

# Maryland College Investment Plan

2011-2012 Disclosure Statement and New Account Enrollment Form



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*Pictured: Top Inset Photo, Vincent (5) and Rachel (17) – College Savings Plans of Maryland Beneficiaries.*

*Bottom Inset Photo, Archana and Anya (10 months) – College Savings Plans of Maryland Account Holder and Beneficiary.*

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Section 529 plans offered by other states may offer tax or other benefits to taxpayers or residents of those states that are not available under the Maryland College Investment Plan. If you live outside of Maryland, you should consider any college savings program offered by your home state or your Beneficiary's home state prior to making a decision to invest in the Maryland College Investment Plan. In addition, you should periodically assess, and if appropriate, adjust your Section 529 plan investment choices with your time horizon, risk tolerance and investment objectives in mind.

This Disclosure Statement is part of the College Savings Plans of Maryland Enrollment Kit. The Enrollment Kit consists of a Highlights Booklet and Disclosure Statements for the College Investment Plan and the Prepaid College Trust, with accompanying New Account Enrollment Forms. The Enrollment Kit has been identified by the College Savings Plans of Maryland as the Offering Materials intended to provide substantive disclosure of the terms and conditions of an investment in the College Savings Plans of Maryland. The Enrollment Kit is designed to comply with the Disclosure Principles Statement No. 5, adopted by the College Savings Plan Network on May 3, 2011.

## MARYLAND COLLEGE INVESTMENT PLAN DISCLOSURE STATEMENT

This Disclosure Statement contains important information you should review before opening an Account in the Maryland College Investment Plan (College Investment Plan), including information about the benefits and risks of investing. Please read it carefully and save it for future reference. Certain capitalized terms used in this Disclosure Statement are defined in the Glossary starting on page 19.

### FREQUENTLY ASKED QUESTIONS

#### What is the College Investment Plan?

The College Investment Plan is a Section 529 plan offered by the College Savings Plans of Maryland and managed by T. Rowe Price. The College Investment Plan is designed to help individuals and families save for college in a tax-advantaged way and offers tax-free growth potential, generous contribution limits, attractive investment options, and professional investment management.

#### How does the College Investment Plan work?

When you enroll in the College Investment Plan, you choose to invest in one or more Investment Options, which are either Enrollment-Based or Fixed Portfolios, based upon your investing preferences and risk tolerance. Any earnings in your Account are tax-deferred, and distributions are federally and Maryland State tax-free if used for Qualified Education Expenses.

#### Is my College Investment Plan Account guaranteed?

No. The College Investment Plan is not insured or guaranteed. Investment returns will vary depending upon the performance of the Investment Portfolios you choose. Depending on market conditions, you could lose all or a portion of your investment.

#### How do I open an Account?

To open an Account, we must receive a completed New Account Enrollment Form, which is a contract between the Account Holder and the Maryland College Investment Trust (Trust), establishing the obligations of each. You may enroll online, mail in your New Account Enrollment Form, or visit a T. Rowe Price Investor Center. We cannot process the New Account Enrollment Form if any of the required information, including your signature, is not provided. The Trustee has the sole discretion to determine whether a New Account Enrollment Form is complete and accepted and whether the Account has been opened.

#### What are the fees associated with the College Investment Plan?

The College Investment Plan has no commissions, loads, sales charges or enrollment fees. A detailed description of Fees associated with the College Investment Plan can be found in the section titled *Fees and Costs* starting on page 2.

#### How does the State income deduction work for the College Investment Plan?

Maryland taxpayers receive a maximum \$2,500 deduction from their State adjusted gross income annually per Beneficiary for contributions to the College Investment Plan. The Account Holder is the only person who can take advantage of the Maryland State income deduction for contributions he or she has made. Contributions made in excess of \$2,500 per Beneficiary in a single year may be carried forward and deducted from your State adjusted gross income for up to 10 additional years. The following example helps to illustrate how this deduction applies:

- If you contribute \$27,500 in Year 1 to one or more Accounts (or Investment Portfolios) for your daughter, you can deduct \$2,500 per tax year for each of Years 1 through 11 (11 x \$2,500 = \$27,500). If you also contribute \$27,500 in Year 1

to one or more Accounts (or Investment Portfolios) for your son, you can deduct an additional \$2,500 per tax year for each of Years 1 through 11, for a total deduction of \$5,000 per tax year from State adjusted gross income.

- For additional information on College Investment Plan tax benefits for Maryland taxpayers, please refer to *Maryland Income Tax Administrative Release No. 32*, which can be obtained at [www.marylandtaxes.com](http://www.marylandtaxes.com) or by calling **1-800-MD-TAXES**.
- To take advantage of the income deduction for a particular year, your contribution needs to be completed online or postmarked by December 31 of that year. You should maintain detailed records to substantiate the timing of your contribution.
- You will not receive a tax form reporting your annual contributions to the Plan. Therefore, you should keep detailed records (confirmation statements, account statements, etc.) in order to substantiate contributions for tax reporting purposes.
- If you no longer pay Maryland income tax, you will no longer receive the Maryland State income deduction. You should check with your new state of residence regarding its state tax benefits, if any, available for your 529 plan investment.

#### Should I actively review my investments in the College Investment Plan?

We offer 14 different Investment Options—eight Enrollment-Based Portfolios and six Fixed Portfolios. The Enrollment-Based Portfolios are designed to automatically shift to more conservative investments over time while the Fixed Portfolios are designed to keep their asset allocations constant. Regardless of which Investment Options you choose, you should monitor your investments on a periodic basis and, if appropriate, adjust your Investment Options with your time horizon, risk tolerance and investment objectives in mind.

#### Can I change my Investment Options?

The IRS currently allows you to move money or transfer from one Investment Portfolio to another once per calendar year for the same Beneficiary.

If you have multiple Investment Options for a Beneficiary, all changes for that Beneficiary requested on the same day will count as a single change to your Investment Options. For more information on making changes to your Account, see *Maintaining Your Account* starting on page 15.

#### Do I maintain control over my Account?

Yes. As the Account Holder, you choose the Investment Options in which you invest, and you control the transaction and maintenance activity for your Account. If you are a Custodian holding an Account for a minor Account Holder, see *Participation in the Plan, Account Holders/Custodians* on page 2.

#### Where can I find additional forms and Enrollment Kits?

To obtain forms relating to the College Investment Plan or additional Enrollment Kits, visit our website at **CollegeSavingsMD.org** or call us at **888.4MD.GRAD (463.4723)**.

## INTRODUCTION

**Acknowledgement of Terms.** A completed New Account Enrollment Form includes an acknowledgement that you agree to be bound by the terms and conditions of this Disclosure Statement. This Disclosure Statement and the New Account Enrollment Form constitute the entire agreement between you and the Trust.

**Accuracy of Information in Disclosure Statement.** The information in this Disclosure Statement is believed to be accurate as of the print date, but is subject to change without notice. No one is authorized to provide information that is different from the information in the most current form of this Disclosure Statement.

## PARTICIPATION IN THE PLAN

**Account Holders/Custodians.** To participate in the College Investment Plan, you must complete a New Account Enrollment Form and open an Account. The Account Holder must be a U.S. citizen (or a resident alien), or an entity that is organized in the U.S., and have a valid U.S. street address. An Account may have only one Account Holder. You may also direct in writing that someone other than you may request or receive information regarding the Account.

If the Account Holder is a minor, a Custodian must complete the New Account Enrollment Form on the minor's behalf. If the Account is funded from an UGMA/UTMA, the Custodian is authorized to act on the Account until the Account Holder reaches the age of majority (currently age 18 in Maryland for an UGMA and age 21 in Maryland for an UTMA). An Account may have only one Custodian, who must be a U.S. citizen (or a resident alien) with a valid U.S. street address.

**Account Holder's Successor.** You may designate an Account Holder's Successor on the New Account Enrollment Form or otherwise in writing or change a previous designation upon written notice to the College Investment Plan. If the original Account Holder dies or is declared legally incompetent, the Account Holder's Successor becomes the Account Holder.

**Beneficiary.** You can set up an Account for your benefit or for your child, grandchild, spouse, another relative, or even someone not related to you. Each Account can have only one Beneficiary at any time. The Beneficiary may be of any age; however, the Beneficiary must be an individual and not a trust or other entity. A Beneficiary does not have to be named on the New Account Enrollment Form when the Account Holder is an agency or instrumentality of a state or local government, or a tax-exempt organization as defined in the Code, and the Account has been established as a scholarship fund.

**Customer Identification Verification.** Federal law requires all financial institutions to obtain, verify, and record information that identifies each person who opens an Account. When you complete a New Account Enrollment Form, we will ask you for the name, street address, date of birth, and Social Security number or tax identification number for the Account Holder (and any person(s) opening an Account on behalf of the Account Holder such as a Custodian, agent under power of attorney, trustee, or corporate officer). This information is necessary to properly verify the identity of the person(s) opening the Account. If we do not receive all of the required information, we may delay the opening of the Account or be unable to open the Account. We will use this information to verify the Account Holder's identity and if, after making reasonable efforts, we are unable to verify the Account Holder's identity, we are allowed to take any action permitted by law, including closing the Account and redeeming the Account at the NAV calculated the day the Account is closed. Any redemption made under these circumstances may be considered a Non-Qualified Distribution.

**Documents in Good Order.** To process any transaction, all necessary documents must be in good order, which means executed when required and properly, fully, and accurately completed.

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## FEES AND COSTS

**Fees.** This section provides information regarding the Fees and costs relating to the College Investment Plan. The Board may change the fees and costs from time to time. Any changes to the Fees will be described by supplement to this Disclosure Statement or in subsequent Disclosure Statements.

**Annual Account Fee.** An Annual Account Fee of \$20 is charged to each Account Holder for each Group of Accounts (all Accounts held by one Account Holder for the same Beneficiary). The Program Manager receives this Fee, which is generally charged in early December for each Group of Accounts established prior to December 1 of the current year. The Annual Account Fee will be waived for each Group of Accounts using payroll deduction or Automatic Monthly Contributions at the time the Annual Account Fee is assessed. The Fee is also waived if the combined Account balances for a Group of Accounts is \$25,000 or greater at the time the Annual Account Fee is assessed.

**Fund Fees.** Each Investment Portfolio will indirectly bear its pro-rata share of the fees and expenses of the Funds in which it invests. These fees are not charged directly to an Investment Portfolio, but are included in the NAV of the Funds held by the College Investment Plan. The pro-rata share of the fees and expenses is calculated based on the amount that each Investment Portfolio invests in a Fund and the expense ratio (the ratio of expenses to average net assets) of that Fund.

## FEE STRUCTURE

(As of June 30, 2011)

Investment Options	Underlying Fund Expenses <sup>1</sup>	Annualized Program Fee <sup>2</sup>	State Fee	Miscellaneous Fees	Total Annual Asset-Based Fees <sup>3</sup>	Annual Account Fee <sup>4</sup>
Portfolio for College	0.47%	0.20%	See Footnote 2	0	0.67%	\$20
Portfolio 2012	0.51%	0.20%	See Footnote 2	0	0.71%	\$20
Portfolio 2015	0.59%	0.20%	See Footnote 2	0	0.79%	\$20
Portfolio 2018	0.65%	0.20%	See Footnote 2	0	0.85%	\$20
Portfolio 2021	0.66%	0.20%	See Footnote 2	0	0.86%	\$20
Portfolio 2024	0.65%	0.20%	See Footnote 2	0	0.85%	\$20
Portfolio 2027	0.65%	0.20%	See Footnote 2	0	0.85%	\$20
Portfolio 2030	0.65%	0.20%	See Footnote 2	0	0.85%	\$20
Equity Portfolio	0.64%	0.20%	See Footnote 2	0	0.84%	\$20
Total Equity Market Index Portfolio	0.40%	0.20%	See Footnote 2	0	0.60%	\$20
Balanced Portfolio	0.66%	0.20%	See Footnote 2	0	0.86%	\$20
Bond and Income Portfolio	0.69%	0.20%	See Footnote 2	0	0.89%	\$20
Short-Term Bond Portfolio	0.54%	0.20%	See Footnote 2	0	0.74%	\$20
U.S. Treasury Money Market Portfolio	0.18%	0.01% <sup>5</sup>	See Footnote 2	0	0.19%	\$20

<sup>1</sup> The estimated underlying Fund expenses are based on a weighted average of each Fund's expense ratio, in accordance with the Investment Option's actual asset allocations among the applicable Funds as of June 30, 2011. You can call us to obtain the most recent weighted average Fund expenses for each Investment Option.

<sup>2</sup> In certain cases, the Trustee will receive a portion of the annualized Program Fee as described under *Program Fee* on page 4. All Fees received by the Trustee are used to offset expenses associated with administering the College Investment Plan.

<sup>3</sup> This total is assessed against assets over the course of the year. Please refer to the *Approximate Cost for a \$10,000 Investment* table on page 4 that shows the total assumed investment cost over 1-, 3-, 5-, and 10-year periods. Although some Investment Options have a total expense ratio of greater than 0.87%, the overall College Investment Plan expense ratio cannot exceed 0.87%.

<sup>4</sup> The Annual Account Fee of \$20 is charged to each Account Holder for each Group of Accounts and is waived in certain cases. See *Annual Account Fee* on page 2.

<sup>5</sup> The Program Fee will be waived in whole or in part in the event that the combination of the Annualized Expense Ratio and the Program Fee would result in a negative return for the U.S. Treasury Money Market Portfolio. For more information, see *Program Fee* on page 4.

### Annualized Expense Ratios for Funds – as of June 30, 2011:

T. Rowe Price Blue Chip Growth Fund	0.77%
T. Rowe Price Emerging Markets Stock Fund	1.24%
T. Rowe Price Equity Index 500 Fund	0.30%*
T. Rowe Price International Stock Fund	0.85%
T. Rowe Price International Growth & Income Fund	0.86%
T. Rowe Price Mid-Cap Growth Fund	0.80%
T. Rowe Price Mid-Cap Value Fund	0.81%
T. Rowe Price Overseas Stock Fund	0.87%
T. Rowe Price Short-Term Bond Fund	0.52%
T. Rowe Price Small-Cap Stock Fund	0.92%
T. Rowe Price Spectrum Income Fund	0.69%**
T. Rowe Price Summit Cash Reserves Fund	0.31%***
T. Rowe Price Total Equity Market Index Fund	0.40%
T. Rowe Price U.S. Treasury Money Fund	0.12%***
T. Rowe Price Value Fund	0.85%

\* Effective May 1, 2010 and continuing through April 30, 2012, T. Rowe Price will waive its fees and/or any expenses (excluding interest, taxes, brokerage, and extraordinary expenses) that would cause the Fund's expense ratio to exceed 0.30%. The Fund's Board of Directors may terminate this fee and/or expense waiver at any time. The Fund may reimburse T. Rowe Price for any fees waived and/or expenses paid whenever the Fund's expense ratio is below 0.30%. However, no reimbursement will be made more than three years after any waiver or payment, or if it would result in the expense ratio exceeding 0.30%. In addition, effective May 1, 2010, T. Rowe Price lowered its management fee for this Fund from 0.15% to 0.10%.

\*\* This Fund invests in other T. Rowe Price mutual funds and indirectly bears a pro-rata share of the expenses of its underlying funds.

\*\*\*To the extent necessary to maintain a net yield of 0.01% on any day that a dividend is declared, T. Rowe Price may voluntarily waive all or a portion of the management fee it is entitled to receive from the Fund for that day. For the six months ended June 30, 2011, T. Rowe Price waived 0.30% of the management fee for the U.S. Treasury Money Fund and 0.14% of the management fee for the Summit Cash Reserves Fund in order to maintain a net yield of 0.01%. T. Rowe Price may amend or terminate this voluntary waiver of its management fee at any time without prior notice.

