

LOUISIANA'S SECTION 529 COLLEGE SAVING PLAN

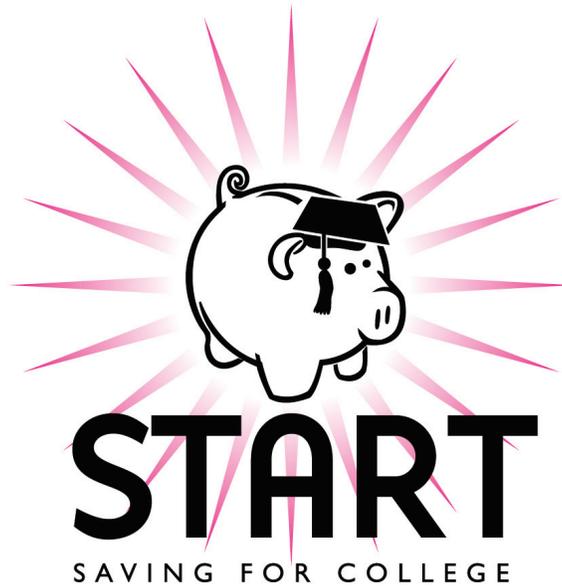
THE START SAVING PROGRAM

DISCLOSURE BOOKLET

AND

PARTICIPATION AGREEMENT

Including Supplement No. 1 dated July 1, 2007



**ADMINISTERED BY THE
LOUISIANA TUITION TRUST AUTHORITY
An Agency of the State of Louisiana**

**PROGRAM MANAGERS:
LOUISIANA TUITION TRUST AUTHORITY
LOUISIANA STATE TREASURER**

October 27, 2006, Revised July 1, 2007

START Saving Program

LOCATOR TABLE

You can find information in this Disclosure Booklet on these important topics:

| Topic | Principal Location(s) in this Booklet | Page Numbers |
|--|--|--------------|
| Definitions | <ul style="list-style-type: none"> Definitions | 1 |
| Overview of Key Features | <ul style="list-style-type: none"> Overview of Key Features | 2 |
| Fees and Costs | <ul style="list-style-type: none"> Fees and Charges | 11 |
| | <ul style="list-style-type: none"> 2006 Program Fee Disclosure (Appendix D) | D-1 |
| Investment Options | <ul style="list-style-type: none"> Deposits and Investment Options | 3 |
| | <ul style="list-style-type: none"> Selection of Investment Option | 5 |
| | <ul style="list-style-type: none"> Investment Options | 11 |
| | <ul style="list-style-type: none"> Investment Option – Changes By Account Owner | 13 |
| | <ul style="list-style-type: none"> Trade Date | 23 |
| | <ul style="list-style-type: none"> Vanguard Group | 23 |
| How and When Louisiana Tuition Trust Authority (LATTA) May Change The Investment Options | <ul style="list-style-type: none"> Investment Management | 3 |
| | <ul style="list-style-type: none"> Selection of Investment Option | 5 |
| | <ul style="list-style-type: none"> Responsibilities and Powers of LATTA and the State Treasurer | 17 |
| | <ul style="list-style-type: none"> Vanguard Group | 23 |
| Investment Performance | <ul style="list-style-type: none"> Performance Charts (Appendix E) | E-1 |
| Federal and State Tax Considerations | <ul style="list-style-type: none"> Other States' Plans | 2 |
| | <ul style="list-style-type: none"> Refunds | 16 |
| | <ul style="list-style-type: none"> Rollover Deposits | 18 |
| | <ul style="list-style-type: none"> Tax Benefits and Consequences | 5 |
| | <ul style="list-style-type: none"> Tax and Other Considerations | 19 |
| | <ul style="list-style-type: none"> Termination of Education Savings Accounts (ESA's) | 22 |
| | <ul style="list-style-type: none"> Transfer of ESA's | 23 |
| Risk Factors | <ul style="list-style-type: none"> Investment Risks | 13 |
| Limitations or penalties imposed by the Program upon: <ul style="list-style-type: none"> transfers between investment options, transfers to other Section 529 Plans or non-qualified distributions | <ul style="list-style-type: none"> Disbursements | 9 |
| | <ul style="list-style-type: none"> Investment Option – Changes By Account Owner | 13 |
| | <ul style="list-style-type: none"> Limitations | 15 |
| | <ul style="list-style-type: none"> Refunds | 16 |
| | <ul style="list-style-type: none"> Tax and Other Considerations | 19 |
| | <ul style="list-style-type: none"> Transfer of ESA's | 23 |
| What is the effect of START on financial aid eligibility? | <ul style="list-style-type: none"> Student Financial Aid | 5 |
| | <ul style="list-style-type: none"> Student Financial Aid Implications | 19 |

LOUISIANA'S START Saving Program

DISCLOSURE BOOKLET AND PARTICIPATION AGREEMENTS

TABLE OF CONTENTS

| | |
|--|-----------|
| LOCATOR TABLE | i |
| TABLE OF CONTENTS..... | ii |
| Preface..... | 1 |
| Disclosure | 1 |
| Privacy Policy | 1 |
| Accuracy of Information in Disclosure Booklet..... | 1 |
| Acknowledgement of Terms and Conditions..... | 1 |
| Administration | 1 |
| Authorized Representatives | 1 |
| Booklet Availability | 1 |
| Definitions..... | 1 |
| Governing Laws..... | 2 |
| Long-Term Investment..... | 2 |
| Not an Offer to Sell or Buy..... | 2 |
| Offering Materials..... | 2 |
| Other States' Plans | 2 |
| Participation Agreements..... | 2 |
| Speakers Available | 2 |
| Overview of Key Features..... | 2 |
| Purpose..... | 2 |
| What Are Qualified Higher Education Expenses?..... | 3 |
| Deposits and Investment Options | 3 |
| Documents in Good Order..... | 3 |
| Education Savings Account (ESA)..... | 3 |
| Extent of Guarantee | 3 |
| Investment Management..... | 3 |
| Obligation of LATTA..... | 3 |
| Opening an ESA..... | 4 |
| Who May Open An ESA..... | 4 |
| Participation Agreements | 4 |
| How To Open An ESA..... | 4 |
| Restrictions and Limitations | 4 |

| | |
|---|----------|
| Disbursements and Refunds..... | 4 |
| Disbursements..... | 4 |
| Maximum Total Deposits..... | 5 |
| Selection of Investment Option | 5 |
| Suitability..... | 5 |
| Transferability..... | 5 |
| Tax Benefits and Consequences..... | 5 |
| Student Financial Aid..... | 5 |
| Term of the Participation Agreement..... | 5 |
| Disclosures, Terms, and Conditions | 5 |
| Abandoned ESA's | 5 |
| ESA Categories | 5 |
| Account Owners..... | 6 |
| Authorizations and Certifications By Account Owner..... | 6 |
| Beneficiary of the Education Savings Account..... | 7 |
| Compliance with Law | 7 |
| Court Jurisdiction..... | 8 |
| Death or Disability of the Beneficiary | 8 |
| Deposits..... | 8 |
| Disbursements..... | 9 |
| Earnings Enhancements (EE's)..... | 9 |
| Equity Investments..... | 10 |
| Fees and Charges | 11 |
| Investment Options | 11 |
| Investment Options - Changes By Account Owner | 13 |
| Investment Risks | 13 |
| Involuntary Termination of an ESA, With Penalty | 15 |
| Limitations | 15 |
| Louisiana Education Tuition and Savings Fund (Fund) | 15 |
| Management of the Fund | 16 |
| Refunds | 16 |
| Reports, Statements and Audits | 17 |
| Responsibilities and Powers of LATTA and State Treasurer..... | 17 |
| Rollover Deposits..... | 18 |
| Rollovers To Another 529 Plan..... | 18 |
| Student Financial Aid Implications..... | 19 |
| Successor Account Owners..... | 19 |
| Tax and Other Considerations..... | 19 |
| Disclaimer | 19 |
| Federal Tax Considerations..... | 20 |
| Federal Tax Treatment of Earnings..... | 20 |
| Federal Gift/Estate Tax | 20 |
| Transfers and Rollovers | 20 |

| | |
|---|------------|
| Coverdell Education Savings Accounts (formerly Education IRA) | 20 |
| Education Tax Credits | 20 |
| Distributions | 20 |
| Generally | 20 |
| Qualified Higher Education Expense Distributions | 21 |
| Other Qualified Distributions | 21 |
| Non-Qualified Distributions | 21 |
| Aggregation of ESA's | 21 |
| Determination of Taxable Earnings | 21 |
| Potential Future Changes in Federal Tax Law | 21 |
| State Tax Considerations | 21 |
| State Income Tax Exclusions | 21 |
| State Gift Tax | 21 |
| Medicaid and Other Federal and State Non-Educational Benefits | 22 |
| Bankruptcy and Related Matters | 22 |
| Refunds - Tax Consequences | 22 |
| Securities Considerations | 22 |
| Termination of ESA's | 22 |
| Trade Date | 23 |
| Transfer of ESA's | 23 |
| Vanguard Group | 23 |
| APPENDIX A: Participation Agreements | A-1 |
| Participation Agreement for An Education Savings Account Owned by An Individual | A-1 |
| Participation Agreement for a Legal Entity ESA | A-3 |
| Participation Agreement for a Custodial ESA | A-6 |
| APPENDIX B: Glossary | B-1 |
| APPENDIX C: Contact Us | C-1 |
| APPENDIX D: 2007 PROGRAM FEE DISCLOSURE | D-1 |
| Table 1 - Fees | D-1 |
| Table 2 - Investment Costs | D-3 |
| Table 3 - Sales Charges | D-4 |
| Table 4 - Possible Additional Fees | D-4 |
| APPENDIX E: Performance Charts | E-1 |
| Table 5 - Deposits and ESA's Outstanding at Year-End | E-1 |
| Table 6 - ESA Data | E-1 |
| Table 7 - Participation by Investment Option | E-2 |
| Table 8 - Average Annual Returns | E-2 |

PREFACE

DISCLOSURE

This Disclosure Booklet Provides Important Information Concerning Certain Risks Relating To The Opening Of An Education Savings Account (ESA) And The Terms And Conditions For Participating In The START Saving Program. For This Reason, This Disclosure Booklet Should Be Read In Its Entirety Before Taking Any Action To Complete The START Saving Program Account Application. Please Read It Thoroughly Before You Open An ESA And Keep It For Future Reference.

PRIVACY POLICY

Protecting the privacy of your personal information is important to us. We respect your right to privacy and recognize our obligation to keep information about you secure and confidential. We do not sell or share information about you with outside marketers.

Federal law requires us to give you this notice about our privacy policy. The law also requires us to provide you with a copy of this notice each year that you are our customer. This Notice uses the term “nonpublic personal information.” This means personal information about you that identifies you, and that is not available from public sources.

We collect nonpublic personal information about you and your Beneficiary from the following sources:

- Information we receive from you on START applications, correspondence, communications, and other forms;
- Information about your transactions with us or others with respect to your START ESA (from parties such as the State of Louisiana, Department of Revenue and their agents); and
- Information received from schools the Beneficiary attends, or formerly attended, or to which the Beneficiary has applied for admission.

We do not disclose any nonpublic personal information about you, the Beneficiary or our other current or former customers to anyone, except as permitted by law. (For example, we share such information with our contractors and agents, and to schools and the Internal Revenue Service as needed to administer your ESA in conformance with law and your direction.)

We restrict access to nonpublic personal information about you to our employees, contractors and agents who need to know the information in order to provide service to you. We maintain physical, electronic, and procedural safeguards in compliance with federal regulations to safeguard your nonpublic personal information.

ACCURACY OF INFORMATION IN DISCLOSURE BOOKLET

The information set forth herein has been obtained from official sources, which are believed to be reliable, but it is not guaranteed as to accuracy or completeness. The information and expressions of opinion herein are subject to change without notice, and neither delivery of this Disclosure Booklet nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the START Saving Program or the Louisiana Tuition Trust Authority and the Louisiana State Treasurer (**Program Managers**) since the date hereof.

ACKNOWLEDGEMENT OF TERMS AND CONDITIONS

This Student Tuition Assistance and Revenue Trust (**START**) Saving Program Disclosure Booklet contains the Terms and Conditions applicable to an Education Savings Account (**ESA**) and the Participation Agreement. A completed START Saving Program Account Application includes an acknowledgement that you agree to be bound by the terms and conditions of this Disclosure Booklet and Participation Agreement. This Disclosure Booklet and the Account Application constitute the entire agreement between you and the Louisiana Tuition Trust Authority (**LATTA**). The Account Owner, by signing the Account Application, and LATTA, by accepting it, have entered into an agreement for an ESA in the START Saving Program administered by LATTA, subject to the Terms and Conditions and Disclosures in this Disclosure Booklet and Participation Agreement.

ADMINISTRATION

The START Saving Program is administered by LATTA, a statutory board created specifically for the purpose of administering the program. Under the direction of LATTA, the Louisiana Office of Student Financial Assistance (“**LOSFA**”) manages the program on a day-to-day basis. In accordance with the Louisiana Administrative Procedure Act, LATTA promulgated rules to implement the START Saving Program.

AUTHORIZED REPRESENTATIVES

No dealer, broker, salesperson or other person has been authorized by the START Saving Program or LATTA to give any information or to make any representations other than those contained in this Disclosure Booklet and, if given or made, such other information or representations must not be relied upon as having been authorized by the START Saving Program or LATTA.

BOOKLET AVAILABILITY

This Disclosure Booklet is available as public information on the START Saving Program’s Web site at <http://www.startsaving.la.gov>.

DEFINITIONS

Capitalized words and terms not otherwise defined in the Disclosure Booklet have the meanings ascribed to such words and terms in the *Glossary* in Appendix B.

GOVERNING LAWS

This Disclosure Booklet of the Louisiana **START Saving Program**, as implemented by LSA-R.S. 17:3091 *et seq.* (**Act**), and the Louisiana Education Tuition and Savings Fund (**Fund**) are provided in connection with the START Saving Program Account Application, which is required for the opening of an Education Savings Account (**ESA**). The START Saving Program Disclosure Booklet, including the appropriate Participation Agreement, all ESA’s and the START Saving Program are governed by the laws of the United States, the laws of the State of Louisiana and the Rules and Regulations adopted by LATTA. Any amendments to the federal or state statutes, rules or regulations governing the START Saving Program will amend the Agreement and the operation of the START Saving Program.

LONG-TERM INVESTMENT

The opening of an ESA is necessarily a long-term investment because, generally, no payment is made from an ESA until a Beneficiary enrolls in an Eligible Educational Institution. An ESA should not be opened if the Account Owner anticipates liquidity needs or other financial needs that will require the Account Owner to terminate or withdraw funds from an ESA in order to provide for such needs. ESAs are generally nontransferable and no market for resale is known to exist. If an investment in an ESA is liquidated for uses other than Qualified Higher Education Expenses, the Account Owner or the Beneficiary may incur an additional income tax liability and will forfeit Earnings Enhancements. An Account Owner may not transfer ownership of an ESA to another in order to liquidate the investment.

NOT AN OFFER TO SELL OR BUY

This Disclosure Booklet does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of START ESAs by any person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale. START ESAs have not been registered with or approved by the United States Securities and Exchange Commission or any state securities commission.

OFFERING MATERIALS

This Disclosure Booklet with the accompanying Account Application has been identified by Louisiana's START Saving Program as the Offering Materials intended to provide substantive disclosure of the terms and conditions of an investment in Louisiana's START Saving Program. These Offering Materials comply with the College Savings Plans Network Disclosure Principles, Statement No. 1, adopted December 2, 2004, and Statement No. 2, adopted July 26, 2005.

