Supplement 2009-01 to the Pennsylvania College Savings Program-
Guaranteed Savings Plan Disclosure Statement of August 2006

Supplement Date: August 20, 2009

Effective Date: October 1, 2009

Annual Account Maintenance Fee

The $25 annual account maintenance fee, referenced on page 4 under "Annual Account Maintenance Fee" has been replaced with an asset-based account maintenance fee. Please see "Asset-Based Account Maintenance Fee," below.

Asset-Based Account Maintenance Fee

Effective October 1, 2009, an asset-based account maintenance fee (Fee) will be instituted for all Accounts except for Family Savings Accounts (see "Family Savings Account Program" on page 45) and Scholarship Accounts (see "Who May Open a GSP Account?" on page 15).

The Fee is currently 49 basis points annually ($4.90 on $1,000) but is subject to change. The Fee is assessed on the value of your Account if used for qualified higher education expenses, which is the Account's Tuition Inflation Value (see "Tuition Inflation Value (Value of Credits)" on page 6) plus the Sum of Contributions (see "Sum of Contributions" on page 5) for contributions that are not mature (see "Maturity Period" on page 8) on the last day of each quarter (December 31, March 31, June 30, and September 30). The Fee is calculated by multiplying the value of your Account if used for qualified higher education expenses on that date by 0.001225. Your Fee is subject to a minimum that will be assessed on your Account each quarter, which currently is $1.25 but is subject to change.

Your statement for each quarter will show the dollar value of the Fee, the number of your GSP Credits subtracted in order to deduct the Fee, and the GSP Credit Rate used in determining the number of GSP Credits deducted. A prorated Fee will also be assessed on all qualified and non-qualified withdrawals, taken during any quarter.

If you wish to restore the number of GSP Credits to the amount in your Account before the Fee was taken, you would need to make a contribution in the dollar amount of the Fee prior to the following August 31. This process, however, might affect the maturity of your GSP Credits (see "Maturity Period" on page 8).

Dear GSP Account Owner:

Please be advised that the Pennsylvania Treasury Department has implemented several changes to the Guaranteed Savings Plan (GSP). These changes are outlined below. They modify the Pennsylvania Guaranteed Savings Plan Disclosure Statement dated August 2006. The full Disclosure Statement is available on line at www.TAPfacts.com or by calling 1-800-440-4000. If you have any questions, please do not hesitate to contact the GSP Customer Service Center at that same number; service representatives are available Monday through Friday from 8:00a.m. to 6:00 p.m. Eastern Time.

Supplement 2007-01 to the Pennsylvania College Savings Program—
Guaranteed Savings Plan Disclosure Statement of August 2006

Supplement date: April 1, 2007

Maximum contribution limit increased
The maximum contribution limit, referenced on page 18 under "Maximum Contribution Limit" has been increased from $315,000 to $344,000.

Advisor Plan closed
Effective April 27, 2007, the Investment Plan mentioned on page iv under "Other plans available from the Commonwealth of Pennsylvania" and on page 1 under "Nature of the Program" refers only to the PA 529 Direct Investment Plan with investment management services provided by The Vanguard Group, Inc. and Program Management and Recordkeeping and Administrative Services provided by Upromise Investments, Inc. and Upromise Investment Advisors, LLC, respectively. The Advisor Plan, managed by Delaware Investments, will be closed and all assets in that plan, as of April 27, 2007, will be transferred to the PA 529 Direct Investment Plan.

Age limit removed on transfers into the GSP from the Investment Plan
The Beneficiary age limit of 14, referenced on page 25 under "Transfers Between A GSP Account and an Investment Plan Account" and on page 54 under "Limitations on Contributions," has been removed. A transfer from an Investment Plan account (either the PA 529 Direct Investment Plan or the Advisor Plan) to a GSP account may now be made even though the Beneficiary is 14 years of age or older.

TAP 529
PENNSYLVANIA TUITION ACCOUNT PROGRAM

PENNSYLVANIA GUARANTEED SAVINGS PLAN

(A SECTION 529 QUALIFIED TUITION PROGRAM)

DISCLOSURE STATEMENT

August 2006

For Account Owners who are, or whose Beneficiaries are, Residents of the Commonwealth of Pennsylvania

A program of

The Pennsylvania Treasury Department

contact information

Pennsylvania Guaranteed Savings Plan
Processing Center
P.O. Box 55463
Boston, MA 02205-8114

www.tapfacts.com
PAGSP@patreasury.org

1.800.440.4000

Pennsylvania Tuition Account Program

Table of Contents

Pennsylvania Tuition Account Program

Disclosure Statement

THIS DISCLOSURE STATEMENT CONTAINS IMPORTANT INFORMATION TO BE CONSIDERED IN MAKING A DECISION TO CONTRIBUTE TO THE GUARANTEED SAVINGS PLAN ("GSP") UNDER THE PENNSYLVANIA TUITION ACCOUNT PROGRAM, INCLUDING INFORMATION ABOUT RISKS, FEES AND EXPENSES. IT SHOULD BE READ THOROUGHLY AND RETAINED FOR FUTURE REFERENCE.

ACCOUNTS GUARANTEED ONLY BY GSP FUND AND NOT INSURED

ACCOUNTS ESTABLISHED UNDER THE GSP ARE NOT INSURED BY THE COMMONWEALTH OF PENNSYLVANIA. NEITHER THE CONTRIBUTIONS MADE NOR THE INVESTMENT RETURN IS INSURED OR GUARANTEED BY THE COMMONWEALTH OF PENNSYLVANIA. THE ACCOUNT OWNER UNDERSTANDS THAT THE PAYMENT OF GSP OBLIGATIONS WILL BE MADE ONLY FROM THE GUARANTEED SAVINGS PROGRAM FUND (THE "GSP FUND"). ANY CLAIM AGAINST THE GSP OR THE PENNSYLVANIA TREASURY DEPARTMENT PURSUANT TO A GSP CONTRACT WILL BE MADE SOLELY AGAINST THE ASSETS OF THE GSP FUND AND NOT AGAINST ANY OTHER FUNDS OR SOURCES OF THE COMMONWEALTH OF PENNSYLVANIA, UPROMISE, OR ANY OTHER PERSON OR ENTITY. IN THE EVENT THAT THE GSP FUND WOULD NOT GENERATE AN ADEQUATE RETURN, THE GSP MIGHT NOT BE ABLE TO MEET ALL OF ITS FUTURE LIABILITIES.

CONTRIBUTIONS TO A GSP ACCOUNT AND GROWTH ON THOSE CONTRIBUTIONS ARE NOT GUARANTEED BY THE COMMONWEALTH OF PENNSYLVANIA OR BY ANY CONSULTANT, CONTRACTOR OR ADVISER RETAINED BY THE COMMONWEALTH OF PENNSYLVANIA. ACCOUNT OWNERS IN THE GSP ASSUME ALL INVESTMENT RISK, INCLUDING THE POTENTIAL LOSS OF CONTRIBUTIONS AND LIABILITY FOR ADDITIONAL INCOME TAXES OR PENALTIES SUCH AS THOSE LEVIED FOR NON-QUALIFIED WITHDRAWALS.

NO GUARANTEE OF ADMISSION OR SUFFICIENT ACCOUNT BALANCE TO COVER ALL HIGHER EDUCATION EXPENSES

PARTICIPATION IN THE GSP DOES NOT GUARANTEE THAT CONTRIBUTIONS AND GROWTH ON CONTRIBUTIONS, IF ANY, WILL BE ADEQUATE TO COVER FUTURE TUITION AND OTHER HIGHER EDUCATION EXPENSES OR THAT A BENEFICIARY WILL BE ADMITTED TO OR PERMITTED TO CONTINUE TO ATTEND AN INSTITUTION OF HIGHER EDUCATION.

INVESTMENT PRODUCT NOT REGISTERED

THESE INVESTMENT PRODUCTS HAVE NOT BEEN REGISTERED WITH THE U.S. SECURITIES AND EXCHANGE COMMISSION OR WITH ANY STATE SECURITIES COMMISSION. NEITHER THE U.S. SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED INTERESTS IN THE GUARANTEED SAVINGS PLAN OR PASSED ON THE ADEQUACY OF THIS DISCLOSURE STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

TAX AND OTHER ADVANTAGES OF HOME STATE PROGRAMS

AN ACCOUNT OWNER IS NOT REQUIRED TO BE A RESIDENT OF PENNSYLVANIA, PROVIDED THAT, AT THE TIME THE ACCOUNT IS OPENED, SUCH ACCOUNT OWNER'S BENEFICIARY IS A PENNSYLVANIA RESIDENT. THE STATE INCOME TAX TREATMENT OF, AND STATE TAX AND OTHER BENEFITS ASSOCIATED WITH, THE GUARANTEED SAVINGS PLAN MAY DIFFER DEPENDING ON THE STATE OF RESIDENCY OF THE ACCOUNT OWNER. IF YOU ARE NOT A PENNSYLVANIA TAXPAYER, CONSIDER BEFORE INVESTING WHETHER YOUR OR THE BENEFICIARY'S HOME STATE OFFERS A QUALIFIED TUITION PROGRAM THAT PROVIDES ITS TAXPAYERS WITH FAVORABLE STATE TAX OR OTHER BENEFITS THAT MAY ONLY BE AVAILABLE THROUGH INVESTMENT IN THE HOME STATE'S QUALIFIED TUITION PROGRAM, AND WHICH ARE NOT AVAILABLE THROUGH INVESTMENT IN THE GUARANTEED SAVINGS PLAN. SINCE DIFFERENT STATES HAVE DIFFERENT TAX PROVISIONS, THIS DISCLOSURE STATEMENT CONTAINS LIMITED INFORMATION ABOUT THE STATE TAX CONSEQUENCES OF INVESTING IN THE GUARANTEED SAVINGS PLAN. THEREFORE, PLEASE CONSULT YOUR FINANCIAL, TAX, OR OTHER ADVISOR TO LEARN MORE ABOUT HOW STATE-BASED BENEFITS (OR ANY LIMITATIONS) WOULD APPLY TO YOUR SPECIFIC CIRCUMSTANCES. YOU ALSO MAY WISH TO CONTACT YOUR HOME STATE'S QUALIFIED TUITION PROGRAM[S], OR ANY OTHER QUALIFIED TUITION PROGRAM, TO LEARN MORE ABOUT THOSE PLANS' FEATURES, BENEFITS AND LIMITATIONS. KEEP IN MIND THAT STATE-BASED BENEFITS SHOULD BE ONE OF MANY APPROPRIATELY WEIGHTED FACTORS TO BE CONSIDERED WHEN MAKING AN INVESTMENT DECISION.

OTHER PLANS AVAILABLE FROM THE COMMONWEALTH OF PENNSYLVANIA

THIS DISCLOSURE STATEMENT PERTAINS TO THE GSP. THE COMMONWEALTH OF PENNSYLVANIA ALSO OFFERS THE INVESTMENT PLAN (THE "INVESTMENT PLAN"). THE INVESTMENT PLAN AND THE GSP OFFER SIMILAR BENEFITS AND TAX ADVANTAGES. THEIR PRIMARY DIFFERENCE IS THEIR METHOD OF GROWTH. GROWTH ON A GSP ACCOUNT, WHEN USED FOR QUALIFIED HIGHER EDUCATION EXPENSES, IS BASED ON TUITION INFLATION, WHEREAS THE RETURN ON AN INVESTMENT PLAN ACCOUNT IS BASED ON INVESTMENT PERFORMANCE. FOR DETAILS ABOUT THE INVESTMENT PLAN, PLEASE OBTAIN AND CAREFULLY READ THE SEPARATE DISCLOSURE STATEMENTS FOR THE INVESTMENT PLAN. YOU MAY OBTAIN INVESTMENT PLAN DISCLOSURE STATEMENTS BY CALLING 800-295-6195 FOR DIRECT INVESTING OR 800-294-7207 FOR INVESTING THROUGH A FINANCIAL ADVISOR OR ONLINE AT WWW.TAP529.COM.

* * *

INFORMATION IN THIS DISCLOSURE STATEMENT IS BELIEVED TO BE ACCURATE AS OF THE DATE OF THIS DISCLOSURE STATEMENT AND IS SUBJECT TO CHANGE WITHOUT PRIOR NOTICE.

Pennsylvania Tuition Account Program

I. Tuition Account Program Guaranteed Savings Plan – General Description

A. Program Summary

This Program Summary provides a general overview of the Pennsylvania Tuition Account Program Guaranteed Savings Plan (the "GSP"). The topics discussed in this Program Summary are discussed in more detail in this Disclosure Statement. Before investing, please read the entire Disclosure Statement carefully to ensure that you fully understand the GSP.

Nature of the Program. The Pennsylvania Tuition Account Program is a college savings program administered by the Commonwealth of Pennsylvania (the "Commonwealth") that is designed to help people save for the costs of education after high school in a tax-advantaged manner. The Pennsylvania Tuition Account Program is authorized by Pennsylvania state law, which gives responsibility for administering the program to the Pennsylvania Treasury Department (the "Department"). The Pennsylvania Tuition Account Program offers two college savings plans: the GSP and the Investment Plan. Both are designed to be qualified tuition programs under Section 529 ("Section 529") of the Internal Revenue Code of 1986, as amended (the "Tax Code"). Both offer similar benefits and tax advantages. Their primary difference is their method of growth. Contributions to a GSP account (an "Account"), when used for "Qualified Higher Education Expenses" (defined below), grow based on tuition inflation. In contrast, contributions to an Investment Plan account grow (and may lose value) based on investment performance. This Disclosure Statement covers only the GSP. For a Disclosure Statement for the Investment Plan, call 800-294-6195 for direct investing or 800-294-7207 for investing through a financial advisor, go on-line at WWW.TAP529.COM or consult a financial advisor.

Contributions to a GSP Account are placed in the Guaranteed Savings Program Fund (the "GSP Fund"), a separate state fund held by the Department that is exclusively dedicated to the GSP. The Department directly invests and/or retains professional investment managers to invest the assets of the GSP Fund in equity securities (e.g., stocks) and fixed income securities (e.g., bonds) with the goal of ensuring that the growth of the GSP Fund meets or exceeds tuition increases. When amounts in a GSP Account are withdrawn to pay Qualified Higher Education Expenses at an "Eligible Educational Institution" (defined below), the growth on contributions to the Account is not determined by the performance of the GSP Fund's investments. Rather, the contributions to an Account grow at the "Tuition Inflation Rate," which is the rate of tuition increases (adjusted for any applicable "Premium," which is defined below) at the school(s) included in the "Tuition Level" (defined below) chosen by the GSP account owner (the "Account Owner") from the time the contribution was made until the academic semester in which the Qualified Higher Education Expenses are incurred. In practical terms, this means that a contribution that would cover one semester of tuition at a specific Tuition Level (e.g., the State System of Higher Education) would cover one semester of tuition at that Tuition Level in the future no matter when the Account is used or how much tuition increases in the interim for the school(s) comprising that Tuition Level.

Nature and Limitation of the GSP Guarantee. With regard to Qualified Withdrawals, the guarantee of the GSP is that contributions to a GSP Account will grow at the Tuition Inflation Rate. This guarantee is written into the state law authorizing the GSP. This means that as long as a contribution is used for Qualified Higher Education Expenses, even if the contribution's Investment Performance Value (defined below) is less than the Tuition Inflation Value (defined below), the GSP Fund is obligated to pay the Tuition Inflation Value.

With regard to both Qualified and Non-Qualified Withdrawals, pursuant to actions taken by the TAP Advisory Board, as authorized by state law, the GSP provides that the value of any contribution withdrawn from an Account will not be less than the Sum of Contributions to that Account. This means that even if a contribution's Investment Performance Value is less than the Sum of Contributions, the GSP is obligated to pay the Sum of Contributions. Similarly, on a Qualified Withdrawal, if the Tuition Inflation Value were less than the Sum of Contributions Value, the GSP is obligated to pay the Sum of Contributions.

It is important to note, however, that these guarantees are NOT backed by the full faith and credit of the Commonwealth. Meeting the guarantee is the obligation only of the GSP Fund itself and not the Commonwealth, the Department, TAP or any consultant or Contractor or other contractor retained by any such party. In the event that the GSP Fund would not generate an adequate return, the GSP might not be able to meet all of its future obligations and the GSP Fund might not be able to pay Account Owners the amounts to which they would be entitled. That is, Account Owners might not receive the full value to which they would be entitled.

Account ownership. Any adult (18 or older) can open a GSP Account to save for the future higher education expenses of any person, including himself or herself. At the time the Account is opened, however, either the Account Owner or the beneficiary of the Account (the "Beneficiary") must be a Pennsylvania resident. A subsequent change of state residency, however, does not affect the Account. Once an Account is opened, anyone, not just the Account Owner, can make contributions to the Account. However, once made, all contributions are under the control of the Account Owner.

Withdrawals. A GSP Account can be used to pay for Qualified Higher Education Expenses at Eligible Educational Institutions. Withdrawals made for such a use are referred to as "Qualified Withdrawals." "Qualified Higher Education Expenses" generally include: tuition; mandatory fees; required books, supplies, and equipment; room and board (subject to limitations and conditions); and special needs services for special needs students. "Eligible Educational Institutions" include most American and many foreign colleges and universities and many career schools. The determining criterion is that the school must be eligible to participate in the U.S. Department of Education's student financial aid programs. Qualified Withdrawals may be made at any time, subject to a "Maturity Period" (defined below) on contributions. Funds withdrawn from a GSP Account that are used for any purposes other than to pay Qualified Higher Education Expenses are referred to as "Non-Qualified Withdrawals." Growth on contributions that are withdrawn for purposes other than the payment of Qualified Higher Education Expenses ("Non-Qualified Withdrawals") is calculated differently and may be less than growth on contributions withdrawn to pay Qualified Higher Education Expenses ("Qualified Withdrawals"). With respect to a Non-Qualified Withdrawal, growth on the contribution is generally the lower of the applicable Tuition Inflation Rate or the Net Earnings Rate* on the GSP Fund's investments from the time the contribution was made to the time of the Non-Qualified Withdrawal (the "Investment Performance Rate," defined below). However, the amount of a Qualified or Non-Qualified Withdrawal will not be less than the amount of the corresponding contribution minus any fees (the "Sum of Contributions," defined below). Additionally, the federal income tax treatment of Non-Qualified Withdrawals will be less favorable (and the state income tax treatment may be less favorable) than in the case of Qualified Withdrawals, and an additional 10% federal income tax on withdrawn earnings may apply. Non-Qualified Withdrawals of the entire amount in an Account can be made at any time, and Non-Qualified Withdrawals of a lesser amount may be made once every year.

** The Tuition Inflation Rate may vary for Qualified and Non-Qualified Withdrawals because of three possible circumstances, explained below.*

Taxes.

The Pension Protection Act of 2006, signed into law on August 17, 2006, made permanent certain tax advantages and other related rules for 529 plans that had been scheduled to expire (or "sunset") after 2010. Among the most notable tax advantages that are now permanent is the earnings portion of a Qualified Withdrawal is exempt from federal taxes.

Federal Taxes. The earnings portion of any Qualified Withdrawal is exempt for federal income tax. The earnings portion of any Non-Qualified Withdrawal is subject to federal income tax. For most but not all Non-Qualified Withdrawals, the earning portion is also subject to an additional 10% federal income tax. There are also federal, gift, and generation-skipping transfer tax advantages and consequences, which are described in this Disclosure Statement, that may be applicable to you.

Pennsylvania State Taxes. Pennsylvania law regarding taxation of section 529 plans has recently changed. Act 67 of 2006 was enacted into law on July 7, 2006. As applied to the GSP, that law provides that for individuals subject to Pennsylvania income tax, contributions made to an Account may be deducted from taxable income on the taxpayer's annual personal income tax return. The maximum annual amount that may be deducted is currently $12,000 per beneficiary per taxpayer but that amount will increase with any changes in the amount excludable for federal gift tax purposes. The deduction cannot result in the taxable income being less than zero. The new state law also provides that the earnings portion of any Qualified Withdrawal is exempt from Pennsylvania income tax. Non-Qualified Withdrawals are subjected to Pennsylvania income tax. Additionally, assets held in a GSP Account are not subject to Pennsylvania state inheritance tax. The Pennsylvania Department of Revenue's Online Customer Service Center (www.revenue.state.pa.us) may be contracted for further information about the implementation of the new state tax law. If you are not a resident of Pennsylvania, you may want to investigate whether your state offers a qualified tuition program with additional tax advantages and other benefits to its residents.

Exclusive Pennsylvania Features. In addition to the state inheritance tax exclusion, Pennsylvania residents investing in the GSP receive other advantages not available to them through other states' qualified tuition programs. Accounts do not negatively affect eligibility for Pennsylvania state financial aid. Accounts are also protected by state law from attachment, levy or execution by a creditor of the Account Owner or Beneficiary. In addition, eligible low-income families can have their contributions matched with government funds through the Family Savings Account Program offered through the Pennsylvania Department of Community and Economic Development. See Section X. C. "REPORTING AND OTHER MATTERS – *Family Savings Account Program*" below. Lastly, savings in an Account can be the basis for tuition discounts at private colleges that participate in the SAGE Scholars program. The SAGE Scholars program is not available to those saving in most other qualified tuition programs.

Upromise Rewards Service. An Account Owner may, but is not required to, enroll in the Upromise Rewards Service. Through the Upromise Rewards Service your Upromise account and your GSP Account can be linked so that your rebate dollars are automatically transferred to your GSP Account on a periodic basis. For details see Section II. D. 4. "Upromise Rewards Service" below.

Fees and Expenses. There is a one-time $50 enrollment fee to open a GSP Account. You may choose to pay this fee separately if you do not want it to be deducted from your initial contribution. That fee is discounted to $25 if the Account is opened within (3) weeks of the enrollment materials being sent. The fee is waived for Accounts opened within six (6) months of the Beneficiary's birth or adoption and for Accounts opened through the Family Savings Account Program. The enrollment fee may also be discounted or waived in conjunction with special marketing initiatives. Additionally, there is an annual account maintenance fee of $25 per account, which is waived for Accounts with monthly automatic contributions and for accounts established under the Family Savings Account Program. A fee for returned uncollected checks or electronic bank transfers may also be charged.

The expenses of the GSP include operational costs as well as investment management costs. These expenses are paid from the GSP Fund. These expenses are taken into consideration in evaluating the actuarial soundness of the GSP Fund and, in turn, may affect the Department's decision to include "Premiums" (discussed below) when setting the annual "TAP Credit Rates" (defined below). These operating and investment management expenses do not affect growth earned with respect to Qualified Withdrawals, but they may affect the growth earned with respect to Non-Qualified Withdrawals.

B. Role of Department

The GSP is authorized by the Commonwealth's Tuition Account Programs and College Savings Bond Act, enacted pursuant to the Act of April 3, 1992, as amended by the Act of June 22, 2000 (the "Act"), and is established and maintained by the Commonwealth, acting through the Department. The bureau within the Department that administers the GSP is known as the "TAP Program Bureau." The Pennsylvania Tuition Account Program consists of the GSP, which has been in operation since 1993, and an investment plan (the "Investment Plan"), which was launched in 2002. **This Disclosure Statement relates to the Guaranteed Savings Plan. There are separate disclosure statements for the Investment Plan.**

The Department's responsibilities with respect to the GSP include, but are not limited to, the establishment of investment guidelines (the "Investment Guidelines") for the investment of the GSP Fund, in which contributions to the GSP are held; investing or overseeing the investments of the GSP Fund; maintaining the computer data base containing the records of individual accounts; receiving and crediting contributions to individual accounts; disbursing funds from individual accounts; annually evaluating, or causing to be evaluated, the actuarial soundness of the GSP Fund to meet its obligations under the GSP; annually establishing "TAP Credit Rates" by reference to which a number of "tuition credit equivalents" or "TAP Credits" corresponding to the dollar amount of contributions to an Account under the GSP are calculated; calculating the Investment Performance Value of GSP Accounts for purposes of determining amounts of Non-Qualified Distributions; and making any necessary agreements with Eligible Educational Institutions and private parties for professional, managerial and technical assistance and advice. The Department may, from time to time and in its discretion, contract with other entities to perform services with respect to the GSP. The Department has contracted with Upromise Investment Advisors, LLC (the "Contractor") to perform administrative services.

C. Account Establishment and Ownership

To participate in the GSP, you must open an Account, name a Beneficiary for that GSP Account (unless the purpose of the GSP Account is to fund a scholarship) and make contributions to the GSP Account on behalf of that Beneficiary. At the time the Account is opened either you or your Beneficiary must be a resident of Pennsylvania. A subsequent change of state residency does not affect the account. See Section II. A. "OPENING AND MAINTAINING YOUR GSP ACCOUNT – *Who May Open a GSP Account?*" below. The GSP Account belongs to the Account Owner and not to the Beneficiary.* Your Beneficiary has no vested rights in the GSP Account and may be changed at any time*, subject to certain limitations as described herein.

** Except for accounts established under the Uniform Transfers to Minors Act or the Uniform Gifts to Minors Act. Please see Section II. M. "OPENING AND MAINTAINING YOUR TAP 529 GSP ACCOUNT –* Restrictions on UTMA/UGMA TAP 529 GSP Accounts.*"*

D. Fees and Expenses

There are three (3) types of fees that will or might be charged on a GSP Account. Subject to waivers described below, a GSP Account is subject to an initial one-time only enrollment fee and an annual GSP account maintenance fee. In addition, an insufficient fund fee may be charged if a check or automatic electronic deduction from a bank account is returned uncollected because of insufficient funds. This Disclosure Statement describes the fees currently in effect. The GSP reserves the right to change the amount of such fees at any time.

The expenses of the GSP include operating expenses and investment management expenses. These expenses generally do not affect the growth earned on an Account with respect to Qualified Withdrawals. However, these expenses are taken into consideration in evaluating the actuarial soundness of the GSP Fund and, in turn, may affect the Department's decision to include Premiums (see below) when setting the annual TAP Credit Rates. See Section I. F. 3. c. "TUITION ACCOUNT PROGRAM GUARANTEED SAVINGS PLAN – GENERAL DESCRIPTION - *GSP Account Valuations* - **Tuition Inflation Value (Value of Credits) - *TAP Credit Rates and Premiums.*"** The expenses of the GSP Fund may, however, affect the growth on Accounts with respect to Non-Qualified Withdrawals. See Section I. F. "*GSP Account Valuations*" and Section V. C. 2. "WITHDRAWALS – *General Non-Qualified Distributions* – Amount of General Non-Qualified Distributions" below.

1. Enrollment Fee

Currently, the GSP charges an enrollment fee of fifty dollars ($50) on a GSP Account upon receipt of the enrollment form. You may choose to pay this fee separately if you do not want the enrollment fee to be deducted from your initial contribution. The GSP will discount the enrollment fee to twenty-five dollars ($25) for any GSP Account opened within three (3) weeks of enrollment material being sent. The enrollment fee will be waived by the Department for Accounts opened for children within six months of the child's birth and for newly adopted children for whom Accounts are opened no later than six (6) months after the adoption is finalized and for Accounts opened through the Family Savings Account Program. In addition, the Department may elect to discount or waive the enrollment fee from time to time in association with special marketing initiatives. Account Owners who opened their GSP Accounts outside of these special promotions and did not receive the discounted fee will not be entitled to an adjustment. The enrollment fees are deposited in the GSP Fund and are used for expenses of the GSP.

2. Annual Account Maintenance Fee

TAP charges each TAP GSP Account a flat annual account maintenance fee. This annual account maintenance fee is currently twenty-five dollars ($25) per TAP GSP Account and is assessed as of December 31 of each year.

