

MasterPACT

For Spring 1994 Enrollment Period May 1, 1994 - May 31, 1994

SECTION I—INTRODUCTION

This MasterPACT, as amended from time to time, describes the basic terms and conditions of the Prepaid Affordable College Tuition Program (the "P.A.C.T. Program"), and the obligations and responsibilities of the State Treasurer on behalf of the Board of Trustees (the "Board") of the Wallace-Folsom Prepaid College Tuition Trust Fund (the "Trust Fund"), as defined by Title 16, Sections 33C-1 through 33C-8, *Code of Alabama*, 1975, (as last amended).

The Application completed by the Contract Purchaser, this MasterPACT, and the Participation and Payment Schedule constitute the formal Contract between the P.A.C.T. Contract Purchaser and the State Treasurer of the State of Alabama, as chairman of, and on behalf of, the Board. Additional documents relating to the Contract, issued or received by the State Treasurer on behalf of the Board, pursuant to the various terms and conditions described will be incorporated into the Contract. This Contract is subject to the Program Description, Rules, Regulations and Procedures (the "Rules") adopted by the Board and amended from time to time.

SECTION II - DEFINITIONS

The definitions of terms included in the provisions of Title 16, Section 33C-3, *Code of Alabama*, 1975, (as last amended), and in the applicable provisions of the Rules, as amended from time to time, shall apply to the Contract and are incorporated herein by reference.

2.01 **"Qualified Beneficiary"** means a resident of this state or a minor child of a noncustodial parent who is a resident of this state, who is under the age of 18, has not completed the 8th grade, and who is born at the time that the Purchaser enters into a P.A.C.T. Contract.

2.02 **"Purchaser"** means any adult person, corporation, trust, or other Entity eligible to purchase a Contract and who is obligated to make Contract payments and Administrative Fee payments in accordance with the Contract. The Purchaser will receive any refunds that may be due pursuant to a Contract. Only one individual, corporation, trust, or other Entity may be named as the Contract Purchaser.

2.03 **"Application"** means a request for acceptance into the P.A.C.T. Program, made on a form or duplicate form, approved by the State Treasurer.

2.04 **"P.A.C.T. Enrollment Period"** means any period designated by the State Treasurer during which Applications for enrollment in the P.A.C.T. Program will be accepted by the State Treasurer. For 1994, the Enrollment Period will be held from May 1 through May 31, 1994.

A child born between June 1 and September 1, 1994 may be enrolled at the infant price in effect during the May, 1994 Enrollment Period adjusted by any Actuarial Assessments and/or late payment fees assessed by the State Treasurer.

2.05 **"Participation and Payment Schedule"** means the document prepared by the State Treasurer defining the frequency, duration, and due date of Contract payments based on information provided in the Application.

2.06 **"Projected College Entrance Date"** means the academic school year following the beneficiary's projected high school graduation and is the earliest date for utilization of the Contract benefits without the State Treasurer's written approval.

2.07 **"Official Change Period"** means any period so designated by the State Treasurer during which the Purchaser may submit a written request for approval of changes in the Contract.

2.08 **"Scholarship"** means grants, gifts, or other financial aid awarded to a Qualified Beneficiary in an amount sufficient to pay a portion or all of the same benefits as are guaranteed under a Contract. A loan is not considered a Scholarship.

2.09 **"Disability of the Qualified Beneficiary"** means a disability which, based on the findings of a health care professional, and on approval of these findings by the State Treasurer, renders the Qualified Beneficiary incapable of participating in higher education.

2.10 **"Current Tuition Value"** means the weighted average of Instate Tuition and Mandatory Fees at the four-year Public Postsecondary Institutions.

2.11 **"Redemption Value"** means the sum of all Contract payments paid to date, not including Administrative Fees, minus any amounts paid by the Trust Fund to Postsecondary Institutions on behalf of the Qualified Beneficiary, and minus a Cancellation Fee or a Termination Fee.

2.12 **"Cancellation"** means discontinuation, at the Purchaser's request or for nonpayment, of the Purchaser's participation in the P.A.C.T. Program and of the Qualified Beneficiary's right to receive Contract benefits.

2.13 **"Termination"** means involuntary discontinuation of the Purchaser's participation in the P.A.C.T. Program and of the Qualified Beneficiary's right to receive Contract benefits.

2.14 **"Mandatory Fees"** means those fees required as A CONDITION OF ENROLLMENT FOR ALL students attending the Postsecondary Institution in which the Qualified Beneficiary is enrolled. Fees which are considered to be Mandatory Fees are defined by the college or university in which the Beneficiary is enrolled. Mandatory fees do not include college application or entrance fees.

2.15 **"Instate Tuition"** means the tuition rate charged to a student who meets the instate residency requirements of the particular Alabama Public Postsecondary Institution attended by the Qualified Beneficiary.

