

2012-2013 MASTER COVENANT

This Master Covenant describes the policies and terms of the Florida Prepaid College Plan (The Stanley G. Tate Florida Prepaid College Program established under s. 1009.98, Florida Statutes; hereinafter the "Program"). Upon acceptance of the Application by the Florida Prepaid College Board (the "Board") in accordance with Rule 19B-4.001, Florida Administrative Code, the Purchaser is issued a Participation and Payment Schedule. The Application, this Master Covenant and the Participation and Payment Schedule constitute the advance payment contract (the "contract"). Additional documents relating to the contract, issued or received by the Board, will be incorporated into the contract. The applicable provisions of part IV, Chapter 1009, Florida Statutes, rules contained in Chapter 19B, Florida Administrative Code, and s. 529 of the Internal Revenue Code, as amended from time to time, shall apply to the contract and are incorporated by reference.

SECTION 1: DEFINITIONS

1.01 "Application" means the application form adopted by Rule 19B-4.001, Florida Administrative Code, which has been completed by the Purchaser.

1.02 "Beneficiary" means the person for whom a plan is purchased, as defined in s. 1009.97(3)(f), Florida Statutes. A specific Beneficiary may be named in only one contract. The Beneficiary must be a United States citizen or a resident alien with a valid social security number.

1.03 "Co-Purchaser" means the person who is designated on the application as the "survivor" unless the Co-Purchaser was subsequently changed or was designated after submission of the Application. Any natural person named as the Co-Purchaser must be 18 years old or older and must be a United States citizen or resident alien with a valid social security number. Designation of a Co-Purchaser on the Application or after the submission of the Application is optional.

1.04 "Dormitory Fee" means the fee charged by a State University for residence in a double-occupancy, air-conditioned dormitory room.

1.05 "Florida College" means any public postsecondary educational institution in the Florida College System as defined in s. 1000.21(3), Florida Statutes.

1.06 "Local Fee" means: **(a)** the activity and service, health, and athletic fees authorized in s. 1009.24(9) – (12), F.S., charged by a State University; or **(b)** the student activity and service fee authorized in s. 1009.23, F.S., and charged by a Florida College. The technology fee authorized in s. 1009.23(10), F.S., charged by a Florida College is also covered by Local Fee Plans purchased after July 1, 1999.

1.07 "Matriculation Date" means the projected college enrollment year of the Beneficiary, based on the information about the Beneficiary's age or grade contained in the Application, or similar information received subsequently by the Board from the Purchaser or Beneficiary.

1.08 "Member of the Family" means the same as defined in s. 529 of the Internal Revenue Code.

1.09 "Participation and Payment Schedule" means the document which identifies the Purchaser, Co-Purchaser, Beneficiary, plan(s) purchased, and payment information.

1.10 "Purchaser" means the person who is designated on the application as the "account owner," unless the Purchaser of the account was subsequently changed, and who is the contract owner of record. Any natural person named as the Purchaser must be 18 years old or older and must be a United States citizen or resident alien with a valid social security number.

1.11 "Registration Fee" means: **(a)** the tuition fee authorized in s. 1009.24(4), F.S., financial aid fee authorized in s. 1009.24(7), F.S., and Capital Improvement Trust Fund fee authorized in s. 1009.24(8), F.S., charged by a State University; or **(b)** the tuition fee, authorized in s. 1009.23(3), F.S., the fee for capital improvements authorized in s. 1009.23(11), F.S., and the financial aid fee authorized in s. 1009.23(8), F.S., charged by a Florida College.

1.12 "Residency" means that a Beneficiary must have been domiciled in Florida at least 12 consecutive months prior to and including the date the Application is signed. A Beneficiary under the age of one year must have been born and continuously domiciled in Florida from birth through the date the Application is signed. A Beneficiary

may be a resident of another state if the non-custodial parent has been domiciled in Florida at least 12 consecutive months prior to and including the date the application is signed.

1.13 "State University" means any university in the State University System as defined in s. 1000.21(6), Florida Statutes.

1.14 "Tuition Differential Fee" means the fee charged by a State University pursuant to s. 1009.24(16) Florida Statutes.

1.15 "Vocational-Technical School" means an applied technology diploma program or vocational certificate program conducted by a Florida College or an area technical center operated by a district school board.

SECTION 2: RIGHTS OF PURCHASERS, CO-PURCHASERS AND BENEFICIARIES

2.01 Rights of Purchasers. (a) For contracts that include the 4-Year Florida University Plan, 2 + 2 Florida Plan, 4-Year Florida College Plan or 2-Year Florida College Plan: (1) the Purchaser, together with the Co-Purchaser, must authorize changes in the Beneficiary, Purchaser and Co-Purchaser, cancellation requests and refund requests associated with involuntarily terminated contracts or plans; and (2) the Purchaser and Co-Purchaser each will enjoy a right of survivorship for each other. **(b)** For contracts that include a Tuition Plan purchased on or after February 1, 2009, (1) the Purchaser, together with the Co-Purchaser, must authorize changes in the Beneficiary, Purchaser and Co-Purchaser, cancellation requests and refund requests associated with involuntarily terminated contracts or plans; and (2) the Purchaser and Co-Purchaser each will enjoy a right of survivorship for each other. **(c)** For contracts that include a Tuition Plan purchased prior to February 1, 2009: (1) the Purchaser may, without the consent or authorization of the Co-Purchaser, make all contract changes, conversions, cancellations, and refund requests; (2) the Purchaser may remove the Co-Purchaser from a contract without the consent of the Co-Purchaser and (3) the Purchaser and Co-Purchaser together may irrevocably elect to change the Co-Purchaser's rights to be the same as those for Co-Purchasers of contracts that include a Tuition Plan purchased on or after February 1, 2009, by submitting a written request containing the notarized signatures of the Purchaser and the Co-Purchaser.