This charge will be waived if you elect to contribute, at least monthly, through an automatic contribution plan, which is either a payroll deduction or an automatic electronic deduction from your bank account processed through the Automated Clearing House (ACH). The monthly automatic contributions must total a minimum of $25 per month per Account. In order for this fee to be waived, your automatic contribution plan must have been established prior to December 1 of the assessment year and be in effect as of December 31. If your fee is not waived, you will have the option of submitting payment of the fee or having the fee deducted from your Account. If you do not submit payment of the fee by the due date, it will be deducted from your Account. The deduction will be made from the most recent contribution(s) to your Account. If that contribution(s) is not mature (see Section I.G.1. "Use of GSP Account - Maturity Period" below) or if the Tuition Inflation Value is less than the Sum of the Contribution Value for that contribution, the fee will reduce the amount of the contribution(s) by the full $25. If the contribution is mature, $25 will be deducted from the Tuition Inflation Value of the contribution(s). This will result in a portion of the $25 being taken from the contribution(s) and the remainder being taken from the growth on that contribution(s). Your statement for the quarter ending December 31 will show the dollar value of the contribution taken that, with its earnings, equaled $25. If you opt to have the fee deducted from your Account, rather than to pay the fee, the deduction will result in a corresponding reduction in the total number of TAP Credit in your Account.

The amount collected from the account maintenance fees are deposited into the GSP Fund and are used for expenses of the GSP.

3. Insufficient Funds Fee and Discontinuance of Automated Contributions

If a check or automatic electronic deduction from a bank account is returned uncollected because of insufficient funds, a fee of $20 may be charged. If charged, this charge will be automatically deducted from the most recent contribution that has successfully cleared.

If an automatic electronic deduction from a bank account is returned uncollected for any reason, the automatic electronic deduction may be discontinued. The deduction may be discontinued regardless of the reason for it being returned uncollected. The GSP reserves the right to refuse to allow an Account Owner to establish automatic electronic deductions.

E. Disclosure Statements

This Disclosure Statement relates solely to contributions under the GSP.

If you are interested in making contributions under the Investment Plan, you should obtain and review the separate Pennsylvania Tuition Account Program Investment Plan disclosure statements, which are available **by calling 800-294-6195 for direct investing or 800-294-7207 for investing through a financial advisor**, online at WWW.TAP529.COM or through a financial advisor. There are two fee structures available under the Investment Plan. Fee Structure I, under which there are no sales loads or sales fees, is available primarily for an account opened by an individual who is, or whose designated beneficiary is, at the inception of such account, a resident of Pennsylvania, and who is not working with a broker or dealer in connection with opening such account. Fee Structure A, B or C, which are subject to sales loads and sales fees, are available to non-residents and to Pennsylvania residents who wish to use the services of a financial broker or dealer.

F. GSP Account Valuations

Each GSP Account has three distinct values: the Sum of Contributions, the Investment Performance Value (also referred to as the Value of Account), and the Tuition Inflation Value (also referred to as the Value of Credits). The method of calculating each value and the circumstances under which those values will be disbursed upon a withdrawal from a GSP Account are described below.

1. Sum of Contributions.

An Account's Sum of Contributions is the dollar value sum of each contribution to the Account (including any Premiums paid) that remains in the Account at the time the valuation is made. It does not include growth of any kind. Any fees that have been deducted or that will be deducted before a withdrawal is processed are excluded. The Sum of Contributions of an Account changes each time a contribution is made to, or a withdrawal or fee is taken from, the Account.

No withdrawal from the GSP will be less than the Sum of Contributions for the corresponding contributions being withdrawn.

2. Investment Performance Value (Value of Account)

An Account's Investment Performance Value (Value of Account) is based on the investment performance of the GSP Fund. To calculate an Account's Investment Performance Value, the actual Net Earnings Rate of the GSP Fund is applied on an annually compounded basis to each separate contribution to the Account (including any Premium paid) from the date of the contribution through the date of the Investment Performance Value calculation. An Account's Investment Performance Value will fluctuate based on the investment performance of the GSP Fund. An Account's Investment Performance Value could be more than its Sum of Contributions, indicating that the GSP Fund has experienced investment growth for the period during which the contributions have been in the Account; or less than its Sum of Contributions, indicating that the GSP Fund has experienced investment loss for the period during which the contributions have been in the Account. An Account's Investment Performance Value could be more or less than the Account's Tuition Inflation Value. Growth reflected in an Account's Investment Performance Value is not subject to a Maturity Period (see below).

The Investment Performance Value is the value that will be disbursed for some Non-Qualified Withdrawals, specifically those made when a Beneficiary has died or become disabled and those for which the Investment Performance Value is more than the Sum of Contributions but less than the Tuition Inflation Value (see below).

3. Tuition Inflation Value (Value of Credits)

An Account's "Tuition Inflation Value" (Value of Credits) is based on tuition increases at the colleges or universities comprising the Tuition Level (see below) selected by the Account Owner. It is calculated by multiplying the number of mature TAP Credits (see below) by the actual per-credit tuition (for Specific School Tuition Levels, see below) or average actual per-credit tuition (for Average Tuition Levels, see below) in effect for the academic year for which the valuation is being made. The Tuition Inflation Value increases only when tuition increases occur at the school or schools comprising the selected Tuition Level. Generally, this occurs only once a year (effective September 1 or for payments made from an Account for the Fall Semester) and there is no incremental growth in the Tuition Inflation Value during the period between tuition increases.

An Account's Tuition Inflation Value is determined by the actual tuition increases at the relevant Tuition Level as well as Premiums, if any, associated with that Tuition Level. Premiums are amounts included in the TAP Credit Rate (see below) for a Tuition Level that is above the then-current actual per-credit tuition charged by the school or schools comprising the Tuition Level in the year the contribution is made. See below for a fuller discussion of Premiums. The "Tuition Inflation Rate" of growth of a contribution is the percentage that actual tuition increases at the school(s) comprising the Tuition Level from the time a contribution is made until its valuation adjusted for Premiums, if any, included in the TAP Credit Rate in the year the contribution was made.

In order for a contribution to receive growth under the Tuition Inflation valuation method, the contribution is subject to a maturity period (see below). For Qualified Withdrawals, the maturity period ranges between approximately nine and 18 months. For Non-Qualified Withdrawals, the Maturity Period is one year.

The Tuition Inflation Value is the value that will be disbursed for most Qualified Withdrawals. In rare situations, the Tuition Inflation Value might be less than the Sum of Contributions. This could occur, for example, if actual tuition at a Tuition Level decreased or if the amount of the Premium for a Tuition Level exceeded the actual tuition increases for the period of time in which the contribution(s) was held in the Account. In these situations, the value that will be disbursed for a Qualified Withdrawal will be the Sum of Contributions.

Additionally, the Tuition Inflation Value is the value that will be disbursed for some Non-Qualified Withdrawals--specifically those for which the Tuition Inflation Value is more than the Sum of Contributions and less than the Investment Performance Value.

Because of the different maturity period, the Tuition Inflation Value of an account may be different when calculated for a Qualified Withdrawal than when calculated for a Non-Qualified Withdrawal. There are two other circumstances that may result in the Tuition Inflation Value of an account being different for Qualified Withdrawals than for a Non-Qualified Withdrawal. One is accounts which have contributions resulting from a government match pursuant to the Family Savings Account Program. Those government matches are available for Qualified Withdrawals but not for Non-Qualified Withdrawals. The second is accounts in which the Designate Tuition Level (see below) is a Standard Penn State Tuition Level. For Qualified Withdrawals, the Penn State Standard Tuition Levels calculations use the actual tuition for the class year (i.e., Freshman, Sophomore, Junior or Senior) of the Beneficiary. For Non-Qualified Withdrawals the average actual tuition for all four class years is used.

a. TAP Credits

For each contribution made to a GSP Account, a "TAP Credit equivalent" or "TAP Credit" is calculated. TAP Credits are calculated based on the Tuition Level (described below) chosen by the Account Owner. Each contribution is divided by the TAP Credit Rate (described below) in effect at the time the contribution is made for the designated Tuition Level to determine the number of TAP Credits attributable to the contribution. Each time you make a new contribution this calculation is made and the number of TAP Credit accumulate.

b. Tuition Levels

When you open a GSP Account, you will be asked to designate a Tuition Level on the enrollment form. When you designate a Tuition Level, you are choosing the school or type of school for which you are saving. However, you may change your choice at any time and the change is made retroactively. Your choice determines the growth on your GSP Account when used for Qualified Higher Education Expenses (with rare exception, see above). It determines the Tuition Inflation Rate of growth and the Tuition Inflation Value of the Account.

The Account Owner may change the designated Tuition Level at any time. Additionally, by operation of law, the Tuition Level is automatically changed when the Beneficiary attends a school for which there is a Specific School Tuition Level (see below). The change in Tuition Level is applied retroactively for each remaining contribution in the GSP Account. If the Beneficiary attends a school for which there is no Specific School Tuition Level, the Account Owner may be able to benefit from the most favorable Tuition Level, irrespective of the Tuition Level initially selected.

Currently, the GSP offers five Average Tuition Levels:

1. **State-Related University Average**, which is based on the average tuition at the four state-related universities: the University of Pittsburgh, Pennsylvania State University (including its affiliate, the Pennsylvania College of Technology), Temple University and Lincoln University.

2. **State-System of Higher Education Average**, which is based on the average tuition at the 14 universities that comprise Pennsylvania's State System of Higher Education: Bloomsburg, California, Cheyney, Clarion, East Stroudsburg, Edinboro, Indiana, Kutztown, Lock Haven, Mansfield, Millersville, Shippensburg, Slippery Rock and West Chester.

3. **Community College Average**, which is based on the average tuition at Pennsylvania's 14 community colleges: Allegheny County, Beaver County, Bucks County, Butler County, Delaware County, Harrisburg Area, Lehigh-Carbon County, Luzerne County, Montgomery County, Northampton County, Pennsylvania Highlands, Philadelphia, Reading Area and Westmoreland Area.

4. **Ivy League School Average**, which is based on tuition at the eight Ivy League schools: Brown, Columbia, Cornell, Dartmouth, Harvard, Princeton, University of Pennsylvania and Yale.

5. **Private Four-Year College Average**, which is based on average tuition at four-year private colleges located in Pennsylvania (excluding nursing schools). Although the Private Four-Year College Average is calculated by reference to Pennsylvania colleges, contributions designated for this Tuition Level, and the growth thereon, may be applied at any Eligible Educational Institution, whether or not located in Pennsylvania.

Additionally, you may choose a Specific School Tuition Level by designating as your Tuition Level any one of Pennsylvania's public institutions: the state-related or State System of Higher Education universities, any Pennsylvania community college, or the Thaddeus Stevens College of Technology (collectively, the "Pennsylvania Public Institutions"). For several of these schools you may also choose Tuition Levels for specific branch campuses, programs of study, and or the student's class year (*i.e.*, Freshman, Sophomore, Junior or Senior). A complete list of Tuition Levels available under the GSP is provided in the TAP Credit Rate Schedule, which is updated annually effective September 1. The most current TAP Credit Rate Schedule is incorporated herein by reference and is included with the GSP enrollment materials. It is also available by calling 800-440-4000 or online at WWW.TAPFACTS.COM.

The GSP may add a new Tuition Level for any reason, including but not limited to, a Pennsylvania Public Institution setting a separate tuition rate for a campus or program of study not previously specified, the creation of a new Pennsylvania Public Institution, or the Department's creation of a new Average Private Institution Tuition Level. In the event a new Tuition Level is added, the GSP reserves the right to limit contributions being made into the new Tuition Level to those contributions made on or after the new Tuition Level was added. If such a limitation is imposed and an Account Owner wishes to change a previously designated Tuition Level to a Tuition Level added after some contributions were made to his or her Account, the Tuition Inflation Value of contributions made before the new Tuition Level was created will be applied as a new contribution made on the day the new Tuition Level was first available. Additionally, if such a limitation is imposed, on a Tuition Level-by-Tuition Level basis, the GSP may make an exception to the prohibition of prior contributions being applied at the new Tuition Level for Accounts whose Beneficiaries actually enroll in the academic program associated with the new Tuition Level. In the event that the GSP does not limit contributions being made into a new Tuition Level to those contributions made on or after the new Tuition Level was added, or if the Department makes an exception to such a restriction, the Department will construct an actual tuition history and a TAP Credit Rate history for the new Tuition Level based on tuition information that, in the Department's sole discretion, is the most relevant and comparable for the new Tuition Level.

The GSP may eliminate a Tuition Level for any reason, including but not limited to, a Pennsylvania Public Institution no longer setting a separate undergraduate tuition rate for a campus or program of study previously specified, an institution ceasing to be a Pennsylvania Public Institution, or the elimination of a previously created Average Private Institution Tuition

Level. In the event a Tuition Level is eliminated, the Account Owner will be contacted and asked to designate a different Tuition Level. If the Account Owner fails to designate a different Tuition Level, the State System of Higher Education Average Tuition Level will be used for his or her Account. Additionally, the GSP reserves the right to close any Tuition Level to new contributions.

c. TAP Credit Rates and Premiums

A rate per TAP Credit (the "TAP Credit Rate") for each Tuition Level is set by the Department for each academic year. TAP Credit Rates are generally in effect from September 1 of one year to August 31 of the following year. However, the Department reserves the right to change any TAP Credit Rate during this time period in the event that the school, or a school included in the average, changes the tuition rates it charges for attendance in the same time period. Additionally, the Act permits the Department to alter the TAP Credit Rate based on the time of year in which the contribution is made. While the Department has not exercised this authority, it reserves the right to do so. TAP Credit Rates apply only to contributions made in the year in which the applicable TAP Credit Rates are in effect.

For each academic year, the TAP Credit Rates for the Specific School Tuition Levels (state-related universities, State System of Higher Education universities, the Thaddeus Stevens School of Technology and community colleges) are based on the actual tuition at those schools for the same academic year. Similarly, the TAP Credit Rates for the Average Tuition Levels are based on the mathematical average (mean) of the actual tuition in the same academic year at the schools comprising each Average Tuition Level.

In order to maintain the fiscal integrity of the GSP, the Department is authorized to set TAP Credit Rates that are more (contain Premiums) than actual tuition or actual average tuition, as applicable, in any given year. The Department is also authorized to set TAP Credit Rates that are less (contain discounts) than actual tuition or actual average tuition, as applicable, in any given year, although it has never been done. TAP Credit Rates apply only to contributions made in the year in which the applicable TAP Credit Rates are in effect.

Premiums are amounts included in the TAP Credit Rate that are in addition to the actual tuition or actual average tuition of the schools or schools comprising the Tuition Level. The TAP Credit Rates are published annually (effective September 1) in the TAP Credit Rate Schedule. In those Schedules, the dollar amount of the Premium, if any, is included in the dollar amount of the TAP Credit Rate. The amount of the Premium is also noted in footnotes on the Schedule as a percentage over the actual or average actual tuition. Premiums impact the Tuition Inflation Value of a GSP Account by reducing the actual tuition inflation rate from the date the contribution was made until the academic year in which the valuation is made by a percentage somewhat greater than the percentage of the Premium (due to compounding and the mathematical formula for calculating percentage of increases). Premiums do not, however, impact the Sum of Contribution Value or Investment Performance Value of an Account. Premiums are placed in the GSP Fund and provide additional assets to the Fund to help the Fund meet its future obligations and expenses.

The TAP Credit Rate Schedule for the most current academic year is incorporated by reference into this Disclosure Statement. It is included in the GSP enrollment materials and is available by calling 800-440-4000 or online at WWW.TAPFACTS.COM. For academic year 2005-06, many of the TAP Credit Rates include Premiums.

G. Use of GSP Account

1. Maturity Period

In order for a contribution and any related growth to be used for Qualified Withdrawals, a "Maturity Period" ranging from approximately nine months to approximately 18 months must elapse from the date that contribution was made to the time the contribution is withdrawn to pay Qualified Higher Education Expenses. Specifically, contributions made to a GSP Account between January 1 and August 31 of one calendar year will be available, together with the related growth, for the payment of Qualified Higher Education Expenses incurred at an Eligible Educational Institution beginning with the Summer semester of the following calendar year, and contributions made to a GSP Account between September 1 and December 31 of one calendar year will be available, together with the related growth, for the payment of Qualified Higher Education Expenses incurred at an Eligible Educational Institution beginning with the Spring semester two calendar years later. For this purpose, the GSP tracks contributions and withdrawals to a GSP Account on a "first-in, first-out" (FIFO) basis.

If an Account Owner wishes to use non-mature contributions for Qualified Higher Education Expenses, the Account Owner may request that the withdrawal of those contributions be processed as if it were a Non-Qualified Withdrawal. As long as the withdrawal is used for Qualified Higher Education Expenses at an Eligible Education Institution, the withdrawal would be entitled to all of the federal and state tax advantages as if it were processed as a Qualified Withdrawal.

For a Non-Qualified Withdrawal valued at the Tuition Inflation Value, the Maturity Period is one year from the date the contribution is credited to the Account. If some contributions are mature while others are not, the non-mature credits will be valued at the Sum of Contributions Value. Valuations at the Investment Performance Value and the Sum of Contributions Value are not subject to a maturity period.

2. Using Your GSP Account for Qualified Withdrawals

When the Beneficiary of your GSP Account reaches his or her projected date of enrollment (a date you specify on the enrollment form – usually the August following the Beneficiary's 18th birthday), the TAP Program Bureau will contact you to determine whether you intend to use your GSP Account and what school your Beneficiary will be attending. Once the school or schools comprising the Tuition Levels set the new actual tuition rates for the upcoming academic year (usually in late July or August), you are provided a statement of both the number of mature TAP Credits available and their dollar value (i.e., the Tuition Inflation Value of your Account). You may then authorize the TAP Bureau to use a specific number of TAP Credits or a dollar amount to pay for the Beneficiary's Qualified Higher Education Expenses for that semester. You will be required to submit documentation, such as a tuition invoice, of your Beneficiary's attendance at a particular Eligible Educational Institution and, where relevant to the Tuition Level, of the branch of such institution, program of study, and/or class year. You may also be required to complete specific forms. (You also will be required to submit such documentation, if any, necessary at the time to comply with Section 529.) Complete instructions on how to use your GSP Account will be included with the statement.

3. Using Your GSP Account for Qualified Withdrawals at Pennsylvania Public Institutions.

Your GSP Account can be used at any of Pennsylvania's state-related universities, its State System of Higher Education universities, its community colleges and the state-owned Thaddeus Stevens College of Technology. For Beneficiaries attending those Pennsylvania Public Institutions, the GSP provides that the value of contributions to a GSP Account will be the Tuition Inflation Value at the specific school attended by the Beneficiary. If, however, the Tuition Inflation Value is less than the corresponding contribution(s) (i.e., the contributions being used for the withdrawal), the withdrawal will be processed as if it were a Non-Qualified Withdrawal, which will result in the Sum of Contributions of the corresponding contributions being received.

If your Beneficiary attends one of the Pennsylvania Public Institutions, but the Tuition Level previously selected for the GSP Account is a different Specific School Tuition Level or an Average Tuition Level, the GSP will change the applicable Tuition Level to the school your Beneficiary is attending. Accordingly, the number of TAP Credits in the GSP Account will be recalculated as if the Tuition Level of the Pennsylvania Public Institution attended by your Beneficiary had been selected for all contributions in the Account from the day the Account was opened. In making this recalculation, the number of TAP Credits in your GSP Account will be obtained by dividing each individual contribution by the TAP Credit Rate for the Pennsylvania Public Institution being attended in effect at the time the contribution was made. If the Beneficiary attends a school for which the TAP Credit Rate was less expensive at the time a contribution was made than the Tuition Level previously designated, the number of TAP Credits in the Account will increase, and each TAP Credit might have a lesser dollar value. If the Beneficiary attends a school for which the TAP Credit Rate was more expensive at the time a contribution was made, the number of TAP Credits in the Account will decrease, and each TAP Credit might have a greater dollar value. The Tuition Inflation Value of the TAP Credits under different Tuition Levels will depend on the Tuition Inflation Rates of the different Tuition Levels. The Tuition Inflation Rates are affected by actual tuition increases and the TAP Credit Rate Premiums, if any.

In addition, if the Beneficiary attends a Pennsylvania Public Institution but does not qualify for the in-state tuition (or, in the case of a community college, the in-district rate), but the Tuition Level previously designated for the GSP Account was a Tuition Level applicable to in-state or in-district tuition, the TAP Credits in the GSP Account will be recalculated as if the non-resident or out-of-district Tuition Level, as applicable, of the Pennsylvania Public Institution attended by your Beneficiary had been selected for all contributions in the Account from the day your GSP Account was opened.

A TAP Credit is not the same as an academic credit. TAP Credits are units of value calculated on the basis of tuition costs. An academic credit is a measure of a student's progress toward completion of a program of study. Generally, each TAP Credit represents 1/12th of the per semester full tuition cost, or 1/24th of the academic year full tuition cost, at the applicable Pennsylvania Public Institution, if such public institution is a four-year college (except in the case of the PA College of Technology) or the Thaddeus Stevens School of Technology, and represents the cost of one academic credit if the applicable Pennsylvania Public Institution is a community college (except Lehigh-Carbon County or the PA College of Technology. At each of the four-year

Pennsylvania Public Institutions (except the PA College of Technology) and the Thaddeus Stevens School of Technology, a student is considered full time if he or she takes at least 12 academic credits per semester (24 credits per academic year). Being full-time entitles the student to take as many academic credits per semester – typically 18 – as the school permits without additional charge. Accordingly, the dollar equivalent of 12 TAP Credits at a particular school's Tuition Level may pay for a Beneficiary's tuition for 12 to 18 (or the applicable maximum at the particular school) academic credits at such school. The PA College of Technology and the community colleges (except Lehigh-Carbon County) do not distinguish between full and part time students for tuition cost purposes; for those schools, the dollar value of a TAP Credit at the applicable Tuition Level will pay for the cost of tuition for one academic credit at the applicable school. When a Qualified Withdrawal is made from a GSP Account, the amount of contributions and growth, as well as TAP Credits, in an Account required to generate the dollar amount of the requested Qualified Withdrawal at the applicable Tuition Level will be deducted from the Account.

The following examples are sample illustrations of the use of a TAP GSP account at Pennsylvania Public Institutions:

Example 1:

For purposes of this example, we have assumed that when the GSP Account was established, the Tuition Level for Penn State University, University Park, Standard Program of Study, In-State Residency was selected, and that actual tuition at that Tuition Level was $6,059.52 per semester at the time a contribution to the GSP Account was made. The TAP Credit Rate in effect at the time of the contribution was equal to the actual tuition of $6,059.52 per semester (or $504.96.52 per TAP Credit -- $6,059 divided by 12). The Account Owner made a contribution of $9,000, and the GSP Account was credited with 17.82 TAP Credits ($9,000 divided by $504.96). Ten years later, the Beneficiary enrolls at Penn State University, University Park, Standard Program of Study, as an in-state resident at a time when one semester's tuition at Penn State University costs $10,978. The Account Owner notifies that the Account Owner desires to pay tuition for a semester at Penn State University from the GSP Account for the Beneficiary. The GSP will deduct 12 TAP Credits from the 17.82 TAP Credits accumulated in the GSP Account, and will send Penn State University a check in the amount of $10,978. If the Account Owner also wants to pay for room and board, the Account Owner can use all or some of the remaining 5.82 TAP Credits, which will have a value of $914.83 each ($10,978 divided by 12), or $5,324.31 total, to apply to the Beneficiary's room and board costs.

Example 2:

For purposes of this example, we have assumed that the same contribution was made in the same year as in Example 1, but a different Tuition Level was selected. When the GSP Account was established, the Tuition Level for State System of Higher Education Average, In-State Residency was selected, and that the average in-state tuition at the 14 institutions comprising the State System of Higher Education was $2,519.04 per semester at the time a contribution to the GSP Account was made. The TAP Credit Rate in effect for the State-System School Average Tuition Level at the time of the contribution was equal to the actual tuition of $2,519.04 per semester (or $209.92 per TAP Credit -- $2,519.04 divided by 12). The Account Owner made a contribution of $9,000, and the GSP Account was credited with 42.87 TAP Credits. Ten years later, the Beneficiary of the GSP Account enrolls at Penn State University, University Park, Standard Program of Study as an in-state resident, at a time when one semester's tuition at Penn State University costs $10,978. The Account Owner notifies the GSP that the Account Owner desires to pay tuition for a semester at Penn State University from the GSP Account for the Beneficiary. At the time the $9,000 contribution to the GSP Account was made, the tuition at Penn State University and the TAP Credit Rates were the same as presented in Example 1 above. That is the actual tuition was $6,059.52 per semester, and the TAP Credit Rate in effect was equal to the actual tuition of $6,059.52 per semester and $504.96 per TAP Credit ($6,059.52 divided by 12). The GSP will convert the contribution from the originally designated State System of Higher Education Average In-State Residency Tuition Level into the specific Penn State University Tuition Level that corresponds to the school the Beneficiary is actually attending. This change will have the effect of treating the contribution as if it had originally been made at the specific Penn State Tuition Level and the calculations given in Example 1 would apply. That is, the 42.87 TAP Credits at the State System of Higher Education Average, In-State would be converted to 17.82 TAP Credits at the Penn State University, University Park, Standard Program of Study, In-State Residency Tuition Level. The GSP will deduct 12 of such TAP Credits from the TAP Credits accumulated in the GSP Account, and will send Penn State University a check of $10,978. If the Account Owner also wants to pay for room and board, the Account Owner can use all or some of the remaining 5.82 TAP Credits, which will have a value of $914.83 each ($10,978 divided by 12), or $5,324.31 total, to apply to the Beneficiary's room and board costs.

4. Using Your GSP Account for Qualified Withdrawals at Other Universities, Colleges and Career Schools

Your GSP Account can also be used at any eligible private or out-of-state university, college or career school and some colleges in foreign countries. For Beneficiaries attending schools other than Pennsylvania Public Institutions, the GSP provides that contributions to a GSP Account will grow at the Tuition Inflation Rate for the designated Tuition Level and that disbursements will be made from your GSP Account based on such Tuition Level. Unlike payments for Pennsylvania Public Institutions, the GSP does NOT provide that the growth on contributions to a GSP account will keep pace with tuition inflation at the specific school being attended.

When used for a Beneficiary's Qualified Higher Education Expenses at an eligible private or out-of-state university, college or career school, the amount available in the GSP Account would be based on the designated Tuition Level at the time amounts in the GSP Account are applied to such expenses. Because the Account Owner can change the designated Tuition Level at any time, in the event it is advantageous to change the designated Tuition Level prior to using the GSP Account, the Account Owner may do so, in which event, the TAP Credits in the GSP Account will be recalculated as if the newly designated Tuition Level had been selected for all previously unused contributions in the Account from the day the Account was opened. When a Qualified Withdrawal is made from a GSP Account, the amount of contributions and its growth, as well as TAP Credits, in an Account required to generate the dollar amount of the requested Qualified Withdrawal at the applicable Tuition Level will be deducted from the Account. If, for example, the Account Owner has designated the State System of Higher Education Average Tuition Level and the actual average tuition for the State System of Higher Education is $7,000 per semester at the time of a withdrawal, a payment of $7,000 to the Account Owner would result in a deduction of 12 TAP Credits from the Account. As with Qualified Withdrawals for Pennsylvania Public Institutions, if the Tuition Inflation Value is less than the corresponding contribution(s) (i.e., the contributions being used for the withdrawal), the withdrawal will be processed as if it were a Non-Qualified Withdrawal, which will result in the Sum of Contributions of the corresponding contributions being received.

The following examples are sample illustrations of the use of a GSP Account at private colleges.

