

ANNUAL REPORT SUMMARY

Save Here. Go Anywhere.

The **College Savings Plans of Maryland** is continuing to help more families start saving for college as early as possible to help their children and grandchildren realize their dream of a college education while reducing dependence on student loans and other forms of debt.

Despite a difficult investing environment and the accompanying economic downturn, both of our plans—the Maryland Prepaid College Trust and the Maryland College Investment Plan—have continued to grow by adding new accounts, beneficiaries, and contributions. As of June 30, 2008, the Plans had combined invested assets of approximately \$2.1 billion for more than 128,000 beneficiaries.

The Prepaid College Trust has now completed ten years of accepting enrollments. Many more beneficiaries who were enrolled as young children in prior years have now reached college age and are using their accounts to attend colleges in Maryland and across the country.

The College Investment Plan has more than six years of experience in helping families invest for a range of higher education expenses. Distributions from this Plan grew by about 28% as compared with the prior fiscal year.

We are pleased to present this Annual Report Summary, which includes an overview of the past year, provides financial highlights of each Plan, discusses 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

2008 Snapshot

6/30/08

Prepaid College Trust

Contributions
\$58 million

Investments
\$533 million

Beneficiaries
26,127

Funded Status
109%

College Investment Plan

Contributions
\$367 million

Investments
\$1.6 billion

Beneficiaries
102,025

Average
Account Size
\$12,289

Martin O'Malley
Governor

Anthony Brown
Lt. Governor

College Savings Plans of Maryland Board

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Board Chair
State Treasurer

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Public Member

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Chancellor
University System of Maryland

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Board Vice-Chair and Public Member

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Public Member

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Board Secretary and Public Member

Peter Franchot
State Comptroller

Lewis A. Robinson
Public Member

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

Read the 2008
Comprehensive
Annual Report
by visiting
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DESPITE A VOLATILE STOCK MARKET, FAMILIES CONTINUE TO SAVE FOR COLLEGE

With volatile investment markets and an economic downturn, conditions were not as favorable for college savings as they had been during the past few years. Even so, Maryland families rose to the challenge and continued to save for college in increasing numbers with our plans.

Key indications of growth in both Plans combined over the last fiscal year include:

- The number of beneficiaries increased by nearly 18,000
- Contributions to College Investment Plan accounts and payments to Prepaid College Trust accounts totaled approximately \$425 million

Even with the difficult environment, invested assets in both Plans increased by more than \$124 million over the last fiscal year.

However, families are wisely keeping a close watch on their Plans. Over 40% of our account holders have accessed their account(s) online during the fiscal year.

Highlights by Plan include:

Maryland Prepaid College Trust Maintains Actuarial Soundness

As of June 30, 2008, the Trust had an actuarial surplus of \$58.9 million and was 109% funded.

Maryland College Investment Plan named as one of the "Top 5" in its Class for the Second Straight Year

In April, 2008, Morningstar, Inc. again named the College Investment Plan, managed by T. Rowe Price, as one of the country's "best 529 college savings plans" based on diversification of underlying investments, seasoned investment managers, low fees, and flexibility to suit an individual investor's risk tolerance and time horizon.

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 striving 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. We believe this mission is even more important in the current economy.

This fall, we are making it easier to contribute to account(s) by allowing online contributions, as long as we have banking instructions on file. Also, automatic contributions can now be set up for any day(s) of the month. If you have not yet visited our Web site and logged into your account, we encourage you to do so. Our Web site is designed to help you 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. To that end, a Maryland law was passed this year and became effective on October 1, 2008 that allows the Board to offer a third 529 college savings plan that would be distributed through brokers, dealers, and financial advisors. The Board is currently assessing the requirements of such a plan. Again, please look to the "What's New" section of our Web site for the latest news and information.

FINANCIAL HIGHLIGHTS – MARYLAND PREPAID COLLEGE TRUST

Changes to Net Assets

The Prepaid College Trust allows families to lock in payments that are based in part on current tuition at Maryland's public colleges. The Board invests those payments and commits to pay future tuition benefits when eligible 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.

Contributions from new and existing account holders were approximately \$58 million for the fiscal year. An additional \$23 million was invested according to the Trust's Investment Policy and more than \$27 million was paid in tuition benefits for 3,452 beneficiaries.

