings, the Portfolio was primarily invested in the Equity Index 500 Fund, which generated solid returns for the six and 12 months ended June 30, 2012. For the 12-month period, the Small-Cap Stock Fund and Blue Chip Growth Fund outperformed their benchmarks and had positive returns. The Value Fund had a slight negative return and underperformed its benchmark due to stock selection in the utilities sector. For the six-month period, the Small-Cap Stock Fund and Blue Chip Growth Fund produced strong returns and outperformed their respective benchmarks. The Value Fund and Mid-Cap Growth Fund had solid returns but underperformed their benchmarks due to stock selection in the information technology sector.

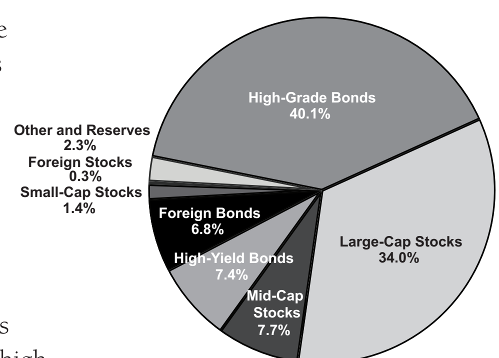
The International Stock Fund and Overseas Stock Fund generated negative absolute returns for the year but outperformed their respective benchmarks due to stock selection. The Emerging Markets Stock Fund also had negative returns for the 12-month period and performed in line with its benchmark. Over the six-month period, the International Stock Fund and Overseas Stock Fund generated positive returns and outperformed their benchmarks. The International Stock Fund outperformed due to stock selection in the industrials and business services sector, while the Overseas Stock Fund outperformed due to stock selection in the consumer discretionary and telecommunication services sectors.

Performance Comparison as of June 30, 2012

	6 MONTHS	12 MONTHS	ANNUALIZED SINCE INCEPTION**
PORTFOLIO 2018	6.87%	2.17%	4.70%
Weighted Benchmark*	5.67%	3.35%	4.93%

PORTFOLIO 2015

ASSET CLASS ALLOCATION

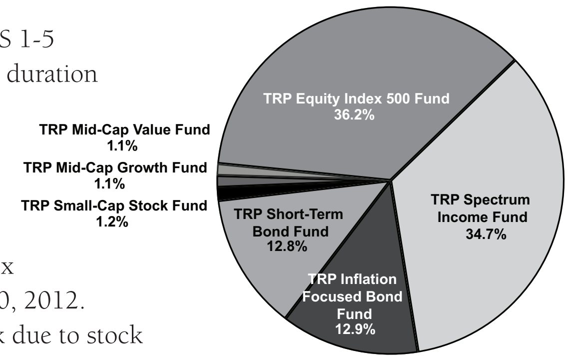


Portfolio 2015 had a positive return for the six and 12 months ended June 30, 2012. The Portfolio outperformed its weighted benchmark over the six-month period but lagged its weighted benchmark over the 12-month period.

The Portfolio's fixed income holdings in the Spectrum Income Fund posted a solid gain for the full year ended June 30, 2012, as did its benchmark, the Barclays U.S. Aggregate Index. However, the Spectrum Income Fund underperformed its benchmark over the 12-month period. Its exposure to high yield bonds, non-U.S. bonds, and dividend-paying stocks weighed on relative performance over the period. Over the six-month period ended June 30, 2012, the Spectrum Income Fund had solid returns and outperformed its benchmark, primarily due to out-of-benchmark allocations in dividend-paying equities, high yield bonds, and emerging market bonds. A large position in the Short-Term Bond Fund also contributed positively to performance in both the six- and 12-month periods ended June 30, 2012. The Short-Term Bond Fund benefited from maintaining a slightly longer duration than its benchmark as rates declined substantially over the past year.

PORTFOLIO 2015, CONTINUED

MUTUAL FUND ALLOCATION



The Inflation Focused Bond Fund underperformed the Barclays U.S. Treasury TIPS 1-5 Year benchmark for the past 12 months. The Fund generally maintained a shorter duration (interest rate sensitivity) than the benchmark, and this defensive positioning detracted from relative performance as yields fell substantially during the period. Although the Fund underperformed, its out-of-benchmark exposure to investment-grade corporate debt provided a boost to relative returns.

Among U.S. equity holdings, the Portfolio is primarily invested in the Equity Index 500 Fund, which generated solid returns for the six and 12 months ended June 30, 2012. For the 12-month period, the Small-Cap Stock Fund outperformed its benchmark due to stock selection in the consumer discretionary and health care sectors. The Value Fund had slightly negative returns for the 12-month period and lagged its benchmark. For the six-month period, the Small-Cap Stock Fund produced strong returns and outperformed its respective benchmark due to stock selection in the information technology and consumer discretionary sectors. The Mid-Cap Growth Fund had solid returns but underperformed its benchmark due to stock selection in the information technology and materials sectors.

Performance Comparison as of June 30, 2012

	6 MONTHS	12 MONTHS	ANNUALIZED SINCE INCEPTION**
PORTFOLIO 2015	5.84%	3.82%	5.02%
Weighted Benchmark*	5.30%	5.52%	5.17%

PORTFOLIO 2012

Portfolio 2012 was merged into the Portfolio for College on June 8, 2012, as it reached its target date. Therefore, the information for Portfolio 2012 is presented for the five and 11 months ended May 31, 2012. Throughout this 11-month period, the Portfolio's asset allocation and mutual fund allocation became more conservative and increasingly similar to that of the Portfolio for College.

Portfolio 2012 produced positive absolute results for the five months ended May 31, 2012, but underperformed its weighted benchmark as the Portfolio's bond holdings transitioned fully into the conservative Short-Term Bond Fund.

Over the 11-month period, the Portfolio produced modest positive returns but underperformed its weighted benchmark. The Portfolio trailed the benchmark due to the Spectrum Income Fund's allocation to out-of-benchmark securities such as dividend-paying stocks, high yield bonds, and non-U.S. bonds, which weighed on relative performance in the first part of the 11-month period.

Performance Comparison as of May 31, 2012

	5 MONTHS	11 MONTHS	ANNUALIZED SINCE INCEPTION**
PORTFOLIO 2012	2.53%	1.36%	4.71%
Weighted Benchmark*	2.74%	3.62%	4.86%

PORTFOLIO FOR COLLEGE

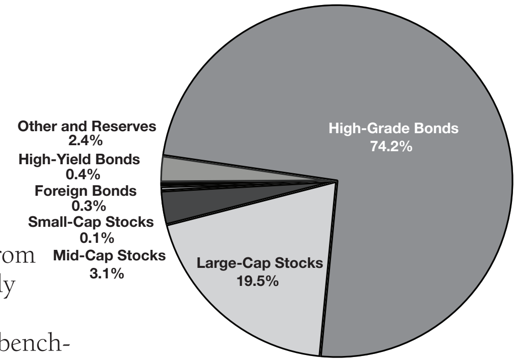
The Portfolio for College posted modest gains for the six and 12 months ended June 30, 2012. Results for the six- and 12-month periods outperformed the Portfolio's weighted benchmark.

Over the six- and 12-month periods, the Portfolio's equity component, represented by the Equity Index 500 Fund, was the primary contributor to absolute performance as the stock market continued to recover.