**Program Fee.** Each Investment Portfolio is charged a Program Fee for administration and management of the College Investment Plan. The Program Manager receives the Program Fee, which equals 0.20% per year of the assets of each Investment Portfolio. Payment of the Program Fee by the Investment Portfolio is already reflected in the Investment Portfolio's NAV.

The Program Manager has agreed to pay the Trustee a portion of the aggregate Program Fee to support certain administrative and marketing costs as follows: 0.04% of the assets in the College Investment Plan when average monthly assets are between \$750 million and \$1 billion and an additional 0.06% (for a total of 0.10%) on assets over \$1 billion (Program Manager Contribution).

A minimum annual payment of \$636,000 is guaranteed to be paid to the Trustee for the life of the Services Agreement with the Program Manager. As of June 30, 2011, total assets in the College Investment Plan were approximately \$2.4 billion. For the period of July 1, 2010 through June 30, 2011, the Program Manager paid to the Trustee an aggregate of \$1,591,977.

The Program Fee will be waived in whole or in part in the event that the combination of the Annualized Expense Ratio and the Program Fee would result in a negative return for the U.S. Treasury Money Market Portfolio. When any part of the Program Fee is waived, the Program Manager will not include the assets in this Investment Portfolio in the calculation for the Program Manager Contribution until the Program Manager recovers the full amount of the Program Fee that had been waived.

**College Investment Plan Expense Limitation.** Although the total expense ratio of each Investment Portfolio will differ, the College Investment Plan's aggregate Program Fees plus its pro-rata share of expenses from the Funds may not exceed 0.87% of the College Investment Plan's average net assets in any year. If necessary to remain at the 0.87% limit, the Program Manager will reduce the rate of the Program Fee charged to each Investment Portfolio. Program Fees reduced by the Program Manager in any year will be repaid by the 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 0.87% limit.

**Service-Based and Other Fees.** We reserve the right to charge additional service-based and other Fees if we determine them to be necessary and reasonable.

**Receipt of Fees.** All Fees will be paid to the Program Manager as compensation for the services provided pursuant to the Services Agreement, except for the amount of the Program Manager Contribution, if any, paid to the Trustee as described above. All Fees collected by the Trustee and the Program Manager are used to administer the College Investment Plan.

### APPROXIMATE COST FOR A \$10,000 INVESTMENT

The following table compares the approximate cost of investing in the College Investment Plan over different periods of time. Your actual cost may be higher or lower. The table is based on the following assumptions:

- A \$10,000 contribution is invested for the time periods shown.
- A 5% annually compounded rate of return on the amount invested throughout the period.
- The Account is redeemed at the end of the period shown to pay for Qualified Expenses.

- The table does not consider the impact of any potential state or federal taxes on contributions or distributions.
- Total annual asset-based Fees remain the same as those shown in the **Fee Structure Table** on page 3.
- The table shows the weighted average of the Fund expenses as of June 30, 2011 and assumes these expenses remain static throughout the entire 10-year period. The actual weighted average may be higher or lower.
- The expenses for each Investment Option include the Annual Account Fee.

Investment Options	One Year	Three Years	Five Years	Ten Years
Portfolio for College	\$ 88	\$274	\$472	\$1,028
Portfolio 2012*	\$ 93	\$287	\$494	\$1,075
Portfolio 2015*	\$101	\$312	\$537	\$1,170
Portfolio 2018*	\$107	\$331	\$570	\$1,240
Portfolio 2021*	\$108	\$334	\$575	\$1,252
Portfolio 2024	\$107	\$331	\$570	\$1,240
Portfolio 2027	\$107	\$331	\$570	\$1,240
Portfolio 2030	\$107	\$331	\$570	\$1,240
Equity Portfolio	\$106	\$328	\$564	\$1,229
Total Equity Market Index Portfolio	\$ 81	\$252	\$434	\$ 944
Balanced Portfolio	\$108	\$334	\$575	\$1,252
Bond and Income Portfolio	\$111	\$343	\$591	\$1,287
Short-Term Bond Portfolio	\$ 96	\$296	\$510	\$1,111
U.S. Treasury Money Market Portfolio	\$ 39	\$121	\$207	\$ 441

\* Portfolio 2012, Portfolio 2015, Portfolio 2018, and Portfolio 2021 will be moved into the Portfolio for College in 2012, 2015, 2018, and 2021, respectively. At those times, the Investment Portfolios will bear the expenses of the Portfolio for College, which are likely to be lower than the expenses used in this table.

## GENERAL RISKS

**Principal and Returns Not Guaranteed.** Neither your contributions to an Account nor any investment return earned on your contributions are guaranteed by the College Investment Plan, the State, the College Savings Plans of Maryland, the Board, the Trustee, T. Rowe Price, any of its affiliates, or by the federal government or any of its agencies. You could lose money (including your contributions) or not make any money by investing in the College Investment Plan.

**Market Uncertainties.** Due to market uncertainties, the overall market value of the Trust is 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 value of the Trust to decrease (realized or unrealized losses), regardless of our performance or your selection of Investment Options.

**Meeting College Expenses Not Guaranteed.** Even if your Account balance(s) for a Beneficiary meets the maximum allowed under the College Investment Plan and/or you select an Enrollment-Based Portfolio, there is no assurance that the money in your Account will be sufficient to cover all of the education expenses your Beneficiary may incur, or that the rate of return on your investment will match or exceed the rate at which higher education expenses may rise each year.

**Limited Investment Direction.** The IRS currently allows you to move money or transfer from one Investment Portfolio to another once per calendar year for the same Beneficiary. IRS rules also allow you to move money or transfer from one Investment Portfolio to another when you change Beneficiaries. You may rollover assets for the same Beneficiary from one Qualified Tuition Program to another once in each 12 month period.

**IRS Regulations Not Final.** As of the date of this Disclosure Statement, the IRS has not issued final tax regulations regarding Qualified Tuition Programs. In addition, the College Investment Plan has not sought, nor has it received, a private letter ruling from the IRS regarding the status of the College Investment Plan under Section 529 of the Code. The Board may, in its sole discretion, determine to seek such a ruling in the future.

**Effect of Future Law Changes.** It is possible that future changes in federal or state laws or court or interpretive rulings could adversely affect Section 529 Plans generally, the terms and conditions of the College Investment Plan or the value of your Account, even retroactively. Specifically, the College Investment Plan is subject to the provisions of and any changes to or revocation of the Enabling Legislation. In addition, it is the College Investment Plan's intention to take advantage of Section 529 of the Code; therefore, it is vulnerable to tax law changes or court or interpretive rulings that might alter the tax considerations described in *Certain Federal Tax Considerations* beginning on page 13.

**Death of Account Holder.** If an Account Holder's Successor has not been named on an Account and the Account Holder dies, control of the Account will become subject to the estate laws of the state in which the Account Holder resided.

**Discretion of the Trustee.** The Board, as Trustee, has the sole discretion to determine which Investment Options will be available in the College Investment Plan. The Trustee may, at any time, alter the Funds that comprise an Investment Option. In addition, the Trustee may, at any time, disallow further investments into a particular Investment Portfolio and/or require all investments in an Investment Portfolio to be moved

to another Investment Option. The Trustee allows T. Rowe Price's Asset Allocation Committee to make decisions on the allocations within the conservative fixed income component in certain Enrollment-Based Portfolios, the international equities component in the Equity Portfolio, Balanced Portfolio, and certain Enrollment-Based Portfolios and, subject to specific pre-defined percentage limitations, the allocations among broad asset classes and the underlying Funds that comprise the Investment Options. See *Investment Information* beginning on page 7 for more information.

**Tax Considerations.** The federal and state tax consequences associated with participating in the College Investment Plan can be complex. You should consult a tax advisor regarding the application of tax laws to your particular circumstances. If you or your Beneficiary live outside Maryland, you may also want to compare any college savings program offered by your state with the College Investment Plan.

**Securities Laws.** Accounts in the College Investment Plan may be considered securities. These Accounts will not be registered as securities, based in part on assurances received by the Trust from the staff of the Securities and Exchange Commission that it would not recommend enforcement action if the Accounts were not registered. College Investment Plan Accounts have not been registered with the securities regulatory authorities of any state. In addition, neither the Accounts nor the Investment Portfolios have been registered as investment companies under the Investment Company Act of 1940. Accounts are therefore not subject to Financial Industry Regulatory Authority, Inc. (FINRA) oversight. However, the Distributor of the College Investment Plan, T. Rowe Price Investment Services, Inc., is a registered broker-dealer under the Securities Exchange Act of 1934 and subject to FINRA regulation.

**Relationship to Financial Aid.** A Beneficiary may wish to participate in federal, state, or institutional loan, grant, or other programs for funding higher education. An investment in the College Investment Plan may or may not have an adverse impact on the Beneficiary's eligibility to participate in need-based financial aid programs. Assets in the College Investment Plan or another 529 plan would typically be included on the Free Application for Federal Student Aid (FAFSA) form as a parental asset, which is assessed at a lower rate than a student's asset would be when determining a family's expected contribution. The treatment of Account assets under any such program may have a material effect on your Beneficiary's eligibility to receive valuable benefits under financial aid programs and financial aid treatment may vary by school. Therefore, you or your Beneficiary should check the applicable laws or regulations, check with the financial aid office of an Eligible Educational Institution and/or consult with your tax advisor regarding the impact of an investment in the College Investment Plan on need-based financial aid programs.

**Relationship of Your Account to Medicaid Eligibility.** It is unclear how local and state government agencies will treat Qualified Tuition Program assets for the purpose of Medicaid eligibility. Although there are federal guidelines under Title XIX of the Social Security Act of 1965, each state administers its own Medicaid program and rules could vary greatly from one state to the next. You should consult with an attorney, a tax advisor, or your local Medicaid administrator regarding the impact of an investment in the College Investment Plan on Medicaid eligibility.

## CONTRIBUTIONS TO THE TRUST

**Funding an Account.** There are a variety of ways to fund an Account:

- With an initial contribution by check or money order; credit cards may not be used. All purchases must be paid for in U.S. dollars; checks must be drawn on U.S. banks.
- By liquidating assets from other financial instruments such as mutual funds and individual stocks. Liquidating these assets may have tax consequences. Consult your tax advisor for more information.
- By making contributions into your Account using electronic funds transfer. In certain cases, we may require you to verify your identity prior to initiating an electronic funds transfer.
- Through payroll deduction for participating employers.
- By rolling over assets from the Account of a Beneficiary within the College Investment Plan or another Qualified Tuition Program (including the Maryland Prepaid College Trust) account to a new Beneficiary who is a Member of the Family of the current Beneficiary (see *Changing a Beneficiary, Transferring Assets to Another of Your Accounts* on page 15).
- By rolling over assets from another Qualified Tuition Program (including the Maryland Prepaid College Trust) to the College Investment Plan for the benefit of the same Beneficiary. A rollover for the same Beneficiary is restricted to once per 12-month period.
- By moving assets from an UGMA/UTMA account. You must indicate on the New Account Enrollment Form that the contributions to the Account are liquidated UGMA/UTMA assets. The minor will become the Account Holder and Beneficiary. The Account must also have a Custodian until the Beneficiary reaches the age of majority under the terms of the UGMA/UTMA account. Unlike other Accounts in the College Investment Plan, before the age of the Beneficiary's majority, the Beneficiary and Account Holder cannot be changed and distributions cannot be made other than for the benefit of that Beneficiary. Therefore, any discussion in this Enrollment Kit regarding the transfer of your Account to another Beneficiary applies to an Account funded from an UGMA/UTMA only upon the Beneficiary reaching the age of majority. Any additional contributions to this type of Account will be treated in the same manner. Liquidating UGMA/UTMA assets to fund an Account may have tax consequences. Consult your tax advisor for more information.
- By moving assets from a Coverdell Education Savings Account. Please indicate on the New Account Enrollment Form or with any additional investments that the assets were liquidated from this kind of an account. Unlike UGMA/UTMA accounts, the Beneficiary may be changed to a Member of the Family of the Beneficiary of the Coverdell Education Savings Account. Making distributions from a Coverdell Education Savings Account to fund an Account for the same Beneficiary is not a taxable transaction. Consult your tax advisor for more information.
- By redeeming qualified U.S. Savings Bonds. In certain cases, you may redeem qualified U.S. Savings Bonds under the Education Tax Exclusion. Please visit [www.treasurydirect.gov](http://www.treasurydirect.gov) for more information.

**Timing of Contribution Request.** Contributions received in good order before the close of the New York Stock Exchange (NYSE), generally 4 p.m. Eastern Time, on any day the NYSE is open for business are processed that day based on the NAV of the Investment Portfolio selected to receive the contribution. Requests received after the close of the NYSE are processed the next business day using the NAV for that day.

**Minimum Contributions.** To open an Account, you must make an initial contribution of at least \$250 per Investment Portfolio,

unless you participate through Automatic Monthly Contributions or payroll deduction. The minimum investment required to open an Account through Automatic Monthly Contributions or payroll deduction is \$25 per Investment Portfolio, with subsequent investments of at least \$25 per contribution.

**Maximum Account Balance.** You can contribute up to a maximum aggregate Account balance of \$320,000 for each Beneficiary (regardless of Account Holder), whether the contributions are made to one or several Accounts. Earnings may cause the Account balances for any one Beneficiary to exceed \$320,000, and no further contributions will be allowed at that point. Should the Board decide to increase this amount, which it may in its sole discretion, additional contributions will be accepted up to the new maximum Account balance. The maximum Account balance does not apply to an Account Holder that is an agency or instrumentality of a state or local government or a tax-exempt organization, as defined in the Code, if the Account has been established as a scholarship fund.

**Excess Contributions.** Any contributions received in excess of the maximum Account balance level (as determined by the close of business on the day prior to our receipt of your contribution) will be returned to the contributor, without adjustment for gains or losses.

**Additional Account Information.** For certain contributions, including those from Series EE and Series I U.S. Savings Bonds, Coverdell Education Savings Accounts, and rollovers from other Qualified Tuition Programs, we require additional information from you. This information could include the original amount contributed and any associated earnings. If you do not provide the required documentation, we will treat the entire amount of the rollover as earnings.

**Separate Accounting.** Contributions to the College Investment Plan are allocated to one or more Accounts in your name, according to your instructions. One Account is established for each Investment Portfolio for a specific Beneficiary and specific Account Holder.

**Temporary Withdrawal Restriction.** If you make a contribution by check, money order, or electronic funds transfer (assuming all are in good order), we reserve the right, subject to applicable laws, to restrict distribution of that contribution from your Account for up to 10 calendar days after deposit. The Investment Portfolios will be closed for wire purchases and redemptions on days when the Federal Reserve Wire System is closed.

**Nonpayment.** If your contribution is made by check or electronic funds transfer that does not clear, or if it is not received in a timely manner, your contribution may be canceled. You will be responsible for any losses or expenses incurred by the Investment Portfolios or the College Investment Plan due to your nonpayment. However, your obligation to cover the loss will be waived if you make payment in good order within 10 days. The College Investment Plan has the right to cancel any contribution due to nonpayment.

**Options for Unused Contributions.** Your Beneficiary may choose not to attend an Eligible Educational Institution or may not use all the money in your Account. In either case, you may name a new Beneficiary as described in the *Changing a Beneficiary, Transferring Assets to Another of Your Accounts* section (see page 15). If you do not wish to name a new Beneficiary, you may take a distribution of your Account assets. In this case, the IRS may treat your refund as a Non-Qualified Distribution, subject to applicable taxes and penalties.

