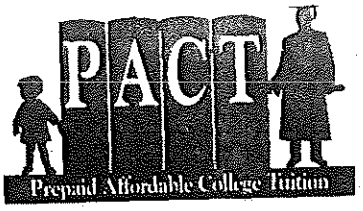

Prepaid Affordable College Tuition
State Treasurer's Office
100 North Union Street
Suite 660
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Phone: 1-800-252-7228
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Program Description, Rules, Regulations and Procedures for Enrollment September 1, 1996 through September 30, 1996

Lucy Baxley, State Treasurer

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Program Description, Rules, Regulations, and Procedures
Prepaid Affordable College Tuition (PACT) Program
Created by the Wallace-Folsom Prepaid College Tuition Trust Fund Act

SECTION 1
PROGRAM DESCRIPTION

Under the Wallace-Folsom Prepaid College Tuition Trust Fund Act, Sections 16-31C-1 etc., Code of Alabama, 1975 (as last amended), the Wallace-Folsom Prepaid College Tuition Trust Fund (hereinafter "the Trust Fund") was established as an agency and instrumentality of the State of Alabama, by the 1989 regular session of the Alabama Legislature. This educational trust fund was created within the State Treasury so that many of the costs associated with attending a public college or university in the State of Alabama can be paid, in advance, for a child's undergraduate enrollment, at a rate lower than the projected corresponding cost at the time of actual college enrollment of the child.

The prepayment program, within the State Treasurer's Office, is known as PACT, Prepaid Affordable College Tuition. Through PACT an individual, corporation, trust, charitable organization, or other Entity may purchase a PACT Contract. The PACT Contract provides for the payment by the Trust Fund of undergraduate tuition, for a specified number of credit hours, and for the payment of Mandatory Fees, for a specified number of academic terms, on behalf of the Beneficiary for whom the PACT Contract is purchased. The PACT Program is administered by the Office of the State Treasurer under the guidance of a ten member Board of Trustees chaired by the State Treasurer.

The cost of a PACT Contract is based primarily on the average current and projected tuition and Mandatory Fee rates at public colleges and universities in Alabama and on the number of years expected to elapse between the purchase of a PACT Contract and the exercise of the benefits provided in the PACT Contract by the Contract Beneficiary. The State Treasurer, on behalf of the Board of Trustees, has established the cost of PACT Contracts in accordance with actuarial assumptions recommended by the Actuary and adopted by the Board of Trustees.

Payments by PACT Contract Purchasers are placed in the Trust Fund and are combined and invested by the State Treasurer, on behalf of the Board of Trustees, with the goal of yielding, at a minimum, sufficient income to generate the difference between the prepaid amount and the cost of Instate Tuition and Mandatory Fees at the time of actual enrollment of the Beneficiary. The PACT Contract Purchaser receives periodic statements reflecting amounts paid into the Trust Fund.

SECTION 2
LOCATION OF PACT OFFICES

PACT Program headquarters are located in the Office of the State Treasurer, RSA Union, 100 North Union, Suite 660, Montgomery, Alabama 36130. Office hours are 8:00 A.M. through 5:00 P.M., Monday through Friday, except legal holidays. During PACT Enrollment Periods, office hours are 7:30 A.M. through 5:00 P.M. Monday through Friday, except legal holidays. Persons may obtain forms, publications, and documents by writing to, visiting, or calling the PACT offices at 334-242-7514 or 1-800-ALA-PACT.

SECTION 3
PROGRAM ADMINISTRATION

The PACT Program is administered by the State Treasurer under the direction of a ten (10) member Board of Trustees. The Board of Trustees is chaired by the State Treasurer.

The State Treasurer, on behalf of the Board of Trustees, and in conjunction with a qualified actuarial firm, has constructed the prices of PACT Contracts, and has developed Payment Schedules for PACT Contract Purchasers, in accordance with the actuarial assumptions recommended by the Actuary and adopted by the Board of Trustees.

The fiscal year of the PACT Program corresponds to the fiscal year of all other state entities, i.e. October 1st through September 30th. Each fiscal year, the State Treasurer will evaluate, or cause to be evaluated, the actuarial soundness of the Trust Fund. The State Treasurer will annually prepare, or cause to be prepared, on a fiscal year basis, a report setting forth an accounting of the Trust Fund and a description of the financial condition of the Trust Fund.

The State Treasurer, on behalf of the Board of Trustees, has also established Program Rules, Regulations, and Procedures; has contracted for necessary goods and services; has employed necessary personnel; has engaged the services of private persons for administrative and technical assistance; has made arrangements with State colleges and universities to transfer monies from the Trust Fund on behalf of Qualified Beneficiaries; will solicit and accept gifts, including those made by will, grants, and other sources for purposes of carrying out the PACT Program; and will encourage participation of employers in PACT on behalf of employees and their Immediate Families.

SECTION 4
THE ADMINISTRATIVE FUND

An Administrative Fund, separate from the Trust Fund and known as the Prepaid Affordable College Tuition Administrative Account, has been established by the State Treasurer to provide for the administrative costs of the PACT program. In general, administrative fees paid by PACT Contract Purchasers are deposited in the Administrative Fund and are used to defray the administrative costs of the PACT program.

SECTION 5
THE TRUST FUND

The Trust Fund has been created within the State Treasury to accept State appropriations, monies acquired from other governmental or private sources, and monies remitted by Purchasers in accordance with PACT Contracts. All monies deposited into the Trust Fund are invested by the State Treasurer in accordance with the Comprehensive Investment Policy of the Trust Fund, adopted by the Board of Trustees. This Investment Policy is administered by the State Treasurer and may be amended from time to time as is deemed necessary by the Board of Trustees.

RULES, REGULATIONS, AND PROCEDURES PREPAID AFFORDABLE COLLEGE TUITION (PACT) PROGRAM

SECTION 6
DEFINITIONS

In these rules, regulations, and procedures of the PACT Program, the following terms shall be defined as follows:

6.00 **"Application"** means a request for acceptance into the PACT Program, made on a form, or a duplicate form, approved by the State Treasurer.

6.01 **"Application Processing fee"** means the processing fee, specified in Section 12.011, paid by the PACT Contract Purchaser upon application for entrance into the PACT Program.

6.02 **"PACT Enrollment Period"** means any period designated by the State Treasurer during which Applications for enrollment in the PACT Program will be accepted by the State Treasurer.

6.03 **"Qualified Beneficiary"** means an individual who meets all Beneficiary eligibility criteria as specified in Section 9.00 and who is designated by the PACT Contract Purchaser to be the recipient of the PACT Contract benefits. All references to the Contract Beneficiary within these Rules, Regulations, and Procedures assumes that the Beneficiary meets the Beneficiary eligibility requirements of PACT and is, therefore, a Qualified Beneficiary.

6.04 **"Contract Purchaser"** means any adult person, corporation, trust, charitable organization or other Entity eligible to purchase a PACT Contract, and who is obligated to make PACT Contract payments and Administrative Fee payments in accordance with the PACT Contract. PACT Contract payments may be made by someone other than the designated Contract Purchaser.

6.05 **"PACT Contract"** refers collectively to the PACT Application, the MasterPACT, and the Participation and Payment Schedule. Additional documents relating to the PACT Contract, issued or received by the State Treasurer, on behalf of the Board of Trustees, and pursuant to the various terms and conditions described, will be incorporated into the PACT Contract.

6.06 **"Participation and Payment Schedule"** means the document, prepared by the State Treasurer, which defines the frequency, duration, and due date of PACT Contract payments, based on information provided by the Purchaser on the PACT Application.

6.07 **"MasterPACT"** means the legal document which specifies the terms and conditions of the PACT Program.