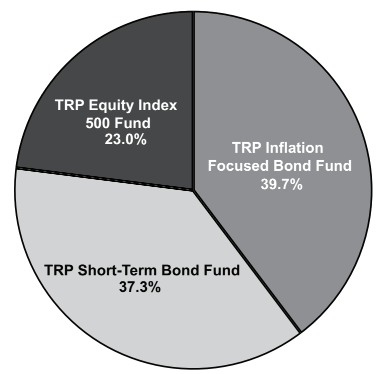
A large position in the Short-Term Bond Fund also contributed positively to performance in both the six- and 12-month periods. The Short-Term Bond Fund benefited from maintaining a slightly longer duration than its benchmark as rates declined substantially over the past year, as well as an allocation to corporate bonds. The Fund's allocation to asset-backed and commercial mortgage-backed securities, which are not in the Fund's benchmark, performed well over the six-month period ended June 30, 2012.

In addition, the Inflation Focused Bond Fund underperformed the Barclays U.S. Treasury TIPS 1-5 Year benchmark for the past 12 months. The Fund generally maintained a shorter duration (interest rate sensitivity) than the benchmark, and this defensive positioning detracted from relative performance as yields fell substantially during the period. Although the Fund underperformed, its out-of-benchmark exposure to investment-grade corporate debt provided a boost to relative returns.

ASSET CLASS ALLOCATION



MUTUAL FUND ALLOCATION



Performance Comparison as of June 30, 2012

	6 MONTHS	12 MONTHS	ANNUALIZED SINCE INCEPTION**
PORTFOLIO FOR COLLEGE	3.00%	2.32%	3.25%
Weighted Benchmark*	2.60%	2.22%	3.28%

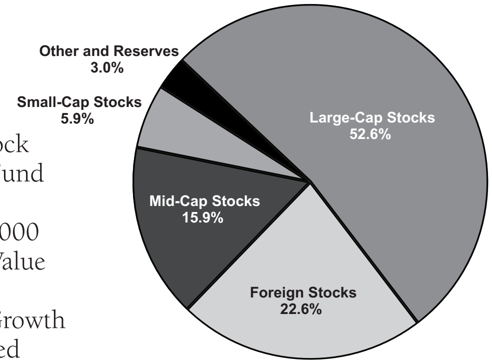
EQUITY PORTFOLIO

The Equity Portfolio posted a positive return for the six months ended June 30, 2012, and a loss for the 12 months ended June 30, 2012. The Portfolio outperformed its weighted benchmark over the six- and 12-month periods.

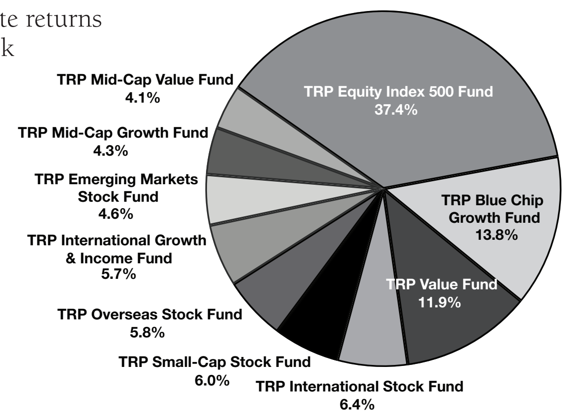
Among U.S. equity holdings, the Portfolio's investments had positive returns for the six months ended June 30, 2012, and generated mixed returns for the 12 months ended June 30, 2012. For the 12-month period, the Blue Chip Growth Fund and Small-Cap Stock Fund outperformed their benchmarks and had positive returns. The Blue Chip Growth Fund outperformed the Russell 1000 Growth Index due to stock selection in the information technology and materials sectors. The Small-Cap Stock Fund outperformed the Russell 2000 Index due to stock selection in the consumer discretionary and health care sectors. The Value Fund and Mid-Cap Value Fund both posted negative 12-month returns and lagged their respective benchmarks due to stock selection. For the six-month period, the Blue Chip Growth Fund and Small-Cap Stock Fund outperformed their respective benchmarks and produced positive returns. The Value Fund had solid positive returns but underperformed its benchmark due to stock selection in the information technology and telecommunications sectors.

The International Stock Fund and Overseas Stock Fund generated negative absolute returns for the year but outperformed their respective benchmarks. The International Stock Fund outperformed the MSCI EAFE Growth Index due to stock selection and an underweight allocation to the materials sector. Stock selection in the industrials and business services sector also contributed to relative results. The Emerging Markets Stock Fund also had a negative return for the 12-month period but performed in line with its benchmark. Over the six-month period, the International Stock Fund and Overseas Stock Fund generated positive returns and outperformed their benchmarks. The International Stock Fund outperformed due to stock selection in the industrials and business services sector, while the Overseas Stock Fund outperformed due to stock selection in the consumer discretionary and telecommunication services sectors.

ASSET CLASS ALLOCATION



MUTUAL FUND ALLOCATION



Performance Comparison as of June 30, 2012

	6 MONTHS	12 MONTHS	ANNUALIZED SINCE INCEPTION**
EQUITY PORTFOLIO	8.28%	-0.17%	4.28%
Weighted Benchmark*	7.95%	-0.26%	4.36%

TOTAL EQUITY MARKET INDEX PORTFOLIO

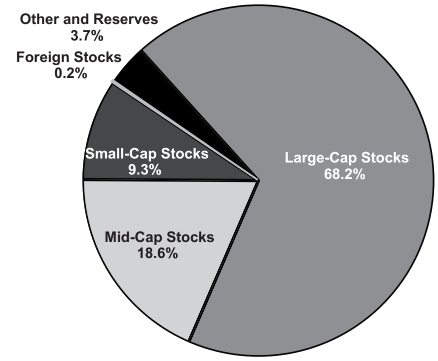
The Total Equity Market Index Portfolio had positive returns for the six and 12 months ended June 30, 2012. The Portfolio underperformed its benchmark for the six- and 12-month periods reflecting the Portfolio's expenses.

U.S. stocks rose slightly in the 12-month period. However, gains were partly offset by losses in the second quarter of 2012 as continued European sovereign debt concerns, a weak Chinese growth profile, and soft U.S. economic data raised concerns about the durability of the recovery. Large-caps outperformed mid- and small-cap shares for the six- and 12-month periods. Within the large-cap universe, growth stocks outperformed value stocks over the six- and 12-month periods. In general, small- and mid-cap growth stocks slightly outperformed over the six-month period but lagged their value counterparts over the 12-month period.

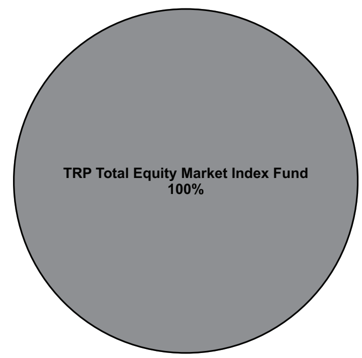
For the year, defensive sectors produced solid returns and outpaced economically sensitive sectors, including energy and materials. The utilities, telecommunication services, and consumer staples sectors paced the index and the Fund over the year. Energy and materials stocks fell sharply over the year, driven by weakening global demand and a supply glut in oil and natural gas. The industrials and business services sector posted slight negative results partly due to economic uncertainty.

Equity markets rose during the first six months of 2012 despite more bad news out of Europe and slowing growth in China. Volatility remained elevated—the market started the year off strongly only to give up some of those gains during the second quarter of 2012.

