

ANNUAL REPORT SUMMARY

Save Here. Go Anywhere.

Since our inception in 1998, the College Savings Plans of Maryland has maintained a goal of helping families enable our children to realize their dream of a college education by saving for future college expenses and reducing dependence on student loans and other forms of debt.

We are proud that both of our plans - the Maryland Prepaid College Trust and the Maryland College Investment Plan - have continued to grow substantially over the past year and are helping thousands of Maryland students attend colleges in Maryland and across the country. The two Plans distributed approximately \$66 million during the fiscal year ended June 30, 2007.

The Plans had combined assets of nearly \$2 billion for more than 110,000 beneficiaries and during the fiscal year ended June 30, 2007, contributions to the Plans were over \$352 million.

We continue to be grateful that Congress made permanent the Federal tax exemption on earnings from all Section 529 plans. This action took effect in August 2006, making this the first fiscal year that families could save with confidence that they will be eligible for tax exempt earnings whenever their children or grandchildren are ready to use their accounts to attend college. We believe that this action has had a positive effect on the growth of both of our plans.

We are pleased to present our second Annual Report Summary, which includes an overview of the past year, provides financial highlights of each Plan, discusses recent significant events, and affirms our commitment to helping Maryland families save for college with easy, affordable, tax advantaged options. We also recommend that you read our Comprehensive Annual Report. This Report contains the audited financial statements of both Plans and more detailed information about the Plans.

Thank you for choosing to invest in the **College Savings Plans of Maryland.**

Sincerely,

College Savings Plans of Maryland Board

Martin O'Malley
Governor

Anthony Brown
Lt. Governor

College Savings Plans of Maryland Board

Nancy K. Kopp
Board Chair
State Treasurer

Susan R. Buswell
Public Member

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University System of Maryland

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Board Vice-Chair and Public Member

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Public Member

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Secretary of Higher Education

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Board Secretary and Public Member

Peter Franchot
State Comptroller

Lewis A. Robinson
Public Member, since 10/3/07

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

T. Eloise Foster resigned effective 1/29/07

2007 Snapshot

6/30/07

Prepaid College Trust

Contributions
\$62 million

Investments
\$542 million

Beneficiaries
25,162

Funded Status
114%

College Investment Plan

Contributions
\$291 million

Investments
\$1.4 billion

Beneficiaries
84,998

Average
Account Size
\$13,214

Read the 2007
Comprehensive
Annual Report
by visiting
collegesavingsmd.org
or by calling
1-888-4MD-GRAD
and selecting
option #5

BOTH PLANS REALIZE A YEAR OF STRONG GROWTH AND ATTRACTIVE PERFORMANCE

Throughout this Annual Report Summary, there are a number of significant accomplishments in the growth and financial performance of each of our Plans. A few highlights include:

Maryland Prepaid College Trust achieved significant improvement in its actuarial soundness.

As of June 30, 2007, the Trust had an actuarial surplus of \$88 million and was 114% funded. This increase in soundness will help sustain the Trust in the future.

Maryland College Investment Plan Fee Reductions Made the Plan Even More Attractive.

These fee reductions took effect on July 1, 2006 with our new contract with T. Rowe Price. Families responded very favorably to these improvements by opening nearly 24,000 new accounts in the past fiscal year, which represents 22% of our total accounts in the Plan as of June 30, 2007.

College Investment Plan Investment Performance Exceeds Benchmarks

The average portfolio performance was 1.1% higher relative to broad weighted benchmarks. On an asset-weighted basis, the portfolios performed 1.4% higher than their broad weighted benchmarks. Specific performance for each portfolio is summarized later in this Report.

Maryland College Investment Plan named one of the "Top 5" in its Class

National financial publications have recognized the improvements in the College Investment Plan over the past year. Noting low fees, flexibility, quality of investments, and account holder friendliness, *Morningstar* named the Maryland College Investment Plan as one of the top 529 plans in the country in March 2007.*

In September 2007, *Kiplinger's Personal Finance* magazine also selected the Maryland College Investment Plan as one of the top 529 plans in the country.** We are extremely proud of this recognition in such a competitive marketplace.