For the fiscal year ended June 30, 2008, net assets of the Trust decreased by \$29 million. This decrease was primarily due to the 5.8% loss on the Trust's investments for the period, which was significantly below our projected return of 7.65%. This negative impact on net assets was mitigated by the fact that there was no tuition increase at most Maryland public 4-year 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>2008</u>	<u>2007</u>
<i>Assets</i>		
Current	\$598.6	\$606.3
Noncurrent	<u>113.3</u>	<u>115.8</u>
Total	711.9	722.1
<i>Liabilities</i>		
Current	46.6	39.4
Noncurrent	<u>604.0</u>	<u>592.3</u>
Total	650.6	631.7
<i>Net Assets</i>	<u>\$ 61.3</u>	<u>\$ 90.4</u>

Maryland Prepaid College Trust – Investment Earnings and Actuarial Status

Net Investment Declines

During the fiscal year that ended June 30, 2008, the Trust continued to invest contract payments received into its diversified investment portfolio. The investment balances as of June 30, 2008 and 2007 are shown at right.

The Trust's investments produced an overall loss of 5.8% for the fiscal year, which is significantly less than the stated rate of return goal in our Investment Policy of 7.65%. The amount of investment return that fell short of our goal was the most important factor that contributed to the decline of the Trust's actuarial surplus.

It is important to remember that investment returns in the Prepaid College 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)

	2008	2007
Large Cap Value	\$ 64,387	\$ 81,949
S&P 500 Index	46,361	53,366
Large Cap Growth	70,064	54,310
Small Cap Core	18,716	27,478
Small/Mid Cap Core	25,432	30,626
Small Cap Value	46,789	54,665
Intermediate Fixed Income	159,302	145,081
Short Fixed Income	27,538	24,081
International	53,966	54,129
Intl. Emerging Markets	17,107	16,418
Real Estate	3,000	0
Total Investments	<u>\$532,662</u>	<u>\$542,103</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 Maintains 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 compare the future value of the Trust's assets to its future liabilities, which are discounted to reflect their present value.

The most significant change from the past year is the decline of the Trust's actuarial surplus. As of June 30, 2008, the Trust was 109% funded, with an actuarial surplus of \$58.9 million, which is a decline from the previous fiscal year, where the Trust was 114% funded, with an actuarial surplus of \$87.9 million.

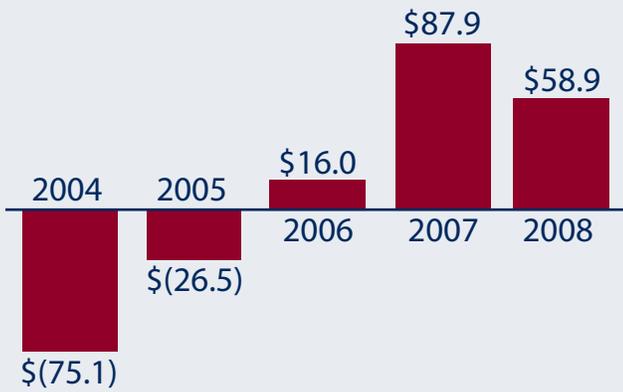
There are two primary reasons for this decline:

- First, the **Prepaid College Trust's** investments produced an overall loss of 5.8% during the fiscal year, as compared with our stated rate of return goal of 7.65%.
- Second, this negative rate of return was mitigated by a small increase in the Weighted Average Tuition at Maryland's public 4-year colleges of 1.1% for the 2008-2009 academic year, which is significantly less than our estimate used for the prior year's actuarial valuation of 7.65%.

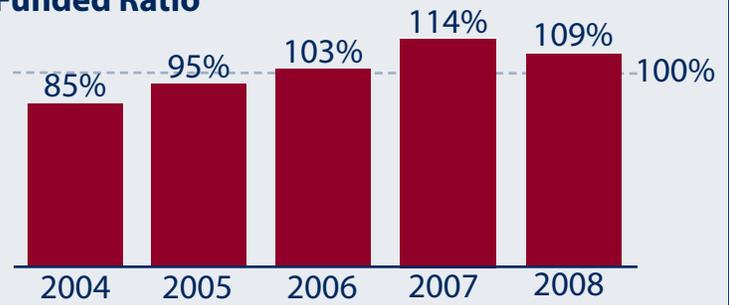
The key measures of soundness for the past five fiscal years are included in the charts below:

Actuarial Surplus/(Deficit)

(in millions)