ASSET CLASS ALLOCATION



MUTUAL FUND ALLOCATION



Performance Comparison as of June 30, 2012

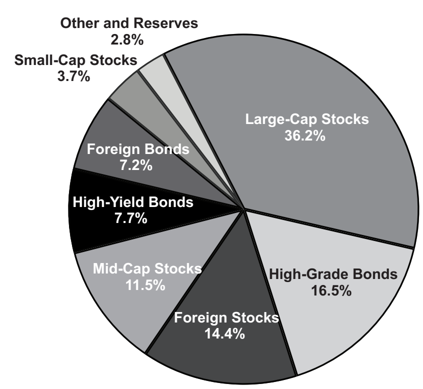
	6 MONTHS	12 MONTHS	ANNUALIZED SINCE INCEPTION**
TOTAL EQUITY MARKET INDEX PORTFOLIO	9.07%	3.44%	3.13%
S&P Total Market Index	9.37%	3.85%	3.46%

BALANCED PORTFOLIO

The Balanced Portfolio had a positive return for the six and 12 months ended June 30, 2012. The Portfolio outperformed its weighted benchmark over the six-month period, but lagged its benchmark over the 12-month period.

Among U.S. equity holdings, the Portfolio's investments had solid returns for the six months ended June 30, 2012 and mixed results for the 12 months ended June 30, 2012. For the 12-month period, the Small-Cap Stock and Blue Chip Growth Funds outperformed their benchmarks and had positive returns due to stock selection. The Value Fund underperformed its benchmark, the Russell 1000 Value Index, due to stock selection in the utilities and consumer staples sectors. For the six-month period, the Blue Chip Growth Fund and Small-Cap Stock Fund outperformed their respective benchmarks and produced positive returns. The Value Fund had solid positive returns but underperformed its benchmark due to stock selection in the information technology and telecommunications sectors. The Mid-Cap Growth Fund had a solid positive return but underperformed the Russell Mid-Cap Growth Index due to stock selection in the information technology sector.

ASSET CLASS ALLOCATION

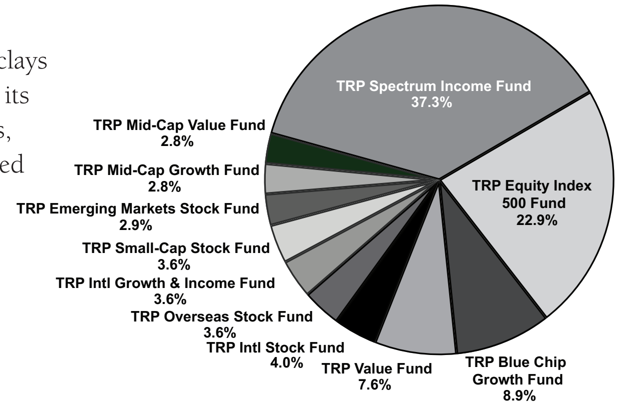


The International Stock Fund and Overseas Stock Fund generated negative absolute returns for the year but outperformed their respective benchmarks due to stock selection. The Emerging Markets Stock Fund also had a negative return for the 12-month period but performed in line with its benchmark. Over the six-month period, the International Stock Fund and Overseas Stock Fund generated positive returns and outperformed their benchmarks. The International Stock Fund outperformed due to stock selection in the industrials and business services sector, while the Overseas Stock Fund outperformed due to stock selection in the consumer discretionary and telecommunication services sectors.

BALANCED PORTFOLIO, CONTINUED

The Portfolio's fixed income holdings in the Spectrum Income Fund posted a positive gain for the year ended June 30, 2012, as did its benchmark, the Barclays U.S. Aggregate Index. However, the Spectrum Income Fund underperformed its benchmark over the 12-month period due to its exposure to high yield bonds, non-U.S. bonds, and dividend-paying stocks. Over the six-month period ended June 30, 2012, the Spectrum Income Fund had solid returns and outperformed its benchmark primarily due to out-of-benchmark allocations in dividend-paying equities, high yield bonds, and non-U.S. bonds.

MUTUAL FUND ALLOCATION



Performance Comparison as of June 30, 2012

	6 MONTHS	12 MONTHS	ANNUALIZED SINCE INCEPTION**
BALANCED PORTFOLIO	7.03%	2.01%	5.47%
Weighted Benchmark*	5.86%	3.29%	5.29%

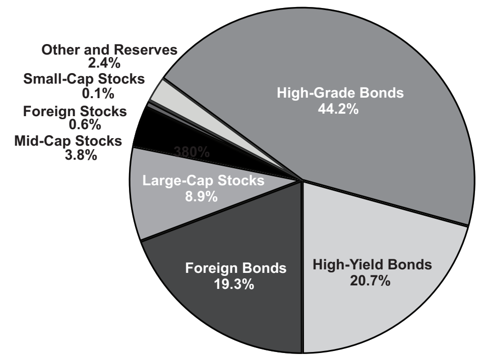
BOND AND INCOME PORTFOLIO

The Bond and Income Portfolio posted a positive return for the six and 12 months ended June 30, 2012. The Portfolio outperformed its benchmark, the Barclays U.S. Aggregate Bond Index, over the six-month period, but lagged over the 12-month period.

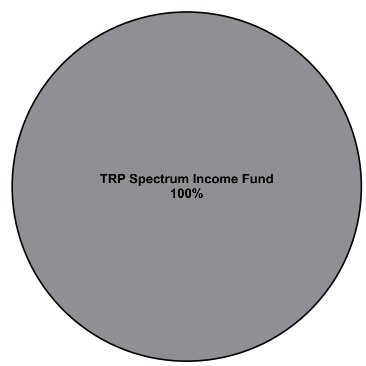
The Spectrum Income Fund invests in a diverse array of fixed income mutual funds, blending core investment-grade securities that are included in the benchmark with securities from diversifying sectors, such as high yield bonds, non-U.S bonds, emerging market bonds, and dividend-paying stocks.

The Spectrum Income Fund underperformed its benchmark over the 12-month period due to its exposure to high yield bonds, non-U.S. bonds, and dividend-paying stocks, which weighed on relative performance. Over the six-month period ended June 30, 2012, the Spectrum Income Fund outperformed its benchmark due primarily to out-of-benchmark allocations in dividend-paying equities, high yield bonds, and emerging market bonds.

ASSET CLASS ALLOCATION



MUTUAL FUND ALLOCATION



Performance Comparison as of June 30, 2012

	6 MONTHS	12 MONTHS	ANNUALIZED SINCE INCEPTION**
BOND & INCOME PORTFOLIO	4.64%	4.90%	6.60%
Barclays Capital U.S. Aggregate Index	2.37%	7.47%	5.62%

SHORT-TERM BOND PORTFOLIO

The Short-Term Bond Portfolio posted a modest gain for the six and 12 months ended June 30, 2012. The Portfolio outperformed the Barclays 1–3 Year U.S. Government/Credit Index over the six- and 12-month periods.

Over the past 12 months, the Short-Term Bond Portfolio's investment strategy emphasized investment-grade corporate bonds over short-term U.S. Treasuries due to the better yields available on corporate debt. The Portfolio was overweight in corporate bonds based on attractive valuations in a slowly improving economic environment.

Over the six and 12 month reporting periods, the Short-Term Bond Fund benefited from maintaining a slightly longer duration than its benchmark as rates declined substantially over the past year. The Portfolio's allocation to asset-backed and commercial mortgage-backed securities, which are not in the fund's benchmark, performed well over the six-month period ended June 30, 2012.