2.16 **"Actuarial Assessment"** means an additional Contract amount assessed by the State Treasurer to preserve the actuarial soundness of the Trust Fund. For an unpaid or partially paid lump sum account, this amount will be 1% of the outstanding balance per month. For monthly accounts, the actuarial assessment is the difference between the future value of the prescribed monthly payments and the future value of the payments actually made by the Purchaser.

SECTION III - CONTRACT BENEFITS

The P.A.C.T. Program guarantees payment of undergraduate Instate Tuition and Mandatory Fees on behalf of the Qualified Beneficiary to the Alabama Public Postsecondary Institution in which the Qualified Beneficiary matriculates as follows:

(A) Payment of Instate Tuition of not more than one hundred thirty-five (135) semester hours or the academic equivalent units on a quarter system or other academic term basis OR payment of Instate Tuition until award of a baccalaureate degree to the Qualified Beneficiary, whichever comes first; and

(B) Payment of Mandatory Fees for not more than eight (8) registrations on a semester system, twelve (12) registrations on a quarter system, or the comparable number of registrations on an academic equivalent basis for terms that are not semesters or quarters.

CONTRACT BENEFITS ARE BASED ON INSTATE TUITION AND MANDATORY FEE RATES OF ALABAMA PUBLIC POSTSECONDARY INSTITUTIONS.

SECTION IV - PAYMENTS

4.01 **General.** Payments are due in the amounts and on the dates specified in the Participation and Payment Schedule. For the Spring, 1994, Enrollment Period, all lump sum payments are due on July 1, 1994. An Actuarial Assessment of 1% of the outstanding balance will be added for each month that the lump sum payment is past due. Late payment fees may also be assessed. For the five-year payment schedule, the first monthly payment is due on September 1, 1994, with the remaining payments due on the first day of each month thereafter for a total of 60 months. For the extended monthly payment plan, the first payment is due on September 1, 1994, with the remaining payments due on the first day of each month through June 1st of the Qualified Beneficiary's Projected College Entrance Date.

4.02 **Purchaser's Responsibility.** The Purchaser is responsible for making all payments on time, even if the Purchaser has not received a Participation and Payment Schedule from the State Treasurer, or even if the Purchaser's selected payment method has not been implemented. The Purchaser is responsible for verifying the effective date of the selected payment method. The P.A.C.T. Contract will be cancelled if no Contract payments have been received within 45 days of the first payment due date.

4.03 **Returned Items.** A fee of \$15.00 will be assessed for all returned payments.

4.04 **Late Payments.** A late fee of \$15.00 will be added to each payment not received by the State Treasurer within fifteen (15) days of the due date.

4.05 **Default.** Failure to make any payment within thirty (30) days of the date due will constitute default of the Contract. All rights of the Qualified Beneficiary under the Contract may be terminated upon default.

4.06 **Reinstatement.** If, within six (6) months of default, the Purchaser pays all delinquent amounts including Actuarial Assessments and late payment fees, the benefits of the Contract will be reinstated. If the Purchaser fails to reinstate the Contract, it will be deemed terminated.

4.07 **Changes in Payment Method.** Request for a change in payment method may be made during an Official Change Period.

4.08 **Changes in Payment Schedule.** Changes in payment schedule shall include a \$20.00 Administrative Fee and may be requested in writing during the Spring 1994 Enrollment Period through the 10th day of the month in which the first payment is due for monthly purchasers or in which the lump sum payment is due for lump sum purchasers.

4.09 **Account Maintenance Fee.** Each Contract payment includes a nonrefundable account maintenance fee.

SECTION V - CANCELLATION, TERMINATION, AND REFUND

5.01 **General.** Participation in the P.A.C.T. Program is strictly voluntary. The P.A.C.T. Contract is not a debt instrument. Except for circumstances described in Sections 5.02, 5.04, and 5.05, Cancellation or Termination shall entitle the Purchaser to a refund of the Redemption Value of the Contract. All refunds shall be paid in installments.

5.02 **Death or Disability of the Beneficiary or Beneficiary is a Dependent of a Blind Parent, a Deceased or Disabled Veteran, or a Prisoner of War.** If any of these circumstances occur prior to matriculation of the Qualified Beneficiary in a Postsecondary Institution,

and in accordance with applicable sections of the *Alabama Code*, the Contract benefits may be transferred to an eligible Substitute Beneficiary, or the Purchaser may submit a written request for a refund equal to the sum of all P.A.C.T. Contract payments paid to date, excluding Administrative Fees, minus any amounts paid by the Trust Fund to Postsecondary Institutions on behalf of the Qualified Beneficiary, with such net amounts adjusted to reflect the increase in Current Tuition Value over the period from the purchase of the P.A.C.T. Contract to the date the refund calculation is made. A request to transfer the Contract benefits to a Substitute Beneficiary, or a request for a refund, is required within 180 days of the Beneficiary's date of death, Disability, or other circumstances outlined herein, or the refund provisions of Section 5.01 may apply.