**Confirmation of Contribution.** After we receive your contribution and New Account Enrollment Form in good order, you will be sent a confirmation. In addition, you will also receive a confirmation for each subsequent contribution to your Account, except for Automatic Monthly Contributions and payroll deductions. You have 120 days after receiving a confirmation to inform the College Investment Plan if any information in the confirmation is incorrect. After 120 days, we may consider the information in the confirmation to be correct.

## INVESTMENT INFORMATION

**Assets Held in Trust.** Your Account assets are held in the Trust. Your Account is held for your exclusive benefit and may not be transferred or used by the College Savings Plans of Maryland, the College Investment Plan, the Board, the Trustee, the State or T. Rowe Price, for any purpose other than those of the Trust. For a complete copy of the Declaration, please call us.

**Investment Guidelines.** The Board has retained Wilshire Associates, Inc. as its financial advisor to assist the Board in reviewing the Investment Options. In conjunction with T. Rowe Price, the Board has established investment guidelines, including the number of Investment Options and the general character and composition of each Investment Option. Based on these guidelines, detailed asset allocations have been developed and Funds have been selected for each Investment Portfolio.

**Treatment of Dividends and Capital Gains.** The Funds distribute dividends and capital gains to each Investment Portfolio because they are required by the IRS to do so in order to maintain their tax status as regulated investment companies. Because the Investment Portfolios are an offering through the Trust, they are not considered mutual funds and are, therefore not required to comply with the IRS mutual fund distribution requirements. Instead, each Investment Portfolio (with the exception of the U.S. Treasury Money Market Portfolio) reinvests any dividends and capital gains received from the Funds. These reinvested amounts (as well as any losses) are reflected in each Investment Portfolio as an increase or decrease to its NAV. The U.S. Treasury Money Market Portfolio, by contrast, generally declares a dividend daily in order to maintain a stable NAV of \$1.00.

### **Investment Direction and Control by Account Holder**

**Investment Selection.** For each new contribution, you can select one or more of the Investment Portfolios when you make your contribution. You should periodically assess, and if appropriate, adjust your investment selection with your time horizon, risk tolerance and investment objectives in mind.

**Changing Investment Portfolios.** Once your Investment Portfolio is selected for a particular contribution, IRS rules provide that you can move money or transfer from one Investment Portfolio to another once per calendar year for the same Beneficiary.

**Investment Options.** You can choose to invest in one or both investment approaches (Enrollment-Based and Fixed) at the time the Account is established and at the time each subsequent contribution is made. Unless you advise us in writing, your investment selection remains in effect for all future contributions to that Account.

**Enrollment-Based Portfolios.** With this approach, each of eight Investment Portfolios is targeted to an expected college enrollment year of a Beneficiary. For example, Portfolios 2027 and 2030 are focused on stock investments for growth. When an Investment Portfolio is within 15 years of moving into the Portfolio for College, the Investment Portfolio's Account assets will typically be shifted every quarter to more conservative allocations through increased exposure to fixed income securities. Assets are moved to the Portfolio for College in the year corresponding to the title of the Investment Portfolio. For example, Portfolio 2012 will move to the Portfolio for College in June 2012. You may also elect a more aggressive or conservative approach by designating an Investment Portfolio that differs from the one corresponding to the Beneficiary's expected year of college enrollment.

Although Enrollment-Based Portfolios are designed to allow for automatic moves to more conservative investments as your Beneficiary approaches college age, there is no guarantee that your Enrollment-Based Portfolio will meet your Beneficiary's anticipated college expenses. You should monitor your investments on a regular basis to ensure they are consistent with your college savings expectations.

**Fixed Portfolios.** You can choose one or more Fixed Portfolios, whose target asset allocations to certain broad asset classes remain constant. The six Fixed Portfolios are the Equity Portfolio (primarily stocks), the Total Equity Market Index Portfolio (primarily stocks), the Balanced Portfolio (approximately 60% stocks and 40% bonds), the Bond and Income Portfolio (primarily intermediate-term bonds), the Short-Term Bond Portfolio (primarily short-term bonds), and the U.S. Treasury Money Market Portfolio (primarily U.S. Treasury securities).

**Conservative Fixed Income Asset Class.** Prior to January 1, 2012, the conservative fixed income component in certain Enrollment-Based Portfolios provides for allocations to be made to either or both of the T. Rowe Price Summit Cash Reserves Fund and the T. Rowe Price Short-Term Bond Fund, to allow for effective responses to changes in short-term market conditions. In the first quarter of 2012, the conservative fixed income component in certain Enrollment-Based Portfolios will replace allocations made to the Summit Cash Reserves Fund and/or the Short-Term Bond Fund with an allocation to the T. Rowe Price Inflation Focused Bond Fund.

**Changes to the Bonds and Income Allocation for Enrollment-Based Portfolios.** When an Enrollment-Based Portfolio is within five years of being moved into the Portfolio for College, we will begin transitioning the bonds and income allocation for the respective Enrollment-Based Portfolio from the Spectrum Income Fund to the Short-Term Bond Fund. Prior to January 1, 2011, the allocation to the Spectrum Income Fund transitioned to the Short-Term Bond Fund when the respective Enrollment-Based Portfolio was within one year of being moved into the Portfolio for College.

**International Equities Asset Class.** The Board believes that exposure to the international stock markets helps to provide diversification because international markets tend to respond differently than the U.S. stock market to global economic conditions. Please keep in mind that diversification cannot assure a profit or protect against a loss in declining markets. The international equities component in the Equity Portfolio, Balanced Portfolio, and certain Enrollment-Based Portfolios provides for allocations to one or more T. Rowe Price international equity Funds. The decisions on the specific allocations within the International Equities asset class are made by the T. Rowe Price Asset Allocation Committee based upon market conditions and outlook.

Allocations to the international equities component may be made among the T. Rowe Price International Stock Fund, T. Rowe Price International Growth & Income Fund, T. Rowe Price Overseas Stock Fund, and T. Rowe Price Emerging Markets Stock Fund. Prior to January 1, 2012, the aggregate target allocation by a particular Investment Portfolio to all international equity Funds will not exceed 20% and the target allocation to the T. Rowe Price Emerging Markets Stock Fund will not exceed 3%, subject to the Variances to Target Asset Allocations below. After January 1, 2012, the aggregate target allocation by a particular Investment Portfolio to all international equity Funds will not exceed 25% and the target allocation to the T. Rowe Price Emerging Markets Stock Fund will not exceed 3.75%.

**Investment Portfolio Changes.** The asset allocations, policies, objectives, and guidelines of the Investment Options may be changed from time to time by the Board, as may the selection of Funds or other investments in which each Investment Portfolio invests.

**Variances to Target Asset Allocations.** Variations to the target asset allocations listed on the following pages may occur for two reasons. First, we may over- or underweight the target allocation based on market conditions. Second, we recognize that there may be short-term variances in the actual asset allocations of the Investment Portfolios to allow for changing conditions such as market fluctuations and cash flow.

Therefore, with the exception of the Equity Market Index Portfolio, the Bond and Income Portfolio, the Short-Term Bond Portfolio and the U.S. Treasury Money Market Portfolio, there may be variances of up to 8% of the target allocations of the broad asset classes (e.g., stocks, bonds, income, and conservative fixed income) or any Fund for the Investment Portfolios (except for the Bond and Income and Short-Term Bond Portfolios), each as listed on the following pages. This variance may be applied to any combination of Funds within a broad asset class or any single Fund, which has a target allocation of over 10% of an Investment Portfolio. For example, the target allocation of 20% for the T. Rowe Price Equity Index 500 Fund in the Portfolio for College may decrease to 12% or increase to 28% of the Investment Portfolio. Similarly, the target asset allocation of 60% stock in the Balanced Portfolio may decrease to 52% or increase to 68%. The permissible variance is lowered to 6% for any single Fund with a target asset allocation of 10% or less of an Investment Portfolio. In that case, for example, the 9% target asset allocation for the T. Rowe Price Small-Cap Stock Fund in the Equity Portfolio could only decrease to 3% or increase to 15%.

For the most recent target allocations or for actual current allocations, please visit our website or call us.

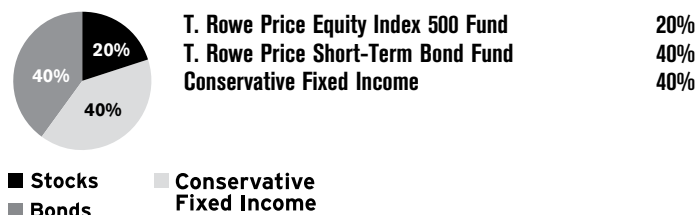
**Cash Reserve Positions.** The underlying Funds focus on different areas of the stock and bond markets in accordance with their investment programs. However, each Fund typically maintains a portion of its assets in reserves, such as cash and money market securities. The reserve position provides flexibility in meeting redemptions and paying expenses, and can serve as a short-term defense during periods of unusual market volatility.

### Investment Portfolios

**Enrollment-Based Portfolios.** The following target allocations represent a single point in time, as of October 1, 2011, and are rounded to the nearest whole number. For the most recent target allocations, including target allocations to specific Funds within the conservative fixed income asset class and international equities asset class, please call us or visit our website.

**Portfolio for College** – Emphasizing a mix of high-quality, liquid money market and fixed income Funds, this Investment Portfolio also has a modest allocation to an equity Fund. The allocations reflect a lower-risk investment approach. Designed with a more conservative strategy, this Investment Portfolio seeks safety of principal by minimizing the risk associated with equity markets. This Investment Portfolio is designed for Beneficiaries who are already enrolled or about to enroll in college. It maintains approximately a 20% allocation to an equity Fund and is not guaranteed to preserve principal. The objective is to conserve principal while generating income at a time when the Account Holder may be withdrawing from an Account for Qualified Education Expenses. However, you could experience losses, including losses near, at, or after the college enrollment date. There is also no guarantee that the portfolio will provide adequate income at and throughout college enrollment.

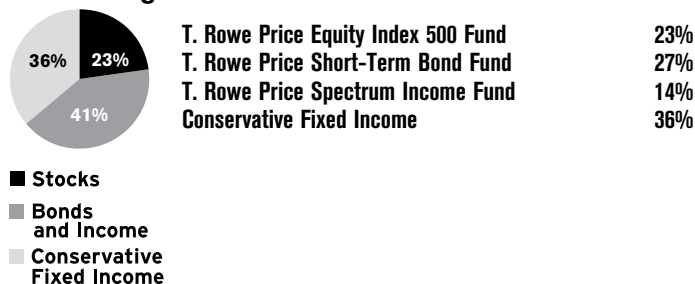
#### Target Asset Allocation – Portfolio for College



As previously described, the allocations of the remaining Enrollment-Based Portfolios typically change each quarter so that they become more conservative over time. Certain Investment Portfolios seek to cushion the effects of volatility in U.S. equity markets by diversifying in international equity markets and/or U.S. fixed income markets. However, diversification cannot assure a profit or protection against loss in a declining market. The following Investment Portfolio allocations are based upon a projected year of college enrollment.

**Portfolio 2012** – This Investment Portfolio focuses primarily on fixed income Funds while maintaining exposure to an equity Fund. This mix of Funds limits the exposure to equities while substantially diversifying in fixed income markets in an effort to reduce the risk and volatility typically associated with equity markets. This portfolio will move to the Portfolio for College in June, 2012.

#### Target Asset Allocation – Portfolio 2012



**Portfolio 2015** – This Investment Portfolio invests in mix of fixed income holdings and domestic equity Funds. This mix of Funds offers reduced exposure to equities while diversifying through fixed income markets in an effort to reduce the risk and volatility typically associated with equity markets.

#### Target Asset Allocation – Portfolio 2015



**Portfolio 2018** – This moderately aggressive Investment Portfolio focuses primarily on domestic equity markets with some exposure to international equity markets. It also seeks to diversify through its fixed income holdings. The strategy is based on the understanding that the volatility associated with equity markets can be accompanied by the highest potential for long-term capital appreciation, while attempting to cushion the effect of volatility through diversification.

#### Target Asset Allocation – Portfolio 2018



**Portfolio 2021** – This Investment Portfolio seeks long-term capital appreciation by broadly investing in Funds primarily focused on domestic equity markets with exposure to international equity markets and fixed income. The strategy is based on the understanding that the volatility associated with equity markets can be accompanied by the highest potential for long-term capital appreciation.

**Target Asset Allocation – Portfolio 2021**



**Portfolio 2024** – This Investment Portfolio seeks long-term capital appreciation by primarily investing in Funds focused on domestic equity markets but also has exposure to international equity markets and some exposure to fixed income. The strategy is based on the understanding that the volatility associated with equity markets can be accompanied by the greatest potential for long-term capital appreciation.

**Target Asset Allocation – Portfolio 2024**



**Portfolio 2027** – This equity Investment Portfolio seeks long-term capital appreciation by primarily investing in Funds focused on domestic equity markets but also has exposure to international equity markets. The strategy is based on the understanding that the volatility associated with equity markets can be accompanied by the greatest potential for long-term capital appreciation.

**Target Asset Allocation – Portfolio 2027**



**Portfolio 2030** – This equity Investment Portfolio seeks long-term capital appreciation by primarily investing in Funds focused on domestic equity markets with exposure to international equity markets. The strategy is based on the understanding that the volatility associated with equity markets can be accompanied by the greatest potential for long-term capital appreciation. Due to the long time horizon until expected college entry, this Investment Portfolio has the same allocation as Portfolio 2027, although its allocation will typically begin to shift to more conservative investments each quarter three years later than Portfolio 2027.

**Target Asset Allocation – Portfolio 2030**



**Fixed Portfolios.** The following target allocations to the broad asset classes do not change over time. However, the target allocations to particular underlying Funds are rounded to the nearest whole number and may vary within the limits described under *Variances to Target Asset Allocations* on page 7.

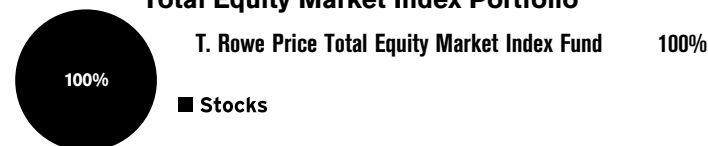
**Equity Portfolio** – Emphasizing long-term capital appreciation, this equity Investment Portfolio invests in a broad range of Funds focused on domestic equity markets with exposure to international equity markets. It is designed for Account Holders who want a broadly diversified portfolio of primarily actively managed equity mutual funds that does not become more conservative over time. Because this Investment Portfolio invests in many underlying Funds, it will have partial exposure to the risks of different areas of the market. This strategy is based on the understanding that the volatility associated with equity markets can be accompanied by the greatest potential for long-term capital appreciation.

**Target Asset Allocation – Equity Portfolio**



**Total Equity Market Index Portfolio** – This Investment Portfolio invests exclusively in the T. Rowe Price Total Equity Market Index Fund. The Total Equity Market Index Fund is a passively managed Fund, which means that its expenses are lower than the typical actively managed fund. The Fund seeks to match the total return of the entire U.S. stock market as represented by the S&P Total Market Index but does not attempt to fully replicate the Index by holding each of those stocks. Index investing can provide a convenient and relatively low-cost way to approximate the performance of a particular market but it may not offer the flexibility to shift assets toward stocks or sectors that are rising or away from stocks or sectors that are declining.