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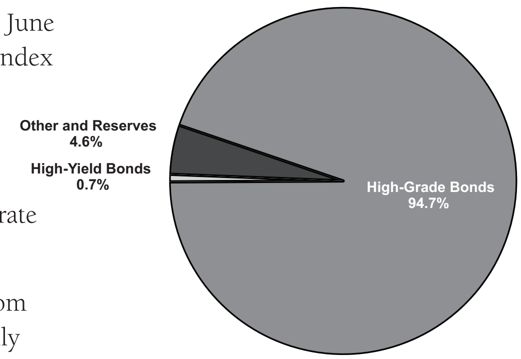
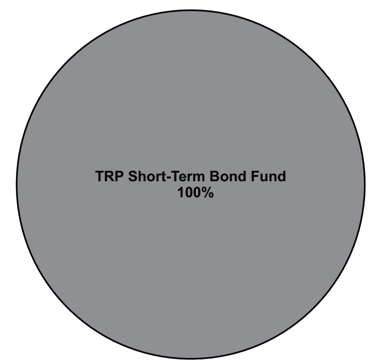
Performance Comparison as of June 30, 2012

	6 MONTHS	12 MONTHS	ANNUALIZED SINCE INCEPTION**
SHORT-TERM BOND PORTFOLIO	1.63%	1.55%	3.14%
Barclays Capital 1–3 Year U.S. Government/Credit Index	0.58%	1.12%	3.28%

ASSET CLASS ALLOCATION



MUTUAL FUND ALLOCATION



U.S. TREASURY MONEY MARKET PORTFOLIO

In an extremely low interest rate environment, the Portfolio posted no return for the six and 12 months ended June 30, 2012. The Portfolio's results slightly underperformed its benchmark, the Citigroup 90-Day Treasury Bill Index, reflecting the Portfolio's expenses.

An unchanged Federal Reserve policy, which has targeted a fed funds rate of 0.00% to 0.25% since late 2008, continued to compress money market rates. All money market instruments trade in a very narrow range around the fed funds target rate. The result has been paltry yields for money fund investors. Rising food and energy prices early in the period faded amid economic weakening, suggesting that the Fed will not move to increase short-term rates until economic data demonstrate sustained job growth or widespread inflation pressures.

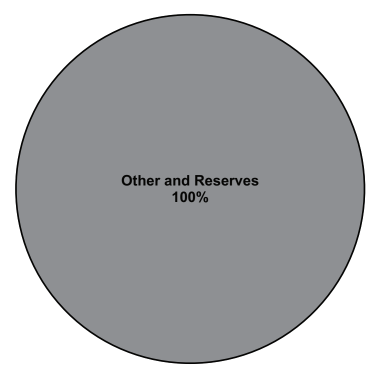
A set of disappointing economic data in April, May, and June validated the Federal Reserve's view that it will take time for the economy to work through the factors that precipitated the financial crisis that began in 2008. Inflation readings near the end of the period also remained moderate despite recent economic gains. Yields are expected to remain at extremely low levels until the Fed sees consistent improvement in the U.S. economy.

In an effort to maintain a zero or positive net yield for the Portfolio, T. Rowe Price voluntarily waived a portion of the Program Fee, which it is entitled to receive from the Portfolio. For the 12-month period ended June 30, 2012, the total amount of the Program Fee waived was $35,235.35. A fee waiver has the effect of increasing the Portfolio's net yield. This voluntary waiver is in addition to any contractual expense ratio limitation in effect for the Portfolio and may be amended or terminated at any time without prior notice. Please see the Plan Disclosure Statement for more details.

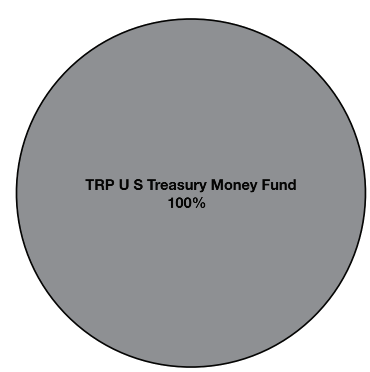
Performance Comparison as of June 30, 2012

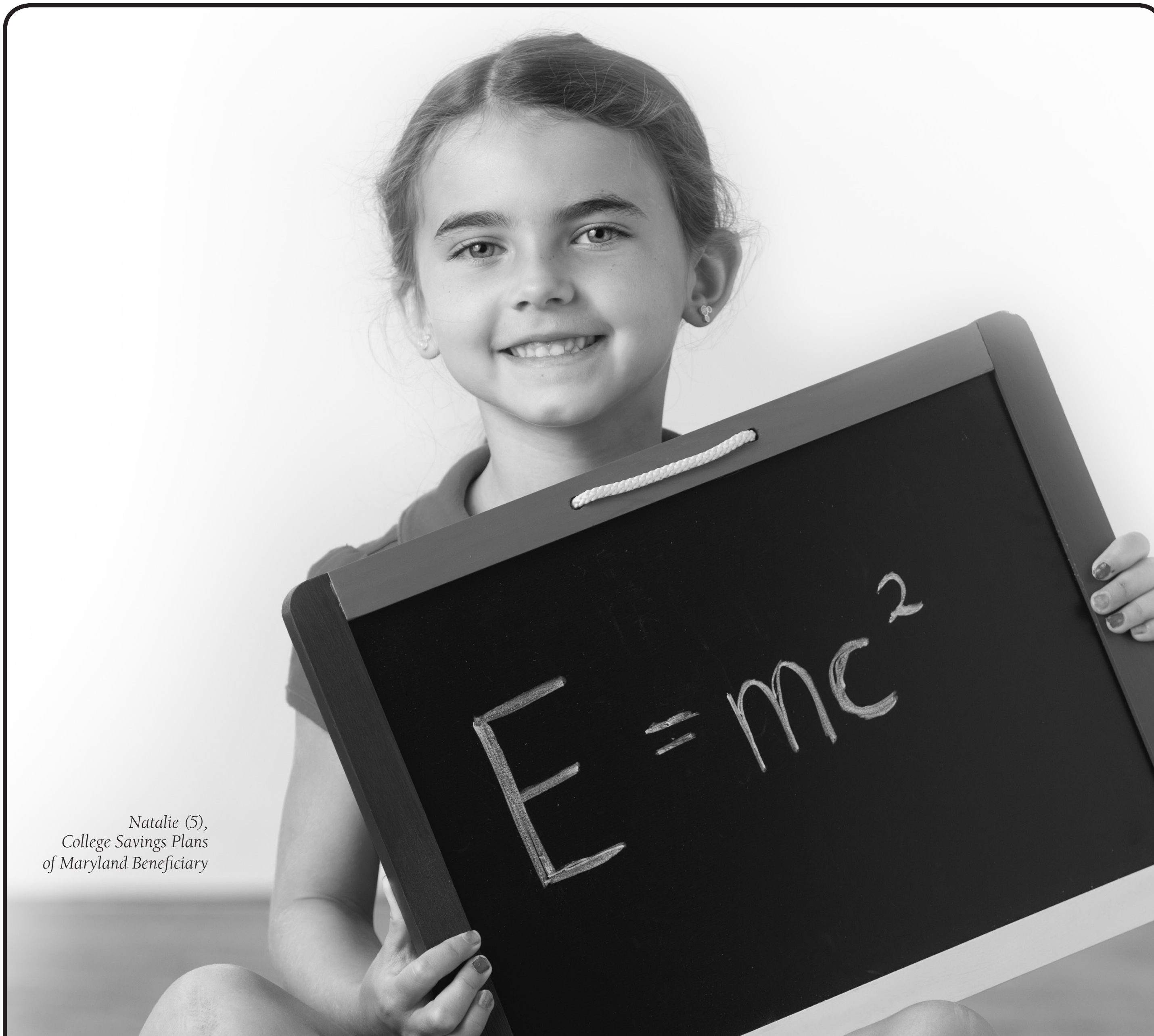
	6 MONTHS	12 MONTHS	ANNUALIZED SINCE INCEPTION**
U.S. TREASURY MONEY MARKET PORTFOLIO	0.00%	0.00%	0.00%
Citigroup 90-Day Treasury Bill Index	0.03%	0.04%	0.09%