6.08 **"Postsecondary Institution"** means a public educational Associate of Arts or baccalaureate degree-granting postsecondary institution; or a private, independent Associate of Arts or baccalaureate degree-granting college or university; or an out-of-state Associate of Arts or baccalaureate degree-granting college or university.

6.09 **"Public Postsecondary Institution"** means any college or university listed in Section 7 and any other college or university in Alabama which is recognized as a Public Postsecondary Institution as determined by the State Treasurer upon advice of the Alabama Commission on Higher Education, the Alabama College System, the State of Alabama Board of Education, or other organization having the authority to make such a determination, whether or not such Postsecondary Institution is listed in Section 7.

6.10 **"Out-of-State Postsecondary Institution"** means an Associate of Arts or baccalaureate degree-granting college or university located outside of the State of Alabama.

6.11 **"Independent/Private Instate Postsecondary Institution"** means an independent/private, Associate of Arts or baccalaureate degree-granting college or university, located and chartered in Alabama, which is supported wholly or principally from sources other than State monies. The Independent/Private Postsecondary Institution Trustees or Governors are selected privately, meaning not elected publicly and not appointed by a public body. The Independent/Private Postsecondary Institution may be accredited by the Commission on Colleges of the Southern Association of Schools and Colleges.

6.12 **"Academic School Year"** means three quarters or two semesters of a twelve month school year.

6.13 **"Instate Tuition" or "Instate Tuition Rate"** means the tuition rate charged to a student who meets the instate residency requirements of the particular Public Postsecondary Institution attended by the student.

6.14 **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 and to which the Trust Fund payments will be made on behalf of the Qualified Beneficiary. The term "Mandatory Fees," as used herein, does not include charges for tuition, for books, for supplies, for credit hours, for food, for room, or for board even if the Postsecondary Institution attended by the

Qualified Beneficiary requires all students to pay such charges. Additionally, the term "Mandatory Fees," as used herein, does not include application entrance fees aid to postsecondary institutions when the Qualified Beneficiary applies for enrollment or orientation fees.

6.15 **Projected College Entrance Date"** means the Academic School Year following the Qualified Beneficiary's projected high school graduation and is the earliest date for utilization of PACT Contract benefits without approval from the State Treasurer and subject to the provisions of Sections 11.011, 11.012, and 11.03 herein. The Projected College Entrance Date is calculated by the State Treasurer based on information provided by the Purchaser in the PACT Application. The State Treasurer will provide the Qualified Beneficiary's Projected College Entrance Date to the Purchaser.

6.16 **"Official Change Period"** means any period so designated by the State Treasurer during which the PACT Contract Purchaser may submit a written request for approval of changes in PACT Contract terms, conditions, or information. Such changes may include, but are not limited to, changes in the Participation and Payment Schedule; changes in information provided on the PACT Application, the MasterPACT, or on other PACT documents; changes in payment method; and similar types of requests. Changes may be made outside of an Official Change Period only with approval of the State Treasurer.

6.17 **"Substitute Beneficiary"** means an individual named by the PACT Contract Purchaser to receive, in place of the originally named Qualified Beneficiary, the benefits guaranteed under the PACT Contract and who meets the eligibility criteria specified in Section 9.02.

6.18 **Immediate Family,"** for purposes of these Rules, means any of the following relations of the Qualified Beneficiary:

__ brother
__ sister
__ half brother
__ half sister
__ stepbrother
__ stepsister
__ legally adopted brother
__ legally adopted sister

6.19 **"Partial Scholarship" or "Full Scholarship" or "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 provided under a PACT Contract. A loan is not considered a Scholarship.

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

6.21 **"Termination"** means involuntary discontinuation of the Purchaser from the PACT Program and involuntary discontinuation of the Qualified Beneficiary's right to receive benefits under a PACT Contract.

6.22 **"Cancellation"** means voluntary discontinuation of the Purchaser from the PACT Program and voluntary discontinuation of the Qualified Beneficiary's right to receive benefits under a PACT Contract, when requested by the Purchaser, so long as the Purchaser has provided at least thirty (30) days' written notice to the State Treasurer and has submitted all applicable Administrative Fees.

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

6.24 **"Redemption Value"** means the sum of all PACT Contract payments paid to date by the Purchaser, not including Administrative Fees, minus any amounts paid by the Trust Fund to Postsecondary Institutions on behalf of the Qualified Beneficiary.

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

6.26 **"Administrative Fees"** means those fees, listed in Section 12, which are assessed to the PACT Contract Purchaser upon making application for enrollment in PACT; upon making changes in the ordinary services provided under the PACT Program; or upon making changes in PACT Contract information provided to the State Treasurer. Administrative fees include any other fees designated as Administrative by the State Treasurer.

6.27 **"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 the reinstatement of a Monthly Payment Plan 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. The actuarial assessment for a change from the Extended Payment Plan to the 5 Year Payment Plan is the difference between the future value of the contract payments of each plan.

SECTION 7
ALABAMA PUBLIC COLLEGES & UNIVERSITIES

These Rules, Regulations, and Procedures apply to Purchasers and Qualified Beneficiaries of PACT Contracts for the prepayment of tuition and Mandatory Fees, as defined in Section 11.01, at any of the State's public four year colleges and universities, public junior colleges, public community colleges, public technical colleges, and public senior colleges. These Public Postsecondary Institutions currently are as follows:

Public Four Year Postsecondary Institutions:

Alabama A & M University
Alabama State University
Auburn University
Auburn University at Montgomery
Jacksonville State University
University of West Alabama
Troy State University
Troy State University at Dothan
Troy State University at Montgomery
University of Alabama
University of Alabama at Birmingham
University of Alabama at Huntsville
University of Montevallo
University of North Alabama
University of South Alabama
U.A.B. Walker College

Public Two Year Postsecondary Institutions:

Public Community Colleges:
Alabama Southern Community College
Bevill State Community College
Bishop State Community College
Calhoun State Community College
Central Alabama Community College
Chattahoochee Valley Community College
Faulkner State Community College
Gadsden State Community College
Jefferson Davis Community College
Jefferson State Community College
Lawson State Community College
Northeast Alabama State Community College
Northwest-Shoals Community College
Shelton State Community College
Shoals Community College
Snead State Community College
Southern Union State Community College
Wallace State Community College, Dothan
Wallace State Community College, Hanceville
Wallace State Community College, Selma

Public Junior Colleges:

Enterprise State Junior College
Lurleen B. Wallace State Junior College

Public Technical Colleges:

Alabama Aviation and Technical College
Ayers State Technical College
Bessemer State Technical College
Drake State Technical College
MacArthur State Technical College
Patterson State Technical College
Reid State Technical College
Sparks State Technical College
Trenholm State Technical College

Public Senior Colleges:

Athens State College

The above listing represents the current Public Postsecondary Institutions in Alabama. However, other Public Postsecondary Institutions may be included in the PACT Program upon decision of the State Treasurer with advice of the Alabama Commission on Higher Education, the Alabama College System, the State of Alabama Board of Education, or another organization which has the authority to make such a designation.

SECTION 8
CONTRACT PURCHASER

8.00 Eligibility of Contract Purchaser-The Purchaser of a PACT contract may be a natural person, a corporation, a trust, a charitable organization, or any other Entity approved, in writing, by the State Treasurer. The Purchaser, if a natural person, must be nineteen (19) years of age or older, or must be represented by a court appointed conservator or guardian, or a trustee, or a designated custodian under the provisions of Title 26-2-20, Code of Alabama, 1975, (as last amended).