**Target Asset Allocation – Total Equity Market Index Portfolio**



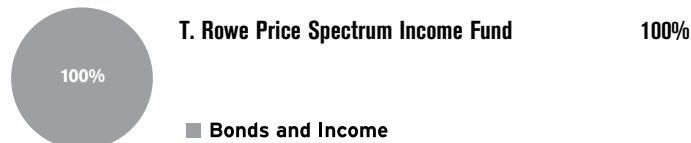
**Balanced Portfolio** – This moderately aggressive Investment Portfolio focuses on a mix of approximately 60% of its holdings invested in equity markets, including exposure to international stocks, while seeking diversification through approximately 40% of its holdings allocated to fixed income. This strategy is based on accepting the risks associated with stocks, which have the potential to provide high returns, and seeking to balance the effects of volatility through diversification in fixed income securities.

**Target Asset Allocation – Balanced Portfolio**



**Bond and Income Portfolio** - This Investment Portfolio's primary objective is to seek a moderate level of current income consistent with moderate price fluctuations by investing exclusively in the T. Rowe Price Spectrum Income Fund, which invests in a highly diversified group of up to 10 T. Rowe Price mutual funds. Seven of these funds invest principally in U.S. fixed income securities, two in foreign bonds, and one in common stocks of established, dividend-paying companies. The Investment Portfolio is subject to interest rate risk, credit rate risk, and market risk. The strategy is based on a lower-risk investment approach that seeks to conserve principal and generate a reasonable level of return while minimizing the risks associated with equity markets.

**Target Asset Allocation – Bond and Income Portfolio**



**Short-Term Bond Portfolio** – This Investment Portfolio seeks a moderate level of income consistent with minimum fluctuations in principal value by investing exclusively in the T. Rowe Price Short-Term Bond Fund, which is composed primarily of investment-grade bonds with weighted average effective maturities of three years or less. The T. Rowe Price Short-Term Bond Fund is not a money market fund. Its value will fluctuate, but usually less than a higher-yielding, longer-term bond fund. This strategy is based on a low-risk investment approach that seeks stability of principal by eliminating the risk associated with equity markets.

**Target Asset Allocation – Short-Term Bond Portfolio**



**U.S. Treasury Money Market Portfolio** – This Investment Portfolio seeks to preserve investment principal, while providing the highest available current income, by investing exclusively in the T. Rowe Price U.S. Treasury Money Fund, which is composed of very short-term securities backed by the U.S. government. The Investment Portfolio is not insured or guaranteed by the FDIC or any other government agency. Although it seeks to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in this Investment Portfolio.

**Target Asset Allocation – U.S. Treasury Money Market Portfolio**



**INVESTMENT PERFORMANCE**  
Total Return (net of fees) as of June 30, 2011

For the most recent performance, please visit our website or call us.

Portfolio Name	One-year Return	Three-year Return	Five-year Return	Annualized Return-Since Inception	Annualized Return-Weighted Benchmark*	Inception Date
Portfolio for College	7.56%	3.86%	4.08%	3.34%	3.40%	11/26/01
Portfolio 2012	13.91%	4.37%	4.47%	5.03%	4.76%	11/26/01
Portfolio 2015	20.35%	5.17%	4.85%	5.15%	5.13%	11/26/01
Portfolio 2018	24.45%	4.69%	4.32%	4.97%	5.10%	11/26/01
Portfolio 2021	28.06%	4.13%	3.75%	4.80%	5.00%	11/26/01
Portfolio 2024	31.44%	3.98%	3.47%	6.12%	5.97%	10/31/03
Portfolio 2027	32.52%	4.13%	3.54%	3.54%	3.16%	6/30/06
Portfolio 2030	32.69%	N/A	N/A	15.11%	15.11%	12/31/09
Equity Portfolio	32.48%	4.19%	3.64%	4.75%	4.86%	11/26/01
Total Equity Market Index Portfolio	31.56%	3.83%	3.07%	3.07%	3.38%	6/30/06
Balanced Portfolio	24.02%	5.80%	5.10%	5.83%	5.51%	11/26/01
Bond and Income Portfolio	11.09%	7.62%	6.81%	6.78%	5.43%	11/26/01
Short-Term Bond Portfolio	2.31%	3.97%	4.39%	3.35%	3.57%	10/31/03
U.S. Treasury Money Market Portfolio	0.00%	0.00%	0.00%	0.00%	0.13%	12/31/09

\* The weighted benchmark for each Investment Portfolio is an unmanaged portfolio comprised of certain established indexes. The amount that each weighted benchmark allocates to a particular index is representative of the total mix of investments contained in each Investment Portfolio. For example, the weighted benchmark for the Portfolio for College is composed of 21.5% S&P 500 Index, 66.5% Citigroup 3 Month T-Bill Index and 12% Barclays Capital 1-3 Year Government/Credit Index. Benchmark performance commenced on November 30, 2001 for the Investment Portfolios with 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.

Total return figures include changes in principal value and income. Reinvested dividends and capital gain distributions from the underlying Funds will become income to the Investment Portfolios. However, the Investment Portfolios do not distribute any dividends or capital gains, so changes in the total return are reflected by changes in the NAV. Please keep in mind that past performance is not necessarily indicative of future results. Unit price, principal value, and return will vary, and you may have a gain or a loss when you take a distribution. For Investment Portfolios less than one year old, the returns are cumulative and not annualized. Performance information reflects the deduction of the annualized Program Fee and the underlying expenses of the mutual fund(s) in which each Investment Portfolio invests. Performance does not reflect Annual Account Fee of \$20 which, if reflected, would lower the performance figures reported.

# Maryland College Investment Plan New Account Enrollment



**COLLEGE SAVINGS  
PLANS OF MARYLAND**

*Save here. Go anywhere.®*

**✓ Use this form to:**

- Open an Account in the Maryland College Investment Plan.
- 📄 Visit **CollegeSavingsMD.org** to open an Account online.
- ✍ This paper clip indicates you may need to attach documentation.

**Mail to:**

Maryland College  
Investment Plan  
P.O. Box 17479  
Baltimore, MD 21297-1479

**Express delivery only:**

Maryland College  
Investment Plan  
Mail Code 17479  
4515 Painters Mill Road  
Owings Mills, MD 21117-4903

## 1 Account Holder

**The Account Holder is generally the person/entity authorized to act on the Account**, such as an individual, partnership, corporation, trust, estate, or association.

Name*		Citizenship:* <input type="checkbox"/> U.S. Citizen <input type="checkbox"/> U.S. Resident Alien	
Date of Birth (mm/dd/yyyy)*		Social Security/Tax ID Number*	
Residential Address (cannot be a P.O. Box)*			
City*		State*	ZIP Code*
Day Phone		Evening Phone	
E-mail Address			
Mailing Address (if different from residential)			
City		State	ZIP Code

- An Account established with a trust, corporation, or other entity as the Account Holder requires the following:
- For a trust, attach a copy of the trust agreement pages with the trust name and date, the trustee(s) name(s), and the signature page. ✍
  - For a corporation or other entity, attach a copy of the corporate resolution, bylaws, or charter that lists the person(s) authorized to act for the organization. ✍

## 2 Beneficiary (Student) Information

Complete a separate *New Account Enrollment* form for each Beneficiary (future student). The information in this section is required to open the Account.

Name		Citizenship: <input type="checkbox"/> U.S. Citizen <input type="checkbox"/> U.S. Resident Alien	
Date of Birth (mm/dd/yyyy)		Social Security Number	

Address <input type="checkbox"/> If same as Account Holder, check this box and skip address.		
City	State	ZIP Code

## 3 Custodian or Trustee

A Custodian is required if the Account Holder is a minor. UGMA/UTMA accounts may have additional guidelines. A trustee is required if the Account Holder is a trust. For each additional Trustee or authorized person for an entity, provide the information below by attaching a separate page. ✍

- Check if the Account is funded with proceeds from an UGMA/UTMA. ✍

Name*		Citizenship:* <input type="checkbox"/> U.S. Citizen <input type="checkbox"/> U.S. Resident Alien	
Date of Birth (mm/dd/yyyy)*		Social Security/Tax ID Number*	
Residential Address (cannot be a P.O. Box)* <input type="checkbox"/> If same as Account Holder, check this box and skip address.			
City*		State*	ZIP Code*
Day Phone		Evening Phone	
E-mail Address			
Mailing Address (if different from residential)			
City		State	ZIP Code

## 4 Account Holder's Successor (Optional)

Name an Account Holder's Successor to take control if the Account Holder dies or becomes legally incapacitated.

Name		Citizenship: <input type="checkbox"/> U.S. Citizen <input type="checkbox"/> U.S. Resident Alien	
Date of Birth (mm/dd/yyyy)		Social Security/Tax ID Number	

**\*NOTE:** We are required to have this information in order to open your Account and verify your identity pursuant to the USA PATRIOT Act.

Address		
City	State	ZIP Code

## 5 Contribution Method(s)

If you are mailing a check with this form, you will receive a confirmation shortly. If your initial investment is via Automatic Monthly Contributions, you will receive a confirmation after the first contribution is applied to your Account.

### Check all that apply:

- Initial contribution with check made payable to Maryland College Investment Plan.**
- Transfer from an existing account due to Account Holder change.** Enclose an *Account Holder Change* form.

Account Holder Name	Account Number
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### Rollovers

- Direct rollover from another college savings plan (529 Plan). Enclose a completed *Rollover* form.
- Indirect rollover of a distribution from a 529 Plan, a Coverdell Education Savings Account (ESA), or qualified U.S. Savings Bonds. If the proceeds resulted from a distribution from a 529 Plan or ESA, the distribution from the previous account must not be more than 60 days prior to the contribution date.

**You must provide the earnings applicable to the rollover and the principal. If left blank, the entire contribution will be treated as earnings.**

Earnings	\$
Principal	\$
Total Rollover	\$

Enclose a copy of your most recent statement or, for U.S. Savings Bonds, Form 1099-INT.

### Automatic Monthly Contributions (AMC)

This service allows you to automatically contribute to the portfolio(s) listed below. To enroll in AMC, check one:

- AMC from the bank account you provide in Section 6.
- Payroll deduction. Verify that your employer participates in payroll deductions. We will mail you instructions for your employer. For permanent Maryland state employees, complete the *Maryland State Payroll Deduction* form.

Portfolio Name	Amount*	Date(s)**
	\$	&
	\$	&

- To select more investment portfolios, check this box and attach a separate page.

**\*NOTE:** This amount should reflect how much to contribute for each date indicated.

**\*\*NOTE:** If blank, AMC default is the first business day of the month. Payroll deduction dates are determined by your employer.

## 6 Bank Information (Optional)

Complete this section to have electronic funds transfer (EFT) service. This service allows you to move money between your bank account and your Account(s) quickly and easily. Allow 15 days for initial setup. EFTs occur when you initiate them.

**Enclose a voided check or preprinted savings deposit slip. We cannot accept starter checks.**

- Checking account **or**  Savings account

**NOTE:** If the Account Holder or Custodian is not an owner of the bank account, the bank account owner must sign in Section 8B.

## 7 Investment Portfolio(s)

For minimum initial contribution requirements and for more information on investment portfolios, refer to the Plan Disclosure Statement. **An investment portfolio is required to create an Account.** Enter the amount of any enclosed contributions.

Portfolio Name	Amount
	\$
	\$
Total	\$

- To select more investment portfolios, check this box and attach a separate page.

## 8 Signature(s)

A Account Holder

### Marketing Opt-Outs:

- Marketing information:** We may use information about you in the future to identify and alert you to other college investment plans or T. Rowe Price savings or investment programs that might interest you. If you do not wish to receive such information, check the box.
- Mail multiple copies:** We will send only one copy of the Plan Disclosure Statement, Annual Report Summary, and other documents (except Account confirmations, statements, and tax forms) to all Account Holders residing at the same address. If you wish to receive multiple copies of these documents, check the box.

### By signing this form, I understand and hereby certify that:

- The information in this form is accurate. As described in the College Investment Plan Disclosure Statement, I agree to hold harmless the College Savings Plans of Maryland, the Trust, the Trustee, and T. Rowe Price for any losses arising out of any misrepresentations made by me or breach of acknowledgments contained in this form.
- I am and my Beneficiary is a U.S. citizen or a U.S. resident alien.
- The Trust and T. Rowe Price will use this information to verify my identity. If, after making reasonable efforts, the Trust and T. Rowe Price are unable to verify my identity, they are authorized to take any action permitted by law, including closing my Account and redeeming my Account at the net asset value calculated the day the Account is closed.

- If I am the Custodian executing this form on behalf of a minor Account Holder, I am of legal age in my state of residence and am legally authorized to act on behalf of such minor.
- I authorize the Trust and T. Rowe Price and their agents and their affiliates to act on instructions believed to be genuine, and from me, for any service authorized in this form, including telephone/computer services. T. Rowe Price uses procedures designed to verify the authenticity of the Account Holder or Custodian. If these procedures are followed, the College Savings Plans of Maryland, the Trust, and T. Rowe Price will not be liable for any loss that may result from acting on unauthorized instructions. I understand that anyone who can properly identify my Account(s) can make telephone/computer transactions on my behalf.
- By selecting the EFT service in Section 6, I hereby authorize the Trust and T. Rowe Price to initiate debit entries to the account at the financial institution indicated (on the enclosed voided check or savings deposit slip) and for the financial institution to debit such account through the Automated Clearing House (ACH) network, subject to the rules of the financial institution, ACH, and T. Rowe Price. The Trust and T. Rowe Price may correct any transaction errors with a debit or credit to my financial institution account and/or College Investment Plan Account. **This authorization, including any credit or debit entries initiated thereunder, is in full force and effect until I notify the College Investment Plan of its revocation by telephone or in writing and it has had sufficient time to act on it.**

By having the plan accept delivery of this form, executed by me and in good order, the Trust acknowledges acceptance of the form, binding the Trust and me in accordance with its terms.

SIGNATURE AND DATE REQUIRED	
Account Holder, Custodian (if Account Holder is a minor), or Trustee	Date (mm/dd/yyyy)
<b>X</b>	
Print Name	
Co-trustee (if applicable)	Date (mm/dd/yyyy)
<b>X</b>	
Print Name	

## B Bank Account Owner

If the Account Holder or Custodian is not an owner of the bank account, the bank account owner must sign here to authorize adding the bank information. EFT services will not be added without the required signature.

**NOTE:** Third-party bank accounts can only be used for contributions made with AMC and not for distributions.

SIGNATURE AND DATE REQUIRED	
Bank Account Owner	Date (mm/dd/yyyy)
<b>X</b>	

## C Demographics

This section is optional and the information is kept confidential.

