

**COLLEGE SAVINGS PLANS NETWORK  
DISCLOSURE PRINCIPLES  
STATEMENT No. 3  
ADOPTED BY THE COLLEGE SAVINGS PLANS NETWORK  
December 9, 2008**

The following disclosure principles have been developed by the College Savings Plans Network (“CSPN”) to recommend acceptable disclosure practices for state entities (“State Issuers”) that establish and maintain qualified tuition program savings plans pursuant to Section 529(b)(1)(A)(ii) of the Internal Revenue Code (“Savings Plans” and, collectively with qualified tuition program prepayment plans pursuant to Section 529(b)(1)(A)(i) of the Internal Revenue Code, “Section 529 Plans”) in their respective states (in each case, the “State”). The promulgation of these disclosure principles is not intended to suggest (1) that alternative disclosure practices may not be acceptable, or (2) a comprehensive list of disclosure matters that must be addressed in connection with Savings Plans in order to fulfill the responsibilities of State Issuers to their account owners. For example, to the extent that disclosure with respect to a Savings Plan, or to an investment option within a Savings Plan, is contained in a prospectus meeting the registration requirements of the Securities Act of 1933, as amended and the related rules, and such prospectus is delivered as part of the Offering Materials (as that term is defined in Paragraph 1 below), such disclosure need not appear elsewhere in the Offering Materials. These disclosure principles are also not intended to provide guidance concerning the disclosure obligations of broker-dealers or investment managers who are involved with Savings Plans.

This Disclosure Principles Statement No. 3 is an amendment and restatement of Disclosure Principles Statement No. 2 adopted July 26, 2005. However, this restatement is not intended to require a State Issuer to update its Offering Materials more frequently than as described in Paragraph 2 hereof.

**1. The Offering Materials.** The term “Offering Materials”, as used in these disclosure principles, is defined as all documents identified by the State Issuer as intended to provide substantive disclosure of the terms and conditions of an investment in its Savings Plan. Such Offering Materials may include appendices and physically separate documents. Offering Materials do not include marketing materials or advertisements that do not include substantive disclosure of such terms and conditions or that refer to the Offering Materials as the definitive statement of such terms and conditions. The Offering Materials should present information in a clear, concise and understandable manner.

**2. Updating the Offering Materials.** The Offering Materials should be updated, whether by supplement or republication, approximately annually to reflect the most recent annual performance data and other material changes in the information presented since the last Offering Materials were issued. State Issuers should provide interim supplements to the Offering Materials as deemed necessary by the State Issuer in order to prevent the Offering Materials from containing an untrue statement of material fact or omitting to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading. Any such supplements should be distributed to all existing account owners and should become part of the Offering Materials.

### **3. Specific Disclosure Matters.**

- A. The cover page, or its equivalent, of the Offering Materials should identify the name of the State or State Issuer, and should do so at least as prominently as the name of any private program manager or investment manager.
- B. The Offering Materials should include a prominent statement that: (i) should include a clear and concise summary of key features of the Savings Plan, including, at a minimum: (a) a brief overview of investment options; (b) a brief overview of federal tax and any State law benefits that may be available with respect to accounts; (c) any contributor, beneficiary and account owner limitations upon Savings Plan participation or upon qualification for benefits; (d) identity of the State administrator and, if applicable, of principal private contractors with direct investment management or program management responsibilities and of the current expiration date of any such contracts; (e) limitations upon contributions, withdrawals and transfers between investment options, including, if applicable, the existence of withdrawal or transfer penalties; and (f) a brief overview of the risk factors specifically identified in Paragraph 3(I) of these disclosure principles; and (ii) should indicate by document caption reference and specific page number the principal location or locations, in the Offering Materials, of more detailed disclosure addressing: (a) the features summarized; (b) fees and costs; and (c) investment performance.
- C. The Offering Materials should include a prominent statement as to the absence or, if applicable, the nature of any guarantee (full faith and credit or otherwise) by, or recourse to, the State Issuer or the State. The Offering Materials also should include, if applicable, a prominent statement that the State tax treatment or other benefits offered by the State with regard to the Savings Plan are available only to the taxpayers or residents, as applicable, of the State and should, in any event, include a statement in bold to the effect that Section 529 Plans offered by other states may offer tax or other benefits to taxpayers or residents of those states that are not available with regard to the State Issuer's Savings Plans and that taxpayers or residents of those states should consider such state tax treatment and other benefits, if any, before making an investment decision. In addition, to the extent applicable, the Offering Materials should include a prominent statement that the State Issuer, or another State entity, offers one or more other Section 529 Plans, in addition to the Section 529 Plan or Plans described in the Offering Materials, that such other Section 529 Plan or Plans are not described by the Offering Materials, that such other Section 529 Plan or Plans may offer different investment options with different investment advisors or different benefits and may be marketed differently from the Savings Plan or Plans described in the Offering Materials and that such other Section 529 Plan or Plans may assess different fees, withdrawal penalties, and sales commissions, if any, relative to those assessed by the Savings Plan or Plans described in the Offering Materials. Such statement should address the availability of Offering Materials describing such other Section 529 Plan or Plans.