Example 1:

For purposes of this example, we have assumed that when the GSP Account was established, the Tuition Level for Penn State University, University Park, Standard Program of Study, In-State Residency was selected, and that tuition at Penn State University was $6,059.52 per semester at the time a contribution to the GSP Account was made. The TAP Credit Rate in effect at the time of the contribution was equal to the actual tuition of $6,059.52 per semester or $504.96 per TAP Credit ($6,059.52 divided by 12). The Account Owner made a contribution of $9,000, and the GSP Account was credited with 17.82 TAP Credits. Ten years later, the Beneficiary of the GSP Account enrolls at a private four-year college with a tuition cost of $15,000 per semester, at a time when one semester's tuition at Penn State University costs $10,978 and a credit costs $914.83 ($10,978 divided by 12). The Account Owner notifies the GSP that the Account Owner desires to use the GSP Account for qualified expenses at the private college. The GSP will calculate the Tuition Inflation Value of the Account (17.82 TAP Credits multiplied by the actual per credit costs at Penn State of $914.83, which equals $16,302.27), which is the amount available for use. The Account Owner can direct the GSP to pay the school directly for the tuition of $15,000 and for any other Qualified Higher Education Expenses the Account Owner wishes to cover with the remaining $1,302.27.

Example 2:

For purposes of this example, we have assumed that when the GSP Account was established, the Tuition Level for Private Four-Year College Average was selected, and that the average tuition at four-year colleges in Pennsylvania was $10,864.56 per semester at the time a contribution to the GSP Account was made. The TAP Credit Rate in effect at the time of the contribution was equal to that average actual tuition of $10,864.56 per semester (or $905.38 per TAP Credit -- $10,864.56 divided by 12). The Account Owner made a contribution of $9,000, and the GSP Account was credited with 9.94 TAP Credits ($9,000 divided by $905.38). Ten years later, the Beneficiary of the GSP Account enrolls at a private four-year college with a tuition cost of $15,000 per semester, at a time when the average cost of one semester's tuition at four-year colleges in Pennsylvania is $18,885 or $1,573.75 per credit ($18,885 divided by 12). The Account Owner notifies the GSP that the Account Owner desires to use the GSP Account for qualified expenses at the private college. The GSP calculates the Tuition Inflation Value of the Account by multiplying 9.94 TAP Credits by the actual average per credit cost at four-year colleges in Pennsylvania ($1,573.75), which equals $15,643.08 and which is the amount available for use. The Account Owner can direct the GSP to pay the school directly for the tuition of $15,000 and for any other Qualified Higher Education Expenses the Account Owner wishes to cover with the remaining $643.08.

5. Qualified Higher Education Expenses and Eligible Educational Institutions

You can use amounts in the GSP Account to pay the Beneficiary's "Qualified Higher Education Expenses" at an "Eligible Educational Institution."

- "Qualified Higher Education Expenses" are tuition, fees, and the cost of books, supplies and equipment required for the enrollment or attendance of a Beneficiary at an "Eligible Educational Institution." Expenses for room and board may also be considered "Qualified Higher Education Expenses" if the Beneficiary is enrolled or accepted for enrollment in a degree, certificate or other program (including a program of study abroad approved for credit by the Eligible Educational Institution) at an Eligible Educational Institution on at least a half-time basis. The amount of room and board cannot exceed the room and board allowance included (for the period for which the withdrawal is made) in calculating the "costs of attendance" at the applicable Eligible Educational Institution for federal financial aid purposeds. Notwithstanding the foregoing, if the student resides in housing owned or operated by the applicable institution, the actual amount invoiced for the student's room and board is payable as a Qualified Higher Education Expense even if it exceeds the room and board allowance used in calculating costs of attendance. "Qualified Higher Education Expenses" also include expenses for special needs services (as such term is used in the Tax Code) incurred by a Beneficiary who is a special needs beneficiary (as such term is used in the Tax Code) and relating to enrollment or attendance at an Eligible Educational Institution.

- In general, "Eligible Educational Institutions" are accredited, post-secondary educational institutions offering credit toward a bachelor's degree, an associate's degree, a graduate level or professional degree or another recognized post-secondary credential, including certain proprietary institutions and post-secondary vocational schools and certain institutions in foreign countries. Currently, to be an Eligible Educational Institution, the institution must be eligible to participate in U.S. Department of Education student financial aid programs under Title IV of the Higher Education Act of 1965, as amended.

Although TAP Credits may be applied to the payment of any Qualified Higher Education Expenses, TAP Credits are calculated based on the cost of tuition or average tuition at the institution or institutions comprising the applicable Tuition Level. Mandatory fees or surcharges, the cost of books, supplies, equipment, room and board, and other costs of enrollment or attendance of a Beneficiary at an Eligible Educational Institution that do not constitute tuition are not included in the calculation of the Tuition Inflation Rate. The actual inflation rate for these non-tuition expenses could be lower or higher than the Tuition Inflation Rate. Accordingly, there is no guarantee that the growth in the value of contributions at any designated Tuition Level will correspond to the growth in the cost of expenses other than tuition at the institution or institutions comprising the applicable Tuition Level.

6. Other Withdrawals from a GSP Account (Non-Qualified Withdrawals)

Amounts in a GSP Account can be withdrawn for purposes other than the payment of the Beneficiary's Qualified Higher Education Expenses at an Eligible Educational Institution ("Non-Qualified Withdrawals"). However, the value of the contributions may be lower when taken in a Non-Qualified Withdrawal than in a Qualified Withdrawal. As described above, Qualified Withdrawals are valued at the Tuition Inflation Value. In contrast, Non-Qualified Withdrawals are valued at the lesser of the Tuition Inflation Value or the Investment Performance Value; but not less than the Sum of the Contributions of the corresponding contribution(s) being withdrawn. In calculating the Tuition Inflation Value for Non-Qualified Withdrawal purposes, non-mature contributions are valued at the Sum of Contributions Value. See above discussion of Tuition Inflation Value for Qualified versus Non-Qualified Withdrawals. See also Section V. C.2. "WITHDRAWALS – *General Non-Qualified Distributions* – Amount of General Non-Qualified Distributions" below.

Additionally, the federal income tax treatment of such withdrawals will be less favorable (and the state income tax treatment may be less favorable) than in the case of withdrawals for Qualified Higher Education Expenses, and an additional 10% federal income tax on withdrawn earnings may apply. Additionally, if the Account Owner is subject to Pennsylvania income tax, the growth portion of any Non-Qualified Withdrawal will also be taxable for Pennsylvania state income tax purposes. If a Non-Qualified Withdrawal calculated using the Tuition Inflation Value is taken, growth on a contribution being withdrawn is available only if the contribution has been held in the Account for a Maturity Period of one year from the date the contribution was credited to the Account.

H. Tax Advantages

1. Federal Tax

The federal tax treatment of the GSP Plan is governed by Section 529 of the Tax Code.

For federal income tax purposes, contributions to an Account are made on an after-tax basis. However, there are several federal income tax advantages to the GSP. First, any federal income taxes that may be payable on earnings on the money you invest in your GSP Account will be deferred until such earnings are withdrawn from your Account. Second, no federal income taxes will be imposed on any earnings in the GSP Account that are withdrawn and used to pay for your Beneficiary's Qualified Higher Education Expenses. Because the federal income tax advantages are intended to encourage savings for Qualified Higher Education Expenses, withdrawals for other purposes (including the payment of taxes due as a result of the withdrawal) generally are subject to an additional federal income tax equal to 10% of the portion of the distribution that consists of earnings The GSP will report to you or the Beneficiary, as applicable, on an Internal Revenue Service Form 1099-Q or other applicable form. Any earnings withdrawn by you in each calendar year and, in the case of distributions that are not applied to the payment of a Beneficiary's Qualified Higher Education Expenses, you, or in certain cases the Beneficiary, will be required to pay federal income tax on such earnings, and except as described in the next sentence, the additional 10% federal income tax. No such additional income tax is imposed in the case of certain withdrawals due to the death or permanent disability of the Beneficiary or not exceeding the amount of a scholarship (including an appointment to a U.S. military service academy) or tuition waiver obtained by the Beneficiary. Certain rollover distributions also are exempt from the additional 10% federal income tax on earnings. In addition, distributions used to cover expenses used to qualify for the Hope Scholarship Credit and/or Lifetime Learning Credit are also exempt from the additional 10% federal income tax on earnings. See Section V. B. "WITHDRAWALS – *Specific Non-Qualified Distributions*" below.

2. Pennsylvania Tax

Pennsylvania law regarding taxation of section 529 plans has recently changed. Act 67 of 2006 was enacted into law on July 7, 2006. As applied to the GSP, that law provides that for individuals subject to Pennsylvania income tax contributions made to an Account may be deducted from taxable income on the taxpayer's annual personal income tax return. The maximum annual amount that may be deducted is currently $12,000 per beneficiary per taxpayer but that amount will increase with any changes in the amount excludable for federal gift tax purposes. The deduction cannot result in the taxable income being less than zero. The new state law also provides that the earnings portion of any Qualified Withdrawal is exempt from Pennsylvania income tax. Non-Qualified Withdrawals are subjected to Pennsylvania income tax. Additionally, assets held in a GSP Account are not subject to Pennsylvania state inheritance tax. The Pennsylvania Department of Revenue's Online Customer Service Center (www.revenue.state.pa.us) may be contracted for further information about the implementation of the new state tax law. If you are not a resident of Pennsylvania, you may want to investigate whether your state offers a qualified tuition program with additional tax advantages and other benefits to its residents.

See Section IX. "TAX INFORMATION" below for a more complete discussion of the tax considerations relevant to an investment in the GSP.

I. GSP Accounts are the Obligation of only the Guaranteed Savings Plan Fund

The only entity obligated under the GSP and the agreement relating to a GSP Account (the "GSP Plan Contract") is the GSP Fund, and the GSP Fund is the only entity that makes the guarantee under the GSP. The GSP Fund was established by state law. By that law, the GSP Fund is independent from other state funds and cannot be used for any purpose other than the payment of amounts due under GSP Plan Contracts and of the allocable expenses of administering the GSP.

The payment of obligations under a GSP Plan Contract will be made solely from the GSP Fund. Any claim against the Pennsylvania Guaranteed Savings Plan, the GSP or the Department pursuant to a GSP Plan Contract will be made solely against the assets of the GSP Fund and not against any other funds or sources of the Commonwealth, the Department, the Pennsylvania Tuition Account Program, the GSP, or any consultant or contractor retained by any such party.

Assets of the GSP Fund are not available for the payment of obligations relating to the Investment Plan, and assets of the Investment Program Fund are not available for the payment of obligations under GSP Plan Contracts.

The payment of obligations under GSP Plan Contracts is dependent upon the GSP Fund generating adequate investment earnings to offset tuition inflation and upon the annual TAP Credit Rates. Actuarial assumptions have been made regarding future tuition inflation, participation in the GSP, expenses of the GSP and the investment return of the GSP Fund. (A copy of the most recent Actuarial Report is available at WWW.TAPFACTS.COM or by calling 1-800-440-4000.)

In the event that the GSP Fund does not generate an adequate return, the GSP might not be able to meet all of its future liabilities under the GSP. However, the Act contains several safeguards to protect the viability of the GSP Fund. The actuarial assumptions for the GSP Fund are adjusted annually to reflect the actual experience of the GSP. Each year the actuarial assumptions are reviewed when the TAP Credit Rates for the new year are determined. If the GSP Fund is unable to achieve sufficient investment earnings, the shortfall in earnings might be offset by any surplus in the GSP Fund or by increases (including Premiums) in future TAP Credit Rates. Future increases in TAP Credit Rates would not affect the TAP Credits attributable to previous contributions.

The most recent annual actuarial report (June 30, 2006) states that the GSP Fund has an actuarial surplus. That is, the value of assets ($1,092,197,060) exceeds the expected value of liabilities ($1,088,806,771) by $3,390,289. This means that the GSP Fund is fully funded from an actuarial standpoint. Future actual experience could vary from the actuarial assumptions used in the actuarial report. If, for example, tuition inflation were to be less than assumed and/or investment returns were to be more than assumed, the actuarial surplus could be larger. On the other hand, if tuition inflation were to be more than assumed and/or investment returns were to be less than assumed, an actuarial deficit could occur. For details about the actuarial status of the GSP Fund please read the most recent full Actuarial Report and quarterly update, which are available at WWW.TAPFACTS.COM or by calling 1-800-440-4000.)

In April 2005, the Department engaged Moody's Investor Services ("Moody's"), one of the world's most respected sources for investment ratings, research, and risk analysis with particular expertise in rating government issued bonds, to analyze and rate the GSP. On November 15, 2006, Moody's assigned an investment grade rating of A3 to the GSP and on February 21, 2006, Moody's issued a report detailing the analysis supporting the A3 rating. Obligations rated "A" are considered upper medium grade and are subject to low credit risk. The A3 rating was based on an analysis of the strengths and challenges of the GSP, considering both the assets of the Plan itself and the sponsorship of the Plan by the Commonwealth of Pennsylvania. The rating reflects Moody's assessment of the likelihood that GSP account owners will receive the full Tuition Inflation Value of their accounts when their beneficiaries are ready to go to college. The Moody's report states, "[W]hile the obligations to Plan beneficiaries do not represent an explicit guarantee by the 'full faith and credit' of the Commonwealth, there is a support structure that stems from legislative and executive-branch backing of the program given the strategic importance of the GSP to education finance in the Commonwealth. An implication of this analysis is that since, in Moody's view, there would likely be an effort on the part of the State to support the Plan in a time of crisis, the credit quality of the GSP and its obligations are higher than that of the TAP GSP when evaluated on a stand-alone basis." For a copy of the full report call 800-440-4000 or go online at WWW.TAPFACTS.COM.

Pennsylvania Tuition Account Program

II. Opening and Maintaining Your GSP Account

A. Who May Open a GSP Account?

Any natural person who has reached the age of 18 is eligible to establish a GSP Account. A corporation, association, partnership, or other legal entity also may establish an Account. A custodian for a minor under UTMA or UGMA, or a trust or other person that is not a natural person, may also open a GSP Account. See Section II. K. "*Restrictions on UTMA/UGMA GSP Accounts*" below. At the time an Account is established, the Account Owner is not required to be a resident of Pennsylvania, but if the Account Owner is not a Pennsylvania resident, the Beneficiary of the GSP Account must be a Pennsylvania resident. A subsequent change in residency does not affect the Account. If an Account Owner is not a natural person and the Beneficiary is not a Pennsylvania resident at the time the account is opened, the Account Owner must have an office or place of business in Pennsylvania. Persons opening an Account on behalf of an entity must provide representations or documentation concerning the trustees' authority or such other matters as required by the Program Manager. Trustees opening an Account on behalf of a trust must be a resident of Pennsylvania. The state income tax treatment of, and state tax benefits associated with, the GSP may differ depending on the state of residency of the Account Owner or Beneficiary. If you are not a resident of Pennsylvania, your state of residence may only offer favorable tax treatment for investments in a Section 529 program offered by that state. You should consult your tax advisor regarding any benefits provided by your state of residence to participants in its qualified tuition program that may not be available under the GSP. See Section IX. D. "TAX INFORMATION – *State Income Tax Treatment* " below. Although a person who is not a resident of any state, the District of Columbia or a territory of the United States may establish a GSP Account, the tax consequences associated with such a GSP Account are not described in this Disclosure Statement. You should consult your tax advisor for information regarding those tax consequences. State or local government organizations and tax-exempt organizations described in Section 501(c)(3) of the Tax Code may also open GSP Accounts as part of a scholarship program. Specific requirements with respect to the establishment of scholarship accounts are outlined in Article XII of the GSP Plan Contract attached as Appendix A to this Disclosure Statement. The GSP obtains from each person who opens an Account certain personal information – including name, street address, and date of birth among other information – that will be used to verify identity. If you do not provide this information to the GSP, the GSP will not be able to open the Account. If the GSP is unable to verify your identity, the GSP reserves the right to close your Account or take other steps the GSP deems reasonable.

B. Who Can Be a Beneficiary?

Your Beneficiary must be a natural person. Anyone, including the Account Owner, can be a Beneficiary. At the time a GSP Account is established, the Beneficiary does not have to be a Pennsylvania resident, provided the Account Owner is a Pennsylvania resident. A subsequent change in residency does not affect the Account. Each Account may have only one named Beneficiary.

C. How to Open a GSP Account

A GSP Account will be established after a completed enrollment form, along with the enrollment fee (if one is required) has been received and processed by the GSP Plan. Certain other documents may be required for an Account to be established. Accounts will not be established, orders will not be executed, and the enrollment form and enrollment fee will be returned if the enrollment form is not complete. By signing the enrollment form, you agree that the GSP Account is subject to the terms and conditions of this Disclosure Statement and the GSP Plan Contract attached as Appendix A to this Disclosure Statement. In your enrollment form, you must specify a Tuition Level (including residency status) and a projected date for the Beneficiary's enrollment at an Eligible Educational Institution. Because Pennsylvania State University and the University of Pittsburgh currently charge different tuition rates depending on when the student first enrolled, your projected enrollment date may be used to determine the applicable Tuition Level for those two schools. Your projected enrollment date will also affect the time period in which you can earn SAGE tuition discounts (see Section II. D. 3. "OPENING AND MAINTAINING YOUR GSP ACCOUNT - *Optional Account Designations* – The SAGE Scholars Program" below). Contributions will be credited to your GSP Account only if the documentation received from you is complete and in good order. However, if you do not complete certain items, the GSP may do so on your behalf: (1) if you do not specify a Tuition Level, the GSP will deem you to have selected the State System of Higher Education Average Tuition Level; (2) if you do not specify a residency level, the GSP will deem you to have selected an in-state or in-district residency level, as applicable; and (3) if you do not specify the Beneficiary's projected enrollment date, the GSP will deem such projected enrollment date to be the August immediately after the date the Beneficiary reaches 18 years of age.

D. Optional Account Designations

In addition to providing required information and designations, on the enrollment form you will also be able to make optional designations of: a successor owner; interested parties, who are individuals who may have Account information access; and participation in the SAGE Scholars Program.

1. Successor Owner.

You may name someone as Successor Owner. The Successor Owner automatically becomes the owner of your GSP Account and has all the powers of the Account Owner with respect to your Account upon your death or incapacity, to the extent permitted under the law of your state of residence at the time of your death or incapacity and subject to restrictions on the designation of a Successor Owner by a custodian of a GSP Account established under UTMA or UGMA. You may designate a Successor Owner by completing the appropriate section of the enrollment form or at a subsequent time by submitting a Services for Your GSP Account form. Your designation may be changed or revoked at any time. If you opt to designate a Successor Owner, upon your death, the funds in your Account may or may not be deemed assets of your probate estate for any purpose under the laws of many states. You should consult a probate lawyer in your state of residence to determine the precise effect of such a designation. The Successor Owner, or if you do not designate a Successor Owner, the person to whom ownership of your Account is transferred in the event of your death or incapacity, will be entitled to exercise all of the rights of an Account Owner, including the right to make withdrawals from the Account and change the Beneficiary of the Account. Accordingly, in the event of your death or incapacity prior to the use of the amounts in the Account, such amounts will be applied to pay the Qualified Higher Education Expenses of the Beneficiary you have designated only if the Successor Owner or other successor to the Account Owner's rights directs that the amounts in the Account be applied for such purpose. If you wish to ensure that, in the event of your death or incapacity, amounts in the Account will be applied to pay the Qualified Higher Education Expenses of the Beneficiary you have designated, you should consult a legal advisor.

If you do not designate a Successor Owner, or if the designated person is not alive at the time of your death or incapacity, the GSP Plan Contract provides that ownership of your Account (including the ability to change the Beneficiary) will, in the case of your death, pass pursuant to the terms of your will, or, if you do not have a will at the time of your death or if you are incapacitated, to the extent permitted under the law of your state of residence at the time of your death or incapacity, to your surviving spouse, if any, and otherwise to the Beneficiary or, if the Beneficiary is a minor, to the person designated to inherit assets of the type represented by the Account by operation of law. Although the tax treatment of such a transfer is not specified under existing federal tax laws and is therefore somewhat uncertain, provided the money stays in the Account at the time of such transfer, such transfer of Account ownership should not, in and of itself, be treated as a distribution from the Account for federal income tax purposes or be subject to the assessment of the additional 10% federal income tax on earnings withdrawn from an Account.

2. Designation of Interested Parties

Information regarding your Account, including whether or not you have an Account, is confidential and, unless otherwise authorized, will not be released even to your spouse, Beneficiary, or Successor Owner. If you wish to allow an individual to have information about your Account you may so indicate on the enrollment form or, at a subsequent time, on a Services for Your GSP Account form. This designation may be changed or revoked at any time. A person who you have given account information access may obtain any information about your Account. He or she, however, cannot exercise any control or make any changes regarding your Account.

3. The SAGE Scholars Program

When you open an Account (or any time thereafter), you may opt to enroll in the SAGE Scholars Tuition Rewards Program (the "SAGE Scholars Program"). Through this program you can earn tuition discounts that your Beneficiary may use if he or she attends one of the more than 190 private colleges nationwide that participate in the SAGE Scholars Program. You may enroll in the SAGE Scholars Program no later than the June 30th three years preceding your Beneficiary's projected date of college enrollment. For example, for Beneficiaries entering college immediately after high school, the last date for enrolling in the SAGE Scholars Program is June 30 after their sophomore year in high school. Each SAGE participating school sets its own limit on the amount of SAGE tuition discounts it will honor, which is typically one year of tuition and currently ranges from $10,590 to $24,710.

Tuition discounts are earned quarterly based on the Tuition Inflation Value of your GSP Account. At the end of each calendar quarter, 1.25 percent of the Tuition Inflation Value (irrespective of the Maturity Period) of your GSP Account is credited to your SAGE Scholars Program tuition discount. When you enroll in the SAGE Scholars Program through the GSP, you are credited with $250 in tuition discounts as a signing bonus. Additionally, you receive $250 in SAGE tuition discounts when you sign up for on-line access to your SAGE tuition discount information through the SAGE website (WWW.SAGESCHOLARS.COM). You will continue to earn tuition discounts through June 30 two years preceding the projected date of your Beneficiary's college enrollment. For example, for Beneficiaries entering college immediately after high school, the last date for earning SAGE tuition discounts is June 30 after their junior year in high school. The tuition discounts earned on your GSP Account for each quarter will be indicated on your GSP Quarterly Statement or, in the alternative, will be made available to you through the SAGE Scholars Program website.

When used, SAGE Scholars Program tuition discounts are applied evenly over the four years that the Beneficiary attends a SAGE participating school. Additionally, the school may use the tuition discounts as a part of, or separate from, its normal financial aid awards. Enrollment in the SAGE Scholars Program does not affect – either positively or negatively – admission to a SAGE participating school.

The SAGE Scholars Program is offered and administered by SAGE Scholars, Inc., a private for-profit corporation. SAGE Scholars, Inc. is not sponsored by or affiliated with the GSP or the Contractor. SAGE Scholars, Inc. has contractual agreements with each SAGE participating school through which the school agrees to provide tuition discounts based on the amount a family has saved in certain approved savings vehicles. The GSP is one of the approved savings vehicles. The total tuition discount under the SAGE Scholars Program used by one student may not exceed the maximum tuition reduction amount honored by the particular SAGE participating school attended by the student regardless of the number of SAGE Scholars, Inc. approved savings vehicles used.

SAGE Scholars, Inc. provides SAGE participating schools the names and contact information of the Beneficiaries and/or Account Owners enrolled in the SAGE Scholars Program so that each participating school may contact them to encourage consideration of attending that school. When you enroll in the SAGE Scholars Program through the GSP, you are granting the GSP permission to provide information on you and your Beneficiary to SAGE Scholars, Inc. so that it may provide that information to SAGE participating schools.

SAGE tuition discounts earned through the GSP can be transferred from one Beneficiary to another Beneficiary by an Account Owner if the receiving Beneficiary is a "member of the family" (defined at Section III. D. "CHANGES TO A GSP ACCOUNT - *Member of the Family*" below) of the Beneficiary from whom the tuition discounts are being transferred. However, neither the $250 in SAGE tuition discounts given for initially enrolling in the SAGE Scholars Program nor the $250 in SAGE tuition discounts given for signing up for website account access may be transferred to another Beneficiary. Once a GSP Account is closed, unused SAGE tuition discounts may not be transferred. In addition, SAGE tuition discounts may not be transferred after June 30 two years preceding the receiving Beneficiary's projected date of college enrollment.

Your enrollment in the SAGE Scholars Program through the GSP is subject to the terms and conditions of participation in the SAGE Scholars Program, which may be changed from time to time. These terms and conditions as well as other information on the SAGE Scholars Program, including the current list of SAGE participating schools and the maximum tuition discount honored by each participating school, can be obtained online at WWW.SAGESCHOLARS.COM or by calling 1-888-222-0550.

4. Upromise Rewards Service

The GSP makes saving for college even easier with Upromise, a free rewards service that lets members get back a percentage of their qualified spending with hundreds of America's leading companies as college savings. Once you enroll in the GSP, your Upromise account and your GSP account can be linked so that your rebate dollars are automatically transferred to your GSP account on a periodic basis. The minimum amount for an automatic transfer from a Upromise account to an account in the GSP is $25. Upromise rewards service is offered by Upromise, Inc. This Disclosure Statement provides information concerning the GSP, but is not intended to provide detailed information concerning Upromise rewards service. Upromise rewards service is administered in accordance with the terms and procedures set forth in the Upromise Member Agreement (as amended from time to time), which is available on the Upromise website at WWW.UPROMISE.COM.

E. Method of Payment

Your contributions to the GSP can be made by personal check, cashier's check, certified check, money orders (up to a maximum amount of $2,000), automatic contribution plan, electronic funds transfer (only for initial contributions and the enrollment fee when enrolling on-line), payroll deduction or through a "rollover distribution" from another qualified tuition program or transfer from the Investment Plan. All contributions must be in United States dollars. You can make systematic contributions by payroll deduction or by automatic deductions from your bank account through an automatic contribution plan. In order to contribute by payroll deduction, you and your employer must complete a payroll deduction form, which may be obtained by contacting the GSP Customer Service.

Your contributions will be determined processed as follows:

- If the GSP receives your contribution in good order on a business day prior to the close of the NYSE, your contribution will be processed on that day.
- If the GSP receives your contribution in good order on a business day after the close of the NYSE or at any time on a non-business day, your contribution will be processed on the next business day.
- As an exception to the two points above, contributions received through an automatic contribution plan or an electronic funds transfer will be processed on the business day before the day the bank debit occurs.

Account Owners may be eligible to make automatic, periodic contributions to their accounts by payroll deduction (if the Account Owner's employer offers such a service). The minimum payroll deduction contribution is an amount equal to $25 per month. Contributions by payroll deduction will only be permitted from employers able to meet the Program Manager's operational and administrative requirements for Section 529 savings plan payroll contributions.

Checks should be made payable to "TAP GSP." Contributions by check must be drawn on a banking institution located in the United States. Contributions to the GSP and the Investment Plan should be made by separate checks.

F. Minimum Contributions

The minimum contribution to your GSP Account is currently $25. However, for contributions made more frequently than monthly from automatic payroll deduction or automatic deduction from your bank, each contribution may be less than $25 as long as the total contribution through that method is at least $25 on a monthly basis. Additionally, in the case of GSP Accounts established prior to July 17, 2002, a lesser amount may be accepted in the case of contributions made pursuant to an automatic contribution plan or payroll deduction plan.