8.01 Nonacceptance of the Purchaser's Application-A prospective Contract Purchaser may be denied the right to enter into a PACT Contract if the Purchaser does not meet the qualifications set forth in Section 8.00; if the PACT Contract violates local, state, or federal laws; if the proposed Beneficiary is not a Qualified Beneficiary in accordance with Section 9.00; if the State Treasurer determines that it is advisable to limit the number of PACT Contracts; if the Contract Purchaser fails to submit the PACT Application during an official PACT Enrollment Period; if the Contract Purchaser fails to submit the Application Processing Fee; if the Contract Purchaser submits an Application with incomplete information; or such other reasons as may be determined by the State Treasurer on behalf of the Board of Trustees.

8.02 Number of Purchasers Per Contract-Only one (1) individual, corporation, trust, organization, or other Entity may be named on the PACT Application and in the PACT Contract as the PACT Contract Purchaser. Joint Purchasers are not permitted.

8.03 Transfer of PACT Contract Ownership to Another Purchaser-All requests to transfer ownership of the PACT Contract to a different Purchaser must be submitted, in writing, to the State Treasurer. The request must contain the signatures of both the current Purchaser and the Purchaser to whom ownership of the Contract is being transferred, unless the current Purchaser has died or has become disabled and cannot furnish a signature. If the current Purchaser has died or become disabled, proof of death or Disability, in such form as deemed acceptable by the State Treasurer, must accompany the written request for a change in Purchaser in lieu of the current Purchaser's signature. Any request for a change in Purchaser must also contain the PACT Contract number as well as the name, address, social security number, and telephone number of the new Purchaser. The request must also be accompanied by the applicable Administrative Fee(s) as described in Sections 12.00 and 12.016.

If the current Purchaser has died or becomes Disabled, the request for transfer of Contract ownership should be submitted to the State Treasurer within six (6) months of the death or Disability. Failure to submit the request within six (6) months may result in Involuntary Termination of the PACT Contract. The refund provisions of Section 15.06 will apply.

SECTION 9
QUALIFIED BENEFICIARY

9.00 Beneficiary Eligibility-An individual may be amed the Beneficiary of a PACT Contract if such individual meets ALL of the following requirements:

1. The individual is a resident of the State of Alabama, or is the minor child of a noncustodial parent who is a resident of the State of Alabama;
2. The individual is under the age of eighteen (18) on the first day of the PACT Enrollment Period;
3. The individual has not completed the ninth (9th) grade as of the first day of the PACT Enrollment Period in question; and
4. The individual has been born at the time the Application is submitted.

A Beneficiary may be a U.S. citizen, a permanent resident alien, or a dependent of a U.S. citizen or of a permanent resident alien.

9.01 Evidence of Residency-A Contract Purchaser who is a natural person must execute a statement in the PACT Application that the Beneficiary of the PACT Contract is a resident of the State of Alabama or is the minor child of a noncustodial parent who is an Alabama resident.

Purchasers may be asked to furnish proof of the Beneficiary's residency. Failure to provide proof of the Beneficiary's residency may result in automatic Termination of the PACT Contract and suspension of the Qualified Beneficiary from the PACT Program.

Submission of any of the following documents, upon request, will be considered as sufficient to establish the residency status of the Qualified Beneficiary:

If the Beneficiary is one year old or younger:

(A) A birth certificate indicating that the Qualified Beneficiary was born in Alabama.

If the Beneficiary is over the age of one:

(B) A progress report from the Alabama preschool or Alabama day care center of the Beneficiary; or

(C) A school report card or transcript from an Alabama public or private school.

In the event school documents are not available, residency will be determined by the parent's or guardian's residency status. Acceptable documents in this regard include the following:

(D) Voter's registration card;
(E) Driver's license;
(F) Certificate of domicile;
(G) Homestead exemption;
(H) Utility bills;
(I) Professional or occupational license;
(J) Proof of full time Alabama employment;
(K) Alabama vehicle registration; or
(L) Any other type of documentation similar to (A) through (K) above substantiating the residency of the Beneficiary.

For Purchasers who are in the military and are stationed outside of Alabama, military documents evidencing that Alabama is their home of record will satisfy the provisions of this section.

9.02 Beneficiary Substitutions-The benefits of a PACT Contract may be transferred to an Eligible Substitute Beneficiary. To qualify as eligible, the Substitute Beneficiary must meet all of the following requirements:

1. The Substitute Beneficiary must be a resident of the State of Alabama, or the minor child of a noncustodial parent who is a resident of the State of Alabama;
2. The Substitute Beneficiary must not yet have enrolled at a Postsecondary Institution;
3. The Substitute Beneficiary must be under the age of eighteen (18);
4. The Substitute Beneficiary must be born; and
5. The Substitute Beneficiary must be a member of the Immediate Family of the original Qualified Beneficiary.

Requests for transfer of the PACT Contract benefits to an Eligible Substitute Beneficiary must be in writing. All requests for Beneficiary substitutions should be submitted with documentation evidencing the relationship of the Substitute Beneficiary to the original Qualified Beneficiary.

In general, transfer of PACT Contract benefits to a Substitute Beneficiary is limited to transfer to a Qualified Beneficiary whose Projected College Entrance Date is the same date or is a later date than the Projected College Entrance Date of the originally named Beneficiary. An additional amount due (Actuarial Assessment), if any, above and beyond the original PACT Contract price, may be assessed by the State Treasurer at the time that the substitution of a Beneficiary is approved by the State Treasurer. This additional amount must be paid in full before the State Treasurer will make the substitution. Additionally, the Eligible Substitute Beneficiary may not use any of the PACT Contract benefits unless the Contract has been fully paid. In the event of a beneficiary substitution, monies previously paid to the PACT Program or to the Trust Fund on behalf of the original Beneficiary will not be refunded.

The benefits of a PACT Contract may be transferred to an Eligible Substitute Beneficiary whose Projected College Entrance Date will occur prior to the Projected College Entrance Date of the originally named Beneficiary in the following cases: (a) In the event of death of the originally named Qualified Beneficiary; (b) in the event the originally named Qualified Beneficiary becomes Disabled; or (c) in the event the originally named Qualified Beneficiary receives a Full or Partial Scholarship, the terms of which cover all or a portion of the same benefits provided under a PACT Contract. If the Purchaser contemplates transfer of Contract benefits to a Substitute Beneficiary who is older than the original Qualified Beneficiary and/or whose Projected College Entrance Date will occur prior to the Projected College Entrance Date of the originally named Qualified Beneficiary, written application for special consideration must be made to the State Treasurer. Proof of age, death or Disability, or receipt of a Full or Partial Scholarship by the original Qualified Beneficiary should be furnished in such form as required by the State Treasurer at the time the request for substitution of the Qualified Beneficiary is submitted.

If the request for Beneficiary substitution is approved, an additional Actuarial Assessment determined to be necessary to insure the actuarial soundness of the ust Fund may be assessed. Assessment of this additional amount will be made at the time the request for special consideration is approved. Any additional amounts assessed must be paid in full before the State Treasurer will make the Beneficiary substitution. Once this additional amount is paid, the Contract Purchaser may resume making payments as originally scheduled before the substitution occurred.

If the Contract Purchaser has established a monthly payment plan, and the PACT Contract benefits are transferred to an Eligible Substitute Beneficiary whose college entrance date precedes the final Contract payment under the monthly payment schedule, the Substitute Beneficiary may not use any PACT Contract benefits unless the Contract is paid in full. The Purchaser will be required to pay off the monthly payments, in full, and any outstanding Administrative Fees, in order for the Substitute Beneficiary to utilize any PACT Contract benefits. In the event the Purchaser elects a lump sum payment schedule, the Contract must still be paid in full, including all additional Actuarial amounts assessed, and all Administrative Fees, in order for the Eligible Substitute Beneficiary to utilize any Contract benefits.