OTHER STATES' PLANS

Section 529 plans offered by other states may offer tax or other benefits to taxpayers or residents of those states that are not available under Louisiana's START Saving Program. If you live outside of Louisiana, you should consider the college savings program offered by your home state or the state where you are employed prior to making a decision to open an ESA in the START Saving Program.

PARTICIPATION AGREEMENTS

Each of the Participation Agreements that are included in Appendix A of this Disclosure Booklet is a contract between LATTA and an Account Owner. Those portions of the Disclosure Booklet concerning the START Saving Program and the terms applicable to START ESAs, as modified from time to time, are incorporated by reference into the Participation Agreements. Statements contained in this Disclosure Booklet which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of facts.

SPEAKERS AVAILABLE

If you would like to host a Louisiana START Saving Program information session at your child's school, sponsor an employee

forum at your workplace, have a speaker at a meeting of a social or community organization, or have a neighborhood meeting for the parents and grandparents on your block, please let us know. Our Public Information Specialists travel the state providing various groups and organizations with complete information on how the Louisiana START Saving Program can help parents, grandparents, and others save for a child's future college education. To schedule a speaker/presentation for your group, email our office at custserv@osfa.la.gov. If you prefer, you can also schedule a speaker/presentation by calling our office at 1-800-259-5626, Ext. 1012 between the hours of 8 a.m. – 4:30 p.m. CST.

OVERVIEW OF KEY FEATURES

PURPOSE

The Louisiana START Saving Program was created by the Louisiana Legislature, through adoption of the Act, to help make education affordable and accessible to all citizens of Louisiana, to encourage savings and to enhance the ability of citizens to obtain access to institutions of postsecondary education. The START Saving Program is Louisiana's Qualified Tuition Program under Section 529 of the Internal Revenue Code of 1986, as amended from time to time (IRC).

The START Saving Program has been designed to allow individuals to save for Qualified Higher Education Expenses (QHEE) (See *What are Qualified Higher Education Expenses?* in the next Section below.) for the postsecondary education of ESA Beneficiaries. The START Saving Program treats deposits in a tax-favored manner under the provisions of Section 529, IRC. To encourage college savings, the State of Louisiana does not tax earnings when used to pay for QHEE and matches a portion of an Account Owner's deposits. (See *Earnings Enhancements (EE's)* section below for more information.)

WHAT ARE

QUALIFIED HIGHER EDUCATION EXPENSES?

Qualified Higher Education Expenses are:

1. Tuition, fees, books, supplies, and equipment required for the enrollment or attendance of a designated Beneficiary at an Eligible Educational Institution; and
2. Room and Board; and
3. Expenses for Special Needs Services in the case of a Special Needs Beneficiary, which are incurred in connection with such enrollment or attendance.

DEPOSITS AND INVESTMENT OPTIONS

All deposits to an ESA are voluntary. Deposits made to an ESA will be credited to a single ESA for the benefit of the Beneficiary. Deposits made pursuant to the Participation Agreement are initially placed in special statutory account in the State Treasury - the Louisiana Education Tuition and Savings Fund. An Account Owner may select a START Saving Program investment option that offers Fixed Earnings, Variable Earnings, or both. Moneys deposited for investment in Fixed Earnings are invested by the State Treasurer. (See the *Louisiana Education Tuition and Savings Fund* section below for more information.) Moneys deposited for investment in a Variable Earnings option are held in the Louisiana Principal Protection Option until the Trade Date, when they are invested by the State Treasurer in one or more mutual funds

managed by The Vanguard Group. The particular Vanguard fund or funds in which an investment option invests are selected by the Louisiana State Treasurer and may change over time. As an Account Owner, you will own an interest in securities issued by the START Saving Program, but you will not own shares of the underlying Vanguard funds.

DOCUMENTS IN GOOD ORDER

To process any transaction, all necessary documents must be in good order, which means executed when required and properly, fully, and accurately completed. LATTA may refuse to accept an Account Application based upon the applicant's failure to provide adequate documentation or to meet certain conditions set forth in the Terms and Conditions of the Disclosure Booklet and in the rules and regulations adopted by LATTA.

EDUCATION SAVINGS ACCOUNT (ESA)

Upon LATTA's acceptance of an Account Application, an individual ESA will be established in the name of the Account Owner and for the benefit of the named Beneficiary. A Beneficiary must be a Natural Person. Funds are disbursed from the ESA for the purpose of paying the Qualified Higher Education Expenses of the Beneficiary for attendance at an Eligible Educational Institution.

EXTENT OF GUARANTEE

LATTA guarantees the payment of the Redemption Value of funds contributed to an ESA that are invested in Fixed Earnings options. In the event an ESA is terminated within twelve (12) months of the date the ESA was opened, the refund will be equal to the deposits made or the current value of the deposits, whichever is less. **THE REFUND WILL NOT INCLUDE INTEREST NOR EARNINGS ENHANCEMENTS.** The Act provides that the Louisiana Legislature will authorize appropriations for the funds necessary to meet the payment demands made upon the Fund in the event the Fund has insufficient monies on hand to meet those obligations.

No representation is made nor guarantee given as to the return (interest) on monies in the fund, which are invested in Fixed Earnings.

Neither LATTA, LOSFA, the Louisiana State Treasurer nor the State of Louisiana guarantees the monies that are invested in Variable Earnings options. Deposits to Variable Earnings options that are invested by the START Saving Program in funds of The Vanguard Group are not guaranteed nor insured by The Vanguard Group, the Federal Deposit Insurance Corporation (FDIC), or any other entity. The value of your ESA will depend on market conditions and the performance of the underlying funds in the investment option you select. Data showing the performance of the START investments is presented in charts in Appendix E. **INVESTMENTS IN VARIABLE EARNINGS OPTIONS CAN GO UP OR DOWN IN VALUE, AND YOU COULD LOSE MONEY BY INVESTING IN THESE OPTIONS.**

INVESTMENT MANAGEMENT

All deposits to the START Saving Program are invested on behalf of the program by the Louisiana State Treasurer. The Louisiana Principal Protection Option and the Fixed Earnings portion of other options are managed by the Louisiana State Treasurer. (See the *Louisiana Education Tuition and Savings Fund* section below

for more information.) The Total Equity Option and the equity portion of other options are managed by The Vanguard Group, which is under contract to the Louisiana State Treasurer and LATTA. (See *Equity Investments* below for more information.) The current contract between The Vanguard Group, the Louisiana State Treasurer and LATTA is set to expire on July 17, 2008 at which time a new contract will be negotiated with an equity manager selected by the State Treasurer.

OBLIGATION OF LATTA

After an Account Application has been accepted and deposits are being made according to the Terms and Conditions of the Agreement, LATTA is obligated to disburse funds to an Eligible Educational Institution, Account Owner and/or Beneficiary designated by the Account Owner, up to the Current Value of the ESA, to pay for the Qualified Higher Education Expenses of the Beneficiary. The START Saving Program does not assist a Beneficiary with respect to admission, continued attendance or graduation from a particular postsecondary institution.

Once the ESA is established, the Account Owner will choose one of seven investment options to receive deposits made to the ESA. (See the *ESA Categories* section below for more information.)

OPENING AN ESA

In order to participate in the START Saving Program, a prospective Account Owner must complete a START Saving Program Account Application designating a Beneficiary to receive funds contributed to the ESA (and earnings thereon) to pay for Qualified Higher Education Expenses at an Eligible Educational Institution. Submission of an Account Application is acceptance of the terms and conditions of the Participation Agreement in this Disclosure Booklet. The Participation Agreement is subject to applicable federal and state statutory requirements and the program rules. The rules may be obtained from LOSFA or accessed at the information center on LOSFA's Web site: www.startsaving.la.gov.

Who May Open An ESA

An account may be opened by an individual, a Legal Entity or a custodian who meets the following requirements:

- Both the Account Owner and the Beneficiary are U.S. Citizens and/or permanent residents of the United States.
- Either the Account Owner or the Beneficiary must be a Louisiana Resident.
- Individual Account Owners must be at least 18 years old at the time the ESA is opened.
- An authorized representative of a Legal Entity must open an ESA in the name of the Legal Entity.
- Custodians for minors under the Uniform Transfers to Minors Act (UTMA) and custodians of minors appointed by courts of competent jurisdiction may open ESA's in the name of the minor; however, these ESA's are classified as Category IV ESA's with a maximum Earnings Enhancement of two percent (2%).
- Signing the Account Application is your agreement to the terms and conditions of the Participation Agreement (individual, Legal Entity or custodial) that is applicable to your status.

Participation Agreements

There are Participation Agreements for individuals, Legal Entities and for custodians, whether appointed by a court or in accordance with UTMA. Each is found in Appendix D to this Disclosure Booklet. The Participation Agreement applicable to the status of the person opening the ESA is the contract among the Louisiana State Treasurer, the Louisiana Tuition Trust Authority and the Account Owner. All the terms, conditions and disclosures contained in the Disclosure Booklet, as modified from time to time, are incorporated by reference into the Participation Agreements.

How To Open An ESA

If you are an individual opening an ESA in your name, you must (i) complete a paper Account Application for Natural Persons, or (ii) complete the Account Application for Natural Persons online at the START Saving Program's Web site at www.startsaving.la.gov.

If you are an authorized representative of a Legal Entity, you must complete a paper Account Application for Legal Entities. You will be required to submit documentation corroborating your authority to sign on behalf of the Legal Entity. See the *Participation Agreement for Legal Entities* in Appendix A for a list of approved documentation.

If you are the custodian of a minor child, whether you were appointed by a court or in accordance with UTMA, you must complete a paper Account Application for Natural Persons with certain notations. Before submission of the Account Application, call the START Saving Program for instructions. You will be required to provide documents corroborating your status as custodian.

All Account Applications are available from the START Saving Program (See *Contact Us* in Appendix C.) or may be downloaded from the START Saving Program's Web site at www.startsaving.la.gov.

RESTRICTIONS AND LIMITATIONS

Disbursements and Refunds

Disbursements and Refunds are restricted. (See the *Disbursements and Refunds* sections below for more information.) On the date an ESA is opened, either the Account Owner or his designated Beneficiary must be a Louisiana Resident, as defined in §107 of the START Saving Program rules. A minimum of one year must lapse between the date the Account Owner makes the first deposit opening an ESA and the first disbursement from the ESA to pay a Beneficiary's Qualified Higher Education Expenses.

Disbursements

Disbursements from an ESA are made for payment of a Beneficiary's Qualified Higher Education Expenses at an Eligible Educational Institution and may not exceed the Qualified Higher Education Expenses for the institution attended by the Beneficiary. A disbursement made for a Beneficiary who does not enroll in an Eligible Educational Institution constitutes a Refund and the amount disbursed must be redeposited into the ESA within 60 days. Otherwise LOSFA will recover the amount of the Earnings Enhancements and interest thereon included in the disbursement from any principal and interest remaining in the ESA, refund any balance remaining and close the ESA. (See the *Disbursements and Refunds* sections below for more information.)

Maximum Total Deposits

Total deposits to an ESA cannot exceed the Maximum Allowable Account Balance, which is the amount, determined annually, and effective on August 1st of each year, and expressed as a current dollar value, which is equal to five times the Qualified Higher Education Expenses at the highest cost institution in the state. You can deposit up to a Maximum Allowable Account Balance per student. Deposits can be made through automatic bank debit, payroll deduction or direct payment (including lump sums). There is no limitation on the frequency of deposits and the minimum deposit amount is ten dollars. (See the *Deposits* section below for more information.)

Selection of Investment Option

Account Owners must select one investment option for all funds deposited in each ESA, and may change the investment option for each ESA owned one time during any twelve (12) month period.

SUITABILITY

Neither LATTA, LOSFA, the Louisiana State Treasurer nor The Vanguard Group make any representations regarding the suitability of the Variable Earnings investment options to any particular investor. Other types of investments and other types of college savings vehicles may be more appropriate, depending upon your personal circumstances. Please consult your tax or investment adviser for more information.

TRANSFERABILITY

An ESA is generally nontransferable. (See the *Transfer of ESA's* section below for more information.)

TAX BENEFITS AND CONSEQUENCES

Significant tax consequences, both positive and negative, are connected with participation in the START Saving Program. The START Saving Program has been created by the state under the assumption that the program is tax-exempt and that the earnings generated by the investment of deposits are tax-exempt as a result of the program being designated a "Qualified Tuition Program" in accordance with Section 529, IRC. In addition to the federal and state income tax consequences, there are gift tax consequences that should be considered upon the opening of an ESA on behalf of a Beneficiary and the making of deposits to that ESA. Both federal and State tax law benefits are available with respect to an ESA, including: federal tax deferral for earnings on deposits; a limited federal tax deduction for the payment of tuition and related expenses (available through 2005 for taxpayers in certain lower income levels); earnings are State and federal tax-free when used toward eligible college expenses; and deposits made to an ESA may be excluded from Louisiana taxable income, up to \$2,400 per year, per ESA or up to \$4,800 per Beneficiary per year for married couples filing jointly (any unused exclusion may be carried forward to subsequent tax years). Please consult your tax or investment adviser for more information. (See the *Tax and Other Considerations* section below for more information.)

STUDENT FINANCIAL AID

The impact of an ESA on the Beneficiary's ability to obtain federal, state or private need-based financial aid must be considered. The receipt of benefits under an ESA may affect the Beneficiary's

qualification for certain need-based financial aid. (See the Student Financial Aid Implications section below for additional information.)

TERM OF THE PARTICIPATION AGREEMENT

The term of the Participation Agreement shall commence when accepted by LATTA and continue until terminated pursuant to the terms of the Participation Agreement.

DISCLOSURES, TERMS, AND CONDITIONS

ABANDONED ESA'S

1. An ESA will be abandoned in accordance with LSA-R.S. 9:151 *et seq.*, if, during any five-year period subsequent to the Beneficiary's thirty-fifth birthday, the Account Owner has not communicated, in writing or by other means reflected in a contemporaneous record prepared by or on behalf of LATTA or LOSFA, with LATTA or LOSFA concerning the ESA in which the funds are held, and has not otherwise indicated an interest in the funds and the Beneficiary of the ESA has not requested a disbursement of any of the funds for Qualified Higher Education Expenses. A communication, whether in writing or otherwise, from a person other than the Account Owner will not be accepted as an indication of interest in an ESA, unless documentation is provided to LATTA or LOSFA or its representative, which identifies that person's legal right to express an interest.

2. If an ESA is abandoned as described herein, it will be terminated and its funds turned over to the Louisiana State Treasurer for deposit in the Bond Security and Redemption Fund where they will be held in trust pending a claim.

ESA CATEGORIES

3. ESA's are assigned to one of six ESA categories based on the state(s) of residence of the Account Owner and the Beneficiary and the relationship between Account Owner and the Beneficiary at the time the Account Application is filed. The assignment of an ESA category is permanent, except in the event of the transfer of ownership of an ESA due to the death or dissolution of an Account Owner. (See the *Successor Account Owner* section below for further information.) The category assigned each ESA determines whether the ESA is eligible to receive Earnings Enhancements (EE's) and sets the percentage of deposits that will be matched by EE's. (See the *Earnings Enhancements* section below for more information.) ESA's opened for Account Owners are assigned to one of the categories described below.

Category I: Parents, grandparents, court-ordered custodians, persons claiming the Beneficiary as a dependent on their federal income tax return, if, at the time the Account Application is submitted, the Account Owner or Beneficiary is a resident of the state.

Category II: A person or persons determined by the administering agency to be a Member of the Family of the Beneficiary and, at the time the Account Application is submitted, the Account Owner or Beneficiary is a resident of the state. Members of the family include adults related to the Beneficiary as brothers, sisters, aunts, uncles, spouses, in-laws, step-parents and step-siblings.

Category III: An Independent Student who is a resident of the state.

Category IV: Any other person or Legal Entity if, at the time the Account Application is submitted, the Beneficiary is a resident of the state.

