# 2009 Annual Report

*Maryland Prepaid College Trust*

*Maryland College Investment Plan*








**College Savings**

PLANS OF MARYLAND

***Save here. Go anywhere.®***

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*Governor*

Anthony G. Brown
*Lt. Governor*

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COLLEGE SAVINGS
PLANS OF MARYLAND

October 31, 2009

Dear Friends,

Fiscal Year 2009 was probably the most challenging year for investors in the College Savings Plans of Maryland. Together, we experienced one of the most severe market declines in modern history, as well as a market rebound of dramatic proportions. The recession placed strains on many families' budgets as well.

Despite these significant challenges, it remains clear that families continued to place a priority on saving for higher education for their children and grandchildren during the fiscal year ended June 30, 2009:

- For the Maryland Prepaid College Trust, 1,865 new accounts were opened, which is slightly higher than in the previous year.

- For the Maryland College Investment Plan,

    • More than 13,000 new beneficiaries were enrolled, bringing the total number of beneficiaries to over 112,000. This is the fewest number of new beneficiaries enrolled since fiscal year 2006.

    • Total contributions were $320 million. This is less than contributions in fiscal year 2008, but greater than contributions in fiscal years 2006 and 2007.

    • 42% of all accounts as of June 30, 2009 were receiving contributions on an automatic monthly basis. The average monthly amount contributed in June 2009 of $138 represents a decline of 4% from the $144 average monthly amount that was contributed in June 2008.

While it was extraordinarily difficult to avoid declines in investment values in the College Investment Plan during fiscal year 2009, families who chose lower risk investment options generally fared better than those who chose more aggressive options. However, the market rebound in the second half of the fiscal year tended to favor those who chose more aggressive investment options. We urge all account holders to monitor their investment selections on a regular basis to ensure they are consistent with their college savings expectations.

For the fiscal year, investments in the Prepaid College Trust declined by 20.4%. This negative impact on the soundness of the Trust was partially offset by another year of a tuition freeze at most Maryland public 4-year colleges. The result is that the Prepaid College Trust had an actuarial deficit of $52.4 million as of June 30, 2009 and was 92% funded to meet projected future tuition obligations. We assure you that we carefully monitor this measure.

Thank you for your continued belief in the importance of saving for higher education and for your participation in the College Savings Plans of Maryland.

Sincerely,

*The Board*
College Savings Plans of Maryland

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# COLLEGE SAVINGS PLANS OF MARYLAND – FEATURES AND BENEFITS

**The College Savings Plans of Maryland** offers 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 now purchase as many as 7 years of University tuition benefits, although no more than 5 years can be purchased on a single account. The Trust is open to 12th graders or younger, including newborns, although beneficiaries must be enrolled for at least three years before they can begin to use their tuition benefits. For the 2008-2009 enrollment period, we introduced a reduced enrollment fee of $50 for online new enrollments, which resulted in approximately 80% of eligible new enrollments being submitted online.

**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 and the Plan has no sales loads, commissions, or enrollment fee.

**The College Investment Plan** is open for enrollment year-round and is open to children and adults of any age. While most accounts are opened for beneficiaries who are 18 years old or younger, the Plan can 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 in this Plan 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.

**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;
- Maryland State income deduction of contributions to either or both plans, up to $2,500 annually per account or beneficiary, depending on the plan. Excess contributions beyond $2,500 annually in either plan 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.*

# MARKET COMMENTARY

Market performance has a direct effect on the overall performance of investments in the **College Savings Plans of Maryland.** The following is designed to provide a summary of market performance for the 12 months ended June 30, 2009.*

## A DRAMATIC YEAR FOR STOCKS

The past year encompassed one of the most severe market declines in modern history, as well as a market rebound of dramatic proportions. Returns as of year-end remained deeply in the red for virtually every equity sector and style, but a substantial rebound in the final months of the period helped to begin to restore investor hopes for a market recovery.

The crisis that precipitated the market breakdown in the fall of 2008 started in the financial sector. By the middle of 2008, there were concerns whether many major financial companies would continue to operate. A severe contraction in lending quickly spread into the wider economy, prompting job losses, bankruptcies, and a sharp retrenchment in consumer and corporate spending. Substantial interventions by the Federal Reserve, as well as the U.S. and foreign governments, slowed the economic decline but as of June 30, 2009 had yet to trigger a significant economic recovery.

Given these trends, financials and industrials/business services had poor results for the period. The largest losses, however, came in the energy and materials sectors, which saw commodity prices fall significantly as the global economy declined. Losses were considerably less severe for the health care sector—a high cash-flow group whose business fundamentals are only moderately affected by economic conditions. Technology companies also held their value relatively well.

As economic data appeared to stabilize in the spring, investors grew more optimistic and started to invest in some equity sectors. Financials soared as a group, and industrials and technology companies rallied as well. Riskier asset classes, including small- and mid-cap stocks and international equities substantially outperformed U.S. blue chip stocks.

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

## BONDS STRUGGLED BUT RECOVERED

Bonds can usually be counted on to rise when stock indexes are falling but, as financial companies faltered, a freeze-up in the lending markets limited the fixed income market performance. While short-term U.S. Treasury securities rallied early in the period, other types of bonds did not. Corporate bonds were battered as major U.S. bond issuers were driven close to or into bankruptcy. Higher-risk bond segments, including high-yield and international bonds, posted more severe losses.

The Federal Reserve combated the liquidity freeze and its detrimental effects on the economy by reducing interest rates on short-term securities almost to 0% (ranging between 0% and 0.25%). They also greatly expanded their balance sheet, using Fed funds to buy up large amounts of bond issues when private buyers were hesitant to step in.

The Federal Reserve's efforts, combined with stimulus spending by the U.S. government, were effective enough to soften the liquidity crisis and encourage investors to begin investing again in the bond markets. After stabilizing in late winter, bonds rallied strongly in the spring. The hard-hit "risk" sectors (high-yield, international) led the advance. Longer-term U.S. Treasury securities, however, slid backwards as investors were uncertain that government spending could eventually lead to inflation. In the end, after a tumultuous year, the high-quality U.S. bond market posted a gain of approximately 6%.

## MARKET UNCERTAINTIES

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

# COLLEGE COSTS REVIEW*

Over the past year, the investment markets posed many challenges to those with savings goals. Those short-term tests did not diminish the core long-term challenge of saving for college: keeping pace with the upward trajectory of the cost of a college education.

Over the previous year, college costs continued to rise on par with the rate of inflation. Here are the most recent figures from the College Board on higher education costs for the 2008–2009 academic year (see also the accompanying table):

The average cost of a four-year public university rose by 5.7% from the previous year, which is the lowest increase since the 2000–2001 academic year. This marked the fifth consecutive year that the percentage increase declined. Over the decade from 1998-1999 to 2008-2009, average published tuition and fees at public four-year colleges increased at an annual rate of 4.2% *on top of* the annual inflation rate.

The average cost of a four-year private college rose by 5.6% from 2007-2008. The average four-year private university now costs more than $34,000 per year. Average published tuition and fees at private four-year colleges increased at an *annual* rate of 2.4% above inflation over the decade from 1998-1999 to 2008-2009.

The "average cost" 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.

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 (as these institutions tend to be more costly). Just under 30% of all full-time students attended colleges with tuitions lower than $6,000 per year in the last school year. Only one quarter of those enrolled in private colleges paid more than $33,000. College remains an attainable goal for families, but it is important to consider the need for disciplined saving in an appropriate investment vehicle.

## THE STATE OF FINANCIAL AID

College students received approximately $143 billion in financial aid during the 2007–2008 academic year (the most recent data available), and financial aid remains an important source of funding for many families. In 2008-2009, for families of four with one child in college and no assets, only those with incomes of about $90,000 or higher would be expected to pay the published price of tuition, fees, room, and board at the average public four-year college without financial aid. About 30% of families meet those income standards.

Still, most families are required to pay a significant amount "out of pocket" for annual college costs. Moreover, the majority of financial aid comes in the form of loans. With the introduction of various federal education tax benefits, loans have actually fallen from 75% to 70% of total federal student aid over the past 10 years. Nonetheless, college data suggest that approximately 60% of bachelor's degree recipients have college loans to repay, and among this group, the average debt exceeds $22,000.

For much of 2008, student loan availability was threatened by the credit crunch that accompanied last year's financial crisis. As the financial markets have improved in 2009, the health of the student loan market has improved as well. We cannot predict whether this trend will continue, and the upheaval in the student lending market highlights the importance of establishing a plan to save for college, which can help reduce or possibly eliminate the need for borrowing to finance a child's college education.

** Statistical information provided is from the College Board's "Trends in College Pricing 2008" and "Trends in Student Aid 2008" for the 2008-2009 academic year.*

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

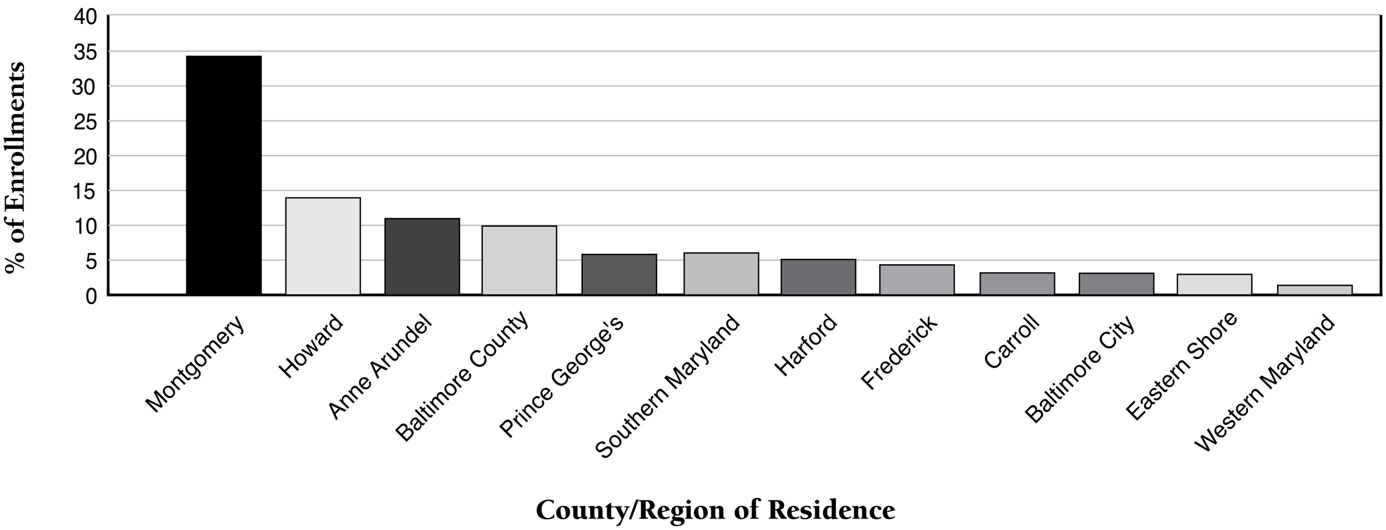
| | Four-Year Private College | Four-Year Public College | Consumer Price Index |
|---|---|---|---|
| 2008–2009 Academic Year | $34,100 | $14,300 | N/A |
| Change from the previous academic year | 5.6% | 5.7% | 3.3% |
| Change from ten years ago | 24.0% | 37.5% | 29% |

*SOURCES: COLLEGE BOARD, BUREAU OF LABOR STATISTICS*

## PROFILE OF NEW PREPAID COLLEGE TRUST ENROLLMENTS

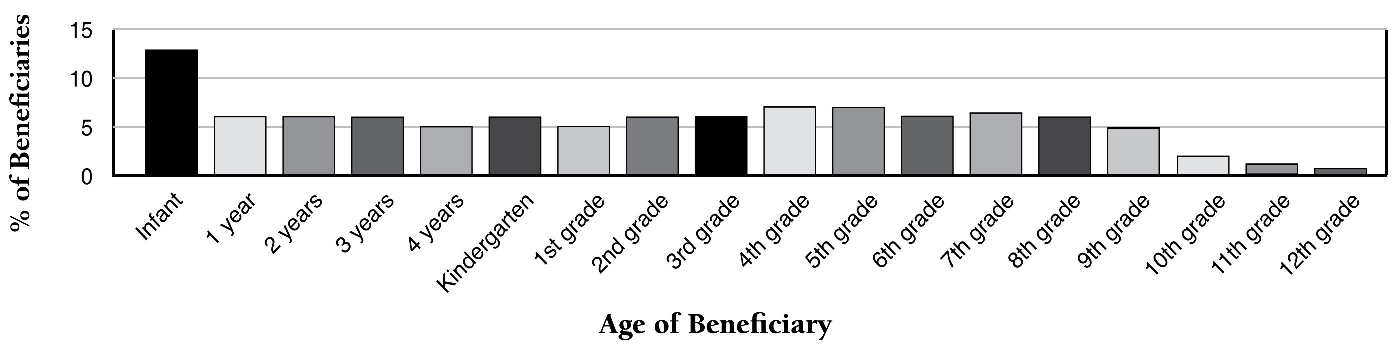
### New Enrollment by County/Region

Of the approximately 1,865 new enrollments that were received in the past year, Montgomery County residents produced the largest number of account holders, accounting for 34% of all new enrollments. Howard County was the second largest source of new enrollments (14%) followed by Anne Arundel (11%), and Baltimore (10%) counties, as illustrated in the following chart:



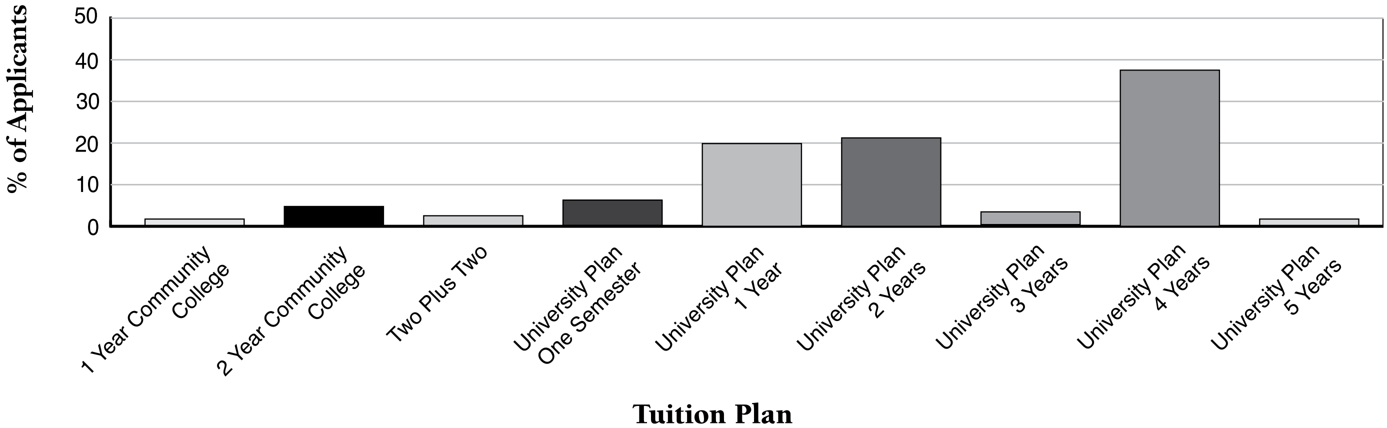

### Age of New Beneficiaries at Time of Enrollment

The infant category provided the largest single age group of new enrollments in 2008-2009, with 13% of new enrollments. From age 1 through 9th grade, enrollments were remarkably evenly distributed, with each age category accounting for 5-7% of new enrollments. Combined enrollments for older students in 10th-12th grades provided the remaining 4%.