**Race of Account Holder** Check one:

- |  |   |
|--|---|
| <input type="checkbox"/> African American (Non-Hispanic) | <input type="checkbox"/> Multicultural        |
| <input type="checkbox"/> American Indian/Alaskan Native  | <input type="checkbox"/> White (Non-Hispanic) |
| <input type="checkbox"/> Asian/Pacific Islander          | <input type="checkbox"/> Other                |
| <input type="checkbox"/> Hispanic                        | <input type="checkbox"/> Unknown              |

**Annual Family Income** Check one:

- |  |  |
|--|--|
| <input type="checkbox"/> \$20,000 or less    | <input type="checkbox"/> \$80,001 – \$100,000  |
| <input type="checkbox"/> \$20,001 – \$40,000 | <input type="checkbox"/> \$100,001 – \$150,000 |
| <input type="checkbox"/> \$40,001 – \$60,000 | <input type="checkbox"/> Above \$150,000       |
| <input type="checkbox"/> \$60,001 – \$80,000 |  |

**Where Did You Hear About This Plan?** Check one:

- |   |  |
|---|--|
| <input type="checkbox"/> Parent Information Night/Event | <input type="checkbox"/> Hospital        |
| <input type="checkbox"/> Employee Presentation          | <input type="checkbox"/> Word of Mouth   |
| <input type="checkbox"/> Internet Search                | <input type="checkbox"/> Media Article   |
| <input type="checkbox"/> Financial Advisor/Broker/CPA   | <input type="checkbox"/> Radio           |
| <input type="checkbox"/> Social Media                   | <input type="checkbox"/> TV/News Program |

## **The Underlying Fund Characteristics**

**Information About Underlying Funds.** The Investment Portfolios in the College Investment Plan are more likely to meet their goals if the underlying Funds achieve their stated investment objectives. These investment objectives are summarized in this section. You should also review carefully the information contained in each Fund's prospectus about these Funds and the types of risks they represent prior to investing. Request a prospectus for any Fund, which includes investment objectives, risks, fees and expenses, and other information you should read and consider carefully before investing by visiting [troweprice.com](http://troweprice.com) or calling us. See discussion of *General Risks* on page 5 and *Investment Risks* on page 12.

### **T. Rowe Price Funds Focusing on Domestic and International Equities (Stock Funds)**

**Blue Chip Growth Fund** seeks to provide long-term capital growth. Income is a secondary objective. The Fund invests primarily in the common stocks of large and medium-sized blue chip companies that have the potential for above-average earnings growth and are well established in their respective industries.

**Emerging Markets Stock Fund** seeks long-term capital appreciation through investments primarily in the common stocks of companies domiciled, or with primary operations, in emerging markets. The Fund expects to make substantially all of its investments (normally at least 80% of net assets) in emerging markets in Latin America, Asia, Europe, Africa and the Middle East. Stock selection reflects a growth style.

**Equity Index 500 Fund** seeks to match the performance of the Standard & Poor's 500® Stock Index\*. The S&P 500 is made up of primarily large-capitalization companies that represent a broad spectrum of the U.S. economy and a substantial part of the U.S. stock market's total capitalization. The Fund invests substantially all of its assets in all of the stocks in the S&P 500 Index. The Fund attempts to maintain holdings of each stock in proportion to its weight in the index.\*

**International Growth & Income Fund** seeks long-term growth of capital and reasonable income through investments primarily in common stocks of mature, dividend-paying, non-U.S. companies. The stock selection reflects a value orientation.

**International Stock Fund** seeks long-term growth of capital through investments primarily in the common stocks of established, non-U.S. companies. The Fund invests worldwide and diversifies broadly among developed and some emerging countries. The Fund's flexibility to invest throughout the international marketplace can help reduce volatility relative to funds that concentrate on a particular region or country.

**Mid-Cap Growth Fund** seeks to provide long-term capital appreciation by investing in mid-cap stocks offering the potential for above-average earnings growth. The Fund normally invests at least 80% of its net assets in a diversified portfolio of common stocks of mid-cap companies whose earnings T. Rowe Price expects to grow at a faster rate than the average company. The Fund defines mid-cap companies as those whose market capitalization falls within the range of either the S&P Midcap 400 Index or the Russell Midcap Growth Index.

**Mid-Cap Value Fund** seeks to provide long-term capital appreciation by investing primarily in mid-size companies believed to be undervalued. The Fund normally invests at least 80% of net assets in companies whose market capitalization falls within the range of companies in the S&P MidCap 400 Index or the Russell Midcap Value Index. The Fund follows a value approach, seeking to identify companies whose stock prices do not appear to reflect their underlying values.

**Overseas Stock Fund** seeks long-term growth of capital through investments in the common stocks of non-U.S. companies. The Fund expects to invest substantially all of its assets outside the U.S. and to diversify broadly among developed and, to a lesser extent, emerging countries throughout the world. It expects to invest primarily (65% of total assets) in the stocks of large companies that have attractive prospects for capital appreciation.

**Small-Cap Stock Fund** seeks to provide long-term capital growth by investing primarily in stocks of small companies. The Fund normally invests at least 80% of net assets in stocks of small companies. A small company is defined as having a market capitalization that falls (i) within or below the range of companies in the Russell 2000 Index or S&P Small-Cap 600 Index or (ii) below the three-year average maximum market cap of companies in either index as of December 31 for the three preceding years. The Russell 2000 and S&P Small-Cap 600 indices are widely used benchmarks for small-cap stock performance. Stock selection may reflect either a growth or value investment approach.

**Total Equity Market Index Fund** seeks to match the performance of the entire U.S. stock market. The Fund uses the S&P Total Market Index to represent the market as a whole. Because the largest stocks in the index carry the most weight, large-capitalization stocks make up a substantial majority of the S&P Total Market Index's value. The Fund uses a sampling strategy, investing substantially all of its assets in a broad spectrum of small-, mid-, and large-cap stocks representative of the S&P Total Market Index. The Fund does not attempt to fully replicate the index by owning each of the stocks in it.\*

**Value Fund** seeks to provide long-term capital appreciation by investing in common stocks believed to be undervalued. Income is a secondary objective. In taking a value approach to investment selection, the Fund normally invests at least 65% of total assets in common stocks the portfolio manager regards as undervalued. Stock holdings are expected to consist primarily of large-company issues, but may also include smaller companies.

\* "Standard & Poor's®", "S&P®", "S&P 500®", "Standard & Poor's 500", "500", "S&P Total Market Index", and "S&P TMI" are marks/trademarks of The McGraw-Hill Companies, Inc., and have been licensed for use by T. Rowe Price. The Equity Index 500 Fund and Total Equity Market Index Fund are not sponsored, endorsed, sold, or promoted by Standard & Poor's, and Standard & Poor's makes no representation regarding the advisability of investing in the Funds.

### **T. Rowe Price Funds Focusing on Bonds**

**Inflation Focused Bond Fund** seeks a high level of income consistent with minimal fluctuation in principal value and liquidity. The fund will invest in a diversified portfolio of short- and intermediate-term, investment-grade, inflation-linked securities, including Treasury Inflation Protected Securities (TIPS), as well as corporate, government, mortgage-backed, and asset-backed securities. The fund may also invest in money market securities, bank obligations, collateralized mortgage obligations, foreign securities, and hybrids. The fund will invest at least 20% of its net assets in inflation-linked securities, although normally the fund expects to invest 50% or more of its net assets in inflation-linked securities. Average effective maturity will range between one and seven years.

**Short-Term Bond Fund** seeks a high level of income consistent with minimal fluctuation in principal value and liquidity. It invests primarily in a diversified portfolio of short- and intermediate-term, investment-grade debt securities. The Fund's average effective maturity will not exceed three years.

**Spectrum Income Fund** seeks a high level of current income with moderate share price fluctuation. It invests in a diversified group of underlying T. Rowe Price funds, including six domestic bond funds, two foreign bond funds, a money market fund, and an income-oriented stock fund. The percent of assets allocated to the various funds must conform to the following ranges:

#### **Asset Allocation Ranges for Spectrum Income Fund as of June 30, 2011**

Emerging Markets Bond Fund	0-20%
Corporate Income Fund	0-10%
New Income Fund	10-30%
Equity Income Fund	5-25%
Short-Term Bond Fund	0-15%
GNMA Fund	5-20%
Summit Cash Reserves Fund	0-25%
High-Yield Fund	10-25%
U.S. Treasury Long-Term Fund	0-15%
International Bond Fund	0-20%

### **T. Rowe Price Funds Focusing on Money Market Funds**

*An investment in these Funds is not insured or guaranteed by the FDIC or any other government agency. Although the Funds seek to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in these Funds.*

**Summit Cash Reserves Fund** seeks preservation of capital, liquidity, and, consistent with these objectives, the highest possible current income. It is a money market fund managed to provide a stable share price. It invests in high-quality, U.S. dollar-denominated money market securities of U.S. and foreign issuers.

**U.S. Treasury Money Fund** seeks to maximize safety of capital, liquidity, and, consistent with these objectives, the highest available current income. It is a money market fund managed to provide a stable share price. It invests in very short-term securities backed by the U.S. government.

### **INVESTMENT RISKS**

#### **Funds May Not Meet Objectives; Accounts Are Not Insured.**

As with many investments, there is no guarantee that the underlying Funds will meet their objectives. Keep in mind also that the Fund shares are not deposits or obligations of, or guaranteed by, any depository institution. *Your monies held in the Investment Portfolios are not insured by the FDIC, Federal Reserve, T. Rowe Price, the State, the College Savings Plans of Maryland, the Trustee, the College Investment Plan, the Board,*

*or any other government agency. Any investment in the College Investment Plan is subject to investment risks, including possible loss of the principal amount invested.*

#### **Principal Risks Associated with Domestic and International Stock Investing**

**General Risks.** The share prices of equity Funds can fall because of weakness in the broad market, a particular industry, or specific holdings. The markets as a whole can decline for many reasons, including adverse political or economic developments here or abroad, changes in investor psychology, or heavy institutional selling. The prospects for an industry or company may deteriorate because of a variety of factors, including disappointing earnings or changes in the competitive environment. In addition, the investment manager's assessment of securities of companies held in a Fund may prove incorrect, resulting in losses or poor performance even in rising markets.

**Small- and Mid-Cap Stock Risks.** The stocks of small- and mid-cap companies entail greater risk and are usually more volatile than those of larger companies. Stocks of smaller companies are subject to more abrupt or erratic price movements than large company stocks. Small companies often have limited product lines, markets, or financial resources, and their managements may lack depth and experience. Such companies seldom pay significant dividends that could cushion returns in a falling market.

**International Risks.** Funds that invest overseas generally carry more risk than Funds that invest strictly in U.S. assets. The specific risk profile of an international Fund varies with its investment style, geographic focus, and whether it invests in developed markets, emerging markets, or both. Funds investing in a single country or limited geographic region tend to be riskier than more diversified funds. Risks can result from varying stages of economic and political development, differing regulatory environments, trading days, accounting standards, and higher transaction costs of non-U.S. markets. Investments outside the United States could be subject to governmental actions such as capital or currency controls, nationalization of a company or industry, expropriation of assets, or imposition of high taxes. International Funds are also subject to currency risk. This refers to a decline in the value of a foreign currency versus the U.S. dollar, which reduces the value of securities denominated in a foreign currency. The overall impact on a Fund's holdings can be significant and long-lasting depending on the currencies represented in the portfolio, how each one appreciates or depreciates in relation to the U.S. dollar, and whether currency positions are hedged. Further, exchange rate movements are unpredictable, and it is not possible to effectively hedge the currency risks of many developing countries.

**Emerging Market Risks.** Investments in emerging markets are subject to abrupt and severe price declines and can sometimes be regarded as speculative. The same risks that generally exist for international investments are heightened for investments in emerging markets. The economic and political structures of emerging nations, in most cases, do not compare favorably with the U.S. or other developed countries in terms of wealth and stability, and their financial markets may lack liquidity. Some emerging countries also have legacies of hyperinflation, currency devaluations, and governmental interference in markets.

#### **Growth and Value Approach Risks**

**Growth Investing.** Growth stocks can be volatile for several reasons. Since these companies usually invest a high portion of earnings in their businesses, they may lack the dividends of value stocks that can cushion stock prices in a falling market. Also, earnings disappointments often lead to sharply falling

prices because investors buy growth stocks in anticipation of superior earnings growth.

**Value Investing.** Investors seek to invest in companies whose stock prices are low in relation to their real worth or future prospects. By identifying companies whose stocks are currently out of favor or misunderstood, value investors hope to realize significant appreciation as other investors recognize the stock's intrinsic value and the price rises accordingly. The value approach carries the risk that the market will not recognize a security's intrinsic value for a long time or that a stock judged to be undervalued may actually be priced appropriately.

#### **Principal Risks Associated with Fixed Income Investments**

**Money Market Risk.** An investment in a money market Fund is not insured or guaranteed by the FDIC or any other government agency. Although a money market Fund seeks to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in a money market Fund.

**Interest Rate and Credit Risk.** Bond prices may decline in response to a rise in interest rates. Longer-maturity bonds typically decline more than those with shorter maturities, resulting in a lesser rate of return. In the event that a bond's credit rating is downgraded or a bond issuer defaults (fails to make timely payments of interest or principal), the income level and share price of a Fund investing in that bond could decline dramatically.

**High-Yield Investing Risks.** A Fund investing in high-yield corporate bonds, often called "junk bonds," could have greater price declines than Funds that invest primarily in high-quality bonds. Companies issuing high-yield bonds are not as strong financially as those with higher credit ratings, so the bonds are usually considered speculative investments. These companies are more vulnerable to financial setbacks and recession than more creditworthy companies, which may impair their ability to make interest and principal payments. In addition, the entire junk bond market can experience sudden and sharp price swings due to a variety of factors, including changes in economic forecasts, stock market activity, large sustained sales by major investors, a high-profile default, or a change in the market's psychology.

#### **Principal Risks Associated with Mortgage-Backed Securities**

**Prepayment Risk.** Funds that invest extensively in mortgage-backed securities have special risks related to changing interest rates. A mortgage-backed bond, unlike most other bonds, can be hurt when interest rates fall because homeowners tend to refinance and prepay principal. The loss of high-yielding, underlying mortgages and the reinvestment of proceeds at lower interest rates can reduce the bond's potential price gain in response to falling interest rates, reduce the bond's yield, or even cause the bond's price to fall below what an investor paid for it, resulting in a capital loss. Any of these developments could cause a decrease in a Fund's income, share price, or total return.

**Extension Risk.** In the event that a rise in interest rates accompanied by a drop in mortgage prepayments causes a Fund's average maturity to lengthen unexpectedly, that Fund's sensitivity to rising rates and its potential for price declines could be dramatically increased.

### **CERTAIN FEDERAL TAX CONSIDERATIONS**

**General.** This section takes a closer look at some of the federal tax considerations you should be aware of when investing in the College Investment Plan. The federal tax consequences associated with an investment in the College Investment Plan can be complex. Please keep in mind that the IRS has issued only proposed regulations under Section 529 of the Code; final regulations could affect the tax considerations mentioned

in this section or require the terms of the College Investment Plan to change. In addition, the College Investment Plan has not requested a private letter ruling from the IRS with regard to the status of the College Investment Plan under Section 529 of the Code. The Board may, in its sole discretion, apply for such a ruling from the IRS.

This discussion is by no means exhaustive and is not meant as tax advice. It has not been written to be used and cannot be used by any taxpayer for the purpose of avoiding penalties that may be imposed on the taxpayer. This information was written solely to support the promotion and marketing of the College Investment Plan. You should consult a tax advisor regarding the application of federal tax laws to your particular circumstances.

**Federal Tax-Deferred Earnings.** Any earnings on contributions are tax-deferred, which means your Account assets grow free of current federal income tax.

**Federal Gift/Estate Tax.** This section only discusses federal gift and estate taxes. The state law treatment of gift and estate taxes varies so you should consult with your tax advisor. The federal limits provided are for the 2011 tax year. Note: In future years, the IRS may change the annual amount that can be excluded from federal gift taxes, so you should consult with your tax advisor for details.

Generally, if the amounts contributed by you on behalf of the Beneficiary together with any other gifts to that person (over and above those made to your Account) do not exceed \$13,000 per year (\$26,000 for married couples making a proper election), no gift tax will be imposed for that year. Gifts of up to \$65,000 can be made in a single year (\$130,000 for married couples making a proper election) for a Beneficiary and averaged out over five years for the gift tax exclusion. This allows you to move assets into tax-deferred investments and out of your estate more quickly. Generally, assets in an Account are not included in your estate, unless you elect the five-year averaging and die before the end of the fifth year. In general, if you die with assets still remaining in your Account, the Account's value will not be included in your estate for federal estate tax purposes. If your Beneficiary dies, the value of the Account may be included in the Beneficiary's estate for federal tax purposes. Further rules regarding gifts and the generation-skipping transfer tax may apply in the case of distributions, changes of Beneficiaries, and other situations. You should consult with a tax advisor when considering a change of Beneficiary or transfers to another Account or the specific effect of the gift tax and generation-skipping transfer tax on your situation.

