



TEXAS PREPAID HIGHER EDUCATION TUITION BOARD  
**TEXAS GUARANTEED TUITION PLAN**  
 Texas Tomorrow Funds • P.O. Box 13407 • Austin, Texas 78711-3407

111 E. 17th St., 11th Floor  
 Austin, Texas 78711  
 1.800.445.GRAD (4723)  
 FAX: 512.475.0081

August 24, 2009

Dear Purchaser:

On May 12, 2009, the Texas Prepaid Higher Education Tuition Board voted to change the method for refunding unused tuition hours when a Texas Guaranteed Tuition Plan contract is cancelled or a refund is requested.

Your Texas Prepaid Higher Education Tuition Program Master Agreement states that “modifications may be made to the Master Agreement by the Board and will be incorporated into the Prepaid Tuition Contract,” and that “program provisions may be amended by the Board from time to time if the Board determines it is in the Program’s best interests.” The Board believes that the new refund policy is in the best interest of the Plan in order to maximize the financial resources of the Plan.

This change will not affect any account utilized to pay tuition and required fees at an eligible institution – your account is constitutionally guaranteed by the state of Texas. This change only affects contract purchasers who cancel contracts and seek refunds.

The rule change affects the payment of earnings when a contract is cancelled. Under current rules, when certain contracts are cancelled the purchaser gets a refund of the value of tuition and required fees the Plan would have paid at an eligible institution at the time of cancellation. Effective November 1, 2009, the payment of earnings will not occur for cancelled contracts, as outlined in the following table:

**Current Rules Compared to New Rules for Determining Earnings on Refunds**

Reason for Cancellation	Age of Beneficiary	Projected High School Graduation Reached	Current Rules	Rules Effective 11-1-2009
			Payment of Earnings	Payment of Earnings
Involuntary - Delinquent	N/A	N/A	No	No
Involuntary (Automatic) – 10th Anniversary of Projected High School Graduation	N/A	Yes	No	No
Voluntary	Under the age of 18	No	No	No
Voluntary	Over the age of 18	N/A	Yes	No
Scholarships	N/A	Yes	Yes	No
Voluntary	N/A	Yes	Yes	No
Death of Purchaser or Beneficiary	N/A	N/A	Yes	No
Voluntary - College Graduation	N/A	Yes	Yes	No

Effective November 1, 2009, the amount of any refund will be: the sum of all contract payments made by the purchaser, minus fees due and payable to the program under the fee schedule and minus any benefits already paid by the program for tuition and required fees. These details are further explained in the following documents:

- Notice of a Change in Terms to your Texas Prepaid Higher Education Tuition Program Master Agreement (Master Agreement) and your Right to Opt-Out; and
- The Texas Guaranteed Tuition Plan<sup>SM</sup> (Texas Tomorrow Fund I) Supplement dated November 1, 2009 to all Texas Prepaid Higher Education Tuition Program Agreements for 1996 through 2003.

If you wish to request a refund before the new rule goes into effect, you can print a cancellation form from our Web site at <http://window.state.tx.us/taxinfo/taxforms/89-107.pdf>, or you may request one from our office by calling (800) 445-GRAD (4723), Option 2.

You may cancel your contract and receive a refund with earnings if you are eligible under the current rule. You will need to follow the steps outlined in the enclosed notice and we must have your cancellation form in our office on or before 5 pm, Friday, October 30, 2009.

If you have any questions, please feel free to call our Customer Service team at (800) 445-GRAD (4723), Option 2.

Sincerely,

A handwritten signature in black ink, appearing to read 'Kevin Deiters', written in a cursive style.

Kevin Deiters, on behalf of the  
Texas Prepaid Higher Education Tuition Board

**Dear Texas Guaranteed Tuition Plan Account Owner:**

**This letter serves as Notice of a Change in Terms to your Texas Prepaid Higher Education Tuition Program Master Agreement (Master Agreement) and your Right to Opt-Out:**

**The Change.** We are changing your Master Agreement due to a change in the Program rules. The changes will be effective beginning November 1, 2009.

