

**COLLEGE
ILLINOIS** 

529 PREPAID TUITION PROGRAM

MASTER AGREEMENT AND DISCLOSURE STATEMENT

College Illinois! MASTER AGREEMENT AND DISCLOSURE STATEMENT

For the 2007-'08 Enrollment Period: October 29, 2007 through April 29, 2008.

ARTICLE I - INTRODUCTION

This Master Agreement and Disclosure Statement describes the basic terms and conditions of the Illinois Prepaid Tuition Program ("Program" or "*College Illinois!*") administered by the Illinois Student Assistance Commission ("ISAC" or "Commission") as authorized by Chapter 110 of the Illinois Compiled Statutes (1994) as amended [110 ILCS 979/1 through 979/99] ("the Act") and ISAC Administrative Rules (23 Ill. Adm. Code 2775, et. seq.) ("ISAC Rules"). The *College Illinois!* application ("Application"), this Master Agreement and Disclosure Statement and the Participation and Payment Schedule, constitute the *College Illinois!* contract ("Contract") between the Purchaser and ISAC. Modifications may be made to this Master Agreement and Disclosure Statement by the Commission and will be incorporated into the Contract pursuant to Article X(3) below.

ARTICLE II - DEFINITIONS

The definitions of terms included in the provisions of the Act and ISAC Rules will apply to Contracts and are incorporated herein by reference. Listed below are the definitions which will assist in interpretation of the Contract:

"Assignee" - One who is assigned the Contract pursuant to Article VIII(3) of this Master Agreement and Disclosure Statement.

"Beneficiary" - A living individual designated as the recipient of the Benefits of a Contract, provided he/she (i) has been a resident of Illinois for at least 12 months prior to the date of the Application; or (ii) is a nonresident, so long as the Purchaser has been a resident of Illinois for at least 12 months prior to the date of the Application; or (iii) is less than one year of age and his/her parent or legal guardian has been a resident of Illinois for at least 12 months prior to the date of the Application; or (iv) is a nonresident, so long as he/she is a transferee Beneficiary or the Purchaser is a Substitute Purchaser pursuant to Article VIII below. There is no age limit with regard to the Beneficiary of a Contract.

"Benefits" - Payments provided under a Contract, which are described in Article IV of this Master Agreement and Disclosure Statement.

"College Illinois!" - The name of the Illinois Prepaid Tuition Program.

"Contract" - Consists of the Application, this Master Agreement and Disclosure Statement and the Participation and Payment Schedule.

"Disabled" - When the Beneficiary is unable to benefit from higher education as a result of sickness, disease, mental incapacity or injury.

"Eligible Out-of-State Institution" - Any state, public or independent, nonprofit, accredited institution of higher education at which federal financial aid may be used which provides a minimum of an organized two-year program at the postsecondary level and that operates in conformity with standards substantially equivalent to those of public institutions of higher education.

"Illinois Community College" - A MAP-eligible, public community college as defined in Section 1-2 of the Illinois Public Community College Act. [110 ILCS 805/1, et. seq.]

"Illinois Prepaid Tuition Trust Fund" or "Fund" - The repository of all moneys received by the Commission including all contributions, appropriations, fees, interest and dividend payments, gifts, or other financial assets received in connection with operation of the Illinois Prepaid Tuition Program.

"Illinois Private Institution" - A MAP-eligible, accredited, nonprofit, independent institution of higher education or a MAP-eligible, for-profit vocational or technical school in Illinois at which federal financial aid may be used which provides a minimum of an organized two-year program at the postsecondary level and that operates in conformity with standards substantially equivalent to those of public institutions of higher education.

"Illinois Public Institution" - A MAP-eligible, Illinois Public University or Illinois Public Community College.

"Illinois Public University" - Any of the following institutions which are MAP-eligible: the University of Illinois - Chicago, University of Illinois - Springfield, University of Illinois - Urbana, Illinois State University, Chicago State University, Governors State University, Southern Illinois University - Carbondale, Southern Illinois University - Edwardsville, Northern Illinois University, Eastern Illinois University, Western Illinois University or Northeastern Illinois University.

"Mandatory Fees" - Those fees required as a condition of enrollment of a Beneficiary in an institution of higher education and are not any other fees or costs that a Beneficiary is obligated to pay, such as, but not limited to, individual fees related to participation in a particular sport or activity, individual course fees such as lab fees, books, room and board, or any fees not listed on the school's invoice.

"MAP-eligible Institution" or "MAP-eligible" - A public or nonpublic institution of higher education whose students are eligible to receive need-based student financial assistance through State Monetary Award Program (MAP) grants administered by ISAC under the Higher Education Student Assistance Act and whose students also are eligible to receive benefits under Section 529(a) of the Internal Revenue Code of 1986, as specified by the federal Small Business Act of 1996 and subsequent amendments to this federal law.

“Mean-Weighted Average Tuition and Fees” - The tuition and mandatory fees used for the Illinois Public Universities and Illinois Community Colleges by ISAC for purposes of MAP grants, multiplied by the number of full-time equivalent undergraduate students enrolled at each such institution, added together, and divided by the sum of the full time equivalent enrollments from the previous year at each institution. This figure is calculated once per year and is used regardless of whether individual institutions adjust their tuition and mandatory fees for that same year. The Mean-Weighted Average Tuition and Fees is calculated separately for Illinois Public Universities and Illinois Community Colleges.

“Member of the Family” - Member of the Family as defined in the Internal Revenue Code, Section 529(e)(2), as amended, means an individual who bears a relationship to a Beneficiary as follows: 1) son or daughter, or a descendant of either; 2) stepson or stepdaughter; 3) brother, sister, stepbrother, stepsister, half-brother, or half-sister; 4) father or mother or an ancestor of either; 5) stepfather or stepmother; 6) son or daughter of a brother or sister; 7) brother or sister of the father or mother; 8) son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law or sister-in-law; 9) the spouse (which must be a member of the same household and have the same principal place of abode) of any of the above; 10) the spouse (which must be a member of the same household and have the same principal place of abode); or 11) any first cousin of the Beneficiary. In determining whether any of these relationships exist, a legally adopted child of an individual shall be treated as a child of such individual by blood. [26 U.S.C.A. 529, et. seq.]

