

May 10, 2024

IMPORTANT UPDATE TO THE MARYLAND SENATOR EDWARD J. KASEMEYER PREPAID COLLEGE TRUST

This supplement amends the Maryland Senator Edward J. Kasemeyer Prepaid College Trust Disclosure Statement dated December 2021, as previously amended and supplemented in December 2022 and June 1, 2023 (as so amended and supplemented, the “Disclosure Statement”). You should review this information carefully and keep it with your current copy of the Disclosure Statement.

Background

Pursuant to Chapter 113 of the 2023 Laws of Maryland (the “2023 Legislation”), on June 1, 2023, oversight of the Maryland Prepaid College Trust was transferred to the Maryland State Treasurer (the “State Treasurer”).

Earnings Rate Decision

On July 10, 2023, the State Treasurer announced an earnings rate decision (the “Earnings Rate Decision”) that provided, among other things, that beginning on a certain date (the “Zero Earnings Effective Date”), all contributions and all balances in a Maryland Prepaid College Trust account will earn zero percent interest. The Earnings Rate Decision also stated that at least 60 days prior to the Zero Earnings Effective Date, notice would be given to account holders of the Zero Earnings Effective Date. This Update serves as that promised notice.

IRS Relief Regarding Rollovers

Generally, the Internal Revenue Code only allows one tax-free rollover from one qualified tuition program to another in a 12-month period for the benefit of the same beneficiary. However, the Internal Revenue Service (“IRS”) provided relief from this limitation to Maryland Prepaid College Trust account holders in certain circumstances with the issuance of its Notice 2024-23 (“Notice 2024-23”). Notice 2024-23 was published on January 25, 2024, and provides that the 12-month limitation for taxpayers making such rollovers will not be asserted by the IRS provided the rollover in question is made before January 1, 2025, and otherwise meets the criteria described in Notice 2024-23. Account holders should read Notice 2024-23 in its entirety to understand these other criteria. A copy of Notice 2024-23 can be found [here](#).

Amendments to Disclosure Statement

- (i) The following amendments to the Disclosure Statement shall become effective as of July 16, 2024:
 - (a) On page 4, the definition of “Minimum Benefit” in Article II of the Disclosure

Statement is hereby deleted in its entirety and replaced with the following:

“Minimum Benefit means payments duly made by an Account Holder under this Contract, minus Operating Expenses, applicable fees and Distributions, plus the applicable Rate of Return.”

- (b) On page 4, the following definition is hereby added to Article II of the Disclosure Statement between the definition for “Projected College Enrollment Year (or “PEY”)” and the definition for “Qualified Distribution”:

“Rate of Return means, for contributions made prior to November 1, 2021 in accounts that were open and active in the System on November 1, 2021, an annual earnings rate of 6% (0.5% monthly, compounded monthly), applied retroactively to the date of contribution and effective until the earlier of: (1) the Zero Earnings Effective Date, (2) the date Benefits are withdrawn, or (3) the date of contract termination. For contributions made prior to November 1, 2021, a subledger has been established. For these contributions, applicable earnings will accrue on the subledger on the 15th of every month.

For contributions that posted to an account on or after November 1, 2021, an annual earnings rate equal to the Ten-Year Treasury Note, compounded monthly, and effective until the earlier of: (1) the Zero Earnings Effective Date, (2) the date Benefits are withdrawn, or (3) the date of contract termination. For contributions made on or after November 1, 2021, a subledger has been established. For these contributions, applicable earnings will accrue on the subledger on the 15th of every month.

Beginning on the Zero Earnings Effective Date, the Rate of Return for all contributions and all balances in an account, regardless of subledger, will be zero percent.

For all purposes of this definition, the application of earnings until “the date Benefits are withdrawn” shall mean that amounts withdrawn do not accrue Contract Earnings (rather than all Contract Earnings cease once Benefits are accessed).”

The numbering of all definitions following “Rate of Return” is hereby updated to reflect the insertion of the “Rate of Return” definition.

- (c) On page 5, the following definition is hereby added to Article II of the

Disclosure Statement between the definition for “Scholarship” and the definition for “Tuition”:

“**Ten-Year Treasury Note Rate** for each period beginning on July 1 and ending the immediately succeeding June 30, the 10-Year Treasury Constant Maturity Rate for the June 30 immediately preceding the beginning of that period. The 10-Year Treasury Constant Maturity Rate shall be sourced from the Board of Governors of the Federal Reserve System (US), as retrieved from FRED, Federal Reserve Bank of St. Louis (fred.stlouisfed.org/series/DGS10).”

The numbering of all definitions following “Ten-Year Treasury Note Rate” is hereby updated to reflect the insertion of the “Ten-Year Treasury Note Rate” definition.

- (d) On page 5, the following definition is hereby added to Article II of the Disclosure Statement following the definition of “Weighted Average Tuition”:

“**Zero Earnings Effective Date** means July 16, 2024.”

- (e) On page 10, the section titled “Earnings Attributable for Rollovers and Refunds” is hereby deleted in its entirety and replaced with the following:

“**Earnings Attributable for Rollovers and Refunds.** Earnings shall be calculated for the purposes of this Article VII by applying the applicable Rate of Return to payments duly made by the Account Holder under this Contract. “

- (ii) The following amendments to the Disclosure Statement shall become effective immediately:

- (a) On page 4, the definition of “Qualified Distribution” is amended to add the following language:

- A rollover of assets from the Prepaid College Trust to a Roth IRA.

- (b) On page 11, the second sentence in the paragraph titled “Rollovers to Another Qualified Tuition Program” is hereby deleted and replaced with the following:

“Based on IRS regulations, except as provided under IRS Notice 2024-23, rollovers for the same Beneficiary are restricted to one time in a 12-month period. A copy of Notice 2024-23 can be found [here](#).”

- (c) On page 11, the second sentence in the paragraph titled “Rollovers to a Qualified Achieving a Better Life Experience (“ABLE”) Program” is hereby

deleted and replaced with the following:

“Based on IRS regulations, except as provided under IRS Notice 2024-23, rollovers for the same Beneficiary are restricted to one time in a 12-month period. A copy of Notice 2024-23 can be found [here](#).”

- (d) On page 11, the following section is added between the paragraph titled “Rollovers to a Qualified Achieving a Better Life Experience (“ABLE”) Program” and the paragraph titled “Refund.”

“**Roth IRA Rollover.** Effective January 1, 2024, pursuant to the SECURE 2.0 Act of 2022, rollovers from a 529 plan account to a Roth IRA are permissible, up to a lifetime limit of \$35,000, without incurring federal income tax or penalties, subject to the following conditions:

- The 529 account must have been opened for at least 15 years before executing the rollover.
- Contributions made to the 529 plan in the last 5 years before distributions start – including the associated earnings – are ineligible for a tax-free rollover.
- The rollover cannot exceed the annual Roth contribution limit, which is currently \$7,000.
- The beneficiary of the 529 plan must also be the owner of the Roth IRA, and they must have earned income at least equal to the amount of the rollover.
- The rollover must be paid through a trustee-to-trustee transfer.

- (e) The chart titled “Rate of return on Prepaid College Trust Investments” on page 20 of the Disclosure is hereby deleted in its entirety and replaced with the following:

Rate of Return on Prepaid College Investments (As of March 31, 2024)	
One Year	7.4%
Three Year	2.1%
Five Year	5.2%
Ten Year	5.4%
Since Inception*	5.4%

- (f) On page 21, the section titled “Federal Gift/Estate Tax” under “Key Federal

Tax Issues” is hereby deleted in its entirety and replaced with the following:

“Federal Gift/Estate Tax. For the tax year 2024, 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) during the year do not exceed \$18,000 (\$36,000 for married couples making a proper election), no gift tax will be imposed for the year. Gifts of up to \$90,000 can be made in an individual year (\$180,000 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, Benefits are not included in your estate, unless you elect the five-year averaging and die before the end of the fifth year. Typically, if you die with Benefits 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 Benefit payments and refunds, changes of Beneficiaries, and other situations. You should consult with a tax professional 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.

The federal limits discussed above are for the 2024 tax year. 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 professional for details.”

- (g) On page 21, the section titled “Rollovers” under “Key Federal Tax Issues” is hereby deleted in its entirety and replaced with the following:

“Rollovers. You may transfer all or part of the money in your Account to an account in another Qualified Tuition Program (including the Maryland College Investment Plan) or to an eligible ABLE account without adverse federal income tax consequences if the transfer occurs within 60 days of the withdrawal from your Account. Except as provided under IRS Notice 2024-23, a rollover to another Qualified Tuition Program for the same Beneficiary is limited to one per 12 months. If the assets in your Account are being rolled over

to an ABLE account or Qualified Tuition Program Account for a different Beneficiary, the Beneficiary of the receiving account must be a Member of the Family of the original Beneficiary. Changes in your Beneficiary could potentially cause gift and/or generation-skipping transfer tax consequences to the Beneficiary and/or Account Holder. Any rollover from a Qualified Tuition Program to an ABLE account is subject to the ABLE account's annual contribution limit (currently \$18,000) as prescribed by Section 529A of the Code and/or by the state sponsor of the ABLE account. Under federal law, a rollover from a Qualified Tuition Program to an ABLE account must take place by December 31, 2025. Please consult with your tax professional.

Similarly, you may fund your Account with a rollover from another Qualified Tuition Program, but only to the extent that the transfer will be used to pay off an existing contractual obligation. There are no adverse federal income tax consequences if the transfer occurs within 60 days of the withdrawal from the other Qualified Tuition Program. Except as provided in IRS Notice 2024-23, rollovers for the same Beneficiary are limited to one per 12 months. If the Beneficiary of the other Qualified Tuition Program is different, the Beneficiary of the resigning account must be a Member of the Family of the Beneficiary of your Prepaid College Trust Account.

- (h) On page 23, the first sentence in the section titled "Maryland Gift/Estate Taxes" under "Key State Tax Issues" is hereby deleted and replaced with the following:

"Maryland law does not impose gift taxes. Therefore, in the event that an Account Holder elects five-year averaging of contributions of up to \$90,000 in 2024 (\$180,000 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."

Additional Changes to the Disclosure Statement

In connection with the transfer of oversight of the Prepaid College Trust, the State Treasurer continues to undertake a comprehensive review of the Prepaid College Trust's program terms. A revised Disclosure Statement is anticipated to be provided following completion of this review.

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Background

Pursuant to Chapter 113 of the 2023 Laws of Maryland (the “2023 Legislation”), the Maryland 529 Board (the “Board”) has been abolished and the Maryland State Treasurer (the “State Treasurer”) has been named the successor to the Board.

The 2023 Legislation also, beginning June 1, 2023:

- Gives responsibility for administering the Maryland Senator Edward J. Kasemeyer Prepaid College Trust (the “Prepaid College Trust”) to the State Treasurer;
- Directs the State Treasurer to create a claims process through which an Account Holder or, in certain circumstances, a qualified Beneficiary may file a claim arising from the administration of the Prepaid College Trust with the State Treasurer;
- Makes the claims process the exclusive remedy for a claim against the assets of the Prepaid College Trust;
- Forbids the establishment of any new Prepaid College Trust contracts or the upgrade or extension of any existing Prepaid College Trust contracts;
- Only permits transfers from another qualified state tuition program into the Prepaid College Trust for the purpose of paying off an existing contractual obligation; and
- Allows the State Treasurer to delegate the exercise of fiduciary duties related to the Prepaid College Trust and contract for support services necessary to carry out the State Treasurer’s fiduciary duties related to the Prepaid College Trust.

As a result of the 2023 Legislation, the Prepaid College Trust will no longer accept new enrollments.

Amendments to Disclosure Statement

As a result of the 2023 Legislation, the Disclosure Statement is amended as follows:

(a) The provisions of the Disclosure Statement regarding the opening of an account or related to enrolling in the Prepaid College Trust program are no longer applicable as of June 1, 2023.

(b) On page 7, in Article IV, the first sentence in the subsection titled “Rollovers of Assets from Another Qualified Tuition Program” shall be deleted and replaced with the following:

“You can transfer assets for the same Beneficiary from another Qualified Tuition Program to the Prepaid College Trust but only to the extent the transfer will be used to pay off an existing contractual obligation.”

(c) On page 10, in Article V, the subsection titled “Contract Conversion” is hereby deleted and replaced with the following:

“Contract Conversion. Prior to using any Benefits and subject to the limitation described below, you may convert your Contract from one tuition plan to a different tuition plan. Upon each request for a contract conversion, the contract will be revalued to determine whether additional contract payments would be required or if a refund should be made. Only conversions that do not result in the payment of additional contract amounts will be allowed to proceed. Please be advised that a conversion may have tax consequences. Please consult with your tax professional for specific details.”

(d) On page 10, in Article VI, the first sentence in the subsection titled “Rollovers Generally” shall be deleted and replaced with the following:

“Funds in a Prepaid College Trust account can be transferred to another Qualified Tuition Program for the same beneficiary. You can also transfer assets for the same Beneficiary from another Qualified Tuition Program to the Prepaid College Trust, but only to the extent the transfer will be used to pay off an existing contractual obligation.”

(e) On page 14, in the Article IX, the fourth sentence in the subsection titled “Claims” is hereby deleted and replaced with the following:

“All obligations hereunder are legally binding contractual obligations of the Prepaid College Trust only, a program administered by the State Treasurer.

An account holder or qualified beneficiary may file a claim arising from the administration of the Prepaid College Trust

with the State Treasurer, as fiduciary of the Prepaid College Trust. Claims may be filed (i) with respect to claims relating to the updated terms included in the Disclosure Statement for the Prepaid College Trust that went into effect November 1, 2021, no sooner than the date of the notice to account holders from the State Treasurer of the establishment of claim procedures with respect to such claims and no later than December 31, 2023; and (ii) with respect to all other claims, not later than one (1) year after the date the claim arises.

The State Treasurer is required to (i) establish procedures to implement the claim process for claims relating to the updated terms included in the Disclosure Statement for the Prepaid College Trust that went into effect November 1, 2021; and (ii) adopt regulations for all other claims. In each case, the State Treasurer will provide notice to account holders within 10 business days.

The claim process described in this subsection is the exclusive remedy for a claim against the assets of the Trust.”

- (f) On page 17, in the “Plan Governance and Administration” section, the “Maryland 529” subsection heading and the first sentence of that subsection is hereby deleted and replaced with the following:

“Authorization. The Maryland General Assembly established a Qualified Tuition Program in 1997 under Section 529 of the Code.”

- (g) On page 17, in the “Plan Governance and Administration” section, the “Legislative History” subsection is hereby amended to include reference to the passage of the 2023 Legislation in the 2023 Legislative Session.

- (h) On page 17, in the “Plan Governance and Administration” section, the “Maryland 529 Board” subsection is hereby deleted and replaced with the following:

“The State Treasurer. As required by Chapter 113 of the 2023 Laws of Maryland, the Prepaid College Trust is administered by the State Treasurer. The State Treasurer has general and fiduciary responsibility for the Prepaid College Trust as a whole.”

- (i) On page 17, in the “Prepaid College Trust Operations” section and the “Contract Prices” subsection, the reference to “Gabriel Roeder Smith & Company” is hereby deleted and replaced with “Bolton Partners Inc.”.

- (j) On page 21, in the “Key Federal Tax Issues” section, the “Rollovers” subsection is hereby amended by deleting the first sentence and replacing it with the following:

“Subject to limitations in State law, you may transfer all or part of the money in your Account to another Account in the Prepaid College Trust or an account in another Qualified Tuition Program (including the Maryland College Investment Plan) or to an eligible ABLE account without adverse federal income tax consequences if the transfer occurs within 60 days of the withdrawal from your Account.”

- (k) All other references to the “Board”, “Maryland 529” (as an entity) or the “Maryland 529 Board” in the Disclosure Statement are hereby deleted and replaced with a reference to the “State Treasurer”.

- (l) Any reference to “we”, “our” “it” or “us” that referred to the Maryland 529 Board should be read as referring to the State Treasurer.

Additional Changes to the Disclosure Statement

In connection with the transfer of the Prepaid College Trust pursuant to the 2023 Legislation, the State Treasurer is undergoing a comprehensive review of the Prepaid College Trust’s program terms. A revised Disclosure Statement may be provided following completion of his review.

December 2022

IMPORTANT UPDATE TO THE MARYLAND SENATOR EDWARD J. KASEMEYER PREPAID COLLEGE TRUST

This supplement amends the Maryland Senator Edward J. Kasemeyer Prepaid College Trust Disclosure Statement, dated December 2021. You should review this information carefully and keep it with your current copy of the Prepaid Trust Disclosure Statement.