The Purchaser may obtain information regarding the contract. Refunds will be made payable to the Purchaser only.

2.02 Rights of Co-Purchasers. (a) For contracts that include the 4-Year Florida University Plan, 2 + 2 Florida Plan, 4-Year Florida College Plan or 2-Year Florida College Plan: (1) the Purchaser, together with the Co-Purchaser, must authorize changes in the Beneficiary, Purchaser or Co-Purchaser, cancellation requests and refund requests associated with involuntarily terminated contracts or plans; and (2) the Purchaser and Co-Purchaser each will enjoy a right of survivorship for each other. **(b)** For contracts that include a Tuition Plan purchased on or after February 1, 2009: (1) the Purchaser, together with the Co-Purchaser, must authorize changes in the Beneficiary, Purchaser or Co-Purchaser, cancellation requests and refund requests associated with involuntarily terminated contracts or plans; and (2) the Purchaser and Co-Purchaser each will enjoy a right of survivorship for each other. **(c)** For contracts that include a Tuition Plan purchased prior to February 1, 2009: (1) the Co-Purchaser may not make any contract change, conversion, or cancellation; (2) the consent or authorization of the Co-Purchaser is not required for the Purchaser to modify or cancel the contract; (3) the Co-Purchaser becomes the owner of the contract upon the death of the Purchaser; and (4) the Purchaser and Co-Purchaser together may irrevocably elect to change the Co-Purchaser's rights to be the same as those for Co-Purchasers of contracts that include a Tuition Plan purchased on or after February 1, 2009, by submitting a written request containing the notarized signatures of the Purchaser and the Co-Purchaser.

The Co-Purchaser may obtain information regarding the contract. Refunds will not be made payable to a Co-Purchaser.

2.03 Rights of Beneficiaries. The Beneficiary may obtain information regarding the contract, but may not make any contract change or cancellation. Refunds will not be made payable to a Beneficiary.

SECTION 3: PLAN TYPES AND PAYMENT OPTIONS

3.01 General. (a) The 4-Year Florida University Plan or 2 + 2 Florida Plan and a corresponding Dormitory Plan, if any, for the same Beneficiary are considered one contract and requirements applicable to such contract also apply to any corresponding Dormitory Plan for the same Beneficiary. **(b)** A Tuition Plan and a corresponding Tuition Differential Fee Plan, Local Fee Plan and Dormitory Plan, if any, for the same Beneficiary are considered one contract. (1) Requirements applicable to contracts that include a Tuition Plan purchased on or after February 1, 2009, also apply to any corresponding Tuition Differential

Plan, Local Fee Plan and/or Dormitory Plan for the same Beneficiary. (2) Requirements applicable to contracts that include a Tuition Plan purchased prior to February 1, 2009, also apply to any corresponding Tuition Differential Plan, Local Fee Plan and/or Dormitory Plan for the same Beneficiary.

Pricing for each type of plan is determined based upon the prices approved by the Board for each respective plan for the open enrollment period during which the Board accepted the Purchaser's Application for each respective plan(s) for the Beneficiary, provided the payments required for such plan(s) are received by the Board as required by the Participation and Payment Schedule and provided each such plan(s) is not subsequently voluntarily terminated or involuntarily terminated. A plan may be purchased only for a Beneficiary who is in the eleventh grade or below at the time of the purchase of the plan.

3.02 4-Year Florida University Plan. The purchase of a 4-Year Florida University Plan prepays the Registration Fees, Tuition Differential Fee and Local Fees, for 120 semester credit hours at a State University. The 4-Year Florida University Plan initially became available for purchase during the 2010-2011 open enrollment period which began on October 18, 2010, and ended on January 31, 2011.

3.03 2 + 2 Florida Plan. The purchase of a 2 + 2 Florida Plan prepays the Registration Fees and Local Fees for 60 lower division semester credit hours at a Florida College and the Registration Fees, Tuition Differential Fee and Local Fees for 60 semester credit hours at a State University. The 2 + 2 Plan initially became available for purchase during the 2010-2011 open enrollment period which began on October 18, 2010, and ended on January 31, 2011.

3.04 4-Year Florida College Plan. The purchase of a 4-Year Florida College Plan prepays the Registration Fees and Local Fees for 60 lower division semester credit hours at a Florida College and for 60 upper division semester credit hours at a Florida College. The 4-Year Florida College Plan initially became available for purchase during the 2010-2011 open enrollment period which began on October 18, 2010, and ended on January 31, 2011.