“Participation and Payment Schedule” - The document furnished by the Commission to the Purchaser upon enrollment of the Beneficiary in the Program which describes the due dates and amount of payments required of the Purchaser under the selected Program plan.

“Purchaser” - A person who is at least 18 years of age and is a resident of the United States, or a corporation, partnership, trust, charitable organization, or any other entity validly organized under the laws of the United States, and who is or was obligated to make payments under a Contract. An individual designated as a Purchaser must be a resident of Illinois for at least 12 consecutive months immediately prior to the date of the Application unless the Beneficiary is a resident of Illinois or is a transferee Beneficiary or, unless the Purchaser is a Substitute Purchaser.

“Registration Fees” - The Semester or term charges for tuition imposed by an institution of higher education and all Mandatory Fees required as a condition of enrollment of all students if both are qualified higher education expenses at an eligible educational institution, as defined in §529 of the Internal Revenue Code, as amended.

“Resident” - A person who resides in the State of Illinois at the time an Application is submitted. The term “Resident” also includes (i) military personnel and their dependents who are stationed in Illinois at the time the Contract is purchased or who claim Illinois as their domicile and (ii) a corporation, partnership, trust, charitable organization, or any other entity validly organized under the laws of the United States and having significant contact with the State of Illinois, as determined by the Commission.

“Semester” - One half of an academic year (at an eligible institution with semester terms) or the equivalent (for an eligible institution with quarter terms). One Semester of Benefits is equivalent to 15 credit hours.

“Section 529” - Section 529 of the Internal Revenue Code (26 U.S.C. §529), as amended, pertaining to qualified tuition programs established and maintained by a State or agency or instrumentality thereof or by one or more eligible educational institutions.

“Substitute Purchaser” - An Assignee or Successor Purchaser of the Contract.

“Successor Purchaser” - One who succeeds or is named to succeed the current Purchaser in ownership of the Contract at the time of the Purchaser’s death pursuant to Article VIII (2) below.

ARTICLE III - PARTICIPATION IN THE PROGRAM

1. In order to participate in the Program, a Purchaser must provide on the Application the Social Security Number (“SSN”) or Tax Identification Number (“TIN”), age, projected date of enrollment in college and, if applicable, grade level of the Beneficiary. If for any reason, the SSN is unavailable, it must be provided to the Commission prior to the payment of Benefits. The Purchaser must also (i) designate the Purchaser’s SSN or TIN and (ii) indicate the type of college plan and the number of semesters that will be purchased under the Contract.
2. University Plans specify that up to nine Semesters, or 135 credit hours, at a University may be purchased for the benefit of a Beneficiary. Applicants may choose to purchase as little as one Semester, or 15 credit hours, at a time.
3. Community College Plans specify that up to four Semesters, or 60 credit hours, at a Community College may be purchased for the benefit of a Beneficiary. Applicants may choose to purchase as little as one Semester, or 15 credit hours, at a time.
4. The Combination Plan specifies that four Semesters, or 60 credit hours, at a Community College and four Semesters, or 60 credit hours, at a University may be purchased for the benefit of a Beneficiary.

ARTICLE IV - PROGRAM BENEFITS

1. The Program is intended to pay Registration Fees for the normal course load for a full-time student for the number of semesters of education selected and paid for under a specific Contract. The actual number of credit hours for which the student enrolls is billed to *College Illinois!* and then deducted from the student’s prepaid tuition account. This includes payment to any institution that may assess tuition and fees based on a range or category instead of the specific number of credit hours.

2. The Registration Fees contracted for by the Purchaser shall be paid at the time of postsecondary undergraduate enrollment of the Beneficiary. The credit hours purchased may be used during any term of postsecondary undergraduate enrollment (subject to Article VII(2) below). A Beneficiary will be sent the necessary information about using Benefits prior to college enrollment. The Program will pay the amount of Registration Fees purchased by the Purchaser as long as such Registration Fees are used prior to Contract expiration (as described in Article VII(2) below). A Purchaser may convert from one college plan or level to another, in accordance with Article VI(5) below.
3. Under no circumstances will the Mandatory Fees component of a Beneficiary's Registration Fees pay more than the amount payable under the specific Contract. Mandatory fees are paid once for each semester covered by a Contract. For any semester, Mandatory Fees may be paid directly to the school by the student, reserving Mandatory Fee benefits covered by the Contract for future use.
4. The Benefits of the Program may be utilized in portions of a Semester, subject to the restriction on payment of the Mandatory Fees in Article IV(3) above, to accommodate part-time attendance or additional credits. The portion of a Semester utilized for any part-time attendance or additional credits will be determined based upon the number of credit hours for which the Beneficiary is enrolled. The unused portion of the credit hours for a semester may be used during a later semester of enrollment subject to the time limit specified in Article VI(1) below.

For example, if a Beneficiary's first utilization of Benefits under an eight semester Public University Plan Contract (equal to 120 credit hours) is by enrollment for six hours at a four-year institution, the Beneficiary's plan is charged with one registration for Mandatory Fee purposes and six credit hours for tuition purposes. The Beneficiary will then be entitled to another seven registrations for Mandatory Fees and 114 credit hours of tuition.
5. The Commission may develop other methods for the calculation of Benefits payable under Contracts as it determines necessary to provide consistent Benefits. This specifically allows the Commission to adapt the calculation of Benefits to the methods for calculating credits and Registration Fees that may be adopted by any Illinois Public Institution in the future.