Category V: Any other person or Legal Entity that, at the time the Account Application is submitted, is a resident of the state and the Beneficiary is not a resident of the state.

Category VI: Any other person or Legal Entity or any government entity, and at the time of the submission of the Account Application:

- (i) The Beneficiary is a resident of the state;
- (ii) The federal adjusted income of the Beneficiary's family is less than \$30,000 or the Beneficiary is eligible for a free lunch under the Richard B. Russell National School Act (42 U.S.C. 1751 *et seq.*); and
- (iii) The Beneficiary is not a member of the Account Owner's family nor a member of the family of any member or employee of LATTA or LOSFA.

4. The ESA category is established based on the facts at the time the Account Application is submitted. With the exception of the change in ownership of an ESA due to the death or dissolution of the Account Owner, the ESA category will remain the same for the life of the ESA, regardless of changes in Beneficiary and/or the legal residence of the Account Owner and/or the Beneficiary. In the event of the death of an Account Owner who is a Natural Person or the dissolution of an Account Owner who is a Legal Entity, the account category will be based on their state of residence and the relationship between the Account Owner and Beneficiary at the time of the Account Owner's death.

5. Natural Persons and Legal Entities may open ESA's for the purpose of donating funds to assist unrelated, but financially needy Beneficiaries to pay for their Qualified Higher Education Expenses. These are classified as Category VI ESA's. Such donations to an ESA classified in Category VI are IRREVOCABLE. Account Owners of Category VI ESA's may elect to change the Beneficiary or authorize LATTA to name a new Beneficiary. In the event the new Beneficiary is not a Member of the Family of the first Beneficiary, there may be tax consequences. The Account Owner should consult with a qualified tax advisor prior to making such a change.

ACCOUNT OWNERS

6. A Natural Person must be at least 18 years of age to open an ESA. In order to name yourself as the Account Owner and Beneficiary, you must be an Independent Student and at least 18 years of age.

7. The ownership of an ESA is non-transferable and cannot be assigned or otherwise encumbered, except that a transfer of ownership will occur in the event of the death of the Account Owner who is a Natural Person or the dissolution of a Legal Entity.

8. In order to be eligible to open an ESA classified in Category VI, the Account Owner must provide a copy of the Beneficiary's family's state tax return filed with the Louisiana Department of Revenue, or a copy of the Beneficiary's family's federal or state income tax return filed for the prior tax year, or a declaration by the Beneficiary's family of its previous year's income and that a federal return was not required to be filed, or proof the Beneficiary is a ward of the court, or proof the Beneficiary is eligible for a free

lunch under the Richard B. Russell National School Act (42 U.S.C. 1751 et seq.).

AUTHORIZATIONS AND CERTIFICATIONS

By Account Owner

9. By executing and submitting the Account Application, the Account Owner certifies that he/she has read, understands and agrees to and has read the START Saving Program Disclosure Booklet. You should retain this Disclosure Booklet for your records.

10. By executing and submitting the Account Application, the Account Owner authorizes LATTA to access his annual tax records through the Louisiana Department of Revenue for purposes of verifying federal adjusted gross income. Social Security Numbers will be used for purposes of federal and state income tax reporting and to access individual ESA information for administrative purposes.

11. At the time of signing the Account Application, the Account Owner certifies that both the Account Owner and the Beneficiary are U.S. Citizens and/or permanent residents of the United States and one or both is/are a Louisiana Resident(s).

12. The Account Owner acknowledges, understands and agrees that any monies invested in Variable Earnings options are invested at the risk of the Account Owner and any losses of principal shall be borne solely by the Account Owner.

13. As an Account Owner, you agree to and acknowledge the following indemnity: You are opening an ESA based upon your statements, agreements, representations, warranties, and covenants as set forth in the Account Application and this Disclosure Booklet. You agree to indemnify and hold harmless the State, LATTA, the Louisiana State Treasurer, the START Saving Program, any other agency of the State, and any other counsel, adviser, or consultant retained by, or on behalf of, those entities and any employee, officer, official, or agent of those entities from and against any and all loss, damage, liability, penalty, tax, or expense, including costs of reasonable attorneys' fees, which they shall incur by reason of, or in connection with, any misstatement or misrepresentation that is made by you or your Beneficiary, any breach by you of the acknowledgements, representations, or warranties in the Account Application or this Disclosure Booklet, or any failure by you to fulfill any covenants or agreements in the Account Application or this Disclosure Booklet. Your statements, representations, warranties, and covenants will survive the termination of your ESA.

14. LATTA may conclusively rely upon and so long as it acts in good faith, shall not be liable for taking or omitting to take any action in reliance upon any order from the Account Owner or any other notice, request, consent, certificate or other instrument or paper or electronic transmission believed by LATTA to be genuine and to have been properly executed. Any order or notification from the Account Owner or Beneficiary shall be provided in writing on an original document or, if provided by LATTA, via electronic transmission or, at LATTA's discretion, may be provided by a copy thereof reproduced through photocopying, facsimile transmission or electronic transmission. For this purpose, LATTA may (but is not required to) give the same effect to a verbal instruction as it gives to a written instruction, and LATTA's action in doing so shall be protected to the same extent as if such verbal instructions were, in fact, written instructions. LATTA shall not be obligated to

determine the accuracy or propriety of any such directions and shall be fully protected in acting in accordance therewith. If instructions are received that, in the opinion of LATTA, are unclear or are not given in accordance with the Participation Agreement, LATTA shall not be required to act on the instructions and shall not be liable for any resultant loss.

15. The Account Owner agrees that any failure by LATTA to act or delay beyond time limits prescribed by law or permitted by this Agreement is excused if caused by the Account Owner's negligence, interruption of communication facilities, suspension of payments by another financial institution, war, emergency conditions or other circumstances beyond the control of LATTA, provided LATTA exercises due diligence as the circumstances require.

16. The Account Owner agrees that in the event LATTA is served with levies, attachments, summons, subpoenas, court orders or other legal processes which name any Account Owner as debtor or otherwise, LATTA shall be entitled to rely upon the representations, warranties and statements made in such legal process. The Account Owner agrees that LATTA may respond to such legal process in its own discretion without regard to jurisdiction. The Account Owner agrees to hold harmless and indemnify LATTA for any losses, expenses and costs, including attorney fees, incurred by LATTA as a result of responding to such legal processes.

BENEFICIARY

OF THE EDUCATION SAVINGS ACCOUNT

17. An ESA may be established on behalf of a Beneficiary by any person, whether a Natural Person or a Legal Entity, to include any Member of the Family and any Other Person. Either the Account Owner or the Beneficiary must be a resident of Louisiana at the time the ESA is opened.

18. The Account Owner may establish an ESA for himself as an "Independent Student," as defined by the Higher Education Act of 1965, as amended, by designating himself as the Beneficiary. Such an ESA differs from other ESA's by the following:

- The Beneficiary of the ESA may not be changed or substituted unless the new Beneficiary qualifies under the definition of Member of the Family. (See the *Glossary* in Appendix B.)
- For the purpose of determining when an ESA is fully funded, the "Scheduled Date of First Enrollment" is the month and year in which the Beneficiary turns 18 years of age. For an Independent Student over the age of 18, the scheduled date of first-enrollment is the date the account is opened.

19. There is no limit on the number of ESA's that may be opened for one Beneficiary by different Account Owners; however, the sum total of funds in all ESA's for the same Beneficiary may not exceed the Maximum Allowable Account Balance for that Beneficiary and the sum of all ESA's will be used to determine when these ESA's are Fully Funded for the purpose of the allocation of EE's. An ESA has only one designated Beneficiary, but an Account Owner may establish an ESA for each eligible Beneficiary.

COMPLIANCE WITH LAW

20. The START Saving Program is established in accordance with the Act, and is a Qualified Tuition Program under Section 529 of the IRC. Its purpose is to provide the Account Owner an opportunity to save for the Qualified Higher Education Expenses of

a named Beneficiary. Notwithstanding anything in this Disclosure Booklet to the contrary, the terms and conditions applicable to your ESA will be interpreted and/or amended to comply with the requirements of Section 529 and applicable regulations.

21. From time to time, there may be changes to federal or state laws or regulations that may directly or indirectly affect the terms and conditions of the START Saving Program and this Disclosure Booklet. Unless applicable law provides otherwise, LATTA may amend the terms of this Disclosure Booklet from time to time to comply with changes in the law or regulations or if LATTA determines it is in the START Saving Program's best interest to do so. However, LATTA will not retroactively modify existing terms and conditions applicable to an ESA in a manner adverse to you or your Beneficiary except to the extent necessary to assure compliance with applicable state and federal laws or regulations or to preserve the favorable tax treatment to you, your Beneficiary or the START Saving Program.

22. The Participation Agreement and ESA's are governed by the laws of the United States, the laws of the State of Louisiana, and LATTA rules and regulations. The Participation Agreement is entered into between the Account Owner and LATTA in the State of Louisiana. If any part of the Participation Agreement is determined by applicable law to be invalid or unenforceable, the remaining provisions shall remain in full force and effect. The Account Owner agrees that any amendments to applicable state or federal statutes and regulations shall automatically amend the Terms and Conditions of the Participation Agreement.

COURT JURISDICTION

23. Any action arising under the Participation Agreement shall be brought in the Parish of East Baton Rouge, State of Louisiana.

DEATH OR DISABILITY OF THE BENEFICIARY

24. Upon the Disability of a Beneficiary, the Account Owner who is a Natural Person and whose ESA is classified in Categories I, II, III, IV or V may designate a substitute Beneficiary who is a Member of the Family of the original Beneficiary or terminate the ESA. If the ESA is terminated, the refund shall be to the Account Owner or to the Beneficiary, as designated by the Account Owner. If no such designation is made within 60 days of the determination of disability, the ESA may be terminated by LATTA. If the ESA is terminated, the Account Owner should consult with a qualified tax professional to determine the proper treatment of the refund for state and federal tax purposes.

25. Upon the death of a Beneficiary, the Account Owner who is a Natural Person and whose ESA is classified in Categories I, II, III, IV or V may designate a substitute Beneficiary who is a Member of the Family or terminate the ESA. If no such designation is made within 60 days of the death of the Beneficiary, the ESA may be terminated by LATTA. If the ESA is terminated, the Account Owner should consult with a qualified tax professional to determine the proper treatment of the refund for state and federal tax purposes.

26. Upon the death or Disability of a Beneficiary, the Account Owner who is a Legal Entity or whose ESA is classified in Category VI may designate a substitute Beneficiary who is a Member of the Family of the original Beneficiary or designate some other person as Beneficiary. If no such designation is made within 60 days of the death of the Beneficiary or the determination of Disability, the

ESA may be terminated by LATTA and LATTA shall designate a new Beneficiary who must meet the requirements of §301.A.3 and §303.A.5 of the START Saving Program Rules.

DEPOSITS

27. A deposit of at least ten dollars (\$10) must be made within 60 days from the date of the letter of notification approving the ESA. A lump sum deposit may not exceed the Maximum Allowable Account Balance. If the required deposit is not made within the time allowed, this Agreement shall automatically terminate and shall be null and void.

28. Deposit options include monthly payments made directly to LATTA (including lump sum), automatic bank debit from a checking or savings account in a lump sum or on a recurring basis, payroll deduction (if available through the employer) and direct deposit of state income tax refunds. The Account Owner may change the monthly deposit amount or the payment method at any time by notifying LATTA and, if applicable, the Account Owner's employer.

29. Checks and electronic funds transfers through the Automated Clearing House Network (**ACH**) or automatic bank debit received for deposit in a variable earnings option are invested by the state treasurer in fixed earnings prior to the Trade Date. All earnings from such investments are the property of the state, which are deposited in the Variable Earnings Transaction Fund. Monies in the Variable Earnings Transaction Fund are used to cover trading losses caused by returned checks, rejected ACH transactions and other transactional losses and any surplus may be used to pay EE's. (See the *Trade Date* section below for additional information.)

30. LATTA, at any time and without prior notice and at its discretion, may refuse any deposit, limit the amount which may be deposited, accept all or any part of a deposit or return all or any part of any deposit. Deposits shall not be deemed accepted until deposited in the Fund and until check payments have cleared the financial institution upon which they are drawn. Deposits shall only be made in U.S. currency.

31. LATTA reserves the right to post all deposits, including deposits of cash, not later than midnight of the third business day after receipt of the funds, and LATTA shall not be liable for damage resulting from the exercise of this right. Any item received on a Saturday, Sunday or legal holiday shall be deemed received on the next business day.

32. If at any time the value of an ESA exceeds the Maximum Allowable Account Balance, no further deposits will be accepted.

33. Dishonored deposits made by check and ACH transaction are subject to the following procedures and penalties.

- Upon the return of a check for insufficient funds, the check will be resubmitted for payment. If the check is returned for insufficient funds a second time, LATTA will return the check to the Account Owner. Any credits made to the Account Owner's balance prior to the return of the check will be reversed and any fees charged to the START Saving Program because of the return for insufficient funds shall be deducted and reflected on the next ESA statement.
- If the deposit was used to purchase units in a variable earnings option, the Account Owner shall forfeit any increase in the value of the ESA subsequent to the trade date over the amount deposited.

34. Upon the return of a check as a result of the issuance of a stop payment order by the Account Owner, LATTA will return the

check to the Account Owner. Any credits made to the Account Owner's balance prior to the return of the check will be reversed and reflected on the next ESA statement.

35. Electronic funds transfers or automatic bank debits may be authorized by the Account Owner for automatic deposits. Such authorization shall continue in effect until LATTA receives a written revocation signed by the Account Owner at least ten (10) business days in advance of the scheduled transfer.

36. If LATTA receives notice of an actual or potential adverse claim to an ESA or the funds therein, LATTA may, at its discretion, refuse to disburse or refund any money from the Account Owner's ESA until receipt of notice that such adverse claim has been resolved.

DISBURSEMENTS

37. Funds deposited into an ESA shall be disbursed at the request of the Account Owner to the Account Owner, Beneficiary and/or an Eligible Educational Institution to pay the Qualified Higher Education Expenses incurred by the Beneficiary. The Account Owner must designate the amount to be disbursed, not to exceed the Qualified Higher Education Expenses for the Eligible Educational Institution attended by the Beneficiary.

38. A disbursement made for a Beneficiary who does not enroll in an Eligible Educational Institution constitutes a Refund and the amount disbursed must be redeposited into the ESA within 60 days. If the Account Owner fails to redeposit the money, LOSFA will recover the amount of the EE's and interest thereon included in the disbursement from any principal and interest remaining in the ESA, refund any balance remaining thereafter and close the ESA.

39. If the Beneficiary withdraws from school during an academic term in which disbursements have been made from an ESA and if the Beneficiary is due a refund from the school, then the refund, up to the amount of the EE's which were disbursed for that academic term, shall be returned to LATTA and re-credited to the Beneficiary's ESA. Additionally, if the refund is greater than the EE's disbursed for that school term, then a portion of the remaining refund shall also be returned for credit to the ESA, that portion being equal to the ratio of the total distribution from the ESA for that term to the total Qualified Higher Education Expenses for that term.

40. Disbursements from investment options with Variable Earnings shall be assigned a Trade Date as follows:

- a. If an on-line request for a disbursement is completed before 7:00 PM Central Standard Time or Central Daylight Savings Time, as applicable, on a trade day, the Trade Date shall be the date of the request.
- b. For all other requests for disbursement, the Trade Date shall be one (1) business day after the business day of receipt of the request.