3.05 2-Year Florida College Plan. The purchase of a 2-Year Florida College Plan prepays the Registration Fees and Local Fees for 60 lower division semester credit hours at a Florida College. The 2-Year Florida College Plan initially became available for purchase during the 2010-2011 open enrollment period which began on October 18, 2010, and ended on January 31, 2011.

3.06 Tuition Plan. There are three separate types of Tuition Plans: **(a)** The 4-Yr University Tuition Plan prepays the Registration Fees for 120 semester credit hours at a State University. **(b)** The 2 + 2 Tuition Plan prepays the Registration Fees for 60 lower division semester credit hours at a Florida College and the Registration Fees for 60 semester credit hours at a State University. **(c)** The 2-Yr FL College Tuition Plan (formerly the two-year community college tuition plan) prepays the Registration Fees for 60 lower division semester credit hours at a Florida College.

The amount paid per semester credit hour to a State University for Registration Fees may vary, depending upon the date the Tuition Plan was purchased. Tuition Plans are not available for purchase after January 31, 2010.

3.07 Tuition Differential Fee Plan. There are two separate types of Tuition Differential Fee Plans: **(a)** The 4-Yr University TDF Plan prepays the Tuition Differential Fee for 120 semester credit hours at a State University and only may be purchased as an addition to a 4-Yr University Tuition Plan purchased on or after February 1, 2007. **(b)** The 2 + 2 TDF Plan prepays the Tuition Differential Fee for 60 semester credit hours at a State University and only may be purchased as an addition to a 2 + 2 Tuition Plan purchased on or after February 1, 2007.

The amount paid per semester credit hour to a State University for the Tuition Differential Fee may vary, depending upon the date the Tuition Differential Fee Plan was purchased.

3.08 Local Fee Plan. There are three separate types of Local Fee Plans: **(a)** The 4-Yr University Local Fee Plan prepays the Local Fees for 120 semester credit hours at a State University and only may be purchased as an addition to a 4-Yr University Tuition Plan. **(b)** The 2 + 2 Local Fee Plan prepays the Local Fees for 60 lower division semester credit hours at a Florida College and the Local Fees for 60 semester credit hours at a State University and only may be purchased as an addition to a 2 + 2 Tuition Plan. **(c)** The 2-Yr FL College Local Fee Plan (formerly the community college local fee plan) prepays the Local Fees for 60 lower division semester credit hours at a Florida College and only may be purchased as an addition to a 2-Yr FL College Tuition Plan.

The amount paid per semester credit hour to a State University for Local Fees may vary, depending upon the date the Local Fee Plan was purchased.

3.09 Dormitory Plan. (a) A Dormitory Plan may be purchased in conjunction with or added to a 4-Year Florida University Plan or a 2 + 2 Florida Plan. Through a Dormitory Plan purchased in conjunction with or added to a 4-Year Florida University Plan, a maximum of 10 semesters of Dormitory Fees may be prepaid.

Through a Dormitory Plan purchased in conjunction with or as an addition to a 2 + 2 Florida Plan, a maximum of four semesters of Dormitory Fees may be prepaid.

(b) A Dormitory Plan may be purchased as an addition to a 4-Yr University Tuition Plan or a 2 + 2 Tuition Plan. Through a Dormitory Plan added to a 4-Yr University Tuition Plan, a maximum of 10 semesters of Dormitory Fees may be prepaid. Through a Dormitory Plan added to a 2 + 2 Tuition Plan, a maximum of 4 semesters of Dormitory Fees may be prepaid.

The number of semesters purchased is specified in the Participation and Payment Schedule. Residence in a State University dormitory is subject to available space and is not guaranteed by the Board. The Dormitory Plan provides payment for a double-occupancy, air-conditioned dormitory room specified by the State University and approved by the Board and is subject to availability. The Dormitory Plan does not cover security/damage deposits, meal plans or any other fees. If a State University does not offer double-occupancy dormitory rooms, the Board will pay the average cost of a double-occupancy, air-conditioned dormitory room in the State University System of Florida payable under the Beneficiary's contract. The amount paid per semester to a State University for Dormitory Fees may vary, depending upon the date the Dormitory Plan was purchased.

3.10 Payment Options. Three payment options are available: **(a)** a lump-sum payment plan; **(b)** a 55-month payment schedule; or **(c)** a monthly payment schedule. Payment amounts are determined based on the age of the Beneficiary when each respective plan is purchased. Payments may be made by checks, money orders, cashier's checks, electronic funds transfer, automatic contribution plan or employer payroll deductions. Payments may not be made by credit cards or other means of credit, rollover distributions, third party checks of \$10,000.00 or more, or traveler's checks.

