

TERMS AND CONDITIONS

PROGRAM ADMINISTRATION

DESCRIPTION OF PROGRAM

Tennessee Code Annotated, Title 49, Chapter 7, Part 8 created the Tennessee Baccalaureate Education System Trust (BEST) Act. The Act creates a tuition program, as an agency and instrumentality of the State of Tennessee, under which parents and other interested persons may assist students in saving for tuition cost of attending colleges and universities.

The tuition program is known as the BEST Program and is comprised of two (2) types of tuition plans: The BEST Savings Plan and the BEST Prepaid College Tuition Plan. The requirements for participation and administration of the Prepaid College Tuition Plan are contained in Chapter 1700-5-1 of the Official Compilation of the Rules and Regulations of the State of Tennessee. The requirements for participation and administration of the Savings Plan are contained in Chapter 1700-5-2 of the Official Compilation of the Rules and Regulations of the State of Tennessee. ***THIS DOCUMENT AND ITS CONTRACT PROVISIONS RELATE SOLELY TO THE PARTICIPATION AND ADMINISTRATION OF THE PREPAID COLLEGE TUITION PLAN.*** For information concerning the Savings Plan, please call 1-888-486-2378.

PROGRAM ADMINISTRATOR

The BEST Program is managed and overseen by a Board consisting of nine (9) State officials as follows: the State Treasurer; the Comptroller of the Treasury; the Commissioner of Finance and Administration; the Secretary of State; the Chancellor of the State Board of Regents; the President of the University of Tennessee System; the Executive Director of the Tennessee Student Assistance Corporation; the Executive Director of the Tennessee Higher Education Commission; and a representative of the Tennessee Independent Colleges and Universities Association. BEST is administered by the Tennessee Treasury Department under the legislative branch of state government. By state law, the State Treasurer serves as chair of the BEST Board and as custodian of the BEST trust fund.

All enrollment materials concerning the BEST Prepaid College Tuition Plan should be sent to: BEST; P.O. Box 198786; Nashville, Tennessee 37219-8786. All other correspondence concerning the BEST Prepaid College Tuition Plan should be sent to: BEST; Tennessee Treasury Department; Suite 1340, Andrew Jackson Building; Nashville, Tennessee 37243-0253. Questions about the BEST Prepaid College Tuition Plan may be directed to the Customer Service Section at 1-888-486-BEST (2378), or 532-8056 in Nashville. Any questions concerning the Savings Plan should be directed to the State's third party administrator, TIAA-CREF Tuition Financing, Inc., at 1-888-486-2378.

PURPOSE OF PREPAID COLLEGE TUITION PLAN

The BEST Prepaid College Tuition Plan was established for the purpose of allowing parents and other interested persons to purchase tuition units on behalf of a designated beneficiary which entitle the beneficiary to the payment of qualified higher education expenses of the beneficiary. A tuition unit is a unit of the BEST Prepaid College Tuition Plan purchased under a prepaid tuition contract on behalf of a student (beneficiary) at the price determined by the BEST Board for the year in which the tuition unit is purchased. Each tuition unit purchased on behalf of a beneficiary will entitle the beneficiary to an amount equal to one percent (1%) of the weighted average tuition at Tennessee's four-year public colleges and universities during the academic term in which it is used.

SAFEGUARDS OF THE BEST PREPAID COLLEGE TUITION PLAN

Preservation of Assets.

Assets of the Prepaid College Tuition trust fund are preserved, invested and expended solely pursuant to and for the purposes set forth in the laws governing BEST and cannot be loaned or otherwise transferred or used for any other purpose. The assets of the fund may be expended solely:

- A. To make payments for qualified higher education expenses of the beneficiaries designated under prepaid tuition contracts in the manner permitted under the laws governing BEST;
- B. To make refunds as permitted under the laws governing BEST; and
- C. To pay the investment fees and other costs of administering the BEST Program.

Custodian of Assets.

The Tennessee State Treasurer is the custodian of the BEST Prepaid College Tuition trust fund, and the facilities and employees of the State Treasurer are used in the administration of the fund, including but not limited to, the keeping of records, the management of investments, the transfer of funds, and the safekeeping of securities evidencing investments.

Authorized Investments.

The assets of the BEST Prepaid College Tuition Plan are invested pursuant to the investment policy established by the BEST Board. However, the Board may only authorize assets of the BEST Prepaid College Tuition Plan to be invested in the same high quality investment instruments that constitute legal investments for the State of Tennessee public pension plan; namely, the Tennessee Consolidated Retirement System. Although the Board may authorize assets to be invested in the same investment vehicles authorized for investment by the State pension plan, the Board may issue other directions further limiting such investments.

Investment Objectives.

BEST's investment objective is to obtain the highest available return on investments consistent with the preservation of principal while maintaining sufficient liquidity to react to the changing environment and to pay tuition on behalf of beneficiaries in a timely manner. BEST's investment policies and strategies serve to benefit participants in several ways. The emphasis on conservative and high quality securities helps to ensure the soundness of the BEST Prepaid College Tuition Plan and the ability to provide the needed funds upon a beneficiary's enrollment in an institution of higher education.

Actuarial Soundness of Fund.

In order to maintain the trust's financial soundness to meet its tuition payment obligations, the purchase price of a tuition unit is determined actuarially. Factors used in making pricing assumptions include projected investment return, projected rates of tuition increases, and other relevant factors determined by the BEST Board. The amounts received from the purchase of tuition units are invested by the State Treasury Department in conservative, high quality investment instruments as described above.

By law, the BEST Board is required to obtain appropriate actuarial assistance to establish, maintain, and certify a fund sufficient to defray the obligation of the BEST trust fund. The BEST Board has contracted with an independent actuarial firm to provide such assistance. The actuarial firm is required to recommend to the Board, and the Board must adopt actuarial assumptions and appropriate actuarial tables for use in all calculations in connection with the Prepaid College Tuition Plan.

At least once in each six-year period, the actuarial firm must make an actuarial investigation into the assumptions and tables used in the Prepaid College Tuition Plan, and taking into account the results of such investigation, the Board must adopt for the Plan such new or revised actuarial assumptions and tables as are deemed necessary. On the basis of such tables and assumptions as the Board adopts, the

actuarial firm is required to make a valuation, at least once each year, of the assets and liabilities of the Plan.

In addition, the Office of the Tennessee Comptroller of the Treasury is required to conduct an annual audit of the BEST Prepaid College Tuition Plan.

Exemption of assets and benefits from taxation, execution, garnishment and assignment. All property, cash and assets of the BEST fund, and all tuition contracts and the units purchased thereunder are exempt from any Tennessee state, county, or municipal tax. Further, all such property, cash, assets, contracts and units purchased thereunder are not subject to execution, attachment, garnishment, the operation of bankruptcy, the insolvency laws or any other process whatsoever, nor is the assignment of any such assets, contracts or units enforceable in any court.