### Tuition Plan Selected

The four-year University Plan was our most popular enrollment option in 2008-2009, with 37% of new enrollments. The next most popular options were the two-year University Plan (21%) and the one-year University Plan (20%). Together, these three tuition plans comprised 78% of total tuition plans purchased.




## MORE STUDENTS USE PREPAID COLLEGE TRUST TUITION BENEFITS AT COLLEGES NATIONWIDE

There are a total of 7,086 students eligible to use benefits for the Fall 2009 semester, as compared to approximately 5,872 students who were eligible for the prior academic year. Approximately 61% of eligible beneficiaries, as of October 20, 2009, have claimed their tuition benefits this Fall. Approximately 42% of these students are attending Maryland public colleges, while 58% are attending a wide variety of private and out-of-state colleges across the country. The remaining 39% of eligible beneficiaries have yet to claim their Fall 2009 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 Richard M. Kaye & Associates in conjunction with PricewaterhouseCoopers LLP dated October 21, 2009 appears on page 6. (See also the summary issued by PricewaterhouseCoopers LLP that appears in Appendix A on page 50.) The purpose of the actuarial valuation is to assess the future value of the Trust's assets and its liabilities, and is discounted to reflect their present value.

The most significant change from fiscal year 2008 is that the Trust's actuarial surplus in fiscal year 2008 became an actuarial deficit in fiscal year 2009. As of June 30, 2009, the Trust was 92% funded with an actuarial deficit of $52.4 million, as compared with the previous fiscal year, where the Trust was 109% funded with actuarial surplus of $58.9 million.

The primary reason for the actuarial deficit is that the Trust's investments produced an overall loss of 20.4% during fiscal year 2009, as compared with the stated goal of 7.65%. This had a negative effect on the actuarial valuation.

The investment loss was mitigated by the fact that the weighted average tuition at Maryland's public colleges increased by 1.2% for the 2009-2010 academic year. This actual increase is less than our projected weighted average tuition increase of 7.7% for 2009-2010. Since the actual increase was lower than our projection, this had a positive 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.

| | 2009 | 2008 | 2007 | 2006 | 2005 |
|---|---|---|---|---|---|
| Actuarial Surplus/(Deficit) (mil) | $(52.4) | $58.9 | $87.9 | $16.0 | $(26.5) |
| Funded Ratio | 92% | 109% | 114% | 103% | 95% |

Richard M. Kaye & Associates
**Actuarial Consulting**

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October 21, 2009

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

Dear Ms. Kopp:

Richard M. Kaye & Associates in conjunction with PricewaterhouseCoopers LLP has performed an actuarial valuation of the Maryland Prepaid College Trust as of June 30, 2009. The valuation compares the value of the assets of the prepaid program to the value of expected future tuition payments to beneficiaries. The following pages summarize the actuarial valuation of the trust fund as of June 30, 2009.

A comparison of assets and liabilities of the trust fund shows that as of June 30, 2009 there is an estimated deficit of $52,406,730 as compared to an estimated surplus of $58,937,996 as of June 30, 2008. The funded status of the program is presently approximately 92%, compared to approximately 109% one year ago.

The actuarial valuation was performed based upon generally accepted actuarial principles and tests were performed as considered necessary to ensure the accuracy of the results. This letter certifies that the amounts presented in the report have been appropriately determined according to the actuarial assumptions stated herein.

Respectfully submitted,

Rm Kaye

Richard M. Kaye, FSA, CPA and Owner
Richard M. Kaye & Associates

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

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and Maryland Association of Certified Public Accountants

## REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the College Savings Plans of Maryland Board

We have audited the accompanying statement of net assets of the Maryland College Prepaid Trust (the Trust), as of June 30, 2009, and the related statements of revenue, expenses, and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of 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 financial position of the Maryland College Prepaid Trust as of June 30, 2009, and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis on page 8 through 13 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and we express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The other data and information in the Annual Report are presented for the purpose 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 on it.

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

Baltimore, Maryland
October 30, 2009

## 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, 2009. 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, 2009 have been audited by Abrams, Foster, Nole & Williams, P.A. who are also the 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 Standards Board (GASB). Financial statements provide information about the operation of the Trust as a whole and present a long-term view of the Trust's finances.

### Financial Highlights

- The Prepaid College Trust began receiving payments in fiscal year 2009 from approximately 2,000 new enrollments received during fiscal year 2008. This is because the initial payments for these accounts were due on August 1, 2008. The decrease in contract receipts, when compared to the prior year, is due to a lower number of new enrollments in fiscal year 2008 as compared with fiscal year 2007. This decrease was mitigated by account holders of some of the approximately 1,850 new enrollments received during fiscal year 2009, who elected to make payments in fiscal year 2009 in advance of their August 1, 2009 due date.

**Contract Receipts from Participants** *(in thousands)*

| Fiscal Year Ended June 30, 2009 | Fiscal Year Ended June 30, 2008 |
|---|---|
| $54,873 | $57,730 |

- Each account holder enters into a contract with the Prepaid College Trust for the prepayment of tuition. Each contract is for a specified number of year(s) of community college and/or 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% of contract payments on all enrollments received since 2001;

  (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 (0.04%) on College Investment Plan assets up to $1 billion and an additional 6 basis points (0.06%) 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.

Additionally, revenues from enrollment fees have decreased due to the introduction of a reduced enrollment fee of $50 for enrollments received via the internet and a continued trend of increases in the number of account holders paying a $20 enrollment fee for additional semesters or years. Fees received from the College Investment Plan decreased 18.1% from 2008 due to the decrease in Plan assets.

**Enrollment and Administrative Fees** *(in thousands)*

| | Fiscal Year Ended June 30, 2009 | Fiscal Year Ended June 30, 2008 |
|---|---|---|
| Prepaid College Trust | $ 100 | $ 120 |
| College Investment Plan | 756 | 923 |
| Total | $ 856 | $1,043 |

• During fiscal year 2009, the Trust continued to invest the contract payments received into its diversified investment portfolio.

**Investments** *(in thousands)*

| | Fiscal Year Ended June 30, 2009 | Fiscal Year Ended June 30, 2008 |
|---|---|---|
| Large Cap Value | $ 45,473 | $ 64,387 |
| S&P 500 Core | 34,271 | 46,361 |
| Large Cap Growth | 44,585 | 70,064 |
| Small Cap Value | 32,396 | 46,789 |
| Small/Mid Cap Core | 16,109 | 25,432 |
| Small Cap Core | 12,761 | 18,716 |
| Real Estate | 17,953 | 3,000 |
| Intermediate Duration Fixed Income | 153,166 | 159,302 |
| Short Duration Fixed Income | 28,787 | 27,538 |
| International Core | 42,522 | 53,966 |
| International Emerging Markets | 16,972 | 17,107 |
| Total investments | $444,995 | $532,662 |

## 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, 2009. 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, 2009 and June 30, 2008:

| (in millions) | As of June 30, 2009 | As of June 30, 2008 |
|---|---|---|
| *Assets* | | |
| Current | $507.0 | $598.6 |
| Noncurrent | 113.7 | 113.3 |
| Total | 620.7 | 711.9 |
| *Liabilities* | | |
| Current | 56.2 | 46.6 |
| Noncurrent | 614.0 | 604.0 |
| Total | 670.2 | 650.6 |
| *Net Assets* | $ (49.5) | $ 61.3 |

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 88% of current assets. Tuition contracts receivable represent virtually all of the noncurrent assets.

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

For the fiscal year ended June 30, 2009, the net assets of the Trust decreased by $110.8 million. This was due primarily to two factors. The first and most significant was the negative effect of the Trust's rate of return falling short of its projected return on investments of 7.5%. The second was the positive effect of lower than projected increases in tuition and mandatory fees for the current year at the University System of Maryland. The actual rate of increase in tuition and mandatory fees was 0.1% and 4.7%, respectively. The Trust had projected a tuition increase of 7% and a mandatory fee increase of 10% for the 2009-2010 academic year. Since these lower increases in tuition and mandatory fees were included in the calculations for contract pricing for the 2008-2009 enrollment period and the previous soundness evaluation, net assets were positively impacted. In the past, the portion of any actuarial deficit caused by unanticipated tuition and mandatory fee increases has been amortized in the calculation of subsequent contract prices. However, the portion of any actuarial deficit due to lower than projected investment returns has not been amortized in future prices, since the Board recognizes the volatility of investment returns in any single year.

## 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, 2009 and June 30, 2008:

| (in millions) | Fiscal Year Ended June 30, 2009 | Fiscal Year Ended June 30, 2008 |
|---|---|---|
| *Operating revenues* | | |
| Tuition contracts | $ 54.0 | $ 51.9 |
| Administrative fees | 2.2 | 2.5 |
| Total | 56.2 | 54.4 |
| *Operating expenses* | | |
| Tuition benefits | 52.5 | 49.7 |
| Administrative expenses | 2.0 | 2.0 |
| Total | 54.5 | 51.7 |
| Operating income | 1.7 | 2.7 |
| *Non-operating revenues* | | |
| Change in unrealized investment (loss) gain | (74.8) | (51.9) |
| Change in realized gain (loss) | (55.9) | 5.1 |
| Investment income | 18.2 | 15.0 |
| Total | (112.5) | (31.8) |
| Change in net assets | $(110.8) | $(29.1) |

For the fiscal year ending June 30, 2009, the Trust reported operating income of $1.7 million. The decrease in operating income of $1.0 million from the fiscal year ended June 30, 2008 was the result of tuition benefit revenue exceeding tuition contract expense by $1.5 million and net administrative and operating income of $0.2 million. Non-operating revenue includes a $74.8 million unrealized investment loss, a $55.9 million realized investment loss and $18.2 million of other income. Combined, operating income and non-operating revenue resulted in a decrease in net assets of $110.8 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, 2009 and June 30, 2008 is presented below:

| (in millions) | Fiscal Year Ended June 30, 2009 | Fiscal Year Ended June 30, 2008 |
|---|---|---|
| *Cash provided (used) by:* | | |
| Operating activities | $20.2 | $ 29.2 |
| Investing activities | (25.1) | (22.2) |
| Capital and related financing activities | ( 0.0) | ( 0.1) |
| Net change in cash | ( 4.9) | 6.9 |
| Cash and cash equivalents, beginning of year | 13.3 | 6.4 |
| Cash and cash equivalents, end of year | $ 8.4 | $ 13.3 |

Increases in cash were due primarily to contract payments made by account holders as well as income received from the investment portfolio. These increases were primarily used to purchase investments, 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 expenses in connection with its administration of the Trust.

### Economic Factors

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

This review includes an analysis of prior year trends in tuition increase and investment performance. Specifically, the Board reviewed the weighted average tuition for Maryland resident students at four-year Maryland public universities, which increased 1.2% from the 2008-2009 academic year and 1.1% from the 2007-2008 academic year. The Board also reviewed the rates of return on the Prepaid College Trust investments, which were a loss of 20.4% for fiscal year 2009 and a loss of 5.8% for fiscal year 2008.

As part of the Board's review of these trends, it consults with its investment advisors and actuaries and thoroughly reviews various potential scenarios when developing future projections that it believes to be reasonable. This year's projections were used in developing the Actuarial Soundness Report as of June 30, 2009.

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, 2009.

## Statement of Net Assets
## As of June 30, 2009

(amounts in thousands)

| | Tuition and Investments | Administration/ Operating | Total |
|---|---|---|---|
| **ASSETS** | | | |
| Current assets: | | | |
| Cash and cash equivalents | $ 6,683 | $1,763 | $ 8,446 |
| Investments, at fair value | 444,995 | 0 | 444,995 |
| Tuition contracts receivable | 51,744 | 0 | 51,744 |
| Interest receivable | 1,404 | 0 | 1,404 |
| Accounts receivable | 0 | 410 | 410 |
| Total current assets | 504,826 | 2,173 | 506,999 |
| Noncurrent assets: | | | |
| Capital assets, net | 0 | 95 | 95 |
| Tuition contracts receivable, net of current portion | 113,633 | 0 | 113,633 |
| Total noncurrent assets | 113,633 | 95 | 113,728 |
| Total assets | 618,459 | 2,268 | 620,727 |
| **LIABILITIES** | | | |
| Current liabilities: | | | |
| Accrued tuition benefits | 46,789 | 0 | 46,789 |
| Advance tuition contract payments | 9,113 | 0 | 9,113 |
| Accounts payable and accrued expenses | 0 | 271 | 271 |
| Other liabilities | 0 | 75 | 75 |
| Total current liabilities | 55,902 | 346 | 56,248 |
| Noncurrent liabilities: | | | |
| Accrued tuition benefits, net of current portion | 613,996 | 0 | 613,996 |
| Total noncurrent liabilities | 613,996 | 0 | 613,996 |
| Total liabilities | 669,898 | 346 | 670,244 |
| **NET ASSETS** | | | |
| Invested in capital assets | 0 | 95 | 95 |
| Unrestricted: | | | |
| Tuition and investments | (52,212) | 1,827 | (50,385) |
| Restricted: | | | |
| Administration | 773 | 0 | 773 |
| Total net assets | $(51,439) | $1,922 | $(49,517) |

