PREPAID
TUITION

College Illinois!®
prepaid tuition program

College Illinois!® Prepaid Tuition Program

2010-2011 MASTER AGREEMENT AND DISCLOSURE STATEMENT

ARTICLE I – INTRODUCTION

This Master Agreement and Disclosure Statement describes the basic terms and conditions of the College Illinois!® Prepaid Tuition Program (the "Program") administered by the Illinois Student Assistance Commission ("ISAC" or "Commission") as authorized by the Illinois Prepaid Tuition Act, 110 ILCS 979 (the "Act") and ISAC Administrative Rules (23 Ill. Adm. Code 2775, et. seq.) ("ISAC Rules"). The Program application ("Application"), Master Agreement and Disclosure Statement and the Participation and Payment Schedule, constitute the contract between the Purchaser and ISAC. Modifications may be made to this Master Agreement and Disclosure Statement, the Application and the Participation and Payment Schedule by the Commission and will be incorporated into the Contract pursuant to Article X(15) 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:

"Act"
Has the meaning set forth in Article I.

"Application"
Has the meaning set forth in Article I.

"Application Receipt Date"
The date an Application is received by the Commission, as established by the post marked date, if submitted to the Commission via United States Postal Service (USPS) mail, or the date the Commission acknowledges receipt, if an Application is submitted electronically. An Application shall be deemed received by the Commission in any particular month if (1) postmarked by the last day of such month for Applications submitted to the Commission via USPS mail or, (2) if an Application is submitted electronically, if the Commission acknowledges receipt of said Application by the last day of a month. For Applications submitted by USPS mail, if the last day of the month falls on a day that is not a USPS business day, Applications must be post marked on the next USPS business day. As an example, if January 31 falls on a day that is not a USPS business day, a Purchaser will still qualify for the January Contract price if the Application is post marked on the next USPS business day. Applications submitted electronically must be submitted by the last day of the month even if the last day of the month is not a USPS business day.

"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.

"Choice Combination Plan"
Has the meaning set forth in Article III.

"Choice Plan"
Means a Community College (Choice 1) Plan, University (Choice 2) Plan or University Plus (Choice 3) Plan.

"Community College (Choice 1) Plan"
Has the meaning set forth in Article III.

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

"Disabled"
A Beneficiary is considered to be disabled if he or she shows proof that he or she cannot do any substantial gainful activity because of his or her physical or mental condition. A physician must determine that his or her condition can be expected to result in death or to be of long-continued and indefinite duration.

"Disabled Beneficiary Representative"
Has the meaning set forth in Article VIII(2)(B).

“Eligible Institution”
A public or nonpublic institution of higher education that is an “institution of higher learning” or “qualified institution” or “institution” as defined in Section 10 of the Student Assistance Act and that is an “eligible educational institution” as defined in Section 529(e)(5) of the Internal Revenue Code of 1986, as amended.

“Eligible Out-of-State Institution”
An institution of higher education that is an “eligible educational institution” as defined in Section 529(e)(5) of the Internal Revenue Code of 1986, as amended and that is deemed eligible by the Commission in accordance with standards substantially equivalent to those for an Eligible Institution as set forth in Section 10 of the Student Assistance Act.

“Existing Combination Plan”
A combination plan purchased by any Purchaser prior to October 1, 2008 and is described in Article III.

“Existing Community College Plan”
An Illinois Community College Contract purchased by any Purchaser prior to October 1, 2008 is described in Article III.

“Existing Program Plan”
An Existing Community College Plan, Existing Public University Plan or Existing Combination Plan.

“Existing Public University Plan”
A Public University Plan purchased by any Purchaser prior to October 1, 2008 and is described in Article III.

“Fee Schedule”
Has the meaning set forth in Article IX.

“First Payment Date”
Means the first day of the second month succeeding the Application Receipt Date as set forth in the table shown:

* For Applications submitted by mail, if the last day of the month falls on a day that is not a business day for the United States Postal Service (USPS), Applications must be post marked on the next USPS business day. Applications submitted electronically must be submitted by the last day of the month regardless of whether the last day of the month is not a USPS business day.

PAYMENT DATES

*Application received by the last day of**	*First payment due date*
November	January 1
December	Feburary 1
January	March 1
February	April 1
March	May 1
April	June 1
May	July 1
June	August 1
July	September 1
August	October 1
September	November 1

*For Applications submitted by mail, if the last day of the month falls on a day that is not a business day for the United States Postal Service (USPS), Applications must be post marked on the next USPS business day.

Applications submitted electronically must be submitted by the last day of the month regardless of whether the last day of the month is not a USPS business day.

“Fund”
Means the Illinois Prepaid Tuition Trust Fund created pursuant to the Act.

“Illinois Community College”
An Eligible Institution that is a public community college as defined in 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 Program.

“Illinois Private Institution”
An Eligible Institution that is an accredited, nonprofit, independent institution of higher education or an Eligible Institution that is a for-profit 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”
An Illinois Community College, University (Choice 2) Plan University, or University Plus (Choice 3) Plan University.

“Illinois Public University”
A University (Choice 2) Plan University and/or a University Plus (Choice 3) Plan University.