ASSET CLASS ALLOCATION



MUTUAL FUND ALLOCATION





Natalie (5),
College Savings Plans
of Maryland Beneficiary

For the most recent College Investment Plan investment performance, please visit our website at **CollegeSavingsMD.org.** This information includes annualized three and five year returns. For descriptions of the mutual funds in each investment portfolio, please see the College Investment Plan Disclosure Statement, **Investment Information,** *The Underlying Fund Characteristics.*

** The Weighted Benchmark, which varies by portfolio, is an unmanaged composite of the benchmark associated with each asset class and investment style contained within the portfolio.*

*** Inception date for Portfolio 2030 and the U.S. Treasury Money Market Portfolio is December 31, 2009. Inception date for Portfolio 2027 and the Total Equity Market Index Portfolio is June 30, 2006. Benchmark performance commenced on the same date. Inception date for Portfolio 2024 and the Short-Term Bond Portfolio is October 31, 2003. Benchmark performance commenced on the same date. Inception date for all other portfolios is November 26, 2001. Benchmark performance for these portfolios commenced on November 30, 2001.*

Jacob (1 week old),
College Savings Plans
of Maryland Beneficiary

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, 2012. 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 and contributions are received in good order, distributions from an account are recognized when paid, and expenses and liabilities are recognized when services are provided, regardless of when cash is exchanged.

We classify assets as current and noncurrent. Current assets consist primarily of investments, which comprise in excess of 99% of current assets. Net assets consist primarily of contributions to accounts and investment earnings or losses, net of distributions from accounts.

Additions to net assets resulted from 19,591 new accounts, $332 million in account holder contributions to portfolios, $91 million in exchanges and transfers, $272 million in transfers from maturing portfolios, and $54 million in net investment income. Deductions from net assets include $159 million in distributions to account holders, $91 million in exchanges and transfers, and $272 million in transfers to maturing portfolios for the fiscal year. This resulted in an increase in net assets of $226 million for the Plan.

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 account contributions, increases or decreases in the fair value of investments, and distributions from the Plan. Additions represent contributions to accounts in the College Investment Plan and investment income. Deductions represent distributions from accounts.

COLLEGE INVESTMENT PLAN FEES

The College Investment Plan charges fees to Account Holders including fees of the underlying mutual funds and a program fee. For additional information, see footnote 5 of the Notes to Financial Statements on page 42 and the Supplementary Information beginning on page 44.

Each investment portfolio indirectly bears its pro-rata share of the fees and expenses of the underlying mutual funds in which it invests. These fees are not charged directly to a portfolio, but are included in the net asset value of the mutual funds held by the College Investment Plan. The pro-rata share of the fees and expenses is calculated based on the amount that each portfolio invests in a mutual fund and the expense ratio (the ratio of expenses to average net assets) of that mutual fund.

Each portfolio is charged a program fee for administration and management of the College Investment Plan. T. Rowe Price Associates, Inc. (Program Manager) receives the program fee, which equals 0.20% per year of the assets of each investment portfolio. Payment of the program fee by a portfolio is already reflected in the portfolio's net asset value.

The College Investment Plan's aggregate program fees plus its pro-rata share of expenses from the underlying mutual funds may not exceed 0.87% of the College Investment Plan's average net assets in any year. If necessary to remain at the 0.87% limit, the Program Manager will reduce the rate of the program fee charged to each portfolio. Program fees reduced in any year will be repaid by the College Investment Plan to the Program Manager in the following years if repayment would not cause the College Investment Plan's effective expense ratio to exceed the 0.87% limit.

PORTFOLIO FINANCIAL STATEMENTS

The Statements of Net Assets, the Statement of Operations and Changes in Net Assets and the Financial Highlights for each portfolio 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, 2012.

The Statements of Net Assets detail the investments and net assets of 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 Statements of Operations and Changes in Net Assets report the net 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 Governor and the General Assembly for informational purposes only. 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.

Statement of Fiduciary Net Assets
As of June 30, 2012
(amounts in thousands)

ASSETS	
Current assets:	
Investments, at fair value	$2,675,273
LIABILITIES	
Current liabilities:	
Other liabilities	478
NET ASSETS	
Restricted held in trust for:	
Individuals and organizations	2,674,795
TOTAL NET ASSETS	$2,674,795

See accompanying Notes to Financial Statements.

Statement of Changes in Fiduciary Net Assets
For the Fiscal Year Ended June 30, 2012

(amounts in thousands)

ADDITIONS

Contributions:	
Account holder contributions to portfolios	$ 331,732
Exchanges and transfers	91,089
Account holder contributions	422,821
Transfers from maturing portfolios	272,041
Total Contributions	694,862
Investment Income:	
Net increase in fair value of investments	7,918
Investment income	45,607
Net investment income	53,525
Total Additions	748,387

DEDUCTIONS

Distributions:	
Payments in accordance with trust agreements	159,187
Exchanges and transfers	91,089
Account holder distributions	250,276
Transfers to maturing portfolios	272,041
Total Deductions	522,317
Net change in net assets	226,070
Net assets, beginning of year	2,448,725
Net assets, end of year	$2,674,795

See accompanying Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2012

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 generally offers eight enrollment-based and six fixed-investment portfolios (individually, a Portfolio and collectively, the Portfolios). Each Portfolio invests in predetermined underlying equity, fixed income, fund-of-funds, and/or money market mutual funds (Underlying Mutual Funds) managed by Price Associates, and/or its affiliated investment advisors. Each Underlying Mutual Fund is registered with the Securities and Exchange Commission under the Investment Company Act of 1940.

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 Code Annotated Education Article, Section 18, Subtitle 19A (Enabling Legislation). The Board directs the Trust; it consists of 10 members, five of whom are ex-officio members. The ex-officio members are the State Comptroller, the State Treasurer, the Secretary of Higher Education, 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. Effective 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 was made permanent by the Pension Protection Act of 2006.

All administrative costs for the College Savings Plans of Maryland, including the Plan, are accounted for in the financial statements of the Maryland 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 Program Manager believes that estimates and valuations of the Underlying Mutual Funds are appropriate; however, actual results may differ from those estimates, and the valuations reflected in the accompanying financial statements may differ from the value ultimately received upon sale of the Underlying Mutual Funds. 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, distributions from, and exchanges between Portfolios of the Plan are recorded upon receipt of participant instructions in good order, based on the next determined net asset value per unit. For all Portfolios other than the US Treasury Money Market Portfolio, net investment income and net realized gains accumulate in the net asset value of the Portfolio and are not separately distributed to participants. The US Treasury Money Market Portfolio declares a daily dividend of net investment income, which is automatically reinvested in the participant's account monthly.