*See accompanying notes to financial statements.*

## Statement of Revenues, Expenses and Changes in Net Assets
## For the Fiscal Year Ended June 30, 2009

(amounts in thousands)

| | Tuition and Investments | Administration/ Operating | Total |
|---|---|---|---|
| **OPERATING REVENUES** | | | |
| Tuition contracts | $53,978 | $ 0 | $53,978 |
| Management fee | 0 | 1,362 | 1,362 |
| Maryland College Investment Plan fees | 0 | 756 | 756 |
| Enrollment and other fees | 0 | 100 | 100 |
| Total operating revenues | 53,978 | 2,218 | 56,196 |
| **OPERATING EXPENSES** | | | |
| Tuition benefits | 52,489 | 0 | 52,489 |
| Salaries, wages and benefits | 0 | 942 | 942 |
| Technical and special fees | 0 | 71 | 71 |
| Communication | 0 | 101 | 101 |
| Travel | 0 | 9 | 9 |
| Marketing | 0 | 205 | 205 |
| Contractual services | 0 | 415 | 415 |
| Supplies | 0 | 34 | 34 |
| Fixed charges | 0 | 162 | 162 |
| Depreciation | 0 | 55 | 55 |
| Other expenses | 0 | 19 | 19 |
| Total operating expenses | 52,489 | 2,013 | 54,502 |
| Operating income | 1,489 | 205 | 1,694 |
| **NON-OPERATING REVENUES** | | | |
| Change in unrealized loss on investments | (74,859) | 0 | (74,859) |
| Change in realized gain | (55,917) | 0 | (55,917) |
| Investment income | 18,233 | 11 | 18,244 |
| Total non-operating revenues | (112,543) | 11 | (112,532) |
| Change in net assets | (111,054) | 216 | (110,838) |
| Total net assets, beginning of year | 59,615 | 1,706 | 61,321 |
| Total net assets, end of year | $( 51,439) | $1,922 | $( 49,517) |

*See accompanying notes to financial statements.*

## Statement of Cash Flows
## For the Fiscal Year Ended June 30, 2009

(amounts in thousands)

| | |
|---|---|
| **Cash Flows from Operating Activities:** | |
| Receipts from: | |
| Account holders | $ 54,873 |
| Maryland College Investment Plan fees | 767 |
| Payments to: | |
| Employees | (1,002) |
| Marketing | (223) |
| Contract vendors | (530) |
| Communication | (96) |
| Universities and account holders | (33,339) |
| Other operating expenses | (210) |
| Net cash from operating activities | 20,240 |
| **Cash Flows Used for Investing Activities:** | |
| Interest income | 89 |
| Purchase of investments | (25,134) |
| Net cash used for investing activities | (25,045) |
| **Cash Flows Used for Capital and Related Financing Activities:** | |
| Purchase of capital assets | (14) |
| Net decrease in cash and cash equivalents | (4,819) |
| **Cash and cash equivalents, beginning of year** | 13,265 |
| **Cash and cash equivalents, end of year** | $ 8,446 |
| **Reconciliation of operating income to net cash from operating activities:** | |
| Operating income | $ 1,694 |
| **Adjustments to reconcile operating income to net cash from operating activities:** | |
| Depreciation | 55 |
| **Change in non-cash operating assets and liabilities:** | |
| Decrease in accounts payable | (135) |
| Increase in other liabilities | 10 |
| Decrease in accounts receivable | 31 |
| Increase in tuition contracts receivable | (1,196) |
| Increase in advance contract payments | 2,068 |
| Increase in accrued tuition benefits payable | 17,713 |
| Net cash from operating activities | $ 20,240 |
| **Non-cash Transactions:** | |
| Unrealized loss on investments | $(73,465) |

*See accompanying notes to financial statements.*

# NOTES TO FINANCIAL STATEMENTS
## Year Ended June 30, 2009

## 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. Following graduation from high school, the beneficiary has ten years plus the number of years purchased to use the contract benefits. This time period may be extended by any time served in active 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 the Maryland Higher Education Commission, the Maryland State Superintendent of Schools and the Chancellor of the University System of Maryland. The five remaining members are public members appointed by the Governor.

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 21, 2009 and issued by Richard M. Kaye & Associates, in conjunction with PricewaterhouseCoopers LLP, as of June 30, 2009, the Governor would be required to include an amount in his budget for the 2025 fiscal year. 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, 2009, the Trust liabilities exceeded its discounted receivable 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, subject to the $2,500 annual limit. 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 funds and the global REIT fund. These funds are valued no less frequently than monthly ($19,483,262 or 4.4% of net investments at June 30, 2009).

### Tuition Contracts Receivable

Tuition contracts receivable as of June 30, 2009 reported on the Statement of Net Assets represents management's best estimate of the present value of future contract payments. This is calculated by using a 7.5% discount rate.

### Capital Assets

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

| | |
|---|---|
| Computers | 3 years |
| Furniture | 10 years |
| Equipment | 5 years |
| Software | 3 years |
| Perpetual software license | 7 years |

The capitalization threshold for all capital assets is $500.

### Compensated Absences

The Trust accrues for obligations that may arise in connection with compensated absences for annual leave at the current rate of employee pay. Employees fully vested in all earned but unused annual leave, up to a maximum of 600 hours, are eligible to receive compensation, at the current rate of employee pay, 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 have 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, 2009, the carrying amount of the Trust's cash and cash equivalents was $8,446,245. The bank balance totaled $8,691,820 and pooled cash maintained by the State Treasurer totaled $410,464. The Prepaid College Trust periodically deposits funds into pooled cash maintained by the State Treasurer for the purpose of paying Prepaid College Trust administrative costs. Of the bank balances, $94,655 represents deposits covered by federal depository insurance and $6,060,014 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 and foreign investment grade and high yield bonds, and other governmental agency instruments, as well as money market deposits based on the Investment Policy's specified portfolio allocation.

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

## 4. INVESTMENTS (CONTINUED)

As of June 30, 2009, the Trust had the following investment and maturities (amounts in thousands):

| | | Investment Maturities *(in Years)* | | | | |
|---|---|---|---|---|---|---|
| Investment Type | Fair Value | Less than 1 | 1-5 | 6-10 | 11-15 | More than 15 |
| U.S. Govt. money market mutual fund | $ 10,455 | $ 10,455 | $ 0 | $ 0 | $ 0 | $ 0 |
| U.S. Treasury notes | 21,526 | 0 | 14,440 | 5,135 | 0 | 1,951 |
| U.S. Govt. agencies | 42,423 | 0 | 753 | 1,822 | 4,100 | 35,748 |
| Corporate bonds | 95,899 | 4,434 | 30,518 | 21,535 | 1,598 | 37,814 |
| Municipal bonds | 5,234 | 1,540 | 454 | 744 | 849 | 1,647 |
| Emerging market debt fund | 3,971 | 3,971 | 0 | 0 | 0 | 0 |
| International fixed income fund | 1,137 | 1,137 | 0 | 0 | 0 | 0 |
| High yield fixed income fund | 4,773 | 4,773 | 0 | 0 | 0 | 0 |
| Global REIT fund | 9,603 | 9,603 | 0 | 0 | 0 | 0 |
| Common stock | 86,727 | 86,727 | 0 | 0 | 0 | 0 |
| Preferred stock | 0 | 0 | 0 | 0 | 0 | 0 |
| REITS | 2,901 | 2,901 | 0 | 0 | 0 | 0 |
| Large cap mutual fund | 45,474 | 45,474 | 0 | 0 | 0 | 0 |
| S&P 500 Index mutual fund | 34,271 | 34,271 | 0 | 0 | 0 | 0 |
| Small cap mutual fund | 12,757 | 12,757 | 0 | 0 | 0 | 0 |
| International mutual fund | 41,022 | 41,022 | 0 | 0 | 0 | 0 |
| Emerging markets mutual fund | 16,972 | 16,972 | 0 | 0 | 0 | 0 |
| Real estate mutual fund | 5,350 | 5,350 | 0 | 0 | 0 | 0 |
| Total | $440,495 | $281,387 | $46,165 | $29,236 | $6,547 | $77,160 |

### Credit Risk

The Investment Policy details the minimum quality standards for its bond portfolios. As of June 30, 2009 the average rating in each portfolio must be "A" or better on either the S&P or Moody's. The Trust's mutual fund investments, excluding repurchase agreements that are treated as cash equivalents, are not subject to classification by credit risk because the Trust owns units rather than specific securities. The U.S. Government money market fund is not considered to have credit risk and it is not rated. All such investments are in mutual fund shares stated at fair value based upon quoted market prices.

At June 30, 2009, the Trust had the following investments and quality ratings:

| Investment Type | Fair Value | Rating | Rating Organization |
|---|---|---|---|
| U.S. Government agencies | $ 63,949 | Not rated | |
| Bonds | 19,756 | AAA | Moody's |
| Bonds | 7,924 | AA | Moody's |
| Bonds | 25,316 | A | Moody's |
| Bonds | 37,104 | Less than A | Moody's |
| Bonds | 11,033 | Not rated by Moody's | |

### Concentration of Credit Risk

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

## 4. INVESTMENTS (CONTINUED)

### 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, 2009 was as follows (amounts in thousands):

| | Beginning Balance | Additions | Reductions | Ending Balance |
|---|---|---|---|---|
| Capital assets being depreciated: | | | | |
| Computers | $193 | $ 14 | $ (7) | $ 200 |
| Furniture | 18 | 0 | 0 | 18 |
| Equipment | 12 | 0 | (6) | 6 |
| Software | 57 | 0 | 0 | 57 |
| Perpetual software license | 561 | 0 | 0 | 561 |
| Total capital assets at historical cost | 841 | 14 | (13) | 842 |
| Less accumulated depreciation for: | | | | |
| Computers | 124 | 43 | (7) | 160 |
| Furniture | 8 | 2 | 0 | 10 |
| Equipment | 12 | 1 | (6) | 7 |
| Software | 57 | 0 | 0 | 57 |
| Perpetual software license | 504 | 9 | 0 | 513 |
| Total accumulated depreciation | 705 | 55 | (13) | 747 |
| Capital assets, net | $136 | $(41) | $ 0 | $ 95 |

## 6. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

As of June 30, 2009, accounts payable and accrued expenses consisted of the following (amounts in thousands):

| | |
|---|---|
| Due to vendors | $235 |
| Salaries and employee benefits | 36 |
| Total | $271 |

## 7. OTHER LIABILITIES

As of June 30, 2009, other liabilities consisted of the following (amounts in thousands):

| | |
|---|---|
| Compensated Absences | $73 |
| Workers' Compensation | 2 |
| Total | $75 |

## 8. 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 73 B of the Code. Eligible employees are required to contribute to the System a fixed percentage of their regular salaries and wages that exceed the Social Security wage base. The Trust is required to make contributions to the System based on actuarial valuations. The contribution requirements of eligible employees and the Trust are established and may be amended by the System 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, 2009, 2008, and 2007. The required annual contributions for the fiscal years ended June 30, 2009, 2008 and 2007, respectively were: $55,769, $57,903 and $40,528. As of June 30, 2009, there

## 8. PENSION AND POST-RETIREMENT BENEFITS (CONTINUED)

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.

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, 2009, 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.

## 9. 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.

## 10. ACCRUED TUITION BENEFITS

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

The significant assumptions used for this calculation are discussed below:

**Tuition and Mandatory Fee Increases:** The Weighted Average Tuition (WAT) is the in-state 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, 2009, 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 2009-2010 WAT with an 8% bias load added.

**Bias Load:** The term bias load is a reference to the expectation that more beneficiaries of the Trust will attend a Maryland public college with tuition and mandatory fees that are higher than the WAT. The 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.

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

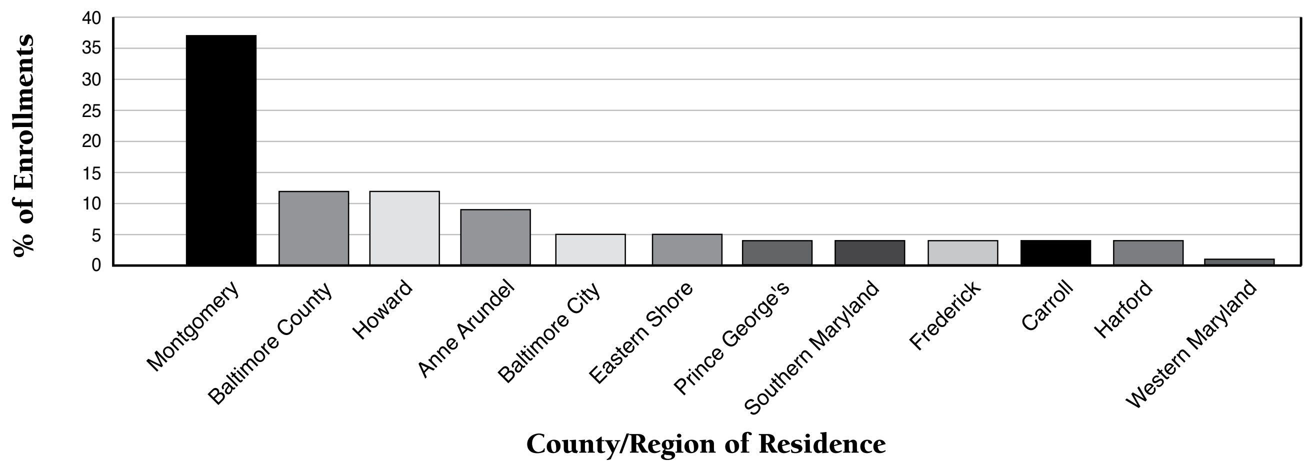
Changes in accrued tuition benefits payable for the year ended June 30, 2009 are as follows (amounts in thousands):

| July 1, 2008 | Increase | Decrease | June 30, 2009 | Amount due within one year |
|---|---|---|---|---|
| $643,072 | $51,052 | $33,339 | $660,785 | $46,789 |

## PROFILE OF NEW COLLEGE INVESTMENT PLAN ENROLLMENTS

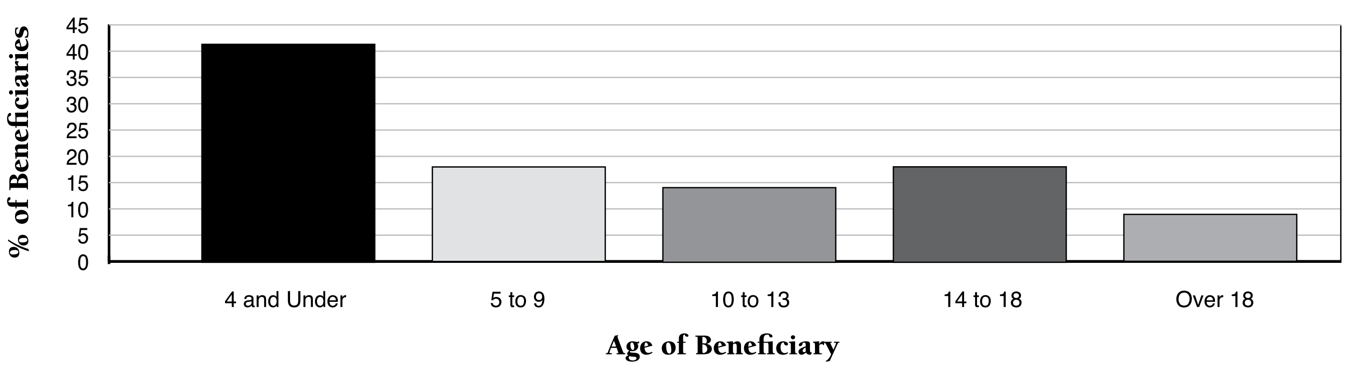
### New Enrollment by County/Region

Of the 18,219 new accounts in the College Investment Plans as of June 30, 2009, enrollments have been concentrated in Montgomery (37%), Baltimore (12%), Howard (12%) and Anne Arundel (9%) counties. However, there have been modest gains in Plan participation in other parts of the State. The following chart shows a breakdown of the counties and regions of residence for the College Investment Plan participants.