Investment Policy of the BEST Program

The Tennessee state statute creating the Tennessee Baccalaureate Education System Trust provides that the Board of Directors of BEST shall establish an investment policy for the Trust. The Board is authorized by the statute to invest the assets of the trust in any instrument, obligation, security, or property that constitutes legal investments for assets of the Tennessee Consolidated Retirement System. Within the parameters of the statute, the Board of Directors of the BEST Program may change the Investment Policy from time to time.

The investment policy adopted by the BEST Board of Directors provides the following:

<u>Asset Class</u>	<u>Range</u>	<u>Target Asset Mix</u>	<u>Index Benchmark</u>
US Equities	33-37%	35	S&P 500 Index
International Equities	17-20%	19	EAFE Index
US Bonds	42-46%	44	Lehman Brothers Aggregate Bond Index
US Cash Equivalents	0-5%	2	90-day US Treasury Bills

The Investment Policy provides that the portfolio shall be rebalanced to the target asset mix at least quarterly unless the Chief Investment Officer determines, and the Treasurer concurs, that circumstances warrant otherwise.

Authorized investments include: common stock, preferred stock, and convertible bonds; notes, bonds, and mortgages which are rated within the four highest grades (investment grade) by any of the recognized rating agencies at the time of acquisition; short-term investment of the highest quality including commercial paper that should be rated A1 or P1. The Trust may utilize index funds as an alternative to selecting individual securities.

Separate Accounting.

BEST is required to maintain a separate individual account for each contract, showing the beneficiary and the number of tuition units purchased, used or refunded under the contract.

FEDERAL TAX TREATMENT

In General.

Based upon the law in effect on June 1, 2000, BEST believes it meets the federal tax law requirements of a "Qualified State Tuition Program" as set forth in Section 529 of the Internal Revenue Code. As a

Qualified State Tuition Program, BEST is not subject to corporate income taxes and its participants are afforded the following favorable tax treatment.

Federal Income Taxes.

Federal income tax on the earnings (value over and above the original purchase price) on tuition units are exempt from taxation when used to pay for Qualified Higher Education expenses. The Economic Growth and Tax Relief Reconciliation Act of 2001 specifically provides for this exemption. This provision is set to expire on December 31, 2010. If Congress does not extend this provision beyond December 31, 2010, or otherwise change the law, the Federal law governing the program will revert on January 1, 2011 to the rules that existed until December 31, 2001. If the distribution is a refund, a non-qualified withdrawal, the refund recipient must include the earnings portion in his or her taxable income. Furthermore, an Additional Tax of 10 percent is imposed on the earnings portion of withdrawals that are not used for a beneficiary's Qualified Higher Education expenses. Refund Recipients are responsible for paying the additional tax to the United States Treasury through their federal income tax returns. The refund recipient must be either the purchaser of the prepaid tuition contract or the student/beneficiary. The refund recipient is selected by the purchaser.

Gift Taxes.

Contributions to the Program are considered completed gifts for federal tax purposes and are, therefore, potentially subject to federal gift tax. Generally, no federal gift tax will be imposed on a Purchaser for gifts to a Beneficiary during a year if the Purchaser's contributions to an Account for the Beneficiary, together with all other gifts by the Purchaser to the Beneficiary, are less than \$12,000 during the year, or \$24,000 for a married individual who elects to split gifts with his or her spouse. (The annual exclusions are periodically adjusted for inflation.) If a Purchaser's contributions to Accounts for a Beneficiary in a single year exceed \$12,000, the Purchaser may elect to treat up to \$60,000 of the contributions, or \$120,000 in the case of a consenting married couple, as having been made ratably over a five-year period. In addition, to the extent not previously used, each Purchaser has a \$1,000,000 lifetime exemption that will be applied to gifts in excess of the annual exclusion amounts referred to above. A married couple may elect to split gifts and apply their combined exemptions of \$2,000,000 to gifts by either of them. Accordingly, while gift tax returns are required for gifts in excess of the annual exclusion amounts referred to above (including gifts which the Purchaser elects to treat as having been made ratably over a five year period), no gift tax will be due until the lifetime exemptions have been used. A potential Purchaser should consult with his or her own tax advisor regarding the current lifetime exemptions and the gift tax filing requirements. Accordingly, if the contributor is a resident of a state other than Tennessee, the contributor should consult with a tax advisor to determine whether the contributor may be subject to a state gift tax. Tennessee has a gift tax statute but exempts contributions made to the BEST Program from Tennessee state taxation.

Estate Taxes.

Since tuition units purchased on behalf of a beneficiary are treated as complete gifts for federal gift tax purposes at the time they are purchased, the value of the tuition units will not be includable in the estate of the person who purchased the units for purposes of federal estate taxation, unless the decedent had elected the 5 year averaging rule described above for the gift tax annual exclusion and died before the close of the 5 year period. In that case, the portion of the contributions allocable to calendar years beginning after the decedent's date of death is includable in his gross estate.

Record Keeping.

It is very important that persons who purchase tuition units on behalf of a beneficiary keep complete records. It is the sole responsibility of the person who purchases tuition units to determine the amount of any gift tax that may be owed. The BEST Program does not keep records showing the individual names of all persons who may have purchased units on behalf of a particular beneficiary; however, all tuition units once purchased shall be pooled and recorded to each beneficiary's account. BEST maintains a separate individual account for each contract, showing the beneficiary and the number of tuition units purchased, used or refunded under the contract. If a payment has been made by BEST on behalf of a beneficiary or directly to a refund recipient, BEST will report the payment only to the beneficiary or the refund recipient. The report will contain information about the value of such payments to assist in

determining that person's federal income tax liability, if any. The report will be furnished by no later than January 31 of the calendar year following the calendar year in which the payment was made.

This information should not be considered as providing tax advice, but is intended to generally acquaint you with tax issues. The laws and regulations relative to federal taxes are subject to legislative change and judicial interpretation. Accordingly, you should discuss tax issues with your tax advisor.

EFFECT ON FINANCIAL AID

Participation in BEST should not automatically disqualify a student from participating in other financial aid programs. However, there could be some impact depending upon the nature and source of funding of other financial aid programs and depending on ownership of the BEST Prepaid Plan account. The individual named as the Purchaser of a BEST Prepaid tuition account is the account owner.

Prepaid tuition is considered "other aid", a third-party gift or scholarship. Under a federal law passed in 2006, Prepaid tuition contracts are to be reported on the FAFSA (Free Application for Federal Student Aid) for accounts owned by a parent or guardian. The prepaid tuition contract is valued at the refund amount. Only 5.64 percent of the total value is used for financial aid purposes.

If the dependent student is the purchaser of the contract (account owner), he/she does not have to report the Prepaid tuition account on the FAFSA, and the account is not included in the financial aid determination.