- D. The Offering Materials should include a description of the federal tax considerations relevant to Savings Plans. At a minimum, this description should include a discussion of the income tax considerations relevant to contributions, investment gains, and qualified and non-qualified distributions, as well as estate, gift and generation-skipping transfer tax considerations and any expiration dates that materially affect such considerations.
- E. The Offering Materials should include a description of the state tax considerations relevant to the Savings Plan to which the Offering Materials relate under the laws of the State. At a minimum, the description should include the tax considerations relevant to contributions, investment gains and qualified and non-qualified distributions as well as any differences in the State tax treatment of State resident and non-resident taxpayers.
- F. The Offering Materials should include a clear and concise description of the initial and on-going fees and costs associated with an investment in the Savings Plan, including whether fees are received by the State Issuer, by any private program manager or investment manager or by other private parties. The description should indicate that, if applicable, the fees and costs are subject to change at any time. All applicable fees should be disclosed in a single section of the Offering Materials. The description should identify which fees are determined by the amount invested and which fees are the same regardless of the account size and should disclose the total fees payable. If a State Issuer receives a fee, the Offering Materials should disclose whether the use of that fee is restricted to Savings Plan purposes and should describe those purposes. If there are fee reductions for any class of participants or type of withdrawal, those should be disclosed.

The description of fees and costs should include a fee and cost table. Suggested fee and cost tables are attached as Exhibit A. If a Savings Plan includes fees and costs in categories that differ from the categories included in Exhibit A, then a different tabular presentation that is at least as specific as the tables attached as Exhibit A should be used. State Issuers are encouraged to add an introductory paragraph to such tables, explaining principles followed and assumptions made by the State Issuer in preparing the tables. State Issuers are also encouraged to add explanatory footnotes to the fee and cost tables in order to make such tables clear and understandable.

- G. The Offering Materials should include a discussion of the performance of investment options that should generally conform to the requirements that would be applicable to the underlying investments if invested in directly. To the extent available, investment option performance data should be disclosed for one, five and ten year periods. To the extent that investment option performance data for any such period is not available, data should be disclosed for the life of the investment option. Performance data should be disclosed net of all generally applicable fees and costs and identified as such. The discussion of investment performance should state that past performance is not necessarily indicative of future results. If a Savings Plan charges a periodic maintenance fee or other fixed or contingent fees that are not

reflected in the performance data, such fees should be disclosed on the same page as the performance data to facilitate easier comparisons between Savings Plans that include such fees in the expense ratios and those that impose separate charges.

- H. The Offering Materials should include a description of the investment options available under the Savings Plan. The description of available investment options should also include a discussion of the investment risks associated with each option, including the risk of loss of investment principal. The description of investment options should also discuss the right of the State Issuer to change investment options or managers.
- I. The Offering Materials should include a prominent discussion of the principal risk factors associated with the Savings Plan to which it relates. The risk factor discussion should be tailored to the particular Savings Plan but should include, at a minimum: (i) the risk of investment losses; (ii) the risk of federal tax law changes; (iii) the risk of state tax law changes; (iv) the risk of Savings Plan changes including changes in fees; and (v) the risk that contributions to the Savings Plan may adversely affect the eligibility of the beneficiary or the account owner for financial aid or other benefits (which need not include a detailed description of benefits other than State and federal tax benefits).
- J. The Offering Materials should include a discussion of the material terms of the Savings Plan governance and administrative structure, including information regarding: (i) the State Issuer and its relationship to the State; (ii) if applicable, the identity of any trustee for or custodian of account assets; (iii) if applicable, whether any fees received by State entities with respect to the Savings Plan are currently permitted to be used for non-Savings Plan purposes and what State entity or entities may determine such use; and (iv) if applicable, the provisions for periodic audit of the Savings Plan's financial statements, including the identity of the auditor.
- K. The Offering Materials should include contact information for the Savings Plan as well as its web address, if any.
- L. The Offering Materials should include, in a prominent location, the following statement in the same or substantially similar language: Section 529 Qualified Tuition Programs are intended to be used only to save for qualified higher education expenses. These Programs are not intended to be used, nor should they be used, by any taxpayer for the purpose of evading federal or state taxes or tax penalties. Taxpayers may wish to seek tax advice from an independent tax advisor based on their own particular circumstances.

**Exhibit A**  
**Example Fee Charts for Inclusion in Offering Materials**

The suggested Fee Structure charts on the following page(s) should be included as applicable to the options included in the Offering Materials. Thus, Offering Materials need include only the Fee Structure charts applicable to the unit classes described in such Offering Materials.