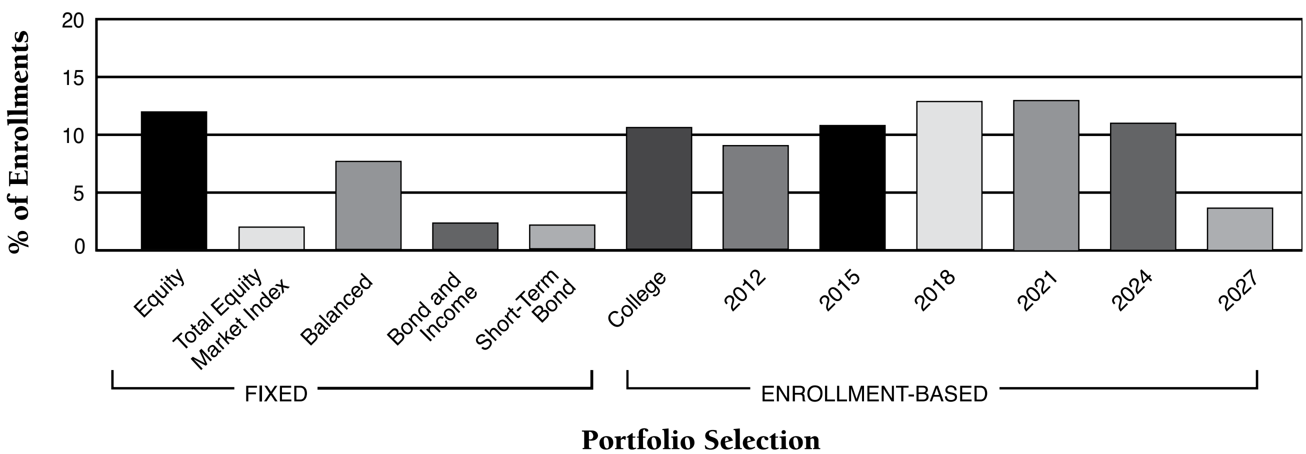

### Age of New Beneficiaries at Time of Enrollment

The College Investment Plan had a broad distribution of new accounts for beneficiaries in a wide range of age groups. The trend indicates that Maryland families are starting to save for beneficiaries at an early age. More than 40% of all new beneficiaries were 4 years old or younger and nearly 60% were 9 years old or younger. The College Investment Plan allows beneficiaries of any age, with more than 9% 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. Among the Enrollment-Based portfolios, there is a fairly even distribution of accounts across the portfolio options. However, among the Fixed Portfolios, the Equity Portfolio was the most popular investment choice with 12% of total accounts.




## SYSTEMATIC INVESTING

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

## STUDENTS USING ACCOUNTS TOWARD COLLEGE EXPENSES

Since the launch of the College Investment Plan in December 2001, most account holders have been focused on opening and contributing to accounts. However, distributions began to occur shortly after the launch of the Plan. Since July 1, 2008, distributions have been taken for 13,813 unique beneficiaries totaling approximately $78 million. There is no minimum amount of time that funds need to be invested in the College Investment Plan before an account holder can request a distribution.

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## REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

The College Savings Plans of Maryland Board

We have audited the accompanying statement of fiduciary net assets of the Maryland College Investment Plan (the Plan) and the individual portfolio statements of net assets as of June 30, 2009, and the related statement of changes in fiduciary net assets and the individual portfolio statements of operations and changes in net assets for the year then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Maryland College Investment Plan and the individual portfolios as of June 30, 2009, and the changes in their financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis on page 26 through 35 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and we express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The other data and information in the Annual Report are presented for the purpose 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 on it.

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

Baltimore, Maryland
October 30, 2009

## 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, 2009. 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 36. 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, 2009 have been audited by Abrams, Foster, Nole & Williams, P.A. who are also the auditors for the State of Maryland.

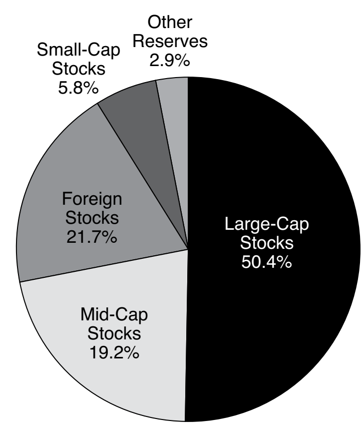
### College Investment Plan Financial Statements and Other Financial Information

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 42.

## FINANCIAL HIGHLIGHTS BY PORTFOLIO - AS OF JUNE 30, 2009*

## PORTFOLIO 2027

**ASSET CLASS ALLOCATION**

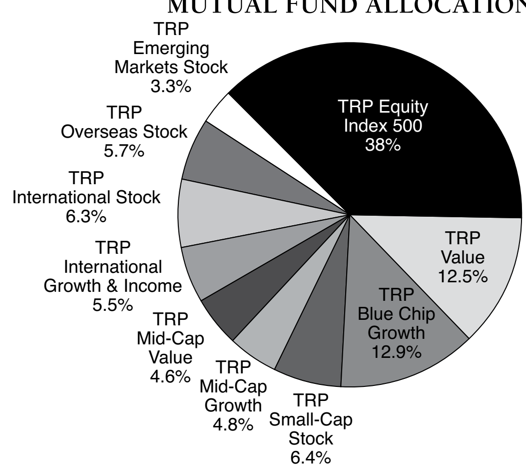



Portfolio 2027 produced solid results for the six months ended June 30, 2009, but declined for the 12-month period. Returns over both periods outpaced the results for the portfolio's weighted benchmark.

Among U.S. equity holdings, the portfolio's investments generated positive returns for the six-month period, but had negative results for the 12-month period. For the six-month period, the Blue Chip Growth Fund, Value Fund, Mid-Cap Value Fund, and Small-Cap Stock Fund all outperformed their benchmarks and were positive contributors on an absolute and relative basis. The Mid-Cap Growth Fund modestly underperformed its benchmark, but was a positive absolute contributor to performance. For the full 12-month period, the Value Fund, Mid-Cap Growth Fund, Mid-Cap Value Fund, and Small-Cap Stock Fund all outperformed their benchmarks contributing positively to relative performance, although they posted losses on an absolute basis. The Blue Chip Growth Fund underperformed its benchmark over the 12-month period.

The International Stock Fund was a strong positive contributor to performance against the benchmark over the six-month and 12-month periods, with solid positive six-month absolute returns and negative absolute 12-month returns. The International Growth & Income Fund was a negative contributor to relative performance over the six- and 12-month periods. The Emerging Markets Stock Fund negatively impacted returns for the year on both an absolute basis and relative to its respective benchmark. However, for the six-month period, this Fund and the sector have rebounded and contributed positively on both a relative and absolute basis.

**MUTUAL FUND ALLOCATION**




**Performance Comparison as of June 30, 2009**

| | 6 MONTHS | 12 MONTHS | ANNUALIZED SINCE INCEPTION*** |
|---|---|---|---|
| **PORTFOLIO 2027** | 10.33% | -26.00% | -7.95% |
| Weighted Benchmark** | 5.84% | -27.30% | -8.51% |

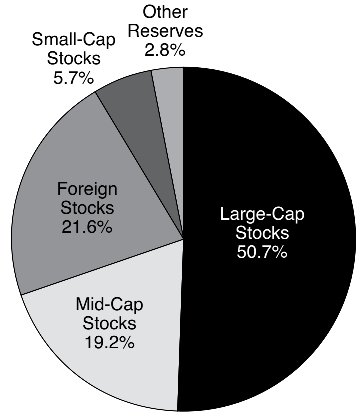
## PORTFOLIO 2024

Portfolio 2024 produced solid results for the six months ended June 30, 2009, but declined for the 12-month period. Returns over both periods outpaced the results for the portfolio's weighted benchmark.

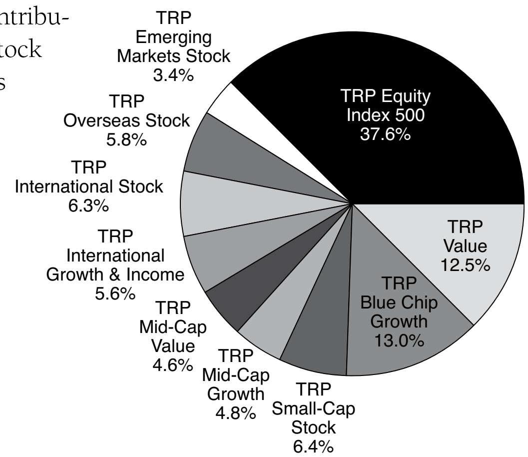
Among U.S. equity holdings, the portfolio's investments generated positive returns for the six-month period, but had negative results for the 12-month period. For the six-month period, the Blue Chip Growth Fund, Value Fund, Mid-Cap Value Fund, and Small-Cap Stock Fund all outperformed their benchmarks and were positive contributors on an absolute and relative basis. The Mid-Cap Growth Fund modestly underperformed its benchmark, but was a positive absolute contributor to performance. For the full 12-month period, the Value Fund, Mid-Cap Growth Fund, Mid-Cap Value Fund, and Small-Cap Stock Fund all outperformed their benchmarks contributing positively to relative performance, although they posted losses on an absolute basis. The Blue Chip Growth Fund underperformed its benchmark over the 12-month period.

The International Stock Fund was a strong positive contributor to performance against the benchmark over the six- and 12-month periods, with solid positive six-month absolute returns and negative absolute 12-month returns. The International Growth & Income Fund was a negative contributor to relative performance over the six- and 12-month periods. The Emerging Markets Stock Fund negatively impacted returns for the year on both an absolute basis and relative to its respective benchmark. However, for the six-month period, this Fund and the sector have rebounded and contributed positively on both a relative and absolute basis.

### ASSET CLASS ALLOCATION




### MUTUAL FUND ALLOCATION




### Performance Comparison as of June 30, 2009

| | 6 MONTHS | 12 MONTHS | ANNUALIZED SINCE INCEPTION*** |
|---|---|---|---|
| **PORTFOLIO 2024** | 10.31% | -25.96% | 0.66% |
| Weighted Benchmark** | 5.84% | -27.30% | 0.60% |

## PORTFOLIO 2021

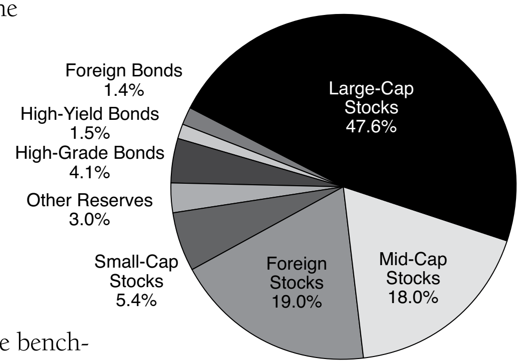
Portfolio 2021 produced solid results for the six months ended June 30, 2009, but declined for the 12-month period. Returns over both periods outpaced the results for the portfolio's weighted benchmark.

Among U.S. equity holdings, the portfolio's investments generated positive returns over the six-month period, but had negative results for the 12-month period. For the six-month period, the Blue Chip Growth Fund, Value Fund, Mid-Cap Value Fund, and Small-Cap Stock Fund all outperformed their benchmarks and were positive contributors on an absolute and relative basis. The Mid-Cap Growth Fund modestly underperformed its benchmark, but was a positive absolute contributor to performance. For the 12-month period, the Value Fund, Mid-Cap Growth Fund, Mid-Cap Value Fund, and Small-Cap Stock Fund all outperformed their benchmarks contributing positively to relative performance, although they posted losses on an absolute basis. The Blue Chip Growth Fund underperformed its respective benchmark over the 12-month period.

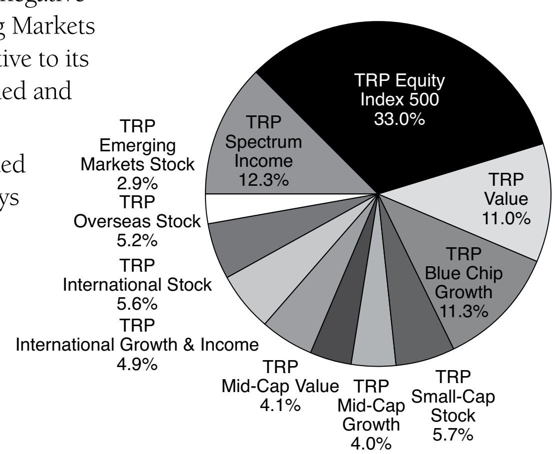
The International Stock Fund was a strong positive contributor to performance against the benchmark over the six-month and 12-month periods, with solid positive six-month absolute returns and negative absolute 12-month returns. The International Growth & Income Fund was a negative contributor to relative performance over the six- and 12-month periods. The Emerging Markets Stock Fund negatively impacted returns for the year on both an absolute basis and relative to its benchmark. However, for the six-month period, this Fund and the sector have rebounded and contributed positively on both a relative and absolute basis.

The portfolio's fixed-income holdings in the Spectrum Income Fund negatively impacted returns for the year on both an absolute basis and relative to its benchmark, the Barclays Capital U.S. Aggregate Bond Index. However, for the six-month period, this Fund and the sector rebounded and contributed positively on both a relative and absolute basis.

### ASSET CLASS ALLOCATION




### MUTUAL FUND ALLOCATION




### Performance Comparison as of June 30, 2009

| | 6 MONTHS | 12 MONTHS | ANNUALIZED SINCE INCEPTION*** |
|---|---|---|---|
| **PORTFOLIO 2021** | 9.90% | -23.69% | 0.77% |
| Weighted Benchmark** | 5.32% | -23.67% | 1.30% |

## PORTFOLIO 2018

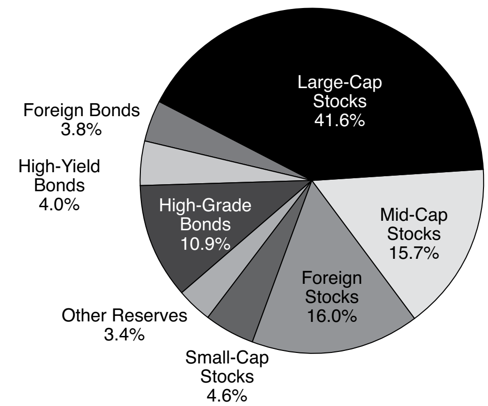
Portfolio 2018 produced solid results for the six months ended June 30, 2009, but declined for the 12-month period. Six-month returns exceeded the weighted benchmark, while 12-month returns lagged.