G. Maximum Contribution Limit

By law, additional contributions to an Account may not be made if, at the time of a proposed contribution, the Tuition Inflation Value of the Account (or the combined Tuition Inflation Value of all GSP Accounts for the same beneficiary, if more than one) for the designated Beneficiary (when combined with the aggregate balances of all Investment Plan accounts for the Beneficiary) has reached a certain level (the "Maximum Contribution Limit"). For this purpose, all Accounts for the same beneficiary are considered regardless of whether they are owned by different Account Owners. The Maximum Contribution Limit established for the GSP is currently calculated based on the current cost of five years of undergraduate tuition, mandatory fees and room and board costs at the University of Pennsylvania and two years of graduate tuition, mandatory fees and room and board costs at the Wharton School of the University of Pennsylvania. The Maximum Contribution Limit may be adjusted annually, and may be changed at any time if required by federal tax law. The Maximum Contribution Limit in effect as of the date of this Disclosure Statement is $315,000.

It is the Account Owner's obligation to comply with the Maximum Contribution Limit. The Maximum Contribution Limit has been imposed in order to comply with the federal tax law requirement that the GSP have adequate safeguards to prevent contributions to an Account in excess of those necessary to provide for the Qualified Higher Education Expenses of the Beneficiary of the Account. To assist Account Owners in complying with the Maximum Contribution Limit, the GSP has established monitoring procedures designed to track the Maximum Contribution Limit. If a contribution in excess of the Maximum Contribution Limit is identified, it will be rejected (or if accepted, may be returned without any earnings thereon). Earnings, if any, on any returned contribution will be subject to an additional 10% federal income tax. None of the Commonwealth, the Department or the Contractor or other contractor or its affiliates, or any representative of any such party, will be responsible for any loss, damage or expense which may occur in connection with a rejected or returned contribution. Under the terms of the GSP Plan Contract, the Account Owner will be deemed to certify, at the time of each contribution, that such contribution, together with the earnings thereon, is intended to be applied to pay for the Qualified Higher Education Expenses of the Beneficiary.

The Department reserves the right to change the Maximum Contribution Limit in accordance with the Department's interpretation of the law, and to refund or distribute to the Account Owner any contributions to a GSP Account that are subsequently determined to have exceeded the Maximum Contribution Limit. No assurance can be given that the amount held in a GSP Account for any Beneficiary, even if contributions up to the Maximum Contribution Limit are made, will be sufficient to pay the Qualified Higher Education Expenses of the Beneficiary.

H. Community Property Laws

If you are a resident of any state that has community property laws and you are concerned about the application of those laws to contributions, withdrawals and ownership of Accounts, you should consult a legal advisor. Community property issues such as limitations on gifts of community property and ownership of community property upon death or dissolution of marriage are beyond the scope of this Disclosure Statement.

I. Limitation on Pledges, Assignments and Loans

Your GSP Account may not be pledged as security for a loan or debt. You may not borrow amounts in your GSP Account.

J. Department Procedures and Requirements

Your GSP Account and your GSP Plan Contract are subject to all procedures and requirements adopted by the Department from time to time.

K. Restrictions on UTMA/UGMA GSP Accounts

The interplay between state law applicable to ownership of a GSP Account by a custodian in the name of a minor under the Uniform Transfers to Minors Act, as adopted in the applicable jurisdiction ("UTMA") or Uniform Gifts to Minors Act, as adopted in the applicable jurisdiction ("UGMA"), federal and state tax law generally applicable to accounts owned by a minor, and the provisions of Section 529 of the Tax Code is not entirely clear. The GSP permits the establishment of a GSP Account in the name of a custodian for a minor under UTMA or UGMA, provided that such Account Owner certifies at the time such GSP Account is established that such Account is being established for the purpose of transferring funds from a pre-existing UTMA or UGMA account and that such Account Owner acknowledges and assumes responsibility for any adverse consequences resulting from the lack of legal certainty about the status of UTMA or UGMA accounts established under the GSP. In order to make such a transfer, the custodian will need to liquidate any securities in such UTMA or UGMA account (which may require payment of taxes on any accrued gains) and transfer cash to the GSP Account. Additional contributions to such a GSP Account may be accepted after such GSP Account has been established and such cash transfer has been received. In the alternative, the Account Owner may elect to establish for the Beneficiary a separate Account not subject to the restrictions of UTMA or UGMA to accommodate subsequent contributions.

If a GSP Account is established for a minor under UTMA or UGMA, the minor is the Account Owner (through the custodian) and the Beneficiary. **The minor must remain the Beneficiary of such GSP Account at all times notwithstanding the Account Owner's ability to change the Beneficiary for other types of GSP Accounts.** In addition, when the minor attains an age specified by applicable state law, the custodian will cease to have any control over the GSP Account and the former minor will control the disposition of assets in the GSP Account. Furthermore, the minor will be treated as the owner of the GSP Account at all times, so that any taxable distribution from the GSP Account will be treated as income of the minor (except to the extent, if any, that applicable law requires that such distribution be treated as income of the custodian). You should consult a tax advisor or a probate lawyer in your state about the advisability of transferring UTMA/UGMA funds to a GSP Account. The gift tax implications of establishing a GSP Account in the name of a custodian for a minor under UTMA or UGMA are unclear, and it is possible that amounts contributed to such an Account that exceed a certain amount (currently $12,000) per calendar year may reduce the minor's lifetime exemption from gift tax. See Section IX. "TAX INFORMATION" below. The ability to make a Rollover Distribution involving an Account established under UTMA or UGMA may be restricted. See Section V. E. "WITHDRAWALS – *Rollover Distributions*" below.

None of the Commonwealth, the Department or the Contractor will assume responsibility to ensure or incur liability for failing to ensure that UTMA or UGMA custodians apply assets held under UTMA/UGMA custodianships for proper purposes or for any adverse consequences that may result from using a pre-existing UGMA or UTMA to establish a GSP Account. The Department and the Contractor may from time to time and in their discretion permit GSP Accounts to be established under UTMA/UGMA in situations that do not involve a transfer of funds from a pre-existing UGMA or UTMA account.

L. Rollovers From Other Qualified Tuition Programs to a GSP Account

You may roll over funds from another qualified tuition program established under Section 529 of the Tax Code to a GSP Account. In order to have a federally non-taxable and penalty-free rollover, the Beneficiary of the GSP Account to which the funds are transferred must either be a "member of the family" of the beneficiary of the account from which the transfer is made, or the same as the beneficiary of the account from which the transfer is made if, at the time of such transfer, at least 12 months have elapsed since the last such transfer. The rollover amount must be received by the GSP within 60 days of its withdrawal from the prior qualified tuition program, and you must provide the GSP with acceptable documentation from the prior qualified tuition program regarding the portion of any rollover contribution that consists of a return of principal and the portion that consists of earnings. Call 1-800-440-4000 for more information about how to complete such a transfer. The qualified tuition program from which you are transferring funds may impose other restrictions on such a transfer, so you should investigate this alternative thoroughly before you request a transfer. Even though a rollover among qualified tuition programs may be non-taxable for federal and Pennsylvania income tax purposes, it may be treated as a taxable distribution from the prior qualified tuition program for purposes of other applicable state income taxes. Contact your tax advisor for more information about state tax treatment. See Section IX.D. "TAX INFORMATION – *State Income Tax Treatment* " below.

To effectuate the change of Account ownership after your death or incapacity, the Successor Owner must submit a certified copy of the death certificate, or other legally recognized proof of death or incapacity that is acceptable to the GSP, and the Successor Owner must complete, sign and submit a GSP Enrollment Form.

M. Moving Funds From Coverdell Education Savings Accounts to a GSP Account

You may move funds from a "Coverdell Education Savings Account" (formerly an "Education IRA") established under Section 530 of the Tax Code to a GSP Account. In order to do so on a federally non-taxable and penalty-free basis, the Beneficiary of the GSP Account to which the funds are transferred must be the same as the beneficiary of the Coverdell Education Savings Account from which the transfer is made, and the deposit to the Account must occur in the same tax year as the withdrawal from the Coverdell Education Savings Account. After the amount has been moved from the Coverdell Education Savings Account to the GSP Account, you may change the Beneficiary of the GSP Account as described below under Section III.C. "CHANGES TO A GSP ACCOUNT – *Changing a Beneficiary*." You must provide the GSP with acceptable documentation from the custodian for the Coverdell Education Savings Account regarding the portion of any contribution that consists of a return of principal and the portion that consists of earnings. Call 1-800-440-4000 for more information about how to complete such a transfer. Even though moving funds from a Coverdell Education Savings Account to a GSP Account may be federally non-taxable, it may be treated as a taxable distribution from the Coverdell Education Savings Account for purposes of Pennsylvania income taxes or other applicable state income taxes. Contact your tax advisor for more information about state tax treatment.

N. Reinvesting Proceeds of Certain U.S. Savings Bonds in a GSP Account

Some U.S. Savings Bonds may be cashed in and, if the proceeds are deposited into a GSP Account, the federal tax on the reinvested earnings will be deferred until such earnings are withdrawn from the GSP Account. (In the case of a withdrawals for the Beneficiary's Qualified Higher Education Expenses at an Eligible Educational Institution, no federal income tax will be due on such earnings even when they are withdrawn from the GSP Account.) The proceeds from such U.S. Savings Bonds may be tax-exempt if used directly for higher education expenses. Therefore, you may wish to consult a financial or tax advisor to determine whether it is better to reinvest the earnings in a GSP Account or apply them directly to the payment of higher education expenses, if there are such expenses in the year the bond is cashed in.

The qualified bonds are series EE bonds issued after 1989 and series I bonds. The owner of the bonds must have been at least 24 years of age on the date the bonds were issued. The Beneficiary of the GSP Account must be (1) the Account Owner; (2) the Account Owner's spouse; or (3) a dependent of the Account Owner. And, to qualify for the tax deferral, the owner of the bond must meet certain income restrictions. You should consult a financial or tax advisor to determine whether you qualify for the tax deferral.

To take advantage of this opportunity, the bond owner simply cashes in the bonds and sends a contribution to his or her GSP Account for the amount of the proceeds. The bond owner needs to record certain information from the bonds (Internal Revenue Form 8818 is available for this purpose) that must be reported to the Internal Revenue Service later. The taxpayer must file an Internal Revenue Service Form 8815 in the tax year in which the bonds are cashed in and placed in the GSP Account.

O. Transferring Funds from a GSP Account to an Investment Plan Account

You may transfer amounts held in an existing GSP Account into an Account under the Investment Plan (an "Investment Plan Account"). See Section IV. "TRANSFERS BETWEEN A GSP ACCOUNT AND AN INVESTMENT PLAN ACCOUNT" below.

Pennsylvania Tuition Account Program

III. Changes to a GSP Account

Even though the Account Owner designates a Beneficiary of the GSP Account, the Account Owner remains the legal owner of the GSP Account and controls withdrawals from the GSP Account and any changes to the GSP Account (subject to the restrictions described above under Section 11.K. “OPENING AND MAINTAINING YOUR GSP ACCOUNT – Restrictions on *UTMA/UGMA GSP Accounts*” in the case of an Account established under UTMA or UGMA). The changes discussed in this Section III may be made by the Account Owner without any penalty being charged by the GSP and without adverse federal income tax consequences. Changes may be requested using the methodology specific in the below discussions of each type of change. Many of the permissible changes may be requested through the Services for Your Account form, which is available on line at WWW.TAPFACTS.COM or by calling 1-800-440-4000. For security reasons, changes may not be requested by e-mail.

A. Reallocating Existing Contributions between the GSP and the Investment Plan

The Internal Revenue Service has indicated in a written notice that final regulations for Section 529 programs will permit Account Owners to reallocate past contributions among investment options available under a single qualified tuition program once per calendar year. Because the GSP and the Investment Plan are both part of the GSP, you may make reallocations to and from the GSP to investment options available under the Investment Plan, to the extent permitted by applicable tax law. Compliance with the tax law and any relevant regulations is the responsibility of the Account Owner. A reallocation of past contributions between a GSP Account and investment options available under the Investment Plan in connection with a change of the Beneficiary of the applicable Account is not subject to the once per calendar year restriction. Such a change must be requested in writing signed by the Account Owner.

B. Changing Tuition Levels

At any time after the initial designation of a Tuition Level for a GSP Account, the Account Owner can elect to change the designated Tuition Level. Such change can be made by submitting the appropriate form (Services for Your GSP Account Form) to the GSP. A change in Tuition Level may include a change from an in-state Tuition Level to a non-resident Tuition Level (for the state-related and State System of Higher Education schools), or vice versa, or from an in-district Tuition Level to an out-of-district Tuition Level (for community colleges), or vice versa. Upon such an election, the TAP Credits in the GSP Account will be recalculated as if the new Tuition Level had been selected for all contributions in the Account from the day the GSP Account was opened. Changing the Tuition Level will result in a recalculation of the number and value of the TAP Credits attributable to all contributions in the Account. In making this recalculation, the number of TAP Credits at the new Tuition Level will be obtained by dividing each individual contribution in the Account by the TAP Credit Rate in effect for the newly designated Tuition Level at the time the contribution was made. If the TAP Credit Rate for the new Tuition Level was less expensive at the time a contribution was made than the previously designated Tuition Level, the number of TAP Credits in the Account attributable to that contribution will increase, and each TAP Credit might have a lesser dollar value. If the TAP Credit Rate for the new Tuition Level was more expensive at the time a contribution was made, the number of TAP Credits in the Account attributable to that contribution will decrease, and each TAP Credit might have a greater dollar value. The Tuition Inflation Value under different Tuition Levels will depend on the Tuition Inflation Rates at the different Tuition Levels. The Tuition Inflation Rates are affected by the actual tuition increases and the TAP Credit Rate Premiums of the schools comprising the Tuition Levels. See also Section I. F. “*GSP Account Valuations*.” Such a change may be requested by the Account Owner over the phone or in writing signed by the Account Owner.

C. Changing a Beneficiary

You can change the Beneficiary of your GSP Account (unless you are a custodian of a GSP Account established under UTMA or UGMA), provided that the new Beneficiary of your GSP Account is a “member of the family” of the prior Beneficiary, as that term is defined below. You may not change the Beneficiary if such change would cause the aggregate Tuition Inflation Value of all Accounts for the new Beneficiary under the GSP to exceed the Maximum Contribution Limit for the new Beneficiary. (See Section II.G. “OPENING AND MAINTAINING YOUR GSP ACCOUNT – *Maximum Contribution Limit*.”) A change in Beneficiary may be treated as a gift from the previous Beneficiary to the new Beneficiary in certain circumstances, and therefore may have gift tax implications. See Section IX. “TAX INFORMATION” below. If the Account Owner was not a Pennsylvania resident at the time the Account was opened, the new

Beneficiary of a GSP Account must be a Pennsylvania resident; however, the Department, in its sole discretion, may waive this requirement if it determines that the change is not being requested to circumvent the intent of the Act regarding residency. Such a change may be requested by the Account Owner over the phone or in writing signed by the Account Owner. In making the request, the Account Owner must specify the relationship between the Beneficiary being replaced and the new Beneficiary.

D. Member of the Family

The term "member of the family" is defined by Section 529 of the Tax Code. A member of the family of a Beneficiary is a person related to the Beneficiary as follows: (i) a son or daughter, or a descendant of either; (ii) a stepson or stepdaughter, or a descendant of either; (iii) a brother, sister, stepbrother or stepsister; (iv) the father or mother, or an ancestor of either; (v) a stepfather or stepmother; (vi) a son or daughter of a brother or sister; (vii) a brother or sister of the father or mother; (viii) a son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law or sister-in-law; or (ix) the spouse of the Beneficiary or of any of the other foregoing individuals, or (x) a first cousin. For this purpose, a child includes a legally adopted child and a foster child and a brother or sister includes a brother or sister by half-blood.

E. Changing the Projected College Enrollment Date

You may change the projected college enrollment date of your Beneficiary at any time. The projected enrollment date is used by the GSP for purposes of its determinations of the actuarial soundness of the GSP Fund, and to determine when the GSP should contact you with information about use of your GSP Account for the payment of the Beneficiary's Qualified Higher Education Expenses. Because Pennsylvania State University and University of Pittsburgh currently charge different tuition rates depending on when the student first enrolled, your projected enrollment date may be used to determine the applicable Tuition Level for those two schools. Your projected enrollment date will also affect the time period during which you can earn SAGE tuition discounts (see Section II. D. 3 "OPENING AND MAINTAINING YOUR GSP ACCOUNT – *Optional Account Designations* – The SAGE Scholars Program" above). Such a change may be requested by the Account Owner over the phone or in writing signed by the Account Owner.

F. Transfer of GSP Account Funds

You may transfer all or a portion of your contributions into a GSP Account to a TAP Account for a different Beneficiary (unless you are a custodian of a TAP Account established under UTMA or UGMA). The growth attributable to the contribution is transferred with the contribution. As is the case with changing Beneficiaries, the Beneficiary of the GSP Account receiving the transferred contributions must be a "member of the family" of the Beneficiary of the GSP Account from which the contributions are transferred. Contributions are transferred on a first-in-first-out basis. A transfer does not affect the Maturity Period related to the transferred contribution. You may not transfer the contributions to the extent such transfer would cause the aggregate Tuition Inflation Value of all GSP Accounts for the new Beneficiary (when combined with the aggregate balances of all Investment Plan accounts for the new Beneficiary) to exceed the Maximum Contribution Limit for that Beneficiary. Such a change must be requested in writing signed by the Account Owner. In making the request, the Account Owner must specify the relationship between the Beneficiary of the Account from which the funds are being transferred to the Beneficiary of the Account to which the funds are being transferred.

If there is no existing GSP Account for the new Beneficiary, a new enrollment form must be completed to establish the GSP Account and transfer the funds. In the case of transfers to a new Account under the Investment Plan, you should obtain and review the Pennsylvania Tuition Account Program Investment Plan Disclosure Statement (Fee Structure I) or the Pennsylvania Tuition Account Program Investment Plan Disclosure Statement (Fee Structure A, B or C) prior to making such transfer. See also Section IV. "TRANSFERS BETWEEN A GSP ACCOUNT AND AN INVESTMENT PLAN ACCOUNT" below.

Transfers of contributions do not automatically transfer the SAGE Tuition Discounts previously earned on the contributions being transferred. If you wish, you may direct that SAGE tuition discounts be separately transferred, pursuant to Section III.G. "CHANGES TO A GSP ACCOUNT – Transfer of SAGE Tuition Discounts" below.

G. Transfer of SAGE Tuition Discounts

You may transfer all or a portion of your SAGE tuition discounts to a different Beneficiary. The Account Owner of both Accounts must be the same person or legal entity and the Beneficiary receiving the SAGE tuition discounts must be a "member of the family" of the Beneficiary from which the SAGE tuition discounts are being transferred. See Section II.D.3. "OPENING AND MAINTAINING YOUR GSP ACCOUNT – *Optional Account Designations* – The SAGE Scholars Program" above for additional conditions and limitations. Request for transfers of SAGE tuition discounts should be directed to SAGE Scholars.

H. Changing the Account Owner

The Account Owner may select a replacement Account Owner if the following four requirements are met: (1) The Account Owner to be named, if a natural person, has attained the age of 18; (2) a written statement signed by the Account Owner to be named is submitted stating that he or she agrees to be bound by the terms of the GSP Plan Contract; (3) the existing and replacement Account Owner each certify that the change is made without consideration (that is, nothing is given in exchange for the account ownership being changed); and (4) if the Beneficiary is not a resident of Pennsylvania at the time of the requested change and was not a resident of Pennsylvania at the time he or she first became the Beneficiary, the Account Owner to be named is a resident of Pennsylvania. The Department, in its sole discretion, may waive the fourth requirement if it determines that the change is not being requested to circumvent the intent of the Act regarding residency. Such a change must be requested in writing signed by the Account Owner and a signature guaranteed must be obtained. The written request must include representations that each of the four conditions described above have been met.

I. Changing a Successor Owner

If you have designated a Successor Owner, you may change that designation at any time. As discussed more fully above, the Successor Owner automatically becomes the owner of your GSP Account and has all the powers of the Account Owner with respect to your Account upon your death or incapacity, to the extent permitted under the law of your state of residence at the time of your death or incapacity and subject to restrictions on the designation of a Successor Owner by a custodian of a GSP Account established under UTMA or UGMA. See Section II. D. 1. "OPENING AND MAINTAINING YOUR GSP ACCOUNT – *Optional Account Designations* – Successor Owner" for more information regarding the designation of a Successor Owner. Your designation may be changed or revoked at any time upon written notice to the GSP. Such a change must be requested in writing signed by the Account Owner.

J. Changing Interested Parties

The Account Owner may add or change the designated Interested Parties at any time. As discussed more fully above, an Interested Party is someone who may be given information about your Account but who may not authorize any action on the Account. The addition or change must be requested in writing signed by the Account Owner.

K. Address Changes

The Account Owner is obligated to advise the GSP of any change of address of the Account Owner, Beneficiary, or Successor Owner. Such a change may be requested by the Account Owner over the phone or in writing signed by the Account Owner. Whenever an address is changed at the request of an Account Owner, a confirmation of the change will be mailed to both the old and new addresses.

If an Account Owner owns more than one GSP Account and changes the Account Owner's address on some but not all of the Accounts, the GSP will change the address on all the Accounts to conform with the address most recently given by the Account Owner. Additionally, on a periodic basis, the GSP will utilize the National Change of Address (NCOA) database maintained by the U.S. Postal Service to verify the accuracy of account addresses and will conform the Account record to the NCOA database information.

Pennsylvania Tuition Account Program

IV. Transfers Between A GSP Account and an Investment Plan Account

The Internal Revenue Service has indicated in a written notice that final regulations for Section 529 programs will permit Account Owners to reallocate assets among investment options available under a single qualified tuition program once per calendar year. Moving assets from a GSP Account to an Investment Plan account, or a transfer from an Investment Plan account to a GSP Account, will be treated as a reallocation of assets for this purpose, and must occur at the same time as any other reallocation of assets invested under the Pennsylvania Tuition Account Program. A transfer of assets from an Investment Plan account to a GSP Account or from a GSP Account to an Investment Plan account may also occur if the Beneficiary of the Account into which the transfer is made is different from the Beneficiary of the Account from which the transfer is made, but is a "member of the family" of the Beneficiary of the Account from which the transfer is made, as defined above under Section III.D. "CHANGES TO A GSP ACCOUNT – *Member of the Family*." No transfer will be permitted from an Investment Plan account to a GSP Account if, at the time of the proposed transfer, the age of the Beneficiary of the GSP Account is 14 years or older. No transfer from an Investment Plan account to a GSP Account for a different Beneficiary, or from a GSP Account to an Investment Plan account for a different Beneficiary, will be permitted if such transfer would cause the aggregate account balances of all Accounts for the new Beneficiary under the Pennsylvania Tuition Account Program to exceed the Maximum Contribution Limit for the new Beneficiary (using the Tuition Inflation Value of the GSP Account(s). (See Section II. G. "OPENING AND MAINTAINING YOUR GSP ACCOUNT – *Maximum Contribution Limit*.") A change in Beneficiary may be treated as a gift from the previous Beneficiary to the new Beneficiary in certain circumstances, and therefore may have gift tax implications. See Section IX. "TAX INFORMATION" below. The fee structure and risks of investments under the Investment Plan differ significantly from those applicable to investments under the GSP. You should obtain and review the Pennsylvania Tuition Account Program Investment Plan Disclosure Statement (Fee Structure I) or the Pennsylvania Tuition Account Program Investment Plan Disclosure Statement (Fee Structure A, B or C) prior to making a transfer to an Investment Plan Account. A transfer between a GSP Account and an Investment Plan Account will have no federal or Pennsylvania income tax consequences if made in compliance with the conditions described above.

The Account valuation used for a transfer from a GSP Account to an Investment Plan Account will be the valuation used for Non-Qualified Distribution from the GSP Account, as described below under Section V. C. 2 "WITHDRAWALS – *General Non-Qualified Distributions* – Amount of General Non-Qualified Distributions."

Pennsylvania Tuition Account Program

V. WITHDRAWALS

Only the Account Owner, or designated trustee or custodian for an UTMA/UGMA Account, may direct withdrawals from a GSP Account. There are several types of withdrawals. A withdrawal used to pay the Qualified Higher Education Expenses of the Beneficiary at an Eligible Educational Institution is a "Qualified Distribution" or "Qualified Withdrawal." A withdrawal used to make a contribution to an account in a qualified tuition program other than the Pennsylvania Tuition Account Program is a "Rollover Distribution." A withdrawal used for any other purpose is a "Non-Qualified Distribution" or "Non-Qualified Withdrawal." Additionally there are several types of Non-Qualified Withdrawals depending on the reason the withdrawal is being taken or is considered to be Non-Qualified. The value and tax consequences of a withdrawal from your GSP Account will vary depending on whether it is a Qualified Distribution, a Rollover Distribution, or a Non-Qualified Distribution (and depending on the type of Non-Qualified Distribution as described below under Sections III.B. and III.C.2. "WITHDRAWALS – *Specific Non-Qualified Distributions*" and "– *General Non-Qualified Distributions* – Amount of General Non-Qualified Distributions.") Each type of withdrawal is discussed below. You may request a withdrawal from your Account by notifying the GSP and completing the appropriate distribution form.

For federal tax purposes, all the Pennsylvania Tuition Account Program Accounts established by the same Account Owner for the same Beneficiary (including any Investment Plan Account) must be treated as a single account upon any withdrawal; that is, the accounts must be "aggregated." In such event, the earnings component of any withdrawal from any such Pennsylvania Tuition Account Program Accounts will be deemed to be, and will be reported to the Internal Revenue Service, in accordance with the tax methodology required by the Tax Code as applied to all earnings in all such Pennsylvania Tuition Account Program Accounts, irrespective of which Pennsylvania Tuition Account Program Account you select for the particular withdrawal. If the withdrawal was actually made from the GSP, the type of account valuation used (Tuition Inflation Value, Investment Performance Value, or Sum of Contributions) will be the valuation used in processing the withdrawal. If the withdrawal was actually made from the Investment Plan, the Account valuation used will be Investment Performance Value on the day of the withdrawal from the Investment Plan.

Currently there are no final regulations under the Tax Code with respect to distributions, but the Internal Revenue Service has announced that under federal law, the GSP will not be responsible for determining whether a distribution made under the version of Section 529 currently in effect is a Qualified Distribution. However, as discussed below, under Pennsylvania law the method for determining the dollar value of a TAP GSP Account varies depending on whether the withdrawal is a Qualified Withdrawal or a Non-Qualified Withdrawal and on the type of Non-Qualified Withdrawal. For this reason, **the GSP requires documentation sufficient to demonstrate the type of withdrawal being requested**. The required documentation is discussed below in conjunction with each type of withdrawal.

The Account valuation for Non-Qualified Withdrawals is calculated on the day the request is first initiated, whether by phone, fax, or mail. Because the Account valuations may be less and the tax consequences greater for Non-Qualified Withdrawals than for Qualified Withdrawals, in order to complete processing of a Non-Qualified Withdrawal, the GSP may require a written request acknowledging the value to be received and the tax consequences.

Currently, distributions of Qualified Withdrawals will be made to an Eligible Educational Institution, the Account Owner, or a third party designated by the Account Owner. Qualified Withdrawals will not be made to a Beneficiary. Non-Qualified Withdrawals will be made only to the Account Owner.

Under current instructions of the Internal Revenue Service, the GSP must report on an Internal Revenue Service Form 1099-Q the amount of all distributions made in a tax year and indicate which portion of the distribution constitutes the contribution (basis) and which portion represents the growth or earnings on the Account. Under current Internal Revenue Service instructions, for distributions made directly to Eligible Educational Institutions, the taxpayer to whom the Form 1099-Q must be addressed is the Beneficiary. For all other distributions, the Form 1099-Q must be addressed to the Account Owner.