Fee Structure A								
	Annual Asset-Based Fees						Additional Investor Expenses	
Investment Options	Estimated Underlying Fund Expenses <sup>1</sup>	Program Manager Fee	State Fee	Misc Fees <sup>2</sup>	Annual Distribution Fee	Total Annual Asset-Based Fees <sup>3</sup>	Maximum Initial Sales Charge <sup>4</sup>	Annual Account Maintenance Fee <sup>5</sup>
Name	xx%	xx%	xx%	xx%	xx%	xx%	xx%	\$xx
Etc.	xx%	xx%	xx%	xx%	xx%	xx%	xx%	\$xx

Fee Structure B								
	Annual Asset-Based Fees						Additional Investor Expenses	
Investment Options	Estimated Underlying Fund Expenses <sup>1</sup>	Program Manager Fee	State Fee	Misc Fees <sup>2</sup>	Annual Distribution Fee <sup>6</sup>	Total Annual Asset-Based Fees <sup>3</sup>	Maximum Deferred Sales Charge <sup>7</sup>	Annual Account Maintenance Fee <sup>5</sup>
Name	xx%	xx%	xx%	xx%	xx%	xx%	xx%	\$xx
Etc.	xx%	xx%	xx%	xx%	xx%	xx%	xx%	\$xx

<sup>1</sup> For registered mutual funds, in the absence of a change that would materially affect the information, based on most recent fiscal year reported upon in the applicable fund's most recent prospectus, and for investment options invested in multiple registered mutual funds, based on a weighted average of each fund's expense ratio, in accordance with the investment option's asset allocation among the applicable funds as of [date].

<sup>2</sup> A footnote should explain what the miscellaneous fee represents.

<sup>3</sup> This total is assessed against assets over the course of the year and does not include sales charges or account maintenance fees. The investor should be referred to the cost table that shows the total assumed investment cost over 1-, 3-, 5-, and 10-year periods.

<sup>4</sup> This footnote should include a cross reference to a breakpoint chart, if applicable.

<sup>5</sup> If account maintenance fees can be waived for certain investors, it should be included in this footnote.

<sup>6</sup> This footnote should explain the point at which this fee converts to the A unit fee.

<sup>7</sup> This footnote should include a cross reference to a contingent deferred sales charge chart, if applicable. The investor should also be referred to the cost table showing the total assumed investment cost over 1-, 3-, 5-, and 10-year periods.

Fee Structure C								
	Annual Asset-Based Fees						Additional Investor Expenses	
Investment Options	Estimated Underlying Fund Expenses <sup>1</sup>	Program Manager Fee	State Fee	Misc Fees <sup>2</sup>	Annual Distribution Fee	Total Annual Asset-Based Fees <sup>3</sup>	Maximum Deferred Sales Charge <sup>8</sup>	Annual Account Maintenance Fee <sup>5</sup>
Name	xx%	xx%	xx%	xx%	xx%	xx%	xx%	\$xx
Etc.	xx%	xx%	Xx%	xx%	xx%	xx%	xx%	\$xx

Direct Fee Structure						
	Annual Asset-Based Program Fees					Additional Investor Expense
Investment Options	Estimated Underlying Fund Expenses <sup>1</sup>	Program Manager Fee	State Fee	Misc Fees <sup>3</sup>	Total Annual Asset-Based Fees <sup>9</sup>	Annual Account Maintenance Fee <sup>5</sup>
Name	xx%	xx%	xx%	xx%	xx%	\$xx
Etc.	xx%	xx%	xx%	xx%	xx%	\$xx

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**8** This footnote should explain that the charge applies to sales during the first 12 months after the investment, if applicable.

**9** This total is assessed against assets over the course of the year and does not include account maintenance fees. The investor should be referred to the cost table that shows the total assumed investment cost over 1-, 3-, 5-, and 10-year periods.

### **Example Investment Cost Chart for Advisor-Sold Offering Materials**

The following table compares the approximate cost of investing in the different [unit classes] within the [Savings Plan] over different periods of time. Your actual cost may be higher or lower. The table is based on the following assumptions:

- A \$10,000 investment invested for the time periods shown
- A 5% annually compounded rate of return on the net amount invested throughout the period
- All units are redeemed at the end of the period shown for qualified higher education expenses (the table does not consider the impact of any potential state or federal taxes on the redemption)
- Total annual asset-based fees remain the same as those shown in the [Fee Structure tables above]
- Expenses for each investment option include the entire annual account maintenance fee of \$[xx]
- The investor pays the applicable maximum initial sales charge (without regard to possible breakpoints) in Fee Structure A and any contingent deferred sales charges applicable to units invested for the applicable periods in Fee Structures B and C
- In the case of the ten-year investment period, the annual costs shown for the B Fee Structure assume units are converted to the A Fee Structure after X years.

