

**COLLEGE SAVINGS PLANS NETWORK  
DISCLOSURE PRINCIPLES  
STATEMENT No. 1  
ADOPTED DECEMBER 2, 2004**

The following disclosure principles have been developed by the College Savings Plans Network (“CSPN”) to identify acceptable disclosure practices for state entities (“State Issuers”) that establish and maintain qualified tuition programs pursuant to Section 529(b)(1)(a)(ii) 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 Section 529 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 Section 529 Plan, or to an investment option within a Section 529 Plan is contained in a prospectus meeting the registration requirements of the Securities Act of 1933, as amended and the rules thereunder, and such prospectus is delivered as part of the Offering Materials (as that term is defined in Section 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 Section 529 Plans.

**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 Section 529 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 summary of key features of the Section 529 Plan.
- 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 Section 529 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 Section 529 Plan 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, the Offering Materials should include, if applicable, a prominent statement that the State offers one or more other Section 529 Plans.
- D. The Offering Materials should include a prominent statement indicating the principal location or locations, in the Offering Materials, of disclosure addressing certain topics, including, at a minimum: (i) fees and costs; (ii) investment options and investment managers and how and when the State Issuer may change these; (iii) investment performance; (iv) federal and state tax considerations; (v) risk factors; and (vi) limitations or penalties imposed by the Section 529 Plan upon transfers between investment options, transfers to other Section 529 Plans offered by the State Issuer, transfers to other Section 529 Plans or nonqualified distributions generally.
- E. The Offering Materials should include a description of the federal tax considerations relevant to Section 529 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.

- F. The Offering Materials should include a description of the state tax considerations relevant to the Section 529 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.
  
- G. 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 Section 529 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 Section 529 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 table. Suggested fee tables are attached as Exhibit A. If a Section 529 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.

- H. The Offering Materials should include a discussion of the performance of investment options which 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 Section 529 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 Section 529 Plans that include such fees in the expense ratios and those that impose separate charges.

- I. The Offering Materials should include a description of the investment options available under the Section 529 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.
- J. The Offering Materials should include a prominent discussion of risk factors associated with the Section 529 Plan to which it relates. The risk factor discussion should be tailored to the particular Section 529 Plan but should include, at a minimum, the risk of investment losses, the risk of federal tax law changes, the risk of state tax law changes, the risk of Section 529 Plan changes and the risk that contributions to the Section 529 Plan may adversely affect the eligibility of the beneficiary or the account holder for financial aid or other benefits (which need not include a detailed description of benefits other than State and federal tax benefits).
- K. The Offering Materials should include contact information for the Section 529 Plan as well as its web address, if any.

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

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

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

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

**Direct Fee Structure**

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

<sup>9</sup> 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.

**Proposed Investment Cost Chart for Advisor-Sold Offering Materials**

The following table compares the approximate cost of investing in the different [unit classes] within the [Section 529 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>
<b>Investments:</b>										
<b>Name</b>										
<b>Etc.</b>										

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>
<b>Investments:</b>										
<b>Name</b>										
<b>Etc.</b>										

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

<sup>2</sup> Assumes no redemption

**Proposed Investment Cost Chart for Direct-Sold Offering Materials**

The following table compares the approximate cost of investing in the [Section 529 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>				



**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.

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

**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>B Units sold within Year</b>	<b>Deferred Sales Charge</b>
<b>1</b>	
<b>2</b>	
<b>3</b>	
<b>4</b>	
<b>5</b>	
<b>[As applicable]</b>	
<b>[As applicable]</b>	

**Possible Additional Fees:**

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

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