If tuition units are used to meet full tuition and fees, total financial need is in fact reduced and sometimes the student loans available to help pay additional costs are changed from federally subsidized loans to unsubsidized loans. This means that interest is assessed on the loan even while the student is in school. Again, any merit-based aid or scholarships should not be affected- it is only the need-based aid that may be impacted.

This information should not be considered as providing financial aid advice, but is intended to generally acquaint you with financial aid issues. The laws and regulations relative to financial aid are subject to legislative change and judicial interpretation. Accordingly, you should discuss financial aid issues with the applicable school's financial aid office.

CONTRACT PROVISIONS

TENNESSEE BACCALAUREATE EDUCATION SYSTEM TRUST PREPAID TUITION CONTRACT PROVISIONS WITNESSETH:

WHEREAS, the Tennessee Baccalaureate Education System Trust, hereinafter referred to as the "BEST Program", was established by the General Assembly of the State of Tennessee by Public Acts of 1996, Chapter 991 for the purpose of making higher education more affordable for the citizens of Tennessee by allowing a person to enter into a Prepaid College Tuition Plan contract with the BEST Board of Trustees ("the Board") on behalf of an eligible beneficiary; and

WHEREAS, such a Prepaid College Tuition Plan contract allows a person ("the Purchaser") to pay for college tuition and other qualified higher education expenses in advance on behalf of an eligible student/beneficiary through the purchase of tuition units; and

WHEREAS, it is necessary to set forth the terms and conditions of the Prepaid College Tuition Plan contract.

NOW, THEREFORE, in consideration of the premises and the mutual promises herein contained, the BEST Board and all Purchasers of a Prepaid College Tuition Plan contract agree that the following terms and conditions shall govern their respective Prepaid College Tuition Plan contract ("the Contract"):

SECTION 1. IN GENERAL

A. Incorporation of Laws.

The laws governing the BEST Prepaid Tuition Plan are codified in Tennessee Code Annotated, Title 49, Chapter 7, Part 8, and in Chapter 1700-5-1 of the Official Compilation of the Rules and Regulations of the State of Tennessee. These statutes and rules, as each may be amended from time to time, are incorporated into these Contractual provisions by reference.

B. Reservation to Amend.

The BEST Board of Trustees and the Tennessee General Assembly reserve the right to amend the policies, procedures, statutes and rules governing BEST and, upon such amendment, these Contract provisions shall be considered amended accordingly. Any such amendments shall be published and distributed to all Purchasers, as such term is defined in Section 2.K. below.

C. Tuition Savings Plan.

In addition to the Prepaid College Tuition Plan, which is the subject of these Contract provisions, BEST offers a Tuition Savings Plan. The Tuition Savings Plan permits individuals to make contributions to an account that is established by a purchaser for a designated beneficiary that entitles the beneficiary to apply such contributions and earnings thereon to the payment of that beneficiary's tuition and other qualified postsecondary education expenses as set forth in Chapter 1700-5-2 of the Official Compilation of the Rules and Regulations of the State of Tennessee. The requirements for participation and administration of the Tuition Savings Plan are set forth in Chapter 1700-5-2 of the Official Compilation of the Rules and Regulations of the State of Tennessee. Information on the Tuition Savings Plan is available upon request to BEST's third party administrator, TIAA-CREF Tuition Financing, Inc., at 1-888-486-2378.

D. Participation in Both the Prepaid College Tuition Plan and the Tuition Savings Plan.

Subject to Section 529 of the Internal Revenue Code and the regulations promulgated thereunder, an individual may enter into both a Prepaid College Tuition Contract and a Tuition Savings Plan Contract on behalf of the same Beneficiary. In addition, more than one individual may enter into a Tuition Savings Plan Contract, Prepaid College Tuition Contract, or both, on behalf of the same Beneficiary. Provided, however, the total amount of contributions which may be made under all such contracts on behalf of the same Beneficiary may not exceed a certain dollar amount as determined by majority vote of the BEST Board. Such dollar amount shall be set by the Board on an annual basis. Information on the dollar amount is available upon request to BEST and is subject to change by the Board during the life of any Contract.

E. Entire Understanding.

Except as they may be amended as indicated in Section 1.B above, these Contract provisions, and each individual Prepaid College Tuition Contract, constitute the entire agreement between BEST and each Purchaser with respect to the subject matter hereof, and supersede all other representations, oral or written, between BEST and each Purchaser concerning the subject matter hereof. Inaction by BEST or failure by it to demand strict adherence hereunder shall not be deemed a waiver.

F. Headings.

The Section headings used herein are for convenience only and do not control or affect the meaning or interpretation of these Contract provisions.

G. Severability.

If any of these Contract provisions are found to be invalid or unenforceable by a court of competent jurisdiction, said provisions shall be severed from this document and the remainder of these Contract provisions shall remain in full force and effect.

H. Governing Law.

These Contract provisions shall be governed by and construed in accordance with the laws of the State of Tennessee without giving effect to the conflict of law principles thereof. All Purchasers agree to be subject to the exclusive jurisdiction of the courts of the State of Tennessee and the courts of the United States which are located within the State of Tennessee in actions that may arise under their respective Contracts.

SECTION 2. DEFINITIONS

A. "Academic Term" means the school segment consisting of a single semester, quarter, term or equivalent.

B. "Academic Year" means a school year consisting of two (2) semesters or three (3) quarters or terms. One (1) full academic year is actuarially defined to be all full-time Tuition, as defined in Section 2.Q. below, required to cover three (3) academic quarters at fifteen (15) credit hours per quarter or two (2) academic semesters at fifteen (15) credit hours per semester.

C. "Account" means the record that contains the number of Tuition Units maintained on behalf of a Beneficiary under a Contract.

D. "Beneficiary" means the individual designated under a Contract as the individual entitled to apply Tuition Units purchased under the Contract to the payment of that individual's undergraduate, graduate and professional tuition and "other educational costs" as that term is defined in Section 2. I. below. The Beneficiary or the Purchaser must have been a resident of the State of Tennessee at the time the Contract is established.

E. "Beneficiary's Appointee" means the person who is named in the Contract by the Purchaser to exercise the rights of the Beneficiary under the Contract if the Beneficiary is a minor, dies or is legally incompetent. The Beneficiary's Appointee may be the same person as the Purchaser or the Purchaser's Appointee. The designation may be changed by the purchaser at any time in writing to the Board.