#### **Approximate Cost of \$10,000 Investment**

Fee Structure	One Year					Three Years				
	A	B <sup>1</sup>	B <sup>2</sup>	C <sup>1</sup>	C <sup>2</sup>	A	B <sup>1</sup>	B <sup>2</sup>	C <sup>1</sup>	C <sup>2</sup>
Investments:										
Name										
Etc.										

Fee Structure	Five Year					Ten Years				
	A	B <sup>1</sup>	B <sup>2</sup>	C <sup>1</sup>	C <sup>2</sup>	A	B <sup>1</sup>	B <sup>2</sup>	C <sup>1</sup>	C <sup>2</sup>
Investments:										
Name										
Etc.										

<sup>1</sup> Assumes redemption at the end of the period

<sup>2</sup> Assumes no redemption

**Example Investment Cost Chart for Offering Materials  
that Offer Both Adviser –Sold and Direct-Sold Purchase Alternatives**

The following table compares the approximate cost of investing in the different [unit classes] or through direct purchase in the [Savings Plan] over different periods of time. Your actual cost may be higher or lower. The table is based on the following assumptions:

- A \$10,000 investment invested for the time periods shown
- A 5% annually compounded rate of return on the net amount invested throughout the period
- All units are redeemed at the end of the period shown for qualified higher education expenses (the table does not consider the impact of any potential state or federal taxes on the redemption)
- Total annual asset-based fees remain the same as those shown in the [Fee Structure tables above]
- Expenses for each investment option include the entire annual account maintenance fee of \$[xx]
- The investor pays the applicable maximum initial sales charge (without regard to possible breakpoints) in Fee Structure A and any contingent deferred sales charges applicable to units invested for the applicable periods in Fee Structures B and C
- In the case of the ten-year investment period, the annual costs shown for the B Fee Structure assume units are converted to the A Fee Structure after X years.

**Approximate Cost of \$10,000 Investment**

Fee Structure	One Year						Three Year					
	A	B <sup>1</sup>	B <sup>2</sup>	C <sup>1</sup>	C <sup>2</sup>	Direct	A	B <sup>1</sup>	B <sup>2</sup>	C <sup>1</sup>	C <sup>2</sup>	Direct
Investments:												
Name												
Etc.												

Fee Structure	Five Year						Ten Year					
	A	B <sup>1</sup>	B <sup>2</sup>	C <sup>1</sup>	C <sup>2</sup>	Direct	A	B <sup>1</sup>	B <sup>2</sup>	C <sup>1</sup>	C <sup>2</sup>	Direct
Investments:												
Name												
Etc.												

<sup>1</sup> Assumes redemption at the end of the period

<sup>2</sup> Assumes no redemption



### **Example Investment Cost Chart for Direct-Sold Offering Materials**

The following table compares the approximate cost of investing in the [Savings Plan] over different periods of time. Your actual cost may be higher or lower. The table is based on the following assumptions:

- A \$10,000 investment invested for the time periods shown
- A 5% annually compounded rate of return on the amount invested throughout the period
- All units are redeemed at the end of the period shown for qualified higher education expenses (the table does not consider the impact of any potential state or federal taxes on the redemption)
- Total annual asset-based fees remain the same as those shown in the [direct fee structure] table above
- Expenses for each investment option include the entire annual account maintenance fee of \$[xx]

#### **Approximate Cost of \$10,000 Investment**

<b>Investment Options</b>	<b>One Year</b>	<b>Three Years</b>	<b>Five Years</b>	<b>Ten Years</b>
<b>Name</b>				
<b>Name</b>				
<b>Etc.</b>				

### Example Additional Fee Charts

#### Sales Charges:

The maximum up-front sales charge you pay when you buy **A units** will differ depending upon the amount you invest. You pay a lower charge as the size of your investment increases to certain levels, which are called breakpoints. The sales charge you pay will be deducted directly from your investment. The table shows the rate of sales charge depending on the amount you invest.

A Units Gross Investment	Up-Front Sales Charge Percent
Up to \$[25,000]	
[as applicable]	
[as applicable]	
Etc.	

**B units** are sold without any up-front sales charges. However, if you sell your B units within [x] years of your purchase, a deferred sales charge will be deducted from your redemption proceeds, as shown below.

B Units sold within Year	Deferred Sales Charge
1	
2	
3	
4	
5	
[As applicable]	
[As applicable]	

#### Possible Additional Fees:

If applicable, additional fees and expenses deducted from each account or paid directly by the investor could include, as applicable:

	Percent	Dollars
Application Fee	As applicable	As applicable
Cancellation Fee	As applicable	As applicable
Change in Beneficiary	As applicable	As applicable
Change in Investment Options	As applicable	As applicable
[Other charges as applicable]	As applicable	As applicable