ARTICLE V - PAYMENTS

1. No payments will be allowed on behalf of a Beneficiary in excess of payments required to provide the Benefits under a Contract, as set forth in the Participation and Payment Schedule for that Beneficiary. Payments are due in the amounts and on the dates specified in the Participation and Payment Schedule. There is no prepayment penalty.
2. (a) Following acceptance of the Contract, if all Payments then due are not received within 120 days of the first payment due date, the account is canceled.
(b) For subsequent monthly payments due (including the down payment on a monthly payment plan), failure to make full payment within fifteen (15) days of the due date shall result in assessment of a late fee and suspension of the Beneficiary's rights under the plan. For lump sum and annual payments due, failure to make full payment within thirty (30) days of the due date shall result in assessment of a late fee and suspension of the Beneficiary's rights under the plan. If an account is delinquent for 210 days, the account is canceled and the Commission shall refund the amount paid less (i) any Benefits used; (ii) any refunds paid; and (iii) any applicable fees. All payments received are applied to past due plan amounts, excluding fees.
3. A Purchaser may pay for a Contract by (i) a lump sum payment for the full amount of the Contract as specified in the Participation and Payment Schedule or; (ii) an initial lump sum payment of a fixed amount offered by the Program and installment payments of the balance due; or (iii) payments of the amount of installments required under the option selected, accompanied by account coupons or other invoice devices provided to the Purchaser by the Commission. All installment payments for Contracts purchased during the 2007-'08 enrollment period include an 8.66% service charge. The Commission may, at its option, approve other payment schedules. Payments may be made only by (i) check; (ii) money order; or (iii) authorized monthly debit (ACH) from a bank account (available for monthly payment plans only). The Purchaser may change payment methods at any time upon written request to the Commission, subject to any administrative fees.
4. No penalty shall be assessed for early payment of installment Contracts.

ARTICLE VI - USE OF CONTRACT BENEFITS

1. Contract Benefits may not be used until three years after the first payment due date and the Contract has been paid in full. In accordance with Article VII(2) below, the Beneficiary must use all Contract Benefits within a ten-year period beginning on the date of enrollment in an institution of higher education. The Beneficiary may use the Benefits prior to the projected college enrollment date, without penalty if the requirements above have been met.
2. For a Beneficiary to begin using Contract Benefits at an Illinois Private Institution or Eligible Out-of-State Institution, the Commission must first be notified in advance of the institution that the Beneficiary will attend. The Commission shall then provide information to the selected institution confirming the Beneficiary's participation in the Program. If the selected eligible institution is not covered by the plan specified in the Application, the Commission may apply Contract Benefits in accordance with Article VI(3) below, on a per-Semester basis.

3. Upon receipt of all the documentation required by the Commission, the Commission will pay the following Benefits directly to the specified institution:
 - (a) For a Beneficiary of a Public University Plan Contract who enrolls in (i) any Illinois Public University, the standard in-state Registration Fees of such institution; (ii) an Illinois Private Institution, or an Eligible Out-of-State Institution, the average-mean-weighted credit hour value of standard in-state Registration Fees for Illinois Public Universities in the same academic year less any applicable fees; or (iii) an Illinois Community College, the standard in-district, in-state Registration Fees of such institution. The Commission will convert the Contract Benefits to equivalent community college hours on a semester-by-semester basis. The Purchaser may either request a refund, if one is due, or request that any excess amounts be held for application toward future Registration Fees pursuant to Article VI(5) below.
 - (b) For a Beneficiary of a Community College Plan who enrolls in (i) an Illinois Community College, the standard in-district, in-state Registration Fees of the institution; (ii) an Illinois Private Institution or an Eligible Out-of-State Institution, the average-mean-weighted credit hour value of standard in-district, in-state Registration Fees for all Illinois Community Colleges in the same academic year less any applicable fees; or (iii) an Illinois Public University, the standard in-state Registration Fees of such institution up to the amount payable under the Community College Contract. The Commission will convert the Contract Benefits to equivalent public university hours on a semester-by-semester basis. The Purchaser may also convert the Contract Benefits prior to usage pursuant to Article VI(5) below.
4. (a) A Beneficiary who (i) attends either an Illinois Private Institution, or an Eligible Out-of-State Institution is responsible for paying to that institution the amount by which the educational expenses of that institution exceed the amounts payable under the Contract or (ii) attends an Illinois Public Institution but does not qualify for the in-state or in-district tuition rate at that institution is responsible for paying to that institution the amount by which the educational expenses of that institution exceed the amount payable under the Contract.
 - (b) In the event that the educational expenses at the Illinois Private Institution or Eligible Out-of-State Institution are less than the amounts payable under the Contract, any excess amounts shall be applied toward Registration Fees in subsequent semesters until such excess amounts are fully depleted. If any excess remains after Contract Benefits are no longer needed, a refund equal to the average-mean-weighted credit hour value of in-state Registration Fees at Illinois Public Institutions for the remaining credit hours will be processed.
5. Prior to usage of Benefits, a Purchaser may convert a Contract from one plan to another, i.e., Community College Plan to a Public University Plan and vice versa, (including changes in the number of Semesters purchased within a plan) upon written request to the Commission, and upon payment of any additional amounts due under the plan to which the Contract is converted, plus any required fees. Such plan changes are based on Contract prices for the year enrolled in the program but also include an 8.66 percent actuarial assessment and immediate payment to ensure the new plan is up to date on the payments due. (The percentage charged for the actuarial assessment may vary for different enrollment periods). Certain plan changes may require an increased installment amount. Amounts paid before the Contract is converted shall be credited against the amount due under the plan to which the Contract is converted. If the amount paid prior to conversion exceeds the amount due at the time of conversion under the plan to which the Contract is converted, the amount of payments made in excess of the amount due after conversion shall be refunded to the Purchaser less any applicable fees. If the conversion is made following the third anniversary of the first payment due date of the original Contract, the amount of payments made in excess of the amount due after conversion plus 2% shall be refunded to the Purchaser less any applicable fees.
6. Unused Benefits may be applied toward graduate-level Registration Fees, which the Program will pay directly to the institution, in the same amount the Beneficiary would have received if enrolled as an undergraduate at the same institution in the same academic year. This provision is not intended to cover the full cost of graduate-level courses.
7. In any case, the Program will not pay more than the actual amount of Registration Fees charged by the institution or less than the actual amount paid under the contract minus any applicable fees and service charges. A refund for any excess amounts will be processed in accordance with Article VII(6) below.