*The Maryland College Investment Plan, managed by T. Rowe Price, has been named one of the country's "best 529 college savings plans" by Morningstar Inc., March 2007, based on investment flexibility, low cost, quality of investments, and account holder friendliness.

**"The best way to save for college," *Kiplinger's Personal Finance*, September 2007.

T. Rowe Price Investment Services, Inc., Distributor/Underwriter.
College Savings Plans of Maryland, Administrator and Issuer.



FUTURE DIRECTION

At the **College Savings Plans of Maryland**, we continue to strive to help more Maryland families save for college so that they are better prepared to meet future college costs and reduce the need for college loans.

Please help your family and friends to learn about our Plans so they can save for college as well – and be eligible for great tax benefits. One of the best ways to do this is by sharing our website address – **collegesavingsmd.org** – where families can download a video, sign up for email updates, and get the information that they need.

If you haven't already logged into your account on our website, we encourage you to do so. Our new website design makes it easier than ever to access your account, make some simple changes to your account, and keep up with the latest news and Plan updates.

Our goal is to continue to offer a range of college savings options that are among the best in the nation in terms of quality investment choices, competitive fees, ease of use, and affordability.

Thank you for choosing to save for college with the **College Savings Plans of Maryland**.

FINANCIAL HIGHLIGHTS - MARYLAND PREPAID COLLEGE TRUST

Additions to Net Assets

The **Prepaid College Trust** allows families to lock in payments that are based in part on current tuition at Maryland public colleges. The Board invests those payments and commits to pay future tuition benefits when students attend college, whether they attend a Maryland public college or nearly any other public or private, 2- or 4-year college in the country.

Total assets of the Trust continued to increase as a result of contributions from new and existing Account Holders, which were approximately \$62 million for this fiscal year. An additional \$39 million was invested according to the Trust's Investment Policy and more than \$20 million was paid in tuition benefits for nearly 2,600 beneficiaries.

For the fiscal year ended June 30, 2007, net assets of the Trust increased by \$73 million. This increase was due to two primary factors. First, the Trust's rate of return on investments was 15.5% for the period, which significantly exceeded our projected return of 7.65%. Second, there was no tuition increase at most Maryland public colleges, although mandatory fees increased slightly. The overall increase in tuition and mandatory fees was substantially less than projected, which positively impacted net assets.

"The Prepaid College Trust invests your scheduled payments, in order to pay future tuition benefits."

Condensed Statements of Net Assets As of June 30,

(In millions)	<u>2007</u>	<u>2006</u>
Assets		
Current	\$606.3	\$496.4
Noncurrent	<u>115.8</u>	<u>123.6</u>
Total	722.1	620.0
Liabilities		
Current	39.4	34.6
Noncurrent	<u>592.3</u>	<u>569.4</u>
Total	631.7	604.0
Net Assets	<u>\$90.4</u>	<u>\$16.0</u>

Maryland Prepaid College Trust - Investment Earnings and Actuarial Status

Net Investment Gain

During the fiscal year ended June 30, 2007, the Trust continued to invest contract payments received into its diversified investment portfolio. The investment balances as of June 30, 2007 and 2006 are shown at right.

The overall rate of return of the Trust's assets for the fiscal year was 15.5%, which significantly exceeds the stated goal in our Investment Policy of 7.65%. The amount of investment return above our goal was an important factor that contributed to the growth of the Trust's actuarial surplus. This, in turn, helps to protect and sustain the Trust in the event that future investment returns are below our goal and/or tuition increases are above our projections.

It is important to remember that investment returns in the Trust do not determine the amount of your tuition benefits. Your tuition benefits are specified in your Contract.