“Mandatory Fees”
Those fees required as a condition of enrollment of a Beneficiary in an institution of higher education. Mandatory Fees do not include fees 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”
The State Monetary Award Program.

“Mean-Weighted Average Tuition and Fees”
The tuition and mandatory fees used for the Illinois Community Colleges or Illinois Public Universities 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 Community Colleges, University (Choice 2) Plan Universities and University Plus (Choice 3) Plan Universities.

"Member of the Family"
Member of the Family as defined in Section 529(e)(2) 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 of an individual described in (1) through (8) above (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 of the Beneficiary (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. See Section 529.

"Participation and Payment Schedule"
The document furnished by the Commission to the Purchaser upon enrollment of the Beneficiary in the Program that discloses the due dates and amount of payments as required of a specific Purchaser under the selected Program Plan.

"Pricing Table"
The document that generally lists the Contract prices for each month.

"Program"
Has the meaning set forth in Article I

"Program Plan"
Any one or more of the following: An Existing Program Plan or Choice 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 Section 529.

"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 educational institution with semester terms) or the equivalent (for an eligible educational institution with quarter terms). One Semester of Benefits is equivalent to 15 credit hours.

"Section 529"
Section 529 of the Internal Revenue Code of 1986 (26 U.S.C. §529), as amended.

"Substitute Purchaser"
An Assignee or Successor Purchaser of the Contract.

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

"University (Choice 2) Plan"
Has the meaning set forth in Article III.

"University (Choice 2) Plan University"
Any of the following Eligible Institutions: University of Illinois – Chicago, University of Illinois – Springfield, 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.

"University Plus (Choice 3) Plan University"
Any of the following Eligible Institutions: the University of Illinois at Urbana-Champaign.

"University Plus (Choice 3) Plan"
Has the meaning set forth in Article III.

ARTICLE III – PARTICIPATION IN THE PROGRAM

1. Information Required in Application. 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 Program Plan and the number of semesters that will be purchased under the Contract.
2. Community College (Choice 1) Plans and Existing Community College Plans specify that up to four Semesters, or 60 credit hours, at an Illinois 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.
3. University (Choice 2) Plans specify that up to nine Semesters, or 135 credit hours, at a University (Choice 2) Plan 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.
4. University Plus (Choice 3) Plans specify that up to nine Semesters, or 135 credit hours, at a University Plus (Choice 3) Plan University or University (Choice 2) Plan 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. Provided, however, the use of University Plus (Choice 3) Plan benefits at a University (Choice 2) Plan University shall be governed by Article VI(3)(D).
5. Choice Combination Plans specify that four Semesters, or 60 credit hours, at an Illinois Community College and four Semesters, or 60 credit hours, at either (A) a University (Choice 2) Plan University or (B) a University Plus (Choice 3) Plan University, may be purchased for the benefit of a Beneficiary. A Choice Combination Plan may not include both (A) and (B) above.
6. Existing Public University Plans specify that up to nine Semesters, or 135 credit hours, at an Illinois Public 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.
7. Existing Combination Plans specify that up to four Semesters, or 60 credit hours, at a Community College and four Semesters, or 60 credit hours, at an Illinois Public University may be purchased for the benefit of a Beneficiary. Existing Combination Plans may not be converted to Choice Combination Plans.
8. Limits on Benefits per Beneficiary. At no point may a single person be the Beneficiary of more than nine (9) semesters at an Illinois Community College or Illinois Public University or any combination thereof pursuant to any Program Plan.
9. Limits on Conversions of Existing Plans. An Existing Plan cannot be converted to a Choice Plan or vice versa.

ARTICLE IV – PROGRAM BENEFITS

1. Program Pays Registration Fees. The Program is intended to pay Registration Fees for the normal course load for a full-time student for the number of semesters of higher education selected and paid for under a specific Contract for a Program Plan. The actual number of credit hours for which the Beneficiary enrolls is billed to the Program and then deducted from the Beneficiary's Contract account. This includes payment to any Eligible Institution that may assess tuition and fees based on a range or category instead of the specific number of credit hours.
2. Use of Benefits. Registration Fees contracted for by the Purchaser shall be paid by the Program at the time of enrollment of the Beneficiary in an Eligible Institution. 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 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 Program Plan or level to another, in accordance with Article VI (5) below. Provided, however, Existing Plans cannot be converted to Choice Plans or vice versa.
3. Mandatory Fees. 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. Benefits May be Utilized in Portions of a Semester. 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 any Contract (equal to 120 credit hours) is for six hours, the Beneficiary's Program 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. Commission May Develop Other Methods to Calculate Benefits. The Commission may develop other methods for the calculation of Benefits payable under Contracts as it determines necessary to provide consistent Benefits, including without limitation, adapting 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. Contract Payments. A Purchaser may pay for a Contract by (A) a lump sum payment for the full amount of the Contract as specified in the Participation and Payment Schedule or; (B) 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 Contract account coupons or other invoice devices provided to the Purchaser by the Commission. All installment payments for Contracts include an 8.00% service charge. The

Commission may, at its option, approve other payment schedules. Payments may be made only by (i) check; (ii) money order; (iii) authorized monthly debit (ACH) from a bank account (available for monthly payment plans only); (iv) payroll deduction, if available; or (v) such other payment method established by the Commission. The Purchaser may change payment methods at any time upon written request to the Commission, subject to any administrative fees.