5.03 Scholarship. If the Qualified Beneficiary receives a Scholarship, the Purchaser may request a refund of any overpayment of tuition and Mandatory Fees from the Qualified Beneficiary's college or university. An Administrative Fee will not be assessed. The State Treasurer is not responsible for any refunds that may be payable by a Postsecondary Institution.

5.04 Attendance at a Military Academy. If the Beneficiary matriculates at a U.S. Government sanctioned military academy listed in the Rules, the Purchaser will receive a refund of the Current Tuition Value. The refund request must be submitted in writing within sixty (60) days of the Beneficiary's matriculation in the military academy or the refund provisions of Section 5.01 may apply.

5.05 Matriculation in a Postsecondary Institution Located Outside of the United States. After submitting required documentation and a written request in accordance with the Rules, the Purchaser will receive a refund of the Current Tuition Value.

5.06 Cancellation. If the Contract is cancelled because of reasons other than as stated in Sections 5.02, 5.04, and 5.05, and provided the Purchaser gives the State Treasurer at least thirty (30) days written notice of request for a refund, the Purchaser will receive a refund of the Redemption Value of the Contract, less a Cancellation fee of fifty percent (50%) of the amounts paid into the Trust Fund, excluding Administrative Fees, up to a maximum of \$150.00.

5.07 Termination. If the Contract is Terminated, the Purchaser will receive a refund of the Redemption Value of the Contract, less a Termination fee of one hundred percent (100%) of the amounts paid into the Trust Fund, excluding Administrative Fees, up to a maximum of \$500.00.

SECTION VI - SUBSTITUTION, ASSIGNMENT, OR TRANSFER

6.01 Substitution of the Qualified Beneficiary. Transfer of the Contract benefits to an eligible Substitute Beneficiary shall verify and include:

(A) A written request for substitution of the Qualified Beneficiary addressed to the State Treasurer during an Official Change Period;

(B) A written statement and acceptable documentation verifying that the person who is to be substituted has been born and is a child, stepchild, adopted child, grandchild, niece, or nephew of the Contract Purchaser or the brother, sister, half brother, half sister, stepbrother, stepsister, legally adopted brother, legally adopted sister, or the first cousin of the original Qualified Beneficiary;

(C) The Substitute Beneficiary is a resident of Alabama or is the minor child of a noncustodial parent who is a resident of Alabama;

(D) The Substitute Beneficiary is under the age of 18;

(E) The Substitute Beneficiary has not yet enrolled in a Postsecondary Institution;

(F) The Substitute Beneficiary has a Projected College Entrance Date that is the same or later than the Projected College Entrance Date of the original Qualified Beneficiary;

(G) The substitution is made before the original Qualified Beneficiary matriculates in a Postsecondary Institution or utilizes any of the Contract benefits;

(H) The request for substitution includes an administrative beneficiary substitution fee of \$55.00; and

(I) Any Actuarial Assessment calculated by the State Treasurer.

If special permission is granted by the State Treasurer to transfer the Contract benefits to a Substitute Beneficiary whose Projected College Entrance Date is earlier than that of the original Qualified Beneficiary, the Purchaser must pay any Actuarial Assessment calculated by the State Treasurer before the substitution will be made.

Monies paid to the P.A.C.T. Program or to the Trust Fund prior to a Beneficiary substitution will not be refunded.

6.02 Change in Purchaser. A request to transfer Contract benefits from one Purchaser to another shall be submitted, in writing, signed by both the original and new Purchaser, and shall include a \$20.00 Administrative Fee.

6.03 Assignment or Transfer. Except as specifically provided herein, this Contract may not be assigned or transferred, nor may any interest, rights, or benefits in this Contract be assigned or transferred.

SECTION VII - TIME FOR EXERCISING CONTRACT BENEFITS

7.01 Advanced or Delayed Exercise. Contract benefits may be used for up to ten (10) years after the Projected College Entrance Date of the Qualified Beneficiary, or the actual college entrance date of a Qualified Beneficiary who is an accelerated student, subject to the Rules. The Contract benefits may be used up to three (3) years in advance of the Beneficiary's Projected College Entrance Date if the Beneficiary is an accelerated student. The Contract, all Administrative Fees, and all Actuarial Assessments must be paid in full before the Contract benefits may be used.

SECTION VIII - ADMINISTRATIVE FEES

8.01 Administrative Fees. Administrative Fees shall be assessed when an Application is submitted for a Contract, when alterations are made in the ordinary services provided by the P.A.C.T. Program, or when the

Purchaser makes changes in Contract information. The amount charged for each of these fees, and the types of fees, are subject to change during the life of any Contract.