The portfolio's fixed-income holdings in the Spectrum Income Fund negatively impacted returns for the year on both an absolute basis and relative to its benchmark, the Barclays Capital U.S. Aggregate Bond Index. However, for the six-month period, this Fund and the sector rebounded and contributed positively on both a relative and absolute basis.

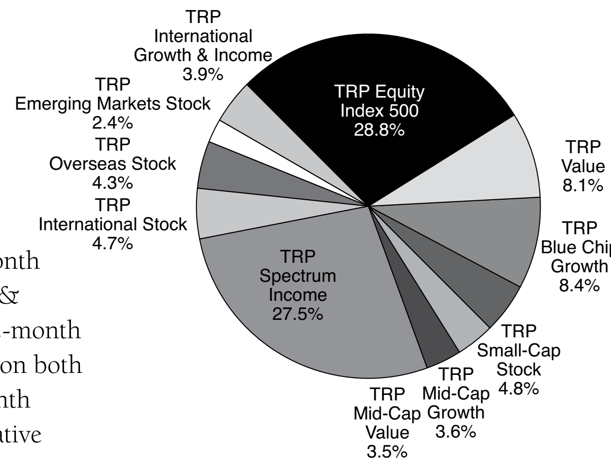
Among U.S. equity holdings, the portfolio's investments generated positive returns for the six-month period, but had negative results for the 12-month period. For the six–month period, the Blue Chip Growth Fund, Value Fund, Mid-Cap Value Fund, and Small-Cap Stock Fund all outperformed their benchmarks and were positive contributors on an absolute and relative basis. The Mid-Cap Growth Fund modestly underperformed its benchmark, but was a positive absolute performance contributor. For the 12-month period, the Value Fund, Mid-Cap Growth Fund, Mid-Cap Value Fund, and Small-Cap Stock Fund all outperformed their benchmarks contributing positively to relative performance, although they posted losses on an absolute basis. The Blue Chip Growth Fund underperformed its benchmark over the 12-month period.

The International Stock Fund was a strong positive contributor to performance against the benchmark over the six-month and 12-month periods, with solid positive six-month absolute returns and negative absolute 12-month returns. The International Growth & Income Fund was a negative contributor to relative performance over the six- and 12-month periods. The Emerging Markets Stock Fund negatively impacted returns for the year on both an absolute basis and relative to its respective benchmark. However, over the six-month period, this Fund and the sector rebounded and contributed positively on both a relative and absolute basis.

**ASSET CLASS ALLOCATION**




**MUTUAL FUND ALLOCATION**




**Performance Comparison as of June 30, 2009**

| | 6 MONTHS | 12 MONTHS | ANNUALIZED SINCE INCEPTION*** |
|---|---|---|---|
| **PORTFOLIO 2018** | 9.51% | -19.99% | 1.38% |
| Weighted Benchmark** | 4.83% | -18.85% | 2.02% |

## PORTFOLIO 2015

Portfolio 2015 produced solid results for the six months ended June 30, 2009, but declined for the 12 months ended June 30, 2009. Six-month returns exceeded the weighted benchmark, while 12-month returns lagged.

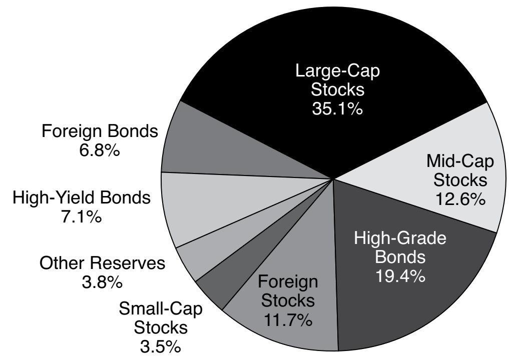
Over the six-month period, the primary driver of portfolio outperformance was the strong absolute and relative returns of the Spectrum Income Fund. The Fund's allocation to higher-yielding fixed income sectors and underweight position in Treasury securities was the biggest positive contributor to performance. Over the 12-month period, the opposite was true as underperformance by the Spectrum Income Fund was the primary detractor on both an absolute and relative basis. Within the Spectrum Income Fund, the underweight to Treasury securities in the second half of 2008 significantly hurt returns. Treasuries were one of the few sectors providing positive returns as investors gravitated toward higher-quality securities backed by the full faith and credit of the U.S. government as a result of the financial crisis.

Among U.S. equity holdings, the portfolio's investments generated positive returns for the six-month period, but had negative results for the 12-month period. For the six months, the Blue Chip Growth Fund, Value Fund, Mid-Cap Value Fund, and Small-Cap Stock Fund outperformed their benchmarks and were positive contributors on both an absolute and relative basis. The Mid-Cap Growth Fund modestly underperformed its benchmark, but was a positive absolute performance contributor. For the 12-month period, the Value Fund, Mid-Cap Growth Fund, Mid-Cap Value Fund, and Small-Cap Stock Fund all outperformed their benchmarks contributing positively to relative performance, although they posted losses on an absolute basis.

## PORTFOLIO 2015, CONTINUED

The International Stock Fund was a strong positive contributor to performance against the benchmark over the six-month and 12-month periods, with solid positive six-month absolute returns and negative absolute 12-month returns. The International Growth & Income Fund was a negative contributor to relative performance over the six- and 12-month periods. The Emerging Markets Stock Fund negatively impacted returns for the year on both an absolute basis and relative to its respective benchmark. However, for the six-month period, this Fund and the sector rebounded and contributed positively on both a relative and absolute basis.

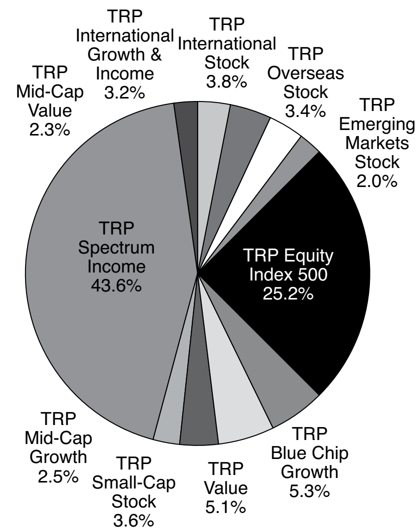
### ASSET CLASS ALLOCATION




### Performance Comparison as of June 30, 2009

| | 6 MONTHS | 12 MONTHS | ANNUALIZED SINCE INCEPTION*** |
|---|---|---|---|
| **PORTFOLIO 2015** | 8.90% | -16.01% | 2.07% |
| Weighted Benchmark** | 4.26% | -13.49% | 2.72% |

### MUTUAL FUND ALLOCATION



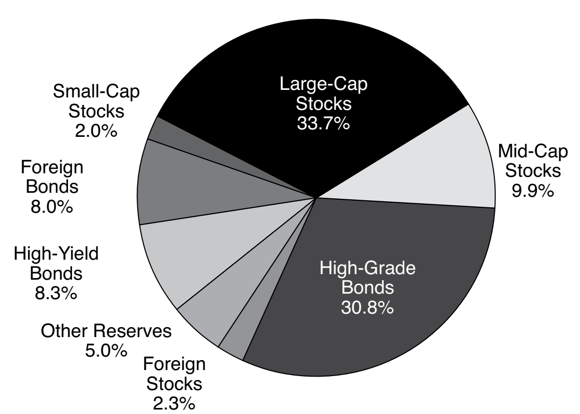

## PORTFOLIO 2012

Portfolio 2012 produced solid results for the six months ended June 30, 2009, but declined for the 12 months ended June 30, 2009. Six-month returns exceeded the weighted benchmark, while 12-month returns lagged.

For the six-month period, the primary driver of portfolio outperformance was the strong absolute and relative returns of the Spectrum Income Fund. The Fund's allocation to higher yielding fixed income sectors and underweight position in U.S. Treasury securities was the biggest positive contributor to performance. Over the 12-month period, the opposite was true as underperformance by the Spectrum Income Fund was the primary negative contributor on both an absolute and relative basis. Within the Spectrum Income Fund, the underweight to Treasury securities in the second half of 2008 significantly hurt returns. Treasuries were one of the few sectors providing positive returns as investors gravitated toward higher-quality securities backed by the full faith and credit of the U.S. government as a result of the financial crisis.

Among U.S. equity holdings, the portfolio's investments generated positive returns for the six-month period, but had negative results for the 12-month period. For the six months, the Mid-Cap Value Fund and Small-Cap Stock Fund outperformed their benchmarks and were positive contributors on both an absolute and relative basis. The Mid-Cap Growth Fund modestly underperformed its benchmark, but was a positive absolute performance contributor. For the 12-month period, the Mid-Cap Growth Fund, Mid-Cap Value Fund, and Small-Cap Stock Fund all outperformed their benchmarks contributing positively to relative performance, although they posted losses on an absolute basis.

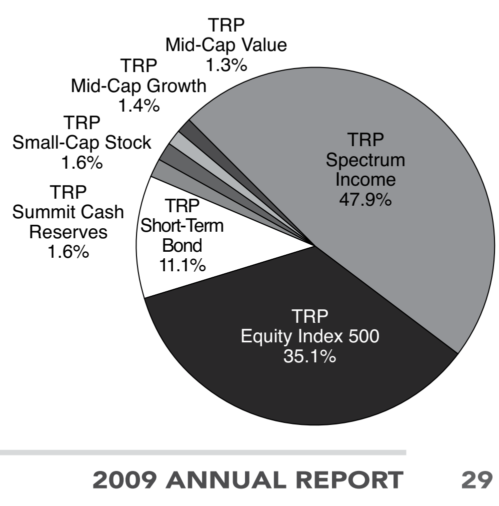
### ASSET CLASS ALLOCATION




### Performance Comparison as of June 30, 2009

| | 6 MONTHS | 12 MONTHS | ANNUALIZED SINCE INCEPTION*** |
|---|---|---|---|
| **PORTFOLIO 2012** | 6.22% | -11.75% | 2.90% |
| Weighted Benchmark** | 2.53% | -8.33% | 3.35% |

### MUTUAL FUND ALLOCATION



## PORTFOLIO 2009

Portfolio 2009 was merged into the Portfolio for College on June 5, 2009 as it reached its target date. Therefore, all information for Portfolio 2009 is presented for the five months and 11 months ended May 31, 2009. Throughout this 11-month period, the portfolio's asset allocation and mutual fund allocation were very similar to that of the Portfolio for College.

Portfolio 2009 produced solid absolute results for the five months ended May 31, 2009, while also exceeding its weighted benchmark. The Spectrum Income Fund was a key positive contributor for both an absolute and relative basis. The portfolio's overweight to equities added value as stocks outperformed for the period.

Over the 11-month period, however, the portfolio declined both in absolute terms and relative to its benchmark. The portfolio trailed its weighted benchmark for this period due to weakness among its fixed-income holdings notably the Spectrum Income Fund, which was held back by a stake in dividend paying stocks. An overweight in stocks relative to the portfolio's benchmark also negatively impacted performance during the period. The Fund's cash position, comprising both short-term bonds and cash, was a positive contributor over both periods.

### Performance Comparison as of May 31, 2009

| | 5 MONTHS | 11 MONTHS | ANNUALIZED SINCE INCEPTION*** |
|---|---|---|---|
| **PORTFOLIO 2009** | 4.05% | -6.22% | 3.87% |
| Weighted Benchmark** | 1.44% | -4.22% | 3.78% |

## PORTFOLIO FOR COLLEGE

The Portfolio for College produced positive results for the six months ended June 30, 2009, but declined for the 12 months ended June 30, 2009. Results for both periods exceeded the weighted benchmark.

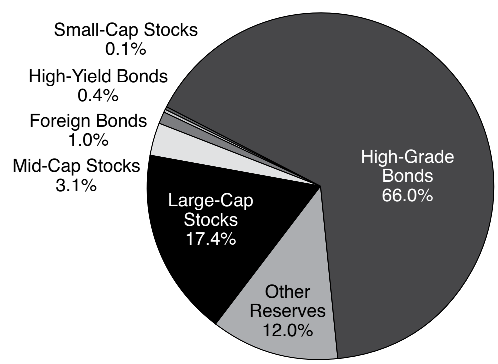
Over the 12-month period, the portfolio's equity component, represented by the Equity Index 500 Fund, was the primary detractor from absolute performance in the wake of the economic downturn experienced in 2008. For the six-month period, equities have rebounded significantly, aiding returns on both an absolute and relative basis.

A large position in short-term bonds and cash positively contributed to absolute performance over the 12-month period. The Short-Term Bond Fund outperformed its benchmark, producing solid performance on both an absolute and relative basis for the six-month period.

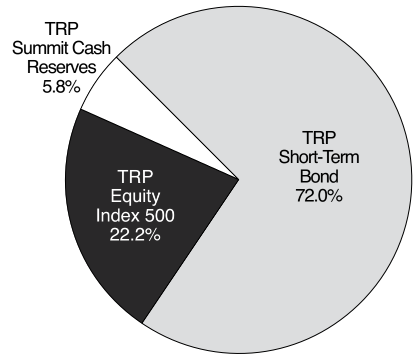
### Performance Comparison as of June 30, 2009

| | 6 MONTHS | 12 MONTHS | ANNUALIZED SINCE INCEPTION*** |
|---|---|---|---|
| **PORTFOLIO FOR COLLEGE** | 4.88% | -2.53% | 2.35% |
| Weighted Benchmark** | 1.77% | -3.12% | 2.84% |

**ASSET CLASS ALLOCATION**

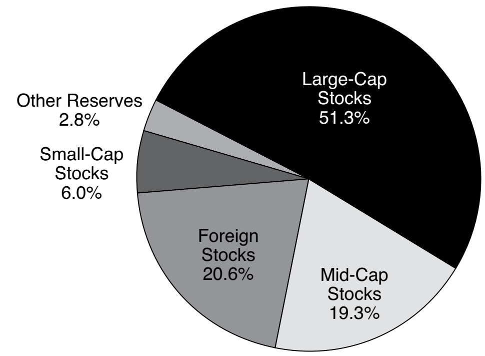



**MUTUAL FUND ALLOCATION**



## EQUITY PORTFOLIO

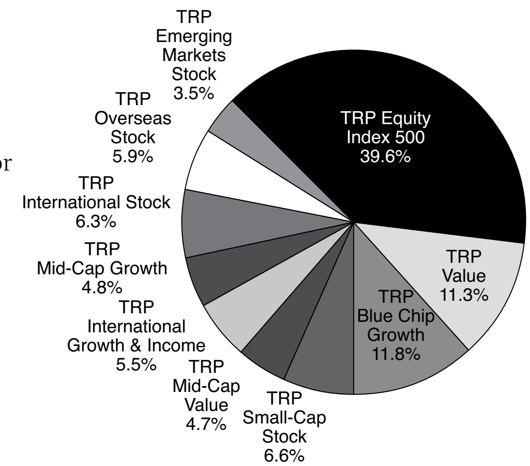
ASSET CLASS ALLOCATION




The Equity Portfolio produced a double-digit gain for the six months ended June 30, 2009, but recorded a severe decline for the 12-month period. Results in both time frames outpaced the portfolio's weighted benchmark.