2. No Payments in Excess of Amounts Required to Pay Benefits; No Prepayment Penalty. 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.

   (A) First Payment Date; Late Fees. Following submission of the Application and the establishment of an account, if the initial Payment is not received on the applicable First Payment Date late fees will be assessed in accordance with the provisions of Article IX. Notwithstanding the foregoing, the account established by the Application will be cancelled if the Initial Payment is not received within fifteen (15) days from the First Payment Date.

   (B) Submission of New Application After Cancellation. If an account established by an Application is cancelled pursuant to Article V(2)(A) above, the Purchaser may submit a new Application to establish a new account. The price shall be determined based upon the Application Receipt Date of the new Application and not the Application Receipt Date of the cancelled account.

   (C) Monthly Payment Due Dates. For monthly payments due after the First Payment Date, 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. For subsequent 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.

   (D) Reduction of Contract After Payment Delinquency of 210 Days. If payments on a Contract for Plans other than Existing Program Plans or a Choice Plan purchased prior to November 1, 2009, are delinquent for 210 days, the Semesters purchased in the Contract account shall be reduced within the same Choice Plan selected by the Purchaser to the number of Semesters that the Commission determines have been paid in full at the time such payment became delinquent, less any outstanding fees. If the amount paid is insufficient to pay in full any of the Choice Plans available at the time the Application was submitted, the Contract account shall be cancelled 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 first applied to past due Program Plan amounts, excluding fees.

   (E) Cancellation of Existing Plans After Payment Delinquency for 210 Days. For Existing Program Plans and Choice Plans purchased prior to November 1, 2009, if a Contract is delinquent for 210 days the Contract account is cancelled and the Commission shall refund the amount paid less (i) any Benefits used; (ii) any refunds previously paid; and (iii) any applicable and unpaid fees. All payments received are applied to past due Program Plan amounts, excluding fees.

3. No Prepayment Penalty. No penalty shall be assessed for early payment of installment Contracts.

ARTICLE VI – USE OF CONTRACT BENEFITS

1. Time Period to be Eligible to Use Benefits. Benefits may not be used (A) until the third anniversary after the first payment due date and (B) a Contract has been paid in full. In accordance with Article VII (2) below, the Beneficiary must use all 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. Purchaser Must Provide Name of Institution. To utilize Benefits at an Illinois Private Institution or Eligible Out-of-State Institution, a Beneficiary must provide the Commission with the name 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 Illinois Private Institution or Eligible Out-of-State Institution is not covered by the Program Plan specified in the Application, the Commission may apply Benefits in accordance with Article VI(3) below, on a per Semester basis.

3. Payment of Benefits to Institutions. 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 an Existing Public University Plan Contract who enrolls in (i) any Illinois Public University, the in-state Registration Fees of such Illinois Public University; (ii) an Illinois Private Institution, or an Eligible Out-of-State Institution, the average-mean-weighted credit hour value of in-state Registration Fees for Illinois Public Universities in the same academic year less any applicable fees; or (iii) an Illinois Community College, the in-district, in-state Registration Fees of such Illinois Community College. With respect to (A)(iii), the Commission will convert the Benefits to equivalent community college hours on a semester-by-semester basis and 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 (Choice 1) Plan Contract or an Existing Community College Plan Contract 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 (Choice 1) Plan Contract or an Existing Community College Plan Contract, as applicable. The Commission will convert the Contract Benefits to equivalent Illinois 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.

   (C) For a Beneficiary of a University (Choice 2) Plan Contract who enrolls in (i) any University (Choice 2) Plan University, the in-state Registration Fees of such University (Choice 2) Plan University; (ii) an Illinois Private Institution, or Eligible Out-of-State Institution, the average-mean-weighted credit hour value of in-state Registration Fees for University (Choice 2) Plan Universities in the same academic year less any applicable fees up to the value of the University (Choice 2) Plan Contract; (iii) a University Plus (Choice 3) Plan University the in-state Registration Fees of such institution up to the amount payable under the University (Choice 2) Plan; or (iv) an Illinois Community College, the in-district, in-state Registration Fees of such Illinois Community College. With respect to (C) (iii), the Commission will convert the Contract Benefits to equivalent University Plus (Choice 3) Plan University hours on a semester-by-semester basis or, with respect to (C) (iv), the Commission will convert the Benefits to equivalent community college hours on a semester-by-semester basis. In the event of a conversion under (C) (iii) or (C) (iv), 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.

(D) For a Beneficiary of a University Plus (Choice 3) Plan Contract who enrolls in (i) any University Plus (Choice 3) Plan University, the in-state Registration Fees of such University Plus (Choice 3) Plan University; (ii) an Illinois Private Institution, or an Eligible Out-of-State Institution, the average-mean-weighted credit hour value of in-state Registration Fees for University Plus (Choice 3) Plan Universities in the same academic year less any applicable fees; (iii) a University (Choice 2) Plan University, the standard in-district, in-state Registration Fees of such University (Choice 2) Plan University or (iv) an Illinois Community College, the standard in-district, in-state Registration Fees of such Illinois Community College. With respect to (D) (iii), the Commission will convert the Contract Benefits to equivalent University (Choice 2) Plan University hours on a semester-by-semester basis or, with respect to (D) (iv), the Commission will convert the Contract Benefits to equivalent community college hours on a semester-by-semester basis. In the event of a conversion under (D) (iii) or (D) (iv), 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.

