



September 24, 2009

Contract Number:
Beneficiary:
Login ID:

Dear Purchaser:

As you know from our letter of Aug. 24, 2009, the Texas Prepaid Higher Education Tuition Board has made the difficult decision to change the refund rule for unused tuition hours when a Texas Guaranteed Tuition Plan contract is canceled or a refund is requested after Nov. 1, 2009. The Plan is facing a tough financial situation. Although the rule change does *not in any way* impact the true purpose of the Plan to cover the cost of college tuition and fees, we understand that you may want to carefully weigh what this change means for you.

We welcome the opportunity to use this follow-up letter to further explain the rule change and outline your options, including details on the continued benefits of the Plan and clarification for both matured and non-matured contracts on cancellations before the new refund rule is in effect.

Since its beginning in 1995 as the Texas Tomorrow Fund, the Texas Guaranteed Tuition Plan has been an important educational resource. In 2003 the Texas Legislature voted to deregulate tuition rates, and college tuition soared. For families like you who enrolled in the Plan before it closed to enrollment in 2003, it remains a valuable money-saving tool for college tuition and fees. Over the life of the Plan, however, tuition has increased by an average 8.9 percent per year. Over the same time period, the Plan's return on investment has been only 4.4 percent per year, creating a future financial strain for Texas taxpayers.

This situation has been further compounded by the refund policy that paid earnings to individuals who opted to cancel their contracts for a refund of their contributions plus earnings based on the rate of tuition inflation over the life of the contract. This prompted the board's unanimous decision to limit refunds to the actual amount of contract payments (less administrative fees). The Plan was not designed to serve as an investment vehicle.

As a Plan purchaser, you have these options:

1) You can keep your contract having the peace of mind knowing you have secured payment of college tuition and required fees at a great price. The constitutional amendment passed by Texas voters in 1997 places the state's full faith and credit behind the Texas Tomorrow Trust Fund. If there is ever not enough money in the trust fund to pay the college tuition and required fees of an enrolled beneficiary, an alternate source of funding must be used to cover them. The State of Texas must and will cover this shortfall. **This means that payment of tuition and required fees is constitutionally guaranteed.** Beneficiaries also have 10 years after high school to use Plan benefits. Unused credit hours also can be applied to a graduate or a professional degree within the 10-year period. If you have an account that has never been used to pay any tuition or fees, it can be transferred to another qualified beneficiary. For those receiving scholarships, we encourage you to use the Plan to pay for tuition and required fees, and apply scholarship funds to cover other expenses. As always, we continue to offer our assistance to all contract holders on the best usage of Plan benefits.

2) You can determine the value of your current contract and decide whether or not to cancel it *before* the cancellation deadline under the current refund rule. We have updated our Web site so you can log in to your account at www.tgtp.org and quickly see the approximate value of your current contract for a refund (see enclosed instructions for more detail, including information on resetting your password if needed):

- For matured contracts (i.e., beneficiaries who are 18 years or older or who have completed high school), the account holder will receive a refund in accordance with the current rules. This allows for the refund of contributions plus earnings based on the rate of tuition inflation over the life of the contract, minus fees (\$25 cancellation fee and a \$3 dollar per month administrative fee for installment contracts or a \$20 one-time fee for lump sum contracts).
- For contracts that have not matured (i.e., the beneficiary is under 18 or still in high school), the account holder will receive the lump sum actuarial value of the contract, minus fees. The actuarial value includes factors such as the date you bought the contract, the number of years until your child graduates from high school or turns age 18, and the number of payments made compared to the total number of payments required. Installment contracts not paid in full will be refunded on a pro rata basis.

The rule change was not a decision made lightly, and we know that your decision will not be either. We have received many inquiries and comments about the change, and we are committed to providing account holders with all the information they need. This is why we have **extended the cancellation deadline under the previous refund rule by 30 days**. Account holders now have until **Nov. 30, 2009** to cancel their contracts and receive refunds in accordance with the terms outlined in this letter.

Frequently Asked Questions are posted on our Web site at www.tgtp.org for up-to-the-minute answers 24 hours a day, seven days a week. The site also offers additional information on factors to consider. We have added more people on our phone lines to provide one-on-one support, with hours extending from 7:30 a.m. to 5:30 p.m. CT, Monday through Friday. Call our support line at **(800) 445-4723 (GRAD), option #2**. You also can sign-up for e-mail updates and submit inquiries via e-mail through our online form at www.tgtp.org.

You can be confident that the Plan will continue to pay tuition and required fees for your child's college education regardless of cost if you keep your contract. Again, the Texas Tomorrow Trust Fund is constitutionally guaranteed and payment of the tuition and required fees is **not subject to change under any circumstance** by the board. With the price of tuition continuing to increase year after year and likely to double before thousands of children currently covered will start college, you will have the great benefit of having locked in the cost of college tuition backed by the full faith and credit of the state.

Sincerely,

Kevin Deiters, on behalf of the Texas Prepaid Higher Education Tuition Board

Enclosure