3.11 Maximum Account Balance Limit. The redemption value of a contract and any amount paid under any participation agreement under the Florida 529 Savings Plan, for the same Beneficiary cannot exceed the maximum account balance limit. If the Board receives an Application for a contract for a Beneficiary and the sum

of the redemption value of that contract, the redemption value of any existing contract for that Beneficiary and the account balance of an account in the Florida 529 Savings Plan for that Beneficiary exceeds the maximum account balance limit, the Board will return the Application to the Purchaser. The redemption value of a contract will be determined pursuant to Rule 19B-4.005(2), Florida Administrative Code. The maximum account balance limit is currently \$405,000 and is determined annually by the Board by multiplying the qualified higher education expenses, including tuition, fees, room and board, and supplies, at the most expensive eligible educational institution, as reported in the annual College Handbook, published by The College Board which is found at the College Board's website at <http://store.collegeboard.com>, by seven (7), and rounding the resulting product downward to the nearest \$1,000.00 increment. The Board will publish the amount of the maximum account balance limit annually in the Florida Administrative Weekly.

SECTION 4: PAYMENTS AND FEES

4.01 Payment Due Date. Payments are due on the 20th day of each month, beginning in April after the close of the enrollment period during which a plan was purchased.

4.02 Default. Failure to make payment within 15 days of a due date will result in default by the Purchaser and suspension of the Beneficiary's contract or plan benefits.

4.03 Prepayment. A lump-sum or partial prepayment may be made on a 55-month or monthly payment schedule with no prepayment penalty. A lump-sum or partial prepayment prepays in advance the monthly payments equal to the amount of the lump-sum or partial prepayment, but does not change the total amount due for the contract or plan.

4.04 Lump-Sum Payoff. A contract or plan purchased under a 55-month or monthly payment schedule may be prepaid in full at any time with no prepayment penalty. A lump-sum payoff may be requested at any time and may reduce the total amount due for the contract or plan.

4.05 Application Fees. (a) A \$50 nonrefundable application fee will be collected at the time an Application is submitted. **(b)** If the account owner named on the Application for the Program has a Florida 529 Savings Plan account and the designated beneficiary of that account is the same as the Beneficiary named in the Application, a \$30 nonrefundable application fee will be collected at the time the Application is submitted. **(c)** If an Application is submitted for the Program and the Florida 529 Savings

Plan, an \$80 application fee will be collected at the time the Application is submitted. **(d)** A separate \$10 fee will be assessed to add a Dormitory Plan to a 4-Year Florida University Plan or to a 2 + 2 Florida Plan **(e)** A separate \$10 fee will be assessed to add a Tuition Differential Fee Plan to a Tuition Plan. **(f)** A separate \$10 fee will be assessed to add a Local Fee Plan to a Tuition Plan. **(g)** A separate \$10 fee will be assessed to add a Dormitory Plan to a Tuition Plan.

4.06 Cancellation Fee for Residency Fraud. A fee of up to \$250 or 100 percent of the amount paid for a contract, whichever is less, will be assessed if the Board determines that a Purchaser has made fraudulent statements relating to the residency of an allegedly qualified Beneficiary.

4.07 Insufficient Funds Fee. A \$20 fee will be assessed for each payment returned for insufficient funds.

4.08 Late Payment Fee. A \$10 fee will be assessed for each payment not received by the Board within 15 days of the date due. All assessed late fees must be paid prior to the use of plan benefits.

4.09 Reinstatement Fee. A \$50 fee will be assessed to reinstate each terminated: **(a)** 4-Year Florida University Plan, 2 + 2 Florida Plan, 4-Year Florida College Plan, 2-Year Florida College Plan and Dormitory Plan. **(b)** Tuition Plan, Tuition Differential Fee Plan, Local Fee Plan and Dormitory Plan.

4.10 Termination Fee. A \$50 fee or 50 percent of the amount paid to the Board for a 4-Year Florida University Plan, 2 + 2 Florida Plan, 4-Year Florida College Plan, 2-Year Florida College Plan or Tuition Plan, whichever is less, will be assessed upon the termination of any contract owned for less than two years from the first payment due date. The termination fee will be waived for refunds requested as the result of the death or disability of the beneficiary.

SECTION 5: USE OF BENEFITS

5.01 General. Contract benefits are not available until the summer semester of the matriculation year unless otherwise provided herein. Prior to using plan benefits, all payments and fees for a plan must be current. The Board must have the valid social security number of the Beneficiary on file before the use of contract benefits can be authorized.

5.02 Benefit Period. Benefits of a contract are valid for a 10-year period from the Beneficiary's matriculation year. Time spent by a Beneficiary as an active duty member of the U.S. Armed Services will be added to this period once evidence of military service is provided to the Board. At the

end of the 10-year period from the Beneficiary's matriculation year, or any extension thereof, the contract shall be cancelled and the value of the contract will be escheated to the Florida Prepaid College Trust Fund.

5.03 Extension of Benefits. The time to exercise the rights under a contract may be extended for up to 10 years after the Benefit Period or any extension period. Purchasers may request an extension by providing written notification to the Board before the expiration of each 10-year period.

5.04 Early Use of Benefits. To use the benefits of a contract before the projected matriculation date: **(a)** the Purchaser must provide written notice to the Board no less than 180 days before the new matriculation date and pay any revised contract amounts. **(b)** All payments and fees due to the Board must be current.