F. "Institution of Higher Education" means either:

1. The University of Tennessee, including all of its branches and divisions wherever located, and each member institution of the State University and Community College System;
2. An accredited private college, university or other post secondary institution located in Tennessee which admits as regular students only persons who have a high school diploma, or the recognized equivalent of a high school diploma, and which is an eligible institution for purposes of student assistance awards made by the Tennessee Student Assistance Program pursuant to T.C.A., Title 49, Chapter 4, Part 3;
3. A college, university or other post secondary institution located outside Tennessee which admits as regular students only persons who have a high school diploma, or the recognized equivalent of a high school diploma, and which is accredited by either the recognized regional Commission on Colleges of the Association of Colleges and Schools, the Accrediting Commission of Career Schools and Colleges of Technology, the Accrediting Council for Independent Colleges and Schools, the Council on Occupational Education, the National Association of Schools of Art and Design, or by such other equivalent accrediting

organization or professional association as may be approved by resolution of the Board. In addition, any such college, university or other post secondary institution must meet the conditions established by the U.S. Department of Education for purposes of federal student assistance authorized by Part A, Title IV of the Higher Education Act of 1965, as amended; or

4. Any other institution which meets the definition of an "eligible educational institution" under Section 529(e) of the Internal Revenue Code.
- G. **"Member of the Family"** means the brother, sister, half brother, half sister, legally adopted brother, legally adopted sister, first cousin, niece or nephew of the original Beneficiary, or such other person as may be defined as a "Member of the Family" under the sections of the Internal Revenue Code which are applicable to the BEST Program.
- H. **"New Beneficiary"** means an individual to whom rights under the Contract have been transferred pursuant to Section 9 below.
- I. **"Other Educational Costs"** means fees and the costs of books, supplies and equipment required for the enrollment or attendance of the beneficiary at the institution of higher education where the beneficiary is enrolled. "Other Educational Costs" also means the costs of Room and Board, as defined in Section 2.N. below, incurred while the beneficiary is enrolled in an institution of higher education on at least a half-time basis and expenses for special needs services in the case of a special needs beneficiary which are incurred in connection with the enrollment or attendance of the special needs beneficiary at the institution of higher education where the beneficiary is enrolled.
- J. **"Permanent Disability"** means the inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or to be of long-continued and indefinite duration. An individual shall not be considered to have a permanent disability unless the individual furnishes proof of the existence thereof from a health care professional in such form and manner as the Board may require. Any finding of a permanent disability must be approved by the Board.
- K. **"Purchaser"** means the individual, association, corporation trust or other organized entity who entered into the Contract for the purchase of a Tuition Unit or Units on behalf of the Beneficiary. Only one (1) individual, association, corporation, trust or other organized entity may be named as the Contract Purchaser.
- L. **"Purchaser's Appointee"** means the person who is named in the Contract by the Purchaser to exercise the rights of the Purchaser under the Contract if the Purchaser dies or becomes legally incompetent. The Purchaser's Appointee may be the Beneficiary. The designation may be changed by the purchaser at any time in writing to the Board. If the purchaser dies or becomes legally incompetent, the purchaser's appointee shall automatically become the purchaser for the purposes of the contract.
- M. **"Refund Recipient"** means the person designated in the contract by the purchaser as the person entitled to terminate the contract and to receive refunds arising out of the contract. The Refund Recipient may only be either the Purchaser or the Beneficiary. The designation may be changed by the purchaser at any time in writing to the Board, provided that only the purchaser or the beneficiary is designated. In the event the Purchaser is named the Refund Recipient and dies prior to receiving the refund, the Beneficiary shall be entitled to any refund due under the Contract pursuant to Section 11 below.
- N. **"Room and Board"** means the amount incurred for room and board of a Beneficiary, as limited by the last sentence of this Section 2.N., if they are incurred during any Academic Term during which the Beneficiary is enrolled in an Institution of Higher Education on at least a half time basis. A Beneficiary will be considered to be enrolled at least half-time if the Beneficiary is enrolled for at

least half the full-time academic workload for the course of study the Beneficiary is pursuing as determined under the standards of the Institution of Higher Education where the Beneficiary is enrolled. The Institution's standard for a full-time workload must equal or exceed the standard established by the Department of Education under the Higher Education Act and set forth in 34 CFR 674.2(b). The amount of Room and Board shall not exceed the amount treated as qualified higher education expenses under Section 529(e) of the Internal Revenue Code.

- O. "Tennessee Resident"** means a person who has a continuous physical presence and maintenance of a dwelling place within the State of Tennessee for at least twelve (12) months immediately prior to entering into the Contract, provided that absence from the State for short periods of time shall not affect the establishment of a residence. A minor child shall be deemed a Tennessee resident if the child's legal guardian or noncustodial parent is a resident of Tennessee. Military or diplomatic personnel whose home of record is Tennessee shall also be deemed Tennessee residents for purposes of the Contract.
- P. "Termination"** means a discontinuance of the right to receive Tuition payments or other benefits under the Contract.
- Q. "Tuition"** means the charges imposed to attend an Institution of Higher Education as an undergraduate, graduate, or professional student and all mandatory fees required as a condition of enrollment for all students attending the Institution of Higher Education in which the Beneficiary is enrolled. Fees, which are considered to be mandatory fees, are defined by the Institution of Higher Education in which the Beneficiary is enrolled. Mandatory fees do not include college application fees, entrance fees, orientation fees, out-of-state residency fees or other similar fees and charges.
- R. "Tuition Unit"** means a unit of the BEST Prepaid College Tuition Plan purchased under the Contract on behalf of the Beneficiary at the price determined by the Board for the year in which the Tuition Unit is purchased. Each Tuition Unit purchased on behalf of the Beneficiary shall entitle the Beneficiary to an amount equal to one percent (1%) of the Weighted Average Tuition during the Academic Term in which it is used.
- S. "Weighted Average Tuition"** means the Tuition cost resulting from the following calculation:

 1. Add the annual undergraduate tuition and fees at each Tennessee four-year public university multiplied by that institution's total number of undergraduate full-time equivalent students; and
 2. Divide the gross total from Section 2.S.1 above by the total number of undergraduate full-time equivalent students attending Tennessee 's four-year public universities.

SECTION 3. RISK FACTORS

A. Risks of Investing in the BEST program

1. The value of your investment may decrease. You could lose money, including the principal you invest.
2. Federal or state law changes could negatively affect participation in, benefits and investment results from, the BEST program.
3. Certain changes could be made to BEST which could make it less favorable to investors, including an increase in existing fees and expenses and/or the addition of new fees and expenses.
4. The Board of Directors of BEST may change the investment policy, the allocations of investments and/or underlying investment vehicles.

5. Contributions to BEST may adversely affect the eligibility of the Beneficiary or you for financial aid or other benefits.
6. Neither the state of Tennessee, the Federal Deposit Insurance Corporation nor any other federal or state government agency or entity provides any insurance or guarantee of the principal amounts contributed to BEST, or the earnings or investment return of BEST.
7. Investment returns may be less than the rate of increase in the costs of higher education resulting in insufficient funds to pay the benefit under BEST.
8. You have no control over the investment of monies you pay to the BEST Program, investment direction is vested solely in the BEST Program.
9. Prospective BEST participants should carefully consider the following risks of investing in the Program.

B. Investment Risks

As with any investment which does not guarantee a stated return, there is a possibility that the investment returns over the applicable investment period will be less than the rate of increase in the costs of higher education during that period. There is also a risk you could lose part or all of the value of your principal contributions to BEST or that the investment return will not be sufficient to pay anticipated benefits when you need them.