Clarification of Contract Termination Date

Article V – Benefits (p. 10) and Article VIII – Termination (pp. 12-13)

The section on time limits has been clarified to make clear that an Account Holder has until the end of the applicable calendar year to use all benefits.

Benefits (p. 10)

Time Limits. The Beneficiary has the number of years purchased in the Account plus 10 years to use all Benefits, (Benefits period). This period runs through December 31 of the applicable year. This time can be extended for any active service in the U.S. military. Absent a waiver, failure of the Beneficiary to use all Benefits within the designated time period will be deemed a decision by the Beneficiary not to attend an Eligible Institution and will result in the termination of the Account, pursuant to the provisions of Article VIII. In addition to the requirements of this Article, we may request other information and/or modify or apply specific due dates.

Termination (pp. 12-13; note: the first and last two paragraphs of this section remain the same)

Termination. ...

This Contract will terminate on the December 31st of the year that is 10 years after your PEY plus the number of years purchased in the Contract (termination date). This time can be extended for any active service in the U.S. military. Upon termination, you will have the option to:

- Request a waiver to extend the time period allowed to use Benefits. Any waiver request is subject to Board approval, in our sole discretion; or
- As described below:
 - Rollover or transfer your Account to the Maryland College Investment Plan or another Qualified Tuition Program; or
 - Take a refund.

Earnings Attributable to Minimum Benefits, Rollovers and Refunds

Article V – Benefits (p. 9) and Article VI – Rollovers and Refunds (p. 10)

These sections have been updated to clarify that the applicable earnings are attributable to an account on the 15th of the month as well as to explain that accounting for Prepaid College Trust accounts will reflect a ledger system. These updates are effective as of November 1, 2021.

Minimum Benefits (p. 9; note: the first paragraph is updated as follows. All other provisions of this section remain the same.)

Minimum Benefits. Minimum Benefits are defined as payments duly made under this Contract, minus Operating Expenses, plus a certain rate of return. Attributable earnings accrue on the 15th of every month and are accounted for using a ledger system.

Rollovers and Refunds (p. 10; note: a new paragraph is added following the heading for Earnings Attributable for Rollovers and Refunds. All other provisions of this section remain the same.)

Earnings Attributable for Rollovers and Refunds

Attributable earnings accrue on the 15th of every month and are accounted for using a ledger system.

Addition of New Investment Managers

Several new investment managers have been added to the list of those managing assets on behalf of the Prepaid College Trust. As a result, the Prepaid Trust Disclosure Statement is updated as follows:

Fixed Income (p. 19) – the following four manager descriptions are added after Nuveen Senior Loan Fund:

Vanguard Short-Term Treasury Index Fund. This fund attempts to replicate the returns of the Bloomberg 1-3 year Treasury Index by sampling the index, meaning that it holds a range of securities that, in the aggregate, approximates the full index in terms of key risk factors and other characteristics.

RiverPark Short Term High Yield Fund. The fund invests in very short term high yield securities where the manager believes that credit ratings do not accurately reflect a company's ability to meet their near-term obligations. The Fund will invest in securities where companies have announced an event, or in the managers opinion will announce an event, that will have a positive impact on the company's ability to repay their debt. The fund will also invest in securities in which it perceives there is limited near term risk of default.

HIG WhiteHorse Principal Lending Offshore Feeder Fund LP, a direct lending fund. The fund is targeting the lower middle market by providing senior loans to businesses across most sectors with a primary focus on companies owned by “off-the-run” sponsors.

Perceptive Credit Opportunities Offshore Fund IV LP, a direct lending fund targeting the Healthcare sector. The fund seeks to make senior secured loans to small- and mid-cap life science and medical technology companies primarily in North America.

Private Equity (p. 20) – the following four manager descriptions are added after J.P. Morgan Global Private Equity:

HarbourVest 2021 Global Private Equity Feeder Fund LP, a global private equity fund. As a "fund of funds" the fund will make investments in other new private equity funds, may purchase interests in existing private equity funds, and may make direct investments into companies alongside private equity sponsors. The fund is expected to be diversified across geography, sectors, and style.

Siguler Guff Small Buyout Opportunities Fund V LP, a private equity fund of funds. This fund is expected to invest in newer and emerging private equity buyout funds, as well as make direct co-investments alongside private equity sponsors.

The Performance Information Chart on page 20 is also replaced with the following:

Rate of return on Prepaid College Trust Investments (As of June 30 , 2022)		
One year		-8.5%
Three year		4.2%
Five year		5.1%
Ten year		6.8%
Since Inception*		5.3%

*Date of inception is December 31, 1998.

Returns are net of all investment fees.

Please keep in mind that past performance is not indicative of future results.

Other updates: Additional annual updates have been made to the section titled Operations and Additional Information.

The following information updates the section titled "Federal Gift/Estate Tax" on page 21:

Federal Gift/Estate Tax. For tax year 2022, 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) during the year do not exceed \$16,000 (\$32,000 for married couples making the proper election), no gift tax will be imposed for the year. However, for 529 plans, gifts of up to \$80,000 (\$160,000 for married couples making a proper election) can be made in a single year for a Beneficiary and averaged out over five years for the federal gift tax exclusion.

This allows you to move assets into tax-deferred investments and out of your estate more quickly. Generally, assets in your Account are not included in your estate, unless you elect the five-year averaging and die before the end of the fifth year. Typically, 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. However, 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 professional when considering a change of Beneficiary, transfers to another Account, or the specific effect of the gift tax and generation-skipping transfer tax on your situation.

The federal limits discussed above are for the 2022 tax year. 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 professional for details.

The first paragraph in the section titled “Maryland Gift/Estate Taxes” on page 23 is deleted and replaced with the following:

Maryland Gift and Estate Taxes. Maryland law does not impose gift taxes. Therefore, in the event that you elect five-year averaging of contributions of up to \$80,000 (\$160,000 for married couples making the proper election) and die prior to the end of the fifth year, a portion of the assets in your Account, while subject to the federal gift tax, would not be subject to a Maryland gift tax.

Contract Prices

Finally, Contract Prices on pages 25-28 of the Disclosure Statement are replaced for the 2022-2023 Enrollment Period as follows:

PRICES AND FEES

All prices are based on several factors; for a full list of these factors, see Contract Pricing of the Disclosure Statement. If you wish to take advantage of the Maryland State income deduction for the 2022 tax year, you must complete the online enrollment process, including any applicable payments, prior to December 31st. Keep in mind all Benefits are paid on a semester by semester basis (or the financial equivalent for the particular Eligible Institution).

The following tables provide 2022–2023 Enrollment Period Contract prices. To determine a price, decide which tuition plan you want, then find the Beneficiary's grade or age and projected enrollment year (which is the earliest year he/she is eligible to use Benefits) on the left-hand side of the chart. For example, if the Beneficiary will be in the 9th grade during the 2022–2023 school year, the projected year of enrollment

will be 2026. For Beneficiaries in the 10th –12th grades, the earliest year they are entitled to use Benefits will be 2026. For further information, see Minimum Maturity in Article V of the Contract.

Next, the columns moving across the chart will provide you with the prices and number of payments for different payment options: lump sum, annual, five-year monthly, and extended monthly. If you would like to use the down payment option, please see the last pricing page as an example. The down payment options for all tuition plans and additional contract price options are posted on our website or available by calling our toll-free number. If you enroll during the 2022–2023 Enrollment Period, your first payment will be due by the 1st of the month on or before 60 days from completed enrollment.

Community College Plan — 1 Year

Grade/Age 9/1/22	Projected Enrollment Year	Lump Sum Payment	Annual Payments		5-Year Monthly Payments	Extended Monthly Payments	
			Amount	Number		Amount	Number
9-12	2026	\$5,600	\$1,979	3	N/A	\$210	29
8	2027	5,555	1,963	3	N/A	153	41
7	2028	5,513	1,948	3	\$110	122	53
6	2029	5,470	1,933	3	109	102	65
5	2030	5,427	1,918	3	108	88	77
4	2031	5,389	1,905	3	107	78	89
3	2032	5,351	1,891	3	106	71	101
2	2033	5,316	1,879	3	106	65	113
1	2034	5,279	1,866	3	105	60	125
K	2035	5,246	1,854	3	104	56	137
4	2036	5,215	1,843	3	104	53	149
3	2037	5,183	1,832	3	103	50	161
2	2038	5,154	1,822	3	103	48	173
1	2039	5,124	1,811	3	102	46	185
Infant	2040	5,099	1,802	3	102	44	197

Community College Plan — 2 Years

Grade/Age 9/1/22	Projected Enrollment Year	Lump Sum Payment	Annual Payments		5-Year Monthly Payments	Extended Monthly Payments	
			Amount	Number		Amount	Number
9-12	2026	\$11,155	\$3,940	3	N/A	\$415	29
8	2027	11,066	3,908	3	N/A	301	41
7	2028	10,983	3,879	3	\$214	238	53
6	2029	10,899	3,849	3	213	199	65
5	2030	10,819	3,821	3	211	172	77
4	2031	10,741	3,793	3	210	152	89
3	2032	10,667	3,767	3	208	137	101
2	2033	10,594	3,742	3	207	125	113
1	2034	10,526	3,718	3	206	116	125
K	2035	10,460	3,694	3	204	108	137
4	2036	10,396	3,672	3	203	102	149
3	2037	10,334	3,650	3	202	96	161
2	2038	10,278	3,630	3	201	92	173
1	2039	10,224	3,611	3	200	88	185
Infant	2040	10,172	3,593	3	199	84	197

University Plan — 1 Semester

Grade/Age 9/1/22	Projected Enrollment Year	Lump Sum Payment	Annual Payments		5-Year Monthly Payments	Extended Monthly Payments	
			Amount	Number		Amount	Number
9-12	2026	\$6,296	\$2,225	3	N/A	\$236	29
8	2027	6,261	2,212	3	N/A	172	41
7	2028	6,229	2,201	3	\$123	137	53
6	2029	6,198	2,190	3	123	115	65
5	2030	6,169	2,180	3	122	100	77
4	2031	6,143	2,171	3	122	89	89
3	2032	6,116	2,161	3	121	80	101
2	2033	6,094	2,153	3	121	74	113
1	2034	6,073	2,146	3	120	69	125
K	2035	6,052	2,139	3	120	64	137
4	2036	6,033	2,132	3	120	61	149
3	2037	6,016	2,126	3	119	58	161
2	2038	6,003	2,121	3	119	55	173
1	2039	5,990	2,117	3	119	53	185
Infant	2040	5,979	2,113	3	119	51	197

University Plan — 1 Year

Grade/Age 9/1/22	Projected Enrollment Year	Lump Sum Payment	Annual Payments		5-Year Monthly Payments	Extended Monthly Payments	
			Amount	Number		Amount	Number
9-12	2026	\$12,404	\$4,380	3	N/A	\$461	29
8	2027	12,338	4,357	3	N/A	335	41
7	2028	12,274	4,334	3	\$239	266	53
6	2029	12,210	4,312	3	238	222	65
5	2030	12,155	4,292	3	237	193	77
4	2031	12,104	4,274	3	236	171	89
3	2032	12,052	4,256	3	235	155	101
2	2033	12,008	4,241	3	234	142	113
1	2034	11,963	4,225	3	233	131	125
K	2035	11,925	4,211	3	232	123	137
4	2036	11,889	4,199	3	232	116	149
3	2037	11,855	4,187	3	231	110	161
2	2038	11,830	4,178	3	231	105	173
1	2039	11,802	4,168	3	230	100	185
Infant	2040	11,780	4,160	3	230	97	197

University Plan — 2 Years

Grade/Age 9/1/22	Projected Enrollment Year	Lump Sum Payment	Annual Payments		5-Year Monthly Payments	Extended Monthly Payments	
			Amount	Number		Amount	Number
9-12	2026	\$24,742	\$8,735	3	N/A	\$916	29
8	2027	24,609	6,703	4	N/A	664	41
7	2028	24,485	5,487	5	\$473	527	53
6	2029	24,369	4,678	6	471	440	65
5	2030	24,258	4,103	7	469	381	77
4	2031	24,155	3,673	8	467	337	89
3	2032	24,058	3,340	9	465	305	101
2	2033	23,971	3,328	9	463	279	113
1	2034	23,888	3,317	9	462	258	125
K	2035	23,812	3,306	9	460	241	137
4	2036	23,744	3,297	9	459	227	149
3	2037	23,685	3,289	9	458	215	161
2	2038	23,629	3,281	9	457	205	173
1	2039	23,583	3,274	9	456	197	185
Infant	2040	23,543	3,269	9	455	189	197

University Plan — 3 Years

Grade/Age 9/1/22	Projected Enrollment Year	Lump Sum Payment	Annual Payments		5-Year Monthly Payments	Extended Monthly Payments	
			Amount	Number		Amount	Number
9-12	2026	\$37,013	\$13,066	3	N/A	\$1,369	29
8	2027	36,823	10,028	4	N/A	992	41
7	2028	36,642	8,209	5	\$706	786	53
6	2029	36,473	7,001	6	703	657	65
5	2030	36,313	6,140	7	700	568	77
4	2031	36,163	5,497	8	697	503	89
3	2032	36,025	5,000	9	694	454	101
2	2033	35,893	4,604	10	692	416	113
1	2034	35,777	4,283	11	690	385	125
K	2035	35,669	4,017	12	688	360	137
4	2036	35,573	3,794	13	686	339	149
3	2037	35,486	3,605	14	684	321	161
2	2038	35,410	3,443	15	683	306	173
1	2039	35,345	3,303	16	681	293	185
Infant	2040	35,293	3,182	17	680	282	197

University Plan — 4 Years

Grade/Age 9/1/22	Projected Enrollment Year	Lump Sum Payment	Annual Payments		5-Year Monthly Payments	Extended Monthly Payments	
			Amount	Number		Amount	Number
9-12	2026	\$49,226	\$17,376	3	N/A	\$1,819	29
8	2027	48,978	13,337	4	N/A	1,318	41
7	2028	48,746	10,920	5	\$938	1,045	53
6	2029	48,523	9,312	6	934	872	65
5	2030	48,319	8,169	7	930	754	77
4	2031	48,128	7,315	8	926	668	89
3	2032	47,946	6,654	9	923	603	101
2	2033	47,782	6,128	10	920	552	113
1	2034	47,631	5,701	11	917	511	125
K	2035	47,496	5,348	12	914	478	137
4	2036	47,374	5,052	13	912	450	149
3	2037	47,267	4,801	14	910	426	161
2	2038	47,174	4,586	15	908	406	173
1	2039	47,094	4,400	16	907	389	185
Infant	2040	47,030	4,238	17	905	374	197

Two-Plus-Two Plan — 4 Years

Grade/Age 9/1/22	Projected Enrollment Year	Lump Sum Payment	Annual Payments		5-Year Monthly Payments	Extended Monthly Payments	
			Amount	Number		Amount	Number
9-12	2026	\$35,639	\$12,581	3	N/A	\$1,318	29
8	2027	35,435	9,650	4	N/A	955	41
7	2028	35,244	7,896	5	\$679	756	53
6	2029	35,053	6,728	6	676	631	65
5	2030	34,880	5,898	7	672	546	77
4	2031	34,714	5,277	8	669	483	89
3	2032	34,555	4,796	9	666	436	101
2	2033	34,405	4,413	10	663	399	113
1	2034	34,269	4,103	11	661	369	125
K	2035	34,144	3,846	12	658	344	137
4	2036	34,026	3,630	13	656	324	149
3	2037	33,916	3,446	14	654	307	161
2	2038	33,823	3,289	15	652	292	173
1	2039	33,735	3,153	16	650	280	185
Infant	2040	33,659	3,034	17	649	269	197

Maryland529

2021–2022

Maryland Senator Edward J. Kasemeyer


Prepaid College Trust

Disclosure Statement & Enrollment Information

Enrollment Period

December 1, 2021–June 30, 2022





This Disclosure Statement has been identified by Maryland 529 as the offering material intended to provide substantive disclosure of the terms and conditions of an investment in the Maryland Senator Edward J. Kasemeyer Prepaid College Trust. The Disclosure Statement is designed to comply with the Disclosure Principles Statement No. 7, adopted by the College Savings Plan Network on October 6, 2020. Previously, this Disclosure Statement was combined with the Disclosure Statement for the Maryland Senator Edward J. Kasemeyer Prepaid College Trust and the Highlights Brochure and collectively referred to as the “Enrollment Kit.” This Disclosure Statement replaces the Enrollment Kit as the offering materials for the Prepaid College Trust.