EARNINGS ENHANCEMENTS (EE'S)

41. All deposits of principal made to an ESA during the calendar year will be considered for purposes of calculating the EE, provided the ESA is not Fully Funded and such deposits have not caused the balance to exceed the Maximum Allowable Account Balance. The applicable EE rate is based on the federal adjusted gross income reported on the federal tax return for the prior taxable year, according to the following schedule:

| Reported Adjusted Gross Income Rate | Earnings Enhancement |
|--|----------------------|
| \$0 to \$29,999 | 14% |
| \$30,000 to \$44,999 | 12% |
| \$45,000 to \$59,999 | 9% |
| \$60,000 to \$74,999 | 6% |
| \$75,000 to \$99,999 | 4% |
| \$100,000 and above | 2% |

42. An ESA classified in Categories I, II and III will be eligible to receive EE's based on the Account Owner's federal adjusted gross income reported for the previous year.

43. ESA's classified in Category IV will be eligible to receive EE's limited to the two percent (2%) rate.

44. ESA's classified in Category V will not be eligible for EE's.

45. ESA's classified in Category VI will be eligible to receive EE's based on the federal adjusted gross income reported for the previous year by the Beneficiary's family.

46. EE's allocated to an ESA may be used to pay any Qualified Higher Education Expenses of the Beneficiary at an Eligible Educational Institution.

47. LATTA will review each ESA annually for the purpose of determining whether the account is eligible for an EE. The amount of the EE is determined by adding the deposits made by the Account Owner to the ESA during the calendar year and multiplying that sum by the applicable rate, as determined by the classification of the ESA and the Account Owner's adjusted federal gross income reported for the previous taxable year (for ESA's classified in Category VI, the federal adjusted gross income reported for the previous year by the Beneficiary's family). The awarding of EE's is contingent upon sufficient appropriations by the Louisiana Legislature to meet the obligations of the EE fund. If necessary, LATTA may reduce the EE rates pro rata, as required, to limit EE's to the amount appropriated.

48. Earnings on deposits in Fixed Earnings investment options and on EE's will be credited once annually after LATTA has adopted, and the Louisiana State Treasurer has approved, the annual earnings rate. These earnings shall be credited to each ESA and reported to the Account Owner on the annual statement. Each Account Owner shall receive an annual statement that will reflect the deposits and disbursements during the calendar year; the EE's allocated for that year; the earnings on deposits in Fixed Earnings investment options and on EE's credited for that year; and the ESA balance.

49. A Fully Funded Account will not be eligible for state-appropriated EE's. (See the *Glossary* for the definition of *Fully Funded Account*.)

50. The eligibility of ESA's classified in Categories I, II and III (See the *ESA Categories* section above for details.) for allocation of EE's is dependent upon LATTA's access to the Account Owner's state tax return filed with the Louisiana Department of Revenue, or the Account Owner providing LATTA with a copy of the federal or state income tax return filed for the prior tax year, or a signed statement of income stating that a federal return was not required to be filed. An allocation of an EE to an ESA represents a conditional credit to that ESA. If LATTA does not receive the necessary tax information and the ESA is classified in Categories I, II or III, the ESA will receive an allocation of EE limited to the lowest rate, which is currently 2 percent.

51. An EE is provided to ESA's that are classified in Category IV at a rate equal to the rate for Account Owners who report an adjusted gross income of \$100,000 or greater (currently two percent (2%)).

(See the *ESA Categories* section above for more information.)

52.ESA's that are classified in Category V will not receive EE's. (See the *ESA Categories* section above for more information.)

53.The eligibility of ESA's classified in Category VI (See the *ESA Categories* section above for more information.) for the allocation of EE's is dependent upon LATTA's access to the social security number(s) of the Beneficiary's Family and authorization from that person(s) for LOSFA, on behalf of LATTA, to access the state tax return filed with the Louisiana Department of Revenue, or the family of the Beneficiary providing LOSFA a copy of its federal or state income tax return filed for the previous year, or a statement from the Beneficiary's family as to why no income tax filing was required. In the alternative, if applicable, the Account Owner may provide proof that the Beneficiary is a ward of the court, or, if applicable, proof that the Beneficiary is eligible for a free lunch under the Richard B. Russell National School Act (42 USC 1751 et seq.). After the first year allocation of EE's, the EE rate for all subsequent allocations to a Category VI ESA will be based on the Beneficiary's family's federal adjusted gross income for the previous year.

54.EE's are deposited into the Fund by LATTA and invested in Fixed Earnings by the Louisiana State Treasurer. EE's and the interest earned thereon will not be invested in Variable Earnings.

55.EE's and the accumulated earnings thereon are the exclusive property of the State of Louisiana until disbursed in payment of a Beneficiary's Qualified Higher Education Expenses.

56.EE's may be used to pay the Beneficiary's Qualified Higher Education Expenses at an Eligible Educational Institution located in any state.

57.The right of a Beneficiary to the assets of an ESA, including EE's, shall not be subject to and is expressly dispensed from collation, execution, garnishment, attachment, the operation of bankruptcy or insolvency laws or other process of law.

58.EE's and the interest earned thereon shall not be included in any refund due to the termination of an ESA nor shall it be included in any transfer by a Legal Entity to a successor Beneficiary who is not a Member of the Family of the former Beneficiary.

59.EE's will not be included in any transfer of funds in an ESA to a different Section 529, IRC, Qualified Tuition Program.

EQUITY INVESTMENTS

60.By their nature, Variable Earnings (equity and bond) investments are volatile and subject to losses, particularly when the investment is made for a short period of time. Generally, equities appreciate in value over time; however, there is no assurance that the monies so invested will grow in value or even maintain their value. Monies invested in Variable Earnings ARE NOT GUARANTEED.

61.Investing in one of the Variable Earnings options provided by the START Saving Program and managed by The Vanguard Group involves certain risks, including the possibility that you may lose money over short or even long periods of time. The value of your ESA may increase or decrease over time based on the performance of the investment option you select. It is possible that, at any given time, the value of your ESA may be less than the total amount contributed. Neither LATTA nor the START Saving Program makes any guarantee of, or has any legal obligations to ensure, a particular level of investment return. An investment in a Variable Earnings option provided by the START Saving Program and managed by The Vanguard Group is not a bank deposit, and it is not insured or guaranteed by the Federal Deposit Insurance

Corporation or any other government agency.

62.The Variable Earnings options offered by the START Saving Program include underlying mutual funds managed by The Vanguard Group. The Vanguard Group publishes a prospectus for each of its funds, which discloses the fund's objectives, policies, past performance and risks. Data indicating the performance of the START Saving Program's investments managed by The Vanguard Group is presented in charts in Appendix E. If you are interested in an investment option that includes Variable Earnings, you can read the prospectus for each of the Vanguard mutual funds included in that option, which may be obtained from Vanguard. (See the *Contact Us* section below for Vanguard's address.)

63.Deposits for investment options that include Variable Earnings shall be assigned a Trade Date based on the method of deposit and the date of receipt. Deposits by check or electronic funds transfer through the Automated Clearing House Network (automatic bank debit) shall be assigned a Trade Date of three (3) business days after the business day during which they are received. Deposits made by other electronic funds transfer shall be assigned a Trade Date of one (1) business day after the business day during which they were received. Deposits received on weekends and holidays will be considered received on the next business day.

FEES AND CHARGES

64.Although authorized to assess certain fees, LATTA has not approved the imposition of fees. All costs of LATTA or LOSFA or the Louisiana State Treasurer in administering the START Saving Program and managing funds in Fixed Earnings options have been assumed by the State of Louisiana and paid from funds appropriated for that purpose. No fees or administrative costs are currently charged to an Account Owner or a Beneficiary or to the Fund for investments in Fixed Earnings and none are anticipated.

65.The START Saving Program is charged an investment management fee on the monies it invests in mutual funds managed by The Vanguard Group. Currently, this fee, known as the underlying fund expense ratio, varies with each mutual fund up to 0.32% (or \$3.20 per \$1,000 invested) per year. This fee is subject to change at any time without notice. These fees are deducted prior to the valuation of the funds' net asset value, thereby reducing the value of the START Saving Program's investments, which reduces the return to Account Owners who selected Variable Earnings options. (See the *Fee and Cost Tables* in Appendix-D for more information.)

66.Checks and electronic funds transfers through the Automated Clearing House Network (ACH) or automatic bank debit received for deposit in a variable earnings option are invested by the state treasurer in fixed earnings prior to the Trade Date. All earnings from such investments are the property of the state, which are deposited in the Variable Earnings Transaction Fund. Monies in the Variable Earnings Transaction Fund are used to cover trading losses caused by returned checks, rejected ACH transactions and other transactional losses and any surplus may be used to pay EE's.

INVESTMENT OPTIONS

67.For all funds deposited in each ESA, the Account Owner must select one investment option from the six options selected by the Louisiana State Treasurer, which include one option totally invested in Fixed Earnings, one option totally invested in Variable

Earnings and four options that include a mix of investments in both Fixed Earnings and Variable Earnings.

68. All investments in Fixed Earnings are managed for the START Saving Program by the Louisiana State Treasurer.

69. An Account Owner may select a START Saving Program investment option that offers Variable Earnings. Each of these investment options invests its assets in one or more mutual funds managed by The Vanguard Group. The particular Vanguard fund or funds in which an investment option invests are selected by the Louisiana State Treasurer and may change over time. As an Account Owner, you will own an interest in securities issued by the START Saving Program, but you will not own shares of the underlying Vanguard funds.

70. Investments in Variable Earnings are not guaranteed and the Account Owner may lose some or all the money invested. Neither LATTA, LOSFA, the START Saving Program, the Louisiana State Treasurer nor the State of Louisiana is responsible for any losses resulting from investments in Variable Earnings. Read the entirety of this document for additional disclaimers.

71. Option One - Age-Based Option: This option is geared toward Account Owners who do not want the burden of monitoring and periodically adjusting their college investment portfolios. The START Saving Program investments are automatically moved, over time, among different portfolios and invested in portfolios with progressively more conservative asset allocations based on the age of the Beneficiary. When the Beneficiary is very young, assets are invested mainly in stocks. As the Beneficiary ages, assets are automatically shifted, according to a set schedule, toward more bonds and short-term reserves in order to protect the Account Owner's capital and to reduce risk. IT IS POSSIBLE THAT Monies INVESTED IN THIS OPTION WILL LOSE VALUE.

| | |
|--------------------------|---|
| Agnes 0 to 5 years | Vanguard LifeStrategy Moderate Growth Portfolio – VSMGX |
| Agnes 6 to 10 years | Vanguard LifeStrategy Conservative Growth Portfolio – VSCGX |
| Agnes 11 to 15 years | Vanguard LifeStrategy Income Portfolio – VASIX |
| Agnes 16 years and older | Louisiana Principal Protection Option |

- **The Vanguard LifeStrategy Moderate Growth Portfolio** invests in a Vanguard mutual fund (Vanguard LifeStrategy Moderate Growth Fund - VSMGX) that over time should reflect an asset allocation of about sixty percent (60%) common stocks and forty percent (40%) bonds.
- **The Vanguard LifeStrategy Conservative Growth Portfolio** invests in a Vanguard mutual fund (Vanguard LifeStrategy Conservative Growth Fund - VSCGX) that over time should reflect an asset allocation of about forty percent (40%) bonds, twenty percent (20%) short-term fixed income investments, and forty percent (40%) common stocks.
- **The Vanguard LifeStrategy Income Portfolio** invests in a Vanguard mutual fund (Vanguard LifeStrategy Income Fund - VASIX) that over time should reflect an asset allocation of about sixty percent (60%) bonds, twenty percent (20%) short-term fixed income investments, and twenty percent (20%) common stocks.

72. Option Two—Louisiana Principal Protection Option: This option is the most conservative START Saving Program investment plan and is managed by the Louisiana State Treasurer. This option invests one hundred percent (100%) of deposits and interest earned

thereon in Fixed Earnings investments such as government bonds, notes, and certificates of deposit. The State guarantees the return of your principal so you cannot lose money, but does not guarantee any particular investment return. Every other option involves some risk of loss of principal. (See the *Louisiana Education Tuition and Saving Fund (Fund)* section below for more information regarding this investment option.)

73. Option Three—Total Equity Option: If you choose this option, the START Saving Program will invest one hundred percent (100%) of each deposit in a Vanguard fund holding a broadly diversified portfolio of U.S. stocks (currently, the Vanguard Total Stock Market Index Fund Institutional Shares – VIT SX), which allows Account Owners to seek the highest possible returns—and assume the highest possible risk—for their investment. (See the *Vanguard Total Stock Market Index Fund Institutional Shares* and *Vanguard* sections below for more information on investments in Vanguard funds.) IT IS POSSIBLE THAT Monies INVESTED IN THIS OPTION WILL LOSE VALUE.

74. Option Four—Balanced Option: If you choose this option, the START Saving Program will invest fifty percent (50%) of each deposit in a Vanguard fund holding a broadly diversified portfolio of U.S. stocks (currently, the Vanguard Total Stock Market Index Fund Institutional Shares – VIT SX) and fifty percent (50%) in Fixed Earnings investments such as government bonds, notes, and certificates of deposit managed by the Louisiana State Treasurer. (The State guarantees the return of your principal on Fixed Earnings investments managed by the Louisiana State Treasurer.) (See *Option Two - Louisiana Principal Protection Plan* above and the *Louisiana Education Tuition and Saving Fund (Fund)* section below for more information on investments in fixed earnings. See the *Vanguard Total Stock Market Index Fund Institutional Shares* and *Vanguard* sections below for more information on investments in Vanguard funds.) IT IS POSSIBLE THAT Monies INVESTED IN THIS OPTION WILL LOSE VALUE.

75. Option Five—Equity-Plus Option: If you choose this option, the START Saving Program will invest seventy five percent (75%) of each deposit in a Vanguard fund holding a broadly diversified portfolio of U.S. stocks (currently, the Vanguard Total Stock Market Index Fund Institutional Shares – VIT SX) and twenty five percent (25%) in Fixed Earnings investments such as government bonds, notes, and certificates of deposit managed by the Louisiana State Treasurer. (The State guarantees the return of your principal on Fixed Earnings investments managed by the Louisiana State Treasurer.) (See *Option Two - Louisiana Principal Protection Plan* above and the *Louisiana Education Tuition and Saving Fund (Fund)* section below for more information on investments in fixed earnings. See the *Vanguard Total Stock Market Index Fund Institutional Shares* and *Vanguard* sections below for more information on investments in Vanguard funds.) IT IS POSSIBLE THAT Monies INVESTED IN THIS OPTION WILL LOSE VALUE.

76. Option Six—Principal Preservation-Plus Option: If you choose this option, the START Saving Program will invest twenty five percent (25%) of each deposit in a Vanguard fund holding a broadly diversified portfolio of U.S. stocks (currently, the Vanguard Total Stock Market Index Fund Institutional Shares – VIT SX) and seventy five percent (75%) in Fixed Earnings investments such as government bonds, notes, and certificates of deposit managed by the Louisiana State Treasurer. (The State guarantees the return of your principal on Fixed Earnings investments managed by the

Louisiana State Treasurer.) (See *Option Two - Louisiana Principal Protection Plan* above and the *Louisiana Education Tuition and Saving Fund (Fund)* section below for more information on investments in fixed earnings. See the *Vanguard Total Stock Market Index Fund Institutional Shares* and *Vanguard* sections below for more information on investments in Vanguard funds.) IT IS POSSIBLE THAT Monies INVESTED IN THIS OPTION WILL LOSE VALUE.

77. Option Seven -- Equity Plus International Option: This option invests 80% of each deposit in a Vanguard mutual fund holding a broadly diversified portfolio of U.S. stocks and 20% in a Vanguard mutual fund holding a large blend of International/Global Stocks, which allows account owners to seek the highest possible returns -- and assume the highest possible risk -- for their investment. See the *Vanguard Total Stock Market Index Fund Institutional Shares*, *Vanguard Total International Stock Index Fund Shares*, and *Vanguard* sections for more information on investments in Vanguard funds.) IT IS POSSIBLE THAT Monies INVESTED IN THIS OPTION WILL LOSE VALUE.