Funded Ratio

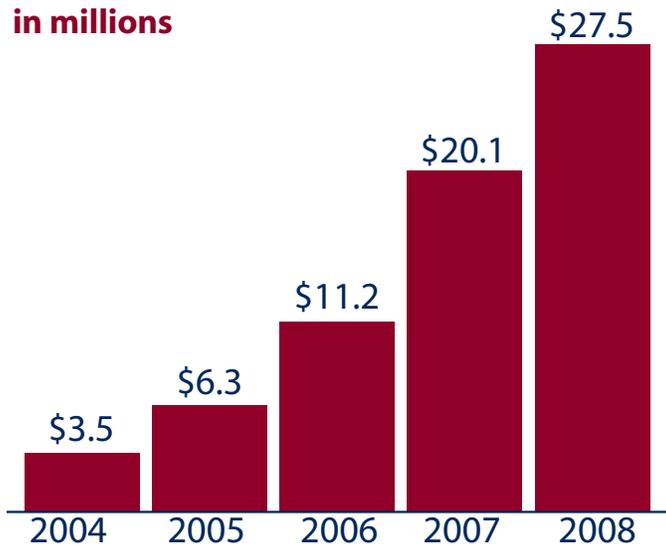


More Students Continue to Use Tuition Benefits at Colleges Nationwide

There are a total of 5,872 students eligible to use benefits for the fall 2008 semester, of whom approximately 59% had claimed their fall benefits as of October 17, 2008. Of the 3,452 students who have claimed their tuition benefits for this fall semester, approximately 48% are attending Maryland public colleges, while 52% 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:

in millions



Help your family and friends to learn about our Plans so they can save for college as well by telling them about our Web site—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 a variety of 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, 2008, account holders in the **College Investment Plan** contributed approximately \$367 million for the fiscal year. In addition, account holders utilized their investment by taking just over 12,000 distributions that totaled more than \$70 million. These factors, along with the overall negative investment performance of the Portfolios, accounted for an increase in invested assets of approximately \$134 million.

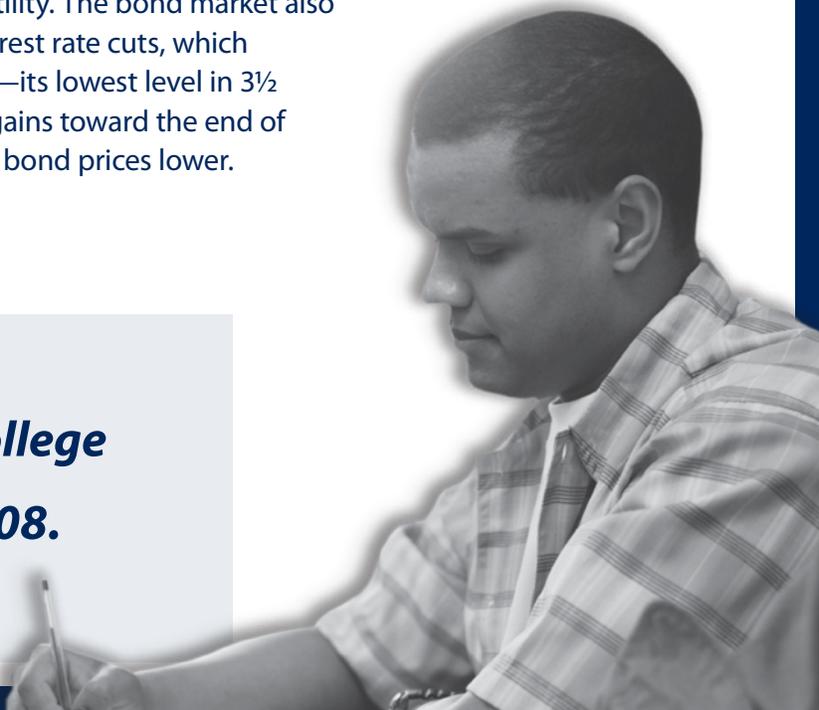
Market Commentary

Market performance has a direct effect on the overall performance of the investments in the **College Investment Plan**. The following is designed to provide a summary of market performance for the 12 months ended June 30, 2008.

Sharp increase in volatility negatively impacts stocks – A meltdown in the sub-prime lending market at the beginning of the period led to a deepening credit crunch that had a strong negative impact on the financial sector. In addition, the U.S. economy moved towards recession as job growth declined and consumer spending weakened. The combination of slowing economic growth, credit market turmoil, rising energy and raw materials costs, and decelerating corporate profit growth undermined investor confidence and put downward pressure on stocks. As a result, the broad stock market indexes suffered double-digit declines for the 12-month period, with much of the downturn occurring in the last six months. Foreign stocks mirrored the domestic market, falling sharply over the past year as the credit crunch and economic slowdown that originated in the U.S. spread to Europe and other parts of the globe.

Bonds advanced – In contrast to the stock market, the U.S. bond market posted solid gains for the 12-month period, with the broad U.S. bond indexes advancing by more than 7%. Bonds in general, and higher-quality securities in particular, attracted significant demand as a relatively safe haven from the slowing economy, credit turmoil, and financial market volatility. The bond market also benefited from the Federal Reserve's seven short-term interest rate cuts, which brought the federal funds rate down from 5.25% to 2.00%—its lowest level in 3½ years. However, the bond market surrendered some of its gains toward the end of the period as inflation fears drove interest rates higher and bond prices lower.