C. No Guarantee of Attendance or Expense

There is no guarantee that a beneficiary will be accepted for admission to any institution of higher education, including an eligible educational institution, or if admitted, will graduate or receive a degree, or otherwise be permitted to continue to attend an eligible educational institution. Increases in higher education tuition and other Qualified Higher Education Expenses could exceed the rate of return from investments with the result that those funds may not be sufficient to pay all Qualified Higher Education Expenses of the Beneficiary. There is a risk that you could lose all or a part of your principal contributions to BEST.

D. Changes in Law

The BEST Program is established pursuant to the applicable provisions of the Tennessee Code Annotated, applicable securities laws and Section 529 of the IRC. Changes to the statute, regulations and/or securities laws may affect the continued operation of the BEST Program. If the sale of units is suspended or terminated in future years, you may not be able to purchase units in future years to complete the anticipated funding of education tuition and expenses for your beneficiary. Congress could also amend Section 529 of the IRC or other federal law in a manner that would materially change or eliminate the federal tax treatment described in this Disclosure Booklet. The State could also make changes to Tennessee tax law that could materially affect the state tax treatment of the Program or make law governing the federal and/or state tax consequences described in this Disclosure Booklet might necessitate material changes to the Program. Certain proposed federal tax regulations that have been issued under Section 529 of the IRC provide guidance, but only for the establishment and operation of certain aspects of the Program. Final regulations or other administrative guidance or court decisions might be issued that could adversely impact the federal tax consequences or requirements with respect to the Program or contributions to, or withdrawals from, participant accounts.

E. Risks Related to Illiquidity

Investment in the BEST Program involves the risk of limited liquidity because the circumstances under which funds may be withdrawn without incurring adverse tax consequences are limited. In addition, no part of your BEST Units may be assigned, transferred or pledged as security for a loan or otherwise, except for certain permitted transfers under Section 9 entitled Change of Beneficiary and Transfer of Tuition Units.

F. Not a Direct Investment in Mutual Funds or Registered Securities

Although your contributions to the BEST Program will be invested, your purchase of Units does not constitute direct ownership of the underlying investments of the BEST Fund and you have no right to assert ownership over any of the securities in which the BEST Program invests. An investment in Units of the BEST Program is considered an investment in securities that are issued and offered by the Program. The BEST Program Units are not registered with the U.S. Securities and Exchange Commission ("SEC") or any state, nor are the Trust Fund, the Program registered as investment companies with the SEC or any state.

G. Potential Change of the Program Manager and Other Program Changes.

The Board may change the investment management in the future. If the BEST Program Board of Directors changes the manager of the BEST investments, the prior performance of the successor manager may adversely differ from the current manager.

The Board may at any time modify the Program to provide additional or different changes to the Program. The Board may terminate or suspend the sale of new units in the Program by giving written notice to each holder of Units, and those changes, termination or suspension may result in a lower overall investment return or loss of principal to holder of the BEST Units.

H. Potential Impact on Financial Aid and Medicaid Eligibility

The eligibility of your Beneficiary for financial aid will depend upon the circumstances of the Beneficiary's family at the time the Beneficiary enrolls in school, as well as on the policies of the governmental agencies, school or private organizations to which the Beneficiary and/or the Beneficiary's family applies for financial assistance. Because savings for college will increase the financial resources available to the Beneficiary, it most likely will have some effect on the Beneficiary's eligibility. However, because these policies vary at different institutions and can change over time, the Board cannot say with certainty how the federal financial aid program, or the school your Beneficiary applies to, will treat your investment in the BEST Program.

The eligibility of the owner of units in the BEST Program for Medicaid or other public assistance could be impacted by the ownership of Units in the BEST Program as a qualified tuition program. Although the result is not clear and may vary from state to state, it is possible that the Unit holders' pro rata share of assets in the BEST Program may be considered available assets of the Unit holder for determining Medicaid assistance eligibility. Medicaid laws and regulations may change and prospective investors in the BEST Program should consult their own financial and/or tax advisors for advice on their own particular situation.

I. Suitability; Investment Alternatives

The BEST Program makes no representations regarding the appropriateness of the BEST Program as an investment. Other types of investments may be more appropriate depending upon an individual's residence, financial status, tax situation, risk tolerance, or age. Various qualified tuition programs other than the BEST Program, including but not limited to programs designed as college savings accounts with defined investment options to be chosen by the investor, are currently available, as are other investment alternatives. The investments, fee, expenses, eligibility requirement, tax and other consequences and features of these alternatives may differ from those of the BEST Program. Before investing in the BEST Program, you may wish to consider these alternatives and should consult an independent tax or investment advisor.

J. No Insurance or Guarantee

Neither the principal amounts invested in the BEST Program, investments made by the BEST Program nor earnings, if any, from investments made by the BEST Program are insured or guaranteed by the State of Tennessee, any State agency or instrumentality, the BEST Program or its Board of Directors, the Federal Deposit Insurance Corporation, or any government agency, any investment manager or advisor to the BEST Program or the affiliates of any of the foregoing.

SECTION 4. CONTRACT ACCEPTANCE

A. Requirements.

The Contract shall not be binding upon the BEST Board and the Purchaser until all of the following occur:

1. **Fee.** Receipt by the Board of any appropriate enrollment fee from the Purchaser on behalf of the named Beneficiary. The Beneficiary or the Purchaser must be a Tennessee resident at the time the Contract is established;
2. **Completed Contract.** Full completion of the Contract, including all required Social Security numbers and signatures, and return of the signed Contract to the Board;
3. **Purchase Price.** Receipt by the Board of the purchase price for at least one (1) Tuition Unit as consideration for the signed Contract. All purchases of Tuition Units hereunder may be made only in cash and not in property. For purposes of this Contract, "cash" means United States dollars in the form of negotiable checks, money orders, and payments made through payroll deductions or other similar methods acceptable to the Board; and
4. **Board Acceptance.** Acceptance of the signed Contract by the Board.

B. Confirmation.

Upon acceptance of the Contract, the Board shall send a confirmation of acceptance to the Purchaser and shall credit the Account of the named Beneficiary with the amount of Tuition Units initially purchased.

C. Rejection.

If the Purchaser fails to provide all the information required in Section 4.A above within six (6) months of the Board's receipt of the proposed Contract, the Board may reject the proposed Contract and refund to the Purchaser all amounts paid thereunder, less any enrollment fee. Rejection of a Contract shall not preclude the Purchaser from reapplying for a Contract in the future provided the Purchaser completes a new Contract and meets the above contract requirements.

SECTION 5. BENEFICIARY ACCOUNTS

A. Separate Accounting.

The Board shall maintain a separate individual account for the Contract, showing the Beneficiary and the number of Tuition Units purchased, used or refunded under the Contract.