4. (A) Payment of Qualified Higher Education Expenses in Excess of Benefits. 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 qualified higher education 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 qualified higher education expenses of that institution exceed the amount payable under the Contract.

(B) Excess Contract Benefits. In the event that the qualified higher education 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 based upon the type of Program Plan for the remaining credit hours will be processed.

5. Conversion of Plans Prior to Usage. Prior to usage of Benefits, (A) a Purchaser may convert a Contract from an Existing Program Plan to another, i.e. Existing Illinois Public University Plan to Existing Community College Plan and vice versa (including changes in the number of Semesters purchased within a Program Plan) upon written request to the Commission, and upon payment of any additional amounts due under the Program Plan to which the Contract is converted, plus any required fees or (B) a Purchaser may convert a Contract from one Choice Program Plan to another, i.e., Community College (Choice 1) Plan to a University (Choice 2) Plan and vice versa, (including changes in the number of Semesters purchased within a Program Plan) upon written request to the Commission, and upon payment of any additional amounts due under the Program Plan to which the Contract is converted, plus any required fees. Such Program Plan changes are based on Contract prices for the month enrolled in the program but also include an 8.00 percent actuarial assessment and immediate payment to ensure the new Program Plan is up to date on the payments due. (The percentage charged for the actuarial assessment may vary for different pricing periods). Certain Program Plan changes may require an increased installment amount. Amounts paid before the Contract is converted shall be credited against the amount due under the Program 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 Program 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. Application of Unused Benefits. 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. Benefit Payment Amounts. 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 based upon the type of Program Plan minus any applicable fees and service charges. A refund for any excess amounts will be processed in accordance with Article VII(6) below.

8. Use of Benefits for Existing Combination Plan. For an Existing Combination Plan, use of Benefits at an Illinois Community College shall be governed by Article VI(3)(B) and use of Benefits at an Illinois Public University, Illinois Private Institution or Eligible Out of State Institution shall be governed by Article VI(3)(A), as applicable.

9. Use of Benefits for Choice Combination Plan. For a Choice Combination Plan, (i) use of Benefits shall be governed by Article VI(3)(B), if a Beneficiary enrolls in an Illinois Community College; (ii) use of Benefits shall be governed by Article VI(3)(C), if a Beneficiary has a University (Choice 2) Plan; (iii) use of Benefits shall be governed by Article VI(3)(D), if a Beneficiary has a University Plus (Choice 3) Plan; and (iv) use of Benefits shall be governed by Article VI(4), if a Beneficiary enrolls in an Illinois Private Institution or Eligible Out-of-State Institution

10. Plan Conversion Restrictions. Existing Program Plans cannot be converted to Choice Program Plans.

ARTICLE VII – TERMINATION, CANCELLATION, EXPIRATION, AND REFUND

1. Termination and Refunds – Generally. 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. Contract Expiration. 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 may, in its sole discretion, 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 Stated 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 Uniform Disposition of Unclaimed Property Act, 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. Beneficiary's Death or Disability. 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 Purchaser may terminate the contract and receive a lump sum refund equal to the average mean-weighted credit hour value of in-state Registration Fees for Illinois Public Institutions (depending upon the Program Plan purchased by the Purchaser) 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. RECEIPT OF A REFUND IS NO GUARANTY TO A PURCHASER THAT THERE WILL BE NO TAX PENALITIES. PURCHASERS SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING TAX IMPLICATIONS ARISING FROM ANY REFUNDS ISSUED DUE TO DEATH OR DISABILITY.

4. Beneficiary Acceptance of a Scholarship. If the Beneficiary accepts a scholarship that pays some or all of the Registration Fees purchased under the Contract, refund payments shall be issued on a Semester-by-Semester basis in amounts set forth below. Proof of scholarship must be submitted each semester in a form acceptable to the Commission.

   (A) If the Beneficiary is enrolled at an Illinois Community College or Illinois Public University, the refund will be equal to the current cost of in-state Registration Fees at that institution up to the amount payable 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.

   (B) If the Beneficiary is enrolled at an Illinois Public Institution not covered by their Program Plan, the refund amount may be based upon a conversion using the Mean-Weighted Average Tuition and Fees based upon the type of program Plan.

   (C) 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 Program 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.

   Additionally, the Purchaser may request that any unused Benefits under the Contract may be transferred to a Member of the Family pursuant to the provisions of Article VIII below.

5. (A) Installment Payment Obligations by Successor Purchaser. 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. 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. 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 Contract account is current by the 90th day following the due date. If the Contract 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.

   (B) Purchaser's Estate, Right of Refund. If the legal representative of the Purchaser's estate elects to terminate the Contract and receive a refund to the Purchaser's estate as authorized by Article VIII (2), the Contract termination provision under Article VII(6) below shall apply.