Maryland does not guarantee investment returns. Investments in the Maryland Senator Edward J. Kasemeyer Prepaid College Trust are backed by a Maryland Legislative Guarantee. In the event that the Trust ever experiences a financial shortfall, Maryland law requires the Governor to include funds in the State budget to allow the Trust to pay your full Benefits. As with the entire State budget, the Maryland General Assembly has final approval.

Section 529 Plans offered by other states may offer tax or other benefits to taxpayers or residents of those states that are not available in the Maryland Senator Edward J. Kasemeyer Prepaid College Trust, and taxpayers or residents of those states should consider such state tax treatment or other state benefits such as financial aid, scholarship funds, and protection from creditors, if any, before making an investment decision.

Section 529 Plans are intended to be used only to save for Qualified Higher Education Expenses. These Plans 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 professional based on their own particular circumstances.

Account Holders should periodically assess, and if appropriate, adjust their investment choices with their time horizon, risk tolerance and investment objectives in mind.

Investing is an important decision. Please read all Offering Materials in their entirety before making an investment decision.

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Maryland Senator Edward J. Kasemeyer Prepaid College Trust 2021–2022 Disclosure Statement

For specific information on the Maryland Senator Edward J. Kasemeyer Prepaid College Trust (Maryland Prepaid College Trust, Prepaid College Trust or Trust) please read this document in its entirety. This Disclosure Statement contains important information you should review before opening an Account in the Maryland Prepaid College Trust, including information about the benefits and risks of investing. We believe that this information is accurate as of the date of this Disclosure Statement, but it 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. Please read it carefully and save it for future reference. Certain capitalized terms used in this Disclosure Statement are defined in the Contract, which can be found below.

If you have read the Disclosure Statement and would like to learn more about the features and benefits of the Maryland 529 Plans, please refer to the Frequently Asked Questions section on our website at Maryland529.com/faqs or login to your Account at Maryland529.com/prepaid-login.

Contract—2021–2022

Article I Introduction

This agreement describes the basic terms and conditions of the Maryland Prepaid College Trust (Prepaid College Trust) as authorized by Education Article Title 18, Subtitle 19 of the Annotated Code of Maryland (Enabling Legislation). Once you complete the online enrollment process to open an Account and it is accepted by the Maryland Prepaid College Trust (Board, we, our, or us), a Participation and Payment Schedule outlining the information from the online enrollment will be issued to you. The Maryland Prepaid College Trust does not cover tuition or other educational expenses in connection with enrollment or attendance at an elementary or secondary public, private, or religious school.

Completing the 2021–2022 enrollment means that you agree to be bound by the terms and conditions of this document. The Prepaid College Trust Disclosure Statement, and once you enroll, the enrollment confirmation and the Participation and Payment Schedule, together constitute the entire agreement between you and the Board and are called "the Contract." You should retain a copy of the Contract, any updates to the Contract and your Account Statements for your records.

The Enabling Legislation, regulations, and any guidelines we adopt will be available for inspection at the offices of Maryland 529. You or any other interested party may receive a copy of the Enabling Legislation and the Contract by contacting Maryland 529.

This Contract is not a promise or a guarantee that:

1. the Beneficiary will be admitted to any Eligible Institution;
2. the Beneficiary will be allowed to continue enrollment at any Eligible Institution after admission;
3. the Beneficiary will be graduated from any Eligible Institution;
4. the Beneficiary will be classified as an in-state or in-county student by any Maryland Public College;
5. the Beneficiary will receive any particular treatment under any applicable state or federal financial aid programs; and/or
6. the Beneficiary's Tuition at any Eligible Institution will be covered in full for the number of years purchased under this Contract unless the Beneficiary attends a Maryland Public College that determines the Beneficiary to be a Maryland or County resident, as applicable, and all of the terms and conditions of this Contract are satisfied.

Article II Definitions

The definitions of terms included in the Enabling Legislation apply to this Contract and are incorporated by reference. In addition, the following definitions apply to Contracts:

1. **Academic Year** means a school year consisting of two semesters, three trimesters, or four quarters that

will lead to an associate's degree, a bachelor's degree, or a graduate degree, depending on the type of institution in which the Beneficiary is enrolled. One full Academic Year is defined as the amount of full-time, undergraduate Tuition required to cover two academic semesters at no more than 15 credit-hours per semester or the financial equivalent.

- 2. Account** means the record that contains the details of payments, fees charged and/or paid, Benefits purchased, Benefits used, remaining Benefits, and refunds in connection with a particular Beneficiary under this Contract.
- 3. Account Holder or you** means you, or an individual, or legally recognized entity such as a corporation (for-profit or nonprofit), partnership, association, trust, foundation, guardianship, or estate that completes an Enrollment establishing an Account. Appropriate documentation may be required upon enrollment and when requests are submitted on behalf of the fiduciary Account Holder. In certain cases, the Account Holder and the Beneficiary may be the same person.
- 4. Account Holder's Successor** means the person named in this Contract (or in similar documents later filed with us) by the Account Holder, who may exercise the rights of the Account Holder under this Contract if the Account Holder dies or is declared legally incompetent (unless, in the latter case, a power of attorney, guardian, conservator, or similar individual is in place and is recognized by the Prepaid Trust to act on behalf of the legally incompetent Account Holder).
- 5. Beneficiary or student** means a person who is entitled to receive Benefits under a Contract and who meets eligibility criteria at the time the Account Holder completes the online process. Under certain circumstances, the Beneficiary and the Account Holder may be the same.
- 6. Benefits** means the payments by the Trust provided under this Contract that are described in Articles V and VI of this Contract.
- 7. Code** means the 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 thereunder.
- 8. Custodian** means the individual who executed an enrollment 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.

9. Declaration means the Declaration of Trust of the Maryland Prepaid College Trust.

10. Disabled or Disability means the condition of a Beneficiary who is unable to do any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or to be of long-continued and indefinite duration. An individual shall not be considered to be disabled unless proof of the existence thereof in such form and manner as may be required by applicable regulations is furnished.

11. Earnings means the amount reported to the IRS on Form 1099-Q (or other applicable form) for the same tax year as the distribution. For distributions under this Contract, the Earnings are calculated as follows:

- I. if a Benefit is paid, the difference between the Benefit paid to an Eligible Institution and your payments, or
- II. if you take a refund, the difference between your payments and the amount of your refund.

12. Electronic Attestation means an acknowledgment by an Account Holder that must be completed prior to submission of certain online transactions.

13. Eligible Institution shall have the meaning ascribed to an "eligible educational institution" in Section 529(e) of the Code except that for purposes of the Prepaid Trust, the definition is limited to any institution of higher education that offers an associate, bachelor, or graduate degree program and is eligible to participate in federal financial aid programs.

14. FDIC means the Federal Deposit Insurance Corporation.

15. Good Order means all documents and information necessary to process a transaction have been provided and received in such a form and manner as required by the Program Manager.

16. Initial Benefit Eligibility means the year in which a Beneficiary may begin to use Benefits due to the three-year minimum maturity period.

17. IRS means the Internal Revenue Service.

18. Mandatory Fees means fees assessed to all students by an Eligible Institution as a condition of enrollment at the Eligible Institution, and which have been approved by the Board. Mandatory Fees do not include any fee that is assessed by the Eligible Institution for a particular course taken, year of enrollment, academic status, course of study, residency status, or any other distinguishing factor used by the Eligible Institution to determine a specific fee.

19. Maryland Public College means any public Eligible Institution in the State of Maryland. You may find a list of Eligible Institutions at [Maryland529.com/faqs](https://maryland529.com/faqs).

20. Maximum Benefits means the cap on per semester benefits payable under the Prepaid College Trust, which is 15 credit hours for each semester (or the equivalent

applicable to a particular institution) which is reflected in the maximum semester unit amount payable under each plan type.

21. Medallion Signature Guarantee means a type of legally binding endorsement that ensures that your signature is genuine, and that the financial company issuing the guarantee accepts liability for any forgery. You can obtain a Medallion Signature Guarantee from some banks, savings institutions, and broker-dealers.

22. Member of the Family means an individual as defined in Section 529(e)(2) of the Code. Generally, this definition includes a Beneficiary's spouse and the following other relatives of the Beneficiary:

- Son, daughter, stepchild, foster child, adopted child, or a descendant of any of them;
- Brother or sister (including half-brothers or half-sisters), stepbrother, or stepsister;
- Father or mother, or ancestor of either;
- Stepfather or stepmother;
- Son or daughter of a brother or sister;
- Son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, or sister-in-law;
- The spouse of any individual listed above;
- First cousin.

23. Minimum Benefit means payments duly made under this Contract, minus Operating Expenses, plus a certain rate of return.

Accounts in existence on October 31, 2021:

For Accounts in existence on October 31, 2021, contributions in your Account prior to October 31, 2021 will earn 6% on balances, compounded monthly, until Benefits are withdrawn, or your Contract is terminated.

Contributions made on or after November 1, 2021 will accrue regular interest each year, compounded monthly, at a rate equal to the 10-year Treasury note rate. The Treasury note yield applicable to the Account contributions will be updated annually with the June 30th number.

The yield for the 10-year Treasury note will be sourced from the Board of Governors of the Federal Reserve System (US), 10-Year Treasury Constant Maturity Rate [DGS10], as retrieved from FRED, Federal Reserve Bank of St. Louis (fred.stlouisfed.org/series/DGS10).

Accounts opened on or after November 1, 2021:

Contributions to Accounts opened on or after November 1, 2021 will accrue regular interest each year, compounded monthly, at a rate equal to the 10-year Treasury note rate. Treasury note yield applicable to the Account contributions will be updated annually with the June 30th number.

The yield for the 10-year Treasury note will be sourced from the Board of Governors of the Federal Reserve

System (US), 10-Year Treasury Constant Maturity Rate (DGS10), as retrieved from FRED, Federal Reserve Bank of St. Louis (fred.stlouisfed.org/series/DGS10).

24. Non-Qualified Distributions means all distributions that are not used to pay Qualified Higher Education Expenses as defined in Section 529 of the Code.

25. Operating Expenses means a certain percentage of Contract payments duly made under this Contract. The percentage is determined annually and can be found in the Schedule of Fees.

26. Participation and Payment Schedule means a schedule sent to you after the acceptance of your Prepaid Trust enrollment of the payments due under your Contract.

27. Program Manager means the institution selected by the Board to provide the Program Management Services, as an independent contractor, on behalf of the Prepaid College Trust, the Trust, and the Trustee. Intuition College Savings Solutions is currently engaged as Program Manager.

28. Projected College Enrollment Year (or "PEY") means the year that the Beneficiary is projected to begin using Contract Benefits based on the information about the Beneficiary's age or grade contained in the enrollment.

29. Qualified Distribution means a distribution that is:

- Used to pay Qualified Higher Education Expenses (including distributions used to pay Qualified Higher Education Expenses that were refunded by the Eligible Institution and re-contributed to a Qualified Tuition Program for the same Beneficiary within 60 days of the refund);
- Payable upon the Beneficiary's death or Disability;
- Made because the Beneficiary received a Scholarship, grant, and/or tuition remission provided that the total amount is greater than or equal to the amount distributed; or
- A Rollover Distribution.

30. Qualified Higher Education Expenses means Qualified Higher Education Expenses as defined in Section 529 of the Code, except that for purposes of the Prepaid Trust, the definition does not include any amount of tuition in connection with enrollment or attendance at an elementary or secondary public, private or religious school. Generally, these include the following:

- Tuition, fees, and costs of textbooks, supplies, and equipment required for the enrollment or attendance of a student at an Eligible Institution;
- Certain costs of room and board of a Beneficiary during any academic period during which the Beneficiary is enrolled at least half time at an Eligible Institution;
- Expenses for special needs services in the case of a special needs Beneficiary, which are incurred in

connection with such enrollment or attendance at an Eligible Institution. (As of the date of this Disclosure Statement, “special needs” Beneficiary has not been defined by the IRS); and

- Expenses for the purchase of computers and peripheral equipment (e.g., printers), computer software, and Internet access and related services, to the extent that such items or services are used primarily by the Beneficiary during any of the years the Beneficiary is enrolled at an Eligible Institution.
- Certain expenses associated with an apprenticeship program registered and certified with the Secretary of Labor under section 1 of the National Apprenticeship Act (29 U.S.C. 50).
- Principal or interest on any qualified education loan (as defined in Section 221(d) of the Code) of the designated beneficiary or a sibling of the designated beneficiary provided that the amount of distributions treated as a qualified higher education expense with respect to the loans of any individual shall not exceed a lifetime limit of \$10,000.

Note: Distributions to pay for the qualified education loan of a sibling of the Beneficiary, while federally tax-free, may be subject to State tax consequences.

31. Recontribution means a refund of any Qualified Higher Education Expenses from an Eligible Institution which is recontributed to the Prepaid College Trust for the benefit of the same beneficiary, but only to the extent such recontribution is made not later than 60 days after the date of such refund and does not exceed the lesser of the refunded amount, or the amount distributed from the Prepaid Trust.

32. Reinstatement means the process by which an Account that has been involuntarily canceled due to non-payment is reinstated to an active status and brought current.

33. Resident means a person who is a resident of the State of Maryland or the District of Columbia at the time the online enrollment process is completed. For Maryland, this is defined as someone who is required to file a Maryland tax return if he or she otherwise has sufficient income to file a return. For the District of Columbia, Resident means a legal resident of the District of Columbia.

34. Rollover Distribution means a transfer of assets:

- i. 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, or
- ii. to an account for a different Beneficiary, provided that the receiving Beneficiary is a Member of the Family of the original Beneficiary, or

- iii. from a Qualified Tuition Program to an Achieving a Better Life Experience (ABLE) account for the same Beneficiary or for a different beneficiary, provided that the receiving beneficiary is a Member of the Family of the original Beneficiary. Please consult with the receiving ABLE plan to confirm any additional restrictions or requirements imposed by the ABLE plan. Federal law requires rollovers to an ABLE account to take place by December 31, 2025.

35. Scholarship means a scholarship, allowance, or payment as described in §530(d)(4)(B)(iii) and (iv) of the Code, including payments made on account of attendance at a U.S. military academy.

36. Tuition, as defined by §18–1901 of the Education Article of the Maryland Code, means the actual Tuition and Mandatory Fees assessed to all students by an Eligible Institution as a condition of enrollment at the institution. Tuition does not include any fee that is assessed by the Eligible Institution for a particular course taken, year of enrollment, academic status, course of study, residency status, or any other distinguishing factor used by the Eligible Institution to determine a specific fee.

37. UGMA/UTMA means the Uniform Gifts to Minors Act/ Uniform Transfers to Minors Act.

38. Weighted Average Tuition is calculated as follows: for 4-year Eligible Institutions — dividing (A) the in-state Tuition at each 4-year Maryland Public College multiplied by the number of full-time equivalent in-state students enrolled at such 4-year Maryland Public College, added together by (B) the total number of full-time equivalent in-state students enrolled at all 4-year Maryland Public Colleges.

The Weighted Average Tuition applicable to community colleges is calculated by a similar method using in-county Tuition and enrollment.

The Weighted Average Tuition is for the entire Academic Year and is calculated annually, typically in the early summer for the following Academic Year, and remains in effect for the entire Academic Year regardless of whether any Maryland four-year public college or community college, as applicable, adjusts Tuition for that same year. Please refer to [Maryland529.com/faqs](https://maryland529.com/faqs) for the current academic year's Weighted Average Tuition.

Article III Participation in the Prepaid College Trust

Enrolling. To participate in the Prepaid College Trust, you must complete the online enrollment process. You and your Beneficiary must each be a U.S. citizen (or a resident alien) and have a valid U.S. Address as well as a Social Security number (if the Account Holder is a trust, a federal tax identification number is accepted). Either the Beneficiary or the Account Holder must be a Resident of Maryland or the District of Columbia at the time the online Enrollment process is completed for Prepaid College Trust.

We have the sole discretion to determine whether an enrollment is accepted. New individual Account Holder's will be required to provide specific information and/or documentation for identity verification as requested by the Prepaid College Trust.