ARTICLE VII - TERMINATION, EXPIRATION AND REFUND

1. Except as otherwise specifically provided herein, only the Purchaser may terminate a Contract. Only the Purchaser may receive a refund of payments made under a Contract. The Commission shall determine the amount of any refund pursuant to the terms of the Contract. A Purchaser may modify or terminate a Contract or request a refund without the consent or authorization of the Successor Purchaser or the Beneficiary.
2. The Beneficiary has ten years from the projected enrollment date to enroll in an eligible institution of higher education. If he/she does not enroll and request disbursement of benefits within the stipulated ten-year period, the Contract will expire. If the Beneficiary enrolls and requests disbursement within the stipulated ten-year period, then he/she has ten years from the date of actual enrollment/disbursement to use all the Benefits under this Contract or the Contract will expire. A waiver or modification of these provisions may be granted upon Purchaser's petition to the Commission. ISAC has the discretion to approve or deny any such requests. Unless the Beneficiary has requested and received an extension of time or a waiver from the Commission of this requirement, the Commission shall refund the amount of any unused

Benefits in accordance with Article VII(6) below. The ten-year time frames indicated above do not include time spent by the Beneficiary as an active duty member of the United States Armed Services if the Commission has been notified of such military service.

Notwithstanding any other provision herein, if after making reasonable efforts to contact the Purchaser, the Beneficiary and any designee to notify same of a refund, as provided under this Article VII, the Commission shall report the unclaimed amounts to the State Treasurer as unclaimed property pursuant to [765 ILCS 1025, et. seq., (as amended)]. The value of any such amounts reported as unclaimed property shall be the amount of payments made, less (i) any Benefits used; (ii) any refunds paid; and (iii) any applicable fees and/or costs and service charges.

3. If the Beneficiary dies or becomes Disabled prior to receiving all Benefits under a Contract, any unused Benefits under the Contract may be transferred to a Member of the Family pursuant to the provisions of Article VIII below. If a change of Beneficiary is not requested or is not approved by the Commission, a lump sum refund equal to the average mean-weighted credit hour value of in-state Registration Fees for all Illinois Public Institutions in the same academic year as determined by the Commission on an annual basis multiplied by the percentage of the Contract which has been paid less (i) any Benefits used; (ii) any refunds paid; and (iii) any applicable fees and service charges shall be made to the Purchaser or other individual or entity designated within 90 days of the date the Commission is notified of the death or disability, provided proof of death or disability is submitted in a form acceptable to the Commission.
4. If the Beneficiary accepts a scholarship which pays some or all of the Registration Fees purchased under the Contract, any unused Benefits under the Contract may be transferred to a Member of the Family pursuant to the provisions of Article VIII below. If a change of Beneficiary is not requested or is not approved by the Commission, the Purchaser may request a refund. If the Beneficiary is enrolled at an Illinois Public University or Illinois Community College, the refund will be equal to the current cost of in-state Registration Fees at that institution, less (i) the Registration Fees not covered by the scholarship; (ii) any Benefits used; (iii) any refunds paid; and (iv) all applicable fees and service charges. If the Beneficiary is enrolled at an Illinois Private Institution or Eligible Out-of-State Institution, the refund will be equal to the current average mean-weighted credit hour value of Registration Fees at Illinois Public Universities or Illinois Community Colleges, depending on the plan purchased under the Contract, less (i) the Registration Fees not covered by the scholarship; (ii) any Benefits used; (iii) any refunds paid; and (iv) all applicable fees and service charges. Refund payments shall be issued to the Purchaser each academic term, in accordance with the plan selected, as long as the scholarship is effective, in term installments that coincide with the matriculation of the Beneficiary. Proof of scholarship must be submitted in a form acceptable to the Commission.
5. If the Purchaser dies and the Successor Purchaser for any reason cannot or does not act, the legal representative of the Purchaser's estate shall make the election in his/her fiduciary capacity to either name a new Successor Purchaser or request a refund to the estate. See also Article VIII (2).
 - (a) In the event that a Successor Purchaser takes ownership of the Contract and the Contract is not paid in full, all installment payments required under the contract must be fully paid on the established due dates. However, no late fees shall be assessed for the first installment payment by the Successor Purchaser as long as such payment is made within 90 days of the due date and as long as the account is current by the 90th day following the due date. If the account is delinquent for two-hundred and ten (210) days, a lump-sum refund equal to payments made, less any applicable fees and service charges shall be made to the Successor Purchaser. Any payments made subsequent to the first installment payment by the Successor Purchaser shall be made in accordance with the payment provisions in Article V, above.
 - (b) If the legal representative of the Purchaser's estate elects to terminate the Contract and receive a refund to the Purchaser's estate, the Contract termination provision under this Article VII(6) shall apply.
6. If the Purchaser determines at any time to terminate a Contract for a reason other than one specifically provided for in this Article, the Commission shall refund to the Purchaser the following amounts:
 - (a) In the event of a termination request prior to the third anniversary of the first payment due date of the original Contract, an amount equal to all payments made less the amount of any applicable fees and service charges.
 - (b) In the event of a termination request following the third anniversary of the first payment due date of the original Contract, an amount equal to all payments made, less (i) any Benefits used; (ii) any refunds paid; and (iii) all applicable fees and service charges; plus a 2% interest compounded annually, not to exceed the average mean-weighted credit hour value for the current school year for the number of unused credit hours on the Contract.Any such refund shall be issued in a lump sum within ninety days from the date of the termination request. Notwithstanding the foregoing, no refund shall be made of payments for the remainder of any Semester during which the Beneficiary was enrolled at the time of withdrawal or termination.
7. In order to terminate a Contract and receive a refund under this Article VII, the Commission must be provided with a notarized, signed written request by the Purchaser specifying the Purchaser's name, the Beneficiary's name, the Contract account number, supporting documentation as may be required by the Commission, and payment of any fees specified by the Commission.
8. Included in the fees collected at the time of contract termination are the monthly payment-processing fee (included in contract payment amounts) and the monthly maintenance fee included in the cost of lump sum contracts.

9. If the Commission determines that either the Purchaser or the Beneficiary has made any material misrepresentation related to the Contract, the Contract may be terminated by the Commission. If the Contract is so terminated, the Purchaser will be entitled to a refund of payments made, less (i) any Benefits used; (ii) any refunds paid; and (iii) any applicable fees and service charges.
10. In no event shall the amount of any refund exceed the Benefits which would have been payable under the Contract on the date of expiration or termination.