B. Reports of Payment.

If a payment has been made by the Board on behalf of the Beneficiary or directly to the Refund Recipient, the Board shall report to the Beneficiary or the Refund Recipient information about the value of such payments to assist in determining that person's tax liability. The report shall be furnished by no later than January 31 of the calendar year following the calendar year in which the payment was made.

C. Order of Purchases and Distributions.

For purposes of the Contract, the first Tuition Unit purchased shall be deemed the first Tuition Unit paid out or transferred. Further, in determining whether a particular Tuition Unit has been refunded or applied toward Tuition or Other Educational Costs or transferred, the first Tuition Unit purchased shall be deemed the first refunded, applied or transferred.

SECTION 6. PURCHASE OF TUITION UNITS

A. Purchase Price.

The BEST Board shall set the purchase price of a Tuition Unit on an annual basis. The price shall be based on sound actuarial principles, and shall, to the extent actuarially possible, reasonably approximate one percent (1%) of the Weighted Average Tuition of Tennessee's four-year public universities for the then current Academic Year, plus the costs of administering the BEST Prepaid College Tuition Plan and any amount necessary to ensure the Plan remains actuarially sound. To promote the purchase of Tuition Units and in accordance with actuarially sound principles, the Board may adjust the purchase price as part of incentive programs.

B. When Units May be Used.

Tuition Units may not be used to pay for Tuition and Other Educational Costs until two (2) full years have passed following their purchase.

C. Who May Purchase Units under the Contract.

Tuition Units may be purchased under the Contract by individuals or sources other than the Purchaser. However, all Tuition Units once purchased shall be pooled and shall be subject to the terms and conditions of the Contract.

D. Limit on Number of Units.

The total amount of Tuition Units which may be purchased by all persons on behalf of a single individual Beneficiary under all Contracts combined may not exceed the amount determined by the BEST Board pursuant to Section 1.D above. Provided, however, that no additional contributions can be made to any contract on behalf of the same beneficiary if at the time of the proposed contribution the total account balance of all contracts on behalf of the same beneficiary total a certain dollar amounts as determined by the Board.

SECTION 7. TUITION PAYMENTS

A. Eligibility for Use.

Subject to Section 13 below, each Tuition Unit entitles the Beneficiary to an amount equal to one percent (1%) of the Weighted Average Tuition during the Academic Year in which it is used. To be eligible for use in any Academic Term, Tuition Units in the Beneficiary's Account must have been in his or her Account for at least two (2) full years at the start of the Academic Term. If fewer Tuition Units are eligible for use than are required to pay Tuition and Other Educational Costs in that Academic Term, the Board will use only the eligible Tuition Units in the Beneficiary's Account.

B. Part-time Attendance.

If the Beneficiary attends an Institution of Higher Education on a part-time basis, the Beneficiary may use the number of Tuition Units required to pay for the part-time tuition and Other Educational Costs incurred while enrolled at the Institution. However, a student must be enrolled at least half-time to use units for Room and Board.

C. Time Period for Use.

A Beneficiary may delay enrolling in an Institution of Higher Education, attend an Institution of Higher Education on a part-time basis, or take time off between Academic Terms. Except as provided in Section 11.D. below, there is no absolute time period in which the Tuition Units in the Beneficiary's Account must be used.

D. No Guarantee of Residency Status.

The Purchase of Tuition Units does not guarantee the Beneficiary's status as a resident for determining the rate of tuition charged.

E. No Promise or Guarantee of Admission.

Nothing in these Contract provisions shall be construed as a promise or guarantee by the State of Tennessee, the BEST Board or any Institution of Higher Education that a Beneficiary will:

1. Be admitted to an Institution of Higher Education or to a particular Institution of Higher Education;
2. Be allowed to continue to attend an Institution of Higher Education after having been admitted; or
3. Graduate from an Institution of Higher Education.
Each Tuition Unit shall cover the cost of the Beneficiary's Tuition in an amount no greater than one percent (1%) of the Weighted Average Tuition in effect at Tennessee's four-year public universities at the time of use.

F. Payment to Institution of Higher Education.

Except as provided in Section 7.G below, the Board shall make payment directly to the Institution of Higher Education at which the Beneficiary is enrolled. Payment for each Academic Term shall be the amount due the Institution for Tuition and Other Educational Costs based on the number of Tuition Units authorized for use by the Beneficiary.

G. Payment to Beneficiary.

1. Reimbursement of Costs Paid.

- a. If the Beneficiary or other persons have paid Tuition or Other Educational Costs required for the enrollment or attendance of a Beneficiary at an Institution of Higher Education, then the Beneficiary may make a written request to the Board for reimbursement of the amount so paid. The request must contain a certification from the beneficiary that the amount requested was actually used to pay for his or her tuition or other educational costs. Third party documentation to substantiate the request shall not be required unless otherwise provided for in Section 529 of the Internal Revenue Code.
- b. Amount and Timing of Payment. Any reimbursement made to a Beneficiary under this Subparagraph will equal the amount requested, not to exceed the dollar value of the Tuition Units in the Beneficiary's Account. The reimbursement shall be paid to the Beneficiary within sixty (60) days of receipt by the Board.

2. Advance Payments.

- a. Written Request. If the Beneficiary has been accepted for enrollment in an Institution of Higher Education and intends to use Tuition Units in the Account for the payment of Tuition or Other Educational Costs required for the attendance of the Beneficiary at the Institution, then the Beneficiary may make a written request to the Board for a distribution to be made directly to the Beneficiary for the payment of such costs. The request must contain a certification from the beneficiary that the amount requested was actually used to pay for his or her tuition or other educational costs. Third party documentation to substantiate the request shall not be required unless otherwise provided for in Section 529 of the Internal Revenue Code or the Board.
- b. Amount and Timing of Payment. Within sixty (60) days of receipt of the request, the Board shall pay to the Beneficiary an amount equal to the funds requested, not to exceed the dollar value of the Tuition Units in Beneficiary's Account.

SECTION 8. NOTIFICATION OF INTENT TO USE TUITION UNITS

A. In General.

Once a Beneficiary has been accepted for enrollment in an Institution of Higher Education, the Beneficiary may begin using Tuition Units for the payment of Tuition and Other Educational Costs of the Beneficiary. Except as provided in Paragraph (B) below, there is no absolute time period within which the Beneficiary must notify the Board of the Beneficiary's intended use of Tuition Units.

B. When Payments are to be made Directly to Institution.

If a Beneficiary desires the Board to send payment directly to the Institution of Higher Education where the Beneficiary is enrolled, the Beneficiary must notify the Board in writing. The notification must include the name and address of the Institution and the number of Tuition Units needed to pay the Tuition or Other Educational Costs. If the Beneficiary intends to begin using the Tuition Units at the start of an Academic Year, the notification must be given by a certain date as determined by the BEST Board. Information concerning the notification date is available upon request to BEST and is subject to change by the Board during the life of any Contract. If a Beneficiary intends to use Tuition Units other than at the start of an Academic Year, the notification must be given by no later than thirty (30) calendar days prior to the start of the Academic Term in which the Tuition Units are to be applied. If a Beneficiary fails to notify the Board within the time periods required in this Paragraph (B), the Board may assess a late fee to apply Tuition Units during the current Academic Year.