In order for your 2021–2022 enrollment to be accepted and for you to receive the Contract prices applicable to 2021–2022 Contracts, you must complete the 2021–2022 online enrollment process and submit all of the required documentation, and any required fee or payment, to us in good order prior to the end of the 2021–2022 Enrollment Period which typically falls on June 30 of the respective enrollment year. The following are exceptions in which we will accept enrollments (online only) after the end of the Enrollment Period, prior to the first day of the next Enrollment Period:

- i. enrollment of a newborn under the age of one;
- ii. enrollment by an Account Holder who has the same beneficiary enrolled in the Maryland College Investment Plan; or
- iii. current Account Holders purchasing additional semesters/years for the same Beneficiary in the Prepaid College Trust.

Tuition Plans. The Prepaid College Trust offers three tuition plans: the University Plan (one semester or one, two, three, or four years); the Community College Plan (one or two years of community college); and the Two-Plus-Two Plan (first two years of the Community College Plan with two subsequent years of the University Plan).

Separate Accounting. There is a separate Account for each Contract. In addition, separate accounting records that track payments, fees charged and/or paid, and Benefits and/or refunds paid are maintained for each Account Holder. However, the mere existence of an Account does not create a right to, or interest in, any portion or share of Prepaid College Trust assets or earnings.

Ownership. An Account may have only one Account Holder.

Account Holder Successor. The Account Holder Successor becomes the Account Holder if you die or are declared legally incompetent. You may designate an Account Holder

Successor during the online enrollment process. You may add or change an Account Holder Successor at any time by providing us with written notice.

Right to Information. To protect your privacy, Account information is provided only to the Account Holder or Custodian. However, you may also direct in writing that someone other than the Account Holder may request and receive information regarding the Account.

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

Multiple Accounts/Purchase of Additional Years. You may have more than one Account for a Beneficiary and you may buy an additional semester or years for the same Beneficiary. However, no more than seven years of Tuition may be purchased for the same Beneficiary, with no more than five years purchased on a single Account. No more than one year or two semesters may be purchased for the same Academic Year. You may buy additional year(s) for your Beneficiary at any time during the year. If the purchase takes place outside of an Enrollment Period, the prices for the previous Enrollment Period will be in effect.

You will maintain the original Contract and Account number, as well as enter into a new Contract and receive a new Account number for the additional semester(s) or year(s). A separate online enrollment process may be needed for additional contracts.

UGMA/UTMA. You may open your Account with proceeds of an UGMA/UTMA account. To do so, you must indicate during the online enrollment process 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 Prepaid College Trust, 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. The Custodian retains the capacity to act on behalf of the Account until he or she informs the Prepaid College Trust that the terms of the original UGMA or UTMA have been satisfied.

Coverdell Education Savings Account. You may open your Account with the proceeds of a Coverdell Education Savings Account. Please indicate during the online enrollment process 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 professional for more information.

U.S. Savings Bonds. In certain cases, you may redeem qualified U.S. Savings Bonds under the Education Tax Exclusion and open your Account with the proceeds. Please visit [treasurydirect.gov](https://www.treasurydirect.gov) for more information.

Article IV Contract Payments

Payment Options. The Prepaid College Trust has four payment options:

- 1. Lump Sum Payment.** A one-time payment that covers the full amount of the Contract.
- 2. Annual Payment.** Equal yearly payments for a designated number of years.
- 3. Five-Year Monthly Payment.** 60 equal monthly payments.
- 4. Extended Monthly Payment.** Equal monthly payments made through December of the year before the Beneficiary's PEY or year of Initial Benefit Eligibility.

At any time, you may elect to make a down payment of at least 25% of the payoff amount and reduce the amount or number of subsequent payments. You must affirmatively request that your future payment schedule be adjusted.

You may also make payments in advance or pay your Account in full at any time. Payments made in advance will be applied to your outstanding fees due first and then pay ahead your contract balance. We may also approve other payment schedules in our sole discretion.

You may change the payment option at any time upon written request, subject to any administrative fees. Restrictions may apply. In the event you are due a refund for overpayment on this Contract, upon authorization of the Account Holder, we will refund any overpayment. We will not, however, refund any earnings on an overpayment. See Article VI – Rollovers and Refunds.

Payment Method. Payments can be made by check, money order, electronic funds transfer on either an automatic or one-time basis. All payments must be made in U.S. dollars; checks must be drawn on U.S. banks. If you make a payment by check, money order, or electronic funds transfer, we reserve the right, subject to applicable law, to restrict refund or distribution of that payment from your Account for up to 10 days after the funds are deposited. You may change payment methods at any time by logging into your online Account. We may also approve other payment methods in our sole discretion.

Electronic Payment Cancellation. We will cancel any electronic payment upon receiving notice from our bank of an invalid bank account.

Returned Payments. We reserve the right to cancel any electronic payment after receiving (2) returned payment notices from our bank. The Account Holders will be responsible for any fees generated as a result of returned payments.

Due Dates. Payments are due in the amounts stated on the enrollment confirmation and the Participation and Payment Schedule. In order to avoid late fees, you are responsible for making all payments when due, regardless of the receipt of program communications.

All initial payments following enrollment are due on the first of the month on or before 60 days after enrollment.

For example, if you enrolled on January 8, 2022, your initial payment would be due no later than March 1, 2022.

For annual payments, the next annual payment would be due March 1, 2023. For monthly payments, subsequent payments would be due on the first of each succeeding month.

If you are establishing an Account as a new enrollment that is permitted outside of an Enrollment Period, the first payment is due on the first of the month on or before 60 days after the Prepaid College Trust has received and accepted the application or work in good order to cover any subsequent documents that could be required.

If you are changing your payment option, the first payment is due on the first of the month succeeding the change.

Fees. You may be charged fees in amounts we determine, including Operating Expenses, late fees, fees for changes, and other administrative fees imposed by us. These fees are set forth in the Schedule of Fees in the Disclosure Statement, of which this Contract is a part. We may, in our sole discretion, change the fees associated with a particular transaction from time to time. Late fees are assessed on all payments if not received within ten (10) days of the due date.

Recontributions. If money is distributed from the Prepaid Trust to pay for Qualified Higher Education Expenses and the Beneficiary receives a refund from the Eligible Educational Institution, the amount of the refund, or the amount distributed by the Prepaid Trust, whichever is less, may be re-contributed within 60 days of the date of the refund.

Rollovers of Assets from Another Qualified Tuition Program. You can transfer assets for the same Beneficiary from another Qualified Tuition Program to the Prepaid College Trust.

This type of transfer is commonly referred to as a rollover. 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 Prepaid College Trust 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 roll over assets into an Account in the Prepaid College Trust, visit our website to complete an authorization to allow us to initiate a rollover with your current Qualified Tuition Plan on your behalf.

Priority of Payments. Your payments will be applied to your Account in the following order: fees then principal.

Missed Payments. We reserve the right to downgrade or terminate an Account for missed payments and fees will be assessed and are the responsibility of the Account Holder.

Payments are due on the first of the month. Late fees will be assessed if no payment has been received within ten (10) days after a due date.

If an initial payment is missed and no payments are received for a newly opened Account, there will be 30, 60, and 90-day email notifications (along with the associated monthly fees) before a contract is involuntarily canceled and notification is sent to the Account Holder.

If an Account has had prior payments, but a payment is missed, there will be 30, 60, 90, 120, and 150-day email notifications (along with the associated monthly fees) before a contract is involuntarily downgraded or canceled and notification is sent to the Account Holder.

- **Automatic Downgrades.** In situations where an Account is 180 days delinquent, the Account will be automatically downgraded within the same plan type (Community College or University, with 2 + 2 plans falling to the Community College plan type). If there is no downgrade option within the plan type, the Account will be involuntarily canceled and the Account Holder will have 90 days to reinstate the Account by bringing all overdue payments current along with payment of any fees incurred.
- **Late & Delinquency Schedule**
 - 30 days and no payment made by the 10th of the month, a late fee may be assessed.
 - 60 days and no payment made by the 10th of the month, a late fee may be assessed and if it is the first payment due for the plan, an involuntary cancellation warning notification may be sent.
 - 90 days and no payment made by the 10th of the month, a late fee may be assessed. If it is the first payment due for the plan, the Account may be involuntarily canceled for lack of payment and a delinquency involuntary cancellation notification may be sent.
 - 120 days and no payment made by the 10th of the month, a late fee may be assessed.
 - 150 days and no payment made by the 10th of the month, a late fee may be assessed and an involuntary downgrade/cancellation warning notification may be sent.
 - 180 days and no payment made by the 10th of the month, a late fee will be assessed, the Account may

be involuntarily downgraded/canceled for lack of payment and a delinquency involuntary downgrade notification may be sent.

Annual Statements. During the first quarter of each calendar year, you will receive an Annual Statement of Account for each Account which had activity during the prior year. The Annual Statement will show your payments and any Benefits that have been paid on the Account. You have 60 days after receiving an Annual Statement to inform us if any information in the Annual Statement is incorrect. After 60 days, we will consider the information in the Annual Statement to be correct and binding upon you and your Beneficiary.

Confirmations. You will also receive a confirmation each time you establish or change an automatic contribution. You have 60 days after receiving a confirmation to inform us if any information in the confirmation is incorrect. After 60 days, we will consider the information in the confirmation to be correct and binding upon you and your Beneficiary.

Article V Benefits

Benefits must be used to pay for a normal full-time (or half-time, as described below) course load for the number of semesters or years of undergraduate education specified in the Tuition plan you select and pay for under this Contract. In order to receive Benefits, your Beneficiary must be enrolled at least half-time at the Eligible Institution. You can start using Benefits beginning with fall semester of the PEY you have purchased, as identified on your enrollment confirmation and Participation and Payment Schedule. Please review this benefit section in full to understand the minimum and maximum benefit available under your Contract.

Benefits Payable:

- 1. Maryland Public College:** If your Beneficiary enrolls in a four-year Maryland Public College as a full-time student, the Prepaid College Trust will pay the full in-state Tuition for a University Plan or the full in-county Tuition if your Beneficiary enrolls in a two-year Maryland Public College (community college) for a Community College Plan.
- 2. Private or Out-of-State:** If your Beneficiary enrolls in an Eligible Institution that is private or out-of-state as a full-time student, the Prepaid College Trust will pay the actual Tuition each semester (or the equivalent) up to a maximum of one half of the Weighted Average Tuition in the tuition plan you purchased or your Minimum Benefit, whichever is greater.

Note: If your Tuition for the private or out-of-state Eligible Institution is less than the Weighted Average Tuition, you will only receive the Tuition. If Tuition is less than your Minimum Benefit, however, you may submit documentation of Qualified Higher Education Expenses and receive reimbursement up to your Minimum Benefit.

Benefits are paid on a semester by semester basis (or the equivalent applicable to a particular Eligible Institution). All annual figures are to be divided across semesters (or the equivalent applicable to a particular Eligible Institution).

Minimum Maturity. This Contract must be in effect for at least three years before Benefits will be paid. Benefits will be paid no earlier than the first fall academic semester of the Initial Benefit Eligibility year at an Eligible Institution following the three-year anniversary of the effective date of your Contract.

Maximum Benefits. The Prepaid College Trust will not pay for more than 15 credit hours for each semester (or the equivalent applicable to a particular institution). Under no circumstances will the Prepaid College Trust pay for more than two semesters of Mandatory Fees (or the equivalent) for each year of Benefits purchased for a Beneficiary, with the exception of the Minimum Benefits calculation.

If Tuition or other Qualified Higher Education Expenses are more than the Benefits paid by the Prepaid College Trust, you or your Beneficiary is responsible for the difference.

Minimum Benefits. Minimum Benefits are defined as payments duly made under this Contract, minus Operating Expenses, plus a certain rate of return.

Accounts in existence on October 31, 2021:

- For Accounts in existence on October 31, 2021, contributions in your Account prior to November 1, 2021 will earn 6% on balances, compounded monthly, until benefits are withdrawn, or your Contract is terminated.
- Contributions made on or after November 1, 2021 will accrue regular interest each year, compounded monthly, at a rate equal to the 10-year Treasury note rate. The Treasury note yield applicable to the Account contributions will be updated annually with the June 30th number.

The yield for the 10-year Treasury note will be sourced from the Board of Governors of the Federal Reserve System (US), 10-Year Treasury Constant Maturity Rate (DGS10), as retrieved from FRED, Federal Reserve Bank of St. Louis (fred.stlouisfed.org/series/DGS10).

Accounts opened on or after November 1, 2021:

- Contributions to Accounts opened on or after November 1, 2021 will accrue regular interest each year, compounded monthly, at a rate equal to the 10-year Treasury note rate. The Treasury note yield applicable to the Account contributions will be updated annually with the June 30th number.

The yield for the 10-year Treasury note will be sourced from the Board of Governors of the Federal Reserve System (US), 10-Year Treasury Constant Maturity Rate (DGS10), as retrieved from FRED, Federal Reserve Bank of St. Louis (fred.stlouisfed.org/series/DGS10).

Notwithstanding any other provision of this Contract, in the event that Tuition at an Eligible Institution is less than your Minimum Benefits, you may use the difference between the actual Tuition and your Minimum Benefit for other Qualified Higher Education Expenses such as room and board or books.

Half-Time Benefits. In order to receive Benefits, your Beneficiary must be enrolled at least half-time at the Eligible Institution. Half-time is defined as at least one-half of the minimum number of credits necessary to be considered a full-time student by the Eligible Institution. If your Beneficiary attends a Maryland Public College, the Prepaid College Trust will pay one-half of the normal full-time in-state Tuition for a University Plan (or in-county Tuition for a Community College Plan) or the actual Tuition charged by the Eligible Institution to the student, whichever is less.

If a student attends an Eligible Institution that is private or out- of-state, the Prepaid College Trust will pay one-half of the Benefit for a full-time student per semester or the actual Tuition charged by the Eligible Institution to the student, whichever is less. If the Prepaid College Trust's payment does not cover the entire Tuition cost to the student, you are or your Beneficiary is responsible for the difference.

Multiple Institution Enrollment. A Beneficiary may enroll in multiple institutions to meet the minimum criteria for using Benefits. All required documentation must be submitted together in good order to be accepted. Please call **888.4MD.GRAD (463.4723), prompt #2**, for specific instructions and documentation required for the payment of Benefits for a multiple institution enrollment. Any Benefit received for this type of enrollment cannot exceed the Benefit to which you are entitled under your Contract for a semester (or equivalent applicable to the particular Eligible Institutions).

Excess Benefits. Excess Benefits may occur if

- an Account Holder elects not to fully use Benefits for a semester for which they are otherwise eligible;
- if a University Plan is used to pay Community College Tuition;
- In the case of a Scholarship, grant, or tuition remission; or
- If a Beneficiary graduates early from college.

Excess Benefits can be applied toward future Tuition, provided Benefits are used within the maximum time limit allowed. Excess Benefits may also be used to pay for Qualified Higher Education Expenses, in which case the Prepaid College Trust will pay the amount it would have otherwise paid to the Eligible Institution, or the actual cost of the Qualified Higher Education Expenses, whichever is less. Finally, Excess Benefits are available for a Refund in accordance with Article VI.

Graduate Benefits. In order to use Excess Benefits to pay for graduate school, the Beneficiary must be enrolled at an Eligible Institution, taking at least one graduate level course as part of a graduate degree program. If you elect

to have graduate Benefits paid, they will be based on the Weighted Average Tuition of the Maryland Public Colleges in the Tuition plan selected and will be processed through a refund request. You may use up to the entire amount of Excess Benefits towards the actual Tuition charged by the Eligible Institution, but will be limited by a maximum of two semesters per Academic Year. The Beneficiary will have to request a refund to get the Excess Benefits in one semester.

Requesting Benefits. Only the Account Holder (or the Custodian, if applicable) may request Benefits, or Excess Benefits, unless a valid court order directs the Trust otherwise. Except for Excess Benefits, no more than one semester (or the equivalent for the particular Eligible Institution) of Benefits may be used for a Beneficiary in any semester (or applicable equivalent).

To claim Benefits, or Excess Benefits, an Account Holder should submit an online request and must include the associated invoice information and documentation. Benefit payments are paid to the recipient indicated in the benefit claim request and are paid in U.S. dollars. Benefit claims payments via check will be sent first class U.S. Mail.

When requesting benefits for a foreign school the Prepaid College Trust will need an itemized billing statement in U.S. Dollars. Other than to Eligible Institutions located outside of the U.S., payments will not be made to non-U.S. Addresses.