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 an investor is 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, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools.* 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. Changes in unrealized gain/loss resulting from changes in the fair values of investments are recognized daily in each Portfolio's net asset value per unit and, for the fiscal year, are reflected in the Plan's accompanying Statement of Changes in Fiduciary Net Assets.

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.

On June 30, 2012, 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	$ 121,401	$ 50,966	$ 172,367
T. Rowe Price Equity Index 500 Fund	596,566	125,152	721,718
T. Rowe Price Mid-Cap Growth Fund	44,402	14,961	59,363
T. Rowe Price Mid-Cap Value Fund	48,186	9,720	57,906
T. Rowe Price Small-Cap Stock Fund	58,209	19,879	78,088
T. Rowe Price Total Equity Market Index Fund	50,771	8,109	58,880
T. Rowe Price Value Fund	118,147	29,978	148,125
Total domestic stock funds	1,037,682	258,765	1,296,447
International stock funds			
T. Rowe Price Emerging Markets Stock Fund	54,818	4,031	58,849
T. Rowe Price Int'l. Growth & Income Fund	69,796	2,507	72,303
T. Rowe Price International Stock Fund	72,807	8,556	81,363
T. Rowe Price Overseas Stock Fund	76,314	(3,295)	73,019
Total international stock funds	273,735	11,799	285,534
Domestic bond funds			
T. Rowe Price Inflation Focused Bond Fund	226,273	835	227,108
T. Rowe Price Short-Term Bond Fund	266,020	3,915	269,935
Total domestic bond funds	492,293	4,750	497,043
Blended asset funds			
T. Rowe Price Spectrum Income Fund	535,745	38,151	573,896
Money market funds			
T. Rowe Price U.S. Treasury Money Fund	$ 22,353	$ 0	$ 22,353
Total investments in Mutual Funds	$2,361,808	$ 313,465	$2,675,273

Each Underlying Mutual Fund that invests in bonds is subject to interest rate risk, which is 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 on June 30, 2012 (in years):

	Weighted Average Maturity	Weighted Average Duration
Domestic bond funds		
T. Rowe Price Short-Term Bond Fund	2.22	1.78
Blended asset funds		
T. Rowe Price Spectrum Income Fund	7.56	4.74

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 Maryland 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, recordkeeping 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, which is accrued daily and paid monthly. The program fee is 0.20% of each Portfolio's average daily net assets. At June 30, 2012, program fees payable by the Portfolios totaled $413,000.

Each Portfolio indirectly bears its pro-rata share of the fees and expenses of the Underlying Mutual Funds in which it invests (indirect expenses). 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 recordkeeping and related account servicing for the Portfolios are borne by each Underlying Mutual Fund in proportion to the average daily value of its shares owned by the Portfolios. During the year ended June 30, 2012, the Underlying Mutual Funds incurred $4,677,000 related to services provided to Plan accounts. 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 0.87% per year (expense limit). For purposes of the limitation, direct expenses are the program fees charged to the Portfolios and indirect expenses reflect 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 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 expense limit. The expense limit has no effect on the computation of the Program Manager Contribution. During the fiscal year ended June 30, 2012, there were no waivers or repayments of program fees pursuant to this limit and there were no amounts subject to future repayment by the Portfolios at year end.

Price Associates has further agreed to limit the direct and indirect expenses of the U.S. Treasury Money Market Portfolio (the Money Market Portfolio). Price Associates will waive all or a portion of the program fees charged to the Money Market Portfolio to the extent payment of the program fee would result in a negative return for the Money Market Portfolio. Program fees waived under this arrangement are subject to later repayment by the Money Market Portfolio to the extent that repayment would not cause a negative return. Further, when any part of the program fee is waived, the Program Manager will not include the Money Market Portfolio assets in the calculation for the Program Manager Contribution until the Program Manager has recovered the full amount of the program fee previously waived. Pursuant to this arrangement, $35,000 of the Money Market Portfolio's program fee was waived during the year ended June 30, 2012, and remains subject to future repayment. Including this amount, fees waived in the amount of $54,000 remain subject to repayment at June 30, 2012.

5. RELATED PARTIES (CONTINUED)

Price Associates has agreed to remit a portion of the program fees earned to the Board, as trustee, to support certain administrative and marketing efforts provided by the Board to the Plan (Program Manager Contribution). Under this agreement, the Board receives an annual amount equal to the greater of: (1) $636,000 or (2) 0.04% of the average monthly net assets of the Plan (average Plan assets) when such assets are between $750 million and $1 billion and an additional 0.06% (for a total of 0.10%) of average Plan assets greater than $1 billion. When any part of the program fee is waived for the Money Market Portfolio, the assets of this portfolio will not be included in the calculation of the Program Manager Contribution. During the year ended June 30, 2012, the Program Manager paid the Board $1,853,000 in accordance with this agreement.

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.

MARYLAND COLLEGE INVESTMENT PLAN As of June 30, 2012

Dollars in thousands, except net asset values per unit

Statement of Net Assets	PORTFOLIO 2030 Shares	PORTFOLIO 2030 Value	PORTFOLIO 2027 Shares	PORTFOLIO 2027 Value	PORTFOLIO 2024 Shares	PORTFOLIO 2024 Value
Investments at Value						
T. Rowe Price Blue Chip Growth Fund	71,160	$ 3,088	450,228	$ 19,540	716,728	$ 31,106
T. Rowe Price Emerging Markets Stock Fund	32,974	981	207,987	6,185	330,550	9,831
T. Rowe Price Equity Index 500 Fund	203,243	7,457	1,286,312	47,195	2,040.566	74,868
T. Rowe Price Inflation Focused Bond Fund	0	0	0	0	0	0
T. Rowe Price International Growth & Income Fund	100,361	1,189	634,946	7,524	1,011,747	11,989
T. Rowe Price International Stock Fund	103,266	1,336	652,916	8,449	1,042,330	13,488
T. Rowe Price Mid-Cap Growth Fund	15,950	906	100,504	5,707	159,328	9,047
T. Rowe Price Mid-Cap Value Fund	38,371	886	240,755	5,556	385,187	8,890
T. Rowe Price Overseas Stock Fund	157,349	1,204	996,051	7,620	1,579,493	12,083
T. Rowe Price Short-Term Bond Fund	0	0	0	0	0	0
T. Rowe Price Small-Cap Stock Fund	34,474	1,190	219,341	7,572	353,019	12,186
T. Rowe Price Spectrum Income Fund	0	0	0	0	2,328,599	29,410
T. Rowe Price Total Equity Market Index Fund	0	0	0	0	0	0
T. Rowe Price U.S. Treasury Money Fund	0	0	0	0	0	0
T. Rowe Price Value Fund	110,626	2,681	700,981	16,992	1,121,702	27,190
Total Investments at Value		20,918		132,340		240,088
Other assets less liabilities		(3)		(21)		(47)
NET ASSETS		**$20,915**		**$132,319**		**$240,041**
Composition of Net Assets:						
Paid-in capital		$ 19,853		$ 113,388		$ 203,458
Retained earnings		1,062		18,931		36,583
Units Outstanding		1,698,578		11,144,610		15,168,499
NET ASSET VALUE PER UNIT[1]		**$ 12.31**		**$ 11.87**		**$ 15.82**
Investments at cost		$ 20,085		$ 115,155		$ 219,713

[1] 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 net asset value per share on the date of valuation.