ARTICLE VIII - TRANSFER AND SUBSTITUTION

1. (a) The Purchaser may transfer any unused benefits by naming a substitute Beneficiary as long as the substitute Beneficiary does not exceed the nine Semester maximum for any one Beneficiary as specified in the Act. Payment of any additional amounts determined by the Commission is due at the time of the transfer. The substitute Beneficiary must be a Member of the Family whose undergraduate enrollment is no earlier than three years after the first payment due date of the original Contract. All requests for transfers of Benefits must be in writing, signed and notarized, and include (i) the Contract account number; (ii) the name, address, SSN or TIN, telephone number, date of birth and the projected date of enrollment of the substitute Beneficiary; (iii) the relationship to the current Beneficiary; and (iv) such other information as the Commission may require.
 - (b) In addition to the provisions of subsection (1)(a) above, in the event of the original Beneficiary's death, disability, or receipt of a scholarship, the Purchaser may transfer any unused Benefits to a substitute Beneficiary. A substitute Beneficiary is not required to be a resident of Illinois, even if the Purchaser is not a resident of Illinois.
2. (a) A Purchaser shall designate one or more Successor Purchaser(s) who shall succeed to the role of Successor Purchaser in the order named, to be the person with a right of survivorship in the event of the Purchaser's death. Such designee shall have all the rights and obligations of the original Purchaser upon the original Purchaser's death. A form to designate a Successor Purchaser will be provided to the Purchaser by ISAC with the Program Application. The named Successor Purchaser shall be authorized to receive contract information upon request, but will not be allowed to make changes to the Contract prior to the death of the Purchaser.

If the named Successor Purchaser(s) predecease the Purchaser, the Purchaser shall designate one or more Successor Purchaser(s) in accordance with the provisions of this paragraph 2 above, or if the Purchaser does not take such action, the Purchaser hereby authorizes the legal representative of the Purchaser's estate to designate a Successor Purchaser or to terminate the Contract and receive a refund pursuant to Article VII above. Upon the death, resignation, incapacity, refusal or inability to act or to continue to act, of the Purchaser and all named Successor Purchasers, or the inability, after reasonable effort on the part of *College Illinois!* to locate the Purchaser or any of the named Successor Purchasers, and *College Illinois!* has not received notice that a legal representative for the Purchaser's estate has been appointed, upon attaining the age of majority in the state of his or her domicile, the Beneficiary shall succeed to the rights of the Purchaser, provided, however, the Beneficiary as Successor Purchaser shall not have the right to terminate the Contract and receive a refund pursuant to Article VII above until on or after the tenth (10th) anniversary of the projected enrollment date as set forth in the application for enrollment or change of beneficiary form.

- (b) Notwithstanding paragraph (a) above, if the Beneficiary has succeeded to the rights of Purchaser pursuant to Article VIII (2)(a), and if the Beneficiary becomes Disabled, the right of the Beneficiary to terminate the Contract and receive a refund on or after the tenth (10th) anniversary of the projected enrollment date pursuant to Article VII above may be exercised on behalf of the Beneficiary by the Beneficiary's court appointed Guardian or his or her Attorney-in-fact under a valid durable power of attorney ("the Disabled Beneficiary Representative"). Provided, however, if the Disabled Beneficiary Representative demonstrates that the Disabled Beneficiary is unable to use the Benefits as provided herein, the Disabled Beneficiary Representative may terminate the Contract and receive a refund prior to the tenth (10th) anniversary of the projected enrollment date.
3. A Purchaser may, upon approval of the Commission, assign ownership of a Contract to another individual or entity. An Assignee Purchaser shall assume all of the rights and obligations of the original Purchaser. Requests for assignment of a Purchaser must be in writing, signed and notarized, and include (i) the Contract account number; (ii) the name, address, SSN or TIN, and telephone number of the Assignee Purchaser; (iii) the signature of the Purchaser and of the Assignee Purchaser; and (iv) such other information as the Commission may require.
4. A Substitute Purchaser is subject to the eligibility requirements of the original Purchaser except a Substitute Purchaser is not required to be a resident of Illinois, even if the Beneficiary is not a resident of Illinois.
5. Section 529 provides that all or a portion of an account with a qualified tuition program, Coverdell Education Savings Accounts, and certain series of U.S. savings bonds may be rolled over to an account with another qualified tuition program either within the same state or in a different state. In order for the transfer of funds to be a qualified rollover so as not to incur a penalty, the funds from the first account must be deposited into the new account within sixty (60) days from the distribution from the first account. Section 529 allows one rollover per 12-month period for the same Beneficiary. If there is a change of Beneficiary to a Member of the Family of the original Beneficiary, there is no restriction on the number of rollovers allowed. In order to roll over funds from another qualified tuition program to *College Illinois!*, the Purchaser must

complete a Rollover Form available from the Program in addition to an Application. A request to roll over funds from a *College Illinois!* contract to another qualified tuition program will be treated as a voluntary cancellation and all fees will apply. Information regarding program earnings that the Purchaser needs in rolling over the funds will be provided. Any rollover shall be administered to comply in all respects with any applicable state or federal statutes or regulations, including, but not limited to, Section 529, as amended, and any regulations promulgated pursuant thereto.

6. It is possible to purchase a *College Illinois!* plan using Uniform Gifts to Minors Act (UGMA) or Uniform Transfers to Minors Act (UTMA) funds. These types of accounts involve additional restrictions, such as the inability to change the Beneficiary on the account. Separate non-custodial Contracts can be established for the same Beneficiary to accommodate additional contributions in order to limit the size of the custodial account. In order to maintain the tax treatment of UGMA or UTMA funds for a *College Illinois!* account, the custodian must complete a required form available from the Program. The Commission is not liable for any consequences related to a custodian's improper use, transfer or characterization of custodial funds. It may be necessary to liquidate assets in a custodial account before cash can be used to purchase the Contract and this may involve tax liability. Please contact a tax or financial advisor to provide information and guidance on transferring UTMA or UGMA funds and the tax implications associated with the transfer.
7. Except as specifically provided in this Master Agreement and Disclosure Statement, the Purchaser may not sell, assign or transfer a Contract, nor any interest, rights or benefits in it and no consideration shall be given for any transfer or substitution authorized herein.