Non-Credit Courses. Any non-credit course taken by a Beneficiary will be considered to be part of the normal full-time or part-time course load covered by the Benefits payable under this Contract. No additional full or partial years of Benefits will accrue to a Beneficiary in the event that non-credit courses are included in any of the Benefits payable under this Contract.

Summer Courses/Winter Courses. In order to use Benefits for summer/winter term courses, you must have Excess Benefits and your Beneficiary must be enrolled on at least a half-time basis as defined by the Eligible Institution.

Certificate Programs. Certificate or non-degree granting programs are not eligible for Benefits.

Selected Eligible Educational Institution Not Covered by Tuition Plan. If the Beneficiary enrolls at an Eligible Institution that is different from the tuition plan for your Account, your Benefit will equal the Weighted Average Tuition of your current tuition plan or your Minimum Benefit, whichever is greater. Any remaining Benefit for the Academic semester will become an Excess Benefit.

Contract Conversion. Prior to using any Benefits, you may convert your Contract to a different tuition plan. To convert your Contract, you must submit the appropriate authorization request and pay any required fees. As a result of the conversion, we will revalue the Contract, and you may be required to make additional payments or you may receive a refund for any resulting overpayment. Please be advised that a conversion may have tax consequences. Please consult with your tax professional for specific details.

Some examples of common conversions are:

- 1-Year University Plan to 2-Year Community College Plan;
- 1- Year Community College Plan to a 1-Semester University Plan;
- 2-Year Community College Plan to a 1-Year University Plan;
- 2-Year Community College/2-Year University Plan to a 3-Year University Plan.

Calculations. We may develop other methods for the calculation of Benefits payable under Contracts if we determine that it is necessary to provide consistent Benefits. No such changes may adversely alter the fundamental rights and obligations of the parties to this Contract, except to the extent necessary to assure compliance with applicable state or federal laws or regulations or to preserve favorable tax treatment to you, your Beneficiary, Maryland 529, or the Prepaid College Trust.

Time Limits. The Beneficiary has the number of years purchased in the Account plus 10 years to use all Benefits, (Benefits period). This time can be extended for any active service in the U.S. military. Absent a waiver, failure of the Beneficiary to use all Benefits within the designated time period will be deemed a decision by the Beneficiary not to attend an Eligible Institution and will result in the termination of the Account, pursuant to the provisions of Article VIII. In addition to the requirements of this Article, we may request other information and/or modify or apply specific due dates.

Article VI Rollovers and Refunds

Rollovers Generally. Funds in a 529 account can be transferred to and from Qualified Tuition Programs for the same beneficiary. Such transfers are known as rollovers. Rollovers for the same beneficiary are restricted to once per 12-month period. The Account Holder and/or the Qualified Tuition Program distributing assets to another program must provide the receiving program with an accurate allocation of principal and earnings from the previous account; otherwise, the receiving program is required by the IRS to treat the entire rollover contribution as earnings.

Earnings Attributable for Rollovers and Refunds

Accounts in existence on October 31, 2021:

- For Accounts in existence on October 31, 2021, contributions in your Account prior to November 1, 2021 will earn 6% on balances, compounded monthly, until benefits are withdrawn, or your Contract is terminated.
- Contributions made on or after November 1, 2021 will accrue regular interest each year, compounded monthly, at a rate equal to the 10-year Treasury note rate. The Treasury note yield applicable to the Account contributions will be updated annually with the June 30th number.

The yield for the 10-year Treasury note will be sourced from the Board of Governors of the Federal Reserve System (US), 10-Year Treasury Constant Maturity Rate (DGS10), as retrieved from FRED, Federal Reserve Bank of St. Louis (fred.stlouisfed.org/series/DGS10).

Accounts opened on or after November 1, 2021:

- Contributions to Accounts opened on or after November 1, 2021 will accrue regular interest each year, compounded monthly, at a rate equal to the 10-year Treasury note rate. The Treasury note yield applicable to the Account contributions will be updated annually with the June 30th number.

The yield for the 10-year Treasury note will be sourced from the Board of Governors of the Federal Reserve System (US), 10-Year Treasury Constant Maturity Rate [DGS10], as retrieved from FRED, Federal Reserve Bank of St. Louis (fred.stlouisfed.org/series/DGS10).

Rollovers from Another Qualified Tuition Program.

See Article IV, Contract Payments.

Rollovers to Another Qualified Tuition Program. Upon notification in writing, you may transfer your Account to another Qualified Tuition Program. Based on IRS regulations, rollovers for the same Beneficiary are restricted to one time in a 12-month period.

- **A Contract in existence for less than three years as measured from the first payment due date.**

The transferable amount will equal the actual payments made to the Prepaid College Trust plus 50% of the Earnings as applied to the contract payments, less Operating Expenses, outstanding fees, and any Benefits used.

- **A Contract in existence for three years or more as measured from the first payment due date.** The transferable amount will equal the actual payments made to the Prepaid College Trust plus 100% of the Earnings applied to the contract payments, less Operating Expenses, outstanding fees, and any Benefits used.

- **Transfers within Maryland 529.** The transferable amount for transfers from the Prepaid College Trust to the Maryland College Investment Plan will equal the actual payments made to the Prepaid College Trust plus 100% of the Earnings applied to the contract payments, less Operating Expenses, outstanding fees, and any Benefits used, regardless of how long the Contract has been in effect.

Rollovers to a Qualified Achieving a Better Life Experience ("ABLE") Program.

Upon notification in writing, you may transfer your Account to a qualified ABLE Program established pursuant to Section 529A of the Internal Revenue Code allowing Eligible Individuals to save for Qualified Disability Expenses. Based on IRS regulations, rollovers for the same Beneficiary are restricted to one time in a 12-month period. The amount of the Rollover to a qualified ABLE program will equal the actual payments made to the Prepaid College Trust plus 100% of the Earnings applied to the contract payments, less Operating Expenses, outstanding fees, and any Benefits used, regardless of how long the Contract has been in effect. Please note that the receiving ABLE account is subject to an annual contribution limit, currently \$15,000. Federal law requires that rollovers from a

Qualified Tuition Program to an ABLE account take place by December 31, 2025.

Refund. Refunds are only given at your authorization under the following circumstances:

- **Death or Disability of the Beneficiary.**

1. **Beneficiary Enrolled at Eligible Institution.** The refund will be the amount that would have otherwise been paid directly to the Eligible Institution, less any Benefits used.
2. **Beneficiary Not Enrolled at Eligible Institution.** If the Beneficiary has not started receiving Benefits and a Disability occurs, the refund will be equal to the Minimum Benefit calculation for the contract.

- **Scholarship, Grant or Tuition Remission.** The refund will be up to the amount that would have otherwise been paid directly to the Eligible Institution.

Added-tax Refund. Refunds are given under all other circumstances. The refunds discussed below are subject to a federal surtax required by the Code that is equal to 10% of the earnings portion of a Non-Qualified Distribution that is not due to the Beneficiary's death, Disability, attendance at a U.S. military academy, or receipt of a Scholarship.

- **A Contract in existence for less than three years as measured from the first payment due date.** The refund will equal the actual payments made plus 50% of the Earnings as applied to the contract payments, less Operating Expenses, outstanding fees, and any Benefits used. The reduced Earnings applicable to Accounts in existence for less than three years is a financial penalty assessed by the program in order to maintain the actual soundness of the Prepaid College Trust.
- **A Contract in existence for three years or more as measured from the first payment due date.** The refund will equal the actual payments made plus 100% of the Earnings applied to the contract payments, less Operating Expenses, outstanding fees, and any Benefits used.

Excess Benefits Available for Refund. At your authorization, Excess Benefits in an Account will be refunded in accordance with this Article VI.

Board's Right to Delay. In order to preserve the actuarial soundness of the Prepaid College Trust, we reserve the right to delay a rollover or refund for a period of time not to exceed one year. To date, we have not delayed any refunds.

Article VII Substitutions

General. A change in Beneficiary, Account Holder, or Custodian is effective only when all required documents are received in good order and processed. A Beneficiary change or transfer of assets may be denied or be limited if it causes one or more Accounts in the Prepaid College Trust or the Maryland College Investment Plan to exceed the maximum aggregate allowable Account balance for a Beneficiary.

New Beneficiary. Provided that at least one semester of Benefits remains on your Account, the Beneficiary may be changed or the assets transferred for the Benefits remaining on your Account, unless the Account has been funded with the proceeds from an UGMA/UTMA and the current Beneficiary has not reached the age of majority. To avoid negative tax consequences, the new Beneficiary must be a Member of the Family of the original Beneficiary.

For purposes of changing the Beneficiary of an Account which has paid out prior Benefits, the new Beneficiary's PEY must fall within the benefit period of the original Beneficiary. If the new Beneficiary's PEY falls outside of the beneficiary period of the original Beneficiary, a new application must be submitted for the new Beneficiary and the assets of the current Account may be rolled over to the new Beneficiary's Account.

Upon requesting a change of Beneficiary, we will calculate a new payment amount given the change, if any, in PEY. As a condition of such Beneficiary change, you are required to pay any required additional costs, i.e. the difference in contract pricing from the original Beneficiary to the new Beneficiary. If the resulting change means you have overpaid, the excess funds can be:

1. transferred to another Member of the Family of the original Beneficiary;
2. transferred to another qualified tuition program; or
3. refunded, in which case the applicable refund terms found in Article VI will apply.

All Beneficiary changes must be requested and include all required documentation. If the new Beneficiary is not already enrolled in the Prepaid College Trust, all required identification information must be provided. If you change the Beneficiary, all terms and conditions of this Contract continue to apply, even though the original Beneficiary has been changed, provided that the new PEY for the new Beneficiary falls within the time period allowed for the original Beneficiary and contract pricing for the new Beneficiary was available at the opening of the original contract.

New Account Holder. You may transfer control of the Contract to a new Account Holder unless the Account has been funded with the proceeds from an UGMA/UTMA account. All transfers must be requested in writing and include all required information. 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 such 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 Contract and provide all necessary identification information. Transferring an Account to a new Account Holder may have significant tax consequences. Before doing so you should consult with your tax professional regarding your particular tax situation.

Removing or Changing a Custodian on Accounts not funded from an UGMA/UTMA. The Custodian will no longer have the authority to act on an Account once the Account Holder reaches the age of majority under Maryland law. Prior to the Account Holder reaching the age of majority, the Custodian may be changed at any time upon providing us with notice. The notice must be from the current Custodian or include a valid court order appointing another person as 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.

Prior to acting on the Account, we will require documentation from new Account Holders and/or Custodians to certify that they agree to the terms and conditions of the Prepaid College Trust.

Removing or Changing a Custodian on Accounts funded from an UGMA/UTMA. We must be notified by the Custodian when the Account Holder reaches the applicable age of majority under the terms and conditions of the original UGMA/UTMA account (under Maryland law, currently 18 years old for an UGMA and 21 years old for an UTMA). A valid court order may also be submitted that stipulates the removal of the Custodian. The Custodian may be changed at any time upon providing us with notice. The notice must be from the current Custodian or include a valid court order appointing another person as Custodian. If the current Custodian dies or is declared legally incompetent, then the person legally authorized to act on behalf of the minor Account Holder must appoint a new Custodian.

Prior to acting on the Account, we will require documentation from new Account Holders and/or Custodians to certify that they agree to the terms and conditions of the Prepaid College Trust.

Article VIII Termination

Termination. You can terminate this Contract upon notice to us and receive a refund. Upon receipt of such notice, we will determine the amount of any refund pursuant to the terms of this Contract. There are tax consequences associated with a decision to terminate your Account. You should consult with your tax professional regarding the tax consequences of terminating your Account. See Key Federal Tax Issues and Key State Tax Issues on pages 20 and 22, respectively, of the Disclosure Statement.

This Contract will terminate 10 years after your PEY plus the number of years purchased in the Contract (termination date). This time can be extended for any active service in the U.S. military. Upon termination, you will have the option to:

- Request a waiver to extend the time period allowed to use Benefits. Any waiver request is subject to Board approval, in our sole discretion; or
- As described below:
 - Rollover or transfer your Account to the Maryland College Investment Plan or another Qualified Tuition Program; or
 - Take a refund.

Unless a waiver is granted, you may no longer claim Benefits under the Contract. The Prepaid College Trust will retain any Earnings obtained after the Contract has been terminated.

If we determine that either you or the Beneficiary has made any material misrepresentation related to the Contract, we, in our sole discretion, may terminate the Contract. In this case, we will refund actual payments made less Operating Expenses and outstanding fees.

Article IX General Provisions

Payments to You. We typically make payments (Benefits, Excess Benefits, and refunds) by check.

A Medallion Signature Guarantee is required for payment requests of \$25,000 or more, a check sent to an address not on file, or a refund request.

We reserve the right, however, to require a Medallion Signature Guarantee at any time in our sole discretion.

We will make a payment (Benefits, Excess Benefits, and refunds) to one of the following payees:

- Account Holder;
- Beneficiary;
- Eligible Institution for the benefit of the Beneficiary; or
- Leasing company.

Additional payee options may be added from time to time. We must have the Beneficiary's Social Security number before we can process a distribution from your Account. If you are receiving Benefits or Excess Benefits, it is your responsibility to confirm that the school to which the payment is made is an Eligible Institution.

Other than to Eligible Institutions located outside of the U.S., payments will not be made to non-U.S. Addresses.

Changes to an Account. All notices, changes, options, and elections requested by you under this Contract must include the Account Holder's authorization and be received by us. You must ensure the accuracy of any documentation submitted to us. We are not responsible for the accuracy of any documentation. If acceptable to us, notices, changes, options, and elections relating to your Account will take effect within a reasonable amount of time after we have received the documentation, unless we agree otherwise.

Address Changes. Address changes may be done by logging into your secure online account at Maryland529.com/prepaid-login.

Account Holder Changes. A Medallion Signature Guarantee or notarized signature from an FDIC-insured institution is required for transfers, rollovers, and certain other Account changes.

Notices and Statements. All correspondence will be sent in accordance with the Account Holder's elected delivery option. Account Holder's are responsible for ensuring that the delivery method required for their elected delivery option is current in our records.

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 Maryland 529, including the terms and conditions of the Maryland 529 Prepaid College Trust and this Disclosure Statement.

Changes to the Contract. We may amend the terms of this Contract from time to time to comply with changes in the law or regulations or if we determine it is in Maryland 529's and/or the Prepaid College Trust's best interest to do so. However, we will not retroactively modify existing Contract provisions in a manner adverse to you or your Beneficiary, except to the extent necessary to assure compliance with applicable state (including the Enabling Legislation) and federal laws or regulations or to preserve the favorable tax treatment to you, your Beneficiary, Maryland 529, or the Prepaid College Trust. We will promptly notify you of such amendments, and you will be bound thereby unless you notify us in writing of your intent to terminate the Contract within 60 days of the date of the notice.

Guide to Interpretation. This Contract is intended to qualify for the tax benefits of Section 529 of the Code. Notwithstanding anything in this Contract to the contrary, this Contract will be interpreted and/or amended to comply with the requirements of that section and applicable regulations.

Board Discretion. In order to comply with changes in the law or regulations, carry out our obligation as fiduciary of Maryland 529 under the Enabling Legislation, and/or maintain the actuarial soundness of the Prepaid College Trust, we may, at any time in our sole discretion, determine the acceptance of an Enrollment and the Contract prices applicable to the related Account or provide a waiver to specific provisions of this Contract. Any decision or waiver may apply to one, a selected number, or all Accounts and may be for a limited duration. In addition, pursuant to the Enabling Legislation, in certain circumstances, if we determine that the market value of the assets of the Prepaid College Trust exceeds the amount needed to satisfy all scheduled payments of Benefits currently due or scheduled to be due under all Contracts by 30% or more, in our sole discretion, we may provide for a rebate from the excess to Account Holders of existing Contracts. Any rebate would be an amount determined solely by us.

Factual Representation. All factual determinations regarding your or your Beneficiary's residency, Disability, the existence of hardship, and any other factual determinations regarding this Contract will be made by us based on the facts and circumstances of each case.

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 balance to correct the error. The Board, in its discretion, may waive the processing of adjustments from clerical errors or other cases that are de minimis in amount.

Severability. In the event that any clause or portion of this Contract is found to be invalid or unenforceable by a court of competent jurisdiction, that clause or portion shall be severed from this Contract and the remainder of this Contract 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 Prepaid College Trust, 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 IRC;
- ii. the Enabling Legislation and other Maryland law;
- iii. the Declaration;
- iv. Board policy; and
- v. this Contract.