\$1.6 billion was invested in the College Investment Plan as of June 30, 2008.



Investment Earnings by Portfolio

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

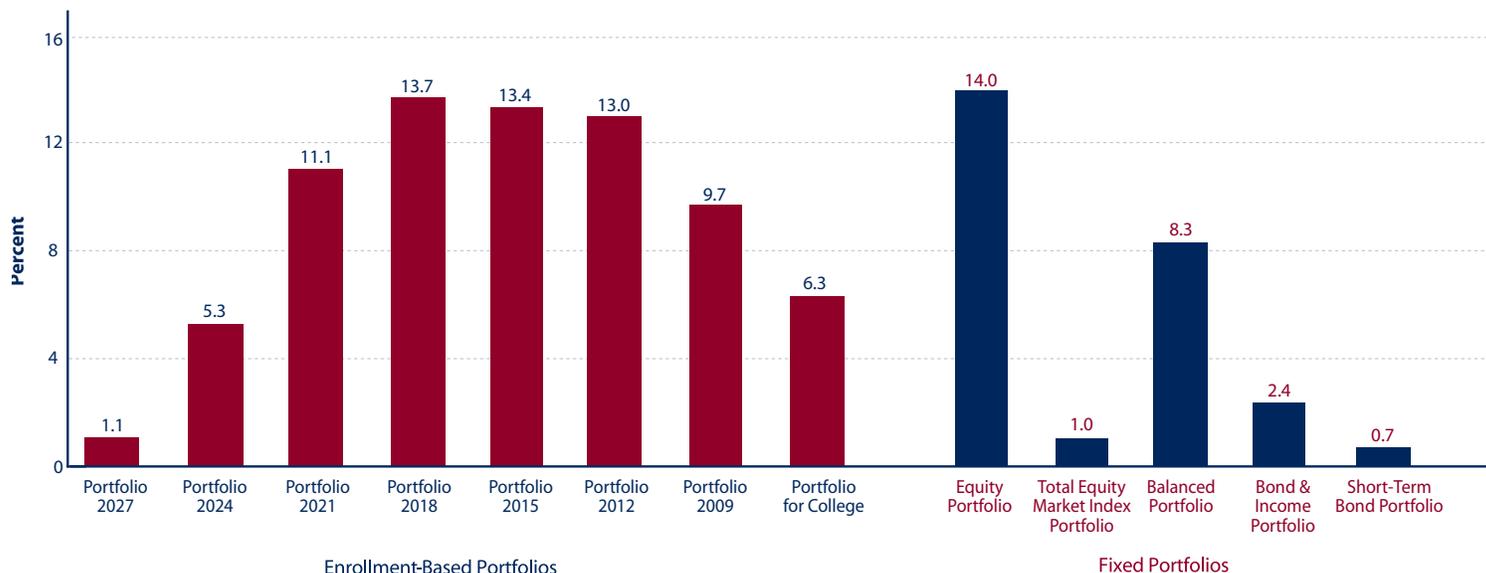
Performance Comparison as of June 30, 2008

<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	(12.8)%	(12.8)%	2.7%	2.6%	6/30/06
Portfolio 2024	(12.9)	(12.8)	7.5	7.9	10/31/03
Portfolio 2021	(11.9)	(11.2)	5.1	5.8	11/26/01
Portfolio 2018	(9.7)	(8.2)	5.1	5.6	11/26/01
Portfolio 2015	(7.2)	(4.8)	5.1	5.4	11/26/01
Portfolio 2012	(4.7)	(1.7)	5.3	5.3	11/26/01
Portfolio 2009	(1.5)	1.4	5.4	5.0	11/26/01
Portfolio for College	0.8	3.1	3.1	3.8	11/26/01
Equity Portfolio	(12.8)	(12.7)	5.0	5.5	11/26/01
Total Equity Market Index Portfolio	(13.2)	(12.9)	1.9	2.4	6/30/06
Balanced Portfolio	(7.2)	(5.0)	5.9	5.6	11/26/01
Bond & Income Portfolio	1.9	7.1	6.4	5.0	11/26/01
Short-Term Bond Portfolio	5.1	6.7	3.0	3.6	10/31/03

*The Weighted Benchmark varies by portfolio. 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, 2008 comprise approximately 74% of total Plan assets. The distribution of assets between enrollment-based portfolios and fixed portfolios remained essentially the same as it was on June 30, 2007. The relative distribution of assets invested by Portfolio as of June 30, 2008 is shown below:



ANNUAL REPORT SUMMARY

for Account Holders

For the Fiscal Year Ended June 30, 2008

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