In EVERY case, transfer of PACT Contract benefits to an Eligible Substitute Beneficiary may be made only if the Contract benefits have never been used. If any of the Contract benefits have been utilized by the originally named Beneficiary, the PACT Contract benefits may not e transferred to a Substitute Beneficiary.

A nonrefundable Administrative Fee, as described in Section 12.015, may be assessed for the transfer of PACT Contract benefits to an Eligible Substitute Beneficiary. The Fee must be submitted by the Purchaser at the same time that the written request for substitution of Beneficiary is made.

SECTION 10
APPLICATION

10.00 PACT Enrollment Period-A PACT Contract may be purchased during a valid Enrollment Period. The PACT Enrollment Period shall commence and terminate on dates set by the State Treasurer.

10.01 Application-Any individual, corporation, trust, charitable organization, or other Entity desiring to enter into a PACT Contract on behalf of a Qualified Beneficiary must submit a completed Application to the State Treasurer. The Application will be considered incomplete and will not be accepted unless it is accompanied by the Application Processing Fee described in Section 12.011. The Alabama Prepaid Affordable College Tuition Program Application is hereby incorporated by reference. A PACT Application may be obtained by calling the Prepaid Affordable College Tuition Program at either 1-800-ALA-PACT or 334-242-7514 or by writing to the PACT office at the following address: PACT Program, 100 North Union Street, Suite 660 Montgomery, Alabama 36130-2530.

By completing the Application and submitting the Application Processing Fee, the Purchaser is making application to enter into a PACT Contract. The PACT Application will become part of the formal Contract between the State Treasurer, on behalf of the Board of Trustees, and the Purchaser. After review and acceptance of the Application by the State Treasurer, the Purchaser will be mailed a Participation and Payment Schedule and a MasterPACT. Both of these documents, in addition to the Application, become part of the formal Contract between the State Treasurer, on behalf of the Board of Trustees, and the Purchaser.

To be complete, an Application must be accompanied by the Application Processing Fee and must contain all of the information that the State Treasurer determines is necessary for proper administration of the enrollment process. The PACT Contract will be completed and valid at such time as the State Treasurer accepts the Purchaser and Beneficiary into the program and transmits a MasterPACT and Participation and Payment Schedule to the Purchaser.

10.02 Naming the Qualified Beneficiary-Unless specifically exempted by the State Treasurer, a Purchaser must name the Qualified Beneficiary in the PACT Application at the time the Application is submitted to the State Treasurer. Only one (1) Qualified Beneficiary is allowed per PACT Contract. A specific Beneficiary may be named in only one (1) Contract. The Purchaser does not have to designate the Postsecondary Institution that the Beneficiary will attend until such time as the Qualified Beneficiary matriculates and in accordance with Section 11.03.

If more than one (1) Purchaser submits an Application for the same Beneficiary, the State Treasurer will determine which Application is accepted on behalf of the Qualified Beneficiary.

SECTION 11
THE PACT CONTRACT

11.00 General-The PACT Contract shall consist of the completed Application, the MasterPACT, and the Participation and Payment Schedule. Additional documents, as described in Section 6.05, will be incorporated into the PACT Contract.

11.01 Contract Benefits-The PACT Contract provides, unless otherwise stated herein, payment by the Trust Fund of Instate Tuition and Mandatory Fees, on behalf of the Qualified Beneficiary of the PACT Contract, to the Public Postsecondary Institution in which the Qualified Beneficiary matriculates.

The PACT Contract provides the following:

(1) 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

(2) Payment of Mandatory Fees for not more than eight (8) registrations on a semester system, twelve (12) registrations on a quarter system, or the completion of 135 semester hours or the academic equivalent units on a quarter system or other academic term basis, or until award of a

baccalaureate degree to the Qualified Beneficiary, whichever comes first.

Any credit hours paid by the Trust Fund on behalf f a Qualified Beneficiary reduce the remaining available credit hours under the PACT Contract. Even if the credit hours paid by the Trust Fund on behalf of the Beneficiary are not counted by the Beneficiary's Postsecondary Institution toward a college degree, the credit hours paid by the Trust Fund will, nevertheless, decrease the remaining number of credit hours available for utilization under the PACT Contract.

The PACT Contract does not cover fees and costs related to dormitory housing or any other types of housing. The PACT Contract does not cover meals, books, transportation, supplies, costs of professional school, college application or entrance fees, or orientation fees, or costs of graduate school education. The Contract also does not cover miscellaneous fees such as health fees, athletic fees, fraternity or sorority fees, or laboratory fees unless these fees qualify as Mandatory Fees as defined in Section 6.14. No graduate program, continuing education program, professional degree program, or adult education program is available under the PACT Contract. The PACT Contract covers only those costs and fees specified herein.

The benefits of a PACT Contract may not be used unless all Contract payments, Actuarial Assessments, and any outstanding Administrative Fees, have been paid, and the social security number of the Qualified Beneficiary has been provided to the State Treasurer.

11.011 Earliest Availability of Contract Benefits- n general, the earliest a Qualified Beneficiary may receive benefits under a PACT Contract purchased during any PACT Enrollment Period will be the Summer term immediately preceding the Projected College Entrance Date of the Qualified Beneficiary as provided in the PACT Contract, unless the Beneficiary is an accelerated student. In the event the Beneficiary is an accelerated student, the PACT Contract may be used, with no penalty or additional Contract cost, within three (3) years in advance of the Projected College Entrance Date of the Qualified Beneficiary. Proof that the Beneficiary is an accelerated student must be provided in such form and detail as required by the State Treasurer.

The PACT Contract, and any outstanding Actuarial Assessments and Administrative Fees, should be paid in full to advance utilization of the Contract benefits prior to the Beneficiary's Projected College Entrance Date, including utilization of the benefits during the Summer term immediately preceding the Projected College Entrance Date as well as utilization of the benefits by an accelerated Beneficiary.

11.012 Beneficiary's Projected College Entrance Date-At the time of application, if the Qualified Beneficiary's Projected College Entrance Date will be later than the Projected College Entrance Date which is supplied by the State Treasurer and which corresponds to the Beneficiary's current age and/or grade, the PACT Contract Purchaser must submit a written request to the State Treasurer to change the Projected College Entrance Date to a later year. The written request must be accompanied by sufficient documentation, deemed acceptable by the State Treasurer, substantiating the Purchaser's request for a change in the Beneficiary's Projected College Entrance Date. Acceptable documentation may include a certified letter from the Beneficiary's principal or school teacher verifying that the Beneficiary has or will be held back a grade. The Contract Purchaser must also sign a Certification Form, provided by the State Treasurer, agreeing to pay any additional amounts which may be due on the PACT Contract as a result of providing invalid information about the Qualified Beneficiary's Projected College Entrance Date and/or Contract payment amounts due. Both the required documentation and the completed and signed Certification Form must be submitted, to the State Treasurer prior to the first payment due date of the PACT Enrollment Period in which the Qualified Beneficiary is enrolled in the PACT Program. If the Purchaser fails to provide all documentation within two (2) months of the first payment due date of the PACT Enrollment Period in question, the State Treasurer will not change the Qualified Beneficiary's Projected College Entrance Date or the PACT Contract amount due.

Furthermore, when the Qualified Beneficiary begins to use the PACT Contract benefits, if the Beneficiary enrolls in college in the Projected College Entrance year which corresponds to the Beneficiary's age or grade, and not in the later year furnished by the PACT Contract Purchaser when the PACT Contract was purchased, the Contract Purchaser must pay any Actuarial Assessments required to compensate for the difference in the PACT Contract price corresponding to the Projected College Entrance Date furnished by the Purchaser during the PACT Application process, and the actual date of college entrance when the Beneficiary matriculates.