78. Vanguard Total Stock Market Index Fund Institutional Shares. This fund employs a “passive management”—or indexing—investment approach designed to track the performance of the Wilshire 5000 Total Market Index (**Index**), which consists of all the U.S. common stocks regularly traded on the New York and American Stock Exchanges and the NASDAQ over-the-counter market. All, or substantially all, of its assets are invested in the 1,300 largest stocks in its target index (covering nearly ninety five percent (95%) of the Index’s total market capitalization) and in a representative sample of the remainder. These investments hold a range of securities that, in the aggregate, approximate the full Index in terms of industry weightings and market capitalization, as well as certain financial measures, such as price/earnings ratio and dividend yield.

79. Vanguard Total International Stock Index Fund Shares. This fund employs a “passive management” -- or indexing -- investment approach. The fund seeks to track the performance of the Total International Composite Index by investing in three other Vanguard funds—Vanguard European Stock Index Fund, Vanguard Pacific Stock Index Fund, and Vanguard Emerging Markets Stock Index Fund. These other funds seek to track the MSCI Europe Index, the MSCI Pacific Index, and the MSCI Emerging Markets Index, which together make up the Total International Composite Index. The fund allocates all, or substantially all, of its assets among the European Stock Index Fund, the Pacific Stock Index Fund, and the Emerging Markets Stock Index Fund, based on the market capitalization of European, Pacific, and emerging markets stocks in the Total International Composite Index.

INVESTMENT OPTIONS - CHANGES BY ACCOUNT OWNER

80. Account Owners may change the investment option for each ESA owned only once during any twelve (12) month period. For example, if an Account Owner changed the ESA’s investment option from Option 2 to Option 3 on March 1, 2006, the ESA’s investment option could not be changed again until March 1, 2007. A change in investment option that requires the sale of units in a mutual fund shall be assigned a Trade Date as follows:

a. If an on-line request for a change from a Variable Earnings option is completed before 7:00 PM Central Standard Time or

Central Daylight Savings Time, as applicable, on a trade day, the Trade Date shall be the date of the request.

b. For all other requests, the Trade Date shall be one business day after the business day of receipt of the transfer request.

INVESTMENT RISKS

81. No government agency, including the FDIC, Federal Reserve, The Vanguard Group, the State of Louisiana, the START Saving Program, the State Treasurer, LOSFA and LATTA, insures monies invested in Mutual Funds.

82. Funds May Not Meet Objectives. There is no guarantee that the underlying Mutual Funds for Option 1 will meet their objectives. Mutual Fund shares are not deposits or obligations of, or guaranteed by, any depository institution.

83. Risks associated with the Vanguard mutual funds that underlie Option 1 include:

- **Stock Market Risk**, which is the chance that overall stock prices will decline. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices. The share prices of equity Funds can fall because of weakness in the broad market, a particular industry, or specific holdings. The markets as a whole can decline for many reasons, including adverse political or economic developments here or abroad, changes in investor psychology, or heavy institutional selling. The prospects for an industry or company may deteriorate because of a variety of factors, including disappointing earnings or changes in the competitive environment. In addition, the investment manager’s assessment of securities of companies held in a Fund may prove incorrect, resulting in losses or poor performance even in rising markets.

- **Bond risks**, which include: *interest rate risk*, which is the chance that bond prices overall will decline because of rising interest rates; *income risk*, which is the chance that falling interest rates will cause the Fund’s income to decline; *credit risk*, which is the chance that the issuer of a security will fail to pay interest and principal in a timely manner, or that negative perceptions of the issuer’s ability to make such payments will cause security prices to decline, thus reducing the underlying fund’s return; and *call risk*, which is the chance that during periods of falling interest rates, issuers will call—or repay—higher-yielding bonds that are callable before their maturity dates. An underlying fund would lose potential price appreciation and would be forced to reinvest the unanticipated proceeds at lower interest rates, resulting in a decline in the fund’s income. For mortgage-backed securities, this risk is known as *prepayment risk*.

- **Manager Risk**, which is the chance that poor security selection will cause one of the Fund’s actively managed underlying funds—and, thus, the fund itself—to under perform funds with a similar objective.

- **Other Risks.** Since the Vanguard Funds include various stocks, bonds and other investments, there are other factors that may impose additional risks. (See the *Additional Risks* section below for more information.)

84. Risks associated with the Vanguard Total Stock Market Index Fund Institutional Shares that underlie Options 3, 4, 5, 6 and 7 include:

- **Stock Market Fluctuation**, which could cause this option to lose money over short or even long periods. The share price

and total return will fluctuate within a wide range, like the fluctuations of the overall stock market.

- **Stock Market Risk**, which is the chance that overall stock prices will decline. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices. The share prices of equity Funds can fall because of weakness in the broad market, a particular industry, or specific holdings. The markets as a whole can decline for many reasons, including adverse political or economic developments here or abroad, changes in investor psychology, or heavy institutional selling. The prospects for an industry or company may deteriorate because of a variety of factors, including disappointing earnings or changes in the competitive environment. In addition, the investment manager's assessment of securities of companies held in a Fund may prove incorrect, resulting in losses or poor performance even in rising markets.
- **Other Risks.** Since the Vanguard Total Stock Market Index Fund Institutional Shares include various stocks, there are other factors that may impose additional risks. (See the *Additional Risks* section below for more information.)

85. Additional Risks associated with the Vanguard Funds that underlie options 1, 3, 4, 5, 6 and 7 include:

- **Small and Mid-Cap Stock Risks.** Funds are often grouped by the size of the companies they invest in - big, medium, small or tiny. Size means a company's value on the stock market determined by the number of shares it has outstanding multiplied by the share price. This is also known as market capitalization, or cap size. Big companies tend to be less risky than small ones. But smaller companies can often offer more growth potential. The stocks of small- and mid-cap companies entail greater risk and are usually more volatile than those of larger companies. Stocks of smaller companies are subject to more abrupt or erratic price movements than large company stocks. Small companies often have limited product lines, markets, or financial resources, and their managements may lack depth and experience. Such companies seldom pay significant dividends that could cushion returns in a falling market.
- **International Risks.** Funds that invest overseas generally carry more risk than funds that invest strictly in U.S. assets. The specific risk profile of an international fund varies with its investment style, geographic focus, and whether it invests in developed markets, emerging markets, or both. Funds investing in a single country or limited geographic region tend to be riskier than more diversified funds. Risks can result from varying stages of economic and political development, differing regulatory environments, trading days, accounting standards, and higher transaction costs of non-U. S. markets. Investments outside the United States could be subject to governmental actions such as capital or currency controls, nationalization of a company or industry, expropriation of assets, or imposition of high taxes. International funds are also subject to currency risk. This refers to a decline in the value of a foreign currency versus the U.S. dollar, which reduces the dollar value of securities denominated in that currency. The overall impact on a fund's holdings can be significant and long-lasting depending on the currencies represented in the portfolio, how each one appreciates or depreciates in relation

to the U.S. dollar, and whether currency positions are hedged. Further, exchange rate movements are unpredictable, and it is not possible to effectively hedge the currency risks of many developing countries.

- **Emerging Market Risks.** Investments in emerging markets are subject to abrupt and severe price declines and should be regarded as speculative. The economic and political structures of developing nations, in most cases, do not compare favorably with the U.S. or other developed countries in terms of wealth and stability, and their financial markets often lack liquidity. Some countries also have legacies of hyperinflation, currency devaluations, and governmental interference in markets.
- **Growth Investing.** Growth stocks can be volatile for several reasons. Since these companies usually invest a high portion of earnings in their businesses, they may lack the dividends of value stocks that can cushion stock prices in a falling market. Also, earnings disappointments often lead to sharply falling prices because investors buy growth stocks in anticipation of superior earnings growth.
- **Value Investing.** Investors seek to invest in companies whose stock prices are low in relation to their real worth or future prospects. By identifying companies whose stocks are currently out of favor or misunderstood, value investors hope to realize significant appreciation as other investors recognize the stock's intrinsic value and the price rises accordingly. The value approach carries the risk that the market will not recognize a security's intrinsic value for a long time or that a stock judged to be undervalued may actually be priced appropriately.
- **Money Market Fund Risk.** An investment in a money market fund is not insured or guaranteed by the FDIC or any other government agency. Although a money market fund seeks to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in the fund.
- **Interest Rate and Credit Risk.** Bond prices may decline in response to a rise in interest rates. Longer-maturity bonds typically decline more than those with shorter maturities, resulting in a lesser rate of return. In the event that a bond's credit rating is downgraded or a bond issuer defaults (fails to make timely payments of interest or principal), the fund's income level and share price could decline dramatically.
- **High-Yield Investing Risks.** Investing in high-yield corporate bonds, often called "junk bonds," could have greater price declines than funds that invest primarily in high-quality bonds. Companies issuing high-yield bonds are not as strong financially as those with higher credit ratings, so the bonds are usually considered speculative investments. These companies are more vulnerable to financial setbacks and recession than more creditworthy companies, which may impair their ability to make interest and principal payments. In addition, the entire junk bond market can experience sudden and sharp price swings due to a variety of factors, including changes in economic forecasts, stock market activity, large sustained sales by major investors, a high-profile default, or a change in the market's psychology.
- **Prepayment Risk.** Funds that invest extensively in mortgage-backed securities have special risks related to changing interest rates. A mortgage-backed bond, unlike most other bonds, can be hurt when interest rates fall because homeowners tend to refinance and prepay principal. The loss of high-yielding,

underlying mortgages and the reinvestment of proceeds at lower interest rates can reduce the bond's potential price gain in response to falling interest rates, reduce the bond's yield, or even cause the bond's price to fall below what an investor paid for it, resulting in a capital loss. Any of these developments could cause a decrease in a Fund's income, share price, or total return.

- **Extension Risk.** In the event that a rise in interest rates accompanied by a drop in mortgage prepayments causes a fund's average maturity to lengthen unexpectedly, that fund's sensitivity to rising rates and its potential for price declines could be dramatically increased.

INVOLUNTARY TERMINATION OF AN ESA, WITH PENALTY

86. LATTA may terminate the Participation Agreement if it finds that the Account Owner or the Beneficiary provided false or misleading information. All earnings on principal deposits shall be withheld and forfeited, with only principal being refunded.

87. Obtaining program benefits by providing false or misleading information may subject the Account Owner and/or the Beneficiary to criminal prosecution.

LIMITATIONS

88. There is no guarantee by the state, LOSFA, LATTA or any institution of postsecondary education that a Beneficiary of an ESA will be admitted to an institution of postsecondary education, or, upon admission, will be permitted to continue to attend or will receive a degree, diploma or any other affirmation of program completion from an institution of postsecondary education.

89. There is no guarantee that any Beneficiary's Qualified Higher Education Expenses will be covered in full by the proceeds of an ESA.

90. LATTA does not guarantee any monies in an ESA invested in Variable Earnings options.

91. Subject to limitations imposed by the Disbursement, Refund and Termination provisions of the governing statute, the rules of LATTA and/or this Disclosure Booklet, LATTA guarantees the Redemption Value of monies in an ESA invested in a Fixed Earnings option, if the ESA has been open for at least twelve (12) months. In the event an ESA is terminated within twelve (12) months of the date it was opened, the refund will be equal to the deposits made or the current value of the deposits, whichever is less. **THE REFUND WILL NOT INCLUDE INTEREST NOR EARNINGS ENHANCEMENTS.**

92. A minimum of one year must elapse between the date of the first deposit and the first disbursement from an ESA to pay Qualified Higher Education Expenses.

LOUISIANA EDUCATION TUITION AND SAVINGS FUND (FUND)

93. Deposits made pursuant to the Participation Agreement are initially placed in the "Fund," which is a special statutory account in the State Treasury, and classified to one of two subaccounts: Fixed Earnings or Variable Earnings. Each subaccount consists of separate assets. The Fixed Earnings subaccount consists of deposits in a Fixed Earnings option, earnings on the deposits, forfeitures of interest, all other receipts from any other source

that LATTA determines appropriate and the Saving Enhancement Fund, which includes state appropriated EE's and earnings thereon. The Variable Earnings subaccount consists of deposits in a Variable Earnings option that are being held prior to investment by the START Saving Program in mutual funds managed by The Vanguard Group or being held prior to disbursement or refund.

94. Deposits made pursuant to the Participation Agreement are initially placed in the "Fund," which is a special statutory account in the State Treasury, and classified to one of two subaccounts: Fixed Earnings or Variable Earnings. Each subaccount consists of separate assets. The Fixed Earnings subaccount consists of deposits in a Fixed Earnings option, earnings on the deposits, forfeitures of interest, all other receipts from any other source that LATTA determines appropriate and the Saving Enhancement Fund, which includes state appropriated EE's and earnings thereon. The Variable Earnings subaccount consists of deposits in a Variable Earnings option that are being held prior to investment by the START Saving Program in mutual funds managed by The Vanguard Group or being held prior to disbursement or refund.

95. Funds, once invested in the Variable Earnings components of any option, are no longer assets of the Fund and claims for disbursement or refund shall be solely against the Current Value of such ESA, other than as set forth in Section 111, on the business day after the business day of receipt of the disbursement or refund order. Such claims are not against the Fund.

96. All EE's and the interest earned thereon shall be deposited in the Fund and invested in the Fixed Earnings option.

97. For deposits in Fixed Earnings options, and unless otherwise provided by law, the assets of the START Saving Program in the Fund will be expended first to Beneficiaries to pay their Qualified Higher Education Expenses and, second, to make refunds.

98. Deposits to investment options that are limited to Fixed Earnings will be considered to have been deposited on the date of receipt.

99. If at any time the Fund is insufficient to meet the payment demands made upon the Fund, which represent obligations of the START Saving Program, then LSA-R.S. 17:3099 requires the Louisiana Legislature to appropriate funds necessary to meet these payment obligations in full.

100. All disbursements from the Fund for the START Saving Program are made by the State Treasurer on order of LATTA.

101. The Louisiana State Treasurer manages that portion of the Fund invested in a Fixed Earnings component of any option and may invest in any investments authorized by law. The instruments of title of all investments shall be delivered to the Louisiana State Treasurer or to a qualified trustee designated by him.

102. The Louisiana State Treasurer manages the assets of the program in the Fund to achieve the highest possible investment return to ESA's invested in Fixed Earnings options, consistent with the security of the principal, and sufficient to satisfy the obligations of LATTA.

103. The Louisiana State Treasurer calculates the annual earnings rate for the Fixed Earnings options. The average daily balance of the Fund is computed at the end of each calendar year as follows: the sum of the daily balance each day of the calendar year (beginning balance plus all deposits and minus all disbursements) divided by 365. The earnings rate for each calendar year is based upon the following calculation: the uninvested portion (cash) of earnings, plus actual earnings received, plus accrued earnings, plus monies other than deposits which may accrue to the benefit of the Fund, divided by the average daily balance for that calendar year.

104.LATTA will credit that portion of each ESA invested in Fixed Earnings with earnings calculated by multiplying the average daily balance of the ESA during a calendar year by the annual earnings rate for that year as approved by the Louisiana State Treasurer and adopted by LATTA.

MANAGEMENT OF THE FUND

105.Under the Act, the Fund is invested by the Louisiana State Treasurer, a statewide elected official, and administered by LATTA. The composition of LATTA and the powers and duties of LATTA are set forth in LSA-R.S. 17:3093. A list of the current members of LATTA and a copy of its bylaws may be obtained by contacting the LOSFA at 1885 Wooddale Blvd., Baton Rouge, Louisiana 70806 or by accessing the Information Center on LOSFA's Web site: www.startsaving.la.gov.