A. Qualified Distributions

1. In General

As discussed more fully above under – Section I. G. ("TUITION ACCOUNT PROGRAM GUARANTEED SAVINGS PLAN – GENERAL DESCRIPTION – *Use of GSP Account*") your GSP Account can be used to pay Qualified Higher Education Expenses at any Eligible Educational Institution

2. Account Valuation for Qualified Withdrawals

For nearly all Qualified Withdrawals, the Account valuation used will be the Tuition Inflation Value. In rare situations, the Tuition Inflation Value might be less than the Sum of Contributions. This could occur, for example, if actual tuition at a Tuition Level decreased or if the amount of the Premium for a Tuition Level exceeded the actual tuition increases for the period of time in which the contribution(s) was held in the Account. In these situations, the value that will be disbursed for a Qualified Withdrawal will be the Sum of Contributions.

Only contributions that have met the Maturity Period may be used for a Qualified Withdrawal. However, the Account Owner may request that a withdrawal of contributions that have not met the Maturity Period for Qualified Withdrawals be processed as a Non-Qualified Withdrawal. If such a withdrawal is used for Qualified Higher Education Expenses at an Eligible Educational Institution, it will receive the same federal and state income tax treatment as withdrawals processed as Qualified Withdrawals.

3. Required Documentation and Income Tax Requirements

Currently, to make a Qualified Distribution you must submit a written request signed by the Account Owner. The Account Owner must self-certify that the requested distribution will be used for the Qualified Higher Education Expenses of the Beneficiary for attending an Eligible Educational Institution. A Payment Authorization Form is available for making such a self-certified request. Regardless of the qualified expenses for which the disbursement is being sought, the request must be accompanied by a tuition bill showing the school being attended that is sufficient for the GSP to determine the proper Tuition Level. If a request for a Qualified Distribution is made without the self-certification contained on the Payment Authorization Form, documentation of each qualified expense for which the disbursement will be used must be submitted. If the required documentation is not submitted, the distribution will not be processed or will be processed as a Non-Qualified Withdrawal.

The GSP expects to report the earnings components of all distributions, including Qualified Distributions, as income to the Account Owner or the Beneficiary, without determining or describing the purpose of such distribution or whether such income is taxable, and it will be the Account Owner's or Beneficiary's responsibility, as applicable, to substantiate upon request by the Internal Revenue Service that a distribution constituted a Qualified Distribution and that, accordingly, no federal income tax or the additional 10% federal income tax is due in connection with such distribution. Similarly, for individuals subject to Pennsylvania income tax, no state income tax is due with regard to a Qualified Withdrawal, but it is the taxpayer's responsibility to substantiate to the Department of Revenue, upon request, that a distribution was Qualified. Accordingly, in addition to any information required from you by the GSP in connection with use of your GSP Account for the payment of a Beneficiary's Qualified Higher Education Expenses at an Eligible Educational Institution, you should maintain records and documentation substantiating the purpose for which the distribution was expended.

In the case of a Qualified Distribution, the GSP reserves the right to require, at the end of the year in which such Qualified Distribution is made and at the end of the following year, the Beneficiary or the Account Owner to provide the TAP Programs Bureau with a signed statement identifying the amount of any refund during such year by an Eligible Educational Institution of any portion of Qualified Higher Education Expenses to which a Qualified Distribution was allocated. Any such refund may be treated as a "Non-Qualified Distribution".

4. Interplay between Qualified Distributions and Hope Scholarship and/or Lifetime Learning Credit

The amount of a Beneficiary's Qualified Higher Education Expenses in any tax year will be reduced by the aggregate amount, if any, of the Beneficiary's expenses used for such tax year to qualify the Beneficiary (or a person who can claim the Beneficiary as a dependent) for the Hope Scholarship Credit and/or Lifetime Learning Credit, two federal income tax credits that are available to taxpayers with incomes below a certain level who incur qualified tuition and related expenses. As a result of such reduction, the earnings component of certain amounts withdrawn from an Account to pay expenses that would constitute Qualified Higher Education Expenses if such expenses were not taken into account for purposes of qualifying for such federal income tax credits may be treated as income of the Account Owner that is subject to federal and state income tax (but not the additional 10% federal income tax applicable to Non-Qualified Distributions).

B. Specific Non-Qualified Distributions

1. Distributions on Account of Death or Permanent Disability of, or Scholarship or Tuition Waiver Awarded to, the Beneficiary

a. Required Documentation and Income Tax Requirements

The value of distributions on account of the death or permanent disability of, or receipt of a scholarship (including an appointment to a U.S. military service academy) or tuition waiver by, the Beneficiary are calculated in a different manner than other Non-Qualified Distributions and may be more than general Non-Qualified Withdrawals (see below). Additionally, these types of Non-Qualified Distributions are not subject to the additional income tax imposed on certain Non-Qualified Distributions, which is described below. However, the earnings portion of such distributions is taken into account for purposes of computing federal income tax. Non-Qualified Distributions may also be subject to state income tax. See Section IX. A. "TAX INFORMATION – *Federal Tax Treatment* – Distributions on Account of Death or Disability of, or Scholarship or Tuition Waiver Awarded to, the Beneficiary" below for more information. In the case of a GSP Account established by a custodian for a minor under UTMA or UGMA, any distribution must be authorized by the custodian until the minor assumes control of the GSP Account, and must be applied by the custodian in a manner consistent with the applicable requirements of UTMA or UGMA.

Under current federal tax law, a distribution is considered to be on account of the death of the Beneficiary only if it is made to the Beneficiary's estate, and is considered to be on account of the permanent disability of the Beneficiary only if at the time of the distribution the Beneficiary is unable to engage in any substantial activity by reason of a medically determinable physical or mental impairment which can be expected to result in death or to be of long-continued and indefinite duration.

To take a distribution from a GSP Account in these circumstances, receive the potentially greater distribution, and avoid the imposition of the additional 10% federal income tax applicable to other Non-Qualified Distributions, the Account Owner is required to provide documentation to the GSP confirming that the Beneficiary has died, become permanently disabled, or received a scholarship or tuition waiver in an amount equal to the distribution. If such required information is not provided, the distribution will be treated as a Non-Qualified Distribution other than on account of the death or permanent disability of, or receipt of a scholarship or tuition waiver by, the Beneficiary as described below.

To confirm the death of the Beneficiary, the Account Owner must submit a certified death certificate containing the name and Social Security number or Taxpayer Identification number of the Beneficiary, or such proof of death as is acceptable under applicable law. In order to avoid the imposition of the additional 10% federal income tax in connection with a distribution on account of the Beneficiary's death, the distribution must be received by the estate of the Beneficiary (i.e., a withdrawal upon the death of the Beneficiary that is retained by the Account Owner will not be considered a distribution on account of the death of the Beneficiary). However, as noted elsewhere, the Account Owner may change the Beneficiary.

To confirm the permanent disability of the Beneficiary, the Account Owner must submit a statement from a doctor of medicine or osteopathy who is legally authorized to practice in a state of the United States stating that the Beneficiary is unable to engage in any substantial gainful activity by reason of a medically determinable physical or mental impairment which can be expected to result in death or to be of long-continued and indefinite duration.

To confirm that the Beneficiary has received a scholarship or tuition waiver, the Account Owner must submit to the GSP a letter from the grantor of the scholarship or from the Eligible Educational Institution receiving or administering the scholarship or from the U.S. military service academy to which the Beneficiary has been appointed that: (i) identifies the Beneficiary by name and Social Security number or Taxpayer Identification number as the recipient; (ii) states the amount of the scholarship or tuition waiver for the academic year or years for which the distribution is sought; and (iii) if applicable, the Eligible Educational Institution to which the scholarship or tuition waiver is to be applied. Upon receipt of such documentation by the GSP, a withdrawal from the GSP Account **in an amount not exceeding the amount of the scholarship or tuition waiver received** by the Beneficiary will be exempt from the additional 10% federal income tax or withholding penalty applicable to the earnings portion of Non-Qualified Distributions.

These requirements are subject to change by the GSP.

The GSP expects to report the earnings components of all distributions, including Qualified Distributions, as income to the Account Owner or the Beneficiary, without determining or describing the purpose of such distribution or whether such income is taxable, and it will be the Account Owner's or Beneficiary's responsibility, as applicable, to substantiate upon request by the Internal Revenue Service that a distribution constituted a distribution on account of the death or permanent disability of, or on account of a scholarship or tuition waiver awarded to, the Beneficiary and that, accordingly, no additional 10% federal income tax is due on the earnings component of such distribution. Accordingly, you should obtain and maintain, if applicable, records and documentation substantiating that a distribution was on account of the death or permanent disability of, or on account of a scholarship or tuition waiver awarded to, the Beneficiary.

b. Account Valuation for Withdrawals taken because of Death or Permanent Disability of, or Scholarship or Tuition Waiver Awarded to, the Beneficiary

The Account valuation used for a distribution made from a GSP Account because of the death or permanent disability of the Beneficiary will generally be the Investment Performance Value (See Section V. B. 1. "WITHDRAWALS – *Specific Non-Qualified Distributions* – Distributions on Account of Death or Permanent Disability of, or Scholarship or Tuition Waiver Awarded to, the Beneficiary" above, but will not be less than the amount of the Sum of Contributions of the contributions in the Account. If the Account's Investment Performance Value is greater than the Account's Tuition Inflation Value, a distribution taken because of death or disability of the Beneficiary will have a greater value than if the distribution was any other type of Non-Qualified Distribution.

Any distribution made from a GSP Account on account of a scholarship (including an appointment to a U.S. military service academy) or tuition waiver will be the same amount that would have been paid from your GSP Account if an equivalent amount of Qualified Higher Education Expenses had been paid from your GSP Account, as described under "*Qualified Distributions*" above. That is, it will be the Tuition Inflation Value. A distribution because of a scholarship may not exceed the amount of the scholarship.

2. Non-Qualified Distributions Resulting from Hope and Lifetime Learning Credits.

Distributions that are not Qualified Distributions because they are for expenses that were used to qualify the Beneficiary (or a person who can claim the Beneficiary as a dependent) for the Hope Scholarship Credit and/or Lifetime Learning Credit are also not subject to the additional income tax, although the earnings portion is taken into account for purposes of computing federal income tax. Such distributions may also be subject to state income tax.

C. General Non-Qualified Distributions

1. Income Tax Requirements

The earnings portion of all Non-Qualified Distributions is subject to federal income tax. An additional 10% federal income tax on the earnings portion of the distribution applies to all Non-Qualified Distributions for any reason other than: (1) a distribution due to death or permanent disability of, or scholarship (including an appointment to a U.S. military service academy) or tuition waiver awarded to, the Beneficiary; (2) the distribution being deemed Non-Qualified because a Hope or Lifetime Learning Credit was taken; or (3) a Rollover Distribution (see Section V. E. "*Rollover Distributions*" below). This additional 10% federal income tax will be imposed on the earnings portion of the Non-Qualified Withdrawal, and will be payable by the Account Owner or, in certain circumstances, by the Beneficiary. The earnings portion of the Non-Qualified Distribution will be determined by using the earnings and contributions in the Account immediately prior to the Non-Qualified Distribution. Non-Qualified Distributions will be paid to the Account Owner. Non-Qualified Distributions of the type described in this paragraph that result in a withdrawal of a portion of an Account, but not the entire Account, are limited to once within any 12-month period, unless the GSP determines otherwise in its discretion. General Non-Qualified Distributions may also be subject to state income tax.

2. Amount of General Non-Qualified Distributions

A Non-Qualified Distribution of less than the entire amount available in a GSP Account may be obtained only once in any 12-month period. The amount of any Non-Qualified Distribution from a GSP Account (except those made on account of death or permanent disability of, or scholarship or tuition waiver awarded to, the Beneficiary) will be equal to the lesser of: (1) the Tuition Inflation Value of the withdrawn contributions that have met the Maturity Period requirement for Non-Qualified Withdrawals (see Section I.F.3. "TUITION ACCOUNT PROGRAM GUARANTEED SAVINGS PLAN – GENERAL DESCRIPTION - GSP Account Valuations - Tuition Inflation Value (Value of Credits)" above) plus the Sum of the Contributions for withdrawn contributions that have not met the Maturity Period; or (2) the Investment Performance Value of the withdrawn contributions, but not less than the amount of the Sum of Contributions of the withdrawn contributions. The amount of a Non-Qualified Distribution will be calculated as of 2 business days after receipt of the withdrawal request.

Regardless of when a Non-Qualified Withdrawal occurs, if the Account Owner has changed the Tuition Level within one year of the request for distribution or withdrawal (other than in connection with use of the GSP Account to pay the Beneficiary's Qualified Higher Education Expenses at an Eligible Educational Institution), the Tuition Level used in determining the Tuition Inflation Value will be the one that results in the lowest dollar value.

D. Transferring Assets from Your GSP Account into an Investment Plan Account

You may transfer amounts held in your GSP Account to an account under the Investment Plan. See Section IV. "TRANSFERS BETWEEN A GSP ACCOUNT AND AN INVESTMENT PLAN ACCOUNT" above.

E. Rollover Distributions

1. Income Tax Requirements

"Rollover Distributions" are not subject to federal income taxation, nor does federal tax law require imposition of an additional 10% tax in connection with a Rollover Distribution. A "Rollover Distribution" from your GSP Account includes any of the following: (1) within 60 days of a withdrawal you transfer the funds withdrawn from your Account to another Account in the GSP or (2) within 60 days of your withdrawal of funds from an Account in the GSP you transfer such funds to an account established in another qualified tuition program established under Section 529. In the case of a transfer from a GSP Account to another qualified tuition program, the Beneficiary can remain unchanged if, at the time of such transfer, at least 12 months have elapsed since the last such transfer. Otherwise, the beneficiary of the account in the other qualified tuition program that receives the Rollover Distribution must be a different individual than the Beneficiary of the TAP GSP Account from which the Rollover Distribution is made, and must be a "member of the family" of the Beneficiary of the Account from which the Rollover Distribution is made. (A Rollover Distribution involving a change in Beneficiary may not be made in the case of a GSP Account established by a custodian for a minor under UTMA or UGMA.) For the definition of the term "member of the family," see Section III. D. "CHANGES TO A GSP ACCOUNT – *Member of the Family*" above. In addition, a Rollover Distribution may be treated as a gift from the previous Beneficiary to the new Beneficiary in certain circumstances, and therefore may have gift tax implications. See Section IX. "TAX INFORMATION" below.

A rollover that is exempt from federal taxation pursuant to section 529 (C) (3) (C) of the Tax Code (as described above) is also not subject to Pennsylvania state income tax.

You can obtain the appropriate instructions or forms to complete any type of Rollover Distribution from the GSP upon request.

2. Amount of Rollover Distributions

Any distribution made from a GSP Account in connection with a Rollover Distribution will be made in an amount equal to the amount that would be payable upon a general Non-Qualified Distribution from the GSP Account, as described above under Section V.C.2. "WITHDRAWALS - *General Non-Qualified Distributions* – Amount of General Non-Qualified Distributions."

F. Cancellation of Your GSP Plan Contract

You can cancel your GSP Plan Contract and close your GSP Account at any time by written notice to the GSP, accompanied by the appropriate withdrawal form. The resulting withdrawal will constitute a Non-Qualified Distribution, with a corresponding additional 10% federal income tax on the earnings portion of the distribution, except to the extent that the withdrawal otherwise qualifies as a Qualified Distribution, a distribution due to death or permanent disability of, or scholarship or tuition waiver awarded to, the Beneficiary, a Rollover Distribution or a distribution used in connection with the Hope Scholarship Credit and/or Lifetime Learning Credit.

Pennsylvania Tuition Account Program

VI. The Guaranteed Savings Plan Fund

A. The Investment Guidelines

The Investment Guidelines applicable to the GSP Fund are contained within the general investment policy of the Treasury Department and may be changed by the Department at any time. The current Investment Guidelines are available by calling 800-440-4000.

B. Actuarial Condition of the Guaranteed Savings Plan Fund

The GSP Fund is audited by an independent actuary each year for actuarial soundness. The most recent Actuarial Report and quarterly update is available on the GSP website WWW.TAPFACTS.COM or by calling 1-800-440-4000. The Treasurer of the Commonwealth and the TAP Advisory Board also are required to submit annual reports to the Governor and General Assembly of the Commonwealth that specifically address the financial stability of the GSP Fund.

The most recent annual actuarial report (June 30, 2006) states that the GSP Fund has an actuarial surplus. That is, the value of assets ($1,092,197,060) exceeds the expected value of liabilities ($1,088,806,771) by $3,390,289. This means that the GSP Fund is fully funded (100.6%) from an actuarial standpoint. Future actual experience could vary from the actuarial assumptions used in the actuarial report. If, for example, tuition inflation were to be less than assumed and/or investment returns were to be more than assumed, the actuarial surplus could be larger. On the other hand, if tuition inflation were to be more than assumed and/or investment returns were to be less than assumed, an actuarial deficit could occur. For details about the actuarial status of the GSP Fund please read the most recent full Actuarial Report.

In April 2005, the Department engaged Moody's as one of the world's most respected sources for investment ratings, research and risk analysis with particular expertise in rating government issued bonds, to analyze and rate the GSP. On November 15, 2005, Moody's assigned an investment grade rating of A3 to the GSP and on February 21, 2006, Moody's issued a report detailing the analysis supporting the A3 rating. Obligations rated "A" are considered upper medium grade and are subject to low credit risk. The A3 rating was based on an analysis of the strengths and challenges of the GSP, considering both the assets of the Plan itself and the sponsorship of the Plan by the Commonwealth of Pennsylvania. The rating reflects Moody's assessment of the likelihood that GSP account owners will receive the full Tuition Inflation Value of their accounts when their beneficiaries are ready to go to college. The Moody's report states, "[W]hile the obligations to Plan beneficiaries do not represent an explicit guarantee by the 'full faith and credit' of the Commonwealth, there is a support structure that stems from legislative and executive-branch backing of the program given the strategic importance of the GSP to education finance in the Commonwealth. An implication of this analysis is that since, in Moody's view, there would likely be an effort on the part of the State to support the Plan in a time of crisis, the credit quality of the GSP and its obligations are higher than that of the TAP GSP when evaluated on a stand-alone basis." For a copy of the full report call 800-440-4000 or go online at WWW.TAPFACTS.COM.

C. Distribution of Excess Actuarial Reserves, if Available

Prior to amendments to the Act that took effect on August 21, 2000, any GSP Fund earnings in excess of the amount needed to pay tuition were required to be retained in the GSP Fund as part of the GSP Fund's surplus. Pursuant to the amendments to the Act, the Department has discretion to distribute any portion of the surplus that exceeds amounts deemed necessary for the GSP's actuarial soundness.

At the end of each fiscal year (June 30), the GSP Fund is required to be analyzed by the Pennsylvania Tuition Account Program's independent actuary and investment advisor to determine whether the GSP Fund has assets greater than necessary to meet all of its future obligations and to maintain its fiscal soundness and strength. Based on that analysis and other relevant circumstances, the Department may, in its sole discretion, distribute any excess (or any part of the excess) among all eligible GSP Accounts. To be eligible, a GSP Account must be opened by the end of the applicable fiscal year and remain open through the date the Department determines to make a distribution.

Each eligible GSP Account would receive an equitable share of any such distribution of GSP Fund surplus. The formula for calculating each share will take into consideration the amount of contributions in each such GSP Account and the length of time the contributions have been in the GSP Account. Funds distributed to a GSP Account will result in the crediting of a specified number of TAP Credits at the designated Tuition Level in the same manner as contributions to the GSP Account.

Since August 2000, when the Department was granted the discretion to make distributions from GSP Fund surplus, the Department has not considered the surplus large enough to warrant a disbursement. Given the actuarial condition of the GSP Fund as of June 30, 2005, it is unlikely that such a disbursement will be made in the near future.

Pennsylvania Tuition Account Program

VII. Risk Factors

The GSP is designed to facilitate tax-advantaged savings for the Qualified Higher Education Expenses of a Beneficiary. However, as is the case with most financial products, there are various risks associated with a contribution to the GSP. This section describes some of the principal risks associated with a contribution to the GSP, but does not constitute an exhaustive list of the factors you should consider before making a contribution to the GSP. You may wish to consult your financial advisor before making a contribution to the GSP or determining what portion of your savings for the Beneficiary's higher education costs should be invested in the GSP.

A. GSP Risks

Amounts invested in the Pennsylvania Tuition Account Program under the GSP are subject to the investment risks described below.

Federal tax rules restrict the transfer of existing contributions in your GSP Account to another TAP Account, and you do not control the investment instruments or asset allocation selected by the Pennsylvania Tuition Account Program with respect to the GSP Fund. In accordance with an announcement by the Internal Revenue Service, an Account Owner may reallocate assets in an Account, including transfers to an Account under the Investment Plan, once per calendar year.

There is no guarantee that your Beneficiary will be accepted at any institution of higher learning, or that, if your Beneficiary is accepted, he or she will be able to attend, he or she will graduate, or he or she will be considered a resident of any particular state for tuition purposes. There is no guarantee that there will be sufficient funds in your GSP Account to cover fully all Qualified Higher Education Expenses of attending an Eligible Educational Institution.

The rate of return from a GSP Account could be less than the rate of increase in the cost of higher education at the institution of higher learning attended by the Beneficiary. Any premium included by the GSP in the TAP Credit Rate for a particular Tuition Level will reduce the effective growth rate of contributions to an Account relative to the increase in the cost of tuition at the institution or institutions represented in such Tuition Level. Even if you have reached the Maximum Contribution Limit for a Beneficiary, the balance in your Account may not be enough to cover all of the Beneficiary's Qualified Higher Education Expenses. Future inflation in Qualified Higher Education Expenses is uncertain.

The Department reserves the right to modify the GSP as deemed necessary by the Department in its sole discretion, for such reasons as, but not limited to, ensuring compliance with state or federal laws and regulations, preserving the fiscal integrity of the GSP, and preserving the GSP's status as a "qualified tuition program." See Section VII. G. "RISK FACTORS - *Tax Risks*" below.

B. Investment Risks of the Guaranteed Savings Plan

The GSP Fund can lose money investing the GSP Fund's assets under the Investment Guidelines. The Investment Guidelines are subject to change by the Department in the Department's sole discretion. GSP Accounts, and the GSP's obligations under the GSP Plan Contracts, are not insured by the Commonwealth of Pennsylvania, and neither the contributions nor the investment return is guaranteed by the Commonwealth of Pennsylvania or the Contractor. Although the Department intends to operate the GSP and the GSP Fund in an actuarially sound manner, the GSP Fund had an actuarial deficit as of June 30, 2005, the date of its most recent actuarial study, and there is no guarantee that the GSP Fund's investment results will be adequate to meet the GSP Fund's obligations under the GSP Plan Contracts. The Account Owner understands that, in the event the GSP Fund is unable to meet its obligations under the GSP Plan Contracts, the amount that may be realized by the Account Owner may be less than the amount to which the Account Owner is entitled under the GSP Plan Contract and may be less than the amount contributed to the GSP Account. The effect on the level of future contributions to the GSP of including Premiums in TAP Credit Rates cannot be predicted.

The growth in the Tuition Levels available under the GSP may not match the increase in tuition costs at the particular institution attended by your Beneficiary if your Beneficiary does not attend a Pennsylvania Public Institution. Even if the growth in the Tuition Levels available under the GSP equals or exceeds the growth in tuition costs at the particular institution selected by your Beneficiary, tuition represents only a portion of the cost of attendance at an institution of higher education. There is no assurance that the growth in the Tuition Levels available under the GSP will equal or exceed the growth in non-tuition costs at the particular institution selected by your Beneficiary.

The Tuition Inflation Value of an Account increases only at such times as tuition increases occur at the institution or institutions comprising the Tuition Level designated for the Account, and there is no incremental growth in the Tuition Inflation Value of the Account during the period between such tuition increases. In calculating the Tuition Inflation Value, contributions are subject to a Maturity Period before the growth thereon may be withdrawn. See Section I. G. 1. "TUITION ACCOUNT PROGRAM GUARANTEED SAVINGS PLAN – GENERAL DESCRIPTION - *Use of GSP Account* – Maturity Date" above.

No one can predict the returns from the investment of your contributions under the GSP. Such returns may be more or less favorable than those available under the Investment Plan, other qualified tuition programs or other investments not involving qualified tuition programs.

C. Limitation on Non-Qualified Withdrawals

Although as the Account Owner you retain the ability to withdraw contributions to a GSP Account if needed for purposes other than payment of the Beneficiary's Qualified Higher Education Expenses, any increase in the value of such contributions that is withdrawn from the GSP Account for such other purposes will be subject to federal income tax and any applicable state income tax, and may be subject to a 10% federal income surtax. In addition, the GSP does not permit more than one partial withdrawal during each 12-month period from a GSP Account for purposes other than the payment of a Beneficiary's Qualified Higher Education Expenses. Growth on contributions taken in a Non-Qualified Withdrawal when the Tuition Inflation Value is less than the Investment Performance Value is subject to a one year Maturity Period.

D. Limitation on Changes between GSP Accounts and Investment Options Available to Investment Plan Accounts

Based on an Internal Revenue Service announcement, the GSP will permit reallocation of amounts in an Account and the investment options available to Investment Plan Accounts once per calendar year. Due to federal tax rules your ability otherwise to transfer existing contributions in the GSP Account to any investment option under the Investment Plan is restricted. You may make such a transfer in connection with a Rollover Distribution within the Pennsylvania Tuition Account Program, which requires that you generally must change the Beneficiary of the GSP Account to another "member of the family" (as defined under federal tax law) of the person who is the Beneficiary prior to such Rollover Distribution (such a Rollover Distribution involving a change in Beneficiary may not be made in the case of a GSP Account established by a custodian for a minor under UTMA or UGMA). In addition, you may make a Rollover Distribution from your Account to an account in another "qualified state tuition program." A Rollover Distribution may be made for the same Beneficiary if you have not made a similar Rollover Distribution within the preceding twelve months; otherwise, to make such a Rollover Distribution, you must change the Beneficiary of the GSP Account to another "member of the family" of the person who was the Beneficiary prior to such Rollover Distribution (such a Rollover Distribution involving a change in Beneficiary may not be made in the case of a GSP Account established by a custodian for a minor under UTMA or UGMA).

E. Impact on Eligibility for Financial Aid

Being the Account Owner of an Account may impact eligibility for federal financial aid. The federal Deficit Reduction Act of 2005 effective July 1, 2006, clarifies how assets in accounts established under a Section 529 college savings program affect eligibility for federal financial aid. That law specifies that the value of a Section 529 qualified tuition program Account is to be treated for federal financial aid determinations as the assets of the parent if the parent is the owner of the account. Further clarification of the Deficit Reduction Act by the U.S. Department of Education clarifies that Section 529 accounts owned by the students are not to be considered at all. It appears that assets in a Section 529 college savings account not owned by a parent will not be considered in the student's need analysis for federal financial aid purposes. An Account Owner should consult a qualified financial aid advisor for further information on the impact of an Account on federal financial aid and on other forms of federal financial aid, including state financial aid and financial aid provided by educational institutions, in the circumstances of a particular financial aid applicant.

Pennsylvania law expressly provides that a GSP Account may not have any effect on eligibility for state financial aid. Such aid would primarily be state grant programs administered by the Pennsylvania Higher Education Assistance Agency ("PHEAA"). You should become familiar with and consider the treatment of funds available in a GSP Account for purposes of eligibility for financial aid provided by other states.

Financial aid rules are subject to change. The procedures and rules in effect when a Beneficiary applies for aid may be different than those described above.

F. Impact on Medicaid Eligibility

Ownership of an Account could have an impact on the Account Owner's eligibility for Medicaid benefits. Although the results may vary from state to state, assets in an Account may be considered available assets of the Account Owner for purposes of determining Medicaid eligibility. An Account Owner should consult a qualified financial advisor for advice on the Account Owner's particular situation.