Investments as of June 30, (in thousands)

	2007	2006
Large Cap Value	\$ 81,949	\$ 65,988
S&P 500 Index	53,366	44,268
Large Cap Growth	54,310	42,869
Small Cap Core	27,478	21,870
Small/Mid Cap Core	30,626	22,283
Small Cap Value	54,665	45,984
Intermediate Fixed Income	145,081	122,875
Short Fixed Income	24,081	21,843
International	54,129	35,619
Intl. Emerging Markets	16,418	8,933
Total Investments	<u>\$542,103</u>	<u>\$432,532</u>

“The Trust’s Funded Status – the difference between the tuition benefits promised and the assets needed to pay those tuition benefits – is one way to measure the Trust’s financial health.”

Prepaid College Trust Builds Actuarial Surplus

Each year, an actuarial valuation of the **Prepaid College Trust** is conducted. The purpose of this valuation and resulting Soundness Report is to assess the future value of the Trust's assets compared to its future liabilities, which are discounted to reflect their present value.

The most significant change from the past year is the strong growth of the Trust's actuarial surplus. As of June 30, 2007, the Trust was 114% funded, with an actuarial surplus of \$87.9 million, which is an improvement over the previous fiscal year, where the Trust was 103% funded, with an actuarial surplus of \$16.0 million.

There are two primary reasons for this significant improvement.

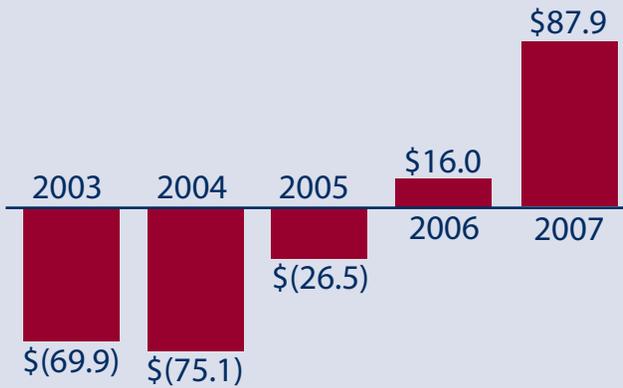
First, the **Prepaid College Trust's** investments produced an overall return of 15.5% during the fiscal year, as compared with our stated goal of 7.65%.

Second, the Weighted Average Tuition at Maryland's public colleges increased by 1.1% for the 2007-2008 academic year, compared to our estimate used for the prior year's actuarial valuation of 7.65%.

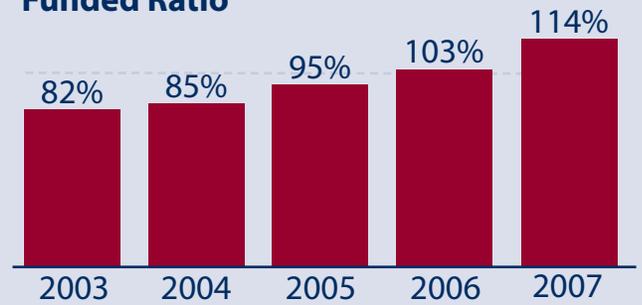
The key measures of soundness for the past five fiscal years are included in the charts below:

Actuarial Surplus/(Deficit)

(million)