   (C) Refund as a Result of Payment Delinquency. If the Contract account is delinquent for two-hundred and ten (210) days and the contract is not converted pursuant to Article V (2)(D), a lump-sum refund equal to payments made, less any applicable fees and service charges shall be made to the Purchaser or Substitute Purchaser.

6. Refund Amounts. If the Purchaser, or the legal representative of the Purchaser's estate pursuant to Article VIII(2), determines at any time to terminate a Contract for a reason other than one specifically provided for 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 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. Termination and Refund Requirements. 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. Termination Fees. 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. Commission's Right to Terminate. 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. Refund Amount Limits. 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) Transfer of Unused Benefits – Generally. 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 and Article III(8). 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) Transfer of Unused Benefits – Special Circumstances. 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) Successor Purchaser(s). In the Application a Purchaser is required to designate at least one Successor Purchaser(s) to be the person with a right of survivorship in the event of the Purchaser's death. Additional Successor Purchasers may be designated on a separate form provided by the Program. If more than one Successor Purchaser is designated, Successor Purchasers shall succed to the role of Successor Purchaser in the order named by the Purchaser. Upon acceptance by the Commission of a *Change of Purchaser Due to Death* form, the Successor Purchaser shall have all the rights and obligations of the original Purchaser. The first 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 succeeding to the ownership of the Contract upon the death of the Purchaser. If the first named Successor Purchaser(s) predecease the Purchaser and there are no additional Successor Purchasers designated, the Purchaser shall designate one or more Successor Purchaser(s) in accordance with the provisions of this paragraph 2, 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. 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 the Program to locate the Purchaser or any of the named Successor Purchasers, and the Program has not received notice that a legal representative for the Purchaser's estate has been appointed, upon attaining the age of majority as determined by 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. Purchasers may change persons designated as Successor Purchasers at any time on a form available from the Program.

   (B) Beneficiary's Right to Terminate. 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. RECEIPT OF A REFUND IS NO GUARANTY TO A PURCHASER THAT THERE WILL BE NO FEDERAL OR STATE TAX PENALITIES. PURCHASERS SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING TAX IMPLICATIONS ARISING FROM ANY REFUNDS.

3. Assign Ownership. 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. Substitute Purchaser, Eligibility Requirements. 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. Qualified Rollover. Section 529 of the Internal Revenue Code 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 the Program, the Purchaser must complete a Rollover Form available from the Program in addition to an Application. A request to roll over funds from a Program Plan 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 of the Internal Revenue Code and any regulations promulgated pursuant thereto. PURCHASERS SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE FEDERAL AND STATE TAX IMPLICATIONS OF A ROLLOVER.

6. UGMA / UTMA. It is possible to purchase a Contract 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 accounts 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 an 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. PURCHASERS SHOULD CONSULT THEIR OWN TAX ADVISORS TO OBTAIN INFORMATION AND GUIDANCE ON TRANSFERRING UTMA OR UGMA FUNDS AND THE TAX IMPLICATIONS ASSOCIATED WITH SUCH A TRANSFER.
7. Transfer Restrictions and Limitations. 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 fees for changes, substitutions, cancellations, late fees as described in Article V(2)(A) and other administrative fees established by the Commission. ISAC Rules provide for an annual review and adjustment of Contract prices and fees. 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 and is also available on the Program's Web site (www.529prepaidtuition.org). 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 / RISK FACTORS

1. Purchasing a Contract. In order to purchase a Contract, the Purchaser must submit an Application. Contract prices are subject to change on a monthly basis as set forth in the Pricing Tables. If the Purchaser meets all eligibility requirements, the Contract shall become effective upon the Commission's receipt of the completed and signed Application and the initial Payment. ISAC will acknowledge the Purchaser's eligibility for the Program and receipt of the Application, by sending a Purchaser Participation and Payment Schedule and other Program materials. Purchasers shall qualify for the monthly pricing in effect on the Application Receipt Date only if payment is received by the First Payment Date as described in Article V(2)(A). As an example, if the Application Receipt Date is March 15, 2011, the Purchaser is eligible for the March 2011 contract price if the initial Payment is received by May 1, 2011. In this example, if the initial Payment is received after May 1, but within 15 days of May 1, the Purchaser will still qualify for the March contract price but will be assessed late fees as described in Article V(2)(A). If the initial Payment is received after May 15, the related Contract shall not become effective.
2. Designation of Purchaser and Beneficiary.
   (A) Except as described in 2(B) below, 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, except as permitted in Article X(2)(B) below, 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.
   (B) 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.
3. Commission Determination of Facts Regarding Residency, Disability or Other Matters. All factual determinations regarding a Purchaser's or Beneficiary's status as a Resident or Disabled, 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 Program Plan, termination of a Contract, and any other actions the Commission may designate from time to time, be verified under oath.
4. Disclaimers and Disclosures. 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 based upon the type of Program Plan; or (E) be classified as an instate/in-district student

by any Illinois Public Institution.

5. Terms and Features of the Program Subject to Change. The terms and features of the Program described herein may change in subsequent pricing periods. Although the Commission currently anticipates future opportunities to enroll in the Program, no representation is made or assurance given that additional opportunities to enroll will be available. The Commission may limit the number of Contracts that may be purchased in any given period although there are currently no plans for such limits. The Purchaser acknowledges that he or she has read and understands the Contract.