8.02 Fees Assessed. Administrative Fees include, but are not limited to, the following:

(A) Application Processing Fee;

(B) Cancellation Fee;

(C) Termination Fee;

(D) Substitute Beneficiary Fee;

(E) Fee for Document Replacement or Copies;

(F) Fee for Failure to Provide Sufficient Notification of Intent to Use Contract Benefits;

(G) Fee for Changes in Payment Schedule;

(H) Account Maintenance Fee;

(I) Fee for Transfer of Contract Benefits to Another Purchaser;

(J) All other Administrative Fees established in the P.A.C.T. Program Rules.

SECTION IX - MATRICULATION AT AN INDEPENDENT/PRIVATE INSTATE OR AN OUT-OF-STATE POSTSECONDARY INSTITUTION

9.01 General. If the Qualified Beneficiary matriculates in an Independent/Private Instate Postsecondary Institution or in an Out-of-State Postsecondary Institution, the Current Tuition Value shall be forwarded each academic term to the Postsecondary Institution on an academically equivalent hourly basis subject to the provisions of the Contract. The amount forwarded will not exceed the cost of undergraduate tuition plus Mandatory Fees of the Independent/Private Instate Postsecondary Institution or the out-of-state Postsecondary Institution. A written request and any applicable Administrative Fee must be submitted to the State Treasurer sixty (60) days prior to the Qualified Beneficiary's matriculation each academic term. A \$25.00 processing fee will be assessed each academic term that the Contract benefits are forwarded.

SECTION X - MISCELLANEOUS PROVISIONS

10.01 Notices and Changes. All notices, changes, and choices made under the Contract must be in writing, signed by the Purchaser and received by the State Treasurer at the address listed on the Contract, along with any supporting documentation the State Treasurer may reasonably require and any applicable Administrative Fees and/or Actuarial Assessments.

10.02 Additional Fees Charged by Postsecondary Institutions. Postsecondary Institutions may charge fees in addition to the Mandatory Fees described herein. The Qualified Beneficiary will bear the cost of any such additional fees which may include, but are not limited to, health fees, athletic fees, laboratory fees, and student activity fees.

10.03 Matriculation. At the time that the Qualified Beneficiary intends to begin using the Contract benefits, the Purchaser must submit written notification to the State Treasurer at least sixty (60) days prior to the projected commencement date for utilization of the Contract benefits. Failure to provide at least 60 days notice may result in assessment of an Administrative Fee of \$45.00.

10.04 Identification Card. To receive Contract benefits, the Qualified Beneficiary must submit a valid Identification Card, issued by the State Treasurer, to the Qualified Beneficiary's Postsecondary Institution. No Identification Card will be issued unless the Contract is paid in full, including all Administrative Fees and Actuarial Assessments, and the Qualified Beneficiary has submitted a valid social security number to the State Treasurer.

10.05 Document Replacement or Copies. A Purchaser may obtain replacements of P.A.C.T. Program documents or copies of documents from the State Treasurer. A minimum fee of \$7.00 per document shall be assessed.

10.06 Annual Statements. The Purchaser shall receive an annual statement from the State Treasurer indicating amounts paid into the Trust Fund.

10.07 Disclaimers. Nothing in the Contract shall be construed as a promise or guarantee by the State Treasurer, the Board, employees or consultants of the State Treasurer and/or the Board, or the State of Alabama that a Qualified Beneficiary (a) will be admitted to a Postsecondary Institution; (b) will be admitted to a particular Postsecondary Institution; (c) will be allowed to continue to attend a Postsecondary Institution after having been admitted; (d) will be graduated from a Postsecondary Institution; or (e) if admitted to a Public Postsecondary Institution, will meet that institution's residency requirements for Instate Tuition and/or Mandatory Fees.

10.08 Promulgation and Amendment of Rules, Regulations, and Procedures. The State Treasurer, on behalf of the Board, shall promulgate such other Rules, Regulations, and Procedures as are deemed necessary to implement the P.A.C.T. Program and shall amend such Rules, Regulations, and Procedures as is necessary for operation of the P.A.C.T. Program.

10.09 Waiver of Rules, Regulations, and Procedures. The State Treasurer may waive portions of these Rules, Regulations, and Procedures to prevent hardship of the Purchaser or of the Qualified Beneficiary.

10.10 Interpretation. This agreement is to be interpreted under the laws of the State of Alabama.

10.11 Severability. In the event that 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 will remain in full force and effect.

George C. Wallace, Jr.
Chairman, Wallace-Folsom Prepaid College Tuition
Trust Fund/Prepaid Affordable College Tuition Program