**Your account is constitutionally guaranteed; however, we are changing how the Plan will calculate refunds under the Master Agreement.**

Under the existing Master Agreement, refunds of amounts remaining in your account that are or were disbursed to the Account Owner and not used to pay “institutions of higher education” for tuition and required fees are based on the fair market value of the tuition purchased and as such, contain earnings. Effective November 1, 2009, all refunds shall be the sum of all payments made under the contract for tuition and required fees, less fees due and payable to the program under the board's fee schedule and less any amounts paid by the program pursuant to the prepaid tuition contract prior to the refund. Refunds will no longer contain any earnings.

**Right to Opt Out.** You have sixty (60) days to opt out of this change. To opt out of your Master Agreement you must submit a Cancellation form on or before October 30, 2009. By failing to cancel your account, your account will continue under the Program rules effective as of November 1, 2009.

If you have any questions, please call us toll-free at **1-800-445-GRAD (4723), option 2** (please have your account number available), or write us at Texas Tomorrow Fund, P.O. Box 13407, Austin, Texas 78711-3407. If you need a Cancellation form, you may download the form from our Web site at [www.tgtp.org](http://www.tgtp.org). Please be advised that only the Purchaser and Joint Purchaser, if applicable, may cancel the account and receive the refund. The form must be signed by all Purchasers and their signatures notarized for the cancellation to be effective and processed.

**Excerpt from Master Agreement:**

**When can we change the terms of your Master Agreement?** Modifications may be made to the Master Agreement by the Board and will be incorporated into the Prepaid Tuition Contract. Program provisions may be amended by the Board from time to time if the Board determines it is in the Program’s best interests.

**The Texas Guaranteed Tuition Plan<sup>SM</sup> (Texas Tomorrow Fund I)  
Supplement dated November 1, 2009 to all  
Texas Prepaid Higher Education Tuition Program Agreements for 1996 through 2003**

This supplement amends the Texas Prepaid Higher Education Tuition Program Agreement for the years of 1996 through 2003 (collectively, the "Master Agreement"). You should read this Supplement in conjunction with the Master Agreement and retain it for future reference.

**Change in 34 Texas Administrative Code § 7.81 (Refunds)**

The Texas Prepaid Higher Education Tuition Board amended the Program rule affecting "Refunds" under the Texas Guaranteed Tuition Plan to limit any refunds, i.e. those funds not utilized for attending an "institution of higher education" as defined in the Program statute (Texas Education Code § 54.601), to the sum of all payments made under the contract for tuition and required fees, less fees due and payable to the program under the board's fee schedule and less any amounts paid by the program pursuant to the prepaid tuition contract prior to the refund. If a contract is cancelled due to the death of the purchaser or beneficiary or due to the graduation of the beneficiary from an eligible educational institution, no cancellation fee will be assessed against the contract.

**As a result of the foregoing, the following replaces Article VII (Termination and Refund) of the Master Agreement as follows:**