In addition, if there are any inconsistencies between this Contract and the Participation and Payment Schedule and/or the the enrollment confirmation, the terms of this Contract shall prevail.

Claims. Any claim by you or your Beneficiary against the Board pursuant to this Contract shall be made solely against the assets of the Prepaid College Trust. The obligations of the Prepaid College Trust under this Contract are payable out of monies received from you and earnings from investments, and no recourse shall be had by you or your Beneficiary against any of the Plan Officials (defined below) in connection with any right or obligations arising out of this Contract. This Contract is 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 Benefits hereunder. All obligations hereunder are legally binding contractual obligations of the Prepaid College Trust only, a program of Maryland 529, an independent agency of the State of Maryland.

Legislative Guarantee. The Enabling Legislation provides that in the event that funds in the Prepaid College Trust are insufficient to pay full Benefits in any given year, the Governor is required to include an amount in the following year's State budget to fully pay Benefits. As with the entire State budget, the Maryland General Assembly determines the final amount of the appropriation. If the Maryland General Assembly does not fully fund the budget request, we may adjust the terms of subsequent or current Contracts to ensure continued actuarial soundness of the Prepaid College Trust. Subject to the rights of Account Holders, any amount paid to the Prepaid College Trust from the State must be repaid to the State without interest in equal amounts over the following two fiscal years.

Applicable Law. This Contract shall be interpreted solely under the laws of the State of Maryland and applicable federal law, including Section 529 of the Code, as amended, without regard to the application of foreign laws.

Account Holder's Representations and Acknowledgements.

I, as Account Holder, represent and warrant to, and acknowledge and agree with, Maryland 529 and the Prepaid College Trust regarding the matters set forth in this Contract, including that:

- I have carefully reviewed all information provided by the Board with respect to Maryland 529 and the Prepaid College Trust, including the Disclosure Statement prior to enrolling online.
- I have been given an opportunity to ask questions and receive answers concerning the terms and conditions of the Prepaid College Trust and this Contract.
- I have been given an opportunity to obtain any additional information needed to complete my online enrollment process and/or verify the accuracy of any information I have furnished.
- 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 neither Maryland 529 nor the Prepaid College Trust will lend any assets to my Beneficiary or to me.
- Except as described in this Contract, 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.
- I am and my Beneficiary is either a citizen or a resident alien of the United States.
- I am or my Beneficiary is a Maryland or Washington, D.C. resident.
- Neither the State of Maryland, the Board, Maryland 529, the Prepaid College Trust, the Board as trustee, any other agency of the State of Maryland, nor any other counsel, advisor, or consultant retained by, or on behalf of, those entities, nor any employee, officer, or official of any of those entities (collectively, the Plan Officials) is liable for a failure of Maryland 529 and/or the Prepaid College Trust to qualify as or to remain a Qualified Tuition Program, including any subsequent loss of favorable tax treatment under state or federal law.
- My statements, representations, warranties, and covenants will survive the termination of my Account.

Operations and Additional Information

Risk Factors

You should carefully consider the information in this section, as well as the other information in this Disclosure Statement, before making any decisions about opening an Account or making any additional contributions. We do not provide legal, financial, or tax advice. You should consult an attorney or a qualified financial or tax professional with any legal, business, or tax questions you may have.

Investments May Not Meet Objectives; Accounts Are Not Insured. As with any investment, the rates of return and the amount of appreciation and depreciation of the Prepaid College Trust's investments are unpredictable. Therefore, we cannot provide any assurance that the investments selected by the Board will meet their objectives. Also, the Board's investments are not deposits or obligations of, or guaranteed by, any depository institution and are not insured by the Federal Deposit Insurance Corporation, Federal Reserve, the State of Maryland or any other government agency.

Market Uncertainties. Due to market uncertainties, the overall market value of the Prepaid College Trust is likely to be 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. Any decrease in value could result in an actual or actuarial (unrealized) loss to the Prepaid College Trust. See Legislative Guarantees on page 14.

Suitability. We make no representation regarding the suitability or appropriateness of the Prepaid College Trust as an investment. Other types of investments may be more appropriate depending upon your financial status, tax situation, risk tolerance, age, investment goals, savings needs, and the investment time horizons of you or your Beneficiary.

Internal Revenue Service Regulations Not Final. As of the date of this Disclosure Statement, the IRS has not issued final tax regulations regarding programs satisfying the requirements of Section 529 of the Code. In addition, we have not sought nor have we received a private letter ruling from the IRS regarding the status of the Prepaid College Trust under Section 529 of the Code. We may, in our sole discretion, determine to seek a ruling in the future.

Discretion of the Board. Neither you nor your Beneficiary may direct the investment of any contribution to the Prepaid College Trust or any earnings thereon either directly or indirectly. The Board, as trustee of the Prepaid College Trust, has the sole discretion to determine how to invest payments made on Contracts. As required by Maryland law, the Board has adopted a Comprehensive Investment

Plan (Investment Plan) that outlines its long-term investment goals for providing the funding of future Benefits and the administration of the Prepaid College Trust. We currently direct the investment of Contract payments into separately managed accounts, commingled funds, limited partnerships, and mutual funds. The Board may, in its sole discretion, determine to amend its Investment Plan at any time, including investing in other asset types and by using additional or different managers to further diversify its investments.

Effect of Future Law Changes. It is possible that future changes in federal or state laws or court or interpretive rulings could adversely affect Qualified Tuition Programs generally, the terms and conditions of the Prepaid College Trust or your Benefits, even retroactively. Specifically, the Prepaid College Trust is subject to the provisions of and any changes to or revocation of Education Article Title 18, Subtitle 19 and Tax Article, Title 10, Subtitle 2 of the Maryland Annotated Code as well as Section 529 of the Internal Revenue Code. It is our intention to take advantage of Section 529 of the Code; therefore, the Prepaid College Trust is vulnerable to tax law changes or court or interpretive rulings that might alter the application of federal and/or State taxes to your particular situation.

Investment Management and Program Management Services. Maryland law provides Maryland 529 with an exemption from State procurement law for the selection of investment management services, and program management to manage and maintain the assets of the Prepaid College Trust. While this exemption is designed to reduce investment management fees and enhance net returns, there can be no assurance that the exemption will positively impact net returns.

Program Manager. The institution selected by the Board to provide the Program Management Services, as an independent contractor, on behalf of the Prepaid College Trust, the Trust, and the Trustee. The Board as Trustee chooses the Program Manager and the Program Manager is subject to change.

Cost of Certain Payment Plans. Contract prices are determined based on a number of factors. Total Contract payments for the monthly and annual payment options are more than the lump sum payment. This is because the monthly and annual payment options take into account the fact that the Prepaid College Trust has a shorter amount of time to generate earnings on your payments. With monthly and annual payments, the Prepaid College Trust does not have the full purchase price available to invest immediately, so it cannot generate the same amount of income as it would with a lump sum payment. As a result, you will pay a greater amount over time for your Benefits than if you make a lump sum payment. In addition, with any tuition plan, your payments may total more than the Tuition currently charged by Maryland Public Colleges.

Refunds. Refunds are calculated based on the amount of time your Contract has been in existence and will be net of Operating Expenses and any administrative fees associated with your Account. See Article VI of the Contract. In addition, in cases of financial detriment to the Prepaid College Trust, the Board reserves the right to delay a refund for a period of time not to exceed one year. To date, the Board has not delayed any refund payments pursuant to this reservation of rights.

Check Expiration. Checks issued by the Maryland Prepaid College Trust expire 180 days after issuance. If your benefit check has expired, please contact a Maryland Prepaid College Trust representative (**888.4MD.GRAD (463.4723), prompt #2**) for additional instructions.

Rebates. The Board has the option to rebate excess Trust Returns to Prepaid College Trust participants. By law, rebates would only take place under certain circumstances to ensure the soundness of the Trust. These are: 1) the actuarial surplus is at least 30%; 2) the Trust has not received a loan under the terms of the Legislative Guarantee in the past five years; and 3) if the Trust has received a loan under the terms of the Legislative Guarantee, the Trust has repaid the State.

Any rebate would be an amount determined solely by the Board. There can be no assurance that, if the conditions listed above are met, the Board would elect to offer such a rebate.

Tax Considerations. The federal and state tax consequences associated with participating in the Prepaid College Trust can be complex. You should consult a tax professional regarding the application of tax laws to your particular circumstances. See *Key Federal Tax Issues* and *Key State Tax Issues*.

Securities Laws. Contracts between you and the Board may be considered securities. These Contracts will not be registered as securities, based in part on assurances received by the Board from the staff of the Securities and Exchange Commission that it would not recommend enforcement action if the Contracts were not registered. Prepaid College Trust Contracts have not been registered with the securities regulatory authorities of any state. In addition, neither the Contracts nor the Trust have been registered as investment companies under the Investment Company Act of 1940.

Release of Custodian. For custodial accounts not funded by UGMA/UTMA, the Custodian will no longer have the authority to act on the Account once the Account Holder reaches the age of majority. See Article VII of the Contract for additional information.

Death of Account Holder. The Account will be transferred to the Account Holder's Successor upon completion of necessary paperwork. If an Account Holder's Successor has not been named on an Account and the Account Holder dies, the personal representative of the Account Holder's estate is responsible for providing a valid court order confirming their appointment and for naming a new Account Holder.

Death of Account Holder's Successor. If the Account Holder's Successor predeceases the Account Holder and the Account Holder fails to designate another Account Holder's Successor, or if the Account Holder and Account Holder's Successor die simultaneously, the personal representative of the Account Holder's estate is responsible for providing a valid court order confirming their appointment and for naming a new Account Holder.

Relationship to Financial Aid. Your Beneficiary may wish to participate in federal, state, or institutional loan, grant, or other programs for funding higher education. If you are the parent of your Beneficiary, assets in the Prepaid College Trust 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 the Student Aid Index (SAI). Assets owned by the parent of a Beneficiary who is not a dependent are not considered for purposes of FAFSA.

In making decisions about eligibility for financial aid programs offered by the U.S. government and the amount of financial aid required, the U.S. Department of Education takes into consideration a variety of factors, including among other things, the assets owned by your Beneficiary and the assets owned by your Beneficiary's parents. In addition, your Account may be considered when determining eligibility for Maryland State financial aid programs.

Since the treatment of Account assets on the FAFSA may have a material adverse effect on your Beneficiary's eligibility to receive valuable benefits under financial aid programs, you or your Beneficiary should check the following to determine the impact of an investment in the Prepaid College Trust on need-based financial aid programs:

- the applicable laws or regulations;
- with the financial aid office of an Eligible Institution; and/or
- with your tax professional.

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 professional, or your local Medicaid administrator regarding the impact of an investment in the Prepaid College Trust on Medicaid eligibility.

Cybersecurity Breaches. As with any electronic system, there exists a risk of intentional cyber-attacks and other cybersecurity breaches, including unauthorized access to assets, Maryland 529 data and confidential Account Holder and/or Beneficiary information, or other proprietary information. In addition, a cybersecurity breach could cause one of the Trust's service providers to suffer unauthorized data access, data corruption, or lose operational functionality.

Rights Reserved. The Trustee, Maryland 529 and their agents reserve the following rights: (1) to refuse or cancel any contract purchase or payment; (2) to freeze any Account and suspend Account services when notice has been received of a dispute regarding the ownership of an Account or of a legal claim against an Account, upon initial notification of an Account Holder's death (until the Prepaid College Trust or its agent, receives required documentation in correct form), or if there is reason to believe fraudulent activity may occur; (3) to modify or terminate any services at any time; (4) to act on instructions reasonably believed to be genuine; (5) to limit the total number or amount of distributions in a single month and suspend distributions during unusual market conditions; and (6) to involuntarily refund an Account at the value calculated the day the Account is refunded, in cases of suspected fraudulent or illegal activity, or if the Program Manager or its agent is unable, through its procedures, to verify the identity of the person(s) or entity opening an Account.

Prepaid College Trust Operations

Contracts. A valid Contract consists of completing the online enrollment process, receiving the enrollment confirmation, receiving the Participation and Payment Schedule, and the Prepaid College Trust Disclosure Statement (including the Contract document, Articles I through VIII of this Disclosure Statement). The Contract creates an obligation for the Prepaid College Trust to pay Benefits according to the terms of the Contract provided that you have made scheduled payments.

Trust and Legislative Guarantees. Payment of Benefits is guaranteed by the Prepaid College Trust. In addition, Maryland law provides that in the event that funds in the Prepaid College Trust are insufficient to pay full Benefits in any given year, the Governor is required to include an amount in the following year's State budget to fully pay Benefits. As with the entire State budget, the Maryland General Assembly determines the final amount of the appropriation. If the Maryland General Assembly does not fully fund the budget request, the Board may adjust the terms of subsequent or current Contracts to ensure continued actuarial soundness of the Prepaid College Trust. Subject to the rights of the Account Holders, any amount paid to the Prepaid College Trust from the State must be repaid to the State without interest in equal amounts over the following two fiscal years.

Status of Trust Funds. Funds in the Prepaid College Trust are not considered monies of the State and may not be deposited into the General Fund of the State. Funds remaining in the Prepaid College Trust at the end of any fiscal year remain in the Prepaid College Trust.

Contract Prices. Contract prices are determined for each Enrollment Period. To do so, the Board consults with its actuary, currently Gabriel Roeder Smith & Company, who provides an annual soundness valuation. The Board uses the results of its most recent soundness valuation and the most

recent tuition trends at Maryland Public Colleges to select projections to be used in calculating Contract prices for the next Enrollment Period.

Payments into the Prepaid College Trust. The Prepaid College Trust is not a savings account. It is a fund that pools your payments with those of other account holders in the Prepaid College Trust and invests them in accordance with its Investment Plan. The investment earnings that the Prepaid College Trust earns on its investments make up the difference between your payments and the payments of other account holders and expected future Tuition costs that the Prepaid College Trust is responsible for paying under your Contract and the contracts of other account holders. Payments you make are deposited into the Prepaid College Trust's account, which is maintained by the Program Manager and is fully insured. The Program Manager maintains separate accounting records for each Account Holder. These records include payments, fees charged and paid, and Benefits, rollovers, or refunds paid. The Operating Expense paid by Account Holders is used to pay for Maryland Prepaid College Trust and Maryland 529 operating costs.

Plan Governance And Administration

Maryland 529. The Maryland General Assembly created an independent State agency in 1997 to establish a Qualified Tuition Program under Section 529 of the Code. See the Education Article of the Maryland Section 18-1901 et seq. Maryland 529's first Qualified Tuition Program, the Prepaid College Trust, was also created by the General Assembly in 1997 to provide families with an affordable, convenient way to pay in advance for the cost of college and reduce future reliance on debt. Subject to the Governor's approval, the General Assembly may amend the 1997 statute that created the Prepaid College Trust by passing new legislation.

Legislative History. Bills amending the original legislation with respect to the Prepaid College Trust have been introduced and passed during the 1998, 1999, 2000, 2003, 2004, 2007, 2008, 2016, and 2021 Legislative Sessions. These bills have significantly changed and enhanced the Prepaid College Trust by creating tax incentives for Maryland Account Holders and contributors, expanding features, establishing a Legislative Guarantee for the Prepaid College Trust, changing the name of the agency administering the Prepaid College Trust to Maryland 529, exempting Maryland 529 from State procurement laws with respect to the selection of investment managers to invest the assets of the Prepaid College Trust in accordance with the Investment Plan (Procurement Exemption), authorizing the Board to establish a broker-dealer college investment plan, and providing for operational revenue of the three Maryland 529 plans to be combined and distributed across the programs.

The Maryland 529 Board. As required by the Enabling Legislation, the Prepaid College Trust is directed and administered by the Board. The Board consists of 11 members. Six members of the Board (the Maryland State

Comptroller, the Maryland State Treasurer, the Secretary of the Maryland Higher Education Commission, the Maryland State Superintendent of Schools, the Chancellor of the University System of Maryland, and the Secretary of Disabilities) 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; taken 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 Maryland 529; however, they are entitled to reimbursement for expenses incurred in the performance of their duties. The Board has general and fiduciary responsibility for the Prepaid College Trust as a whole. There are vacancies on the Board from time to time.

Annual Report. The Board is responsible for preparing financial statements for the Prepaid College Trust and retains an independent accounting firm to audit the Prepaid College Trust's financial statements. The Board is required to submit an Annual Report for Maryland 529 to the Governor and the General Assembly. This report must include financial statements and a complete financial accounting of the Prepaid College Trust and the results of the audit. The Board also prepares an Annual Report Summary and Highlights for Account Holders. The Maryland 529 Annual Report and the Annual Report Summary and Highlights are incorporated by reference into this Disclosure Statement and are available on our website at Maryland529.com or by calling **888.4MD.GRAD (463.4723)**, prompt #2.