6. Contribution Limits Per Beneficiary; Illinois 529 Savings Plans. 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 qualified tuition programs in the same taxable year for the same Beneficiary. The $2,000 limit does not apply to contributions to a Section 529 qualified tuition program if no contribution to a Coverdell Education Savings Account is made in the same year. The Coverdell Education Savings Account tax provisions are currently scheduled to "sunset" at the end of 2010 (subject to change by Congressional legislation). Purchasers should consult with a tax advisor for the most recent tax law applicable to such contribution. Subject to maximum contribution limitations, 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 Contract.

   The State of Illinois also offers two Section 529 savings plans, Bright Start and Bright Directions, administered by the Illinois State Treasurer. Although these programs are also governed by Section 529 and offered by the State of Illinois, they differ from the Program in that they engage different investment advisors, offer different investment options, contract terms, fees and benefits, among other provisions. For information, visit www.brightstartsavings.com or www.brightdirections.com.

7. Qualification for Certain Need-Based Benefit Programs. Ownership of a Contract may affect the Beneficiary or Purchaser's qualification for certain federal or state need-based benefit programs, such as Medicaid. Benefits may also 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. All Program Contracts may be considered an asset of the parent if they are owned by the parent and may be required to be reported as such when completing the required federal financial aid application form (FAFSA). PURCHASERS AND BENEFICIARIES, AS APPROPRIATE, SHOULD CONSULT THE FINANCIAL AID OFFICE OF THE ACADEMIC INSTITUTION THE BENEFICIARY IS ATTENDING FOR MORE DETAILED INFORMATION REGARDING (A) WHETHER THE VALUE OF A CONTRACT IS REPORTED AS AN ASSET OR (B) IF THE AVAILABILITY OF BENEFITS WILL IMPACT A BENEFICIARY'S RECEIPT OF MERIT-BASED FINANCIAL AID (E.G., ACADEMIC OR ATHLETIC SCHOLARSHIPS).

8. Exemption from Claims of Creditors. Under Section 45(g) of the Act, moneys paid into or out of the Fund by or on behalf of the Purchaser or the Beneficiary of a Contract are exempt from all claims of creditors of the Purchaser or Beneficiary, so long as the Contract has not been terminated. PURCHASERS AND BENEFICIARIES, AS APPROPRIATE, SHOULD CONSULT AN ATTORNEY OR FINANCIAL ADVISOR TO FULLY IDENTIFY BANKRUPTCY, MEDICARE OR OTHER SPECIAL SITUATIONS INVOLVING THE RECAPTURE OF AMOUNTS PAID FOR A CONTRACT.

9. ISAC as Administrator of the Program; Investment Advisory Panel.

   (A) Pursuant to the Act, ISAC adminsters the Program. ISAC is governed by the Commission which is comprised of ten (10) members appointed by the Governor. See http://www.529prepaidtuition.org/commissioners for a list of current members of the Commission.

   (B) The Act also creates an Investment Advisory Panel ("Investment Panel"), comprised of seven (7) persons with expertise in the areas of accounting, actuarial practice, risk management or investment management. The Investment Panel advises the Commission on issues related to the Program's financial policies and practices. The Investment Panel members are appointed by the Commission and include one member recommended by each of the Illinois State Treasurer, State Comptroller, Director of the Governor's Office of Management and Budget, and Executive Director of the Board of Higher Education. The Investment Panel offers advice and counseling regarding the investments of the Program with the objective of obtaining the best possible return on investments, consistent with the actuarial soundness of the Program. The Investment Panel may also advise on other aspects of the Program. See http://www529prepaidtuition.org/investorpanel for a list of current members of the Investment Panel.

10. Annual Reports. Pursuant to Section 30 of the Act, the Commission shall annually prepare, with the review and advice of the Investment Panel, a report ("Annual Report") that describes the financial condition of the Program at the end of each fiscal year. The Annual Report shall include an evaluation by at least one nationally recognized actuary of the financial viability of the Program. The Annual 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. Annual Reports are available at www.529prepaidtuition.org/annual report. Copies of Annual Reports can also be requested from ISAC in writing, by phone at 877-877-3724 or by emailing: 529info@isac.org.

11. Investments. The Commission's Executive Director oversees the daily administration and operations of the Program and ISAC's Chief Investment Officer is responsible for overseeing the investments of Fund assets. The Act requires the Commission to adopt a comprehensive investment plan for the Program. The Program's Statement of Investment Policy (the "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 (A) the management of the Program assets by investment managers selected to manage program funds and (B) the direct investment of Fund assets by the Commission. The Investment Panel reviews and makes recommendations to the Commission regarding the Investment Policy. See www.529prepaidtuition.org. The Commission reviews and adopts changes to the Investment Policy at least annually. ISAC also engages an investment consultant ("Investment Consultant") to assist with the selection and monitoring of all investment managers and preparation of quarterly investment performance reports for the Commission. The Investment Consultant also prepares a monthly report listing all current Program investment managers, account balances and performance results. See www.529prepaidtuition.org. Information about the Program's investments, including requests for monthly reports can also be requested by in writing, by phone at 877-877-3724 or by emailing 529info@isac.org. Purchasers and Beneficiaries are not entitled to receive any investment returns from the Fund. Under the Act, all interest or other earnings accruing or received on amounts in the Fund shall be retained by

the Fund.