If the beneficiary advances after the PACT contract is purchased and an account has been established, there will be no adjustment in the PACT Contract Payment Schedule. However, upon a written request with sufficient documentation from the Purchaser, the Matriculation Date will be changed to reflect the revised Projected College Entrance Date.

The Purchaser should provide written notice of intention to advance or to delay benefits under the PACT Contract a minimum of sixty (60) days prior to the new matriculation date of the Qualified Beneficiary. Failure to give notice within sixty (60) days may result in assessment of a fee to the PACT Contract Purchaser in accordance with Section 12.021.

11.02 Contract Term-In general, benefits under a PACT Contract may be received for up to a ten (10) year period after the Projected College Entrance Date of the Qualified Beneficiary. If the Beneficiary, however, is an accelerated student, the PACT Contract benefits may be used for up to ten (10) years after the actual college entrance date of the Qualified Beneficiary who is an accelerated student.

Prior to the expiration of the ten (10) year limit, as long as a PACT Contract has not been Terminated or Canceled and is not in default, a Purchaser may request an extension of the time allowed to exercise rights under the PACT Contract. The Purchaser must submit a written request at least one hundred eighty (180) days prior to the expiration of the ten (10) year limit and must pay a nonrefundable renewal fee assessed at the time of request

for extension of the Contract term. If the request is granted, an Actuarial Assessment may be assessed to protect the actuarial soundness of the Trust Fund.

If a PACT Contract has not been Canceled or Terminated, if a written request for an extension has not been received, and if the Qualified Beneficiary's rights under the Contract have not been fully exercised within ten (10) years from the Projected College Entrance Date of the Qualified Beneficiary, or from the actual college entrance date for an accelerated student, all Contract rights are Terminated, and no refunds are available. The money will revert to the Trust Fund.

11.03 Notification of Intent to Receive Educational Benefits-At such time as the Qualified Beneficiary intends to begin using the benefits under the PACT Contract to attend a private, out-of-state or foreign postsecondary institution, or United States Military Academy, the Contract Purchaser must submit written notification, including the name of the Postsecondary Institution the Beneficiary will attend, not less than sixty (60) days prior to the projected commencement date for utilization of Contract benefits by the Qualified Beneficiary. Failure to provide at least sixty (60) days advance notice may result in the assessment of a fee in accordance with the provisions of Section 12.021 as well as a delay in the availability of the PACT Contract benefits until the academic term immediately following the term in which the projected commencement date for utilization of the PACT Contract benefits falls.

11.04 Identification Cards for Qualified Beneficiaries-To receive benefits under the PACT Program, a Qualified Beneficiary, whose PACT Contract is in good standing, will be issued an identification card prior to each summer college entrance period for which the PACT Contract applies. An identification card may not be issued to a Beneficiary unless the PACT Contract and any outstanding Administrative Fees have been paid in full. An identification card shall also not be issued unless the Qualified Beneficiary submits a valid social security number. The Postsecondary Institution in which the Qualified Beneficiary has entered should not invoice the Trust Fund on behalf of the Beneficiary unless the Beneficiary's name appears on the eligible roster provided by PACT.

11.05 PACT Contract Prices-New PACT Contract prices will be established by the State Treasurer, on behalf of the Board of Trustees, for each PACT Enrollment Period. Contract prices will be based on actuarial assumptions recommended by the Actuary and adopted by the Board of Trustees, regarding tuition rates and other relevant factors. PACT Contract prices will not include the Application Processing Fee. The contract price may include a nonrefundable Account Maintenance Fee in accordance with Section 12.012.

After a Purchaser has entered into a PACT Contract, the Contract price will not change, unless otherwise specified herein. Establishment of new prices for future PACT Enrollment Periods will NOT affect or change the pricing of PACT Contracts purchased during previous PACT Enrollment Periods.

11.06 PACT Contract Payments-PACT Contract payments are due in full on the dates specified in the PACT Contract. Contract payments may be made under one of three (3) different Participation and Payment Schedules as follows:

(a) A lump sum payment due in full on or before the date designated by the State Treasurer; or
(b) Monthly payments over a period of sixty (60) continuous months. The payments shall begin on the date specified by the State Treasurer in the PACT Contract and will continue on a monthly basis thereafter until the PACT Contract is fully paid. The final payment must be received by the State Treasurer not later than the summer immediately preceding the Projected College Entrance Date of the Qualified Beneficiary. The specific due date of the final payment will be specified in the PACT Contract. Additionally, the amount of each monthly payment will be specified by the State Treasurer in the PACT Contract. The sixty (60) month payment option is not available for Beneficiaries who are in the seventh (7th) or eighth (8th) grade on the first day of the PACT Enrollment Period during which the PACT Contract is purchased; or
(c) Continuous monthly payments beginning on the date specified by the State Treasurer and continuing on a monthly basis, until the summer immediately preceding the Projected College Entrance Date of the Qualified Beneficiary. The specific due date of the final payment will be specified by the State Treasurer in the PACT Contract. The amount of each monthly payment will also be specified by the State Treasurer in the PACT Contract. Monthly payments for both the sixty (60) month payment option and the extended monthly payment option will be calculated based on an implied rate of interest and a monthly Account Maintenance Fee.

11.07 Default-Failure to make any payment within thirty (30) days of the due date shall constitute default by the Purchaser and a suspension of the Qualified Beneficiary's rights under the PACT Contract. A Purchaser may reinstate his or her good standing provided that all delinquent amounts, including an Actuarial Assessment, and all Administrative Fees, including late payment fees, have been paid. If within 180 days of default, payment is not received, the contract will be cancelled.

11.08 Reinstatement of a Cancelled Account-If a PACT contract has been cancelled, the purchaser may request reinstatement. The request must be made in writing with sufficient justification, as determined by the State Treasurer. The amount required to bring the account current, including the total of all payments to date, all outstanding fees and an actuarial assessment, must be paid in full before the account will be reinstated.

11.09 PACT Contract Modifications-All requests by PACT Contract Purchasers for a modification of the Contract provisions must be submitted in writing and

must be accompanied by any written documentation which the State Treasurer may reasonably request and deem sufficient, along with all applicable Administrative Fees.

11.10 Change in Payment Schedule-A PACT Contract Purchaser may request a change in payment schedule any time during the PACT Enrollment Period in which the Purchaser enters the PACT Program and extending through the 10th day of the month in which the first payment is due for monthly Purchasers, or in which the onetime, lump sum payment is due for lump sum Purchasers. A change in payment schedule at any other time, including at the time of a Beneficiary substitution, must be approved by the State Treasurer and may require the PACT Contract Purchaser to cancel their existing PACT Contract and to purchase a new Contract during a subsequent PACT Enrollment Period.

Purchasers electing a monthly payment plan may pay off the plan early. In such cases, the Purchaser can obtain a payoff amount by calling 1-800-848-4750.

11.11 PACT Contract Payment Methods-Any one of a variety of payment methods is available to a PACT Contract Purchaser. These may include payment by coupon book, automatic deduction from a bank account (automatic clearinghouse checks), or payroll deduction. A Purchaser may change payment method after submitting a written request to the State Treasurer.

Automatic payroll deduction is provided for State employees. Any other employer desiring to establish automatic payroll deduction for PACT Contract Purchasers may do so as long as the payroll deduction is administered in accordance with specifications provided by the State Treasurer.

Contract Purchasers electing payment by coupon book will be responsible for making all payments on time, even if the Purchaser has not received a coupon book. Similarly, a Purchaser will be responsible for making all payments on time, prior to implementation of payroll deduction or automatic deduction from a checking or savings account. Any Purchaser who delays payment beyond the payment due date, until a coupon book has been issued or until payroll deduction or automatic bank deduction has been implemented, may be assessed late payment fees and an Actuarial Assessment.