5.05 Use of Benefits at In-State Private Colleges and Universities, Out-of-State Colleges and Universities, and Vocational-Technical Schools. The contract may be applied to any eligible educational institution, as defined in s. 529 of the Internal Revenue Code. The Board will transfer an amount not to exceed the current average rates payable under the Beneficiary's contract to a State University or Florida College. Amounts transferred cannot exceed the actual tuition or housing fees of the eligible educational institution. If a transfer results in the use of a fractional credit hour of plan benefits, the Board will deduct a whole credit hour of plan benefits when the fractional hour required is equal to or greater than .50 credit hour and will not deduct a credit hour when the fractional hour required is less than .50 credit hour.

5.06 Use of Dormitory Benefits. Beneficiaries must file a complete and timely housing application with the applicable State University. A Dormitory Plan may be transferred to other university-held housing approved by a State University or to Florida College housing that is operated by a Florida College or Florida College direct-support organization. Funds transferred to other State University-held housing shall not exceed the lesser of the actual fees or the fees payable under the Beneficiary's Dormitory Plan for a double-occupancy, air-conditioned dormitory room at that State University. Funds transferred to a Florida College or Florida College direct-support organizations shall not exceed the lesser of the actual fees or the average statewide fees associated with State University housing, payable under the Beneficiary's Dormitory Plan. The Board will pay the first housing prepayment invoice received each academic year on

behalf of the Beneficiary. The Beneficiary is responsible for other housing prepayments to other universities. Subsequent applications to alternate housing authorities will require payment by the Purchaser of the appropriate prepayment fee. Beneficiaries must comply with all housing authority rules and regulations. Each year, the State Universities determine which dormitories will be available for use by Beneficiaries. Not all dorms at each State University are available. The number of dormitory rooms allocated by State Universities for use by Beneficiaries is limited, and rooms are assigned on a first-come, first serve basis. The Board cannot guarantee that any Beneficiary will receive a dormitory room assignment. Refer to paragraph 7.09. The Dormitory Plan may not be used during the summer term. Private dorms are not covered by the Dormitory Plan.

5.07 Change of Plan Type. (a) The 4-Year Florida University Plan, 2 + 2 Florida Plan and 4-Year Florida College Plan may only be changed to one of those plans of a lesser value or the 2-Year Florida College Plan, pursuant to a downgrade request and refund request. The 2-Year Florida College Plan may not be downgraded. The 4-Year Florida University Plan, 2 + 2 Florida Plan, 4-Year Florida College Plan and 2-Year Florida College Plan may not be changed to a Tuition Plan, Tuition Differential Fee Plan and/or Local Fee Plan. Under no circumstances will the Board consider an upgrade of a 2 + 2 Florida Plan, 4-Year Florida College Plan or a 2-Year Florida College Plan. **(b)** The Tuition Plans, Tuition Differential Fee Plans and Local Fee Plans may only be changed to one of those plan types of a lesser value pursuant to a downgrade and refund request. Those types of plans may not be changed to a 4-Year Florida University Plan, 2 + 2 Florida Plan, 4-Year Florida College Plan or 2-Year Florida College Plan. Under no circumstances will the Board consider an upgrade of any type of Tuition Plan, Tuition Differential Fee Plan or Local Fee Plan. **(c)** A Dormitory Plan may only be changed to another Dormitory Plan which provides for prepayment of fewer semesters of Dormitory Fees. Under no circumstances will the Board consider an upgrade of any Dormitory Plan to include additional semesters.

Once a plan has been downgraded, it cannot be reinstated back to the original plan. A plan may not be downgraded to a plan of lesser value after the Beneficiary has begun to use plan benefits. Such requests must be received prior to April 1 of the matriculation year of the Beneficiary. Refunds based upon a downgrade will equal the difference between the amount paid for the original plan and the amount that would have been paid for the lesser plan had the lesser plan been purchased under the same payment plan at the time of purchase of the original plan.

5.08 Conversion. (a) The Board will automatically convert a 4-Year Florida University Plan used by the Beneficiary at a Florida College, a 2 + 2 Florida Plan initially used by the Beneficiary at a State University, and a 4-Year Florida College Plan or 2-Year Florida College Plan used by the Beneficiary at a State University, to permit such usage. The automatic conversion calculations will be based upon the sum of the respective Registration Fees, Tuition Differential Fee (if applicable) and Local Fees, when the beneficiary enrolls in college. **(b)** The Board will automatically convert a 4-Yr University Tuition Plan and 4-Yr University Local Fee Plan used by the beneficiary at a Florida College, and will automatically convert a 2 + 2 Tuition Plan and a 2 + 2 Local Fee Plan or a 2-Yr FL College Tuition Plan and 2-Yr Florida College Local Fee Plan, that are initially used by the beneficiary at a State University, to permit such usage. The automatic conversion calculations will be based upon the respective Registration Fees and Local Fees when the beneficiary enrolls in college.