ARTICLE IX - FEES

A Purchaser may be charged fees in amounts to be determined by the Commission, including a nonrefundable application fee, fees for changes, substitutions, cancellations and other administrative fees established by the Commission. All such fees shall be set out in a Fee Schedule, which is incorporated by reference herein in its entirety. The Fee Schedule is printed in the enrollment materials each enrollment period and is also available on the program's Web site. The current Fee Schedule may be amended from time to time, and Purchasers can receive updated Fee Schedules upon request. The Commission reserves the right to waive certain fees in circumstances where it deems a waiver appropriate. Fees paid by program participants are deposited into the Fund.

ARTICLE X - GENERAL PROVISIONS / DISCLOSURES

1. In order to purchase a Contract for the 2007-'08 enrollment period, the Purchaser must submit an Application between October 29, 2007 and April 29, 2008. The Commission may, at its option, accept Applications at other times or during special promotions. The Contract shall become effective upon the Commission's receipt of the completed and signed Application along with the applicable nonrefundable application fee if at that time the Purchaser meets all eligibility requirements. ISAC's acknowledgment of the Purchaser's eligibility and receipt of the Application and application fee will be sent to the Purchaser along with the Payment Plan and other Program materials.
2. Each Contract must have one person designated as Purchaser, one or more people designated as Successor Purchaser(s) pursuant to Article VIII(2)(a) above and one person designated as Beneficiary. Either the Purchaser or the Beneficiary must be a Resident of Illinois as defined in ISAC rules at the time the Contract is purchased. Military personnel stationed in Illinois or who claim Illinois as their home of record may also purchase Contracts. A Purchaser does not have to be related to the Beneficiary. There may only be one Purchaser, who is the owner of the Contract.
3. All notices, changes, options and elections requested by a Purchaser under the Contract must be in writing, signed by the Purchaser, and received by the Commission. For the protection of the Purchaser, certain plan changes require a notarized signature. The Commission is not responsible for the accuracy of such documentation. If acceptable to the Commission, notices, changes, options and elections relating to the Beneficiary will take effect as of the date the notice is received by the Commission, unless the Commission agrees otherwise. Program provisions may be amended by the Commission from time to time if the Commission determines it is in the Program's best interest to do so. The Commission will not retroactively modify existing Contracts in a manner adverse to the Purchaser or the Beneficiary except to the extent necessary to assure compliance with applicable state or federal laws or regulations or to preserve the favorable tax treatment of the Program or the favorable tax treatment of interests of Purchasers or Qualified Beneficiaries therein. The Commission shall promptly notify the Purchaser of such amendments and the Purchaser agrees to be bound thereby unless the Purchaser promptly notifies the Commission of the Purchaser's intent to terminate the Contract.
4. Only the Purchaser may execute Contract changes, conversions, transfers, terminations and refund requests. Only the Purchaser may upon signed, written authorization, authorize individuals other than those legally entitled to account information to receive account information upon request. Trusts, corporations, partnerships and other entities may purchase Contracts for designated Beneficiaries, or for undesignated Beneficiaries as scholarships as a separate private 501(c)(3) tax-exempt scholarship foundation.
5. All factual determinations regarding a Purchaser's or Beneficiary's Residency, Disability, the existence of hardship and any other factual determinations regarding Contracts will be made by the Commission based on the facts and circumstances of each case. Proof of such circumstances shall be submitted to ISAC upon ISAC's request. The Commission may require that the Application and/or requests for a change of Beneficiary, conversion of a Contract to

another plan, termination of a Contract, and any other actions the Commission may designate from time to time, be verified under oath.

6. Nothing in a Contract shall be interpreted as a promise that a Beneficiary will (a) be admitted to any institution of higher education; (b) be allowed to continue enrollment at any institution of higher education after admission; (c) be graduated from any institution of higher education; (d) be entitled to full coverage of the Registration Fees at any institution of higher education other than the standard in-state/in-district Registration Fees at an Illinois Public Institution; or (e) be classified as an in-state/in-district student by any Illinois Public Institution.
 7. The terms and features of the Program described herein may change in subsequent enrollment periods. Although the Commission currently anticipates annual enrollment periods, no representation is made or assurance given that there will be additional enrollment periods, or that enrollment periods will take place annually. The Commission may limit the number of Contracts that may be purchased in any given enrollment period, although there are currently no plans for any such limits.
 8. Federal law currently allows the contribution of \$2,000 per year per child to a Coverdell Education Savings Account, as well as contributions to both a Coverdell Education Savings Account and Section 529 savings plan in the same taxable year for the same Beneficiary. However, these particular tax provisions are currently scheduled to “sunset” in 2010 (subject to change by Congressional legislation). **A tax advisor should be consulted for the most recent tax law.** Participation in more than one Section 529 qualified tuition plan per Beneficiary is also allowed. Complementary savings options may allow families to diversify their college savings portfolios or cover additional education expenses not covered by a *College Illinois!* Contract. The State of Illinois also offers two Section 529 savings plan, Bright Start and Bright Directions, administered by the State Treasurer. Although these programs are also governed by Section 529 and offered by the state of Illinois, they differ from *College Illinois!* in that they engage different investment advisors, offer different investment options, contract terms, fees and benefits, among other provisions. For information, visit www.brightstartingsavings.com or www.brightdirections.com.
 9. Federal legislation effective passed in 2006, changed the financial aid treatment of prepaid tuition contracts, including *College Illinois!* Contracts. In most circumstances, the value of all Contracts owned by a dependent student’s parent is reported as an asset of the parent in the federal methodology used to determine financial aid eligibility. Dependent students who are beneficiaries of *College Illinois!* contracts owned by someone other than their parent are not necessarily required to include the value of the contract when completing the federal financial aid application form (FAFSA). If a Contract is owned by an independent student (or the student’s spouse), the student is required to report the value of the Contract and all other Contracts owned as his/her asset. The availability of benefits should not affect the Beneficiary’s receipt of merit-based financial aid (e.g., academic or athletic scholarships). The best resource for more detailed information is the financial aid office of the academic institution the Beneficiary is attending. Ownership of a *College Illinois!* contract may affect the Beneficiary’s or Purchaser’s qualification for certain federal or state need-based benefit programs, such as Medicaid.
 10. Moneys paid into or out of the Illinois Prepaid Tuition Trust Fund by or on behalf of the Purchaser or the Beneficiary of a *College Illinois!* Contract are exempt from all claims of creditors of the Purchaser or Beneficiary, so long as the contract has not been terminated. Please consult an attorney or financial advisor to fully identify bankruptcy, Medicare or other special situations involving recapture of amounts paid to a *College Illinois!* Contract.
 11. **Governing Laws and Venue** - The Illinois Student Assistance Commission (“ISAC” or the “Commission”) is an agency of the State of Illinois, established by the Higher Education Student Assistance Act [110 ILCS 947/15]. The Program is governed by the terms of the Contract, the Illinois Prepaid Tuition enabling Act [110 ILCS 979/1, et. seq.](“the Act”), ISAC *College Illinois!* Administrative Rules (23 Ill. Adm. Code 2775, et. seq.)(“ISAC Rules”) and all other applicable laws of the State of Illinois and federal laws, including 26 U.S.C. §529, as amended. Venue for any action arising from or relating to the Program or Contracts purchased hereunder shall be in state or federal court located in Chicago, Illinois.
 12. **The Fund** - The Fund is the repository of all moneys received by the Commission in conjunction with the Program. Contract benefits are limited to the assets of the Fund and earnings thereon. In addition, Section 130 of the Act provides the following obligation:
 - (a) If the Commission determines that there are insufficient moneys in the Fund to pay contractual obligations in the next succeeding fiscal year, the Commission shall certify the amount necessary to meet these obligations to the Board of Higher Education, the Governor, the President of the Senate, and the Speaker of the House of Representatives. The Governor shall submit the amount so certified to the General Assembly as soon as practicable, but no later than the end of the current State fiscal year.
 - (b) In the event the Commission, with the concurrence of the Governor, determines the Program to be financially infeasible, the Commission may discontinue, prospectively, the operation of the Program. Any Beneficiary who has been accepted by and is enrolled or will within five years enroll at a MAP-eligible Institution shall be entitled to exercise the complete Benefits of his/her Contract. All other Contract holders shall receive an appropriate refund of all contributions and accrued interest up to the time that the Program is discontinued.
- No Purchaser or Beneficiary may direct the investment of any contributions to the Program or any earnings thereon directly or indirectly. The Program shall provide a separate accounting for each Purchaser and/or Beneficiary.