**Tax Benefits Not Intended for Abuse.** Section 529 Qualified Tuition Programs are intended to be used only to save for Qualified Education Expenses. These Programs are not intended to be used, nor should they be used, by any taxpayer for the purpose of evading federal or state taxes or tax penalties. Taxpayers may wish to seek tax advice from an independent tax advisor based on their own particular circumstances.

**Transfers and Rollovers.** As discussed further in *Contributions to the Trust* on page 6, certain transfers can be made without incurring income tax consequences or a Distribution Tax. The distribution must be placed in another Account or an account of another Qualified Tuition Program within 60 days of the distribution date. If the new Beneficiary is a member of a generation lower than the prior Beneficiary, the transfer may be subject to the gift tax or generation-skipping transfer tax. Changes in your Beneficiary could potentially cause gift and/or generation-skipping transfer tax consequences to the Beneficiary and/or Account Holder. Because gift and generation-skipping transfer tax issues are complex, you should consult with your tax advisor.

**Coverdell Education Savings Accounts.** You may fund your Account with a distribution from a Coverdell Education Savings Account. Any such distribution is generally tax-free if your Account has the same Beneficiary as the Coverdell Education Savings Account. Currently, the maximum annual contribution to Coverdell Education Savings Accounts is \$2,000 and, unless Congress takes additional action, will be \$500 beginning in 2013. In addition, under current federal law, beginning in 2013, a 6% excise tax will apply to contributions made to a Coverdell Education Savings Account in the same year as a contribution to a Qualified Tuition Program for the same Beneficiary. Consult your tax advisor for more information.

**Education Tax Credits.** You and your Beneficiary, if eligible, can take advantage of Hope and Lifetime Learning Tax Credits without affecting your participation in the College Investment Plan or its benefits. Hope and Lifetime Learning Credits can be claimed in the same year that a tax-exempt distribution is taken from a Qualified Tuition Program provided the distribution is not used for the same educational expenses.

### **Federal Taxation of Distributions**

**All Distributions.** Distributions have two components: (1) principal, which is not taxable when distributed, and (2) earnings, if any, which may be subject to federal income taxation. We determine the earnings portion of your distribution at calendar year-end based on IRS rules and report it to the IRS and the taxable party on Form 1099-Q (or other successor form). However, the Form 1099-Q does not report whether the distribution is a Qualified Distribution or a Non-Qualified Distribution. You are responsible for preparing and filing the appropriate forms when completing your federal income tax return and for paying any applicable tax directly to the IRS.

**Qualified Expense Distributions.** When money is withdrawn from your Account to pay for Qualified Education Expenses, all of the Account's investment gains are distributed federally income tax-free, provided you do not also claim all or part of these Qualified Education Expenses as a Hope or Lifetime Learning Credit. If the amount of the withdrawal from your Account exceeds the Beneficiary's adjusted qualified higher education expenses (total Qualified Education Expenses reduced by any tax-free educational assistance), some or all of your Account's investment gains may be recognized as income by the IRS and may be subject to the Distribution Tax. Please see *IRS Publication 970* for additional information.

**Other Qualified Distributions.** For federal income tax purposes and pursuant to current IRS guidance, including Form 1099-Q and proposed regulations, the earnings portion of a Qualified Distribution made to the appropriate recipient (as described above) in the event of the death or Disability of a Beneficiary or receipt by the Beneficiary of a scholarship, grant, Tuition Remission, or enrollment at a U.S. military academy is generally taxable to the Account Holder. However, any Qualified Distribution payable under such circumstances should be taxable to the Beneficiary if it is paid to the Beneficiary or the Eligible Educational Institution. Such Qualified Distributions will not be subject to the Distribution Tax.

**Non-Qualified Distributions.** The earnings portion of any Non-Qualified Distribution is generally taxable to the Account Holder. However, the Non-Qualified Distribution should be taxable to the Beneficiary if it is paid to the Beneficiary or the Eligible Educational Institution. Any Non-Qualified Distribution will also be subject to the Distribution Tax.

**Aggregation of Accounts.** For purposes of calculating the breakdown between the principal and earnings portion of any distribution, the IRS requires that all Accounts in the College

Investment Plan with the same Account Holder and Beneficiary be treated as one Account. Therefore, the IRS Form 1099-Q may report an amount of earnings that is greater or lesser than the actual earnings on any particular Investment Portfolio.

**Determination of Taxable Earnings.** The earnings portion of a distribution for federal tax purposes is determined by subtracting all contributions made to your Accounts. The remainder, if any, is considered earnings. If the distribution is subject to a Distribution Tax, the Distribution Tax is applied to the earnings portion only. Due to the IRS rules regarding aggregation of Accounts, the reportable taxable earnings may be more or less than the actual earnings on any particular Account or Accounts. You are responsible for calculating and reporting any Distribution Tax to the IRS.

## **CERTAIN STATE TAX CONSIDERATIONS**

**General.** This section takes a closer look at some of the state tax considerations you should be aware of when investing in the College Investment Plan. However, the discussion is by no means exhaustive and is not meant as tax advice. The state tax consequences associated with an investment in the College Investment Plan can be complex. You should consult a tax advisor regarding the application of state tax laws to your particular circumstances. In addition, please refer to *Maryland Income Tax Administrative Release No. 32*, which can be obtained at [www.marylandtaxes.com](http://www.marylandtaxes.com) or by calling **1-800-MD-TAXES**.

**Maryland State Income Deduction for Contributions.** Maryland taxpayers may receive a maximum deduction of \$2,500 per Beneficiary on their State income tax return. Maryland adjusted gross income is determined by applying certain addition and subtraction modifications to federal adjusted gross income. The deduction is one of the subtractions available on the State return. Contributions made in excess of \$2,500 per Beneficiary in a single year may be carried forward and deducted from your federal adjusted gross income to determine your Maryland adjusted gross income for up to 10 consecutive future years, subject to the \$2,500 annual limit. See the example in *Frequently Asked Questions* on page 1. If you no longer pay Maryland income tax, you are no longer eligible to claim this deduction.

Although individuals other than the Account Holder may make contributions to an Account, only an Account Holder may take the annual deduction. In addition, the deduction may be taken only on amounts contributed by the Account Holder.

**Maryland Tax-Free Distributions for Qualified Expenses.** When money is distributed to pay for Qualified Education Expenses, any of the Account's investment gains are distributed free of State income taxes. If you no longer pay Maryland income tax, you will no longer receive this Maryland tax benefit.

**Maryland Taxation of Other Distributions/Recapture of Previous Deductions.** Any amounts previously taken as a deduction from Maryland adjusted gross income must be added to your Maryland adjusted gross income for the tax year in which you take a distribution unless the distribution is a Rollover Distribution or used to pay for Qualified Education Expenses. The requirement to add previous years' deductions to your Maryland adjusted gross income applies even if the distribution is the result of the Beneficiary's receipt of Tuition Assistance or the Beneficiary's death or Disability.

**Non-Maryland Residents.** State income taxes may apply to the earnings portion of a distribution from the College Investment Plan, even if used for Qualified Education Expenses, if the recipient is a non-Maryland resident. Depending upon

the laws of your or your Beneficiary's home state, favorable state tax treatment or other benefits offered by that home state may be available only if you invest in the home state's section 529 college savings plan. Any state-based benefit offered with respect to a particular 529 plan should be one of many appropriately weighted factors to be considered in making an investment decision. You should consult with your financial, tax or other advisor to learn more about how state-based benefits, including any limitations, would apply to your specific circumstances. You also may wish to contact your home state or any other 529 plan to learn more about the features, benefits and limitations of that state's 529 plan.

**Maryland Gift/Estate Taxes.** Maryland law does not impose gift taxes. Therefore, in the event that an Account Holder elects five-year averaging of contributions of up to \$65,000 in a single year (\$130,000 for married couples making the proper election), and dies prior to the end of the fifth year, a portion of the assets of the Account, while subject to federal gift tax, would not be subject to a Maryland gift tax.

Maryland law imposes an estate tax that parallels the federal estate tax in some respects. Generally, estates below \$1 million are not subject to Maryland estate tax. The Maryland estate tax is equal to the credit provided in federal law without regard to the phased-in reduction and elimination of that credit beginning in 2002 and is calculated based on the federal gross estate as reduced by allowable deductions. Therefore, assets remaining in your Account following your death will only affect your Maryland estate tax if included in the federal gross estate. You should consult a tax advisor to determine if the limits have changed and to evaluate the specific effect of Maryland gift and estate taxes on your situation.

## MAINTAINING YOUR ACCOUNT

**General.** You may access your Account information on our website. In addition to viewing your Account, you may make contributions, certain changes to your Automatic Monthly Contributions and update your Account Holder information. Additional functionalities are added from time to time.

**Transaction Confirmations.** The College Investment Plan will send you a confirmation each time you contribute to your Account(s), except for Automatic Monthly Contributions and payroll deductions. For Automatic Monthly Contributions and payroll deductions, you will receive a confirmation of the first scheduled contribution to the College Investment Plan. You will also receive an Account statement each quarter that details your contributions, distributions, total Account value, and current investments. These statements are not tax documents and should not be submitted with your tax forms. However, you could use the Account statement(s) to determine how much you paid or contributed during the previous tax year.

**Transfers and Rollovers of Assets from Another Qualified Tuition Program.** You can transfer assets for the same Beneficiary from another Qualified Tuition Program to the College Investment Plan. Rollovers for the same Beneficiary are restricted to one every 12 months. The Account Holder and/or the previous Qualified Tuition Program must provide the College Investment Plan with an accurate allocation of principal and earnings on the previous account for application to the new Account, otherwise the entire rollover contribution will be treated as earnings. To rollover assets for the same Beneficiary into an Account in the College Investment Plan, complete a Rollover Form and a New Account Enrollment Form. Please visit our website or call us for any of the forms you may need.

**Changing a Beneficiary, Transferring Assets to Another of Your Accounts.** You can change your Beneficiary at any time. To avoid negative tax consequences, the new Beneficiary must be a Member of the Family of the original Beneficiary. Upon transferring an Account to a new Beneficiary, you can choose to redirect the investment of the Account to another Investment Portfolio. For details on tax matters relating to transfers, please see *Transfers and Rollovers* on page 13.

You can also direct that all or a portion of an Account be transferred to another Account you own that has a different Beneficiary, as long as that Beneficiary is a Member of the Family of the prior Beneficiary. Naming a new Beneficiary will result in your original Account being closed and a new one being opened. You must be the Account Holder of the new Account.

You should consult with your tax advisor regarding the tax consequences of changing Beneficiaries and transferring assets. For information on changing Beneficiaries for Accounts funded with assets originally held in an UGMA/UTMA account, see *Contributions to the Trust – Funding an Account* on page 6.

**Changing Investment Direction.** You can move money or transfer from one Investment Portfolio to another once per calendar year for the same Beneficiary. If you have multiple Accounts for one Beneficiary, all changes for that Beneficiary requested together on the same day will count as one investment strategy change. Please call us to request this change or visit our website to download the appropriate form.

**Changing or Removing a Custodian.** Prior to the Account Holder reaching the age of majority, the Custodian may be changed at any time by submitting the appropriate form to the College Investment Plan. Under certain circumstances, a valid court order may be required to appoint a new Custodian. If the current Custodian dies or is declared legally incompetent prior to the Account Holder reaching the age of majority, then the person legally authorized to act on behalf of the minor Account Holder must appoint a new Custodian.

For Accounts not funded from an UGMA/UTMA, the Custodian will no longer have the authority to act on the Account once the Account Holder reaches the age of majority under Maryland law. After reaching the age of majority, the Account Holder must complete the appropriate form to obtain control over the Account.

For Accounts funded from an UGMA/UTMA, the Custodian retains the authority to act on an Account until the Account Holder reaches the applicable age of majority under the terms and conditions of the original UGMA/UTMA account (for example, under Maryland law, the applicable age of majority for an UGMA is 18 years and an UTMA is 21 years). After reaching the age of majority, the Account Holder and the Custodian must complete the appropriate form, which is available on our website or by calling us.

**Limitations.** A Beneficiary change or transfer of assets may be denied or limited if it causes one or more Accounts to exceed the maximum aggregate Account balance for a Beneficiary.

**Change of Account Holder.** You may transfer control of your Account assets to a new Account Holder. All transfers to a new Account Holder must be requested in writing and include information required by the Trustee. However, your right of control may not be sold, transferred, used as collateral, or pledged or exchanged for money or anything of value. We may require affidavits or other evidence to establish that a transfer is non-financial in nature. Your right of control may also be transferred under an appropriate court order. If you transfer control of an Account to a new Account Holder, the new Account Holder must agree to be bound by the terms

and conditions of this Disclosure Statement and provide all necessary identification information. Transferring an Account to a new Account Holder may have significant tax consequences. Before doing so, you may want to consult with your tax advisor regarding your particular situation.

**Simultaneous Death of Account Holder and Beneficiary.**

If the Account Holder and Beneficiary on an Account both die and there is no evidence to verify that one died before the other, any appointed Account Holder's Successor shall become the Account Holder and must designate a new Beneficiary or close the Account. If no Account Holder's Successor has been appointed, the person responsible for handling the Beneficiary's estate must designate the new Account Holder. If no executor or fiduciary has been appointed, one must be appointed by a valid court order for this purpose.

**Death of Account Holder's Successor.** In the event the Account Holder's Successor predeceases the Account Holder and the Account Holder fails to designate another Account Holder's Successor or the Account Holder and Account Holder's Successor die simultaneously, control and ownership of the Account upon the Account Holder's death will become subject to the estate laws of the state in which the Account Holder resided.

**Closing an Account.** You can close your Account by having all of the assets distributed. When you close your Account, the assets distributed may be a Qualified Distribution or a Non-Qualified Distribution as determined by the IRS. Any Non-Qualified Distribution may be subject to ordinary income tax, as well as a Distribution Tax. Please visit our website or call us for any of the forms you may need. If you name another Beneficiary for your Account(s), we will close your original Account(s) and open a new one(s). You must be the Account Holder of the new Account. **You should consult with your tax advisor regarding the tax consequences of closing your Account.**

**Recovery of Incorrect Amounts.** If an incorrect amount is paid to or on behalf of an Account Holder or Beneficiary, we may recover the incorrect amount from the Account Holder or Beneficiary, or adjust any remaining Account balances to correct the error. The Trustee, in its discretion, may waive the processing of adjustments resulting from clerical errors or other causes that are de minimis in amount.

**Correction of Errors.** There is a 120-day period for making corrections. If, within 120 days after issuance of any Account statement or confirmation, the Account Holder makes no written objection to the College Investment Plan regarding an error in the Account that is reflected on that statement, we may deem the statement to be correct and binding upon the Account Holder and Beneficiary.

## **DISTRIBUTIONS FROM YOUR ACCOUNT**

**General.** You can take a distribution at any time by calling us or by completing the distribution form available on our website. Only the Account Holder (or Custodian) can request a distribution, unless a valid court order directs otherwise.