11.12 Contract Modifications-All requests for modification(s) in the PACT Contract must be made, in writing, to the State Treasurer and must be submitted along with any applicable Administrative Fees and any supporting written documentation required by the State Treasurer. Requests for modifications, may include, but are not limited to, a change in Contract Purchaser, change in payment schedule or transfer of the Contract benefits to an Eligible Substitute Beneficiary.

11.13 Contract Exclusions- Nothing in these Rules, Regulations and Procedures, in the PACT Contract, or in the Wallace-Folsom Prepaid College Tuition Trust Fund Act shall be construed as a promise or guarantee by the State Treasurer, the Board of Trustees, or employees or consultants of the State Treasurer and/or the Board of Trustees, of any of the following:

__ Admission of the Qualified Beneficiary to a Postsecondary Institution.
__ Admission of the Qualified Beneficiary to a particular Postsecondary Institution.
__ Authorization to the Qualified Beneficiary to continue enrollment at a Postsecondary Institution after admission.
__ Graduation of the Qualified Beneficiary from a Postsecondary Institution.
__ Qualification of the Qualified Beneficiary as an instate resident for instate, rather than out-of-state, Tuition and Mandatory Fees.

No continuing education courses, graduate program, first professional program, or adult education program is available under the PACT Program.

Tuition and Mandatory Fees paid under a PACT Contract will be Instate Tuition and Instate Mandatory Fee charges only. A Beneficiary who matriculates and who does not meet the instate residency requirements of the selected Alabama Public Postsecondary Institution, as determined by that institution at the time benefits under a PACT Contract are requested, shall receive the PACT Contract benefits at the Instate Tuition and Mandatory Fee rates. The State Treasurer, the PACT Program, and the Trust Fund are not responsible for payment of the difference between instate and out-of-state tuition and fee rates. PACT will not pay tuition charges or Mandatory Fee charges at a rate in excess of the rate charged to students who are eligible for Instate Tuition and Mandatory Fee rates.

SECTION 12
ADMINISTRATIVE FEES

12.00 Administrative Fees-Administrative Fees are assessed when a Purchaser submits an application for a PACT Contract, when payments are made, or when alterations are made in Contract information or in the ordinary services provided under the PACT Program. The types of fees as well as the amount charged for each are subject to change during the life of any PACT Contract.

12.01 Fees Assessed and Fee Schedules-The following Administrative Fees and fee schedules will apply to all Purchasers of PACT Contracts, subject to changes the State Treasurer, on behalf of the Board of Trustees, may make over the life of the Contract in the types and/or amounts of such Administrative Fees:

12.011 Application Processing Fee-A seventy-five dollar ($75.00) Application Processing Fee will be collected for **EACH** PACT Application at the time that the Application is submitted to the State Treasurer. An Application will not be accepted unless the full amount of the Application Processing Fee is submitted along with the Application.

In general, the Application Processing Fee is nonrefundable. The Application Processing Fee will only be refunded if the PACT Application is rejected and the Purchaser is denied participation in the PACT Program through no fault of the Purchaser.

12.012 Account Maintenance Fee-All PACT Contract payments include a nonrefundable account maintenance fee.

12.013 Cancellation Fee-A PACT contract may be canceled for any of the following:

__ The Purchaser submits a written request;
__ The Purchaser fails to make payments pursuant to the MasterPact and/or the Participation and Payment Schedule;
__ The Purchaser fails to make a contract payment within forty-five (45) days of the first payment due date following the close of the PACT Enrollment period during which the PACT Application was submitted.

Fifty percent (50%) of the amount paid into the Trust Fund, up to a maximum of one hundred fifty dollars ($150.00), excluding Administrative Fees, will be assessed upon the Cancellation of a PACT Contract. The Cancellation Fee will be waived in the event of death or Disability of the Qualified Beneficiary, or receipt of a scholarship.

In the event of death or Disability of the Qualified Beneficiary, the Purchaser must submit acceptable documentation along with a written request at the time of application for a refund.

12.014 Termination Fee-A PACT Contract may be Involuntarily Terminated for any of the following reasons:

__ The Purchaser or Beneficiary has made a material misrepresentation of information;
__ The Purchaser or Beneficiary has provided false information to the PACT Program; or
__ Such other reasons as the State Treasurer may reasonably impose.

If the PACT Contract is Terminated, a Termination Fee of one hundred percent (100%) of the amounts paid into the Trust Fund, excluding Administrative Fees, up to a maximum of five hundred dollars ($500.00) will be assessed. Any refund due to the Purchaser of amounts paid into the Trust Fund, in the event of Termination of the PACT Contract, is addressed in Section 15.06.

12.015 Substitution of Beneficiary Fee-A fifty-five dollar ($55.00) fee will be assessed to transfer PACT Contract benefits to a Substitute Beneficiary. In the event of death or Disability of the original Beneficiary, or in the event the Beneficiary receives a Full or Partial Scholarship, this fee may be waived. Proof of death or Disability of the Qualified Beneficiary, or receipt of a Full or Partial Scholarship by the Qualified Beneficiary, must be provided in such form as deemed acceptable by the State Treasurer.

12.016 Fee for Transfer of Contract Ownership to Another Purchaser-A twenty dollar ($20.00) fee will be assessed to transfer ownership of the PACT contract to a different Purchaser in accordance with the provisions of Section 8.03 herein. In the event of Death or Disability of the current Purchaser, this fee may be waived.

12.017 Fee for Enrollment in an Independent/Private Instate Postsecondary Institution, an Out-of-State or Foreign Postsecondary Institution or a United States Military Academy-In the event a Qualified Beneficiary elects to attend an Independent/Private Instate Postsecondary Institution, an Out-of-State or Foreign Postsecondary Institution, or a United States Military Academy, or in the event a Qualified Beneficiary transfers from an Instate Public Postsecondary Institution to an Independent/Private Instate Postsecondary Institution, an Out-of-State of Foreign Postsecondary Institution or United States Military , Academy, the Contract benefits will be transferred to such other Postsecondary Institution in accordance with the provisions of Section 13. Each time a transfer occurs, the PACT Contract Purchaser will be assessed a twenty-five dollar ($25.00) processing fee per transfer, i.e. per academic term. This fee is deducted from the amount paid to the college or university.

12.018 Late Payment Fee-A late payment fee of fifteen ($15.00) dollars shall automatically be assessed on each monthly PACT Contract payment received more than fifteen (15) days past the payment due date. A grace period, up to four (4) days in length, may be granted when a federal and/or State holiday occurs within the fifteen (15) days specified in this Section. If a Purchaser's payments are habitually late, the State Treasurer, at his/her discretion, may Terminate the Purchaser, and, therefore the Beneficiary, from the PACT Program.

12.019 Fee for Returned Items-A fifteen dollar ($15.00) returned item fee shall automatically be assessed for any returned item including, but not limited to, payment made by check or through ACH (Automatic Clearinghouse). Such payments include both PACT Contract payments and Administrative Fee payments that are returned.

12.020 Fee for Document Replacement or Copies- Except as provided herein, Purchasers and/or Beneficiaries shall automatically be assessed a seven dollar ($7.00) fee per document (not per page) when requesting more than one copy, or a replacement copy, of any PACT document including, but not limited to, the PACT Application, the Participation and Payment Schedule, the MasterPACT, the coupon book, and the identification card. If another gift pack is requested, a $7.00 fee will be assessed for the entire gift pack rather than for each document contained in the gift pack. However, for lengthy documents, or mailings requiring additional postage beyond the basic postage rate for a first class letter, and for documents requiring overnight delivery, the State Treasurer may assess an additional amount above the $7.00 fee. The additional amount shall not exceed $25.00 per request from the Contract Purchaser.