PORTFOLIO 2021		PORTFOLIO 2018		PORTFOLIO 2015		PORTFOLIO FOR COLLEGE	
Shares	**Value**	**Shares**	**Value**	**Shares**	**Value**	**Shares**	**Value**
786,991	$ 34,155	610,240	$ 26,484	0	$ 0	0	$ 0
397,500	11,822	360,392	10,718	0	0	0	0
2,617,222	96,026	2,696,757	98,944	3,791,382	139,106	2,808,327	103,038
0	0	0	0	9,641,020	49,555	34,543,468	177,553
1,225,218	14,519	1,122,574	13,303	0	0	0	0
1,259,350	16,296	1,155,636	14,954	0	0	0	0
199,140	11,307	169,952	9,650	77,320	4,390	0	0
484,791	11,189	408,112	9,420	187,708	4,332	0	0
1,912,398	14,630	1,753,256	13,412	0	0	0	0
0	0	0	0	10,175,371	49,249	34,539,409	167,171
428,521	14,792	383,447	13,237	133,479	4,607	0	0
7,645,122	96,558	14,146,991	178,676	10,585,014	133,689	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
1,213,491	29,415	901,133	21,843	0	0	0	0
	350,709		410,641		384,928		447,762
	(56)		(103)		(61)		(80)
	$350,653		**$410,538**		**$384,867**		**$447,682**
	$278,243		$314,330		$286,291		$401,566
	72,410		96,208		98,576		46,116
	20,062,268		22,941,537		20,822,114		29,004,391
	$ 17.48		**$ 17.89**		**$ 18.48**		**$ 15.43**
	$298,113		$351,451		$344,300		$430,492

MARYLAND COLLEGE INVESTMENT PLAN

As of June 30, 2012

Dollars in thousands, except net asset values per unit

Statement of Net Assets	EQUITY PORTFOLIO Shares	EQUITY PORTFOLIO Value	TOTAL EQUITY MARKET INDEX PORTFOLIO Shares	TOTAL EQUITY MARKET INDEX PORTFOLIO Value	BALANCED PORTFOLIO Shares	BALANCED PORTFOLIO Value
Investments at Value						
T. Rowe Price Blue Chip Growth Fund	967,356	$ 41,983	0	$ 0	368,903	$ 16,011
T. Rowe Price Emerging Markets Stock Fund	473,205	14,073	0	0	176,171	5,239
T. Rowe Price Equity Index 500 Fund	3,105,036	113,924	0	0	1,121,832	41,160
T. Rowe Price Inflation Focused Bond Fund	0	0	0	0	0	0
T. Rowe Price International Growth & Income Fund	1,466,184	17,374	0	0	540,498	6,405
T. Rowe Price International Stock Fund	1,511,313	19,556	0	0	562,923	7,284
T. Rowe Price Mid-Cap Growth Fund	232,990	13,229	0	0	90,302	5,127
T. Rowe Price Mid-Cap Value Fund	546,708	12,618	0	0	217,294	5,015
T. Rowe Price Overseas Stock Fund	2,292,929	17,541	0	0	853,467	6,529
T. Rowe Price Short-Term Bond Fund	0	0	0	0	0	0
T. Rowe Price Small-Cap Stock Fund	524,416	18,103	0	0	185,431	6,401
T. Rowe Price Spectrum Income Fund	0	0	0	0	5,310,890	67,077
T. Rowe Price Total Equity Market Index Fund	0	0	3,838,313	58,880	0	0
T. Rowe Price U.S. Treasury Money Fund	0	0	0	0	0	0
T. Rowe Price Value Fund	1,494,761	36,233	0	0	568,093	13,771
Total Investments at Value		$ 304,634		58,880		180,019
Other assets less liabilities		(48)		(10)		(29)
NET ASSETS		**$ 304,586**		**$ 58,870**		**$ 179,990**
Composition of Net Assets:						
Paid-in capital		$227,069		$ 49,718		$127,136
Retained earnings		77,517		9,152		52,854
Units Outstanding		17,769,136		4,895,330		9,311,161
NET ASSET VALUE PER UNIT[1]		**$ 17.14**		**$ 12.03**		**$ 19.33**
Investments at cost		$ 244,739		$ 50,771		$150,160

[1] 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 net asset value per share on the date of valuation.

BOND AND INCOME PORTFOLIO		SHORT-TERM BOND PORTFOLIO		U.S. TREASURY MONEY MARKET PORTFOLIO		TOTAL	
Shares	**Value**	**Shares**	**Value**	**Shares**	**Value**	**Shares**	**Value**
0	$ 0	0	$ 0	0	$ 0	3,971,606	$ 172,367
0	0	0	0	0	0	1,978,779	58,849
0	0	0	0	0	0	19,670,677	721,718
0	0	0	0	0	0	44,184,488	227,108
0	0	0	0	0	0	6,101,528	72,303
0	0	0	0	0	0	6,287,734	81,363
0	0	0	0	0	0	1,045,486	59,363
0	0	0	0	0	0	2,508,926	57,906
0	0	0	0	0	0	9,544,943	73,019
0	0	11,056,714	53,515	0	0	55,771,494	269,935
0	0	0	0	0	0	2,262,128	78,088
5,422,470	68,486	0	0	0	0	45,439,086	573,896
0	0	0	0	0	0	3,838,313	58,880
0	0	0	0	22,353,001	22,353	22,353,001	22,353
0	0	0	0	0	0	6,110,787	148,125
	68,486		53,515		22,353		2,675,273
	(11)		(9)		0		(478)
	$ 68,475		**$53,506**		**$22,353**		**$2,674,795**
	$ 46,405		$ 46,589		$ 22,353		$ 2,136,399
	22,070		6,917		0		538,396
	3,163,858		4,093,776		22,352,798		182,428,056
	$ 21.64		**$ 13.07**		**$ 1.00**		
	$ 62,099		$ 52,377		$ 22,353		$ 2,361,808

MARYLAND COLLEGE INVESTMENT PLAN
For the Fiscal Year Ended June 30, 2012
Amounts in thousands

Statement of Operations and Changes in Net Assets	PORTFOLIO 2030	PORTFOLIO 2027	PORTFOLIO 2024	PORTFOLIO 2021	PORTFOLIO 2018	PORTFOLIO 2015
Operations						
Net investment income						
Income distributions from Underlying Mutual Funds	$ 165	$ 1,442	$ 3,408	$ 6,554	$ 9,659	$ 9,225
Program management fee expense	26	224	424	635	750	705
Expenses waived by program manager	0	0	0	0	0	0
Net investment income	139	1,218	2,984	5,919	8,909	8,520
Net realized and unrealized gain (loss)						
Net realized gain (loss)						
Sales of Underlying Mutual Fund shares	(56)	(663)	2,448	35	918	8,979
Capital gain distributions from Underlying Mutual Funds	112	1,108	2,014	2,700	2,616	1,495
Net realized gain (loss)	56	445	4,462	2,735	3,534	10,474
Change in unrealized gain (loss)	442	(298)	(4,869)	(3,052)	(2,731)	(4,748)
Net realized and unrealized gain (loss)	498	147	(407)	(317)	803	5,726
Increase (decrease) in net assets from investments	637	1,365	2,577	5,602	9,712	14,246
Unit Transactions*						
Units issued						
Account holder contributions	13,905	33,895	40,473	45,383	48,882	47,172
Transfer from maturing portfolios	0	0	0	0	0	0
Units redeemed						
Account holder distributions	(321)	(3,531)	(6,184)	(9,671)	(13,717)	(17,539)
Redemption from maturing portfolios	0	0	0	0	0	0
Increase (decrease) in net assets from unit transactions	13,584	30,364	34,289	35,712	35,165	29,633
NET ASSETS						
Increase (decrease) during period	14,221	31,729	36,866	41,314	44,877	43,879
Beginning of period	6,694	100,590	203,175	309,339	365,661	340,988
End of period	**$20,915**	**$132,319**	**$240,041**	**$350,653**	**$410,538**	**$384,867**
***Unit information**						
Units outstanding, beginning of period	542	8,455	12,893	17,930	20,886	19,152
Units issued						
Participant contributions	1,184	2,997	2,679	2,713	2,853	2,660
Transfer from maturing portfolios	0	0	0	0	0	0
Units redeemed						
Participant distributions	(27)	(307)	(404)	(581)	(797)	(990)
Redemption from maturing portfolios	0	0	0	0	0	0
Units outstanding, end of period	1,699	11,145	15,168	20,062	22,942	20,822