Among U.S. equity holdings, the portfolio's investments had positive returns over the six months ended June 30, 2009, but had negative returns over the 12-month period. For the six month period, the Blue Chip Growth Fund, Value Fund, Mid-Cap Value Fund, and Small-Cap Stock Fund all outperformed their benchmarks and were positive contributors on an absolute and relative basis. The Mid-Cap Growth Fund modestly underperformed its benchmark, but was a positive absolute contributor to performance. For the full 12-month period, the Value Fund, Mid-Cap Growth Fund, Mid-Cap Value Fund, and Small-Cap Stock Fund all outperformed their benchmarks contributing positively to relative performance, although they were negative absolute contributors to performance. The Blue Chip Growth Fund underperformed its benchmark over the 12-month period.

MUTUAL FUND ALLOCATION



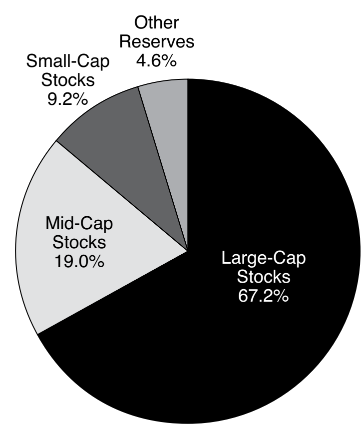

The International Stock Fund was a strong contributor to performance against the benchmark over the six- and 12-month periods, with solid positive absolute returns for the six-month period and negative absolute returns for the last 12-month period. The International Growth & Income Fund was a negative contributor to relative performance over both periods. The Emerging Markets Stock Fund negatively impacted returns for the year on both an absolute basis and relative to its respective benchmark. However, for the six-month period this Fund and the sector have rebounded and contributed positively on both a relative and absolute basis.

### Performance Comparison as of June 30, 2009

| | 6 MONTHS | 12 MONTHS | ANNUALIZED SINCE INCEPTION*** |
|---|---|---|---|
| **EQUITY PORTFOLIO** | 9.97% | -25.89% | 0.30% |
| Weighted Benchmark** | 5.82% | -27.29% | 0.43% |

## TOTAL EQUITY MARKET INDEX PORTFOLIO

ASSET CLASS ALLOCATION

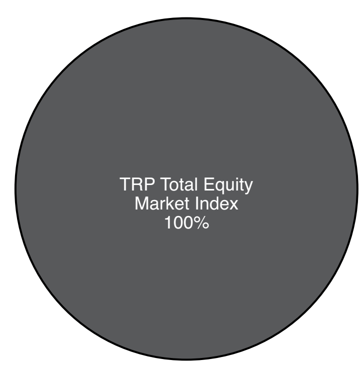



The Total Equity Market Index Portfolio posted a severe decline for the 12 months ended June 30, 2009, but recovered with a strong gain for the most recent six-month period. The portfolio's returns for both periods were generally in line with the performance of its benchmark, the S&P Total Market Index.

The portfolio's 12-month decline was driven primarily by the financial services sector. Industries that are highly impacted by recessionary environments, such as industrials, also struggled. Defensive sectors, such as health care, held up the best during this volatile period.

In the six-month period ending June 30, 2009, financials that survived the market shakeout posted a significant gain, although they still have a long way to go to recover earlier losses. Materials and technology stocks also outperformed. For the last six months, growth stocks outperformed value stocks, as investors emphasized companies that could grow even in difficult economic circumstances.

MUTUAL FUND ALLOCATION




### Performance Comparison as of June 30, 2009

| | 6 MONTHS | 12 MONTHS | ANNUALIZED SINCE INCEPTION*** |
|---|---|---|---|
| **TOTAL EQUITY MARKET INDEX PORTFOLIO** | 4.22% | -26.37% | -8.54% |
| S&P Total Market Index | 4.18% | -26.61% | -8.38% |

## BALANCED PORTFOLIO

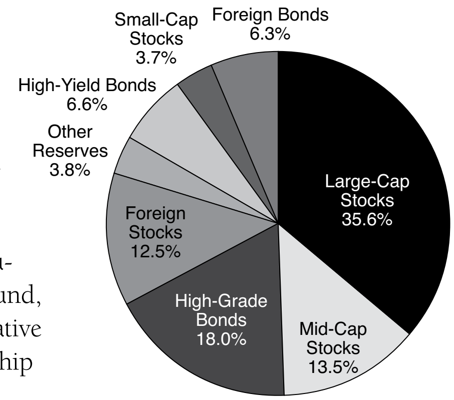
The Balanced Portfolio produced solid results for the six months ended June 30, 2009, but declined for the 12-month period. Six-month returns exceeded the weighted benchmark, while 12-month returns lagged.

Among U.S. equity holdings, the portfolio's investments had positive six-month returns with negative returns over the 12-month period. For the six month period, the Blue Chip Growth Fund, Value Fund, Mid-Cap Value Fund, and Small-Cap Stock Fund all outperformed their benchmarks and were positive contributors on an absolute and relative basis. The Mid-Cap Growth Fund modestly underperformed its benchmark, but was a positive absolute contributor to performance. For the 12-month period, the Mid-Cap Growth Fund, Mid-Cap Value Fund, and Small-Cap Stock Fund all outperformed their benchmarks contributing positively to relative performance, although they were negative absolute contributors to performance. The Blue Chip Growth Fund underperformed its benchmark over the 12-month period.

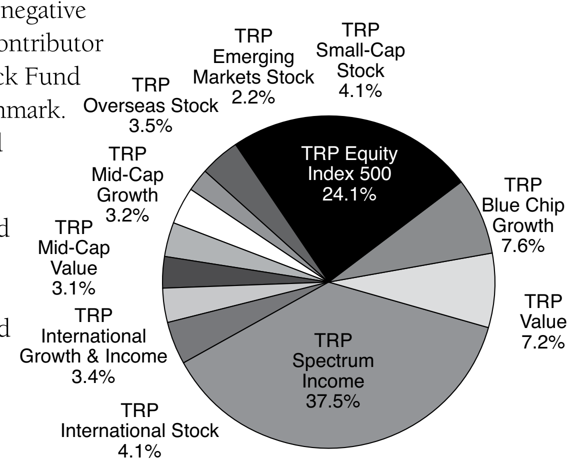
The International Stock Fund was a strong contributor to performance against the benchmark over the six- and 12-month periods, with solid six-month positive absolute returns and negative absolute 12-month returns. The International Growth & Income Fund was a negative contributor to relative performance over the six- and 12-month periods. The Emerging Markets Stock Fund negatively impacted returns for the year on both an absolute basis and relative to its benchmark. However, this Fund and the sector rebounded for the six-month period and contributed positively on both a relative and absolute basis.

The portfolio's fixed-income holdings in the Spectrum Income Fund negatively impacted returns for the year on both an absolute basis relative to its benchmark, the Barclays Capital U.S. Aggregate Bond Index. However, this Fund and the sector have rebounded and contributed positively on both a relative and absolute basis for the six months ended June 30, 2009.

### ASSET CLASS ALLOCATION




### MUTUAL FUND ALLOCATION




### Performance Comparison as of June 30, 2009

| | 6 MONTHS | 12 MONTHS | ANNUALIZED SINCE INCEPTION*** |
|---|---|---|---|
| **BALANCED PORTFOLIO** | 9.45% | -16.75% | 2.55% |
| Weighted Benchmark** | 4.71% | -14.51% | 2.70% |

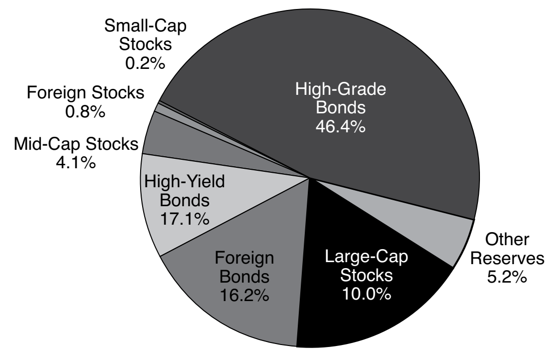
## BOND AND INCOME PORTFOLIO

The Bond and Income Portfolio produced a solid gain for the six months ended June 30, 2009, and outperformed its benchmark by a wide margin. For the 12 months ended June 30, 2009, the portfolio posted a modest loss and sharply underperformed relative to its benchmark.

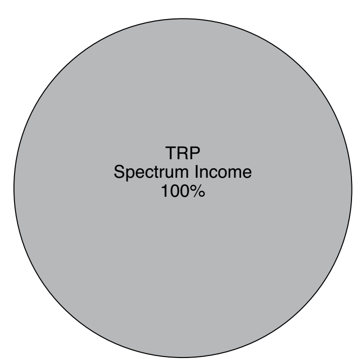
The Spectrum Income Fund invests in a diverse array of income producing securities, blending core income securities that are included in the benchmark with securities from diversifying sectors, such as high-yield and international bonds and dividend-paying stocks. In the second half of 2008, investors shunned all sectors with higher-volatility profiles. As a result, the portfolio's diversifying sectors experienced significant absolute declines while also resulting in underperformance relative to the Barclays Capital U.S. Aggregate Bond Index .

The market reversed course for the six-month period, with high-yield bonds and dividend-paying stocks outperforming the benchmark. The portfolio took advantage of this rebound, recovering a significant amount of the ground lost in the fall of 2008. Strong security selection also added value in the six-month time frame.

### ASSET CLASS ALLOCATION




### MUTUAL FUND ALLOCATION




### Performance Comparison as of June 30, 2009

| | 6 MONTHS | 12 MONTHS | ANNUALIZED SINCE INCEPTION*** |
|---|---|---|---|
| **BOND & INCOME PORTFOLIO** | 8.05% | -1.03% | 5.38% |
| Barclays Capital U.S. Aggregate Index | 1.90% | 6.05% | 5.11% |

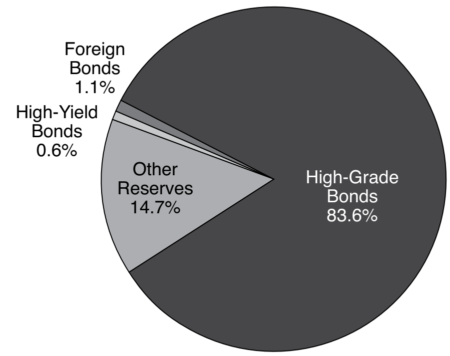
## SHORT-TERM BOND PORTFOLIO

The Short-Term Bond Portfolio advanced for the six and 12 months ended June 30, 2009. Returns for the 12-month period trailed the portfolio's benchmark, the Barclays Capital 1-3 Year U.S. Government/Credit Index. However, results were very strong on both an absolute and relative basis for the six-month period ended June 30, 2009.

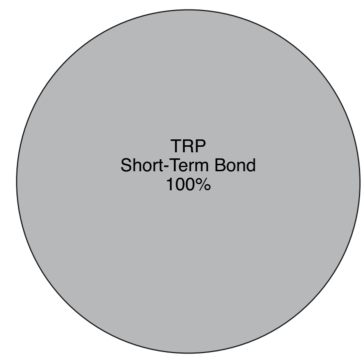
The portfolio's outperformance for the six-month period was due primarily to an overweight in corporate bonds, which had been oversold during the financial crisis in the fall of 2008. As the economy has appeared to stabilize, demand for corporate bonds has increased dramatically. Results were good among the portfolio's financials, industrial, and utility holdings.

The portfolio was also underweight to U.S. Treasury securities throughout the first half of 2009. This proved beneficial as Treasuries were the only bond segment to post negative results after March having been hurt by long-term inflation concerns. Overall, positions in asset-backed and mortgage-backed securities also generated positive results.

### ASSET CLASS ALLOCATION




### MUTUAL FUND ALLOCATION




### Performance Comparison as of June 30, 2009

| | 6 MONTHS | 12 MONTHS | ANNUALIZED SINCE INCEPTION** |
|---|---|---|---|
| **SHORT-TERM BOND PORTFOLIO** | 5.28% | 4.45% | 3.21% |
| Barclays Capital 1- to 3-Year Government/Credit Index | 2.00% | 4.90% | 3.83% |

For the most recent College Investment Plan investment performance, please visit our Web site 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.*

** All information presented is as of June 30, 2009 except for Portfolio 2009 which matured on June 5, 2009. Information for Portfolio 2009 is presented as of May 31, 2009.*

*** 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 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.*

## 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, 2009. This statement, along with the College Investment Plan's Statement of Changes in Fiduciary Net Assets, is prepared using the accrual basis of accounting. Under this method of accounting, revenues and assets are recognized when enrollment materials are received in good order, 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. Noncurrent assets are less than 1% of all assets and are detailed in the Portfolio Financial Statements contained in the Supplementary Information. Net assets consist primarily of contributions to accounts and investment earnings or losses, net of distributions from accounts.

Additions to net assets resulted from over 18,000 new accounts and $320 million in contributions. Deductions to net assets include $152 million in distributions and $255 million in net investment losses. This resulted in a decrease in net assets of $86 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 to the College Investment Plan's financial statements and the Supplementary information beginning on page 42.

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 0.28% per year of the assets of each Investment Portfolio. This fee will be reduced to 0.25% once total assets in the College Investment Plan exceed $2 billion. 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 0.95% of the College Investment Plan's average net assets in any year. If necessary to remain at the 0.95% 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 FEES (continued)

College Investment Plan to the Program Manager in following years if repayment would not cause the College Investment Plan's effective expense ratio to exceed the 0.95% limit.

On behalf of the College Savings Plans of Maryland, the Prepaid College Trust receives a portion of the aggregate program fee as follows: 4 basis points (0.04%) from the College Investment Plan on assets up to $1 billion and an additional 6 basis points (0.06%) on assets over $1 billion, with a minimum guaranteed payment of $636,000. For the fiscal year ended June 30, 2009, the Program Manager paid to the Board an aggregate of $756,379. Under contract with the Program Manager, the Prepaid College Trust only uses these fees to pay administrative and marketing expenses of the College Investment Plan. Any other fees charged and administrative expenses of the College Savings Plans of Maryland are accounted for in the financial statements of the Prepaid College Trust.