REFUNDS

106.All monies in an ESA that are disbursed but are not used to pay Qualified Higher Education Expenses or rolled over to a new Beneficiary who is a Member of the Beneficiary's family or rolled over to another qualified Section 529, IRC plan, are considered to be refunds and will result in state and federal taxes. The Account Owner should consult with a qualified tax advisor prior to requesting a refund.

107.Except for Category VI ESA's, refunds may be requested by Account Owners who are Natural Persons. (See the *ESA Categories* section above more information.) In such cases, all principal and interest will be refunded to the Account Owner provided the ESA has been open for at least twelve (12) months. In the event an ESA is terminated within twelve (12) months of the date it was opened, the refund will be equal to the deposits made or the Current Value (LESS EE'S ALLOCATED TO THE ACCOUNT AND EARNINGS THEREON) of an account invested in Variable Earnings, whichever is less. Refunds will not include EE's and the interest thereon and may result in state and federal tax liability. The Account Owner should consult with a qualified tax advisor prior to requesting such a refund.

108.Only the Account Owner or the Beneficiary may be designated to receive refunds from the ESA owned by an Account Owner who is a Natural Person. An ESA classified in Category VI is not eligible for a refund even if the Account Owner is a Natural Person.

109.In the event an ESA is terminated, the Account Owner or, in the event of the death of the Account Owner, the Successor Owner designated by the Account Owner in the Participation Agreement shall receive a refund if there is a balance in the ESA. Any earnings associated with such refund may be subject to an additional federal tax of ten (10) percent, in accordance with Section 529, IRC. Additionally, deposits that were excluded from the Account Owner's reported state taxable income must be included in the Account Owner's state taxable income for the year in which the refund was received. Refund Recipients should seek advice from qualified tax professionals in such cases.

110.Upon termination of an ESA, refunds from investment options with Variable Earnings shall be assigned a Trade Date as follows:

a. If an on-line request for a refund is completed before 7:00 PM Central Standard Time or Central Daylight Savings Time, as applicable, on a trade day, the Trade Date shall be the date of the request.

b. For all other requests for refund, the Trade Date shall be one business day after the business day of receipt.

Refunds will not include EE's or the interest thereon and may result in state and federal tax liability. The Account Owner should consult with a qualified tax advisor prior to requesting such a refund.

111.Payment of refunds shall be made no later than 30 days following the date the ESA was terminated.

112.EE's and the interest earned thereon do not belong to the Account Owner, are not refundable to the Account Owner nor the Beneficiary and can only be disbursed to pay the Qualified Higher Education Expenses of the Beneficiary.

113.A partial refund of an ESA may occur only under the following circumstances:

- the Beneficiary is the recipient of a scholarship, waiver of Tuition or similar subvention, and
- the Beneficiary furnishes LATTA with such information about the scholarship, waiver or similar subvention, and
- LATTA determines that the scholarship, waiver of Tuition or similar subvention cannot be converted into money by the Beneficiary.

During each academic term that such circumstances exist and upon request, LATTA will refund to the Refund Recipient an amount from the ESA equal to the value of such scholarship, waiver or similar subvention that LATTA determines cannot be converted into money by the Beneficiary of the ESA. The Refund Recipient should consult with a qualified tax professional to determine the taxability of such a refund.

114.Requests for a partial refund from an ESA, other than as set forth in Section 101, will be treated as a request to terminate the ESA. A refund of deposits for which the Account Owner has received an exemption from income reported to the state must be included in the Account Owner's state taxable income for the year in which the refund is received.

115. A refund of earnings from the ESA to the Refund Recipient will be reported to the Internal Revenue Service and the Louisiana Department of Revenue for federal and state tax purposes.

116.Earnings included in a refund may be assessed an additional federal tax of ten (10) percent, unless the refund is a result of circumstances described in Section 112 or the refund is to the Beneficiary or the Beneficiary's estate due, respectively, to the Disability or death of the Beneficiary.

117.Principal that is refunded, and which was excluded from taxable income reported to the state for the year that the deposit was made to the ESA, must be included in the Account Owner's income for state tax purposes for the year in which the refund is received.

118.Interest earned in excess of \$3.00 in the Fixed Earnings portion of any option during the calendar year an ESA is terminated will be refunded on or about the forty-fifth (45th) day after the start of the next calendar year or thirty (30) days after the Treasurer has announced the interest rate for the preceding year, whichever is later. Interest earned of \$3.00 or less in the Fixed Earnings portion of an option during the calendar year an ESA is terminated will be forfeited to the Fund.

119.A Legal Entity may open an ESA on behalf of any Beneficiary or as a donation to a Beneficiary who has financial need. Funds in an ESA owned by a Legal Entity cannot be refunded to the Legal

Entity under any circumstances. The funds may be disbursed to the Beneficiary or the Account Owner may substitute a new Beneficiary.

REPORTS, STATEMENTS AND AUDITS

120.LATTA maintains a separate ESA for each approved Account Application, which shows the Current Value of the ESA. Each ESA may have only one Account Owner and one Beneficiary; however, an Account Owner may have multiple ESA's, each with a different Beneficiary. The same individual may be the Beneficiary of multiple ESA's.

121.LATTA shall provide each Account Owner an annual ESA statement by March 31st of each year, reflecting all activities and balances of the previous calendar year and which sets forth:

- For Fixed Earnings investment options, the accumulated value of the principal deposited, earnings on deposits, allocated EE's and earnings thereon, the amounts disbursed or refunded pursuant to the Participation Agreement and the Current Value of the ESA; and,
- For Variable Earnings investment options, the amount deposited, the current number of units in the investment option purchased, the current value per unit, allocated EE's and earnings thereon, the amounts disbursed or refunded pursuant to this Agreement and the Current Value of the ESA.
- An Account Owner must report errors on the annual ESA statement to LATTA within 60 days from the date on the ESA statement or the statement will be deemed correct.

122.Upon request of the Account Owner or the Beneficiary, LATTA will provide a statement showing the Current Value of an ESA. This information is also available on the Web site at **www.startsaving.la.gov**. The Account Owner or the Beneficiary may request a statement at any time, subject to any fees that LATTA may impose for requests in excess of one per year.

123.No later than January 31st of each year, LATTA will report to the Internal Revenue Service, the Louisiana Department of Revenue and to each Account Owner, Beneficiary and Refund Recipient who received any disbursements or refunds from LATTA during the preceding year, information relative to the value of such disbursements and/or refunds.

124.LATTA is audited in accordance with the provisions of state law. A copy of the audit report will be provided to the Governor, the President of the Senate and the Speaker of the House of Representatives. Copies of the audited financial report will be made available upon request.

RESPONSIBILITIES AND POWERS OF LATTA AND STATE TREASURER

125.Upon receipt of a START Saving Program Account Application and determination that it meets the criteria for participation, LATTA will accept the Participation Agreement, establish an ESA with the investment option designated by the Account Owner and send the Account Owner a letter of notification approving the ESA.

126.The monthly savings amount necessary to meet the Qualified Higher Education Expenses at the designated institution can be determined by using the calculator provided on the START Saving Program's Web site at **www.startsaving.la.gov**. Account Owners are strongly encouraged to make use of this tool.

127.LATTA may delay or waive enforcement of any of its rights

under this Agreement without losing the right to enforce them at a later time. To the extent allowed by applicable law, LATTA may take other action not described in the Participation Agreement and, by so doing, will not lose its rights under the Participation Agreement.

128.Under the Act, LATTA or its authorized agent is authorized to contract with the Account Owner for the establishment of an ESA for the benefit of a named Beneficiary. The amount deposited into an ESA is completely within the discretion of the Account Owner, up to the Maximum Allowable Account Balance. Payroll deductions, automatic bank debits and direct payments (including lump sums) are acceptable methods for making deposits into an ESA. Account Owners are strongly encouraged to use the calculator provided on the START Saving Program's Web site at **www.startsaving.la.gov** to determine the monthly savings amount to necessary to meet the Qualified Higher Education Expenses at the designated institution. The amount of the monthly deposit projected by the calculator is the theoretically correct based upon current assumptions relative to cost increases, inflation and earnings. LATTA will maintain a database of Tuition costs for the school selected and the assumptions used to project the amount of monthly deposits. LATTA DOES NOT GUARANTEE THAT MAKING THE MONTHLY DEPOSITS DETERMINED BY THE CALCULATOR WILL BE SUFFICIENT TO PAY THE QUALIFIED HIGHER EDUCATION EXPENSES OF THE BENEFICIARY AT THE ELIGIBLE EDUCATIONAL INSTITUTION SELECTED

129.The monies received from an Account Owner will be initially deposited into the Fund and, if a Variable Earnings option is selected by the Account Owner, withdrawn and invested in a mutual fund managed by The Vanguard Group.

130.The Louisiana State Treasurer periodically submits a proposed Fund investment policy to LATTA for approval, a copy of which will be provided to an Account Owner upon request.

131.The investment policy for the Fund proposes conservative investments consistent with safety of principal. As the Fund grows over time, the investment policy will be reevaluated from time to time in order to assure continued safety of principal and a reasonable earnings rate. The Fund assets may be subject to market factors and fluctuations affecting its value. The State Treasurer may pool the assets of the Fund for investment purposes with any other investments of the State of Louisiana that are eligible for asset pooling. The Treasurer has investment managers within the Treasurer's office to assist with the investment of Fund assets.

132.In addition to the Fund, the Louisiana State Treasurer is responsible for the investment of the public funds of the State of Louisiana and manages more than 350 separate special funds, the state's general fund and almost \$1.09 billion in the Louisiana Education Quality Trust Fund (as of December 31, 2005).

133.The Louisiana State Treasurer has selected the Variable Earnings investment options and the mutual funds provided by The Vanguard Group that will be components of the options. When an Account Owner selects a Variable Earnings option, the START Saving Program will invest all deposits in the underlying investments that comprise that option.

134.The Louisiana State Treasurer provides oversight of The Vanguard Group, in accordance with the investment contract with The Vanguard Group. LATTA is responsible for the administration of the START Saving Program.

ROLLOVER DEPOSITS

135. You can contribute to a START Saving Program ESA by transferring funds from another state's 529 Plan. This transaction is known as a "rollover." Not more than once every twelve (12) months, you may rollover assets from an account in another state's 529 Plan to an ESA in the START Saving Program for the same Beneficiary, without penalty or federal income tax consequences. You may also rollover funds from an account in another state's 529 Plan to an ESA in the START Saving Program at any time without penalty or federal income tax consequences when you change Beneficiaries, provided that the new Beneficiary is a Member of the Family of the old Beneficiary. The transfer of funds from another state's 529 plan to a START Saving Program ESA that does not meet these criteria may not qualify as a rollover under Section 529, IRC, and may be subject to federal income tax, a federal tax penalty of ten percent (10%) of earnings, and possibly state tax. Please consult your tax or investment adviser for more information.

136. Incoming rollovers can be direct or indirect. Direct rollovers involve the transfer of money from one 529 Plan directly to another. Indirect rollovers involve the transfer of money from an account in another state's 529 Plan to the Account Owner, who then contributes the money to a START Saving Program ESA. To avoid penalties and federal income tax consequences, money received by an Account Owner from an indirect rollover must be deposited in a 529 Plan account within sixty (60) days of the distribution. You should be aware that not all states permit direct rollovers of funds from 529 Plans. Additionally, there may be state income tax consequences (and in some cases state-imposed penalties or fees) resulting from a rollover out of another state's 529 Plan.

137. You may also contribute to a START Saving Program ESA with proceeds from the sale of assets held in a Coverdell Education Savings Account (formerly known as an Education IRA) or a Qualified U.S. Savings Bond.

138. The custodian for a minor under the Uniform Gifts to Minors Act or Uniform Transfers to Minors Act (**UGMA/UTMA**) may use the assets held in an UGMA/UTMA account to open a START Saving Program ESA and act as the Account Owner, subject to the laws of the state under which the UGMA/UTMA account was established. The minor and/or the minor's parent may incur capital gains (or losses) from the sale of noncash assets held by an UGMA/UTMA account. UGMA/UTMA accounts are assigned to ESA Account Category IV for which the EE's are limited to a rate of two percent (2%). There are other program and tax considerations associated with assets held in an UGMA/UTMA account invested in a START Saving Program ESA. Please contact a tax professional to determine how to transfer UGMA/UTMA custodial assets, and what the implications of such a transfer may be for you. Neither LATTa, LOSFA nor the Louisiana State Treasurer will be liable for any consequences related to a custodian's improper use, transfer, or characterization of custodial funds.

ROLLOVERS TO ANOTHER 529 PLAN

139. Other than an ESA classified in Category VI, ESA's owned by Natural Persons may be closed and the Current Value (LESS EE'S ALLOCATED TO THE ACCOUNT AND EARNINGS THEREON) may be transferred to another state's 529 Plan. This transaction is known as a "rollover." Not more than once every twelve (12) months, you may rollover assets from an ESA to

another state's 529 Plan for the same Beneficiary, without penalty or federal income tax consequences. You may also rollover funds from an ESA to another state's 529 Plan at any time without penalty or federal income tax consequences when you change Beneficiaries, provided that the new Beneficiary is a Member of the Family of the old Beneficiary. The transfer of funds from an ESA to another state's 529 plan that does not meet these criteria may not qualify as a rollover under Section 529, IRC, and may be subject to federal income tax, a federal tax penalty of ten percent (10%) of earnings, and possibly state tax. Please consult your tax or investment adviser for more information.

STUDENT FINANCIAL AID IMPLICATIONS

140. The value of an ESA has no impact on eligibility for Louisiana's scholarship programs. The value of an ESA may be considered in determining a Beneficiary's eligibility for federal need-based student assistance under the Higher Education Act of 1965, as amended ("**HEA**"). The HEA authorizes federal financial aid programs such as the Federal Pell Grant, Federal Supplemental Educational Opportunity Grant, Federal Perkins Loan Program, Federal Work Study Program and the Federal Family Education Loan Program.

141. In its Dear Colleague Letter posted January 22, 2004, the U. S. Department of Education states that the assets of a 529 College Savings Plan account are regarded as the assets of the parent, if the parent is the owner of the account.

- If the ESA is owned by a parent of the Beneficiary, the value of the ESA should be reported as a parental asset on the Free Application for Federal Student Aid (FAFSA).
- If the ESA is owned by a Dependent Student, the ESA assets are excluded from inclusion on the FAFSA. Most undergraduates are dependents for FAFSA purposes.
- If the ESA is owned by an Independent Student, the value of the ESA should be reported as a student asset on the FAFSA.

You should consult with the financial aid office at the institution the Beneficiary has selected to obtain guidance on dependent/independent status. You should consult a tax adviser regarding the application of federal tax laws to your particular circumstances.

142. When the Account Owner is neither the parent nor the student, ESA's need not be reported on the FAFSA as assets.

143. In its Dear Colleague Letter posted January 22, 2004, the U. S. Department of Education states that distributions from 529 College Saving Plan accounts are not counted as parent or student income in the determination of student aid eligibility and do not reduce financial aid eligibility. For further guidance, you should consult with the financial aid office at the institution the Beneficiary has selected.

SUCCESSOR ACCOUNT OWNERS

144. Account Owners who are Natural Persons, other than a Natural Person whose ESA is classified in Category VI, may designate some other person to be the successor Account Owner in the event of the Account Owner's death.

145. In the event of the death of a Natural Person, other than a Natural Person whose ESA is classified in Category VI, the person designated as the successor Account Owner in the Participation Agreement will become the Account Owner. If no successor Account Owner is named or if the successor Account Owner predeceases the Account Owner, the ESA shall be terminated

and the monies in the ESA shall be refunded to the Beneficiary, if designated to receive the refund by the Account Owner, or the Account Owner's estate. Based on their state of residence and the relationship between the successor Account Owner and Beneficiary at the time of the original Account Owner's death, the ESA will be assigned to one of the six ESA categories.