SECTION 9. CHANGE OF BENEFICIARY AND TRANSFER OF TUITION UNITS

A. Change of Beneficiary

The purchaser shall have the right to change the beneficiary of the account at any time provided the new beneficiary is a "member of the family" as the original beneficiary, as defined in Section 2.G above, and provided that either the purchaser or the new beneficiary is a Tennessee resident at the time of the change.

B. Transfer of Tuition Units

The purchaser shall have the right at any time to transfer all or a portion of the tuition units in the beneficiary's account to an account for a different beneficiary provided such beneficiary is a "member of the family" as the original beneficiary, as such term is defined in Section 2.G above. If the transfer is for a portion of the tuition units in the original beneficiary's account, the transfer will be permitted so long as at the time the transfer is completed by the Board, the existing beneficiary and the new beneficiary will each have at least ten (10) tuition units in their respective accounts. If the new beneficiary does not have an existing account, then either the purchaser or the new beneficiary must be a Tennessee resident at the time of the transfer.

C. Conditions.

Any change of beneficiary or transfer of tuition units is subject to the following conditions:

1. Any request to change beneficiaries or to transfer tuition units must be made in writing, must state the name and Social Security number of the proposed new beneficiary and must be signed by the purchaser or, if the purchaser is dead or is legally incompetent, by the purchaser's appointee. If the request is for a transfer of tuition units to an existing account, the written request must state the account number to which the transfer is to be made;
2. If the request is for a transfer of tuition units, a transfer fee may be paid to Board. If the request is for a change of beneficiary, an application fee may be paid to the Board; and
3. Transfers or changes in beneficiaries shall not be permitted to the extent that they would constitute excess contributions under the Program.

SECTION 10. SCHOLARSHIP RECIPIENTS

If the Beneficiary is the recipient of a scholarship, allowance or payment described in Section 25A(g)(2) of the Internal Revenue Code that the Board determines cannot be converted into money by the Beneficiary, the Board will, upon the request of the refund recipient and upon being furnished information about the scholarship, allowance or payment:

A. Refund.

1. Pay a refund to the Refund Recipient in an amount equal to the value of the Tuition Units that are not needed to cover Tuition or Other Educational Costs on account of the scholarship, allowance or payment and which would have otherwise been paid during the Academic Term to the Institution of Higher Education at which the Beneficiary is enrolled;
2. If the scholarship, allowance or payment has a duration that extends beyond one (1) Academic Term, the refund recipient may request a refund in advance of the scholarship payment. The amount of the refund payable to the Refund Recipient shall be equal to: (i) the purchase price paid for the Tuition Units that are not needed to cover Tuition or Other Educational Costs on account of the scholarship, allowance or payment; (ii) one hundred percent 100% of the difference between said purchase price and one (1%) of the Weighted Average Tuition in the Academic Term of the refund, multiplied by the number of Tuition Units being refunded; (iii) minus any termination fee charged by the Board pursuant to Section 14.B.2.below.

B. Retain.

Retain the Tuition Units in the Beneficiary's Account for later use;

C. Transfer.

Transfer the Tuition Units to a new Beneficiary pursuant to Section 9 above or

D. Rollovers

The purchaser may rollover all or a portion of the tuition units to another qualified tuition plan or program established under Section 529 of the Internal Revenue Code provided that the beneficiary to whose account the funds are being transferred is a "member of the family" as the original beneficiary.

The purchaser may also rollover all or a portion of the funds in the beneficiary's account to an account established for the beneficiary under the Education Savings Plan or under another qualified tuition program established under Section 529 of the Internal Revenue Code.

Conditions . Any rollover is subject to the following conditions:

The purchaser makes a written rollover request to the Board on such form as may be prescribed by the Board;

Prior to honoring the rollover request, the Board may require the purchaser to establish that the plan or program to which the funds are being transferred is a qualified plan or program as defined in the above; and

Any rollover shall be administered in accordance with the applicable rollover provisions of the Internal Revenue Code.

Rollover Amount. The amount payable to a rollover request shall equal (i) the total purchase price of all the tuition units in the beneficiary's account that are being transferred pursuant to the rollover request, (ii) plus one hundred percent (100%) of the difference between said purchase price and one percent (1%) of the weighted average tuition in the academic year the transfer is made, multiplied by the number of tuition units in the beneficiary's account that are being transferred pursuant to the rollover request, (iii) minus any transfer fee charged by the Board. The amount payable on account of any tuition units being transferred pursuant to a rollover request that were

purchased less than two (2) full years prior to the rollover request shall equal the total purchase price paid for those units, minus any transfer fee charged by the Board.

SECTION 11. CONTRACT TERMINATION AND REFUNDS

A. Contract Termination.

Except as provided in Section 11.C, Section 11.D and Section 12 below, the Contract may not be terminated for any reason except under one (1) of the following circumstances. A termination request must be made in writing by the Refund Recipient, notarized and filed with the Board. The request must be accompanied with documentation acceptable to the Board to substantiate the reason for Contract termination.

1. The Beneficiary has died or suffers from a Permanent Disability, as such term is defined in Section 2.J. above;
2. The Beneficiary is age eighteen (18) or older and has decided not to attend an Institution of Higher Education;
3. The Beneficiary has completed the requirements for a degree that is less than a bachelor's degree at an Institution of Higher Education and the Beneficiary does not plan to pursue further education;
4. The Beneficiary has completed the bachelor's degree requirements at an Institution of Higher Education; or
5. The Beneficiary's Account contains five (5) Tuition Units or less and no Tuition Units have been purchased for the Beneficiary's Account for a period of at least three (3) consecutive years

B. Refund Amount.

1. **Death or Permanent Disability.** In the event the Contract is terminated due to the death or Permanent Disability of the Beneficiary, the amount of the refund paid to the Refund Recipient shall be equal to the greater of the following:
 - a. One percent (1%) of the Weighted Average Tuition in the Academic Year the Contract is terminated, or if termination is due to death, in the Academic Year the death occurred, multiplied by the number of Tuition Units purchased and not used; or
 - b. The total purchase price of all Tuition Units purchased and not used.
2. **Voluntary Reasons.** In the event the Contract is terminated under any of the conditions described in Paragraphs 2 -5 of Section 11.A. above, the amount of the refund paid to the Refund Recipient shall be equal to (i) the total purchase price of all Tuition Units purchased and not used, (ii) one hundred percent (100%) of the difference between said purchase price and one percent (1%) of the Weighted Average Tuition in the Academic Year the Contract is terminated, multiplied by the number of Tuition Units purchased and not used, (iii) minus any termination fee.