For example, if the lower division Florida College fee rate is two-thirds of the State University rate at the time of matriculation, three Florida College semester credit hours will be used to pay for two State University semester credit hours or if the State University fee rate is one and one-half times the lower division Florida College rate, two State University semester credit hours will be used to pay for three Florida College semester credit hours. If a conversion results in the use of a fractional semester credit hour of plan benefits, the Board will deduct a whole semester credit hour of plan benefits when the fractional semester credit hour required is equal to or greater than .50 semester credit hour and will not deduct a semester credit hour when the fractional semester credit hour required is less than .50 semester credit hour.

SECTION 6: CONTRACT CHANGES

6.01 Change of Beneficiary. The benefits and rights of the contract may be transferred to an eligible substitute beneficiary. Any such request must verify that the proposed substitute beneficiary: (1) is a member of the family of the original Beneficiary; and (2) meets the Florida residency requirement at the time of substitution. **(a)** For contracts that include the 4-Year Florida University Plan, 2 + 2 Florida Plan, 4-Year Florida College Plan or 2-Year Florida College Plan, the request also must contain the notarized signatures of the Purchaser and the Co-Purchaser. **(b)** For contracts that include a Tuition Plan purchased on or after February 1, 2009, the request also must contain the notarized signatures of the Purchaser and the Co-Purchaser. **(c)** For contracts that include a Tuition Plan purchased prior to February 1, 2009, the

request also must contain the notarized signature of the Purchaser.

If the projected matriculation date of the substituted Beneficiary is more than three years before the projected matriculation date of the original Beneficiary, the Board may assess a payment at a level determined necessary to ensure the actuarial soundness of the Program.

6.02 Change of Purchaser. (a) For contracts that include the 4-Year Florida University Plan, 2 + 2 Florida Plan, 4-Year Florida College Plan or 2-Year Florida College Plan, any request to change the Purchaser designated on the contract must be in writing and contain the notarized signatures of the then-current Purchaser and the Co-Purchaser. (b) For contracts that include a Tuition Plan purchased on or after February 1, 2009, any request to change the Purchaser designated on the contract must be in writing and contain the notarized signatures of the then-current Purchaser and the Co-Purchaser. (c) For contracts that include a Tuition Plan purchased prior to February 1, 2009, any request to change the Purchaser designated on the contract must be in writing and contain the notarized signature of the then-current Purchaser.

Any such request must also be signed by the person who will become the new Purchaser.

6.03 Change of Co-Purchaser. (a) For contracts that include the 4-Year Florida University Plan, 2 + 2 Florida Plan, 4-Year Florida College Plan or 2-Year Florida College Plan, any request to change the Co-Purchaser designated on the contract must be in writing and contain the notarized signatures of the Purchaser and the then-current Co-Purchaser. Any such request also must contain the signature of the person who will become the new Co-Purchaser. (b) For contracts that include a Tuition Plan purchased on or after February 1, 2009, any request to change the Co-Purchaser designated on the contract must be in writing and contain the notarized signatures of the Purchaser and the then-current Co-Purchaser. Any such request also must contain the signature of the person who will become the new Co-Purchaser. (c) For contracts that include a Tuition Plan purchased prior to February 1, 2009, any request to change the Co-Purchaser designated on the contract must be in writing and be signed by the Purchaser.

6.04 Other Contract Changes. During the official change period published annually by the Board, the Purchaser of a plan for which a payment is not yet due pursuant to paragraph 4.01 may change: (a) From the 4-Year Florida University Plan to a 2 + 2 Florida Plan, 4-Year Florida College Plan or 2-Year Florida College Plan; (b) From a 2 + 2 Florida

Plan to a 4-Year Florida University Plan, 4-Year Florida College Plan or 2-Year Florida College Plan; (c) From a 4-Year Florida College Plan to a 4-Year Florida University Plan, 2 + 2 Florida Plan, or 2-Year Florida College Plan; (d) From a 2-Year Florida College Plan to a 4-Year Florida University Plan, 2 + 2 Florida Plan or a 4-Year Florida College Plan; (e) From one Dormitory Plan to another; or (f) From one payment option to another.

Additional fees or payments may be assessed. Under no circumstances will the Board consider an upgrade of a 2 + 2 Florida Plan, 4-Year Florida College Plan, 2-Year Florida College Plan or Dormitory Plan, after the official change period. All contract changes must be in writing, signed by the Purchaser, and received by the Board. The Board is not responsible for the validity of documentation related to contract changes. If acceptable to the Board, contract changes will take effect as of the date a change is processed by the Board.

SECTION 7: TERMINATION, REFUNDS AND REINSTATEMENT

7.01 General. Except for the circumstances in paragraphs 7.06, 7.07 and 7.09, termination of a contract or a plan will entitle the Purchaser to receive a refund of the total amount of the payments received by the Board for the contract or plan, respectively, minus any applicable Termination Fee and any other outstanding fees. Refunds will be made payable to the Purchaser only. The Board will issue a refund, if applicable, within 45 days of receipt of a valid request.

7.02 Voluntary Termination. (a) For contracts that include the 4-Year Florida University Plan, 2 + 2 Florida Plan, 4-Year Florida College Plan or 2-Year Florida College Plan, any request to terminate a contract or plan must be in writing and contain the notarized signatures of the Purchaser and Co-Purchaser. (b) For contracts that include a Tuition Plan purchased on or after February 1, 2009, any request to terminate a contract or plan must be in writing and contain the notarized signatures of the Purchaser and Co-Purchaser. (c) For contracts containing a Tuition Plan purchased prior to February 1, 2009, any request to terminate a contract or plan must be in writing and contain the notarized signature of the Purchaser.