The Declaration of Trust. The Prepaid College Trust has been established pursuant to a Declaration of Trust, which provides that the Board is the sole trustee of the Prepaid College Trust and that the Board may appoint its staff to act as its designee with respect to the day-to-day operations of the Prepaid College Trust. Among other things, the Declaration provides that the assets of the Prepaid College Trust shall be used exclusively to make payments to Eligible Institutions and make refund payments, each in accordance with Maryland law and the Contracts; pay expenses of the Prepaid College Trust in the management, protection, investment, and reinvestment of Prepaid College Trust assets; and pay the reasonable and necessary Operating Expenses of the Maryland 529 Board. The Declaration also provides that the Board shall adopt a comprehensive investment plan and policies as required by Maryland law and may change the plan from time to time as it deems in the best interests of Account Holders and Beneficiaries. Also under the Declaration, the Board is required to conduct periodic actuarial reviews of the Prepaid College Trust as required by Maryland law and must do so by contracting with a qualified actuarial firm to provide specific analyses of Prepaid College Trust assets, liabilities, and forecasts of future income and expenses.

Comprehensive Investment Plan

In accordance with Maryland law, the Board has adopted an Investment Plan. This Investment Plan reflects the philosophy of the Board and outlines the Board's long-term investment goals for providing the funding of future Benefits and the administration of the Prepaid College Trust's investments.

The Investment Plan also sets forth the Board's guidelines for evaluating the best combination of investment risk and projected rates of return to achieve the Prepaid College Trust's required funding priorities. The Board evaluates investment performance with its Investment Committee and its investment adviser on a quarterly basis.

The Board has retained an investment adviser and reviews its Investment Plan at least annually with them. This Investment Plan has the following two objectives:

- To achieve an average annual investment return of 6% over the long-term; and
- To utilize a diversified investment approach that will reduce the variability of investment returns.

Based on the most recent asset liability study conducted by the investment advisor, utilizing the Prepaid College Trust's most current actuarial information and incorporating the return objectives, risk tolerance, and liquidity needs, the Board approved the following target asset allocation policy as the long-term, strategic asset allocation for the Prepaid College Trust:

Board approved targets will be reached as soon as practical through re-balancing and/or a prudent transition plan when needed.

The Board recognizes that a rigid asset allocation would be both impractical and, to some extent, undesirable under variable market conditions. Notification of changes to the investment manager lineup will be distributed to account holders as soon as administratively feasible but may not occur prior to the hiring or firing of an investment manager. Therefore, the allocation of assets may vary from time to time within the following ranges:

Maryland law provides for the Procurement Exemption for investments and administration of the Prepaid College Trust. The Procurement Exemption facilitates Maryland 529's investment of the Trust's assets with investment managers. This, in turn, allows the Prepaid College Trust to benefit from reduced investment management fees available for these accounts, which is designed to increase the net investment return to the Prepaid College Trust.

Target Asset Allocation and Target Asset Allocation Ranges

	Target %	Minimum (%)	Maximum (%)
Core Fixed Income	20%	15%	25%
Short Duration	6%	3%	9%
High Yield Fixed Income	4%	1%	7%
Emerging Market Fixed Income	4%	1%	7%
Senior Secured Loans	4%	1%	7%
Private Debt	6%	3%	9%
Total Fixed Income	44%	39%	49%
Large-Cap	6%	1%	11%
Mid-Cap	3%	0%	6%
Small-Cap	3%	0%	6%
Low-Volatility	3%	0%	6%
Total US Equity	15%	10%	20%
Non-US Large-Cap	10%	5%	15%
Non-US Small-Cap	3%	0%	6%
Emerging Market	3%	0%	6%
Total Non-US Equity	16%	11%	21%
US Core Real Estate*	10%	5%	15%
Global Infrastructure	5%	2%	8%
Total Real Assets	15%	7%	23%
Private Equity*	10%	7%	13%
Total Private Capital	10%	7%	13%
Total Portfolio	100%		

*Investments in private equity, global infrastructure, and real estate are generally less liquid than investments in public market securities. The Board typically invests in these securities through an investment in a limited partnership. Investments are made periodically as required by the limited partnership. Therefore, actual allocations to these two asset classes may deviate from their targets for extended periods.

The Board has adopted guidelines for separate account managers and enters into investment management agreements with each investment manager.

The Board has chosen to invest in the following separately managed accounts, limited partnerships, commingled funds, and mutual funds. The Board may, at any time, in its sole discretion and consistent with the Investment Plan, increase, decrease, or terminate any investment discussed below. Additional or different investments may be made as the Board completes its transition to the target asset allocations discussed above.

Fixed Income:

- **Vanguard Total Bond Market Index Fund.** This index fund represents a wide spectrum of public, investment grade, taxable, fixed income securities in the United States — including government, corporate, and international dollar-denominated bonds, as well as mortgage backed and asset backed securities — all with maturities of more than one year.
- **Income Research & Management** for exposure to the U.S. core fixed income market. The assets of this separately managed account primarily consist of a diversified set of investment-grade bonds across various sectors including corporate bonds, securitized holdings, and government securities.
- **MacKay Shields High Yield Active Core Fund** for high yield fixed income. This commingled fund analyzes the current position in an economic cycle and then seeks to adjust the portfolio accordingly to capture the most risk-adjusted yield and return. This analysis is complemented with a bottom up credit analysis focusing on achieving higher yields and avoiding bonds with uncompensated risk.
- **Payden & Rygel Emerging Markets Debt Fund** for emerging markets fixed income. The fund invests in a diversified portfolio of emerging-market sovereign and corporate bonds and maintains geographic diversification across Latin America, Europe and Asia.
- **Nuveen Senior Loan Fund.** This is a commingled fund that invests primarily in Senior Loans, total returns and credit default swaps and other derivatives on Senior Loans. The objective is to seek a high level of current income and total return, consistent with preservation of capital.

U.S. Equity:

- **Kayne Anderson Rudnick** for U.S. mid capitalization equity. This separate account is actively managed and invests in companies with business models that provide competitive protections and control over their markets.
- **Vanguard Institutional Index Fund** for U.S. large capitalization core common stocks. This is an open-end mutual fund that is passively managed and maintains a portfolio of essentially all of the 500 stocks that make up the Standard & Poor's 500 Index.
- **Vanguard Mid-Cap Index Fund Institutional Shares** investment is a passively managed fund that seeks to track an index of medium-sized U.S. equity companies.
- **Martingale Investment Trust.** This actively managed investment seeks to deliver risk-adjusted returns exceeding the cap-weighted index over the long-term through investments in low risk stocks in various sectors.

Non-U.S. Equity:

- **Vanguard Developed Markets Index Fund.** Institutional Shares for non-U.S. equity in developed markets.

This is a passively managed mutual fund that seeks to track the performance of the FTSE Developed ex North America Index.
- **Mondrian International Equity Fund.** The investment seeks long-term total return. The fund invests at least 80% of its net assets, plus any borrowings for investment purposes, in equity securities. It invests in at least three countries, and invests at least 40% of its total assets in securities of non-U.S. companies. Equity securities include, but are not limited to, common stocks, preferred stocks, convertible securities, rights and warrants, and depositary receipts (including ADRs, EDRs and GDRs, which are certificates typically issued by a bank or trust company that represent ownership interests in securities of non-U.S. or U.S. companies.
- **Baillie Gifford EAFE Pure Fund** for non-U.S. equity. This is a commingled fund that invests in non-U.S. companies across the market cap spectrum whose principal activities are in developed-market countries. The fund has a growth orientation and invests in companies that it expects to achieve superior profit growth and long-term out performance.
- **Aberdeen Asset Management** for global emerging markets equity. This actively managed fund aims to provide long-term capital growth from direct or indirect investments in emerging stock markets worldwide or companies with significant activities in emerging markets.
- **T. Rowe Price International Discovery Fund.** This mutual fund seeks long-term growth of capital primarily through investment in common stocks of rapidly growing small-to medium sized companies outside the U.S.

Real Assets:

- **AEW Core Property Trust (U.S.)** for core private real estate. This commingled fund focuses on stable, income producing properties and includes multifamily, retail, office, industrial, and hotel properties. The fund primarily acquires institutional-quality assets in markets throughout the U.S. that are designed to provide durable income streams and appreciation over the mid- to long-term.
- **IFM Investors Global Infrastructure (Offshore), L.P.** is a core, open-ended fund that invests in developed market infrastructure with a primary focus on Europe and the Americas. The Fund targets assets with strong market positions, predictable regulatory environments, high barriers to entry, limited demand elasticity and long lives. The fund has investments in toll roads, airports, water & wastewater utilities, ports & terminals, and others.

- **IIF Tax-Exempt Hedged LP**, a fund advised by J.P. Morgan Investment Management Inc. is an open-ended, perpetual structure that invests in assets primarily in the US, Western Europe, Canada, and Australia, and secondarily in other OECD Countries. The three focus sectors are Distribution/Regulated, Contracted/Power, and GDP-Sensitive assets.
- **UBS Trumbull.** This actively managed core portfolio of U.S. equity real estate seeks to provide attractive returns with a stable income focus while limiting downside risk.

Private Equity:

- **Adams Street Global Secondary Fund 5** for globally diversified private equity. As a “fund of funds” provider, this offering is broadly diversified across venture capital, buyout, and mezzanine/distressed private investments obtained through secondary market transactions.
- **J.P. Morgan Global Private Equity** is a globally diversified private equity investment. As a second “fund of funds” investment for the portfolio, it will invest across multiple partnerships, investment sectors, investment types and various geographies.

Occasionally, the Board may have investments with legacy investment managers during a transition period.

Performance Information

Performance information for investments in the Prepaid College Trust is published each year in Maryland 529's Annual Report. The most recent report is available on our website.

Rate of return on Prepaid College Trust Investments (As of June 30 , 2021)

one year	21.3%
three year	9.2%
five year	9.4%
ten year	7.8%
Since Inception*	6.0%

*Date of inception is December 31, 1998.

Returns are net of all investment fees.

Please keep in mind that past performance is not indicative of future results.

Contract Pricing

The factors and projections we use to determine Contract prices for this enrollment period include:

- 2021–2022 tuition at Maryland Public Colleges;
- Projected annual tuition increases of 3% for the next 4 Academic Years and then 5% thereafter.
- Projected annual mandatory fee increases of 6% in each Academic Year;
- Projected annual earnings of 6% on Prepaid College Trust investments;
- Beneficiary's PEY;
- Tuition plan selected;
- Payment option selected;
- Operating Expenses including 2.5% of Contract payments
- Projected number of new Contracts in each Enrollment Period;
- A load of 17.1% for the University tuition plans and 13.3% for the Community College tuition plans to support the actuarial soundness of the Trust.
- Following an analysis, calculation, and evaluation of these and other factors, the Board then determines Contract prices for each tuition plan and payment option.

Key Federal Tax Issues

General. This section takes a closer look at some of the federal tax considerations you should be aware of when investing in the Prepaid College Trust. The federal tax consequences associated with an investment in the Prepaid College Trust 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 Prepaid College Trust to change. In addition, the Board has not requested a private letter ruling from the IRS with regard to the status of the Prepaid College Trust 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. This information was written solely to support the promotion and marketing of the Prepaid College Trust.

You should consult a tax professional regarding the application of federal tax laws to your particular circumstances.

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

Federal Gift/Estate Tax. For the tax year 2021, 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) during the year do not exceed \$15,000 (\$30,000 for married couples making a proper election), no gift tax will be imposed for the year. Gifts of up to \$75,000 can be made in an individual year (\$150,000 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, Benefits are not included in your estate, unless you elect the five-year averaging and die before the end of the fifth year. Typically, if you die with Benefits 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 Benefit payments and refunds; changes of Beneficiaries, and other situations. You should consult with a tax professional 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.

The federal limits discussed above are for the 2021 tax year. 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 professional for details.

Tax Benefits Not Intended for Abuse. Qualified Tuition Programs are intended to be used only to save for Qualified Higher 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 professional based on their own particular circumstances.

Rollovers. You may transfer all or part of the money in your Account to another Account in the Prepaid College Trust or an account in another Qualified Tuition Program (including the Maryland College Investment Plan) or to an eligible ABLE account without adverse federal income tax consequences if the transfer occurs within 60 days of the withdrawal from your Account. A rollover to another Qualified Tuition Program for the same Beneficiary is limited to one per 12 months. If the assets in your Account are being rolled over to an ABLE account or Qualified Tuition Program Account for a different Beneficiary, the Beneficiary of the receiving account must be a Member of the Family of the original Beneficiary. Changes in your Beneficiary could potentially cause gift and/or generation-skipping transfer tax consequences to the Beneficiary and/or Account Holder. Any rollover from a Qualified Tuition Program to an ABLE account is subject to the ABLE account's annual contribution limit (currently \$15,000) as prescribed by Section 529A of the Code and/or by the state sponsor of the ABLE account. Under federal law, a rollover from a Qualified Tuition Program to an ABLE account must take place by December 31, 2025. Please consult with your tax professional.

Similarly, you may fund your Account with a rollover from another Qualified Tuition Program. There are no adverse federal income tax consequences if the transfer occurs within 60 days of the withdrawal from the other Qualified Tuition Program.

Rollovers for the same Beneficiary are limited to one per 12 months. If the Beneficiary of the other Qualified Tuition Program is different, the Beneficiary of the resigning account must be a Member of the Family of the Beneficiary of your Prepaid College Trust Account.

Coverdell Education Savings Accounts. You may fund your Account with a distribution from a Coverdell Education Savings Account. This type of 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 per student. Consult your tax professional for more information.

Education Tax Credits. You and your Beneficiary, if eligible, can take advantage of American opportunity tax credit (AOTC) and lifetime learning tax credits without affecting your participation in the Prepaid College Trust or your Benefit. You can claim American opportunity tax credit (AOTC) and lifetime learning tax credits in the same year that you take a tax-exempt distribution from a Qualified Tuition Program provided the distribution is not used for the same educational expenses. More information may be found in the IRS Publication 970, which can be viewed online at [irs.gov](https://www.irs.gov).

Federal Taxation of Distributions from Your Account

Federal Taxation of Benefit Payments. Distributions from your Account may have two components:

1. principal, which is not taxable when distributed, and
2. earnings, if any, which may be subject to federal taxes. We determine the earnings portion 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). In certain cases, losses may be reported to the IRS. 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. The taxable party is the Beneficiary unless the distribution is issued to the Account Holder.

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 substantiate the type of distribution you received. Your Account 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. We will not provide information to the IRS regarding the type of distribution you receive.

When a Benefit is paid for Qualified Higher Education Expenses, your Account's investment gains are distributed federal income tax-free, provided you do not also claim all or part of these Qualified Higher Education Expenses as a Lifetime Learning Credit or American Opportunity Tax Credit, which expanded and renamed the already-existing Hope Scholarship Credit. If the Benefit paid exceeds the Beneficiary's adjusted Qualified Higher Education Expenses (total Qualified Higher 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 federal income taxes as well as the federal surcharge required by the Code that is equal to 10% of the earnings portion of a Non-Qualified Distribution (Distribution Tax). Please see IRS Publication 970 for additional information.

Refunds. For federal income tax purposes and pursuant to current IRS guidance, including Form 1099-Q and proposed regulations, the earnings portion of a refund received in the event of the death or Disability of a Beneficiary or the receipt of a Scholarship, grant, or tuition remission is generally taxable to the Account Holder. However, the refund would be taxable to the Beneficiary if it is paid to the Beneficiary or Eligible Institution. The earnings portion of a refund under these circumstances (which are considered Qualified Distributions for federal income tax purposes and pursuant to current IRS guidance, including Form 1099-Q and proposed regulations) will not be subject to the Distribution Tax.

Determination of Taxable Earnings. The principal and earnings portions of a refund for federal tax purposes are determined by a formula reflecting the proportion of contributions to the overall market value of your Account(s) in the Prepaid College Trust for the same Beneficiary. If the distribution is subject to a Distribution Tax, the Distribution Tax is applied to the earnings portion. The taxpayer is responsible for calculating and reporting any Distribution Tax to the IRS.