## PORTFOLIO FINANCIAL STATEMENTS

The Statements of Net Assets, the Statements 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, 2009.

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, 2009

(amounts in thousands)

| | |
|---|---|
| **ASSETS** | |
| Current assets: | |
| Investments, at fair value | $1,480,573 |
| Accounts receivable | 309 |
| Total | $1,480,882 |
| **LIABILITIES** | |
| Current liabilities: | |
| Other liabilities | 642 |
| **NET ASSETS** | |
| Restricted held in trust for: | |
| Individuals and organizations | 1,480,240 |
| TOTAL NET ASSETS | $1,480,240 |

*See accompanying notes to financial statements.*

## Statement of Changes in Fiduciary Net Assets
## For the Fiscal Year Ended June 30, 2009

(amounts in thousands)

### ADDITIONS

| | |
|---|---|
| Contributions: | |
| Total Contributions | $ 451,583 |
| Less: Transfers from maturing portfolios | (131,134) |
| Net Contributions | 320,449 |
| Investments Income (loss) | |
| Net decrease in fair value of investments | (291,262) |
| Net investment income | 36,258 |
| Net investment loss | (255,004) |
| Total Additions | 65,445 |

### DEDUCTIONS

| | |
|---|---|
| Total payments | 282,836 |
| Less: Transfers to maturing portfolios | (131,134) |
| Net payments | 151,702 |
| Net change in net assets | (86,257) |
| Net assets, beginning of year | 1,566,497 |
| Net assets, end of year | $1,480,240 |

*See accompanying notes to financial statements.*

# NOTES TO FINANCIAL STATEMENTS

**Year Ended June 30, 2009**

## 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 of the Trust, and T. Rowe Price Associates, Inc. (Price Associates or the Program Manager) serves as the program manager. The Plan is marketed directly to investors without sales charges and offers eight enrollment-based and five fixed-investment portfolios (individually, a Portfolio and collectively, the Portfolios). Each Portfolio invests in predetermined underlying equity, fixed-income, and/or money market mutual funds (Underlying Mutual Funds) managed by Price Associates or T. Rowe Price International, Inc., a wholly-owned subsidiary of Price Associates. 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, administered by the College Savings Plans of Maryland, authorized by the Maryland Annotated Code Education Article, Section 18, Subtitle 19A (Enabling Legislation). The Board directs the Trust. The Board consists of ten members, five of whom are ex-officio members. The ex-officio members are the State Comptroller, the State Treasurer, the Secretary of the Maryland Higher Education Commission, the State Superintendent of Schools, and the Chancellor of the University System of Maryland. The five remaining members are public members appointed by the Governor.

The Enabling Legislation allows that all contributions made by an account holder to the Plan may be deducted from Maryland State adjusted gross income in an amount up to $2,500 for each beneficiary annually. Contributions made in excess of $2,500 per Beneficiary in a single year may be carried forward and deducted from the account holder's State adjusted gross income for up to 10 additional years, subject to the $2,500 annual limit. Earnings on contributions are tax-free for Federal and State purposes when used toward eligible qualified higher education expenses.

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 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 account holder instructions in good order, based on the next determined net asset value per unit. Net investment income and net realized gains/losses accumulate in the net asset value of each Portfolio and are not separately distributed to account holders or beneficiaries.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 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 the Underlying Mutual Funds are not subject to classification by credit risk.

On June 30, 2009, 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 | $ 96,395 | $ (5,897) | $ 90,498 |
| T. Rowe Price Equity Index 500 Fund | 505,279 | (85,381) | 419,898 |
| T. Rowe Price Mid-Cap Growth Fund | 42,151 | (2,931) | 39,220 |
| T. Rowe Price Mid-Cap Value Fund | 44,744 | (6,535) | 38,209 |
| T. Rowe Price Small-Cap Stock Fund | 62,834 | (10,147) | 52,687 |
| T. Rowe Price Total Equity Market Index Fund | 24,785 | (5,624) | 19,161 |
| T. Rowe Price Value Fund | 98,900 | (11,938) | 86,962 |
| Total domestic stock funds | 875,088 | (128,453) | 746,635 |
| **International stock funds** | | | |
| T. Rowe Price Emerging Markets Stock Fund | 31,005 | (4,835) | 26,170 |
| T. Rowe Price Int'l Growth & Income Fund | 49,364 | (7,155) | 42,209 |
| T. Rowe Price International Stock Fund | 53,922 | (4,785) | 49,137 |
| T. Rowe Price Overseas Stock Fund | 61,681 | (16,747) | 44,934 |
| Total international stock funds | 195,972 | (33,522) | 162,450 |
| **Domestic bond funds** | | | |
| T. Rowe Price Short-Term Bond Fund | 220,124 | 3,414 | 223,538 |
| **Blended asset funds** | | | |
| T. Rowe Price Spectrum Income Fund | 349,310 | (17,191) | 332,119 |
| **Money market funds** | | | |
| T. Rowe Price Summit Cash Reserves Fund | 15,831 | 0 | 15,831 |
| Total Investments in Mutual Funds | $1,656,325 | $(175,752) | $1,480,573 |

## 3. INVESTMENTS (CONTINUED)

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, 2009 (in years):

| | Weighted Average Maturity | Weighted Average Duration |
|---|---|---|
| **Domestic bond funds** | | |
| T. Rowe Price Short-Term Bond Fund | 2.50 | 1.76 |
| **Blended asset funds** | | |
| T. Rowe Price Spectrum Income Fund | 4.53 | 2.90 |

## 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 the Program Manager, which is accrued daily and paid monthly. During the year ended June 30, 2009, the program fee totaled 0.28% of each Portfolio's average daily net assets. As of June 30, 2009, program fees payable by the Portfolios totaled $332,000.

The Program Manager 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. 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% of average Plan assets greater than $1 billion. For the fiscal year ended June 30, 2009, the Program Manager paid the Board $756,000 in accordance with this agreement.

Each Portfolio indirectly bears its pro-rata share of the fees and expenses of the Underlying Mutual Funds in which it invests. The Portfolios pay no investment management fees; however, Price Associates and/or its subsidiaries receive 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. For the fiscal year ended June 30, 2009, the Underlying Mutual Funds incurred $3,806,000 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.

## 5. RELATED PARTIES (CONTINUED)

The Program Manager has agreed to limit the Plan's expense ratio to 0.95% per year (expense limit). The expense ratio is the ratio of the Plan's expenses to average net assets. As of June 30, 2009, for purposes of the limitation, expenses include the program fee charged to the Portfolios and the effect of the weighted average expense ratios of the Underlying Mutual Funds in which the Portfolios invest. Expenses in excess of the limit are borne by the Program Manager (expense waivers) in the form of reduced program fees paid by each Portfolio to the Program Manager. Expense waivers are allocated to the Portfolios on the basis of relative average net assets. Any expenses waived are subject to later repayment by the Portfolios if the repayment would not cause the Plan's effective expense ratio to exceed the limit described above. During the fiscal year ended June 30, 2009, 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.

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 program management agreement 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.

## 6. PORTFOLIO CHANGES

As scheduled, at the close of business on June 5, 2009, Portfolio 2009 matured, all investment were sold, and all outstanding units were exchanged into the Portfolio for College at the net asset value per unit on that date. Such activity is reflected on the Statements of Operations and Changes in Net Assets.

## MARYLAND COLLEGE INVESTMENT PLAN

### As of June 30, 2009

Dollars in thousands, except net asset values per unit

| | PORTFOLIO 2027 | | PORTFOLIO 2024 | | PORTFOLIO 2021 | |
|---|---|---|---|---|---|---|
| **Statements of Net Assets** | Shares | Value | Shares | Value | Shares | Value |
| **Investments at Value** | | | | | | |
| T. Rowe Price Blue Chip Growth Fund | 137,825 | $ 3,694 | 435,149 | $11,662 | 678,882 | $ 18,194 |
| T. Rowe Price Emerging Markets Stock Fund | 41,534 | 954 | 131,538 | 3,021 | 201,876 | 4,637 |
| T. Rowe Price Equity Index 500 Fund | 441,242 | 10,916 | 1,361,456 | 33,682 | 2,142,208 | 52,998 |
| T. Rowe Price International Growth & Income Fund | 155,856 | 1,593 | 485,464 | 4,962 | 779,140 | 7,963 |
| T. Rowe Price International Stock Fund | 176,632 | 1,809 | 551,371 | 5,646 | 884,750 | 9,060 |
| T. Rowe Price Mid-Cap Growth Fund | 35,991 | 1,369 | 111,761 | 4,253 | 170,055 | 6,471 |
| T. Rowe Price Mid-Cap Value Fund | 81,785 | 1,331 | 255,083 | 4,153 | 407,310 | 6,631 |
| T. Rowe Price Overseas Stock Fund | 255,338 | 1,632 | 808,312 | 5,165 | 1,319,202 | 8,430 |
| T. Rowe Price Short-Term Bond Fund | 0 | 0 | 0 | 0 | 0 | 0 |
| T. Rowe Price Small-Cap Stock Fund | 85,483 | 1,828 | 266,572 | 5,702 | 427,290 | 9,140 |
| T. Rowe Price Spectrum Income Fund | 0 | 0 | 0 | 0 | 1,818,506 | 19,785 |
| T. Rowe Price Summit Cash Reserves Fund | 0 | 0 | 0 | 0 | 0 | 0 |
| T. Rowe Price Total Equity Market Index Fund | 0 | 0 | 0 | 0 | 0 | 0 |
| T. Rowe Price Value Fund | 215,359 | 3,584 | 671,068 | 11,166 | 1,060,726 | 17,650 |
| **Total Investments at Value** | | 28,710 | | 89,412 | | 160,959 |
| Other Liabilities, net | | (6) | | (20) | | (37) |
| **NET ASSETS** | | **$28,704** | | **$ 89,392** | | **$160,922** |
| *Composition of Net Assets:* | | | | | | |
| Paid-in capital | | $ 33,871 | | $111,003 | | $180,533 |
| Retained earnings | | $ (5,167) | | $ (21,611) | | $ (19,611) |
| *Units Outstanding* | | 3,681 | | 8,610 | | 13,796 |
| **NET ASSET VALUE PER UNIT[1]** | | **$ 7.80** | | **$ 10.38** | | **$ 11.66** |
| Investments at cost | | $33,294 | | $114,479 | | $188,968 |

[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 NAV per share on the date of valuation.

| PORTFOLIO 2018 | | PORTFOLIO 2015 | | PORTFOLIO 2012 | |
|---|---|---|---|---|---|
| **Shares** | **Value** | **Shares** | **Value** | **Shares** | **Value** |
| 627,498 | $ 16,817 | 389,318 | $ 10,434 | 0 | $ 0 |
| 210,546 | 4,836 | 173,037 | 3,975 | 0 | 0 |
| 2,332,139 | 57,697 | 2,023,498 | 50,061 | 2,743,483 | 67,874 |
| 773,209 | 7,902 | 611,587 | 6,253 | 0 | 0 |
| 918,271 | 9,403 | 728,801 | 7,463 | 0 | 0 |
| 190,856 | 7,262 | 132,553 | 5,044 | 72,243 | 2,749 |
| 436,763 | 7,111 | 283,572 | 4,617 | 160,184 | 2,608 |
| 1,345,537 | 8,598 | 1,048,767 | 6,701 | 0 | 0 |
| 0 | 0 | 0 | 0 | 4,541,297 | 21,571 |
| 451,168 | 9,650 | 329,185 | 7,041 | 143,857 | 3,077 |
| 5,079,034 | 55,260 | 7,967,485 | 86,686 | 8,508,793 | 92,576 |
| 0 | 0 | 0 | 0 | 3,147,166 | 3,147 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 971,423 | 16,165 | 604,358 | 10,057 | 0 | 0 |
| | 200,701 | | 198,332 | | 193,602 |
| | (46) | | (46) | | (45) |
| | **$200,655** | | **$198,286** | | **$193,557** |
| | $210,454 | | $197,506 | | $182,517 |
| | $ (9,799) | | $ 780 | | $ 11,040 |
| | 16,436 | | 15,435 | | 14,163 |
| | **$ 12.21** | | **$ 12.85** | | **$ 13.67** |
| | $228,856 | | $219,725 | | $212,493 |

## MARYLAND COLLEGE INVESTMENT PLAN

### As of June 30, 2009

Dollars in thousands, except net asset values per unit

| | PORTFOLIO FOR COLLEGE | | EQUITY PORTFOLIO | | TOTAL EQUITY MARKET INDEX PORTFOLIO | |
|---|---|---|---|---|---|---|
| **Statements of Net Assets** | **Shares** | **Value** | **Shares** | **Value** | **Shares** | **Value** |
| **Investments at Value** | | | | | | |
| T. Rowe Price Blue Chip Growth Fund | 0 | $ 0 | 794,382 | $ 21,290 | 0 | $ 0 |
| T. Rowe Price Emerging Markets Stock Fund | 0 | 0 | 273,529 | 6,283 | 0 | 0 |
| T. Rowe Price Equity Index 500 Fund | 1,974,140 | 48,840 | 2,880,901 | 71,274 | 0 | 0 |
| T. Rowe Price International Growth & Income Fund | 0 | 0 | 957,375 | 9,784 | 0 | 0 |
| T. Rowe Price International Stock Fund | 0 | 0 | 1,101,059 | 11,275 | 0 | 0 |
| T. Rowe Price Mid-Cap Growth Fund | 0 | 0 | 224,545 | 8,544 | 0 | 0 |
| T. Rowe Price Mid-Cap Value Fund | 0 | 0 | 513,491 | 8,359 | 0 | 0 |
| T. Rowe Price Overseas Stock Fund | 0 | 0 | 1,646,422 | 10,521 | 0 | 0 |
| T. Rowe Price Short-Term Bond Fund | 33,413,152 | 158,712 | 0 | 0 | 0 | 0 |
| T. Rowe Price Small-Cap Stock Fund | 0 | 0 | 550,415 | 11,773 | 0 | 0 |
| T. Rowe Price Spectrum Income Fund | 0 | 0 | 0 | 0 | 0 | 0 |
| T. Rowe Price Summit Cash Reserves Fund | 12,683,573 | 12,684 | 0 | 0 | 0 | 0 |
| T. Rowe Price Total Equity Market Index Fund | 0 | 0 | 0 | 0 | 1,891,480 | 19,161 |
| T. Rowe Price Value Fund | 0 | 0 | 1,228,663 | 20,445 | 0 | 0 |
| **Total Investments at Value** | | 220,236 | | 179,548 | | 19,161 |
| Other Liabilities, net | | (42) | | (42) | | (5) |
| **NET ASSETS** | | **$220,194** | | **$179,506** | | **$19,156** |
| *Composition of Net Assets:* | | | | | | |
| Paid-in capital | | $209,159 | | $199,736 | | $24,638 |
| Retained earnings | | $ 11,035 | | $ (20,230) | | $(5,482) |
| *Units Outstanding* | | 16,782 | | 15,949 | | 2,505 |
| **NET ASSET VALUE PER UNIT[1]** | | **$ 13.12** | | **$ 11.25** | | **$ 7.65** |
| Investments at cost | | $221,257 | | $210,503 | | $24,785 |