PORTFOLIO 2012	PORTFOLIO FOR COLLEGE	EQUITY PORTFOLIO	TOTAL EQUITY MARKET INDEX PORTFOLIO	BALANCED PORTFOLIO	BOND AND INCOME PORTFOLIO	SHORT-TERM BOND PORTFOLIO	US TREASURY MONEY MARKET PORTFOLIO	TOTAL
$ 4,467	$ 3,339	$ 3,758	726	$ 4,048	2,591	1,127	2	$ 50,511
507	390	576	103	337	122	103	37	4,939
0	0	0	0	0	0	0	(35)	(35)
3,960	2,949	3,182	623	3,711	2,469	1,024	0	45,607
27,433	3,599	(598)	(144)	56	(29)	161	0	42,139
86	0	3,002	0	1,268	145	0	0	14,546
27,519	3,599	2,404	(144)	1,324	116	161	0	56,685
(27,679)	(689)	(5,669)	1,755	(1,355)	488	(362)	0	(48,767)
(160)	2,910	(3,265)	1,611	(31)	604	(201)	0	7,918
3,800	5,859	(83)	2,234	3,680	3,073	823	0	53,525
27,696	39,479	33,630	11,330	27,734	18,017	17,086	18,139	422,821
0	272,041	0	0	0	0	0	0	272,041
(40,871)	(69,524)	(27,951)	(4,048)	(22,824)	(8,542)	(16,408)	(9,145)	(250,276)
(272,041)	0	0	0	0	0	0	0	(272,041)
(285,216)	241,996	5,679	7,282	4,910	9,475	678	8,994	172,545
(281,416)	247,855	5,596	9,516	8,590	12,548	1,501	8,994	226,070
281,416	199,827	298,990	49,354	171,400	55,927	52,005	13,359	2,448,725
$0	**$447,682**	**$304,586**	**$58,870**	**$179,990**	**$68,475**	**$53,506**	**$22,353**	**$2,674,795**
15,981	13,254	17,410	4,244	9,047	2,710	4,042	13,359	
1,578	2,610	2,069	1,007	1,499	865	1,324	18,139	
0	17,757	0	0	0	0	0	0	
(2,336)	(4,617)	(1,710)	(356)	(1,235)	(411)	(1,272)	(9,145)	
(15,223)	0	0	0	0	0	0	0	
0	29,004	17,769	4,895	9,311	3,164	4,094	22,353	

MARYLAND COLLEGE INVESTMENT PLAN
For the Fiscal Year Ended June 30, 2012

For a unit outstanding throughout the period

Financial Highlights	PORTFOLIO 2030	PORTFOLIO 2027	PORTFOLIO 2024	PORTFOLIO 2021	PORTFOLIO 2018	PORTFOLIO 2015
Net Asset Value [1]						
Beginning of period	$12.34	$11.90	$15.76	$17.25	$17.51	$ 17.80
Investment activities [2]						
Net investment income [3]	0.13	0.12	0.21	0.31	0.41	0.43
Net realized and unrealized gain (loss)	(0.16)	(0.15)	(0.15)	(0.08)	(0.03)	0.25
Total from investment activities	(0.03)	(0.03)	0.06	0.23	0.38	0.68
Net Asset Value [1]						
End of period	**$12.31**	**$11.87**	**$15.82**	**$17.48**	**$17.89**	**$18.48**
RATIOS [5]						
Total Return	**(0.24) %**	**(0.25) %**	**0.38 %**	**1.33 %**	**2.17 %**	**3.82 %**
Ratio of expenses to average net assets	0.20 %	0.20 %	0.20 %	0.20 %	0.20 %	0.20 %
Ratio of net investment income to average net assets	1.09 %	1.09 %	1.41 %	1.87 %	2.38 %	2.42 %
Portfolio turnover rate	6.9 %	7.5 %	11.9 %	13.2 %	13.2 %	32.1 %
SUPPLEMENTAL INFORMATION						
Weighted-average expense ratio of the Underlying Mutual Funds [6]	0.66 %	0.66 %	0.66 %	0.66 %	0.65 %	0.53 %
Effective expense ratio	0.86 %	0.86 %	0.86 %	0.86 %	0.85 %	0.73 %
Net assets, end of period (in millions)	$ 20.9	$ 132.3	$240.0	$350.7	$410.5	$384.9

1 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 net asset value per share on the date of valuation.

2 Per unit amounts were calculated based on average units outstanding during the fiscal year.

3 Recognition of the Portfolios' net investment income is affected by the timing of the dividend declarations by the Underlying Mutual Funds in which the Portfolios invest.

4 Includes the effect of voluntary management fee waivers of 0.19% of average net assets. See Note 5 to the Financial Statements for details.

5 Ratios reflect the activity of each Portfolio, and do not include the activity of the Underlying Mutual Funds in which the Portfolios invest.

6 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.

PORTFOLIO FOR COLLEGE	EQUITY PORTFOLIO	TOTAL EQUITY MARKET INDEX PORTFOLIO	BALANCED PORTFOLIO	BOND AND INCOME PORTFOLIO	SHORT-TERM BOND PORTFOLIO	U.S. TREASURY MONEY MARKET PORTFOLIO
$15.08	$17.17	$11.63	$18.95	$20.63	$12.87	$1.00
0.22	0.18	0.14	0.41	0.84	0.26	0[4]
0.13	(0.21)	0.26	(0.03)	0.17	(0.06)	0
0.35	(0.03)	0.40	0.38	1.01	0.20	0
$15.43	**$17.14**	**$12.03**	**$19.33**	**$21.64**	**$13.07**	**$1.00**
2.32 %	**0.17 %**	**3.44 %**	**2.01 %**	**4.90 %**	**1.55 %**	**0.00 %**[4]
0.20 %	0.20 %	0.20 %	0.20 %	0.20 %	0.20 %	0.01 %[4]
1.52 %	1.11 %	1.21 %	2.20 %	4.05 %	1.98 %	0.00 %[4]
59.5 %	9.9 %	2.8 %	14.3 %	3.1 %	13.3 %	16.1%
0.46 %	0.65 %	0.40 %	0.67 %	0.69 %	0.52 %	0.13 %[4]
0.66 %	0.85 %	0.60 %	0.87 %	0.89 %	0.72 %	0.14 %[4]
$447.7	$304.6	$58.9	$180.0	$68.5	$ 53.5	$ 22.4

NOTES

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