Key State Tax Issues

General. This section takes a closer look at some of the state tax considerations you should be aware of when investing in the Prepaid College Trust. However, the discussion is by no means exhaustive and is not meant as tax advice. The state tax consequences of an investment in the Prepaid College Trust can be complex. You should consult your tax professional regarding the application of state tax laws to your particular circumstances.

For additional information on Prepaid College Trust tax benefits for Maryland taxpayers, please refer to Maryland Income Tax Administrative Release No. 32, which can be obtained at [MarylandTaxes.gov](https://www.marylandtaxes.gov) by searching for the "Tax Publications" or by calling **1-800-MD-TAXES**.

Maryland State Income Deduction for Contributions.

A Maryland taxpayer who is also an Account Holder or contributes to a Prepaid Trust account, may receive a maximum annual deduction of \$2,500 per Account on their

Maryland tax return. The Account Holder may take any amount disallowed in one year as a deduction in succeeding taxable years until the full amount contributed to the Account has been deducted, subject to the \$2,500 annual limit. If you no longer pay Maryland income tax, you are no longer eligible to claim this deduction. Additionally, if you receive funds through the State Contribution Program, you are not eligible for the Maryland state income tax.

To take advantage of the income deduction for the current year, your contribution needs to be completed online (processed by your bank) or postmarked by December 31. You are responsible for maintaining documentation to support the timing of your contribution.

The Maryland income deduction is available to Account Holders and Contributors on the amounts they contribute, capped at \$2,500 per year, per Account.

While contributors other than the Account Holder may be eligible for the income deduction, only the Account Holder can control the use and distributions of the benefits in an account. See the definition of "Account Holder" in Article II for more information.

Maryland Tax-Free Distributions for Qualified Expenses.

When Benefits are distributed to pay for Qualified Higher Education Expenses, all of the Trust's investment gains attributable to your Account, if any, are distributed free of State income taxes. If you no longer pay Maryland income tax, you will no longer receive this Maryland tax benefit. Note that for purposes of State tax law, distributions to pay for the qualified education loan of a sibling of the Beneficiary may be subject to State tax consequences. Such distributions are qualified expenses for federal tax purposes.

Maryland Taxation of Other Distributions/Recapture of Previous Deductions.

Any amounts previously taken as a deduction from a payee's Maryland adjusted gross income must be added to their Maryland adjusted gross income for the tax year in which they receive a distribution from the Account, unless the distribution is a Rollover Distribution or used to pay for Qualified Higher Education Expenses. The requirement to add previous years' deductions to one's Maryland adjusted gross income applies even if that distribution was the result of the Beneficiary's receipt of a Scholarship, grant, or tuition remission or the Beneficiary's death or Disability. Note that this addition includes distributions to pay for the qualified education loan of a sibling of the Beneficiary.

Non-Maryland Residents. If you are not a Maryland resident, the amount of your Benefit that represents investment gain, even if used for Qualified Higher Education

Expenses may be subject to applicable state taxes. 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 Qualified Tuition Program. 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 Qualified Tuition Program to learn more about the features, benefits and limitations of that state's Qualified Tuition Program. Earnings on rollovers may be subject to state tax. Please consult your tax professional for the specific state tax consequences in your home state.

Maryland Gift and 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 \$75,000 in 2021 (\$150,000 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, 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 professional to evaluate the specific effect of Maryland estate taxes on your situation.

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 Prepaid College Trust be confidential. We recognize our obligation to keep information about you secure and confidential.

Collecting and Using Information. Through your participation in the Prepaid College Trust, we collect various types of confidential information you provide during the online enrollment process 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 Prepaid College Trust transactions such as Benefits, payments, and refunds. 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 these relationships, 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.

Electronic Communications. We may, from time to time, notify you by email about important information about the Prepaid College Trust or that documents, including Account statements and transaction confirmations, have been delivered. However, email notification is not a substitute for regularly checking your Account at Maryland529.com/prepaid-login. We may archive these documents and cease providing them on our website when they become out of date and, therefore, you should consider printing any Account information that you may wish to retain before it is removed. After these documents are archived, you will be able to obtain an electronic copy by contacting 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.

Creditor Protections

Under Maryland law, your Account is not subject to attachment, garnishment, or seizure by creditors of you or the Beneficiary other than the State. Federal law also provides limited creditor protections based on the timing of the 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 bankruptcy petition, a current maximum of \$6,825 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.

PRICES AND FEES

All prices are based on several factors; for a full list of these factors, see Contract Pricing of this Disclosure Statement. If you wish to take advantage of the Maryland State income deduction for the 2021 tax year, you must complete the online enrollment process, including any applicable payments, prior to December 31st. Keep in mind all Benefits are paid on a semester by semester basis (or the financial equivalent for the particular Eligible Institution).

The following tables provide 2021–2022 Enrollment Period Contract prices. To determine a price, decide which tuition plan you want, then find the Beneficiary's grade or age and projected enrollment year (which is the earliest year he/she is eligible to use Benefits) on the left-hand side of the chart. For example, if the Beneficiary will be in the 9th grade during the 2021–2022 school year, the projected year of

enrollment will be 2025. For Beneficiaries in the 10th –12th grades, the earliest year they are entitled to use Benefits will be 2025. For further information, see Minimum Maturity in Article V of the Contract.

Next, the columns moving across the chart will provide you with the prices and number of payments for different payment options: lump sum, annual, five-year monthly, and extended monthly. If you would like to use the down payment option, please see the last pricing page as an example. The down payment options for all tuition plans and additional contract price options are posted on our website or available by calling our toll-free number. If you enroll during the 2021–2022 Enrollment Period, your first payment will be due by the 1st of the month on or before 60 days from completed enrollment.

Community College Plan — 1 Year

Grade/Age 9/1/21	Projected Enrollment Year	Lump Sum Payment	Annual Payments		5-Year Monthly Payments	Extended Monthly Payments	
			Amount	Number		Amount	Number
9-12	2025	\$5,600	\$1,979	3	N/A	\$210	29
8	2026	5,555	1,963	3	N/A	153	41
7	2027	5,513	1,948	3	\$110	122	53
6	2028	5,470	1,933	3	109	102	65
5	2029	5,427	1,918	3	108	88	77
4	2030	5,389	1,905	3	107	78	89
3	2031	5,351	1,891	3	106	71	101
2	2032	5,316	1,879	3	106	65	113
1	2033	5,279	1,866	3	105	60	125
K	2034	5,246	1,854	3	104	56	137
4	2035	5,215	1,843	3	104	53	149
3	2036	5,183	1,832	3	103	50	161
2	2037	5,154	1,822	3	103	48	173
1	2038	5,124	1,811	3	102	46	185
Infant	2039	5,099	1,802	3	102	44	197

Community College Plan — 2 Years

Grade/Age 9/1/21	Projected Enrollment Year	Lump Sum Payment	Annual Payments		5-Year Monthly Payments	Extended Monthly Payments	
			Amount	Number		Amount	Number
9-12	2025	\$11,155	\$3,940	3	N/A	\$415	29
8	2026	11,066	3,908	3	N/A	301	41
7	2027	10,983	3,879	3	\$214	238	53
6	2028	10,899	3,849	3	213	199	65
5	2029	10,819	3,821	3	211	172	77
4	2030	10,741	3,793	3	210	152	89
3	2031	10,667	3,767	3	208	137	101
2	2032	10,594	3,742	3	207	125	113
1	2033	10,526	3,718	3	206	116	125
K	2034	10,460	3,694	3	204	108	137
4	2035	10,396	3,672	3	203	102	149
3	2036	10,334	3,650	3	202	96	161
2	2037	10,278	3,630	3	201	92	173
1	2038	10,224	3,611	3	200	88	185
Infant	2039	10,172	3,593	3	199	84	197

University Plan — 1 Semester

Grade/Age 9/1/21	Projected Enrollment Year	Lump Sum Payment	Annual Payments		5-Year Monthly Payments	Extended Monthly Payments	
			Amount	Number		Amount	Number
9-12	2025	\$6,296	\$2,225	3	N/A	\$236	29
8	2026	6,261	2,212	3	N/A	172	41
7	2027	6,229	2,201	3	\$123	137	53
6	2028	6,198	2,190	3	123	115	65
5	2029	6,169	2,180	3	122	100	77
4	2030	6,143	2,171	3	122	89	89
3	2031	6,116	2,161	3	121	80	101
2	2032	6,094	2,153	3	121	74	113
1	2033	6,073	2,146	3	120	69	125
K	2034	6,052	2,139	3	120	64	137
4	2035	6,033	2,132	3	120	61	149
3	2036	6,016	2,126	3	119	58	161
2	2037	6,003	2,121	3	119	55	173
1	2038	5,990	2,117	3	119	53	185
Infant	2039	5,979	2,113	3	119	51	197

University Plan — 1 Year

Grade/Age 9/1/21	Projected Enrollment Year	Lump Sum Payment	Annual Payments		5-Year Monthly Payments	Extended Monthly Payments	
			Amount	Number		Amount	Number
9-12	2025	\$12,404	\$4,380	3	N/A	\$461	29
8	2026	12,338	4,357	3	N/A	335	41
7	2027	12,274	4,334	3	\$239	266	53
6	2028	12,210	4,312	3	238	222	65
5	2029	12,155	4,292	3	237	193	77
4	2030	12,104	4,274	3	236	171	89
3	2031	12,052	4,256	3	235	155	101
2	2032	12,008	4,241	3	234	142	113
1	2033	11,963	4,225	3	233	131	125
K	2034	11,925	4,211	3	232	123	137
4	2035	11,889	4,199	3	232	116	149
3	2036	11,855	4,187	3	231	110	161
2	2037	11,830	4,178	3	231	105	173
1	2038	11,802	4,168	3	230	100	185
Infant	2039	11,780	4,160	3	230	97	197

University Plan — 2 Years

Grade/Age 9/1/21	Projected Enrollment Year	Lump Sum Payment	Annual Payments		5-Year Monthly Payments	Extended Monthly Payments	
			Amount	Number		Amount	Number
9-12	2025	\$24,742	\$8,735	3	N/A	\$916	29
8	2026	24,609	6,703	4	N/A	664	41
7	2027	24,485	5,487	5	\$473	527	53
6	2028	24,369	4,678	6	471	440	65
5	2029	24,258	4,103	7	469	381	77
4	2030	24,155	3,673	8	467	337	89
3	2031	24,058	3,340	9	465	305	101
2	2032	23,971	3,328	9	463	279	113
1	2033	23,888	3,317	9	462	258	125
K	2034	23,812	3,306	9	460	241	137
4	2035	23,744	3,297	9	459	227	149
3	2036	23,685	3,289	9	458	215	161
2	2037	23,629	3,281	9	457	205	173
1	2038	23,583	3,274	9	456	197	185
Infant	2039	23,543	3,269	9	455	189	197

University Plan — 3 Years

Grade/Age 9/1/21	Projected Enrollment Year	Lump Sum Payment	Annual Payments		5-Year Monthly Payments	Extended Monthly Payments	
			Amount	Number		Amount	Number
9-12	2025	\$37,013	\$13,066	3	N/A	\$1,369	29
8	2026	36,823	10,028	4	N/A	992	41
7	2027	36,642	8,209	5	\$706	786	53
6	2028	36,473	7,001	6	703	657	65
5	2029	36,313	6,140	7	700	568	77
4	2030	36,163	5,497	8	697	503	89
3	2031	36,025	5,000	9	694	454	101
2	2032	35,893	4,604	10	692	416	113
1	2033	35,777	4,283	11	690	385	125
K	2034	35,669	4,017	12	688	360	137
4	2035	35,573	3,794	13	686	339	149
3	2036	35,486	3,605	14	684	321	161
2	2037	35,410	3,443	15	683	306	173
1	2038	35,345	3,303	16	681	293	185
Infant	2039	35,293	3,182	17	680	282	197

University Plan — 4 Years

Grade/Age 9/1/21	Projected Enrollment Year	Lump Sum Payment	Annual Payments		5-Year Monthly Payments	Extended Monthly Payments	
			Amount	Number		Amount	Number
9-12	2025	\$49,226	\$17,376	3	N/A	\$1,819	29
8	2026	48,978	13,337	4	N/A	1,318	41
7	2027	48,746	10,920	5	\$938	1,045	53
6	2028	48,523	9,312	6	934	872	65
5	2029	48,319	8,169	7	930	754	77
4	2030	48,128	7,315	8	926	668	89
3	2031	47,946	6,654	9	923	603	101
2	2032	47,782	6,128	10	920	552	113
1	2033	47,631	5,701	11	917	511	125
K	2034	47,496	5,348	12	914	478	137
4	2035	47,374	5,052	13	912	450	149
3	2036	47,267	4,801	14	910	426	161
2	2037	47,174	4,586	15	908	406	173
1	2038	47,094	4,400	16	907	389	185
Infant	2039	47,030	4,238	17	905	374	197

Two-Plus-Two Plan — 4 Years

Grade/Age 9/1/21	Projected Enrollment Year	Lump Sum Payment	Annual Payments		5-Year Monthly Payments	Extended Monthly Payments	
			Amount	Number		Amount	Number
9-12	2025	\$35,639	\$12,581	3	N/A	\$1,318	29
8	2026	35,435	9,650	4	N/A	955	41
7	2027	35,244	7,896	5	\$679	756	53
6	2028	35,053	6,728	6	676	631	65
5	2029	34,880	5,898	7	672	546	77
4	2030	34,714	5,277	8	669	483	89
3	2031	34,555	4,796	9	666	436	101
2	2032	34,405	4,413	10	663	399	113
1	2033	34,269	4,103	11	661	369	125
K	2034	34,144	3,846	12	658	344	137
4	2035	34,026	3,630	13	656	324	149
3	2036	33,916	3,446	14	654	307	161
2	2037	33,823	3,289	15	652	292	173
1	2038	33,735	3,153	16	650	280	185
Infant	2039	33,659	3,034	17	649	269	197

Schedule of Fees

The following table provides information regarding the fees relating to the Prepaid College Trust. The Board may change the fees from time to time. Any changes in fees will be described in a supplement to this Disclosure Statement or in subsequent Disclosure Statements.

Schedule of Fees	
Enrollment Fee — Must be received before Account can be opened	
New Account opened online *NEW!*	\$ 0
New Account — opened online — if the same Account Holder and Beneficiary have an account in the Maryland College Investment Plan	\$0
Purchase of Additional Semesters or Years — Same Account Holder and Beneficiary	\$0
Recontribution Fee	\$10
Rollover Fee — For a full or partial rollover to another 529 plan (except the Maryland College Investment Plan)	\$75
Rollover Fee — For rollover to the Maryland College Investment Plan *NEW!*	\$0
Returned Payment Fee	\$28
Late Fee on Monthly Payment (1)	\$10 per month
Late Fee on Lump Sum Payment beyond 30 days (5)	\$150 per month
Late Fee on Annual Payment (1)	\$40 per month
Change of Account Holder (2)	\$10
Change of Beneficiary (2, 3) — must be for full remaining balance	\$100
Voluntary Change of Tuition Plan (3)	\$10
Involuntary Change of Tuition Plan (3)	\$25
Change in Payment Option (3)	\$0
Refund Fee — if Account is canceled due to a full or partial refund (4)	\$75

(1) If payment is received more than 10 days past the due date.

(2) These fees are waived in case of death or Disability.

(3) These fees do not cover possible increases in Contract payments.

(4) This fee is waived in cases of Excess Benefits and Scholarship Refunds.

(5) This monthly fee applies to lump sum payments that are 31–90 days late. If no payment is received within 90 days, your Account will be canceled.

The Operating Expenses of the Trust are funded by: 2.5% of all Contract payments which has been included in each scheduled payment listed in the Price Charts.

All Fees are subject to change upon Board approval. Maryland law requires that all fees collected by the Prepaid College Trust be used to administer the Prepaid College Trust.

Maryland 529 Speakers Available

If you would like to host a free Maryland 529 information session at your child's school, sponsor an employee forum at your workplace, or have a speaker at a meeting of a social or community organization, please let us know. Our ambassadors travel the state providing various groups and organizations with complete information on how the Maryland 529 College Savings Plans can help parents, grandparents, and others save for a child's future college education.

To schedule an ambassador for your group, simply complete our speaker request form at Maryland529.com/request-a-speaker. We will then confirm your date, time, and speaker.



Maryland529.com | 888.4MD.GRAD (463.4723)

Maryland Senator Edward J. Kasemeyer Prepaid College Trust
Maryland Senator Edward J. Kasemeyer College Investment Plan