**Qualified Distributions.** Distributions from your Account are either Qualified or Non-Qualified as determined by the IRS. As the Account Holder, you are responsible for satisfying the IRS requirements for proof of Qualified Distributions, which include retaining any paperwork and receipts necessary to verify the type of distribution you received. We will not provide information to the IRS regarding the type of distribution you receive.

Distributions for Qualified Education Expenses are generally exempt from federal income taxes and the Distribution Tax. Rollover Distributions may be subject to certain state taxes,

but are generally exempt from federal income taxes and the Distribution Tax. All other Qualified Distributions are not subject to the Distribution Tax, but the earnings portion will be subject to federal income taxes and may be subject to other taxes.

**Tuition Assistance.** If a Beneficiary receives Tuition Assistance, a Qualified Distribution is allowed up to the amount of the Tuition Assistance. Although a distribution due to receipt of Tuition Assistance will be exempt from a Distribution Tax, the earnings portion will be subject to federal income taxes and may be subject to other taxes.

**Disability.** If a Beneficiary is or becomes Disabled, a Qualified Distribution may be taken. Although any earnings distributed will be exempt from the Distribution Tax, the earnings will be subject to federal income taxes and may be subject to other taxes.

**Death.** If a Beneficiary dies before all funds are distributed from an Account, the Beneficiary's estate or any other legally recognized beneficiary may take a Qualified Distribution. Although any earnings distributed will be exempt from the Distribution Tax, the earnings will be subject to federal income taxes and may be subject to other taxes.

**Rollover Distribution.** To qualify as a Rollover Distribution, the amount distributed from your Account must be reinvested into another Qualified Tuition Program within 60 days of the distribution date.

**Non-Qualified Distributions.** A distribution that does not meet the requirements for a Qualified Distribution will be considered a Non-Qualified Distribution by the IRS. The earnings portion of a Non-Qualified Distribution will be subject to federal income taxes (and may be subject to other taxes) and will be taxable to the person receiving the distribution. In addition, Non-Qualified Distributions are subject to a Distribution Tax. The person receiving the distribution would need to comply with IRS requirements, including filing applicable forms with the IRS.

**Method of Payment.** We typically pay distributions by check, although electronic transfers may be available in some cases. (We may charge a fee for wire transfers.) Distributions paid electronically can only be sent to a bank account of which the Account Holder or Beneficiary is an owner. Distributions are based on the NAV of the Investment Portfolios in your Account. A Medallion Signature Guarantee is required for distribution requests of \$50,000 or more, a check sent to an address not on file, or for wires to bank accounts not on file with your Account, although the College Investment Plan reserves the right to require a Medallion Signature Guarantee at any time for lesser amounts or for other distribution requests. Distributions may be paid by check to one or more of the following payees:

- Account Holder;
- Beneficiary;
- Beneficiary and Eligible Educational Institution jointly; or
- Estate of Beneficiary.

Additional payee options may be added from time to time.

**Timing of Distribution Request.** Distribution requests received in good order before the close of the NYSE, generally 4 p.m. Eastern Time, on any day the NYSE is open for business are processed that day based on the NAVs of the Investment Portfolios underlying the Account for that day. Requests received after the close of the NYSE are processed the next business day using the NAVs on that day.

**Trusts, Corporations, and Other Entities as Account Holders.** An Account Holder that is a trust, partnership, corporation, association, estate, or another acceptable type of

entity must submit documentation to the College Investment Plan to verify the existence of the entity and identify the individuals who are eligible to act on the entity's behalf. Examples of appropriate documentation include a trust agreement, partnership agreement, corporate resolution, articles of incorporation, bylaws, or letters appointing an executor or personal representative. Documentation must be submitted when an Account is established. We will not be able to open your Account until we receive all of the information required on the New Account Enrollment Form, including the documentation that verifies the existence of the Account Holder. If the individuals who are authorized to act on behalf of the entity have changed since the Account was established, then additional documentation must be submitted with any distribution request. If the Account Holder is an agency or instrumentality of a state or local government, or tax-exempt organization as defined in the Code and has established the Account as a scholarship fund, it must provide verification (e.g., an IRS determination letter) of its exempt status when the Account is established.

**Reservation of Rights.** We reserve the right to limit the number of distributions in a single month and suspend distributions during unusual market conditions. Furthermore, we reserve the right to freeze any Account and suspend Account services when notice has been received of a dispute regarding ownership of an Account or a legal claim against an Account, or there is reason to believe fraudulent activity may have occurred.

**Supporting Documentation.** The Trustee, in its discretion, may require supporting documentation. Specifically, Accounts opened via the Internet may require a Medallion Signature Guarantee of the Account Holder to request a distribution.

**Tax Treatment of Distributions.** Please read *Federal Taxation of Distributions* on page 13 and *Certain State Tax Considerations* on page 14.

## TERMINATION OF ACCOUNTS

**Unclaimed Accounts.** Under certain circumstances, if there has been no activity in your Account and we have not been able to contact you for a period of at least three years, your Account may be considered abandoned under State law. If your property is considered abandoned, it may, without proper claim by the Account Holder, be transferred to the Maryland State Comptroller.

**Involuntary Termination of Accounts.** We may refuse to establish or may terminate an Account if we determine that it is in the best interest of the College Investment Plan or required by law. If we determine that you provided false or misleading information in establishing or maintaining an Account, or that you are restricted by law from participating in the College Investment Plan, we will return your contributions but may withhold any earnings on the principal in the Account as of the termination date. Any withheld earnings will be retained by the Trust, and you will be responsible for any losses.

**Zero-Balance Accounts.** We may terminate an Account and consider the Account closed if the Account remains unfunded for a period of twenty-four months or more.

## PLAN GOVERNANCE AND ADMINISTRATION

**The College Investment Plan.** The College Investment Plan was established under the Enabling Legislation in 2000. The Enabling Legislation requires the Board to adopt procedures that it considers necessary to carry out the provisions of the Enabling Legislation, including procedures relating to the enrollment process for participation in the College Investment Plan, early withdrawals, and transfer of funds between the College Investment Plan and other Qualified Tuition Programs. In addition, the Board has discretion with regard to the formation

of the College Investment Plan, including the declaration of a trust, assessment of enrollment and other Fees, creation of multiple Investment Portfolios, and receipt of contributions into Accounts.

The College Investment Plan is administered by the Board through the College Savings Plans of Maryland, an independent State agency. Monies held by the College Savings Plans of Maryland are not considered monies of the State and may not be deposited into the General Fund of the State. Funds remaining in the College Investment Plan at the end of any fiscal year remain in the College Investment Plan, may not be considered monies of, or commingled with the Maryland Prepaid College Trust, and do not revert to the State General Fund.

**Legislative History.** Subject to the Governor's approval, the General Assembly may amend the 2000 statute that created the College Investment Plan by passing new legislation. Bills amending the original legislation with respect to the College Investment Plan have been introduced and passed during the 2003, 2004 and 2008 Legislative Sessions. The 2008 legislation authorized the College Savings Plans of Maryland Board to establish a broker-dealer college investment plan.

**The Board.** As required by the Enabling Legislation, the College Investment Plan is directed and administered by the Board. The Board consists of 10 members. Five members of the Board (the State Comptroller, the State Treasurer, the State Secretary of Higher Education, the Chancellor of the University System of Maryland and the State Superintendent of Schools) serve ex officio. The five remaining members are appointed by the Governor from the private sector; must have significant experience in finance, accounting, investment management, or other areas that can be of assistance to the Board; take an oath of office; and are required to file annual financial disclosure statements with the State Ethics Commission. Board members receive no compensation for their services to the College Savings Plans of Maryland; however, they are entitled to reimbursement for expenses incurred in the performance of their duties. The Board has general and fiduciary responsibility for the College Investment Plan as a whole. There may be vacancies on the Board from time to time.

**Annual Report.** The Board is responsible for preparing financial statements for the College Investment Plan. SB & Company, LLC, an independent accounting firm who also conducts the outside audit of the State of Maryland, has been retained by the Board to audit the College Investment Plan's financial statements. The Board is required to submit an Annual Report for the College Savings Plans of Maryland to the Governor and the General Assembly. This report must include financial statements, a complete financial accounting of the College Investment Plan and the results of the audit. The Board also prepares an Annual Report Summary for Account Holders. The College Savings Plans of Maryland Annual Report and the Annual Report Summary are incorporated by reference into this Disclosure Statement and are available on our website or by calling us.

**The Declaration of Trust.** The Trust has been established pursuant to the Declaration, which provides that the Board is the sole Trustee of the College Investment Plan and that the Board may appoint its staff to act as the Trustee's designee with respect to the day-to-day operations of the College Investment Plan. The Declaration provides that the assets of the College Investment Plan shall be used exclusively to make Qualified and Non-Qualified Distributions in accordance with the provisions of the Enabling Legislation and the Accounts and pay expenses of the Trust in the management, protection, investment, and reinvestment of Trust assets. The Declaration also provides that the Board shall adopt a comprehensive investment plan and

policies and may change the plan from time to time as they deem in the best interests of Account Holders and Beneficiaries. Under the Declaration, the Board is also authorized, among other things, to:

**Employ Service Providers** as independent contractors, to administer the College Investment Plan by providing the following services:

- assist in the development and implementation of the College Investment Plan;
- administrative functions and record keeping;
- distribution and marketing;
- investment management;
- investment advice;
- custodial and depository;
- accounting; and
- customer relations.

**Execute All Necessary or Desirable Documents** to implement and operate the College Investment Plan (including services agreements, participation agreements, selling agreements, and other similar documents) and to authorize institutions to offer and sell interests in the Trust;

**Establish Fees, Expenses, Penalties, and Other Payments** relating to the College Investment Plan (some or all of which may be paid to the College Investment Plan);

**Create Additional Investment Portfolios** for the College Investment Plan, change the asset allocation or underlying investments of existing Investment Portfolios, or eliminate Investment Portfolios; and

**Charge a Penalty to Accounts for Non-Qualified Distributions**, in accordance with the terms and conditions of the College Investment Plan, as shall be determined from time to time by the Board in accordance with the Code. The Board does not currently impose such a penalty.

#### **Distributor/Underwriter of the College Investment Plan.**

T. Rowe Price Investment Services, Inc., a Maryland corporation formed in 1980 as a wholly owned subsidiary of T. Rowe Price, is the College Investment Plan's distributor/underwriter. This subsidiary is registered as a broker-dealer under the Securities Exchange Act of 1934 and is a member of FINRA.

**Record Keeper for the College Investment Plan.** T. Rowe Price Services, Inc., a wholly owned subsidiary of T. Rowe Price, provides record keeping and related services to the College Investment Plan.

**Investment Adviser and Program Manager to the College Investment Plan.** T. Rowe Price is the investment adviser and Program Manager to the College Investment Plan. T. Rowe Price makes decisions regarding the purchase and sale of investments in the Funds.

**Program Manager Address.** The address for T. Rowe Price Associates, Inc. and the subsidiaries listed above is 100 East Pratt Street, Baltimore, MD 21202. All general correspondence, however, should be addressed to Maryland College Investment Plan, P.O. Box 17479, Baltimore, MD 21297-1479.

**Financial Advisor.** Wilshire Associates, Inc. has been retained by the Board to assist in its administration of the College Investment Plan. Wilshire's responsibilities include advising the Board with respect to the investments of the College Investment Plan.

## **GENERAL PROVISIONS**

**Changes to an Account.** All notices, changes, options, and elections requested for your Account must be in writing (unless

otherwise waived by the Trustee), signed by you, and received by the Program Manager. Neither the Program Manager nor the Trustee is responsible for the accuracy of such documentation. If acceptable to the Trustee, notices, changes, options, and elections relating to your Account will take effect within a reasonable amount of time after the Program Manager has received the document, unless the Trustee agrees otherwise.

**Address Changes.** You must notify us of any change of address of any person associated with your Account.

**Combined Mailings.** If two or more members of a household have Accounts in the College Investment Plan, we will send only one Disclosure Statement and one Annual Report Summary. If you need additional copies, or want to be excluded from combined mailings, please call us.

**Keep Legal Documents for Your Records.** You should retain the Enrollment Kit, any updates to this Disclosure Statement and your Account statements for your records. The Board may make modifications to the College Investment Plan in the future. If so, an addendum to the Disclosure Statement will be sent to your address of record. If material modifications are made to the College Investment Plan, we will provide you with a revised Disclosure Statement. Under such circumstances, the new addendum and/or Disclosure Statement will supersede all prior versions.

**Changes to the Disclosure Statement.** The Board may amend the terms of this Disclosure Statement from time to time to comply with changes in the law or regulations or if the Board determines it is in the College Savings Plans of Maryland's, the College Investment Plan's, or the Trust's best interest to do so. However, the Board will not retroactively modify existing terms and conditions applicable to an Account in a manner adverse to you or your Beneficiary except to the extent necessary to assure compliance with applicable state and federal laws or regulations or to preserve the favorable tax treatment to you, your Beneficiary, the College Savings Plans of Maryland, the College Investment Plan, or the Trust. The Board will promptly notify you of such amendments, and you will be bound thereby unless you notify the Board in writing of your intent to close your Account within 60 days of the date of the notice.

**Changes to the Statute and Regulations.** The General Assembly of the State may, from time to time, pass legislation, which may directly or indirectly affect the terms and conditions of the College Savings Plans of Maryland, the College Investment Plan, the Trust, and this Disclosure Statement.

**Guide to Interpretation.** The College Investment Plan is intended to qualify for the tax benefits of Code Section 529. Notwithstanding anything in this Disclosure Statement to the contrary, the terms and conditions applicable to your Account will be interpreted and/or amended to comply with the requirements of that section and applicable regulations.

**Creditor Protections.** Under Maryland law, your Account is not subject to attachment, garnishment, or seizure by creditors of you or the Beneficiary.

Federal law also provides limited creditor protections based on the timing of contributions and the debtor's relationship to the Beneficiary. Generally, contributions made to a debtor's Account less than one year before the filing of a bankruptcy petition are included in the debtor Account Holder's bankruptcy estate and are not protected from creditors. Contributions made to a debtor's Account more than one year before the filing of a bankruptcy petition are generally not part of a debtor Account Holder's bankruptcy estate, provided that the contributions are not deemed excess contributions and the Beneficiary is the debtor's child, stepchild, grandchild or step grandchild. However,

for contributions made between one and two years prior to the filing of a bankruptcy petition, a maximum of \$5,000 in contributions may be excluded from the debtor Account Holder's bankruptcy estate.

You should consult a legal advisor regarding the application of this specific law to your particular circumstances and for a determination of whether Maryland or federal law applies to your situation.

**Factual Representation.** All factual determinations regarding your or your Beneficiary's residency, Disabled status, and any other factual determinations regarding your Account will be made by the Trustee based on the facts and circumstances of each case.

**Severability.** In the event that any clause or portion of this Disclosure Statement is found to be invalid or unenforceable by a valid court order, that clause or portion shall be severed from this Disclosure Statement and the remainder of this Disclosure Statement shall continue in full force and effect as if such clause or portion had never been included.

**Precedence.** In the event inconsistencies are found in the documents governing the College Investment Plan, the order of precedence from most governing to least governing will, except as to provisions that expressly provide otherwise in the Declaration, be as follows: (i) the Code; (ii) State statutes; (iii) the Declaration; (iv) Board policy; (v) the New Account Enrollment Form; and (vi) the Services Agreement.

**Maryland Law.** The College Investment Plan is created under the laws of the State. It is governed by, construed, and administered in accordance with the laws of the State. The venue for disputes and all other matters relating to the College Investment Plan will only be in the State.