12. Tax Considerations.

PROGRAM PLANS ARE INTENDED TO BE USED ONLY TO SAVE FOR QUALIFIED HIGHER EDUCATION EXPENSES UNDER SECTION 529. PROGRAM 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. NEITHER ISAC NOR THE PROGRAM CAN PROVIDE LEGAL OR TAX ADVICE. This section contains only a general summary of certain detailed and complex tax rules. Any information contained in this Agreement that constitutes tax advice within the meaning of Circular 230 is not intended to be used or written to be used, and cannot be used by any taxpayer, for the purpose of avoiding penalties that may be imposed on the taxpayer. Any such tax advice was written to support the promotion or marketing of the Program. Each taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

(A) State of Illinois Taxes – Section 55 of the Act provides that assets of the Fund and its income and operation are exempt from all taxation by the State of Illinois and any of its subdivisions. The accrued earnings of Contracts on behalf of a Beneficiary are exempt from all taxation by the State of Illinois and any of its subdivisions, so long as they are used for Registration Fees in accordance with the provisions of the Contract.

For taxable years beginning on and after January 1, 2005, Section 203(a)(2)(Y) of the Illinois Income Tax Act (35 ILCS 5/203) provides that an individual taxpayer's adjusted gross income may be reduced by a maximum of $10,000 per year ($20,000 per year for married couples filing jointly) for contributions made in that year to the Program or a College Savings Pool account (Bright Start or Bright Directions) under Section 16.5 of the State Treasurer Act. Contributions to the Program include amounts paid towards the Contract balance but do not include distributions rolled over into the Program, nor service fees or cancellation fees. Effective August 10, 2009, contributions made by an employer on behalf of an employee, or matching contributions made by an employee, shall be treated as made by an employee for this purpose. Generally, refunds from a Contract pursuant to Article VII are taxable in the year the refund is made.

P.A. 96-0120 requires that for taxable years in or after January 1, 2009, individual taxpayers, who previously excluded from adjusted gross income contributions to the Program or a College Savings Pool Account (Bright Start or Bright Directions), are required to include such contributions in their adjusted gross income to the extent such contributions constitute non-qualified withdrawals or refunds, except if such withdrawals or refunds are the result of a Beneficiary's death or disability.

If a Purchaser lives in or is a resident of a state other than Illinois, the state tax consequences may differ from those described 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 subject to taxation in other states are advised to contact their own tax advisors to determine that state's tax treatment of contributions to and earnings from another state's qualified tuition program and any other benefits that state may provide to participants in their 529 plan.

P.A. 96-0198 created a new incentive for employers and their employees to contribute to the State of Illinois' college savings and prepaid tuition programs. PA. 96-1098 permits Illinois employers to claim a tax credit, up to a maximum of $500 per contributing employee, for one-fourth of the amount they contribute each year that matches their employees' contributions toward such employees' Contracts or Bright Start or Bright Directions college savings plans. If the credit exceeds the amount the employer owes in taxes, the employer may carry the excess credit forward for up to five years. The credit is included in the base income of the employer. The credit is available for taxable years ending on or after December 31, 2009 and on or before December 30, 2020.

(B) Federal Taxes – Section 529 governs the federal tax treatment of qualified tuition programs such as the Program and the tax consequences to purchasers and 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 Section 529 to state-sponsored prepaid tuition programs. The Program has been structured to meet all current federal requirements and, therefore, the Fund itself does not pay federal income taxes.

Contract payments or other contributions are NOT deductible from federal taxable income. No federal income tax liability is imposed on the increased value of the Contract or upon a distribution under a Contract when such distribution is used to pay Registration Fees. All or a portion of any refunds issued by the Program that are not used for a qualified higher education expense generally will be taxed as ordinary income in the year of the refund. In addition, if such refunds are made for a reason other than the Beneficiary's death, disability or receipt of a scholarship or attendance at a military academy will be subject to an additional federal penalty tax of 10% of the earnings. Refunds have tax implications for the Purchaser of the Contract. 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. Purchasers should consult their own tax advisors concerning Illinois and federal tax issues arising from the purchase of a Contract.

Section 529 provides that payments to the Fund are treated as a completed gift of a present interest for federal gift tax purposes. Section 529 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 $13,000 ($26,000 for married couples filing jointly). This means that if a contribution by any one individual to a single Beneficiary in any one tax year is greater than $13,000 ($26,000 for married couples filing jointly), the Purchaser may elect to average the amount of the gift over a five-year period. Please contact a tax professional or the Internal Revenue Service to determine how to make the five-year averaging election on IRS Form 709. If the Purchaser dies before the end of the five-year averaging period discussed above, the Purchaser's gross estate will 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 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 $13,000 if the change results in the new Beneficiary being in a younger generation than the original Beneficiary (and federal generation-skipping transfer tax if the new beneficiary is assigned a generation two or more generations below the old beneficiary). However, the five-year averaging rule described above may be applied to the transfer. 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. In particular, Contributors are encouraged to consult their own tax advisor concerning estate, gift and generation-skipping transfer taxes 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).