Funded Ratio

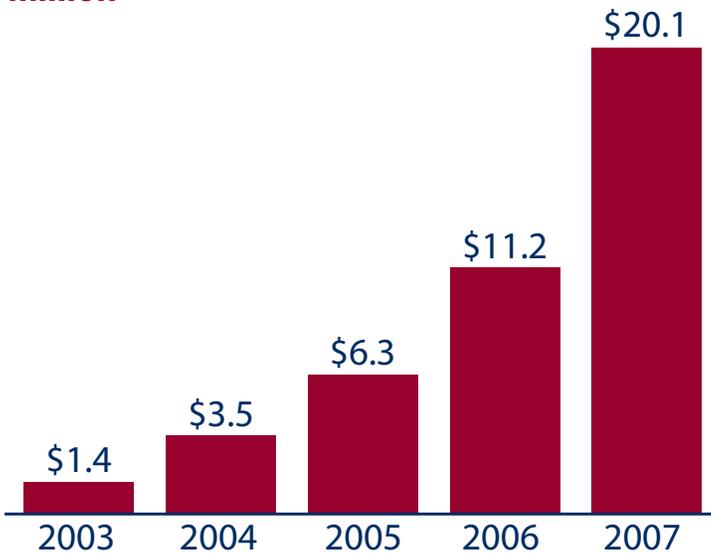


More Students Continue to Use Tuition Benefits at Colleges Nationwide

There are a total of 4,448 students eligible to use benefits for the Fall 2007 semester, of whom approximately 63% had claimed their Fall benefits as of October 9, 2007. Of the 2,802 students who have claimed their tuition benefits for this Fall semester, approximately 49% are attending Maryland public colleges, while 51% are attending a wide variety of private and out-of-state colleges across the country.

Total tuition benefits paid during the past five fiscal years are as follows:

million



"Help your family and friends to learn about our Plans so they can save for college as well by telling them about our website – collegesavingsmd.org "



FINANCIAL HIGHLIGHTS - MARYLAND COLLEGE INVESTMENT PLAN

Additions to Net Assets

The **College Investment Plan**, managed and distributed by T. Rowe Price, offers families the opportunity to choose from 13 different investment options ranging from conservative to aggressive with no sales commissions or loads. Account Holders also choose how much they wish to invest, starting with as little as \$25 per month with automatic monthly contributions.

As of June 30, 2007, Account Holders in the **College Investment Plan** contributed approximately \$290 million for the fiscal year. In addition, Account Holders utilized their investment by taking nearly 9,400 distributions that totaled more than \$45 million. These factors, along with the performance of the investment portfolios, accounted for a 40% increase in invested assets.

Market Commentary

Market performance has a direct effect on the overall performance of investments in the **College Investment Plan**. The following is designed to provide a summary of market performance for the 12 months ended June 30, 2007.

Stocks Rallied Sharply - U.S. stocks enjoyed strong results during the 12 months ended June 30, 2007, extending a rally that began in 2003. Despite a notable economic slowdown driven largely by a slumping housing market, stocks generated robust returns amid better than expected earnings and a stable interest rate policy from the Federal Reserve. Substantial merger and acquisition activity, particularly a steady stream of leveraged buy-outs from private equity firms, also provided support for stocks. However, the uncertain economic environment led to increased market volatility toward the end of the period.

Moderate Gains for Bonds - U.S. bonds also produced positive results for the reporting period, though more modest than in the equity markets. Economic activity decelerated as weakness in the housing market spread to other sectors of the economy. Meanwhile, inflation stayed above the Federal Reserve's comfort level as energy prices remained stubbornly high, in part because of improving economic conditions overseas. As a result, the Federal Reserve held short-term interest rates steady throughout the one-year period.

Investment Earnings by Portfolio

The investment returns for each Portfolio are listed at the top of the next page. Please read the Comprehensive Annual Report for explanations of performance vs. benchmark for each individual Portfolio.

“\$1.4 billion was invested in the College Investment Plan as of June 30, 2007.”