**Claims.** Any claim by you or your Beneficiary against the Plan Officials (defined on page 21), individually or collectively, with respect to your Account shall be made solely against the assets in your Account. The obligations of the College Savings Plans of Maryland, the College Investment Plan, and the Trust under a New Account Enrollment Form are monies received from you and earnings and/or losses from your Account investments, and no recourse shall be had by you or your Beneficiary against the Plan Officials, collectively or individually, in connection with any right or obligations arising out of an Account. Assets in your Account are not an obligation of the State and neither the full faith and credit nor the taxing power of the State can be pledged to the payment of educational expenses, including Qualified Education Expenses. All obligations hereunder are legally binding contractual obligations of the Trust only, a program of the College Savings Plans of Maryland, an independent agency of the State.

## PRIVACY POLICY

Protecting the privacy of your personal information is important to us. The following paragraphs explain the procedures we have in place to protect this information.

**Confidential Information.** Maryland law requires that the name and other information identifying a person as an Account Holder or Beneficiary in the College Investment Plan be confidential. We recognize our obligation to keep information about you secure and confidential.

**Collecting and Using Information.** Through your participation in the College Investment Plan, we collect various types of confidential information you provide in your New Account Enrollment Form such as your name and the name of your Beneficiary, Social Security numbers, addresses, and demographic information. We also collect confidential information relating to your College Investment Plan transactions such as Account balances, contributions, distributions, and investments.

We do not sell information about current or former Account Holders, Custodians, and/or Beneficiaries to any third parties, and we do not disclose it to third parties unless necessary to process a transaction, service an Account, as otherwise permitted or required by law, or with your consent. We may, however, share this information with companies that perform administrative or marketing services for us or with a research firm we have hired. When we enter into such a relationship, our contracts restrict the companies' use of your information, prohibiting them from sharing or using it for any purposes other than those for which they were hired.

**Marketing Opt-Outs.** We may in the future use information about you to identify and alert you to other College Savings Plans of Maryland or T. Rowe Price savings or investment programs that might interest you. If you do not wish to receive such information, please indicate this on the New Account Enrollment Form or call us.

**Protection of Information.** We maintain physical, electronic, and procedural safeguards to protect the information about you that we collect or use. These include restricting access to those individuals who have a need to know the information such as those who service your Account, resolve problems, or inform you of additional products or services where appropriate.

**Continuing Disclosure.** The Trustee has agreed to provide to the Program Manager any continuing disclosure documents and related information as required by Rule 15c2-12(b)(5) adopted under the Securities Exchange Act of 1934.

## GLOSSARY

**Defined Terms.** Terms used in this Disclosure Statement have the following meanings:

**Account:** An account in the College Investment Plan established by an Account Holder for a Beneficiary.

**Account Holder or you:** An individual or legally recognized entity such as a corporation (for-profit or nonprofit), partnership, association, trust, foundation, guardianship, or estate that signs a New Account Enrollment Form establishing an Account. In certain cases, the Account Holder and Beneficiary may be the same person.

**Account Holder's Successor:** The person named in the New Account Enrollment Form or otherwise in writing to the College Investment Plan by the Account Holder, who may exercise the rights of the Account Holder under the College Investment Plan if the Account Holder dies or is declared legally incompetent. The Account Holder's Successor may be the Beneficiary.

**Automatic Monthly Contributions:** A service in which an Account Holder authorizes the College Investment Plan to transfer money, on a regular and predetermined basis, from a bank or other financial institution to an Account in the College Investment Plan.

**Beneficiary or Student:** The individual designated by an Account Holder, or as otherwise provided in writing to the College Investment Plan, to receive the benefit of an Account.

**Board:** The College Savings Plans of Maryland Board.

**Code:** Internal Revenue Code of 1986, as amended. There are references to various Sections of the Code throughout this Disclosure Statement, including Section 529 as it currently exists and as it may subsequently be amended, and any regulations adopted under it.

**College Investment Plan:** The Maryland College Investment Plan.

**Custodian:** The individual who executed a New Account Enrollment Form on behalf of an Account Holder who is a minor.

Generally, the Custodian will be required to perform all duties of the Account Holder with regard to the Account until the Account Holder attains the age of majority, is otherwise emancipated, or the Custodian is changed, removed or released. The Custodian of an Account funded from an UGMA/UTMA account may not change the Account Holder or Beneficiary.

**Declaration:** The Declaration of Trust establishing the Trust, effective June 13, 2001, and as may be amended from time to time by the Trustee.

**Disabled or Disability:** Condition of a Beneficiary who is unable to do any substantial gainful activity because of his/her physical or mental condition. The Trustee will require medical documentation to verify this condition.

**Distribution Tax:** A federal surtax required by the Code that is equal to 10% of the earnings portion of a Non-Qualified Distribution.

**Eligible Educational Institution:** An institution as defined in Section 529(e) of the Code. Generally, the term includes accredited post-secondary educational institutions or vocational schools offering credit toward a bachelor's degree, an associate's degree, a graduate level or professional degree, or another recognized post-secondary credential. The institution must be eligible to participate in a student financial aid program under Title IV of the Higher Education Act of 1965 (20 U.S.C. §1088). You can generally determine if a school is an Eligible Educational Institution by searching for its Federal School Code (identification number for schools eligible for Title IV financial aid programs) at [www.fafsa.ed.gov](http://www.fafsa.ed.gov).

**Enabling Legislation:** The law that established the College Savings Plans of Maryland, its Board, and the college savings programs administered by the Board (Md. Code Annotated Education Art. §18-1901 et seq. and §18-19A-01 et seq.).

**Fees:** The Program Fee, Annual Account Fee and any other fees, costs, and charges associated with the College Investment Plan.

**Funds:** T. Rowe Price mutual funds that comprise the Investment Portfolios.

**Group of Accounts:** All Accounts held by one Account Holder for the same Beneficiary.

**IRS:** Internal Revenue Service.

**Investment Option or Investment Portfolio:** The investment portfolios available to Account Holders in the College Investment Plan.

**Medallion Signature Guarantee:** A verification of your signature used to prevent fraud. You can obtain a Medallion signature guarantee from most banks, savings institutions, and broker-dealers. We cannot accept guarantees from notaries public or organizations that do not provide reimbursement in the case of fraud.

**Member of the Family:** An individual as defined in Section 529(e)(2) of the Code. Generally, this definition includes a Beneficiary's immediate family members. A Member of the Family means an individual who is related to the Beneficiary as follows:

- a son or daughter, or a descendant of either;
- a stepson or stepdaughter;
- a brother, sister, stepbrother, or stepsister;
- the father or mother, or an ancestor of either;
- a stepfather or stepmother;
- a son or daughter of a brother or sister;
- a brother or sister of the father or mother;
- a son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, or sister-in-law;

- the spouse of the Beneficiary or the spouse of any individual described above; or
- a first cousin of the Beneficiary.

For purposes of determining who is a Member of the Family, a legally adopted child of an individual is treated as the child of that individual by blood. The terms "brother" and "sister" include half-brothers and half-sisters.

**NAV:** The net asset value per share or unit in an Investment Portfolio. NAVs are calculated for each Investment Portfolio after the NYSE closes each day the NYSE is open for business. The NAV is calculated by dividing the value of an Investment Portfolio's net assets (total assets minus liabilities) by the number of outstanding units or shares in the Investment Portfolio. NAVs of the Funds are calculated in a similar manner, based on the fair market value of the Fund's holdings.

**New Account Enrollment Form:** A participation agreement between an Account Holder and the Trust, establishing the obligations of each and prepared in accordance with the provisions of the College Investment Plan.

**Non-Qualified Distributions:** All distributions that are not Qualified Distributions and are considered taxable.

**Program Management Services:** The services provided to the Accounts, the Trust, the College Investment Plan, and the Trustee by the Program Manager pursuant to the terms of the Services Agreement. These services include investment, record keeping, and other administrative services.

**Program Manager:** T. Rowe Price engaged by the Board to provide the Program Management Services, as an independent contractor, on behalf of the College Investment Plan, the Trust, and the Trustee.

**Program Manager Contribution:** The portion of the Program Fee payable by the Program Manager to the Trustee to support certain administrative and marketing costs as follows: 0.04% of the assets in the College Investment Plan when average monthly assets are between \$750 million and \$1 billion and an additional 0.06% (for a total of 0.10%) on assets over \$1 billion.

**Qualified Distribution:** A distribution that is:

- 1) Used to pay Qualified Education Expenses;
- 2) Payable upon the Beneficiary's death or Disability;
- 3) Made because the Beneficiary received a scholarship, fellowship, grant, and/or tuition remission, or is attending a U.S. military academy, provided that the total amount is greater than or equal to the amount distributed; or
- 4) A Rollover Distribution.

**Qualified Education Expenses:** Qualified higher education expenses as defined in the Code. Generally, these include the following:

- 1) Tuition, fees, and the costs of textbooks, supplies, and equipment required for the enrollment or attendance of a student at an Eligible Educational Institution;
- 2) Certain costs of room and board of a student during any academic period during which the student is enrolled at least half-time at an Eligible Educational Institution; and
- 3) Expenses for "special needs" Students that are necessary in connection with their enrollment or attendance at an Eligible Educational Institution (as of the date of this Disclosure Statement, "special needs" student has not been defined by the IRS).

**Qualified Tuition Program:** A qualified tuition program under Section 529 of the Code.

**Rollover Distribution:** A distribution resulting from a change of Beneficiary to another Beneficiary who is a Member of the Family, either within the College Investment Plan or between Qualified Tuition Programs, or a rollover or transfer of assets between Qualified Tuition Programs for the same Beneficiary, provided another rollover or transfer for the same Beneficiary has not occurred in the previous 12 months.

**Services Agreement:** The agreement between the Board and T. Rowe Price, as the Program Manager, to provide the College Investment Plan with administrative, account servicing, marketing and promotion, and investment management services. The agreement between the Board and the Program Manager is now effective and will terminate on June 30, 2013, or earlier as provided in the Services Agreement. The Board also has the right to extend the term of the Services Agreement for up to two additional two-year terms. Under the Services Agreement, the Program Manager's services may be delayed or suspended in the case of extraordinary circumstances such as fire, flood, or other acts of God.

**State:** The State of Maryland.

**T. Rowe Price:** T. Rowe Price Associates, Inc., Program Manager.

**Trust:** The Maryland College Investment Trust created by the Declaration.

**Trustee:** The Board, when acting in its capacity as trustee for the Trust.

**Tuition:** The charges assessed by an Eligible Educational Institution for enrollment at the institution.

**Tuition Remission:** A benefit earned by certain individuals employed by Eligible Educational Institutions whereby family members who attend these or other Eligible Educational Institutions may receive partial or full waivers for payment of Qualified Education Expenses.

**UGMA/UTMA:** Uniform Gifts to Minors Act/Uniform Transfers to Minors Act.

**We or Our:** The College Savings Plans of Maryland, the Board, as Trustee, and T. Rowe Price.

## **REPRESENTATIONS, WARRANTIES, CERTIFICATIONS AND ACKNOWLEDGEMENTS**

**Account Holder's Indemnity.** As an Account Holder, I agree to and acknowledge the following indemnity:

I am opening an Account in the Trust based upon my statements, agreements, representations, warranties, and covenants as set forth in the New Account Enrollment Form and this Disclosure Statement.

I, through the New Account Enrollment Form and the Declaration, indemnify and hold harmless the State, the College Savings Plans of Maryland, the Board, the Trustee, the Trust, any other agency of the State, the Program Manager (including its affiliates and agents), and any other counsel, advisor, or consultant retained by, or on behalf of, those entities and any employee, officer, official, or agent of those entities (collectively, the Plan Officials) from and against any and all loss, damage, liability, penalty, tax, or expense, including costs of reasonable attorneys' fees, to which they shall incur by reason of, or in connection with, any misstatement or misrepresentation that is made by me or my Beneficiary, any breach by me of the acknowledgements, representations, or warranties in the New Account Enrollment Form, the Declaration, or this Disclosure Statement, or any failure by me to fulfill any covenants or agreements in the New Account Enrollment Form, the Declaration, or this Disclosure Statement.

**Account Holder's Representations and Acknowledgements.**

I, as Account Holder, represent and warrant to, and acknowledge and agree with, the Trust regarding the matters set forth in this Disclosure Statement and the Highlights Booklet, each contained in the Enrollment Kit, including that:

- I have received, read, and understand the terms and conditions of this Disclosure Statement and the Highlights Booklet.
- I have carefully reviewed all information provided by the Plan Officials with respect to the Trust.
- I am and my Beneficiary is either a U.S. citizen or a U.S. resident alien.
- I have been given an opportunity to ask questions and receive answers concerning the terms and conditions of the Declaration, the College Investment Plan, the Disclosure Statement, and the Highlights Booklet.
- I have been given an opportunity to obtain any additional information needed to complete my New Account Enrollment Form and/or verify the accuracy of any information I have furnished.
- The value of my Account depends upon the performance of the Funds. I understand that at any time the value of my Account may be more or less than the amounts contributed to the Account.
- After I make a contribution to a specific Investment Option, I will be allowed to direct the further investment of that contribution no more than once per calendar year for the same Beneficiary.
- I cannot use my Account as collateral for any loan. I understand that any attempt to use my Account as collateral for a loan would be void. I also understand that the Trust will not lend any assets to my Beneficiary or to me.
- Except as described in this Disclosure Statement, I will not assign or transfer any interest in my Account. I understand that, except as provided under Maryland law, any attempt to assign or transfer that interest is void.
- The Plan Officials, individually and collectively, do not:
  - a. Guarantee that my Beneficiary:
    - will be accepted as a student by any institution of higher education or other institution of post-secondary education;
    - if accepted, will be permitted to continue as a student;
    - will be treated as a state resident of any state for Tuition purposes;
    - will graduate from any institution of higher education or other institution of post-secondary education; or
    - will achieve any particular treatment under any applicable state or federal financial aid programs; or
  - b. Guarantee any rate of return or benefit for contributions made to my Account.
- The Plan Officials, individually and collectively, are not:
  - a. Liable for a failure of the College Investment Plan to qualify or remain a Qualified Tuition Program under the Code, including any subsequent loss of favorable tax treatment under state or federal law; or
  - b. Liable for any loss of funds contributed to my Account or for the denial to me of a perceived tax or other benefit under the College Investment Plan, the Declaration, or the New Account Enrollment Form.
- **My statements, representations, warranties, and covenants will survive the termination of my Account.**

**College Savings Plans of Maryland, Administrator and Issuer**

**T. Rowe Price Associates, Inc., Program Manager and Investment Adviser**

**T. Rowe Price Investment Services, Inc., Distributor/Underwriter**

November, 2011



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### **T. ROWE PRICE INVESTOR CENTERS**

#### **Baltimore**

105 East Lombard Street, Baltimore, MD 21202  
Telephone: 410.345.5757  
Monday through Friday – 8:30 a.m. to 5:00 p.m.

#### **Owings Mills**

Three Financial Center  
4515 Painters Mill Road  
Owings Mills, MD 21117  
Telephone: 410.345.5665  
Monday through Friday – 8:30 a.m. to 5:00 p.m.  
Saturday – 9:00 a.m. to noon (by appointment)

#### **Washington, D.C.**

900 17th Street, NW, Farragut Square  
Washington, D.C. 20006  
Telephone: 202.466.5000  
Monday through Friday – 8:30 a.m. to 5:00 p.m.

#### **Tysons Corner**

1600 Tysons Boulevard, Suite 150  
McLean, VA 22102  
Telephone: 703.873.1200  
Monday through Friday – 8:30 a.m. to 5:00 p.m.  
Saturday – 9:00 a.m. to noon (by appointment)