146.In the event of the dissolution of a Legal Entity whose ESA is classified in Category IV or V, the Beneficiary shall become the successor Account Owner. If the Beneficiary of such an ESA has died and there is no substitute Beneficiary named, the refund shall be made to the Beneficiary's estate. The refund shall not include EE's or interest thereon.

147.In the event of the death or dissolution of an Account Owner who is an Other Person (whether a Natural Person or Legal Entity), whose ESA is classified in Category VI, the Beneficiary shall become the successor Account Owner, provided that all the rights and restrictions provided in law and these rules applicable to ESA's classified in Category VI, including, but not limited to, use of the funds, refunds, terminations, designation of Beneficiary, etc. shall be applicable to the Beneficiary who becomes the owner of said ESA. Upon the death of an Account Owner who is a Natural Person or the dissolution of an Account Owner that is a Legal Entity whose ESA's are classified in Category VI and their respective Beneficiary has died or failed to enroll in an Eligible Educational Institution by age 25, and no substitute Beneficiary was designated by the Account Owners, the Authority shall designate a new Beneficiary who must meet the requirements of §303.A.5 of the START Saving Program Rules.

148.If the Account Owner and Beneficiary of an ESA both die and there is no evidence to verify that one died before the other, any appointed Account Owner's successor shall become the Account Owner of the ESA. If no Account Owner's successor has been appointed, the fiduciary responsible for the disposition of the Beneficiary's estate shall designate the new Account Owner. If no executor or fiduciary has been appointed, one must be appointed by a valid court order for this purpose.

TAX AND OTHER CONSIDERATIONS

Disclaimer

149.The START Saving Program, LOSFA, LATTA and their employees do not provide financial, investment, legal or tax advice. The Account Owner agrees to hold the START Saving Program, LOSFA, LATTA and their employees harmless from any liability incurred, which arises from decisions made by the Account Owner in connection with his participation in the START Saving Program or under the terms of the Participation Agreement. Account Owners and Beneficiaries should consult with qualified financial, legal or tax assistance professionals to determine tax liabilities in individual circumstances.

Federal Tax Considerations

150.This section takes a closer look at some of the federal tax considerations you should be aware of when investing in the START Saving Program. However, the discussion is by no means exhaustive and is not meant as tax advice. [Please keep in mind that the IRS has issued only proposed regulations under Section 529, IRC; final regulations could affect the tax considerations mentioned in this section or require the terms of the START Saving Program to change.] In addition, the START Saving Program has

not requested a private letter ruling from the IRS with regard to the status of the START Saving Program under Section 529, IRC. LATTA may, in its sole discretion, apply for such a ruling from the IRS.

The federal tax consequences associated with an investment in the START Saving Program can be complex. In addition, some states may impose penalties and/or taxes on investments in or withdrawals from a Qualified Tuition Program offered by other states. These penalties and taxes may, in certain cases, result in an effective reduction or loss of some or all of the federal tax benefits discussed below. (See the "State Tax Considerations" section below for additional information.) You should consult a tax adviser regarding the application of federal tax laws to your particular circumstances.

Federal Tax Treatment of Earnings

151.Any earnings on deposits are tax-deferred, which means your ESA assets grow free of current federal income tax and will not be included in taxable income when withdrawn for payment of Qualified Higher Education Expenses. (See the *Distributions* section below.)

Federal Gift/Estate Tax

152.Deposits to the START Saving Program are considered completed gifts for federal tax purposes and, therefore, are potentially subject to federal gift tax; however, there are annual exclusions, which are periodically adjusted for inflation. For 2006 and until adjusted, if the amounts contributed by you on behalf of the Beneficiary together with any other gifts to that person (over and above those made to your ESA) do not exceed \$12,000 per year (\$24,000 for married couples making a proper election), no gift tax will be imposed for that year. Gifts of up to \$60,000 can be made in a single year (\$120,000 for married couples making a proper election) for a Beneficiary and averaged out over five years for the gift tax exclusion. This allows you to move assets into tax-deferred investments and out of your estate more quickly.

153.Generally, assets in an ESA are not included in your estate, unless you elect the five-year averaging and die before the end of the fifth year. In general, if you die with assets still remaining in your ESA, the ESA's value will not be included in your estate for federal estate tax purposes. If your Beneficiary dies, the value of the ESA may be included in the Beneficiary's estate for federal tax purposes. Further rules regarding gifts and the generation-skipping transfer tax may apply in the case of distributions, changes of Beneficiaries, and other situations. You should consult with a tax adviser when considering a change of Beneficiary or transfers to another ESA or the specific effect of the gift tax and generation-skipping transfer tax on your situation.

Transfers and Rollovers

154.Certain transfers can be made without incurring income tax consequences or a Distribution Tax. The distribution must be placed in another ESA or an account of another Qualified Tuition Program within 60 days of the distribution date. If the new Beneficiary is a member of a generation lower than the prior Beneficiary, the transfer may be subject to the gift tax or generation-skipping transfer tax. Changes in your Beneficiary could potentially cause gift and/or generation-skipping transfer tax consequences to the Beneficiary and/or Account Owner. Because gift and generation-skipping transfer tax issues are complex, you should consult with your tax adviser.

Coverdell Education Savings Accounts (formerly Education IRA)

155. Generally, deposits may be made to both a Coverdell Education Savings Account (defined in Section 530, IRC) and a Qualified Tuition Program in the same year on behalf of the same Beneficiary. However, the same educational expenses cannot be claimed for a tax-exempt distribution from both the Coverdell Education Savings Account and the Qualified Tuition Program.

Education Tax Credits

156. You and your Beneficiary, if eligible, can take advantage of Hope and Lifetime Learning Tax Credits without affecting your participation in the START Saving Program or its benefits. Hope and Lifetime Learning Credits can be claimed in the same year that a tax-exempt distribution is taken from the START Saving Program provided the total of the distribution is not used for the same educational expenses. (If you pay tuition with a distribution from the START Saving Program, you cannot claim a Hope or Lifetime Learning Credit for the tuition.)

Distributions

Generally

157. Distributions have two components: (1) principal, which is not taxable when distributed, and (2) earnings, if any, which may be subject to federal income taxation. We determine the earnings portion at calendar year-end based on IRS rules and report to the IRS and the taxable party on Form 1099-Q (or other applicable form). However, the Form 1099-Q does not report whether the distribution is a Qualified Distribution or a Non-Qualified Distribution. You are responsible for preparing and filing the appropriate forms when completing your federal income tax return and for paying any applicable tax directly to the IRS.

Qualified Higher Education Expense Distributions

158. When money is withdrawn from your ESA to pay for Qualified Higher Education Expenses, all of the ESA's investment gains are distributed federally income tax-free, provided you do not also claim all or part of these Qualified Higher Education Expenses as a Hope or Lifetime Learning Credit.

Other Qualified Distributions

159. For federal income tax purposes and pursuant to current IRS guidance, including Form 1099-Q and proposed regulations, the earnings portion of a Qualified Distribution made to the appropriate recipient (as described above) in the event of the death or Disability of a Beneficiary or receipt by the Beneficiary of a scholarship, grant, or Tuition waiver is generally taxable to the Account Owner. However, any Qualified Distribution payable under such circumstances should be taxable to the Beneficiary if it is paid to the Beneficiary or the Eligible Educational Institution. Such Qualified Distributions will not be subject to the Distribution Tax.

Non-Qualified Distributions

160. The earnings portion of any non-qualified distribution is generally taxable to the Account Owner. However, the Non-Qualified Distribution should be taxable to the Beneficiary if it is paid to the Beneficiary or the Eligible Educational Institution. Any Non-Qualified Distribution will also be subject to the Distribution Tax, which is a federal surtax required by the IRC that is equal to ten percent (10%) of the earnings portion of a Non-Qualified Distribution.

Aggregation of ESA's

161. For purposes of calculating the breakdown between the principal and earnings portion of any distribution, the IRS requires that all ESA's in the START Saving Program with the same Account Owner and Beneficiary be treated as one ESA. Therefore, the Form 1099-Q may report an amount of earnings that is greater or lesser than the actual earnings on any particular ESA.

Determination of Taxable Earnings

162. The principal and earnings portion of a distribution for federal tax purposes are determined by a formula reflecting the proportion of deposits to the ESA's overall market value of your ESA's in the START Saving Program for the same Beneficiary. If the distribution is subject to a Distribution Tax, the Distribution Tax is applied to the earnings portion. The taxpayer is responsible for calculating and reporting any Distribution Tax to the IRS. Due to the IRS rules regarding aggregation of ESA's, the taxable earnings may be more or less than the actual earnings on any particular ESA or ESA's.

Potential Future Changes in Federal Tax Law

163. The enhanced federal tax incentives for 529 Plans have been made permanent by the Pension Protection Act of 2006. However, the federal laws are subject to change through legislative process.

State Tax Considerations

164. State tax benefits are available only to Louisiana residents/taxpayers.

If you live outside Louisiana, you may want to compare any college savings program offered by your state with the START Saving Program. Your state of residence may provide tax benefits for deposits to Qualified Tuition Programs, and state income taxes may apply to the earnings portion of distributions for non-Louisiana residents. You should check with your tax adviser regarding the rules for your particular state.

165. Disbursements of earnings (including EE's and earnings thereon) from an ESA to pay Qualified Higher Education Expenses under the terms of the Participation Agreement are nontaxable for Louisiana state income tax purposes.

State Income Tax Exclusions

166. For tax years beginning on or after January 1, 2001, an Account Owner is entitled to an exemption from his/her Louisiana state taxable income for amounts deposited in an ESA up to a maximum of \$2,400 per ESA owned per taxable year. If an Account Owner does not use the full \$2,400 exemption in any tax year, any unused exemption may be rolled forward to be used in future tax years.

167. For tax years beginning on or after January 1, 2005, Account Owners filing joint returns are entitled to an exemption from their Louisiana state taxable income for amounts deposited in an ESA up to a maximum of \$4,800 per beneficiary per taxable year. If Account Owners filing jointly do not use the full \$4,800 exemption in any tax year, any unused exemption may be rolled forward to be used in future tax years.

168. For tax years beginning on January 1, 2005, an Account Owner of an ESA classified in Category VI may deduct twice the amount deposited per ESA per taxable year up to \$2,400 in donations. If the Account Owner does not use the full \$4,800 exemption in any tax year, any unused exemption may be rolled forward to be used in future tax years.

169.Earnings credited to an ESA, and amounts exempted from income reported to the State that are subsequently refunded by LATTA are taxable for Louisiana state income tax purposes and shall be reported by LATTA to the Account Owner no later than January 31 of the year following the year the refund was made, in accordance with applicable tax laws. Refunds of principal deposits which were previously excluded from state taxable income and which are not used for Qualified Higher Education Expenses must be included in state taxable income of the Account Owner for the year in which the refund is received.

State Gift Tax

170.For tax years beginning on January 1, 2005, Louisiana provides the same gift tax option provided under federal law and described in the *Federal Gift/Estate Tax* subsection under the *Federal Tax Considerations* section above.

Medicaid and Other Federal and State

Non-Educational Benefits

171.The effect of the value of an ESA on an Account Owner's eligibility for Medicaid or other state and federal benefits is uncertain. It is possible that assets held in an ESA will be viewed as a "countable resource" in determining an Account Owner's financial eligibility for Medicaid. Withdrawals from an ESA during certain periods may also have the effect of delaying the disbursement of Medicaid payments. An applicant for an ESA should consult a tax advisor to determine how assets held in an ESA may affect eligibility for Medicaid or other state and federal non-educational benefits.

Bankruptcy and Related Matters

172.New bankruptcy legislation that became effective for bankruptcy cases commenced by individuals under Title 11 of the United States Code on or after October 17, 2005 expressly excludes from such individual's bankruptcy estate (and, therefore, will not be available for distribution to such individual's creditors), certain funds deposited by such individual to a Section 529 ESA. The bankruptcy protection for Section 529 ESA's is limited. To be protected, the Beneficiary of the ESA must be a child, stepchild, grandchild, or step-grandchild of the Account Owner during the year of the deposit and the funds must have been deposited at least 365 days prior to a bankruptcy filing. The bankruptcy exclusion imposes a cap on the amount that may be excluded from such individual's bankruptcy estate based on when the deposit was made. During the period between 365 and 720 days prior to the bankruptcy filing, the maximum amount that can be excluded is \$5,000. Deposits made more than 720 days prior to the bankruptcy filing are not to be part of the bankruptcy estate provided that the aggregate amount contributed by such individual to the ESA does not exceed the Maximum Allowable ESA Balance. Account Owners should consult with their tax or investment advisor for more information concerning their individual circumstances.

Refunds - Tax Consequences

173.With the exception of ESA's classified in Category VI, the Account Owner who is a Natural Person may name a substitute Beneficiary who is not a Member of the Family of the former Beneficiary. (See the *ESA Categories* section above for more information.) In this instance, the ESA will be terminated, the monies deposited and the interest earned thereon will be refunded, and a new ESA will be opened in the name of the new Beneficiary.

Earnings that are transferred may be subject to an additional ten percent (10%) federal tax. Any EE's and the interest earned thereon will be forfeited; however, EE's will be paid the following calendar year on the amount deposited in the new ESA. Additionally, the deposits excluded from state taxable income in the year the deposits were made and which were subsequently refunded and used for other than Qualified Higher Education Expenses must be included in the Account Owner's state taxable income for the year in which the refund is received. The Account Owner should consult with a qualified tax professional to determine the proper treatment of the transferred funds for state and federal tax purposes.

174.The Account Owner of an ESA classified in Category VI may also name a substitute Beneficiary who is not a Member of the Family of the former Beneficiary. In this instance, the ESA will be terminated and the monies deposited and the interest earned thereon will be transferred to a new ESA in the name of the new Beneficiary. Any EE's and the interest earned thereon will be forfeited; however, EE's will be paid the following calendar year on the amount deposited in the new ESA. The naming of a substitute Beneficiary who is not a Member of the Family of the original Beneficiary may be treated as a refund under federal and state tax laws, in which case the Account Owner will be subject to any associated tax consequences. The Account Owner should consult with a qualified tax professional to determine the proper treatment of the transferred funds for state and federal tax purposes.

Securities Considerations

175.LATTA has not heretofore requested a "no-action" letter from the U.S. Securities and Exchange Commission. It has sought a ruling or advisory opinion from the Louisiana Securities Commission as to whether START Saving Program Participation Agreements constitute securities. The Louisiana Securities Commission has stated that the Agreements appear to be an investment contract and, as such, constitute "securities" as that term is defined in the Securities Act of 1933 (the "Securities Act"). LATTA has sought the opinion of and has been advised by independent counsel that START Saving Program Participation Agreements, if considered "securities" within the meaning of the Securities Act, is, in their opinion, exempt from the registration provisions of the Securities Act under the exemption afforded by Section 3 (a) (2) of the Securities Act. A similar exemption exists with respect to these agreements under the Louisiana Securities Act pursuant to Louisiana Revised Statutes 51:708. Other states' tuition and savings programs have received no-action letters and have been exempt from registration requirements.

TERMINATION OF ESA'S

176.The Participation Agreement may be terminated at any time by Account Owners who are Natural Persons and whose ESA's are classified in Categories I, II, III, IV or V. (See the *ESA Categories* section above for more information.) All funds in the ESA, except EE's and interest thereon, will be refunded if the ESA has been open at least twelve (12) months. In the event an ESA is terminated within twelve (12) months of the date the ESA was opened, the refund will be equal to the deposits made to the Fixed Earnings options and WILL NOT INCLUDE INTEREST nor EE's.

177.ESA's classified in Category VI and ESA's whose owners are Legal Entities **MAY NOT** be terminated, but the Account Owners can name a substitute Beneficiary in accordance with the terms of the Participation Agreement.