G. Tax Risks

The federal tax benefits and related tax implications of an investment in a GSP Account depend on the qualifications of the GSP as a "qualified tuition program" within the meaning of Section 529 of the Tax Code. Section 529 of the Tax Code sets forth numerous requirements that must be satisfied by the Pennsylvania Tuition Account Program in order to so qualify. Proposed regulations interpreting the requirements of Section 529 of the Tax Code have been issued by the U.S. Department of the Treasury (the "U.S. Treasury"), but subsequent to the issuance of such proposed regulations, Section 529 has been amended. The proposed regulations do not address certain aspects of compliance with Section 529 as amended. There is no assurance that such proposed regulations will be finalized and become effective in the form in which they have been proposed, or that the U.S. Treasury will not issue other regulations that interpret the requirements of Section 529 of the Tax Code differently from the interpretations set forth in such proposed regulations or used in structuring the Pennsylvania Tuition Account Program. The Department has not obtained a private letter ruling from the Internal Revenue Service to the effect that the Pennsylvania Tuition Account Program qualifies as a "qualified tuition program" under Section 529 of the Tax Code or confirming the tax implications of an investment in a GSP Account. There is no assurance that the Internal Revenue Service or any state tax regulator will agree with the conclusions reached in this Disclosure Statement, or that, if challenged by the Internal Revenue Service or a state tax regulator, such conclusions would be sustained in court.

The earnings component of withdrawals from an Account that do not constitute Qualified Distributions or Rollover Distributions are subject to federal income taxes at the federal income tax rates applicable to the distributee's ordinary income, and, in the case of Non-Qualified Distributions other than Rollover Distributions or distributions due to the death or permanent disability of the Beneficiary or a scholarship (including an appointment to a U.S. military service academy) or tuition waiver for the benefit of the Beneficiary, an additional federal income tax equal to 10% of the earnings. Neither the U.S. Treasury nor the Internal Revenue Service has provided guidance at this time regarding what documentation, if any, a distributee from a qualified tuition program must obtain or retain in connection with a withdrawal in order for such distributee to treat such withdrawal for federal income tax purposes as a withdrawal that is a Qualified Distribution, or that is not a Non-Qualified Distribution. **With respect to any withdrawal which an Account Owner or Beneficiary intends to treat for federal income tax purposes as a Qualified Distribution or as a Rollover Distribution or distribution due to the death or permanent disability of the Beneficiary or a scholarship or tuition waiver for the benefit of the Beneficiary, the Account Owner or Beneficiary, as applicable, should obtain and maintain documentation of the purposes for which the proceeds of such withdrawal were expended or, in the case of Rollover Distributions or withdrawals due to the death or permanent disability of the Beneficiary or a scholarship or tuition waiver for the benefit of the Beneficiary, of the circumstances of such withdrawal.** None of the Pennsylvania Tuition Account Program, the Commonwealth, the Department, the Contractor or any other party assume any responsibility for the tax treatment of any withdrawal from an Account or for the adequacy of the documentation obtained and maintained by an Account Owner or Beneficiary. The Department and/or the Contractor reserve the right to report the earnings component of all withdrawals from an Account without characterizing the purpose of the withdrawal or the treatment of such earnings for federal income tax purposes, or to require such documentation as the Department and/or the Contractor believe necessary or appropriate in order to report a withdrawal as a Qualified Distribution, a Rollover Distribution or a distribution due to the death or permanent disability of the Beneficiary or a scholarship or tuition waiver for the benefit of the Beneficiary.

The Department may change the terms and conditions of the Pennsylvania Tuition Account Program without the consent of the Account Owners or Beneficiaries to the extent required to achieve or preserve the Pennsylvania Tuition Account Program's status as a “qualified tuition program.” Such changes, if required, may impose additional requirements on your participation in the GSP, limit the flexibility of the GSP or otherwise change terms and conditions of the GSP that you consider important. In the event the GSP fails to qualify, or loses its qualification, as a “qualified tuition program,” the income tax consequences or gift or estate tax consequences of your investment in the GSP may be substantially less favorable than those described in this Disclosure Statement. The Department reserves the right to modify the GSP as deemed necessary by the Department in its sole discretion, for such reasons as, but not limited to, ensuring compliance with state or federal laws and regulations and preserving the fiscal integrity of the GSP. See Section VII. A. “RISK FACTORS - *GSP Risks*” above.

Any earnings on your GSP Account that are subject to federal income taxes will be taxed as ordinary income when they are withdrawn, rather than as capital gains. Under current tax law, the tax rates on ordinary income for taxpayers in most tax brackets are greater than the tax rates on capital gains and are also greater than the tax rates on certain dividends received prior to January 1, 2011. In the case of GSP Account earnings that do not qualify for tax-exempt distributions, the GSP may be advantageous from a federal income tax perspective to the extent that the benefits of tax deferral on such GSP Account earnings prior to their distribution, and the ability to shift the tax rate applicable to such earnings to the tax bracket of the Beneficiary, outweigh the potential disadvantage of taxation of earnings at the ordinary income tax rates rather than the capital gains tax rates, if otherwise applicable, and the potential imposition of an additional 10% federal income tax if the withdrawals are not applied to pay Qualified Higher Education Expenses. Depending on the various factors, including the length of the period earnings are retained in the GSP Account, the tax bracket of the person subject to taxation on earnings withdrawn from the GSP Account and the relative rates of ordinary income tax, capital gains tax and tax on dividends in effect at the time of withdrawal, the tax, if any, imposed on GSP Account earnings may be less or more than the tax that would be imposed on equivalent earnings in an investment vehicle other than a “qualified tuition program.”

Amounts withdrawn from a GSP Account to pay taxes due on other withdrawals from the GSP Account are Non-Qualified Distributions subject to the additional 10% federal income tax on the earnings component of such withdrawn amounts. The GSP will provide you a Form 1099-Q or other applicable form reporting earnings withdrawn by you in a calendar year and, in the case of Non-Qualified Distributions, you will be required to pay the additional 10% federal income tax. See Section IX.D. “TAX INFORMATION – *State Income Tax Treatment*” below.

The tax benefits and consequences described in this Disclosure Statement are federal tax benefits and consequences. Certain qualified tuition programs sponsored by other states may offer certain state tax benefits to residents of such states, including state tax exemption for earnings or deductibility of contributions. You should obtain additional information and carefully consider, with the assistance of your tax advisor, which qualified tuition program is most advantageous for you from a state tax perspective.

H. Other

There has been no registration in connection with the Pennsylvania Tuition Account Program, the GSP or the Investment Plan with the U.S. Securities and Exchange Commission or with any state securities commission.

Pennsylvania Tuition Account Program

VIII. Additional Information About the GSP

A. Involuntary Terminations of GSP Account With Penalty

The GSP may terminate any GSP Account if (1) the GSP finds that the Account Owner or the Beneficiary has provided false or misleading information, for example by misrepresenting that they are Pennsylvania residents; (2) the Account Owner has violated the terms of the GSP Plan Contract, for example, by failing to pay required fees; (3) no contributions to the GSP Account were made within six months of the date on which such Account was established; or (4) if the Tuition Inflation Value is $0 on the date of termination and the Account has been opened for a minimum of six months. In the case of a termination because the Account Owner or the Beneficiary has provided false or misleading information or has violated the terms of the GSP Plan Contract, the GSP may withhold, and the Account Owner and the Beneficiary shall forfeit if the GSP so withholds, all earnings on contributions accumulated in the GSP Account at the time of such termination, or such lesser amount as the Department deems necessary in the Department's discretion in light of such false or misleading information. In addition to any withholding, any fees paid on the GSP Account will not be refunded and will be forfeited by the Account Owner.

Pennsylvania Tuition Account Program

IX. Tax Information

The federal tax benefits and related tax implications of an investment in the GSP described in this Disclosure Statement depend on qualification of the GSP as a "qualified tuition program" or "qualified state tuition program" (together, "qualified tuition program") within the meaning of Section 529 of the Tax Code. The tax rules applicable to "qualified tuition programs" and therefore to the GSP are complex, have not been finalized and are in some respects open to different interpretations. The discussion below is based on the GSP's current understanding of Section 529, including such guidance as has been provided by proposed regulations and by Internal Revenue Service announcements. For the risks associated with the tax treatment of investments in the GSP, see Section VII. G. "RISK FACTORS – *Tax Risks*" above. The application of the governing tax rules to any particular person may vary according to facts and circumstances specific to that person. A qualified tax advisor should be consulted about how the laws apply to a particular Account Owner or Beneficiary.

In addition, Section 529 and the tax laws in general are subject to change. Such changes could eliminate or reduce the tax advantages of the GSP or require changes in the structure of the GSP that may restrict or otherwise affect the use of GSP investments.

Please note that any tax information provided in this Disclosure Statement is not intended to be tax advice. However, to the extent that the information were to be construed as tax advice, pursuant to federal regulations governing practitioners who render tax advice ("Circular 230"), any information contained in this Disclosure Statement regarding the federal tax consequences of participation in the GSP is not intended or written to be used, and cannot be used by any taxpayer, for the purpose of avoiding penalties that may be imposed on the taxpayer. Any such tax advice was written to support the promotion or marketing of the GSP. A taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

A. Federal Tax Treatment

The GSP is intended to meet the requirements of a qualified tuition program under Section 529 of the Tax Code. As such, Account Owners and Beneficiaries are exempt from federal income tax on undistributed earnings allocated to GSP Accounts. In order to be eligible for such tax treatment and for Account Owners and Beneficiaries to receive the favorable federal income, estate, gift and generation-skipping tax treatment described below, the GSP is required to implement certain restrictions and procedures applicable to the operation of the GSP. Certain of these restrictions and procedures are also described below.

Contributions. Contributions to a GSP Account by an Account Owner do not result in taxable income to the Beneficiary. See the discussion under the caption "*Federal Gift, Estate and Generation-Skipping Transfer Taxes*" below. Contributions to a GSP Account are made on an after-tax basis. That is, an Account Owner may not deduct the contribution from income for purposes of determining federal income taxes.

Contributions to a GSP Account for a specific Beneficiary must be rejected (or, if accepted, returned) to the extent that the amount of the contribution would cause the aggregate amount held in TAP Accounts maintained under the Pennsylvania Tuition Account Program for that Beneficiary to exceed the Maximum Contribution Limit discussed under Section II. G. "OPENING AND MAINTAINING YOUR ACCOUNT – *Maximum Contribution Limit*." This limitation on contributions is intended to comply with the federal tax law requirement that the GSP have adequate safeguards to prevent contributions to a GSP Account in excess of those necessary to provide for the reasonably anticipated Qualified Higher Education Expenses of the Beneficiary of the TAP Account. (For purposes of this limit, amounts on deposit in all Pennsylvania Tuition Account Program Accounts established under the Pennsylvania Tuition Account Program for the same Beneficiary are taken into account, including (i) TAP Accounts established by another Account Owner and (ii) TAP Accounts established under the Investment Plan). An individual may generally transfer into a GSP Account, without adverse federal income tax consequences, (1) money from a Coverdell Education Savings account described in Section 530 of the Code; or (2) the proceeds from the redemption of certain U.S. savings bonds described in Section 135 of the Code.

An Account Owner who meets certain age and income limitations and who makes contributions to a GSP Account, the Beneficiary of which is the Account Owner, the Account Owner's spouse or an eligible dependent of the Account Owner, may be allowed to exclude all or a portion of income, if any, received from certain United States savings bonds issued after 1989 in computing the Account Owner's federal taxable income for the year in which a contribution to a GSP Account is made. (No federal tax will apply to the earnings on the excluded savings bond income if distributed as part of a Qualified Distribution). Because this tax treatment may only provide for a deferral of tax on the savings bond income, it may not be as beneficial as using the savings bond proceeds to pay higher education expenses directly. An Account Owner who makes a contribution to a GSP Account and is thereby entitled to exclude such bond earnings from income for federal income tax purposes should contact his or her tax advisor for more information.

Taxation of GSP Account Earnings. Earnings from the investment of contributions to a TAP Account will not be included in computing the federal taxable income of the Account Owner or Beneficiary prior to the distribution of funds from the TAP Account. In addition, the earnings portion of any Qualified Distribution, will be tax-exempt for federal income tax purposes.

Taxation of Distributions. An Account Owner may take a distribution from his or her GSP Account at any time, and from time to time, and may at any time terminate the GSP Plan Contract pertaining to the GSP Account by notifying the Contractor and completing a withdrawal request. Only the Account Owner may direct distributions from a GSP Account.

The earnings portion of each distribution from a TAP Account used to pay or reimburse for Qualified Higher Education Expenses of a Beneficiary, i.e., Qualified Distributions, will not be subject to federal income taxation. The earnings portion of Non-Qualified Distributions, other than Rollover Distributions, will be taxable income of the person receiving the distribution. For this purpose, in the case of a distribution to the Beneficiary's estate on account of the Beneficiary's death, the Beneficiary's estate will be treated as the person receiving the distribution; and in all other cases, the Account Owner will be treated as the person receiving the distribution. A Non-Qualified Distribution will be subject to the imposition of an additional federal income tax of 10% of such earnings portion. A distribution that is a Rollover Distribution, a distribution on account of the death or permanent disability of the Beneficiary, or a distribution to the extent of a scholarship (including an appointment to a U.S. military academy) or tuition waiver received by the Beneficiary will not be subject to the additional 10% federal income tax as a federal tax matter, although the GSP may impose a penalty if it so elects. Account Owners should contact their tax advisors for more information. Notwithstanding the above, for tax reporting purposes, the Internal Revenue Service currently requires the GSP to issue tax-reporting documents to the Beneficiary if distributions are made to the Beneficiary (however the GSP does not permit distributions to the Beneficiary) or directly to an Eligible Educational Institution; in all other cases, tax reporting documents will be issued to the Account Owner.

Subject to various restrictions and limitations, some of the amounts withdrawn from a TAP Account and used to pay Qualified Higher Education Expenses of a Beneficiary may be available as a credit against the federal income tax liability of that Beneficiary (or a person who can claim that Beneficiary as a dependent) under the federal income tax provisions governing the HOPE Scholarship Credit or Lifetime Learning Credit.

The GSP is required to report to the Account Owner or the Beneficiary, as applicable, on a Form 1099-Q or other applicable form, the portion of each distribution constituting earnings and the portion constituting a return of contributions. For this purpose calculation of the earnings portions of a distribution generally will be made as of the date of distribution. In calculating the contributions and earnings, all Accounts established under the Pennsylvania Tuition Account Program by the same Account Owner for the same Beneficiary are considered one TAP Account and will be aggregated. Thus, if an Account Owner has established GSP and Investment Plan Accounts for the same Beneficiary, an amount withdrawn from the GSP may carry with it a greater or lesser amount of earnings than the earnings attributable to the GSP Account from which the distribution is made. In such cases, apportionments of distributions between a return of contributions and earnings will be made in accordance with Section 529 of the Tax Code.

Qualified Higher Education Expenses. Pursuant to Section 529 of the Tax Code, Qualified Higher Education Expenses are tuition, fees, and the costs of books, supplies and equipment required for the enrollment or attendance of a Beneficiary at an Eligible Educational Institution. "Eligible Educational Institutions" are defined under Section 529 generally as accredited post-secondary educational institutions offering credit toward a bachelor's degree, an associate's degree, a graduate level or professional degree, or another recognized post-secondary credential. Certain proprietary institutions and post-secondary vocational institutions and certain institutions located in foreign countries are Eligible Educational Institutions. To be an Eligible Educational

Institution, the institution must be eligible to participate in U.S. Department of Education student financial aid programs under Title IV of the Higher Education Act of 1965, as amended.

Some room and board costs of a Beneficiary incurred during an academic period while enrolled or accepted for enrollment in a degree, certificate or other program (including a program of study abroad approved for credit by the Eligible Educational Institution) at an Eligible Educational Institution at least half-time may also be considered Qualified Higher Education Expenses. A student will be considered to be enrolled at least half-time if the student is enrolled for at least half the full-time academic workload for the course of study the student is pursuing as determined under the standards of the institution where the student is enrolled. The institution's standard for a full-time workload must equal or exceed a standard established by the U.S. Department of Education under the Higher Education Act of 1965, as amended. The Beneficiary need not be enrolled at least half-time for a distribution to pay for expenses relating to tuition, fees, books, supplies and equipment to be a Qualified Distribution. Generally, the amount of room and board payable as a qualified higher education expense cannot exceed, the room and board allowance (applicable to the student) for the period for which the withdrawal is made included in calculating the "costs of attendance" at the applicable eligible educational institution for federal financial aid programs under the Higher Education Act of 1965, as in effect on the date of enactment of the 2001 Amendments. However, there is an exception to the general rule, if the student resides in housing owned or operated by the applicable institution, in which circumstance the actual amount invoiced for the student's room and board is payable as a qualified higher education expense even if it exceeds the room and board allowance used in calculating costs of attendance.

Qualified Higher Education Expenses also include expenses for special needs services incurred by a Beneficiary who is a special needs Beneficiary in connection with enrollment or attendance at the Eligible Educational Institution.

The amount of a Beneficiary's Qualified Higher Education Expenses in any tax year ending before January 1, 2011 will be reduced by the aggregate amount, if any, of the Beneficiary's expenses used for such tax year to qualify the Beneficiary (or a person who can claim the Beneficiary as a dependent) for the Hope Scholarship Credit and/or Lifetime Learning Credit. As a result of such reduction, the earnings component of certain amounts withdrawn from an Account to pay expenses that would constitute Qualified Higher Education Expenses if such expenses were not taken into account for purposes of qualifying for such federal income tax credits may be treated as income of the Account Owner that is subject to federal and state income tax (but not the additional 10% federal income tax applicable to Non-Qualified Distributions).

The GSP will implement procedures that are designed to be consistent with federal tax law rules that may require that an Account Owner substantiate that a distribution is used to pay the Qualified Higher Education Expenses of the Beneficiary or that, in the absence of such substantiation, the GSP treat the distribution as a Non-Qualified Distribution that is subject to the additional 10% federal income tax earnings. No guidance has been provided to date by federal tax regulators regarding what documentation, if any, a distributee from a "qualified tuition program" must obtain or retain in connection with a withdrawal in order for such distributee to treat such withdrawal for federal income tax purposes as a withdrawal that is a Qualified Distribution, or that is not a Non-Qualified Distribution. With respect to any withdrawal which an Account Owner or Beneficiary intends to treat for federal income tax purposes as a Qualified Distribution or as a distribution that is not a Non-Qualified Distribution, the Account Owner or Beneficiary, as applicable, should obtain and maintain documentation of the purposes for which such withdrawal was expended or, in the case of withdrawals due to the death or disability of the Beneficiary or a scholarship or tuition waiver for the benefit of the Beneficiary, of the circumstances of such withdrawal. None of the Pennsylvania Tuition Account Program, the Commonwealth, the Department or any contractor retained by any of the foregoing assumes any responsibility for the tax treatment of any withdrawal from a GSP Account or for the adequacy of documentation obtained and maintained by an Account Owner or Beneficiary.

GSP Account Transfers and Rollover Distributions. The earnings portion of a distribution from a GSP Account will not be treated as taxable income to the extent that, within 60 days of the distribution, the Account Owner transfers the distribution to another TAP Account established by the Account Owner or another Account Owner with the GSP, or an account established with another "qualified tuition program" under Section 529 of the Tax Code, as long as the Beneficiary of the transferee TAP Account or of such other account is a new Beneficiary who is a "member of the family" of the Beneficiary of the TAP Account from which the distribution was made. Such transfers are sometimes referred to as a "Rollover Distribution." A "Rollover Distribution" also includes a distribution if within 60 days of the distribution, the Account Owner transfers the distribution to another account established with another "qualified tuition program" for the same Beneficiary, provided that no similar transfer has occurred within the twelve months preceding such transfer.

Transfers of funds to a GSP Account from a "qualified tuition program" of another state or from a "qualified tuition program" are treated as "rollover distributions" from such other program if such transfers occur within 60 days of the distribution and the transfer is into a GSP Account established for a new Beneficiary who is a member of the family of the beneficiary of the account from which the transfer occurs. A "rollover distribution" to the GSP also includes a distribution from a "qualified tuition program" if within 60 days of the distribution, the distributed amount is contributed to a GSP Account for the same Beneficiary, provided that no similar transfer has occurred within the twelve months preceding such transfer.

An Account Owner may not change the Beneficiary of a TAP Account or transfer funds between TAP Accounts to the extent that the change or transfer would result in contributions in excess of the Maximum Contribution Limit for the applicable Beneficiary.

See "*Federal Gift, Estate and Generation-Skipping Transfer Taxes*" below in connection with any change of TAP Account ownership, Beneficiaries or transfer of funds.

Member of the Family. The term "member of the family" is defined by Section 529 of the Tax Code. A member of the family of a Beneficiary is a person related to the Beneficiary as follows: (i) a son or daughter, or a descendant of either; (ii) a stepson or stepdaughter; or a descendant of either (iii) a brother, sister, stepbrother or stepsister; (iv) the father or mother, or an ancestor of either; (v) a stepfather or stepmother; (vi) a son or daughter of a brother or sister; (vii) a brother or sister of the father or mother; (viii) a son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law or sister-in-law; or (ix) the spouse of the Beneficiary or of any of the other foregoing individuals; or (x) a first cousin. For this purpose, a child includes a legally adopted child or a foster child and a brother or sister includes a brother or sister by half-blood.

Distributions on Account of Death or Permanent Disability of, or Scholarship or Tuition Waiver Awarded to, the Beneficiary. As described above, a distribution due to the death or permanent disability of the Beneficiary or to the extent of a scholarship (including an appointment to a U.S. military service academy) or tuition waiver received for the benefit of the Beneficiary will not be subject to the additional 10% federal income tax on earnings that is generally applicable to Non-Qualified Distributions. Under current federal tax law, a distribution is considered to be on account of the death of the Beneficiary only if it is made to the Beneficiary's estate. The earnings portion of such distributions will, however, be treated as taxable income of the Beneficiary. For this purpose, the distribution must be received by the estate of the Beneficiary. **For this purpose, a scholarship or tuition waiver also includes certain educational assistance allowances under federal law and certain payments for educational expenses or attributable to attendance at certain educational institutions that are exempt from federal income tax.** For a discussion of the procedures for distributions on account of death, permanent disability or scholarship, see Section V. B. 1. "WITHDRAWALS – *Specific Non-Qualified Distributions* – Distributions on Account of Death or Permanent Disability of, or Scholarship or Tuition Waiver Awarded to, the Beneficiary."

Federal Gift, Estate and Generation-Skipping Transfer Taxes. Contributions to the GSP are generally considered completed gifts for federal tax purposes and are, therefore, potentially subject to federal gift tax. Generally, if an Account Owner's contributions to a TAP Account for a Beneficiary, together with all other gifts by the Account Owner to the Beneficiary during a calendar year, are less than the $12,000 (subject to adjustment for inflation) gift tax annual exclusion amount ($24,000, subject to adjustment for inflation, per year for a married individual who elects to split gifts with his or her spouse or for a gift of community property), no federal gift tax or generation-skipping transfer tax will be imposed on the Account Owner for gifts to the Beneficiary during that year. In such case, the filing of a federal gift tax return will not be required to report the gifts, unless an election to split gifts is to be made.

If an Account Owner's contributions to TAP Accounts for a Beneficiary in a single calendar year exceed the gift tax annual exclusion described above, the Account Owner may elect to treat such contributions as having been made ratably over the five-year period beginning in such calendar year. The portion of any such contribution that exceeds five times the gift tax annual exclusion (in 2006, $60,000 for individuals and $120,000 in the case of a consenting married couple or a community property gift), however, cannot be treated as having been made ratably over a five-year period. If the $12,000 annual exclusion is increased during the five year period after an election is made, an additional contribution can be made in any one or more of the remaining years without gift tax or generation-skipping transfer tax consequences up to the difference between the adjusted exclusion amount and the prorated amount of the original Contribution attributed to such year. The five-year election is made on a Federal Gift Tax Return (Form 709) by a contributor (and his or her spouse with respect to a Contribution considered to be made one-half by each spouse) for the calendar year in which the contribution is made.

As a result of the enactment of the Economic Growth and Tax Relief Reconciliation Act of 2001 (the "2001 Act"), gifts made during the donor's lifetime may be treated differently than transfers at death. Beginning in 2002, each contributor has a $1,000,000 lifetime exemption equivalent that may be applied to gifts in excess of the gift tax annual exclusion amounts referred to above. The applicable exclusion amount for estate and generation-skipping transfer taxes (discussed below) was also $1,000,000 for 2002 but gradually increases to $3,500,000 by 2009 before the estate tax is repealed completely in 2010. The 2001 Act, however, contains a sunset provision, which would reinstate the estate tax beginning in 2011, with a then applicable lifetime exemption amount of $1,000,000 for estate and generation-skipping transfer taxes. In addition, starting in 2002, the highest estate, generation-skipping and gift tax rates will be reduced to 50% and then gradually decline to 45% by 2009. Starting in 2010, the highest gift tax rate for taxable gifts will be equal to the highest individual income tax rate. Again, unless the provisions of the 2001 Act are extended beyond the current sunset date, the estate, generation-skipping transfer and gift tax rates effective for the 2001 tax year would be reinstated for tax years beginning in 2011.

For gifts of community property (or for a married couple electing to split gifts of separate property) the spouses' combined applicable exclusion amount of $2,000,000 for tax years beginning in 2002 may be applied. Accordingly, while gift tax returns are required for gifts in excess of the $12,000 (subject to adjustment for inflation) gift tax annual exclusion, no actual gift tax will be due until the applicable exemption amounts have been exhausted. A potential contributor should consult with his or her own tax advisor regarding the current lifetime exemptions and the gift tax filing requirements.

Amounts in a TAP Account that were considered completed gifts by the Account Owner will not be included in the Account Owner's gross estate for federal estate tax purposes. However, if the Account Owner elected to treat the gifts as having been made over a five-year period and dies before the end of the five-year period, the portion of the contribution allocable to the remaining years in the five-year period (not including the year in which the Account Owner died) would be includable in computing the Account Owner's gross estate for federal estate tax purposes. Amounts in a TAP Account at the death of a Beneficiary will be included in the Beneficiary's gross estate for federal estate tax purposes. Amounts in a GSP Account distributed to the Beneficiary's estate at the death of the Beneficiary will be included in the Beneficiary's gross estate for federal estate tax purposes. Under proposed federal tax regulations potentially applicable in cases involving the death of a Beneficiary of a GSP Account after December 31, 2010, amounts in a GSP Account may need to be included in the Beneficiary's gross estate for federal estate tax purposes whether or not they are distributed from a GSP Account to the Beneficiary's estate.

A permissible change of the Beneficiary of a TAP Account or a permissible transfer to a TAP Account for another Beneficiary will potentially be subject to gift tax if the new Beneficiary is of a younger generation than the Beneficiary being replaced. In addition, if the new Beneficiary is two or more generations below the Beneficiary being replaced, the transfer may be subject to the generation-skipping transfer tax (discussed below). Under the proposed Treasury regulations, these taxes are imposed on the prior Beneficiary. Account Owners should consult their own tax advisors for guidance when considering a change of Beneficiary or a transfer to another TAP Account and should evaluate the potential gift tax implications to an existing Beneficiary when considering such a change. Furthermore, Account Owners and newly designated TAP Account Owners should consult their tax advisors regarding the potential applicability of gift tax or generation-skipping transfer tax as a result of the transfer of ownership of a TAP Account to a new TAP Account Owner.