C. Fraud.

The Board may, at its sole discretion, terminate the Contract if the Beneficiary, the Purchaser, the Purchaser's Appointee, or the Beneficiary's Appointee knowingly makes any false statement, or falsifies or permits to be falsified any record or records of the BEST Program. The amount of the refund to which the Refund Recipient is entitled under this Paragraph C shall be equal to the total purchase price of all Tuition Units purchased and not used.

D. Inactivity.

If a period of ten (10) consecutive years passes with no activity in the Beneficiary's Account or with no correspondence from the Beneficiary, Purchaser or their respective Appointees, the Board shall report and deliver the amount of any refund payable under the Contract to the State Treasurer pursuant to the Uniform Disposition of Unclaimed Property Act, codified in T.C.A., Title 66, Chapter 29, Part 1. Prior to delivering the refund to the State Treasurer, the Board shall make reasonable efforts to locate the Purchaser, Beneficiary, and their respective Appointees. The refund shall be equal to the amount provided for in Section 11.B.2 above. The ten-year period shall not commence any earlier than the year the Beneficiary becomes eighteen (18) years of age, or the year the Contract was executed, whichever is later. Upon payment of the refund to the State Treasurer, the Board's obligations under the Contract shall cease.

E. Timing of Refund.

Any refund payable pursuant to this Section 11 shall be made in a lump sum payment to the Refund Recipient within sixty (60) days of the Board's receipt of a complete and substantiated request therefore. Provided, however, if the Refund Recipient is the Beneficiary, the refund shall not be paid until the Beneficiary reaches age twenty (20).

SECTION 12. PLAN TERMINATION

If it is determined by the Board that the BEST Prepaid College Tuition Plan is, for any reason, financially unfeasible, or is not beneficial to the citizens of Tennessee or to the State of Tennessee itself, then the Board, pursuant to T.C.A. § 49-7-823, may terminate all BEST Prepaid Tuition Contracts. Subject to Section 13 below, the amount of the refund to which the Refund Recipient is entitled shall be the refund provided for in Section 11.B.1 above.

SECTION 13. GUARANTEE ONLY TO EXTENT OF PLAN FUNDS

A. Trust Guarantee.

Notwithstanding any provision of these Contract provisions to the contrary, refunds and other benefits payable under a Prepaid College Tuition Contract shall be deemed to be due and payable only to the extent that moneys are available therefore to the credit of the BEST Prepaid College Tuition Plan, and neither the State of Tennessee nor the BEST Board shall be liable for any amount in excess of such sums.

B. Extent of Guarantee.

Should the BEST Prepaid College Tuition Plan be terminated by the Board and the assets of the BEST Prepaid College Tuition trust fund prove to be less than would be required to fully pay all obligations of the Plan in full, the Board shall first defray all administrative expenses of the Plan. The Board shall then reduce payments owed pursuant to a Contract, pro rata, to the degree necessary to bring the total disbursement of the Plan within the amount of the remaining Plan funds.

SECTION 14. FEES

A. Fees Subject to Change.

The Board may assess administrative fees for the purpose of administering the Plan. The types of fees and amount charged are available upon request to BEST and are subject to change by the Board during the life of any Contract.

B. Fee Types.

Administrative fees include, but are not limited to, the following:

1. Enrollment Fee. A Purchaser must acquire a minimum of one Tuition Unit to enter into a Contract (open an Account). A one-time non-refundable enrollment fee may be assessed.

2. Termination Fee. This is a fee for a refund made upon termination of a Contract for any reason other than the death or Permanent Disability of a Beneficiary;
3. Tuition Units Transfer Fee. This fee applies if Tuition Units are transferred to a Member of the Family as the original Beneficiary. If the new Beneficiary does not have an existing Account, a new account must be opened for the new Beneficiary.
4. Late Notice Fee. This fee may be charged for each month a Beneficiary is late in notifying BEST of the Beneficiary's intent to use Tuition Units for a particular Academic Term.
5. Insufficient Funds Fee. If a check or an ACH item is submitted to BEST that is returned due to insufficient funds, the Board may assess an insufficient funds fee.

C. Set-Off.

BEST shall have the right to set-off against a Beneficiary's Account all fees that are due and payable.

SECTION 15. NOTICES AND CHANGES

All notices, changes, and choices made under a Contract must be in writing and received by the Board, along with any supporting documentation the Board may reasonably require and any applicable administrative fees. The Purchaser shall notify BEST in writing of any change of address of any person named in the Contract. A forwarding address furnished by the U.S. Postal Service will be accepted as official notification/authorization for BEST to change the address of any person named in a Contract.

SECTION 16. CONTRACT DESIGNATIONS MAY NOT BE DEFEATED BY WILL

The right of a Beneficiary or Refund Recipient to receive benefits in accordance with a Contract shall not be defeated or impaired by any statute or rule of law governing the transfer of property by will or by intestate succession.

SECTION 17. SOCIAL SECURITY NUMBERS

To enable the Board to comply with the record keeping and reporting requirements of the Internal Revenue Code, disclosure of the Social Security numbers requested in a Contract is mandatory. In the case of newborns who do not yet have a Social Security number, the Board will accept a Contract conditionally for six (6) months of receipt of the proposed Contract.

SECTION 18. NO WITHDRAWAL OF FUNDS

No funds may be withdrawn from an Account except as is specifically provided under these Contract provisions.

SECTION 19. CONTRACT EXEMPT FROM CERTAIN LEGAL PROCESS

The right, if any, of a Purchaser, Beneficiary or Refund Recipient to a Tuition Unit, or a payment under a Contract shall not be subject to execution, attachment, garnishment, the operation of bankruptcy or the insolvency laws, or other process of law.

SECTION 20. NO PLEDGING OF INTEREST AS COLLATERAL

The right, if any, of a Purchaser, Beneficiary, or Refund Recipient to a Tuition Unit, or a payment under a Contract may not be used as security or collateral for a loan.

SECTION 21. DISCLOSURE OF PERSONAL INFORMATION

A. Prohibition Must be Specific.

Personal information obtained by the Board in connection with the purchase of Tuition Units hereunder may be disclosed to any requesting person, without regard to intended use, unless the Purchaser prohibits such disclosure on the Contract.

B. Exceptions.

If the Purchaser has prohibited disclosure on the Contract, neither the Board nor any officer, employee, or agent of the Board shall disclose such personal information except under the following circumstances:

1. To an Institution of Higher Education in which the Beneficiary may enroll or is enrolled. The Institution of Higher Education must maintain the same level of confidentiality as that required hereunder;
2. To the extent that the Beneficiary, Purchaser or their respective legal representative consents to disclosure;
3. In compliance with a subpoena or a court order;
4. To the Tennessee Comptroller of the Treasury or the Comptroller's designees for the purpose of an audit of the BEST Program;
5. To the Internal Revenue Service for the purpose of filing reports of distributions made under the Program; or
6. In any administrative proceeding or court action between the Purchaser, Beneficiary or their respective legal representative and the Board.