7.03 Involuntary Termination. A contract or plan will be terminated by the Board if the full amount of the payment due for the contract or plan, respectively, is not received by the Board within 120 days after the first payment due date or if the full amount of any subsequent

payment is not received by the Board within 210 days after any subsequent payment due date. To receive a refund for an involuntarily terminated contract or plan, a written refund request must be submitted to the Board containing:

(a) For contracts that include the 4-Year Florida University Plan, 2 + 2 Florida Plan, 4-Year Florida College Plan or 2-Year Florida College Plan, the notarized signatures of the Purchaser and the Co-Purchaser. **(b)** For contracts that include a Tuition Plan purchased on or after February 1, 2009, the notarized signatures of the Purchaser and the Co-Purchaser. **(c)** For contracts that include a Tuition Plan purchased prior to February 1, 2009, the notarized signature of the Purchaser.

7.04 Effect of Termination. Termination of the 4-Year Florida University Plan or 2 + 2 Florida Plan, for a Beneficiary also automatically terminates any Dormitory Plan for the Beneficiary and the contract. Termination of a 4-Year Florida College Plan or 2-Year Florida College Plan for a Beneficiary terminates the contract. Termination of the 4-Yr University Tuition Plan or 2 + 2 Tuition Plan for a Beneficiary also automatically terminates any Tuition Differential Fee Plan, Local Fee Plan and Dormitory Plan for the Beneficiary and the contract. Termination of a 2-Yr FL College Tuition Plan also automatically terminates any Local Fee Plan for the Beneficiary and the contract.

7.05 Reinstatement. A contract or plan may be reinstated to good standing within 180 days of termination by paying all applicable reinstatement fees, any delinquent amounts owed on the contract or plan, respectively, and any amounts previously refunded to the Purchaser.

7.06 Death or Disability. If the Beneficiary dies or is disabled, a refund is available for an amount not to exceed the current average rates payable under the Beneficiary's contract to a State University or a Florida College. **(a)** For contracts that include the 4-Year Florida University Plan, 2 + 2 Florida Plan, 4-Year Florida College Plan or 2-Year Florida College Plan, the request for a refund must be in writing and contain the notarized signatures of the Purchaser and the Co-Purchaser. **(b)** For contracts that include a Tuition Plan purchased on or after February 1, 2009, the request for a refund must be in writing and contain the notarized signatures of the Purchaser and the Co-Purchaser. **(c)** For contracts that include a Tuition Plan purchased prior to February 1, 2009, the request for a refund must be in writing and contain notarized signature of the Purchaser.

Any request for a refund due to the death of the Beneficiary also must include a copy of the Beneficiary's death certificate. Any request for a refund based on the disability of the Beneficiary must include a letter from the Beneficiary's

physician specifically describing the Beneficiary's disability. No Termination Fee will be assessed.

7.07 Scholarship. If the Beneficiary attending an eligible university or college is awarded a scholarship, including, but not limited to, the Florida Bright Futures Scholarship, which pays the same fees covered in the contract, the Beneficiary may use the Plan benefits or the Purchaser may be refunded, in semester installments coinciding with the matriculation by the Beneficiary, an amount not to exceed the current rates payable under the Beneficiary's contract to a State University or a Florida College. Proof of the scholarship shall be given to the Board each semester, in the form of the institutional scholarship award notification and class schedule for the semester, and a signed, written request from the Purchaser. No fees will be assessed for this refund.

7.08 Unused Contract Benefits; Withdrawal after Enrollment. If the Beneficiary does not use all the benefits available under the contract or the plan that was purchased, a refund of the pro rata balance of the total amount paid for the contract or plan, minus any outstanding fees, may be requested. **(a)** For contracts that include the 4-Year Florida University Plan, 2 + 2 Florida Plan, 4-Year Florida College Plan or 2-Year Florida College Plan, the request must be in writing and contain the notarized signatures of the Purchaser and the Co-Purchaser. **(b)** For contracts that include a Tuition Plan purchased on or after February 1, 2009, the request must be in writing and must contain the notarized signatures of the Purchaser and the Co-Purchaser. **(c)** For contracts that include a Tuition Plan purchased prior to February 1, 2009, the request must be in writing and must contain notarized signature of the Purchaser.

If the Beneficiary withdraws or is terminated from postsecondary enrollment during an academic term, the fees paid for that term will not be refunded.

7.09 Unavailable Dormitory. If a double-occupancy, air-conditioned dormitory room is not available for the Beneficiary at a State University during the fall or spring semester of postsecondary enrollment, the Purchaser may request a refund. The refund will equal the average of the Dormitory Fees payable under the Beneficiary's contract to the State University for approved dormitories at the State University attended by the Beneficiary for the semester during which housing is unavailable.