Because contributions to a TAP Account are treated as completed gifts for federal transfer tax purposes, an Account Owner may also need to evaluate the effect of the generation-skipping transfer tax. This tax may apply to contributions in excess of the amount that may be elected to be ratably spread over the above-referenced five-year period where the Beneficiary is more than one generation younger than the generation of the Account Owner. Each taxpayer has a generation-skipping transfer tax exemption which, beginning in 2004, is equal to the amount of the applicable exclusion amount for estate tax purposes described above, that will be allocated to transfers that are subject to generation-skipping transfer tax unless certain elections are made. For this reason, this tax is unlikely to apply to many Account Owners or Beneficiaries. However, where it does apply, it is imposed at the highest estate tax rate (see above). A potential Account Owner concerned about application of the generation-skipping transfer tax should consult with his or her own tax advisor.

B. GSP Accounts Established under UTMA or UGMA

Neither Section 529 of the Tax Code nor the proposed regulations issued thereunder specifically addresses the interplay between the general tax treatment of accounts established by a custodian for a minor under UTMA or UGMA and the provisions of Section 529. Accordingly, it is unclear whether taxable distributions made from a GSP Account established by a custodian for a minor under UTMA or UGMA at a time when the minor is under the age of 14 are taxable to the minor or to the minor's parent for federal income tax purposes. In addition, because Section 529 provides that all contributions for a beneficiary are completed gifts to the beneficiary, the status for purposes of federal gift taxation of contributions to a GSP Account established by a custodian for a minor under UTMA or UGMA is unclear. In the case of a GSP Account established under UTMA or UGMA, the minor is both the Account Owner and the Beneficiary. Gift tax rules generally do not tax gifts to oneself and therefore the provisions of Section 529 do not necessarily mandate applicability of gift tax rules to contributions by an UTMA custodian to a GSP Account. On the other hand, there is no express exclusion for UTMA or UGMA accounts to the gift tax provisions of Section 529. In light of the unsettled gift tax questions, a UTMA custodian may wish to limit the custodial funds contributed to a TAP Account to $12,000 per year (subject to adjustment for inflation) pending clarification of the appropriate gift tax treatment of such contributions. This would be within the annual gift tax exclusion. A UTMA custodian also may file a gift tax return electing to treat up to $60,000 (subject to adjustment for inflation) of contributions in any year as having been made ratably over a five-year period, as described above. In the event a contribution to a TAP Account established under UTMA or UGMA is required to be treated as a gift to the Beneficiary (i.e., a gift by the minor to himself or herself), gift tax returns would be required for gifts in excess of the $12,000 (subject to adjustment for inflation) annual exclusion, but no actual gift tax will be due until the applicable lifetime exemption amounts described above have been exhausted. A potential contributor to a TAP Account established under UTMA or UGMA should consult with a tax advisor regarding the tax treatment of such contributions.

C. GSP Accounts Established by Business Entities

Corporations, limited liability companies, partnerships, trusts and other entities that wish to contribute to or own GSP Accounts should seek counsel on how tax rules will apply to their transfer of funds and to the GSP Accounts that they own. Business entities should be aware that their contributions to a GSP Account or withdrawals from the GSP Account to pay Qualified Higher Education Expenses may constitute employment compensation (if the Beneficiary is or was an employee or a family member of an employee) or constructive dividends or distributions (if the Beneficiary is an owner or a family member of an owner of the entity).

D. State Income Tax Treatment

In General. The tax benefits described in this Disclosure Statement are federal tax benefits. State tax treatment may differ based on the state or states in which you pay taxes. You should consult with your tax adviser about any state or local taxes, including income, gift, estate, inheritance and generation-skipping transfer taxes. **If you are not a Pennsylvania taxpayer, consider before investing whether your or the beneficiary's home state offers a qualified tuition program that provides its taxpayers with favorable state tax or other benefits that may only be available through investment in the home state's qualified tuition program, and which are not available through investment in the Guaranteed Savings Plan. Since different states have different tax provisions, this disclosure statement contains limited information about the state tax consequences of investing in the Guaranteed Savings Plan. Therefore, please consult your financial, tax, or other advisor to learn more about how state-based benefits (or any limitations) would apply to your specific circumstances. You also may wish to contact your home state's qualified tuition program[s], or any other qualified tuition program, to learn more about those plans' features, benefits and limitations. Keep in mind that state-based benefits should be one of many appropriately weighted factors to be considered when making an investment decision.**

Persons Subject to Pennsylvania State Tax.

Pennsylvania law regarding taxation of Section 529 plans has recently changed by Act 67 of 2006, which was enacted into law on July 7, 2006. The information below is a general summary of the law. Because of the recentness of its enactment, further information on implementation may be forthcoming from the Pennsylvania Department of Revenue. The Pennsylvania Department of Revenue's Online Customer Service Center (www.revenue.state.pa.us) may be contracted for further information about the implementation of the new state tax law.

As applied to the GSP, Act 67 provides that for individuals subject to Pennsylvania income tax contributions made to an Account may be deducted from taxable income on the taxpayer's annual personal income tax return. The maximum annual amount that may be deducted is currently $12,000 per beneficiary per taxpayer but that amount will increase with any changes in the amount excludable for federal gift tax purposes. The deduction cannot result in the taxable income being less than zero.

The use of a GSP Account for Qualified Higher Education Expenses is not subject to Pennsylvania state taxes. That is, any Qualified Withdrawal is exempt from Pennsylvania income tax.

If an account owner receives a refund (Non-Qualified Withdrawal) upon termination of an Account, whether because of the death or disability of the Beneficiary or for other reasons or takes a partial Non-Qualified Withdrawal, the withdrawal, or a portion thereof, may be subject to Pennsylvania income tax. In the event of a partial Non-Qualified Withdrawal, the first contributions made (and the earnings on such contributions) will be the first amounts refunded.

The transfer of any legal interest in an Account whether during life or as a result of death of the Beneficiary or Account Owner, is exempt from all Pennsylvania taxation under certain conditions. Thus, the designation of a new Beneficiary (or the transfer of contributions to TAP Credits) or the designation of a new Account Owner are not subject to Pennsylvania state or local taxes provided that the requirements for change of Beneficiary or Account Owner (see above Section III. Changes to a TAP 529 GSP Account) are met. Neither contributions nor undistributed earnings allocated to an Account are subject to Pennsylvania inheritance tax upon the death of the Beneficiary or Account Owner.

Any Rollover Distribution that is not subject to federal income taxation pursuant to Section 529 (C) (3) (C) of the Tax Code will not be subject to Pennsylvania state income taxation.

You should consult with your tax adviser about how these general rules may apply to your specific situation and about other implications of contributing to TAP GSP for purposes of Pennsylvania state and local taxes.

E. Tax Reports

The GSP will report distributions and other matters to the Internal Revenue Service, distributees and other persons, if any, to the extent required pursuant to federal, state or local law, regulation or ruling or requested by a taxing authority. Under federal law, a separate return will be filed by the GSP with the Internal Revenue Service reporting distributions from a TAP Account to each distributee reflecting, among other information, the earnings portion withdrawn during the calendar year to which the report pertains. By January 31 of the following year, the distributee (which in the case of Qualified Distributions is deemed to be the Beneficiary whose Qualified Higher Education Expenses are paid thereby) will receive a copy of the return or a corresponding statement. Notwithstanding the above, for tax reporting purposes the Internal Revenue Service currently requires the GSP to issue tax reporting documents to the Beneficiary if distributions are made to the Beneficiary or directly to the Eligible Educational Institution; in all other cases, tax reporting documents will be issued to the Account Owner.

F. Lack of Certainty of Tax Consequences; Future Changes in Law

Final regulations or other administrative guidance or court decisions might be issued which could adversely impact the federal tax consequences or requirements with respect to the GSP or contributions to, or distributions from, Accounts. Congress could also further amend Section 529 of the Tax Code or other federal law and states could amend state law in a manner that would materially change or eliminate the federal or state tax treatment described in this Disclosure Statement. The Department intends to modify the GSP within the constraints of applicable law as needed for the GSP to meet the requirements of Section 529. Changes in the law governing the federal and/or state tax consequences described above might necessitate material changes to the GSP for the anticipated tax consequences to apply.

In the event that the GSP, as currently structured or as subsequently modified, does not meet the requirements of Section 529 for any reason, the tax consequences to the Account Owners and Beneficiaries are uncertain and it is possible that Account Owners or Beneficiaries could be subject to taxes currently on undistributed earnings in their respective Accounts as well as to other adverse tax consequences. A potential Account Owner may wish to consult a tax advisor.

Pennsylvania Tuition Account Program

X. Reporting and Other Matters

A. GSP Account Statements and Reports

The TAP Program Bureau will send or cause to be sent periodic statements to Account Owners with information about GSP Account balances and GSP transaction activities and earnings during the applicable period.

B. Audited Financial Statements and Actuarial Reports

Upon request, Account Owners will be sent the annual audited financial report of the GSP Fund and/or the annual actuarial report of the GSP Fund.

C. Family Savings Account Program

Through the Family Savings Account ("FSA") program, qualified Pennsylvania families may receive a match on amounts they have saved for higher education when their savings are deposited in their GSP Account. The match is an amount up to 100%, up to a maximum of $1,000 per year, for a period of two years.

Placing the amounts saved under the FSA program into a GSP Account qualifies the family to have the state match placed in that same Account. If the Account Owner later closes the Account or takes a distribution for any reason other than the payment of Qualified Higher Education Expenses, the amount of the match and any growth on that match are excluded from the calculation of the Account Owner's refund. Any partial Non-Qualified Withdrawal of the Account Owner's contribution (and growth thereon) will result in a proportional amount of the match being forfeited.

To be eligible for the FSA program, the family's annual income must not be more than 200% of the federal poverty standard, which varies based on the size of a family, or 80% of the medium regional income. The annual income limit is currently $40,000 for a family of four. For details on the FSA program, contact the Pennsylvania Department of Community and Economic Development at 717-787-1984.

D. Federal Bankruptcy Exemption for Certain Contributions to Accounts

Recent changes to federal bankruptcy laws exempt from an account owner's creditors certain funds contributed to an account under a Section 529 qualified state tuition program. The exemption protects (i) up to $5,000 transferred to the account at least 365 days and within 720 days before the bankruptcy filing, and (ii) all transfers made more than 720 days before the bankruptcy filing, providing in both cases that the beneficiary of the account during the tax year in which the contribution was made was a child, stepchild, grandchild or stepgrandchild of the account owner.

Pennsylvania Tuition Account Program

XI. Obtaining Additional Information

Other documents and reports which are referenced in this Disclosure Statement are also available upon request from the TAP Program Bureau.

Appendix A

Pennsylvania Tuition Account Program

Tuition Account Guaranteed Savings Plan Contract

ARTICLE I - INTRODUCTION

When you (the "Account Owner") open a Tuition Account Guaranteed Savings Plan Account you enter into a contract (the "GSP Plan Contract") with the Commonwealth of Pennsylvania, Treasury Department (the "Department"), as authorized by the Tuition Account Programs and College Savings Bond Act, Act of 1992, April 3, P.L. 28, No. 11, 24 P.S. 6901.101, et seq., as amended (the "Act"). The GSP Plan Contract includes this agreement, the enrollment form, and the annual TAP Credit Rate Schedules. By signing and submitting the enrollment form, the Account Owner is agreeing to the terms and conditions set forth in these documents and the GSP Disclosure Statement as defined below. Copies of the Act may be obtained from the Department upon request.

The terms and conditions under which GSP Accounts are offered are set forth in the GSP Disclosure Statement to which this GSP Plan Contract is attached.

ARTICLE II - DEFINITIONS

The following words and phrases when used in this agreement, the GSP Disclosure Statement, the TAP Credit Rate Schedule, or the enrollment form for the Guaranteed Savings Plan shall have the meanings given to them in this Article unless the context clearly indicates otherwise:

"Academic Period." A semester, trimester or comparable period into which an Eligible Educational Institution divides its academic year.

"Account Owner." A person who is at least 18 years old, including a natural person, corporation, association, partnership or other legal entity, who enters into a GSP Plan Contract. For purposes of a GSP Account established for a minor under UTMA or UGMA, the Account Owner shall act as the Account Owner until the minor reaches the age of majority in his or her state of residence, at which point the minor shall exercise the rights and bear the obligations of the Account Owner.

"Act." The Tuition Account Programs and College Savings Bond Act, Act of 1992, April 3, P.L. 28, No. 11, 24 P.S. 6901.101, et seq. as amended.

"Actual Tuition." See definition of "Tuition" below.

"Beneficiary." A person who meets the eligibility criteria set forth in or established pursuant to the Act and on whose behalf an Account Owner enters into a GSP Plan Contract. This may be a person of any age and may be the Account Owner. The Beneficiary is the intended future student.

"Community Colleges." Allegheny County, Beaver County, Bucks County, Butler County, Delaware County, Harrisburg Area, Lehigh-Carbon County, Luzerne County, Montgomery County, Northampton County, Pennsylvania Highlands, Philadelphia, Reading Area and Westmoreland Area Community College, and any other college designated from time to time as a member of the Commonwealth of Pennsylvania's community colleges.

"Successor Owner." The person (including a natural person, corporation, association, partnership or other legal entity) whom the Account Owner designates to assume ownership of the account in the event the Account Owner dies or becomes incapacitated.

"Department." The Treasury Department of the Commonwealth of Pennsylvania.

"Disability." The inability to engage in any substantial gainful activity by reason of a medically determinable physical or mental impairment which can be expected to result in death or to be of long-continued and indefinite duration.

"Eligible Educational Institution." A college, university, vocational or other postsecondary educational institution as defined by Section 529 of the Internal Revenue Code. Generally these are accredited universities, colleges and career schools that are eligible to participate in the U.S. Department of Education student aid programs.

"Family Member." A person who is related to the prior Beneficiary in the manner specified in Section 529 of the Internal Revenue Code, which currently includes:

(1) a son or daughter, or a descendant of either;
(2) a stepson or stepdaughter or a descendant of either;
(3) a brother, sister, stepbrother, or stepsister;
(4) the father or mother, or an ancestor of either;
(5) a stepfather or stepmother;
(6) a son or daughter of a brother or sister;
(7) a brother or sister of the father or mother;
(8) a son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, or sister-in-law;
(9) the spouse of the Beneficiary or the spouse of any individual described in (1) through (8) above;
(10) a first cousin.

A legally adopted child or foster child of an individual shall be treated as the child of such individual by blood. The terms brother and sister include a brother or sister by half-blood.

"GSP Disclosure Statement." The Pennsylvania Tuition Account Guaranteed Savings Plan Disclosure Statement as in effect at the time of a contribution.

"GSP Plan Contract." This agreement between an Account Owner and the Department relating to the Tuition Account Guaranteed Savings Plan, which agreement shall be formed when the Account Owner signs and submits a completed enrollment form, and shall include the enrollment form and the TAP Credit Rate Schedules, which are incorporated by reference herein.

"Guaranteed Savings Plan Fund." The Tuition Account Guaranteed Savings Program Fund established by the Act.

"Growth." The difference between a contribution and the value of that contribution when withdrawn.

"Guaranteed Savings Plan." The Tuition Account Guaranteed Savings Program established under the Act.

"Investment Performance Value." The amount in a GSP Account calculated by compounding annually each separate contribution from the time of contribution to the date of calculation at the actual annual Net Earnings Rate of the Guaranteed Savings Plan Fund.

"Investment Plan." The Tuition Account Investment Program established under the Act.

"Material Misrepresentation." A false statement made with the intent to deceive by the Account Owner or Beneficiary, either in the enrollment form or in written correspondence with the Department, relating to a material fact, including but not limited to, the residency of the Account Owner or Beneficiary, family relationship, or the reason for termination of or a withdrawal of amounts payable under the GSP Plan Contract. Factual determinations regarding Material Misrepresentations shall be made by the Department.

"Mature TAP Credits." TAP Credits that satisfy the maturity requirement set forth in Article IX, section 2 hereof.

"Net Earnings Rate of the Guaranteed Savings Plan Fund." The percentage return on the investment of Guaranteed Savings Plan Fund assets after adjusting for any taxes and operating expenses.

"Premium." The amount by which the TAP Credit Rate exceeds the Actual Tuition for a Tuition Level.

"Private Institution." Any Eligible Educational Institution that is (1) a private institution; or (2) a public institution located outside of Pennsylvania.

"Projected Enrollment Date." The month and year in which the Account Owner anticipates that the Beneficiary will first attend college or career school.

"Public Institution." Any public Eligible Educational Institution that is required to participate in the Tuition Account Guaranteed Savings Program under the Act. They are: (1) each of the State-Related Universities (currently, Lincoln University, Pennsylvania College of Technology, Pennsylvania State University, Temple University and the University of Pittsburgh), (2) each of the State System of Higher Education (SSHE) Universities (currently Bloomsburg, California, Cheyney, Clarion, East Stroudsburg, Edinboro, Indiana, Kutztown, Lock Haven, Mansfield, Millersville, Shippensburg, Slippery Rock and West Chester), (3) the schools owned by the Commonwealth of Pennsylvania (currently this includes only the Thaddeus Stevens College of Technology), and (4) the Commonwealth of Pennsylvania's community colleges (currently these are Allegheny County, Beaver County, Bucks County, Butler County, Delaware County, Harrisburg Area, Lehigh-Carbon County, Luzerne County, Montgomery County, Northampton County, Pennsylvania Highlands, Philadelphia, Reading Area and Westmoreland Area).

"Qualified Higher Education Expenses," "Eligible Expenses," "Qualified Expenses," or "Higher Education Expenses." Expenses as defined by Section 529 of the Internal Revenue Code, which currently are tuition, fees, room and board (under certain circumstances and in limited amounts), and the cost of required books, supplies and equipment, and, special needs services in the case of a special needs Beneficiary which are incurred in connection with enrollment or attendance at an Eligible Educational Institution.

"Residency Level." The Account Owner's designation of whether contributions to the account are to be applied at the Pennsylvania resident or non-resident TAP Credit Rates (for Public Institutions or Public Institution average Tuition Levels) or in-district or out-of-district TAP Credit Rates (for Community College or Community College average Tuition Levels).

"Resident." A natural person who occupies a dwelling within the Commonwealth of Pennsylvania and has a present intent to remain. It includes military personnel and their dependents who claim Pennsylvania as their domicile and who have authorized the withholding of Pennsylvania income tax. It also includes any other legal entity that has an office or place of business in the Commonwealth.

"Rollover Distribution." (i) a distribution from the GSP Account that is transferred to an account in a "qualified tuition program" other than the Pennsylvania Tuition Account Program in accordance with the requirements applicable to a "rollover distribution" under Section 529 of the Internal Revenue Code, or (ii) where applicable, a "rollover distribution" under Section 529 of the Internal Revenue Code from an account in a "qualified tuition program" other than the Pennsylvania Tuition Account Program to a GSP Account.

"Schedule." The annual schedule of TAP Credit Rates for each Tuition Level.

"Scholarship." Any amount received by a Beneficiary, including a grant, fellowship, or a school's waiver of charges, provided that the amount is required to be used for qualified tuition and related expenses and does not have to be repaid as a loan. An appointment to a U.S. military service academy is considered to be a "Scholarship."

"Scholarship Account." An account opened by the Commonwealth of Pennsylvania, any political subdivision of the Commonwealth of Pennsylvania or any organization that is exempt from federal income taxation under section 501(a) and described in section 501(c)(3) of the Internal Revenue Code for the purpose of providing a scholarship that meets the registration requirements of Article XII hereof.

"Section 529 of the Internal Revenue Code." Section 529 of the Internal Revenue Code of 1986 (public law 99-5 14, 26 U.S.C. 529), as amended.

"State-Related Universities." Lincoln University, Pennsylvania College of Technology, Pennsylvania State University, Temple University and the University of Pittsburgh, and any other university designated under the Act from time to time as one of the State-Related Universities.

"State System of Higher Education Universities." Bloomsburg, California, Cheyney, Clarion, East Stroudsburg, Edinboro, Indiana, Kutztown, Lock Haven, Mansfield, Millersville, Shippensburg, Slippery Rock and West Chester Universities, and any other university designated from time to time as a member of the State System of Higher Education.

"Student." The Beneficiary.

"Sum of Contributions." The dollar value sum of each contribution to an Account (including any Premiums paid) that remains in the Account at the time the valuation is made.

"GSP Account" or "Account." The account established pursuant to a Tuition Account Guaranteed Savings Plan Contract.

"TAP Credit." The equivalent or unit of a contribution, which is determined by dividing the dollar amount of the contribution by the TAP Credit Rate in effect at the time of the contribution for the Tuition Level designated by the Account Owner. One TAP Credit is a contribution in the amount of the TAP Credit Rate at the Tuition Level designated by the Account Owner. This term includes both **"Tuition Credits"** and **"Other Educational Expense Credits,"** as defined in the Act.

"TAP Credit Rate." The contribution amount needed for a "TAP Credit," which is the rate set by the Department annually for each Tuition Level and Residency Level.

"Tuition" or "Actual Tuition." The charge for an academic credit or the credits required for attendance at an Eligible Educational Institution for a full-time undergraduate academic period. For institutions that charge by the number of academic credits being taken, it is the charge for one academic credit. For institutions that charge by the academic period (e.g., semester, or year), it is the amount of the charge divided by the minimum number of academic credits needed to qualify as a full time student for the academic period.

"Tuition Inflation Value." Generally, the amount in an Account that would be available for paying Qualified Higher Education Expenses. For Qualified Withdrawals, the value obtained by multiplying the number of mature TAP Credit by the actual per-credit tuition (for the Specific School Tuition Level) or average actual per-credit tuition (for Average Tuition Levels) in effect for the academic year for which the valuation is being made. For Non-Qualified Withdrawals, the value obtained by multiplying the number of mature TAP Credits, excluding any TAP Credits attributable to the government match portion of a Family Savings Account Program contribution by the actual per-credit tuition (for the Specific School Tuition Level) or average actual per-credit tuition (for Average Tuition Levels) in effect for the academic year for which the valuation is being made. Note that the maturity period for Qualified and Non-Qualified Withdrawals is different.

"Tuition Level." The designation of the Public Institution or Private Institution or an average established pursuant to section 309(b) of the Act, to which a contribution made pursuant to a GSP Plan Contract will be applied to determine the tuition credit equivalent (number of TAP Credits) of the contribution. (See Article III hereof.)

"UGMA." The Uniform Gifts to Minors Act, as adopted in Account Owner's state of residence.

"UTMA." The Uniform Transfers to Minors Act, as adopted in Account Owner's state of residence.

"Value of Account." Investment Performance Value as defined above.

"Value of Credits." Tuition Inflation Value as defined below.

ARTICLE III - TUITION LEVELS AND TAP CREDIT RATES

1. General.

There are several Tuition Levels. Some are mandated by the Act; others are established at the discretion of the Department. Mandated Tuition Levels include Specific School Tuition Levels for each of the Public Institutions. There are also separate Tuition Levels for various branch campuses, programs of study and/or class years (Freshman, Sophomore, Junior, or Senior) if the Public Institution imposes different charges for these. There are also three mandated average Tuition Levels: (1) the State-Related University Average, (2) the State System of Higher Education University Average, and (3) the Community College Average.

The Department, in its sole discretion, may also establish additional average Tuition Levels for Private Institutions. Currently, the Department has established two: the Ivy-League School Average, and the Private Four-Year College Average. Additionally, the Department is authorized to have agreements with specific private Eligible Educational Institution pursuant to which Tuition Levels would be established for such institutions but, to date, has not done so.

2. Department's Authority to Change Tuition Levels.

The Department may add or eliminate a Specific Public School Tuition Level for a branch campus, program of study, or class year in response to such addition or elimination by the school. Additionally, the Department may add or eliminate discretionary Tuition Levels. Account Owners options regarding added or eliminated Tuition Levels are described in Section I. F.3.b of the GSP Disclosure Statement.

3. TAP Credit Rate.

The Department will set a TAP Credit Rate annually for each Tuition Level. Additionally, for each of the Public Institutions and their average Tuition Levels, the Department will set separate TAP Credit Rates for residents and non-residents of Pennsylvania and, in the case of Pennsylvania Community Colleges, for in-district and out-of-district residents. The TAP Credit Rates will be determined by the Department in its sole discretion, taking into consideration the Actual Tuition charged by the institutions represented in each Tuition Level. A TAP Credit Rate may, however, be the same as, higher, or lower than the Actual Tuition charged by the corresponding institutions. The TAP Credit Rates for the statutorily mandated Tuition Levels are based on certified information provided by each of the schools to the Department. The TAP Credit Rate for the Ivy League College Average is determined based on the Actual Tuition at the eight Ivy League Colleges as obtained by the Department from various reliable school sources. The TAP Credit Rate for the Private Four Year College Average is determined based on the Actual Tuition of all the private four year colleges in Pennsylvania (that are eligible to participate in U.S. Department of Education student financial aid programs), excluding nursing schools, as reported by the colleges to the Pennsylvania Higher Education Assistance Agency (PHEAA).

4. TAP Credit Rate Schedule.

The current TAP Credit Rate Schedule contains a full listing of the Tuition Levels and corresponding TAP Credit Rates. A new Schedule is issued for each new academic year. The Schedule for each year, past (formerly referred to as the "TAP Tuition Credit Price List"), current, and future, is incorporated into and made a part of the GSP Plan Contract. The Schedule(s) for the current or prior academic years is available upon request.

ARTICLE IV - OPENING A TAP ACCOUNT

1. General.

In order to open a GSP Account, the prospective Account Owner must sign and submit a completed enrollment form for the Guaranteed Savings Plan, make a minimum initial contribution and remit any required enrollment fee. (See Article XI hereof.) The required minimum initial contribution and enrollment fee for a GSP Account are set forth in the GSP Disclosure Statement. The required minimum contribution amount and enrollment fee may be changed from time to time.

2. Residency Requirement.

Either the Account Owner or the Beneficiary must be a Resident of the Commonwealth of Pennsylvania at the time the GSP Account is opened. The Account Owner must certify on the enrollment form that the Account Owner or the Beneficiary is a Pennsylvania resident. Final determinations regarding Residency will be at the sole discretion of the Department.

3. Mandatory Designations.

A. General.

In addition to providing on the enrollment form identifying information about the Account Owner and Beneficiary, including the Social Security numbers for both, the Account Owner must make designations as specified in subparagraphs B through E of this Article IV, section 3. The Account Owner may subsequently make changes to these designations as provided in Article V hereof.

B. Beneficiary Designation.

The Account Owner must designate the Beneficiary. The Account Owner may be named as the Beneficiary. There is one exception to this requirement: the Beneficiary does not need to be designated if the GSP Plan Contract establishes a Scholarship Account. (See Article XII hereof.)

C. Projected College Enrollment Date Designation.

The Account Owner must designate a Projected Enrollment Date - the month and year in which the Account Owner anticipates that the Beneficiary will first attend college or career school. If the Account Owner does not designate a Projected Date of Enrollment, the Department will specify a date of the August after the Beneficiary turns eighteen (18) years of age.

D. Tuition Level Designation.

The Account Owner must designate the Tuition Level. If the Account Owner does not designate a Tuition Level, the Department will specify the State System of Higher Education Average Tuition Level.

E. Residency Level Designation.

For Tuition Levels requiring a residency designation, the Account Owner must designate the Residency Level. If the Account Owner does not designate a Residency Level, the Department will specify the in-state or in-district level, as applicable.

4. Permissive Designations.

A. General.

On the enrollment form, the Account Owner may, but is not required to, make designations as specified in subparagraphs B and C of this Article IV, Section 4. If any of these permissive designations is not made on the enrollment form, the Account Owner may make them at a later time through written notification to the Department. Any of these permissive designations may subsequently be changed as provided in Article V hereof.