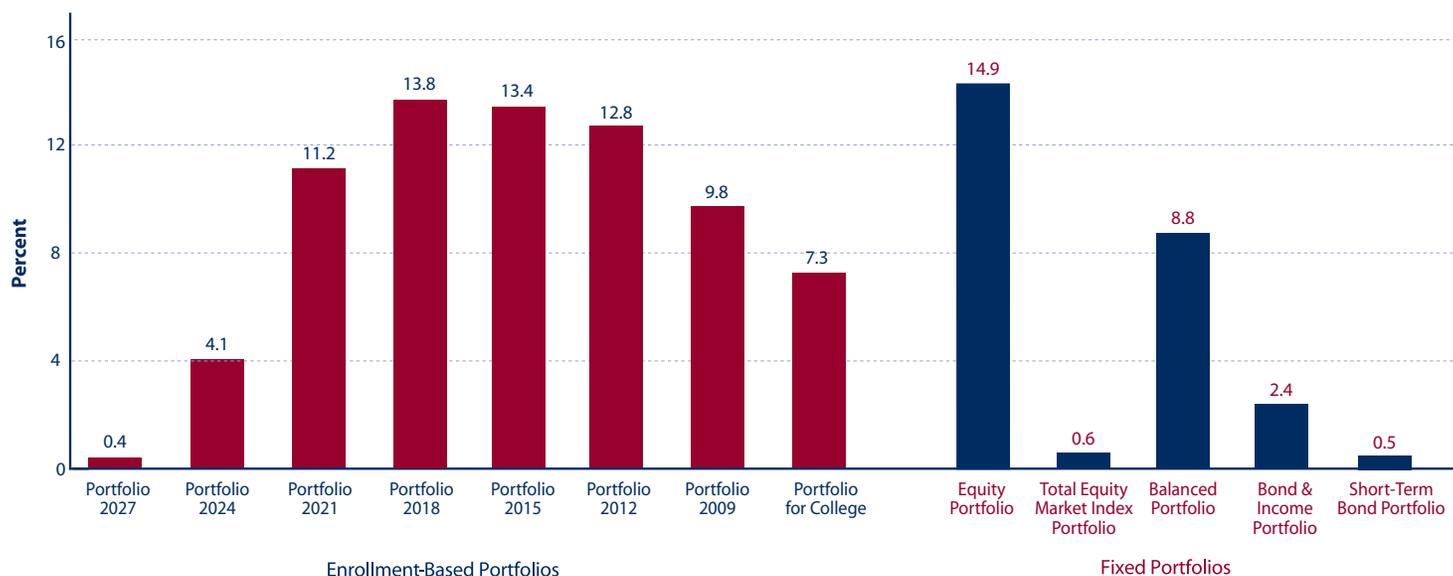
Performance Comparison as of June 30, 2007

<i>Portfolio</i>	<i>1 year Return</i>	<i>Weighted Benchmark*</i>	<i>Annualized Since Inception Return</i>	<i>Weighted Benchmark*</i>	<i>Inception Date</i>
Portfolio 2027	20.9%	20.9%	20.9%	20.9%	6/30/06
Portfolio 2024	21.1	20.9	13.9	14.3	10/31/03
Portfolio 2021	20.9	20.3	8.5	9.1	11/26/01
Portfolio 2018	19.3	18.0	8.0	8.3	11/26/01
Portfolio 2015	17.4	15.6	7.5	7.4	11/26/01
Portfolio 2012	14.8	12.8	7.2	6.5	11/26/01
Portfolio 2009	12.1	10.3	6.7	5.7	11/26/01
Portfolio for College	8.2	8.2	3.5	3.9	11/26/01
Equity Portfolio	21.2	20.9	8.5	9.1	11/26/01
Total Equity Market Index Portfolio	19.7	20.3	19.7	20.3	6/30/06
Balanced Portfolio	16.6	14.9	8.4	7.6	11/26/01
Bond & Income Portfolio	9.4	6.1	7.2	4.6	11/26/01
Short-Term Bond Portfolio	5.0	5.3	2.4	2.8	10/31/03

*Benchmark performance commenced on November 30, 2001 for the Investment Portfolios that have an inception date of November 26, 2001. Benchmark performance for all other Investment Portfolios commenced on the same date as the Investment Portfolio's inception date.

Asset Distribution by Portfolio

Assets in enrollment-based portfolios as of June 30, 2007 comprise approximately 73% of total Plan assets. Even with the addition of two new investment portfolios on July 1, 2006, the distribution of assets between enrollment-based portfolios and fixed portfolios remained essentially the same as it was on June 30, 2006. The relative distribution of assets invested by Portfolio as of June 30, 2007 is shown below.



ANNUAL REPORT SUMMARY

for Account Holders

For the Fiscal Year Ended June 30, 2007

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