12.021 Fee for Failure to Provide Sufficient Notification of Intent to Use the Contract Benefits-Pursuant to Section 11.03 of these Rules, Regulations, and Procedures, the Purchaser should give at least sixty (60) days written notification of the Beneficiary's intent to use PACT contract benefits to attend an independent/private

instate, an out-of-state or foreign postsecondary institution, or a United States military academy and should specify the Postsecondary Institution the Beneficiary will attend. Failure to provide adequate notification may result in assessment of a forty-five dollar ($45.00) fee. This fee must be paid by the Purchaser before benefits under the PACT Contract will be paid to the Postsecondary Institution in which the Qualified Beneficiary has matriculated.

12.022 Fee for Changes in Payment Schedule-A twenty dollar ($20.00) processing fee will be assessed for a change in payment schedule.

SECTION 13
ATTENDANCE AT AN INDEPENDENT/PRIVATE INSTATE, AN OUT-OF-STATE OR FOREIGN POSTSECONDARY INSTITUTION, OR A UNITED STATES MILITARY ACADEMY

13.00 Utilization of PACT Contract Benefits at an Independent/Private Instate Postsecondary Institution, at an Out-of-State or Foreign Postsecondary Institution or United States Military Academy-In the event the Qualified Beneficiary matriculates in an Independent/Private Instate Postsecondary Institution, in an Out-of-State or Foreign Postsecondary Institution, or a United States Military Academy, the Current Tuition Value will be forwarded, each academic term, to the Postsecondary Institution on an academic equivalent hourly basis subject to the provisions of the PACT Contract described in Section 11.01. In no case will the amount forwarded exceed the cost of undergraduate tuition plus Mandatory Fees of the Postsecondary Institution to which the money is forwarded for the particular academic hours and term in questions.

Forwarding of PACT Contract benefits under this Section will be made only when all of the following have occurred:

1. The Purchaser has submitted a written request and all applicable Administrative Fees to the State Treasurer for transfer of the PACT Contract benefits. The request should be submitted not less than sixty (60) days in advance of the first academic term for which the PACT Contract benefits are to be paid;
2. The Purchaser has paid the applicable Administrative Fee(s) in accordance with Section 12.017;
3. The State Treasurer has received a valid invoice from the Beneficiary's college or university after the end of the institution's official drop/add period each academic term for which PACT Contract benefits are to be paid.

Failure to comply with the sixty (60) day requirements in this Section may result in the delay or unavailability of the PACT Contract benefits until the following academic term.

SECTION 14
TERMINATION OR CANCELLATION OF A PACT CONTRACT

14.00 General-Unless otherwise stated herein, Termination or Cancellation of a PACT Contract shall result in a refund to the Purchaser only after payment of applicable Administrative Fees.

14.01 Individual Entitled to Cancel a PACT Contract-The person entitled to cancel a PACT Contract is the Contract Purchaser.

14.02 Individual Entitled to Receive Refunds-Unless otherwise stated herein, the individual entitled to receive any refunds which may be due under a PACT Contract is the named Contract Purchaser.

SECTION 15
REFUND OF AMOUNTS PAID INTO THE TRUST FUND

15.00 General-Unless otherwise stated herein, refunds will be paid to the Purchaser.

Refund amounts will be based on the reason for Terminating or Canceling a PACT Contract. Refunds shall not exceed the amount paid by the Purchaser for any PACT Contract. Termination of student status after the official drop/add period eliminates the refund option for that academic term.

If a Qualified Beneficiary does not receive course credit for credit hours paid under a PACT Contract, a refund will not be available for these credit hours. Furthermore, once the Trust Fund has paid a Postsecondary Institution for credit hour(s) on behalf of a Qualified Beneficiary, the hour(s) paid to the Postsecondary Institution reduce the total number of credit hours available for calculation of any refund amount that may be due to the Purchaser.

If the Qualified Beneficiary achieves a baccalaureate degree in fewer than the maximum number of credit hours provided under a PACT Contract and/or in fewer than the number of academic terms for which payment of Mandatory Fees is provided under the Contract, a refund will not be available. As soon as a Qualified Beneficiary attains a baccalaureate degree, and/or utilizes the total number of credit hours provided under the Contract, all services under the PACT Contract will be Terminated. Any refund made to the Purchaser will occur only after the Purchaser has paid any outstanding Administrative Fees.

Unless otherwise specified herein, refunds may be paid in installments as determined by the State Treasurer. The amount of the refund installments will be calculated by the State Treasurer at the time the written request for a refund is approved. Unless otherwise stated herein, the refund installments will be paid to the Purchaser. The State Treasurer is not responsible for any refunds that may be payable by the Postsecondary Institution.

15.01 Refund in the Event of Death or Disability of the Qualified Beneficiary; or in the Event the Beneficiary is a Dependent of a Blind Parent; or in the Event the Beneficiary is a Dependent of a Deceased or Disabled Veteran or of a Prisoner of War-In the event of death or Disability of a Qualified Beneficiary; (b) in the event the Beneficiary is a dependent of a blind parent under Title 16, Sections 33-1 through 33-12, Code of Alabama, 1975 (as last amended); or (c) in the event the Beneficiary is a dependent of a deceased or disabled

veteran or a prisoner of war under Title 31, Sections 6-1 through 6-4, Code of Alabama, 1975 (as last amended), the Purchaser shall receive a refund equal to the sum of all PACT Contract payments paid to date, excluding all Administrative Fees, minus any amount paid by the Trust Fund to Postsecondary Institutions on behalf of the Qualified Beneficiary. The cancellation fee will be waived.

For the refund provisions stated herein to apply, the Purchaser must submit a written request for Cancellation of the PACT Contract. The written request should be submitted within one hundred eighty (180) days of the death or Disability of the Qualified Beneficiary or within one hundred eighty (180) days of the Beneficiary's qualification under the Code of Alabama, as referenced herein. Furthermore, proof of qualification under the Code of Alabama must be submitted in such form as is deemed acceptable by the State Treasurer. If the written request and required documentation are not submitted within the one hundred eighty (180) day deadline, the refund provisions of Section 15.06 may apply.

15.02 Refund in the Event of a Reduction in Tuition and/or Fees for a Child of an Employee of a Postsecondary Institution-Some Postsecondary Institutions may charge lower tuition and/or fees to a student who is a child of an employee of the Postsecondary Institution. If a PACT Contract Beneficiary is eligible for this reduction, the Contract Purchaser may elect to cancel the PACT Contract and request a refund under Section 15.06 herein. The refund will be equal to the Redemption Value of the Contract. If the Purchaser does not cancel the PACT Contract, PACT will pay the college or university based on the invoice submitted by the Postsecondary Institution and subject to the provisions of PACT stated in these Rules, Regulations, and Procedures. If the invoice is for a reduced amount because the Beneficiary is the child of an employee of the Postsecondary Institution, and the Beneficiary has received reduced tuition and/or Fees, PACT will pay the reduced amount, and no refund will be available from the Trust Fund. If the invoice is for the full amount of tuition and/or Fees, and the reduction of these expenses will occur during or at the end of an academic term, PACT will pay the Postsecondary Institution just as if the reduction in tuition and/or Mandatory Fees was not available, and the Purchaser and the Postsecondary Institution may determine if a refund is available from the Postsecondary Institution. No refund will be available from the Trust Fund.