(C) Treasury Regulations and Other Administrative Guidance – Treasury regulations and other administrative guidance from the IRS or court decisions may be issued which might adversely impact the federal and Illinois tax consequences or requirements with respect to a Contract or contributions to the Program. Congress may also amend Section 529 or other federal law that may materially change or eliminate the federal or state tax treatment described in this Contract. ISAC reserves the right to change the terms and conditions of this Contract without consent of the Purchaser or Beneficiary to the extent required to achieve or preserve the Program's status as a qualified tuition program.

13. Securities Considerations. Contracts are exempt from registration under the Securities Act of 1933 and the Illinois Securities Law of 1953.

14. Risk Factors. The following risk factors are associated with the purchase of a Contract:

(A) Illinois Prepaid Tuition Trust Fund and Provisions of the Act Applicable in the Event Moneys in the Fund Are Insufficient to Pay Contractual Obligations. The Fund is the repository of all moneys received by the Commission in conjunction with the Program. Benefits are limited to the assets of the Fund and earnings thereon. In addition, Section 35(e) of the Act provides the following:

(I) 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 of the State of Illinois, the Governor of Illinois, the President of the Senate of Illinois, and the Speaker of the House of Representatives of Illinois. The Governor shall submit the amount so certified to the Illinois General Assembly as soon as practicable, but no later than the end of the current State fiscal year. THE GENERAL ASSEMBLY IS NOT OBLIGATED TO APPROPRIATE, AND NO ASSURANCES CAN BE MADE THAT THE GENERAL ASSEMBLY WILL APPROPRIATE, SUFFICIENT MONEYS TO MEET THE PROGRAM'S CONTRACTUAL OBLIGATIONS. NEITHER THE CREDIT NOR THE TAXING POWER OF THE STATE OF ILLINOIS IS PLEDGED TO THE PAYMENT OF BENEFITS UNDER A CONTRACT.

(II) 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 an Eligible Institution shall be entitled to utilize all of the 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.

(B) 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 it 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 depending upon the type of Program Plan. Unused benefits may be applied toward graduate or professional school tuition at an 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.

(C) 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. 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. ACTUARIAL ASSUMPTIONS INVOLVE ASSESSMENTS OF PROSPECTIVE EVENTS; NO ASSURANCES CAN BE GIVEN THAT SUCH ACTUARIAL ASSUMPTIONS SHALL PROVE TO BE ACCURATE. COPIES OF THE ACTUARIAL REPORT ARE CONTAINED IN THE ANNUAL REPORT WHICH CAN BE OBTAINED FROM ISAC AS PROVIDED IN SECTION 10 ABOVE.

(D) Investment Alternatives. A Program Contract may not be a suitable investment for all prospective purchasers. ISAC makes no representation regarding the appropriateness of a Program Contract as an investment alternative. Purchasers should evaluate the Program in the context of their individual financial goals, investment goals, education goals and other considerations and needs. INDIVIDUAL FINANCIAL SITUATIONS VARY GREATLY. PURCHASERS SHOULD CONSULT THEIR OWN FINANCIAL, LEGAL AND TAX ADVISORS CONCERNING THE SUITABILITY OF THE PROGRAM AS AN INVESTMENT.

15. Notices; Modifications to Contract. 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 Program 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. Unless otherwise required by law, the Commission will not retroactively modify existing Contracts in a manner adverse to the Purchaser or the Beneficiary except to the extent necessary to ensure 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.

16. Changes Requested by Purchaser. Only the Purchaser may execute Contract changes, conversions, transfers, terminations and refund requests. Only the Purchaser may, upon signed and written authorization, authorize individuals other than those legally entitled to Contract account information to receive Contract account information upon request.

17. Governing Laws and Venue. ISAC is an agency of the State of Illinois, established by the Higher Education Student Assistance Act, 110 ILCS 947. The Program is governed by the terms of the Contract, the Act, ISAC's Rules and all other applicable laws of the State of Illinois and federal laws, including Section 529. 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.

18. 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.

19. Complete Agreement. The Contract 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.

20. Disclosures Set Forth in Contract. Except as provided in the following sentence, no third-party dealer, broker, salesman, financial advisor or other person (collectively, "Sales Agents") has been authorized by ISAC to give any information or to make any representations, other than those contained in this Master Agreement and Disclosure Statement and other portions of the Contract, and, if given or made, such other information or representations must not be relied upon as having been authorized by ISAC. ISAC may, from time to time, prepare summary disclosure and marketing materials to be used to assist ISAC or the Sales Agents in marketing the Program to potential Purchasers. Such supplemental materials may be in electronic or printed form and may appear on any website maintained by ISAC to provide for the marketing of the Program. Such supplemental materials may only be used or referred to by the Sales Agents in connection with the marketing of the Program with the prior written approval of ISAC.

21. Contact Information. Information regarding the Program and the Contract can be obtained from:

    Website: www.529prepaidtuition.org
    Email: 529info@isac.org
    By Mail: P.O. Box 19291 Springfield, Illinois 62794-9291
    Phone: 1-877-877-3724

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