Where a State University does not offer a double-occupancy, air-conditioned dormitory room, the Board will refund the Purchaser the statewide average cost of

an eligible double-occupancy, air-conditioned dormitory room payable under the Beneficiary's contract. The Board will require documentation from the State University prior to processing an unavailable dormitory refund.

7.10 Residency Fraud. The Board may terminate a contract if it determines that fraudulent statements were used to establish the residency of an allegedly qualified Beneficiary. If the contract is terminated pursuant to this paragraph, a Cancellation Fee of 100 percent of monies paid into this plan or \$250, whichever amount is less, will be assessed and any remaining balance will be refunded.

SECTION 8: MISCELLANEOUS

8.01 Additional Fees. State Universities and Florida Colleges may charge fees in addition to Registration Fees, the Tuition Differential Fee, Local Fees and Dormitory Fees. The Beneficiary will bear the cost of any such additional fees including, but not limited to, application fees, laboratory fees, distance learning course fees, State University technology fees, meal plan fees, and security deposits.

8.02 Disclaimers. Nothing in the contract will be construed as a promise or guarantee by the Board or the State of Florida that a Beneficiary **(a)** will be admitted to a particular State University or Florida College, **(b)** will be allowed to continue to attend a State University or Florida College after having been admitted, **(c)** will graduate from a State University or Florida College, **(d)** will be admitted to a particular dormitory, **(e)** will be allowed to continue to reside in a dormitory after having been admitted, or **(f)** will not be subject to fees imposed by State Universities or Florida Colleges, which are not specifically described in the contract.

8.03 Assignment or Transfer. Except as specifically provided in this Master Covenant, the Purchaser may not assign or transfer the contract, nor any interest, rights, or benefits in the contract.

8.04 Tax Status. The Program is a "qualified tuition program" under s. 529 of the Internal Revenue Code. Generally, there are no income tax ramifications to the Purchaser or Beneficiary until contract or plan benefits are received. When benefits are received and as long as the distributions are used to pay for qualified higher education expenses, pursuant to s. 529 of the Internal Revenue Code, the contract or plan benefits received

in excess of the allocable portion of the amount paid for the contract will not be considered income to the Beneficiary. Generally, payments to the Program are treated as a completed gift from the Purchaser to the Beneficiary, at the time of purchase. The Purchaser is subject to federal income tax on the earnings portion of a scholarship or death or disability refund and the IRS requires the Board to issue a Form 1099-Q to the Purchaser for the calendar year in which such a refund is issued. The application and impact of tax laws vary widely based upon the specific facts involved. Accordingly, this information is not intended to serve as legal, accounting, financial or tax advice. Purchasers and Beneficiaries should consult their professional tax advisor(s).

8.05 Securities Status. In response to a request by the Board, the Securities and Exchange Commission issued a "No Action" letter on September 12, 1990 determining that sales of contracts as then authorized by the Florida Statutes, Board rules, and the terms of this Master Covenant, are not subject to the enforcement provisions of the securities laws of the United States.

8.06 Creditors. This Master Covenant is not a debt instrument. Pursuant to ss. 222.22 and 732.402, Florida Statutes, contracts are exempt from the claims of creditors. Neither monies paid into the Program nor benefits accrued through the Program may be pledged for the purpose of securing a loan.

8.07 Account Confidentiality. Account information is exempt from public inspection pursuant to s. 119.07, Florida Statutes.

8.08 State Guarantee and Discontinuation. Section 1009.98(7) and (8), Florida Statutes, requires the State to agree to meet the obligations of the Board to qualified beneficiaries if monies in the fund fail to offset the obligations of the Board and requires the Legislature to appropriate to the Florida Prepaid College Trust Fund an amount necessary to meet the obligations of the Board to qualified beneficiaries. In the event the State determines the Program to be financially infeasible, the State may discontinue the Program. Any qualified beneficiary who has been accepted by and is enrolled or is within 5 years of enrollment in an eligible independent college or university or state postsecondary institution shall be entitled to exercise the complete benefits for which he or she has contracted. All other contract holders shall receive a refund of the amount paid into the Program, and an

additional amount in the nature of interest at a rate that corresponds, at a minimum, to the prevailing interest rates of savings accounts provided by banks and savings and loan associations.

8.09 Unclaimed Refunds. Any unclaimed refunds for terminated contracts and any unclaimed credit balances shall escheat to the Florida Prepaid College Trust Fund seven years after the date the contract was terminated or such amounts became unclaimed, respectively.

8.10 Interpretation and Venue. This agreement is to be interpreted under the laws of the State of Florida. Venue for any proceeding arising from or related to this agreement is in Leon County, Florida. All appeals shall be to the First District Court of Appeal of Florida.

8.11 Severability. In the event that any clause or portion of the contract is found to be invalid or unenforceable by a court of competent jurisdiction, that clause or portion shall be severed from the contract and the remainder of the contract will remain in full force and effect.

8.12 Maximum Account Balance. The redemption value of the contract and any amount invested in the Florida 529 Savings Plan, for the same Beneficiary cannot exceed the maximum account balance established by the Board pursuant to Rules 19B-4.005 and 19B-16.005, Florida Administrative Code.