Any claim by the Purchaser or Beneficiary against the Commission pursuant to a Contract shall be made solely against the assets of the Fund. No recourse shall be had by the Purchaser or Beneficiary against the Commission's members or its officers, agents or its employees individually, or against the State of Illinois in connection with any right or obligation arising out of any Contract.

13. **Advisory Panel** - The Program is administered by ISAC, with advice and counsel from an advisory panel consisting of seven members appointed by the Commission. Each panel member possesses experience in at least one of the following areas of expertise: accounting, actuarial practice, risk management or investment management. Panel members shall serve without compensation but shall be reimbursed for expenses. The Commission's Executive Director and the *College Illinois!* Program Director oversee the daily administration and operations of the Program.
14. **Annual Report** - Pursuant to Section 30 of the Act, the Commission shall annually prepare a report which describes the financial condition of the Program. Included in this report shall be an evaluation by at least one nationally recognized actuary of the financial viability of the Program. This report shall be submitted to the Governor, the President of the Senate, the Speaker of the House of Representatives, the Auditor General, and the Board of Higher Education on or before March 1 of the subsequent fiscal year. This report also shall be made available to Purchasers and shall contain complete Contract sales information, including, but not limited to, projected postsecondary enrollment data for Beneficiaries.
15. **Management of Investments and Policy** – **According to the enabling statute for the program, the Commission shall adopt a comprehensive investment plan for *College Illinois!*. With the assistance of a registered investment advisor, the Statement of Investment Policy has been developed to outline the program's asset allocation and long-term investment goals. The investment policy also contains guidelines with standards to be met in the management of the program assets by investment managers selected to manage program funds. The advisory panel will review and make recommendations to the Commission regarding the investment policy. The Commission reviews and adopts the investment policy annually. The investment advisor assists in the selection and monitoring of all investment managers and prepares a quarterly investment performance report for the Commission. The advisor also provides the program director with a monthly report listing all current program investment managers, account balances and performance results. This information is compiled in a monthly report that is available on the program's Web site or by calling the administrative office. Each investment manager has a separate contract with the Illinois Student Assistance Commission. Information about the contracts, including length and expected expiration, can be requested by phone at 877-877-3724 or email at collill@isac.org.**
16. **Contract Benefits** - The purchase of a Contract should not be regarded as an investment or a savings account. A Contract is for the specific purpose of prepaying in-state rates of undergraduate Registration Fees at Illinois Public Institutions or for applying the value of same to Illinois Private Institutions or Eligible Out-of-State Institutions. The Fund is not obligated to cover payment in full of Registration Fees for any institution of higher education other than an Illinois Public Institution. Unused benefits may be applied toward graduate or professional school tuition at a MAP-eligible Institution or Eligible Out-of-State Institution in the same amount the Beneficiary would have received if enrolled as an undergraduate at the same institution in the same academic year. No interest in all or any portion of a Contract may be used as security for any loan.
17. **Scholarships, Grants or Monetary Assistance** - Benefits may be considered in evaluating the financial situation of the Beneficiary for purposes of determining the eligibility of the Beneficiary for certain state, federal or private student aid programs. In most circumstances, all *College Illinois!* Contracts are considered an asset of the parent if they are owned by the parent and should be reported as such when completing the required federal financial aid application form (FAFSA).
18. **Funding and Actuarial Assumptions** - Program funding is derived entirely from payments received from Contract Purchasers and the investment income earned by the Fund. The Commission has obtained actuarial assistance in order to establish, maintain and certify assets sufficient to meet the Fund's obligations. Based on information and data provided by its actuarial consultant, the Commission determines the purchase price of Contracts offered during an enrollment period. Investment return and the projected rate of increase in college tuition and fees are significant factors in the pricing of the Contracts. A Beneficiary's age or grade is also a material factor in determining pricing for Contracts. Interest and income earned from the investment of such funds shall remain in the Fund and be credited to it. The assets of the Fund are to be preserved, invested and expended solely pursuant to and for the purposes of the Fund and may not be loaned or otherwise transferred or used by the State for any other purpose. Based on the advice of its actuarial consultants, the Commission has adopted what it considers to be conservative actuarial assumptions to ensure the fiscal soundness of the Fund so that the Fund will be able to satisfy its future obligations.
19. **Tax Considerations** - *State Tax* - Section 55 of the Act makes the assets of the Fund and its income and operation exempt from all taxation by the State of Illinois and any of its subdivisions. The accrued earnings of Contracts once disbursed on behalf of a Beneficiary shall be similarly exempt from all taxation by the State of Illinois and any of its subdivisions, so long as they are used for educational purposes in accordance with the provisions of the Contract. With regard to income attributable to certain refunds from the Contract, such income is taxable; however, liability for the tax on such income is deferred until the interest on the refund is distributed.