**ARTICLE VII - TERMINATION AND REFUND**

1. Except as otherwise specifically provided herein, only the Purchaser of a Prepaid Tuition Contract may terminate the Prepaid Tuition Contract or receive a refund of amounts paid in under the Prepaid Tuition Contract. The Board shall determine the method by which the amount of any refund is calculated. A Purchaser may designate in writing to the Board a person who will have rights in the contract in the event of the Purchaser's death. Unless such designee becomes the purchaser of the contract, he/she has no right to direct decisions regarding contract changes, conversions, transfers or termination. Without limitation on the foregoing, the Contract may be modified or terminated, or refund disbursed, without the consent or authorization of such designee pursuant to this paragraph.
2. Notwithstanding any other provision of this Master Agreement, a Prepaid Tuition Contract terminates on the 10th anniversary of the date the Beneficiary is projected to graduate from high school, not counting time spent by the Beneficiary as an active duty member of the United States Armed Services.
3. Refunds shall be made in accordance with provisions of these rules and the prepaid tuition contract, in a manner that will not adversely affect the tax status of the program under applicable provisions of the Internal Revenue Code, as amended from time to time.
4. Refunds shall be governed by these rules as amended and as in effect on the date the request for refund is submitted to the board. In general, it is the board's intent that the amount of any refund shall be the sum of all payments made under the contract for tuition and required fees, less fees due and payable to the program under the board's fee schedule and less any amounts paid by the program pursuant to the prepaid tuition contract prior to the refund. If a contract is cancelled due to the death of the purchaser or beneficiary or due to the graduation of the beneficiary from an eligible educational institution, no cancellation fee will be assessed against the contract.

5. Under any plan, if the Beneficiary receives a full or partial scholarship, for tuition and required fees, the amount of tuition and required fees that would have been paid under the plan selected may be refunded; however, the refund will be limited to the sum of all payments made under the contract for tuition and required fees for the hours enrolled for that semester. Under a junior college plan, junior/senior college plan, or a senior college plan, the amount of such refund shall not exceed the tuition scholarship amount. Refund payments may be issued each academic term as long as the scholarship is effective. The Purchaser of the Prepaid Tuition Contract shall be entitled to such refund. Proof of scholarship must be submitted in a form acceptable to the Board.

6. Should a beneficiary terminate his/her student status on or after the date on which the institution denies refunds to students withdrawing for a particular semester, no refund shall be paid under the prepaid tuition contract for amounts relating to such semester.

7. The Purchaser may transfer benefits to an out-of-state college or university accredited by a regional accrediting association which is an "eligible educational institution" within the meaning of Section 529 of the Internal Revenue Code. The amount of the transfer shall not exceed the average amount of tuition and required fees for the current academic year under the plan selected, or the estimated average private tuition and required fees for the current academic year, as applicable, less a benefits transfer fee and any other applicable fees as defined in Article IX, Fees. Payments may be transferred each academic term to the out-of-state college or university as necessary to pay for tuition and required fees up to the credit hours limit identified in the Prepaid Tuition Contract. An invoice from the out-of-state college or university shall be submitted to the Board during each academic term, in a form acceptable to the Board.

8. If the Board determines that the Purchaser or the Beneficiary have made any Material Misrepresentation on the Application or in communications with the Board regarding the Prepaid Tuition Program, the Prepaid Tuition Contract may be terminated by the Board. If the Prepaid Tuition Contract is so terminated, the Purchaser will be entitled to a refund in accordance with the provisions of this Master Agreement.

9. In order to terminate the Prepaid Tuition Contract and receive a refund under this Article, the Board must be provided with a written request specifying the Purchaser's name, the Beneficiary's name, the Prepaid Tuition Contract number, the reason for termination, and supporting documentation as may be required by the Board, and payment of any fees specified by the Board.

**The following replaces Article XI, Number 1, under Miscellaneous Provisions of the Master Agreement as follows:**

#### **ARTICLE XI - MISCELLANEOUS PROVISIONS**

1. All notices, changes, options, and elections proposed by a Purchaser under the Prepaid Tuition Contract must be in writing, signed by the Purchaser, and received by the Board. The Board is not responsible for the accuracy of such documentation. If acceptable to the Board, notices, changes, options, and elections relating to the Beneficiary will take effect as of the date the notice is received by the Board, unless the Board agrees otherwise. The Purchaser understands and acknowledges that Program provisions may be amended by the Board from time to time if the Board determines it is in the Program's best interests. The Board shall promptly notify the Purchaser of such amendments, and the Purchaser agrees to be bound thereby unless the Purchaser promptly notifies the Board of its intent to terminate the Contract within 60 days of having been notified of the amendment. Any refund will be made pursuant to Article VII of this Contract.