[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 NAV per share on the date of valuation.

| BALANCED PORTFOLIO | | BOND AND INCOME PORTFOLIO | | SHORT-TERM BOND PORTFOLIO | | TOTAL | |
|---|---|---|---|---|---|---|---|
| Shares | Value | Shares | Value | Shares | Value | Shares | Value |
| 313,684 | $ 8,407 | 0 | $ 0 | 0 | $ 0 | 3,376,738 | $ 90,498 |
| 107,285 | 2,464 | 0 | 0 | 0 | 0 | 1,139,345 | 26,170 |
| 1,073,404 | 26,556 | 0 | 0 | 0 | 0 | 16,972,471 | 419,898 |
| 367,127 | 3,752 | 0 | 0 | 0 | 0 | 4,129,758 | 42,209 |
| 437,623 | 4,481 | 0 | 0 | 0 | 0 | 4,798,507 | 49,137 |
| 92,706 | 3,528 | 0 | 0 | 0 | 0 | 1,030,710 | 39,220 |
| 208,802 | 3,399 | 0 | 0 | 0 | 0 | 2,346,990 | 38,209 |
| 608,257 | 3,887 | 0 | 0 | 0 | 0 | 7,031,835 | 44,934 |
| 0 | 0 | 0 | 0 | 9,106,301 | 43,255 | 46,970,750 | 223,538 |
| 209,255 | 4,476 | 0 | 0 | 0 | 0 | 2,463,225 | 52,687 |
| 3,782,013 | 41,148 | 3,369,874 | 36,664 | 0 | 0 | 30,525,705 | 332,119 |
| 0 | 0 | 0 | 0 | 0 | 0 | 15,830,736 | 15,831 |
| 0 | 0 | 0 | 0 | 0 | 0 | 1,891,480 | 19,161 |
| 474,476 | 7,895 | 0 | 0 | 0 | 0 | 5,226,075 | 86,962 |
| | 109,993 | | 36,664 | | 43,255 | | 1,480,573 |
| | (25) | | (9) | | (10) | | (333) |
| | **$109,968** | | **$36,655** | | **$43,245** | | **$1,480,240** |
| | $108,440 | | $ 28,037 | | $ 40,605 | | $ 1,526,499 |
| | $ 1,528 | | $ 8,618 | | $ 2,640 | | $ (46,259) |
| | 8,257 | | 2,237 | | 3,615 | | 121,466 |
| | **$ 13.32** | | **$ 16.38** | | **$ 11.96** | | |
| | $122,564 | | $ 37,085 | | $ 42,316 | | $ 1,656,325 |

## MARYLAND COLLEGE INVESTMENT PLAN

### For the Fiscal Year Ended June 30, 2009

Amounts in thousands

| **Statements of Operations and Changes in Net Assets** | PORTFOLIO 2027 | PORTFOLIO 2024 | PORTFOLIO 2021 | PORTFOLIO 2018 | PORTFOLIO 2015 | PORTFOLIO 2012 |
|---|---|---|---|---|---|---|
| **Operations** | | | | | | |
| Net investment income | | | | | | |
| Income distributions from Underlying Mutual Funds | $ 357 | $ 1,326 | $ 3,117 | $ 4,905 | $ 5,983 | $ 6,807 |
| Expenses | | | | | | |
| Program fee | 55 | 206 | 406 | 511 | 510 | 511 |
| Net investment income | 302 | 1,120 | 2,711 | 4,394 | 5,473 | 6,296 |
| Net realized and unrealized gain (loss) | | | | | | |
| Net realized gain (loss) | | | | | | |
| Sales of Underlying Mutual Funds | (1,116) | (2,347) | (7,361) | (6,347) | (6,836) | (5,460) |
| Capital gain distributions from Underlying Mutual Funds | 122 | 472 | 1,022 | 1,451 | 1,542 | 1,376 |
| Net realized gain (loss) | (994) | (1,875) | (6,339) | (4,896) | (5,294) | (4,084) |
| Change in unrealized gain (loss) | (3,026) | (19,648) | (36,692) | (41,683) | (33,228) | (26,011) |
| Net realized and unrealized gain (loss) | (4,020) | (21,523) | (43,031) | (46,579) | (38,522) | (30,095) |
| Increase (decrease) in net assets from operations | (3,718) | (20,403) | (40,320) | (42,185) | (33,049) | (23,799) |
| **Unit Transactions** | | | | | | |
| Units issued | | | | | | |
| Account holder contributions | 16,020 | 29,234 | 31,238 | 34,267 | 31,420 | 29,068 |
| Transfer from maturing portfolio | | | | | | |
| Units redeemed | | | | | | |
| Account holder distributions | (963) | (2,263) | (4,495) | (6,429) | (10,131) | (15,115) |
| Transfer from maturing portfolio | | | | | | |
| Increase (decrease) in net assets from unit transactions | 15,057 | 26,971 | 26,743 | 27,838 | 21,289 | 13,953 |
| **NET ASSETS** | | | | | | |
| Increase (decrease) during period | 11,339 | 6,568 | (13,577) | (14,347) | (11,760) | (9,846) |
| Beginning of period | 17,365 | 82,824 | 174,499 | 215,002 | 210,046 | 203,403 |
| **End of period** | **$28,704** | **$89,392** | **$160,922** | **$200,655** | **$198,286** | **$193,557** |
| Unit information (number of units) | | | | | | |
| Units outstanding, beginning of period | 1,648 | 5,906 | 11,420 | 14,092 | 13,729 | 13,127 |
| Units issued | | | | | | |
| Account holder contributions | 2,162 | 2,932 | 2,783 | 2,906 | 2,542 | 2,190 |
| Transfer from maturing portfolio | | | | | | |
| Units redeemed | | | | | | |
| Account holder distributions | (129) | (228) | (407) | (562) | (836) | (1,154) |
| Transfer from maturing portfolio | | | | | | |
| Units outstanding, end of period | 3,681 | 8,610 | 13,796 | 16,436 | 15,435 | 14,163 |

| PORTFOLIO 2009* | PORTFOLIO FOR COLLEGE | EQUITY PORTFOLIO | TOTAL EQUITY MARKET INDEX PORTFOLIO | BALANCED PORTFOLIO | BOND AND INCOME PORTFOLIO | SHORT-TERM BOND PORTFOLIO | TOTAL |
|---|---|---|---|---|---|---|---|
| $ 4,567 | $ 3,615 | $ 3,020 | $ 327 | $ 3,246 | $ 1,744 | $ 1,042 | $ 40,056 |
| 347 | 269 | 474 | 43 | 296 | 96 | 74 | 3,798 |
| 4,220 | 3,346 | 2,546 | 284 | 2,950 | 1,648 | 968 | 36,258 |
| (7,871) | (1,437) | (10,669) | (317) | (5,312) | (636) | (3) | (55,712) |
| 292 | 0 | 1,085 | 0 | 925 | 411 | 0 | 8,698 |
| (7,579) | (1,437) | (9,584) | (317) | (4,387) | (225) | (3) | (47,014) |
| (5,905) | (3,906) | (48,911) | (4,143) | (20,271) | (1,772) | 948 | (244,248) |
| (13,484) | (5,343) | (58,495) | (4,460) | (24,658) | (1,997) | 945 | (291,262) |
| (9,264) | (1,997) | (55,949) | (4,176) | (21,708) | (349) | 1,913 | (255,004) |
| 16,876 | 27,080 | 31,840 | 8,012 | 16,307 | 7,906 | 41,181 | 320,449 |
| | 131,134 | | | | | | 131,134 |
| (28,403) | (34,472) | (15,109) | (1,045) | (14,625) | (8,690) | (9,962) | (151,702) |
| (131,134) | | | | | | | (131,134) |
| (142,661) | 123,742 | 16,731 | 6,967 | 1,682 | (784) | 31,219 | 168,747 |
| (151,925) | 121,745 | (39,218) | 2,791 | (20,026) | (1,133) | 33,132 | (86,257) |
| 151,925 | 98,449 | 218,724 | 16,365 | 129,994 | 37,788 | 10,113 | 1,566,497 |
| **$ 0** | **$220,194** | **$179,506** | **$19,156** | **$109,968** | **$36,655** | **$43,245** | **$1,480,240** |
| 9,740 | 7,312 | 14,407 | 1,576 | 8,125 | 2,283 | 883 | |
| 1,172 | 2,127 | 2,934 | 1,068 | 1,276 | 513 | 3,599 | |
| | 10,026 | | | | | | |
| (1,961) | (2,683) | (1,392) | (139) | (1,144) | (559) | (867) | |
| (8,951) | | | | | | | |
| 0 | 16,782 | 15,949 | 2,505 | 8,257 | 2,237 | 3,615 | |

*Reflects activity until the maturity date of June 5, 2009.

## MARYLAND COLLEGE INVESTMENT PLAN

### For the Fiscal Year Ended June 30, 2009

**For a unit outstanding throughout the period**

| Financial Highlights | PORTFOLIO 2027 | PORTFOLIO 2024 | PORTFOLIO 2021 | PORTFOLIO 2018 | PORTFOLIO 2015 | PORTFOLIO 2012 |
|---|---|---|---|---|---|---|
| **Net Asset Value** [1] | | | | | | |
| Beginning of period | $10.54 | $14.02 | $15.28 | $15.26 | $15.30 | $ 15.49 |
| Investment activities [2] | | | | | | |
| Net investment income [3] | 0.12 | 0.16 | 0.22 | 0.29 | 0.38 | 0.46 |
| Net realized and unrealized gain (loss) | (2.86) | (3.80) | (3.84) | (3.34) | (2.83) | (2.28) |
| Total from investment activities | (2.74) | (3.64) | (3.62) | (3.05) | (2.45) | (1.82) |
| **Net Asset Value** [1] | | | | | | |
| **End of period** | **$ 7.80** | **$10.38** | **$11.66** | **$12.21** | **$12.85** | **$13.67** |
| **RATIOS** [4] | | | | | | |
| **Total Return** | **(26.00)%** | **(25.96)%** | **(23.69)%** | **(19.99)%** | **(16.01)%** | **(11.75)%** |
| Ratio of expenses to average net assets | 0.28 % | 0.28 % | 0.28 % | 0.28 % | 0.28 % | 0.28 % |
| Ratio of net investment income to average net assets | 1.54 % | 1.52 % | 1.88 % | 2.41 % | 3.01 % | 3.45 % |
| Portfolio turnover rate | 8.4 % | 8.7 % | 11.9 % | 9.9 % | 14.1 % | 17.8 % |
| **SUPPLEMENTAL INFORMATION** | | | | | | |
| Weighted-average expense ratio of the Underlying Mutual Funds [5] | 0.70 % | 0.70 % | 0.70 % | 0.70 % | 0.69 % | 0.59 % |
| Effective expense ratio | 0.98 % | 0.98 % | 0.98 % | 0.98 % | 0.97 % | 0.87 % |
| Net assets, end of period (in millions) | $ 28.7 | $ 89.4 | $160.9 | $200.7 | $198.3 | $193.6 |

[1] The NAV per unit is calculated at the close of the New York Stock Exchange on each day the exchange is open for business. Each Portfolio's NAV is computed by dividing the value of its net assets by the number of Portfolio units outstanding. A Portfolio's investments in the Underlying Mutual Funds are valued at each Underlying Mutual Fund's closing NAV per unit 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 dividend declarations by the Underlying Mutual Funds in which the Portfolios invest.

[4] Ratios reflect the activity of each Portfolio and do not include the activity of the Underlying Mutual Funds in which the Portfolio invests.

[5] 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 |
|---|---|---|---|---|---|
| $13.46 | $15.18 | $10.39 | $16.00 | $16.55 | $11.45 |
| 0.44 | 0.17 | 0.14 | 0.36 | 0.75 | 0.42 |
| (0.78) | (4.10) | (2.88) | (3.04) | (0.92) | 0.09 |
| (0.34) | (3.93) | (2.74) | (2.68) | (0.17) | 0.51 |
| **$13.12** | **$11.25** | **$7.65** | **$13.32** | **$16.38** | **$11.96** |
| | | | | | |
| **(2.53)%** | **(25.89)%** | **(26.37)%** | **(16.75)%** | **(1.03)%** | **4.45 %** |
| 0.28 % | 0.28 % | 0.28 % | 0.28 % | 0.28 % | 0.28 % |
| 3.47 % | 1.51 % | 1.83 % | 2.79 % | 4.80 % | 3.64 % |
| 29.0 % | 13.5 % | 2.9 % | 18.5 % | 14.7 % | 7.6 % |
| | | | | | |
| 0.51 % | 0.69 % | 0.40 % | 0.70 % | 0.72 % | 0.55 % |
| 0.79 % | 0.97 % | 0.68 % | 0.98 % | 1.00 % | 0.83 % |
| $220.2 | $179.5 | $ 19.2 | $110.0 | $ 36.7 | $ 43.2 |

PRICEWATERHOUSECOOPERS

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October 21, 2009

Rick Kaye, Owner
Richard M. Kaye & Associates
PricewaterhouseCoopers Plaza
1900 St. Antoine Street
Detroit, MI 48226

Dear Mr. Kaye:

PricewaterhouseCoopers LLP has performed an actuarial valuation of the Maryland Prepaid College Trust (MPCT or the Trust) as of June 30, 2009. The valuation compares the value of the assets of the prepaid program to the value of expected future tuition payments to beneficiaries. The following pages summarize the actuarial valuation of the Trust as of June 30, 2009.

A comparison of the assets and liabilities of the Trust shows that as of June 30, 2009 there is an estimated deficit of $52,406,730 as compared to an estimated surplus of $58,937,996 as of June 30, 2008. The funded ratio of the program is presently approximately 92%, compared to approximately 109% one year ago.

The actuarial valuation was performed based upon generally accepted actuarial principles, using assumptions as specified by the Board of the College Savings Plans of Maryland.

Respectfully submitted,

Christopher Walker, FCAS, MAAA
Principal
PricewaterhouseCoopers LLP

Michael E. Mielzynski, FCAS, MAAA
Manager
PricewaterhouseCoopers LLP

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