Section (Y) of the Illinois Income Tax Act (35 ILCS 5/203) allows an individual taxpayer's adjusted gross income for taxable years beginning January 1, 2005 to be reduced by contributions made in that year to *College Illinois!* and/or a College Savings

Pool account (Bright Start or Bright Directions) under Section 16.5 of the State Treasurer Act up to a combined maximum of \$10,000 per year (\$20,000 per year for married couples filing jointly). Contributions to *College Illinois!* include amounts paid towards the contract balance but do not include the application fee, service fees or cancellation fees.

If a Purchaser lives in or is a resident of a state other than Illinois, the state tax consequences may differ from those indicated above. The Illinois state income tax deduction and exemption are available only to participants with Illinois taxable income. Contributions to other states' 529 plans are not eligible for the Illinois state tax deduction. Before making an investment decision, Purchasers who are residents of other states or are living in other states are advised to determine their state's tax treatment of contributions and earnings from another state's qualified tuition program and the tax and other benefits of the 529 plan in their own state.

Federal Taxes - Contract payments are NOT deductible from federal taxable income. Section 529 governs the federal tax treatment of qualified State tuition programs such as *College Illinois!* and the tax consequences for Purchasers and Qualified Beneficiaries of such plans. As of the date of this brochure, the Internal Revenue Service has not yet issued final regulations to clarify the application of §529 to state-sponsored prepaid tuition programs. *College Illinois!* has been structured to meet all current federal requirements and, therefore, the Fund itself does not pay federal income taxes.

Section 529 requires that a specified individual be designated as the Beneficiary when a contract is purchased unless the contract is purchased by a state or local government or a tax-exempt charity as part of a scholarship program.

No federal income tax liability is imposed on the increased value of the Contract upon distribution when such distribution is used to pay Registration Fees. The Pension Protection Act of 2006 made permanent the federal tax exemption of program earnings for Section 529 qualified tuition programs. Federal tax benefits were previously outlined in the Economic Growth and Tax Relief Reconciliation Act of 2001 (the "2001 Tax Act") that had stipulated that the tax exemption would "sunset" or expire on December 31, 2010 and restore previous tax provisions. The Pension Protection Act removed the 2010 expiration of the federal tax exemption for 529 qualified tuition programs.

Any refunds issued by the Program that are not used for a qualified higher education expense could have tax implications for the Purchaser of the Contract. You should consult a qualified tax advisor about Illinois and Federal tax issues.

In 1997, Section 529 was amended to provide that payments to the Fund are treated as a completed gift of a present interest for federal gift tax purposes. The amendment also provides a five-year averaging provision for any contributions in one taxable year that are greater than the annual allowable exclusion from federal gift tax, currently \$12,000 (\$24,000 for married couples) but subject to change. This means that if a contribution by any one individual to a single Beneficiary in any one tax year is greater than \$12,000 (\$24,000 for married couples), the Purchaser may elect to average the amount of the gift over a five-year period. If the Purchaser dies before the end of the five-year averaging period discussed above, if applicable, the Purchaser's gross estate shall include the portion of the original Contract amount that is allocable to the years following the Purchaser's death. Please contact a tax professional to determine the effect of this provision on your individual situation. Section 529, as amended, also provides that distributions from a qualified tuition program will not be treated as a taxable gift. If a Purchaser later transfers the Contract to another Beneficiary, however, that later transfer may be deemed a gift and the original Beneficiary may incur federal gift tax on any amount greater than \$12,000 if the change results in the new Beneficiary being in a younger generation than the original Beneficiary. Each taxpayer's situation is unique, so please contact a tax professional for specific information on these provisions and others, and how they may affect you.

Amendments to Section 529 also provide that no Contract amount shall be includible in the gross estate of any individual as a result of the purchase of a Contract, except in the case of a refund as per Article VII(5) above.

The 2001 Tax Act also made significant changes to the federal estate, gift and generation-skipping transfer taxes effective January 1, 2001 with a "sunset" provision as of December 31, 2010, unless Congress acts. Among other things, the Act reduces certain tax rates, increases exemption amounts and phases in a complete repeal of the estate and generation-skipping transfer taxes by 2010. Contributors are encouraged to consult their own tax or legal advisor to determine the effect of these tax provisions on their specific situation.

There are several tax credits and deductions available under certain circumstances for families paying for qualified higher education expenses, including the cost of tuition and fees, e.g., Hope and Lifetime Learning credits. There are a number of qualifications and restrictions on claiming these deductions and credits. For more information, please refer to Publication 970, "Tax Benefits for Education," available from the Internal Revenue Services (www.irs.gov).

Individual tax situations vary greatly. Please consult a tax adviser concerning any legal or tax implications arising from the purchase of a *College Illinois!* Contract. ISAC CANNOT PROVIDE LEGAL OR TAX ADVICE.

20. **Severability** - In the event any clause or portion of the Contract is found to be invalid or unenforceable by a court of competent jurisdiction, that clause or portion shall be severed from the Contract and the remainder of the Contract shall continue in full force and effect as if such clause or portion had never been included.
21. **Complete Agreement** - The Contract (as defined in Article II above) is the complete and exclusive statement of the agreement between the parties hereto, which supersedes any prior agreement, oral or written, and any other communications between the parties hereto relating to the subject matter of the Contract.