15.03 Refund in the Event of Receipt of a Full or Partial Scholarship by a Qualified Beneficiary-If a Qualified Beneficiary is awarded a Full or Partial Scholarship, the terms of which fully or partially cover the benefits provided in the PACT Contract, monies paid for the tuition and mandatory fees may be refunded by the college or university. Payments from the Trust Fund will be made to the Postsecondary Institution in which the Beneficiary matriculates upon receipt of an invoice for tuition and mandatory fees. It will be the responsibility of the Beneficiary to request a refund of overpayment of tuition and Fees from the college or university attended by the Beneficiary. Any refund of overpayment of tuition and Fees will not be made by the Trust Fund.

15.04 Refund if the Beneficiary Matriculates in a Military College or University-In the event the PACT Contract Beneficiary matriculates in one of the U.S. Government sanctioned military academies listed below, the Purchaser can request a refund of the Redemption Value of the Contract; the cancellation fee will be waived. A request for a refund should be submitted within sixty (60) days of the Beneficiary's enrollment in the military college or university and must be accompanied by written documentation, deemed acceptable by the State Treasurer, evidencing enrollment. Otherwise, the refund provisions of Section 15.06 may apply. The provisions herein apply to attendance at any one of the following military academies:

__ The United States Air Force Academy in Colorado Springs, Colorado
__ The United States Naval Academy in Annapolis, Maryland
__ The United States Military Academy at Westpoint, New York
__ The United States Merchant Marine Academy at Kingspoint, New York
__ The United States Coast Guard Academy in New London, Connecticut

15.05 Refund if the Beneficiary Matriculates in a Postsecondary Institution Located Outside of the United States-If the Beneficiary matriculates in a Postsecondary Institution located outside of the United States, the PACT Contract Purchaser may receive a refund of the Redemption Value of the Contract. The cancellation fee will be waived. The Contract Purchaser must submit a written request for a refund and must furnish written documentation, acceptable to the State Treasurer, substantiating the Beneficiary's attendance at a Postsecondary Institution located outside of the United States.

15.06 Other Refunds-Refunds for reasons or circumstances other than those stipulated above in Sections 15.01, 15.02, 15.03, 15.04, and 15.05 will be made to the Purchaser upon written request for cancellation by the Purchaser. The Purchaser will be entitled to a refund equal to the Redemption Value of the Contract. A cancellation fee will also be charged.

SECTION 16
SPECIAL PETITION

16.00 General-Any individual, corporation, organization, or other Entity desiring to petition for relief from the Rules, Regulations, and/or Procedures dictated herein may do so by filing a written petition with the State Treasurer. The petition shall contain the name and address of the person requesting relief; the specific nature of the relief requested; the name and address of any Purchaser or Beneficiary on any disputed PACT Contract; the PACT Contract account number(s) of the Contract(s) in question; the rule, regulation, and/or procedure from which the Petitioner is requesting relief; the date of request; the social security number or tax identification number of the Beneficiary and of the Purchaser; and the sworn signature of the petitioner. The response to the petition will be in writing and will be made within forty-five (45) days of receipt of the petition from the individual requesting relief. The State Treasurer, or his/her designee, has the authority to respond to the petition on behalf of the Board of Trustees.

SECTION 17
MISCELLANEOUS PROVISIONS

17.00 Promulgation and Amendment of these Rules, Regulations, and Procedures-The State Treasurer, on behalf of the Board of Trustees, shall promulgate such other Rules, Regulations, and Procedures as are deemed necessary to implement the PACT Program and shall amend such Rules, Regulations, and Procedures as is necessary for operation of the PACT Program.

SECTION 18
WAIVER OF RULES, REGULATIONS, AND PROCEDURES

18.00 General-The State Treasurer may waive portions of these Rules, Regulations, and Procedures to prevent hardship of the Purchaser and/or of the Qualified Beneficiary.

SECTION 19
PACT RULES, REGULATIONS, AND PROCEDURES OR CORPORATIONS, TRUSTS, CHARITABLE ORGANIZATIONS, AND OTHER QUALIFIED ENTITIES

19.00 General-These Rules, Regulations, and Procedures have been established by the State Treasurer for Contract Purchasers who are not natural persons. The State Treasurer has determined that entering into PACT Contracts to be awarded to Beneficiaries who are not immediately known will allow and encourage corporations, trusts, charitable organizations, foundations, civic groups and other interested parties, who are not natural persons, to enter into PACT Contracts. This type of Contract will also provide educational benefits to Beneficiaries who might otherwise not be able to afford postsecondary education.

For the purpose of these Rules, Regulations, and Procedures, the term "Entity" shall mean any corporation, trust, charitable organization, or any other business or organization which is not a natural person and which is approved by the State Treasurer for the purchase of a PACT Contract. Unless specifically exempted herein, all Rules, Regulations, and Procedures pertaining to PACT Contract Purchasers who are natural persons also apply to any Purchaser that is an Entity.

19.01 Eligibility of the Purchaser-The Purchaser of a PACT Contract may be any Entity approved, in writing, by the State Treasurer.

19.02 Naming the Beneficiary-An Entity which purchases a PACT Contract is not required to name the Contract Beneficiary at the time the PACT Application is submitted to the State Treasurer. However, if the Entity submits a PACT Application for an unnamed Beneficiary, a Projected College Entrance Date for, the unnamed Beneficiary must be specified on the PACT Application. The age of the unnamed Beneficiary on the PACT Application will be the normal age for a Beneficiary expected to enter college in the Academic School Year corresponding to the Projected College Entrance Date. For purposes of the PACT Program, the unnamed Beneficiary will be called either "John Doe" or "Jane Doe." The Beneficiary should be named not less than six (6) months prior to the Projected College Entrance Date specified by the Entity on the PACT Application.

19.03 Beneficiary Eligibility-If the Beneficiary is named at the time the PACT Application is submitted to the State Treasurer, the Beneficiary eligibility requirements of Section 9.00 are applicable. If the Beneficiary is not named when the PACT Application is submitted to the State Treasurer, at such time as the Beneficiary is named, the named Beneficiary must meet all of the following requirements:

__ The Beneficiary must be a resident of the State of Alabama or must be the minor child of a noncustodial parent who is an Alabama resident.

__ The Beneficiary must be under the age of eighteen (18).

__ The Beneficiary must have a college enrollment year which is the same year as the Projected College Entrance Date provided in the PACT Application by the Entity.

__ The Beneficiary must be born and have a valid birth certificate.

19.04 Failure to Name the Beneficiary-Failure to name the Beneficiary within the timeframe specified in Section 19.02 may result in a Termination of the PACT Contract, and the monies will revert to the Trust Fund.

19.05 Beneficiary Substitutions-Should the named Beneficiary elect not to use the PACT Contract benefits, and the Contract is transferred to an Eligible Substitute Beneficiary, the provisions of Section 9.02 will apply except that the new Beneficiary does not have to be a member of the Immediate Family of the original Qualified Beneficiary. Nevertheless, the Beneficiary must be someone other than the spouse, child, stepchild, adopted child, grandchild, niece, nephew, or ward of the Purchaser. The Purchaser, if an individual, may be required to submit documentation evidencing the relationship of the Eligible Substitute Beneficiary to the Purchaser.

19.06 Application-For any corporation or trust submitting a PACT Application, the Application may be considered incomplete, and may not be accepted by the State Treasurer, unless the corporate Application is accompanied by the corporation's Certificate of Good Standing, or unless the trust Application is accompanied by the declaration page of the trust. Furthermore, the Entity must provide its taxpayer identification number on the Application, and the Application must be complete in all other respects as described in Sections 10.01 and 19.02.

19.07 Utilization of the PACT Contract Benefits-The PACT Contract benefits may not be used unless the Purchaser has furnished to the State Treasurer the name, age, and social security number of the Qualified Beneficiary and has complied with all other applicable Rules, Regulations, and Procedures pertaining to Purchasers who are natural persons.