B. Successor Owner.

The Account Owner may, but is not required to, designate a Successor Owner. The prospective Successor Owner must meet all the requirements for changing the Account Owner as specified in the GSP Disclosure Statement, provided, however, that the written statement to be signed by the prospective Successor Owner shall state that he or she agrees to be the Successor Owner and will abide by the GSP Plan Contract, in the event the contingency occurs and he or she becomes the Account Owner. In the case of a GSP Account established under UTMA or UGMA, any Successor Owner would control the GSP Account in a custodial capacity only. The Account Owner should consult a probate lawyer as to the effect of the designation of a Successor Owner in the Account Owner's state of residence at the time of his or her death. In the event of any conflict between this designation and any will or trust the Account Owner may have made, the designations made pursuant to the GSP shall, to the extent permitted by law, control. If a Successor Owner has not been properly designated, or if the Successor Owner does not survive the Account Owner, the successor owner shall be determined in accordance with the Account Owner's will and, if the Account Owner has no will, to the extent permitted by law, shall be deemed to be the Account Owner's surviving spouse, or if none, the Beneficiary, provided the Beneficiary has reached the age of majority, or, if otherwise required by law or if the Beneficiary has not reached the age of majority, the person designated to inherit assets of the type represented by the GSP Account by operation of law.

C. Account Access.
On the enrollment form, the Account Owner may, but is not required to, designate individuals who may have access to information about the GSP Account. The Department may require the Account Owner to specify some method of identification (such as a Personal Identification Number - PIN) that must be used by the designated individual in order to access GSP Account information.

D. Enrollment in SAGE Scholars.
On the enrollment form, the Account Owner may, but is not required to enroll in the SAGE Scholars program. Through SAGE Scholars tuition discounts may be earned, which can be applied at SAGE participating colleges. For details see Section II. D. 3. of the GSP Disclosure Statement.

5. Scholarship Accounts.
Scholarship Accounts may also be opened as provided for under Article XII hereof.

6. GSP Accounts Established by Fiduciaries.
GSP Accounts may be established as fiduciary accounts. A GSP Account may be opened for a minor under UTMA/UGMA. The Account Owner should review the GSP Disclosure Statement about special restrictions applicable to GSP Accounts established for a minor under UTMA or UGMA, and should review the GSP Disclosure Statement and consult a financial advisor and probate lawyer about the advisability of transferring UTMA/UGMA funds to a GSP Account. For any trust or fiduciary GSP Account, the Account Owner must furnish the minor's Social Security number and name himself or herself to control the GSP Account for the use and benefit of the minor. Account Owner may be required to provide the Department with satisfactory legal documents identifying the rights and responsibilities of the parties under any trust or fiduciary GSP Account.

7. GSP Accounts Established by Business Entities.
Certain types of legal entities including corporations, partnerships, limited liability companies, limited liability partnerships, limited and general partnerships, and non-profit corporations may establish GSP Accounts. The Department may require copies of the articles of incorporation, partnership agreement, limited liability company articles of organization and operating agreement or other constituent documents of the entity to confirm the name of the Account Owner and that the Account Owner has been created under applicable law. In addition, Account Owner may be asked to furnish resolutions or other information to the Department to establish the persons authorized to act on behalf of the entity.

ARTICLE V - CHANGES TO THE ACCOUNT

1. General.
Subject to the limitations described in the GSP Disclosure Statement, Account Owners may change any information and designation made on the enrollment form (see Article IV hereof) or made subsequent to the submission of the enrollment form by following the procedures and documentation requirements of the Department. Such changes may include changing the Beneficiary, changing the Tuition Level, changing the Account Owner and transferring contributions to another Beneficiary or from the Guaranteed Savings Plan to the Investment Plan. Detailed information about the changes that may be made with respect to a GSP Account is included in the GSP Disclosure Statement, which should be read together with this GSP Plan Contract for complete information and any limitations on the ability of an Account Owner to make such changes.

ARTICLE VI - CONTRIBUTING TO THE TAP ACCOUNT

1. General.
Once a GSP Account is opened anyone may make a contribution to the GSP Account at any time in a minimum specified amount as specified in the GSP Disclosure Statement. Such minimum contribution amounts may be changed from time to time.

2. Methods of Contribution.
The methods by which contributions may be made to a GSP Account are set forth in the GSP Disclosure Statement. All contributions must be in United States dollars. Contributions in currency or coins will not be accepted, nor will contributions of securities or other property. The Account Owner or other person who wants to contribute to a GSP Account may be required to complete forms specified by the Department for particular methods of contribution. Methods by which contributions to a GSP Account are made may change from time to time.

3. TAP Credit Equivalents of Contributions.
In determining the TAP Credits attributable to a contribution, the TAP Credit Rate in effect at the time of the contribution will be used. TAP Credit Rates are set annually.

4. Limitation on Contributions.
Under Section 529 of the Internal Revenue Code, the total maximum contribution that may be made to all Pennsylvania Tuition Account Program accounts for the same Beneficiary (regardless of who the Account Owners are) under the Guaranteed Savings Plan and the Investment Plan may not exceed the amount necessary to provide for the Qualified Higher Education Expenses of that Beneficiary. Such amount is referred to in the GSP Disclosure Statement as the "Maximum Contribution Limit." The current Maximum Contribution Limit and the method by which such limit was determined are described in the GSP Disclosure Statement. Amounts in a GSP Account and an Investment Plan Account for the same Beneficiary will be aggregated for purposes of determining whether the Maximum Contribution Limit has been met. Contributions in excess of the Maximum Contribution Limit may be rejected or if accepted, returned to the Account Owner. Any excess contribution returned to the Account Owner may be returned without earnings; to the extent, if any, that such contribution is returned with earnings, such earnings shall be subject to the tax treatment and/or 10% additional tax applicable to Non-Qualified Distributions described in Article X, section 2 of this GSP Plan Contract. Any amount deposited to a GSP Account that is in excess of the Maximum Contribution Limit shall not be considered a contribution under the GSP. The Maximum Contribution Limit or the method by which it is determined may change from time to time.

In addition to the limitation on the amount of contributions described above, no transfer will be permitted from an Investment Plan account to a GSP Account if, at the time of the proposed transfer, the age of the Beneficiary of the GSP Account is 14 years or older.

5. Tax Consequence of Contributions.
Regardless of the method of contribution, under current law, all contributions must be made with after-tax dollars. That is, funds that are used to make a contribution to a GSP Account are subject to federal, state and local income tax. However, individuals subject to Pennsylvania state income tax are able to deduct contributions from their state annual personal income tax return.

ARTICLE VII - ENROLLMENT IN UPROMISE REWARDS SERVICE

An Account Owner may, but is not required to enroll in the Upromise Rewards Service. Through the Upromise Rewards Service your Upromise account and your GSP Account can be linked so that your rebate dollars are automatically transferred to your GSP Account on a periodic basis. For details see Section II. D. 4. of the GSP Disclosure Statement.

ARTICLE VIII - DISTRIBUTION OF EXCESS SURPLUS

1. General.
At the end of each fiscal year (June 30) the Department is required to analyze the GSP Fund to determine whether the GSP Fund has assets greater than necessary to meet all of its future obligations and to maintain its fiscal soundness and strength. Based on that Analysis and other relevant circumstances, the Department may, in its sole discretion, distribute any excess (or any part of the excess) among eligible GSP Accounts. Since August 2000, when the Department was first granted the discretion to make distributions from GSP Fund surplus, the Department has not authorized a disbursement and it is unlikely that such a disbursement would be made in the near future. If the Department were to make such a distribution, it would not be obligated to make future distributions and making such distribution vests no rights in Account Owners to further distributions. The eligibility requirements for such distribution and process by which such distribution is made is described in the GSP Disclosure Statement and may change from time to time.

2. Effect of Distribution.

The distribution to a GSP Account made pursuant to this Article will be considered Growth on the Account and may be subject to taxation as provided in Article IX, paragraph 3, and Article X, paragraph 5 hereof.

ARTICLE IX - USE OF THE GSP ACCOUNT FOR QUALIFIED DISTRIBUTIONS

1. General.

Distributions from a GSP Account may be applied by the Account Owner to pay the Beneficiary's Qualified Higher Education Expenses. Payment for these expenses will be made by the Department only at the direction of the Account Owner. In order for payment to be made, the Account Owner must comply with the procedures and documentation requirements of the Department. If allowed by federal law and regulations, payments may be made by the Department to an Eligible Educational Institution, the Account Owner, or a third party. Such distributions are referred to and described in the GSP Disclosure Statement as "Qualified Distributions" or "Qualified Withdrawals." The more complete information contained in such Disclosure Statement should be carefully reviewed before a distribution is requested.

2. Maturity Requirement.

A period ranging from approximately nine months to approximately, 18 months must elapse from the date of each contribution to the time when that contribution and any Growth may be used for payment of Qualified Higher Education Expenses. Specifically, contributions received by the Department between January 1 and August 31 of one calendar year will be available, together with the related Growth, beginning with the Summer semester of the following calendar year. Contributions received by the Department between September 1 and December 31 of one calendar year will be available, together with the related Growth, for the Spring semester two calendar years later. (Example: a contribution made in August 2006 would be available for the Summer semester of 2007; a contribution made in December 2006 would be available for the Spring semester of 2008.)

3. Tax Consequences of Using the GSP Account for Qualified Distributions.

The use of the GSP Account for the Beneficiary's Qualified Higher Education Expenses is not subject to any Pennsylvania or local taxation, including income tax on the Growth of the Account. The federal income tax treatment of Growth is described in the GSP Disclosure Statement.

ARTICLE X - NON-QUALIFIED DISTRIBUTIONS, TERMINATIONS AND TRANSFERS TO INVESTMENT PLAN

1. General.

An Account Owner may direct distribution of a portion of the balance in a GSP Account for purposes other than to pay the Beneficiary's Qualified Higher Education Expenses. Such distributions may be requested in the event of the death or Disability of the Beneficiary, the receipt by the Beneficiary of a Scholarship covering Qualified Higher Education Expenses at an Eligible Educational Institution, for purposes of a Rollover Distribution or for other reasons. Such distributions are referred to and described in the GSP Disclosure Statement as "Non-Qualified Distributions" or "Non-Qualified Withdrawals." The more complete information contained in such Disclosure Statement, including information about any charges that may apply at the time of the distribution and limitations on your ability to complete a Rollover Distribution, should be carefully reviewed before such a distribution is requested.

The Department may require the Account Owner to submit documentation of the Beneficiary's death or Disability or receipt of a Scholarship. If such documentation is required but is not submitted, the distribution will be treated as a Non-Qualified Distribution for a reason other than the death or Disability of or receipt of a Scholarship by the Beneficiary, as described in section 2 of this Article X. The Department may charge a fee for terminations and distributions, which may be deducted from the amount distributed. (See Article XI herein.)

Additionally, under the circumstances described in Section 3 of this Article X, the Department may terminate the GSP Plan Contract without the consent of the Account Owner.

2. Non-Qualified Distributions.

In the case of a Non-Qualified Distribution for any reason other than the death or Disability of the Beneficiary, a Scholarship obtained by the Beneficiary, a Rollover Distribution or a transfer to the Investment Plan (including distributions because the Beneficiary decides not to attend, or fails to gain admission to, an Eligible Educational Institution), an additional federal income tax will apply to the portion of the distribution that constitutes earnings, which income tax will be payable by the Account Owner.

In the case of such Non-Qualified Distribution after the Amendment Effective Period, this penalty will be withheld from a portion of the distribution that constitutes earnings. The more complete information contained in the GSP Disclosure Statement about the types of distributions described in this section, including information about any charges that may be applied at the time of the distribution and any income taxes or withholding penalties that may apply, should be carefully reviewed before such a distribution is requested.

3. Involuntary Termination of GSP Account with Penalty.

The Department may terminate the GSP Plan Contract and make a distribution to the Account Owner without the consent of the Account Owner in the following circumstances: (1) the GSP finds that the Account Owner or the Beneficiary has provided false or misleading information, for example by misrepresenting that they are Pennsylvania residents; (2) the Account Owner has violated the terms of the GSP Plan Contract, for example, by failing to pay required fees; (3) no contributions to the GSP Account were made within six months of the date on which such Account was established; or (4) if the Tuition Inflation Value is $0 on the date of termination and the Account has been opened for a minimum of six months. The more complete information contained in the GSP Disclosure Statement, including any penalties or withholding that may apply, should be carefully reviewed.

4. Partial Non-Qualified Distributions.

Unless the GSP, in its discretion, determines otherwise in the future, only one partial distribution of an Account of the type described in Article X, section 2 or through a Rollover Distribution shall be permitted within any 12-month period.

5. Tax Consequences of Distributions, Transfers to Investment Plan and Rollover Distributions.

A. General.

The federal income tax treatment of the portion of a distribution consisting of earnings in the case of a distribution for a Beneficiary's Qualified Higher Education Expenses at an Eligible Educational Institution is described in the GSP Disclosure Statement.

All Non-Qualified Distributions, other than distributions in connection with a transfer to the Investment Plan or in connection with a Rollover Distribution, are subject to federal income taxation on the portion of the distribution attributable to earnings, including in certain cases a federal income tax surtax, as described in the GSP Disclosure Statement. The treatment of distributions for purposes of Pennsylvania state income taxation is described in the GSP Disclosure Statement. The Account Owner should consult a tax advisor for complete information with respect to the treatment of distributions for purposes of state and local income taxation in Pennsylvania or in other states, as relevant to the Account Owner and the Beneficiary.

B. Appointment of Department as Agent.

As discussed above, after the Amendment Effective Period, the GSP may be required to withhold penalties from certain distributions. The Account Owner agrees to provide the Department such documentation as shall be required under Section 529 of the Internal Revenue Code in order to avoid the imposition of such penalty on such withdrawal. The Account Owner hereby irrevocably authorizes the Department to withhold any amounts required to be withheld as a penalty from the Account Owner's GSP Account. If the Account Owner has also established an account under the Investment Plan, the Account Owner also hereby irrevocably authorizes the Department to withhold any amounts required to be withheld as a penalty from the Account Owner's GSP Account from the Account Owner's Investment Plan account.

ARTICLE XI - FEES

1. General.

The Department shall charge such fees and in such amounts as it may determine are necessary. The Department may change the services and functions for which it charges fees as well as the amount of such fees, in the case of an increase in such fees, upon notification to the Account Owner. The Department reserves the right to waive any fee in circumstances in which it deems a waiver appropriate. An Account Owner must pay the fees by check or, at the Department's discretion, the fees may be deducted from contributions to the Account.

2. Specific Fees.

The fees, which are subject to change, that are currently charged or imposed by the Department are an enrollment fee, an annual account maintenance fee and an insufficient funds fee. These fees, including the methods by which such fees are paid or payable, are described in detail in the GSP Disclosure Statement. The enrollment fee may be reduced or waived under the circumstances described in the GSP Disclosure Statement.

ARTICLE XII - SCHOLARSHIP ACCOUNTS

1. Establishment.

The Commonwealth of Pennsylvania, any political subdivision thereof and any organization that is exempt from federal income taxation under section 501(a) and described in section 501(c)(3) of the Internal Revenue Code may open a GSP Account for the purpose of providing a scholarship. Before a GSP Account intended to be such a Scholarship Account is opened, the prospective Account Owner must register its scholarship program with the Department. To register, the Account Owner must provide a description of the scholarship program including, but not limited to, the criteria established by the prospective Account Owner for its future selection of the Beneficiary and any other information that the Department requires.

2. Holding Accounts.

The Department may permit an entity establishing a scholarship account to have one "Holding Account" in which contributions for more than one future beneficiary (to be chosen at a later date) may be held. At the time a scholarship is awarded, the sponsoring entity Account Owner may open a separate account for the then-identified scholarship recipient and transfer contributions (and attendant Growth) from the holding account to the account designating the recipient as the Beneficiary.

3. Terms and Conditions.

All terms and conditions as set forth in this agreement and in the TAP Credit Rate Schedules for a non-scholarship GSP Account shall be the same for a "Scholarship Account" with the following exceptions:

(1) The Beneficiary does not need to be designated when the GSP Account is opened and must be designated only at the time the GSP Account is used to pay Qualified Higher Education Expenses. The designation of a Beneficiary for one Academic Period does not give that Beneficiary any entitlement to use the Scholarship Account for any other Academic Period. The Account Owner may designate different Beneficiaries for different Academic Periods.

(2) Depending on individual circumstances, use of a Scholarship Account for Qualified Higher Education Expenses may constitute receipt of a scholarship that, under Internal Revenue rules, exempts the Beneficiary from paying federal income tax on any part of the GSP Account that is used for such purpose, whether or not the amounts so used would be exempt from federal income tax at such time in the case of a non-scholarship GSP Account.

ARTICLE XIII - ACCOUNT OWNER'S REPRESENTATIONS, WARRANTIES AND ACKNOWLEDGMENTS.

Account Owner hereby represents and warrants to, and acknowledges to and agrees with, the Department, as follows:

(a) Account Owner has received, read and understands the GSP Disclosure Statement, which is incorporated into this GSP Plan Contract, this GSP Plan Contract and the enrollment form. In making a decision to establish or contribute to a GSP Account, Account Owner has not relied on any representations or other information about the GSP, whether oral or written, other than as set forth in the GSP Disclosure Statement and this GSP Plan Contract. All information provided by the Account Owner in the enrollment form, any supplement thereto or to any other portion of the GSP Plan Contract, and in any documents, notices or certifications delivered under the GSP Plan Contract is and will be true and correct. The Account Owner will promptly notify the Department of any changes to any such information.

(b) Account Owner agrees that the Account Owner has no authority to direct the investment of any contributions made to the GSP Account, or any Growth or earnings thereon, either directly or indirectly; provided that Account Owner is permitted to select among the Guaranteed Savings Plan and the investment options available under the Investment Plan and reallocate assets among the Guaranteed Savings Plan and the investment options available under the Investment Plan to the extent permitted under this GSP Plan Contract and Section 529 of the Internal Revenue Code.

(c) Account Owner understands that participation in the GSP does not guarantee, and that neither the Department nor any Contractor ("Upromise Investment Advisors, LLC") or other contractor hired by the Department makes any promise, that contributions and the investment return on contributions, if any, will be adequate to cover future tuition and other higher education expenses or that a Beneficiary will be admitted to or allowed to continue to attend or graduated from an institution of higher education.

(d) **THE GSP ACCOUNT IS NOT INSURED BY THE COMMONWEALTH OF PENNSYLVANIA AND NEITHER THE CONTRIBUTIONS NOR THE GROWTH THEREON IS GUARANTEED BY THE COMMONWEALTH OF PENNSYLVANIA OR ANY CONTRACTOR OR OTHER CONTRACTOR HIRED BY THE DEPARTMENT.** The only entity obligated under the Guaranteed Savings Plan is the Guaranteed Savings Plan Fund. Should the Guaranteed Savings Plan Fund fail to generate an adequate return, the Guaranteed Savings Plan Fund would not be able to meet all of its future tuition liabilities under the Guaranteed Savings Plan. The Account Owner assumes all risk of an investment in the Guaranteed Savings Plan, including the failure of the Guaranteed Savings Plan Fund and the potential loss of contributions and liability for penalties that are assessable in connection with a distribution of amounts invested under the Guaranteed Savings Plan. **Neither the GSP Account, nor any amount contributed thereto pursuant to the Guaranteed Savings Plan, is insured by the Federal Deposit Insurance Corporation, the Commonwealth of Pennsylvania, the Contractor, or by any other contractor, consultant or adviser retained by the Commonwealth of Pennsylvania.**

(e) Account Owner understands that none of the Commonwealth, the Department or any consultant, adviser or other entity retained by the Commonwealth or the Department has any debt to the Account Owner, Beneficiary or any other person as a result of the establishment of the GSP or a GSP Account, and that none of such parties assumes any risk or liability for funds contributed to or invested in the GSP.

(f) Account Owner acknowledges and agrees that no GSP Account may be used as collateral for any loan. Any attempted use of a GSP Account as collateral for a loan shall be void.

(g) Account Owner acknowledges and agrees that he or she may not assign or transfer any interest in any GSP Account except as provided in this GSP Plan Contract or in the GSP Disclosure Statement or as required by law (including transfers of record ownership from a custodian of a GSP Account established for a minor under UGMA or UTMA when the minor for whom such GSP Account was established reaches the age specified by applicable law). Any other attempted assignment or transfer of such interest shall be void.

(h) Account Owner acknowledges and agrees that the GSP shall not loan any assets in any GSP Account to any Account Owner or Beneficiary.

(i) Account Owner acknowledges and agrees that the GSP is established and maintained by the Commonwealth and the Department pursuant to the Act and other applicable state laws and is intended to qualify for certain federal income tax consequences under Section 529 of the Internal Revenue Code. Account Owner further acknowledges that such federal and state laws are subject to change, sometimes with retroactive effect, and that none of the Commonwealth, the Department, the Guaranteed Savings Plan Fund, the Contractor, or other contractor, or any adviser, consultant or other entity retained by any such party makes any representation that such state or federal laws will not be changed or repealed or that the terms and conditions of the GSP will remain as currently described in the GSP Disclosure Statement and this GSP Plan Contract.

(j) Account Owner acknowledges and agrees that he or she will, or will cause the Beneficiary to, provide, if required by the Department in order to comply with Section 529 of the Internal Revenue Code, a signed statement identifying the amount of distributions and/or other information that may be required in order to comply with Section 529 of the Internal Revenue Code at the end of each calendar year in which distributions are made from a GSP Account for Qualified Higher Education Expenses and at the end of the subsequent calendar year.

(k) If the Account Owner is establishing a GSP Account as a custodian for a minor under UGMA or UTMA, the Account Owner acknowledges and agrees that he or she has reviewed the portion of the GSP Disclosure Statement entitled "OPENING AND MAINTAINING YOUR ACCOUNT - Restrictions on UTMA/UGMA GSP Accounts," and acknowledges and agrees that such Account Owner assumes responsibility for any adverse consequences resulting from the lack of legal certainty about the status of a GSP Account established under UTMA or UGMA.

(l) Account Owner understands that the Contractor, or other contractor is a third-party beneficiary of my statements, agreements, representations, warranties and covenants in this GSP Plan Contract.

ARTICLE XIV - MISCELLANEOUS PROVISIONS

1. Limitation of Liability.

In entering into a GSP Plan Contract, the Account Owner acknowledges that the payment of obligations under the GSP Plan Contract will be made only from the Guaranteed Savings Plan Fund. Any claim against the GSP or the Department pursuant to a GSP Plan Contract may be made solely against the assets of the Guaranteed Savings Plan Fund and not against any other funds or sources of the Commonwealth. The Account Owner further acknowledges that neither the Department nor the TAP Advisory Board may pledge the credit or taxing power of the Commonwealth.

2. Contract Modifications.

The Department reserves the right to modify the GSP Plan Contract, as deemed necessary by the Department in its sole discretion, for such reasons as, but not limited to, assuring compliance with state or federal laws and regulations or preserving the fiscal integrity of the Guaranteed Savings Plan. To the extent, if any, that the GSP Plan Contract references procedures, the Department reserves the right to change those procedures.

3. Admission Decisions.

Nothing in the Act or the GSP Plan Contract may be construed as a promise or guarantee by the Department that a Beneficiary (i) will be admitted to an institution of higher education, (ii) will be allowed to continue to attend an institution of higher education after having been admitted, or (iii) will graduate from an institution of higher education.

4. Impact on State Residency.

Nothing in the Act or the GSP Plan Contract may be construed to establish residency in the Commonwealth of Pennsylvania for any individual solely because that individual is a Beneficiary of a GSP Plan Contract.

5. Necessity of Qualification.

The GSP is established with the intent that it shall qualify for favorable federal tax treatment under Section 529 of the Internal Revenue Code. Account Owner agrees and acknowledges that qualification under Section 529 of the Internal Revenue Code is vital, and agrees that the GSP Plan Contract may be amended by the Department at any time without Account Owner's consent or prior notice if the Department determines that such an amendment is required to maintain qualification under Section 529 of the Internal Revenue Code or to comply with other applicable laws. This GSP Plan Contract may also be amended by the Department if needed to ensure the proper administration of the GSP.

6. Reporting.

The Department shall provide, or cause to be provided, periodic statements to Account Owners with respect to each GSP Account, and tax reporting with respect to the GSP Account as required by federal tax law.

7. Account Owner's Indemnity.

Account Owner recognizes that the establishment of any GSP Account will be based upon Account Owner's statements, agreements, representations, warranties and covenants set forth in the GSP Plan Contract, and Account Owner agrees to indemnify and to hold harmless the Commonwealth, the Department, the Guaranteed Savings Plan Fund, the Contractor or other contractor, and any representatives or contractors of any such party from and against any and all loss, damage, liability or expense, including costs of reasonable attorney's fees, to which they may be put or which they may incur by reason of, or in connection with, any misstatement or misrepresentation made by Account Owner or a Beneficiary, any breach by Account Owner of the acknowledgments, representations or warranties contained herein, any failure of Account Owner to fulfill any covenants or agreements set forth herein or any action taken by such party in accordance with the terms of the GSP Plan Contract. All statements, representations, warranties or covenants of the Account Owner, and this paragraph, shall survive the termination of the GSP Plan Contract.

8. Amendment and Termination.

The Department may at any time, and from time to time, amend the GSP Plan Contract, or suspend or terminate the Guaranteed Savings Plan by giving written notice of such action to the Account Owner, but, except as otherwise expressly provided herein, your GSP Account may not be diverted from you or your Beneficiary's exclusive benefit. Nothing contained in the GSP Plan Contract shall constitute an agreement or representation by the Department or any other party that the Department will continue to maintain the GSP or the Guaranteed Savings Plan indefinitely. Any amendments to statutes or regulations governing the GSP automatically amend this GSP Plan Contract, and any amendments to operating procedures and policies of the GSP will amend this GSP Plan Contract when such amendments become effective.

9. Effective Date.

The GSP Plan Contract shall become effective between the Department and an Account Owner upon the Account Owner's execution of an enrollment form for the establishment of a GSP Account and the acknowledgement of such enrollment by or on behalf of the Department.

10. Rights of Beneficiary.

Nothing in the Act or the GSP Plan Contract may be construed to give a Beneficiary any rights or legal interest in a GSP Account unless the Beneficiary is also the Account Owner.

11. Factual Determinations.

All factual determinations regarding Resident Status, a Beneficiary's Disability, Family Members, Material Misrepresentations, and any other factual determinations regarding the GSP Plan Contract will be at the sole discretion of the Department.

12. Governing Law.

The GSP Plan Contract will be construed in accordance with the laws of the Commonwealth of Pennsylvania.

13. Construction.

In the event that any clause or portion of the GSP Plan Contract is found to be invalid or unenforceable by a court of competent jurisdiction, at the option of the Department, the GSP Plan Contract may be deemed void or that clause or portion found to be invalid will be severed from the GSP Plan Contract and the remainder of the GSP Plan Contract will continue in full force and effect as if such clause or portion had never been included.

14. Exclusivity.

Subject to all applicable state and federal laws, rules, and regulations, the GSP Disclosure Statement, this GSP Plan Contract and the enrollment form constitute the complete and exclusive statement of the agreement between the Department and Account Owner. It supersedes any prior agreement, oral or written, and any other communications between the Department (through any means and by any individuals) relating to the subject matter of the GSP Plan Contract. The Department makes every effort to ensure that all documentation about the GSP is accurate. If, however, there is a conflict between any such documentation and the GSP Plan Contract, the terms described in the GSP Disclosure Statement shall take precedence followed by the GSP Plan Contract.

Pennsylvania Guaranteed Savings Plan
Processing Center
P.O. Box 55463
Boston, MA 02205-8114

www.tapfacts.com
PAGSP@patreasury.org
1.800.440.4000