178. Termination of ESA's invested in Fixed Earnings options shall be effective at midnight of the business day on which a valid request for ESA termination is received. ESA's invested in Fixed Earnings options will be credited with interest earned on principal deposits through the effective date of the termination of the ESA. If an Account Owner who is a Legal Entity names a substitute Beneficiary who is not a Member of the Family of the Beneficiary, the transfer of funds may be considered a refund under federal tax statutes and that portion of the transfer which is considered earnings may be subject to an additional tax of ten percent (10%) and a state income tax liability. Additionally, a transfer to a substitute Beneficiary who is not a Member of the Family of the Beneficiary can result in a reduction in the EE's allocated to the ESA. Please contact your tax or investment advisor for more information.

179. Funds invested in a Variable Earnings option are not guaranteed and the refund will be the Current Value of the ESA, less EE's and earnings thereon, on the next business day after the business day the request for termination is received. Refunds from ESA's invested in a Variable Earnings option may be less than the total of the original deposits, less any disbursements. Earnings that are refunded may be subject to state and federal income tax penalties. As an alternative to terminating an ESA, the Account Owner may substitute a Member of the Family of the Beneficiary as a new Beneficiary in accordance with the terms of the Participation Agreement, in which case there would be no tax penalties.

TRADE DATE

180. Each transaction (including deposits, disbursements, changes in options, and refunds) executed on ESA's invested in a Variable Earnings option shall be assigned a Trade Date. Investments made by check or automatic bank debit are assigned a Trade Date that provides sufficient time for the check to be negotiated or the automatic bank debit to clear and funds made available for investment.

181. For the purposes of the Participation Agreement, the Trade Date is:

- The date that a deposit to an investment option that includes Variable Earnings is assigned a value in units.
- The date a disbursement or refund from an investment option that includes Variable Earnings is assigned a value.
- The date of a change in investment options that includes Variable Earnings is assigned a value.

182. Deposits for investment options that include Variable Earnings will be assigned a Trade Date based on the method of deposit and the date of receipt. (Deposits received on weekends and holidays will be considered received on the next business day.)

- Deposits by check and ACH Network (automatic bank debit) will be assigned a Trade Date three (3) business days after the business day during which they were received.
- Deposits made by all other means of electronic funds transfer will be assigned a Trade Date of one (1) business day after the business day during which they were received.

183. Disbursements from investment options with Variable Earnings will be assigned a Trade Date as follows:

- a. If an on-line request for a disbursement is completed before 7:00 PM Central Standard Time or Central Daylight Savings Time, as applicable, on a trade day, the Trade Date shall be the

date of the request.

- b. For all other requests for disbursement, the Trade Date shall be one (1) business day after the business day of receipt of the disbursement request.

184. Refunds from investment options with Variable Earnings will be assigned a Trade Date as follows:

- a. If an on-line request for a refund is completed before 7:00 PM Central Standard Time or Central Daylight Savings Time, as applicable, on a trade day, the Trade Date shall be the date of the request.

- b. For all other requests for refund, the Trade Date shall be one business day after the business day of receipt of the refund request.

185. Requests for a change in an investment option from a Variable Earnings option to a different option require the transfer of all ESA assets and will be assigned a Trade Date as follows:

- a. If an on-line request for a change from a Variable Earnings option is completed before 7:00 PM Central Standard Time or Central Daylight Savings Time, as applicable, on a trade day, the Trade Date shall be the date of the request.

- b. For all other requests, the Trade Date shall be one (1) business day after the business day of receipt of the transfer request.

TRANSFER OF ESA'S

186. An ESA is generally nontransferable by Account Owners. With the exception of donations to an ESA classified in Category VI, refunds may be made to an Account Owner who is a Natural Person because of the death or Disability of the Beneficiary or as an offset of the amount of a scholarship received by the Beneficiary. (See the *Refunds and Successor Account Owner* sections for more information.)

VANGUARD GROUP

187. The Vanguard Group (**Vanguard**) is under contract to LATTA and the Louisiana State Treasurer to provide investment products for use by the START Saving Program. The Louisiana State Treasurer created the Variable Earnings investment options that are being offered by the START Saving Program. Account Owners select a Variable Earning's option and invest in the START Saving Program, which in turn invests the assets of the START Saving Program in investment products from among those offered by Vanguard. The options created by the Louisiana State Treasurer, and the underlying investment products, may change from time to time, in which case LATTA will notify Account Owners prior to such changes. LATTA reserves the right to change investment managers upon its determination such change would be in the best interests of participants in the START Saving Program.

188. Vanguard is an investment management company that offers a wide array of mutual funds and other financial products and services to individual and institutional investors in the United States and abroad. Company headquarters are near Valley Forge, Pennsylvania.

189. The Variable Earnings options offered by the START Saving Program include underlying mutual funds managed by Vanguard. Vanguard publishes a prospectus for each of its funds, which discloses the fund's objectives, policies, past performance and risks. If you are interested in an investment option that includes Variable Earnings, you can read the prospectus for each of The Vanguard Funds.

APPENDIX A: PARTICIPATION AGREEMENTS

PARTICIPATION AGREEMENT FOR AN EDUCATION SAVINGS ACCOUNT

OWNED BY AN INDIVIDUAL

In return for an Education Savings ESA (ESA), I agree, represent and warrant to the Louisiana Tuition Trust Authority (“LATTA”) as set forth below. Each capitalized term used but not defined in this Participation Agreement has the meaning that term has in the Disclosure Booklet.

A. General:

1. I understand and agree that this Participation Agreement is subject to and incorporates by reference the Disclosure Booklet, the START Saving Program statute and LATTA rules implementing the statute, as modified from time to time.
2. I understand that the Louisiana Office of Student Financial Assistance (“LOSFA”) manages the program on a day-to-day basis under the direction of LATTA.
3. I have received, read and understand the START Saving Program Disclosure Booklet. I understand that this Participation Agreement shall become effective upon the opening of my ESA on the records of LOSFA.
4. I certify that I am opening my ESA to provide funds for the Qualified Higher Education Expenses of the Beneficiary of the ESA.
5. I understand that pursuant to federal and Louisiana law, any deposit, or portion of a deposit, made by me for a Beneficiary will be rejected and returned to the extent that the amount of the deposit would cause the total ESA balance for all ESA’s under the program for that Beneficiary to exceed the Maximum Allowable ESA Balance of \$218,535 (subject to adjustment for inflation).
6. I recognize that the investment of deposits and of investment returns in my ESA involves certain risks and I have taken into consideration and understand the risk factors related to these investments.
7. I understand that neither I nor my Beneficiary is, or will be, permitted to exercise any investment direction over my ESA other than my selection, and potential later revision, of Investment Options for my ESA.
8. I understand and acknowledge that once invested in a particular Investment Option, deposits and any earnings thereon may not be transferred to another Investment Option more than once in any twelve month (12) month period.
9. I understand that one hundred percent (100%) of deposits allocated to the Principal Protection Option will be invested in Fixed Earnings investments such as government bonds, notes, and certificates of deposit. I understand that I cannot lose money because the State guarantees the return of my principal, but I acknowledge that the State does not guarantee any particular investment return or any return at all.
10. With respect to each Investment Option, other than the Principal Protection Option, I understand and acknowledge that neither deposits nor investment returns allocated to my ESA are guaranteed or insured by any person or entity, including but not limited to, the State of Louisiana, LATTA, LOSFA, the Louisiana State Treasurer, the Vanguard Group and its subcontractors and affiliates, any vendors, contractors, investment advisors, or investment managers selected or approved by LATTA or any agents, representatives or successors of the foregoing.
11. I understand and acknowledge that with respect to each Investment Option there is no guarantee or commitment whatsoever from the State of Louisiana, LATTA, LOSFA, the Louisiana State Treasurer or any other person or entity that:
 - a. actual higher education expenses will be equal to projections and estimates provided by LATTA;
 - b. the Beneficiary of my ESA will be admitted to any Eligible Educational Institution;
 - c. upon admission to an Eligible Educational Institution, my Beneficiary will be permitted to continue to attend;
 - d. upon admission to an Eligible Educational Institution, state residency will be created for tuition, tax, financial aid eligibility, or any other purpose for my Beneficiary;
 - e. my Beneficiary will graduate or receive a degree from any educational institution; or
 - f. the deposits and investment returns in my ESA will be sufficient to cover the Qualified Higher Education Expenses of my Beneficiary.
12. I understand that the Louisiana State Treasurer may change the Investment Options offered by the START Saving Program and the START Saving Program investments from time to time.
13. (The following sentence is applicable to individuals executing this Participation Agreement in a representative capacity.) I have full power and authority to enter into and perform this Participation Agreement on behalf of the individual named above as Account Owner.
14. I understand and acknowledge that I have not been advised by the State of Louisiana, LATTA, LOSFA or any other person or entity to invest, or to refrain from investing, in a particular Investment Option.
15. I understand that I may cancel this Participation Agreement at any time. I understand that this may be accomplished by:
 - a. applying for a Qualified Distribution, if the amount does not exceed the maximum amount of Qualified Higher Education Expenses for that year;
 - b. submitting a written request for termination of the ESA (a Non-Qualified Distribution), in which case the penalties referenced in paragraph B of this Participation Agreement may apply.

B. Penalties and Fees. I understand and agree that a Non-Qualified Distribution from my ESA will be subject to:

1. the federal additional tax of ten percent (10%) of the earnings portion of a Non-Qualified Distribution that is payable through the Account Owner's federal income tax return to the United States Treasury;
2. federal income tax on earnings;
3. Louisiana income tax on the amount of deposits excluded from the Account Owner's reported state taxable income (must be paid for the year in which the Non-Qualified Distribution was made);
4. Louisiana income tax on earnings;
5. loss of interest earned, if my ESA is terminated within one year of the date it was opened; and
6. the loss of all Earnings Enhancements and interest thereon.

C. I acknowledge that the rate of the federal additional tax and the State tax consequences for Non-Qualified Distributions may change.

D. I acknowledge and agree that my ESA may be subject to other fees, charges or penalties in the future, if imposed by LATTA.

E. Necessity of Qualification. I understand that the START Saving Program is intended to be a Qualified Tuition Program under Section 529 of the Internal Revenue Code and to achieve favorable State tax treatment under Louisiana law. I agree that LATTA may make changes to the START Saving Program and this Participation Agreement at any time if it is determined that such changes are necessary for the continuation of the federal income tax treatment provided by Section 529 or the favorable State tax treatment provided by Louisiana law, or any similar successor legislation.

F. Rules and Regulations. My ESA and this Participation Agreement are subject to future changes to the Disclosure Booklet and to such rules and regulations as LATTA may promulgate in accordance with State law.

G. Indemnity. I understand that the establishment of my ESA will be based upon my agreements, representations and warranties set forth in this Participation Agreement. I agree to indemnify and hold harmless the State of Louisiana, LATTA, LOSFA, the Vanguard Group and its subcontractors and affiliates, any vendors, contractors, investment advisors or investment managers selected or approved by LATTA, and any agents, representatives, or successors of any of the foregoing, from and against any and all loss, damage, liability or expense, including reasonable attorney's fees, that any of them may incur by reason of, or in connection with, any misstatement or misrepresentation made by me on the Account Application or otherwise with respect to my ESA, and any breach by me of any of the agreements, representations or warranties contained in this Participation Agreement. All of my agreements, representations and warranties shall survive the termination of this Participation Agreement.

H. Binding Nature; Third-Party Beneficiaries. This Participation Agreement shall survive my death and shall be binding upon my personal representatives, heirs, successors and assigns. The Program Managers are third-party beneficiaries of my agreements, representations and warranties in this Participation Agreement.

I. Amendment and Termination. At any time, and from time to time, LATTA may amend this Participation Agreement or the Disclosure Booklet, or the Fund may be suspended or terminated, but except as permissible under applicable law, my ESA may not thereby be diverted from the exclusive benefit of my Beneficiary or from my control.

J. Governing Law and Venue for Disputes. This Participation Agreement is governed by Louisiana law and any action arising under this Agreement shall be brought in the Parish of East Baton Rouge, State of Louisiana.

PARTICIPATION AGREEMENT FOR A LEGAL ENTITY ESA

This Agreement applies to all ESA's opened on behalf of all Legal Entities. These ESA's are classified in ESA Category IV.

When opening an ESA in the START Saving Program or conducting a transaction for that ESA for a Legal Entity, the Account Owner must provide documentary substantiation of the following: (1) the legal status of the Legal Entity; (2) authorization by the Legal Entity to open the ESA or conduct the transaction; and (3) authorization by the Legal Entity for the signer of the form to do so and to open the ESA and conduct the transaction on behalf of the Legal Entity. The same document may provide substantiation of all of the three elements above. The documents set forth at the end of this Participation Agreement, which must be dated no more than sixty (60) days prior to receipt by LATTA, have been approved by LATTA to meet substantiation requirements.

I, on behalf of the Account Owner, a Legal Entity named in the Account Application, to open an ESA in the START Saving Program agree, represent and warrant to the Louisiana Tuition Trust Authority ("LATTA"), as set forth below. Each capitalized term used but not defined in this Participation Agreement has the meaning that term has in the Disclosure Booklet.

A. General – On behalf of and for benefit of the Account Owner:

1. I understand and agree that this Participation Agreement is subject to and incorporates by reference the Disclosure Booklet, the START Saving Program statute and LATTA rules implementing the statute, as modified from time to time.
2. I understand that the Louisiana Office of Student Financial Assistance ("LOSFA") manages the program on a day-to-day basis under the direction of LATTA.
3. I have received, read and understand the START Saving Program Disclosure Booklet. I understand that this Participation Agreement shall become effective upon the opening of this ESA on the records of LOSFA.
4. I certify that I am authorized by the Account Owner to open this ESA, including execution of this Participation Agreement, to provide funds for the Qualified Higher Education Expenses of the Beneficiary.
5. I understand that pursuant to federal and Louisiana law, any deposits, or portion of a deposit, made to this ESA for the Beneficiary will be rejected and returned to the extent that the amount of the deposits would cause the total ESA balance for all ESA's under the program for that Beneficiary to exceed the Maximum Allowable ESA Balance of \$218,535 (subject to adjustment for inflation).
6. I understand that this ESA is classified in Category IV and that Earnings Enhancements are limited to two percent (2%).
7. I recognize that the investment of deposits and of investment returns in this ESA involves certain risks and I have taken into consideration and understand the risk factors related to these investments.
8. I understand that neither the Account Owner nor the Beneficiary is, or will be, permitted to exercise any investment direction over the ESA other than the Account Owner's initial selection, and potential later revision, of Investment Options for the ESA.
9. I understand and acknowledge that once invested in a particular Investment Option, deposits and any earnings thereon may not be transferred to another Investment Option more than once in any twelve (12) month period.
10. I understand that one hundred percent (100%) of deposits allocated to the Principal Protection Option will be invested in Fixed Earnings investments such as government bonds, notes, and certificates of deposit. I understand that the Account Owner cannot lose money because the State guarantees the return of the Account Owner's principal, but I acknowledge that the State does not guarantee any particular investment return or any return at all.
11. With respect to each Investment Option, other than the Principal Protection Option, I understand and acknowledge that neither deposits nor investment returns allocated to this ESA are guaranteed or insured by any person or entity, including but not limited to, the State of Louisiana, LATTA, LOSFA, the Louisiana State Treasurer, The Vanguard Group and its subcontractors and affiliates, any vendors, contractors, investment advisors, or investment managers selected or approved by LATTA or any agents, representatives or successors of the foregoing.
12. I understand and acknowledge that with respect to each Investment Option there is no guarantee or commitment whatsoever from the State of Louisiana, LATTA, LOSFA, the Louisiana State Treasurer or any other person or entity that:
 - a. actual higher education expenses will be equal to projections and estimates provided by LATTA;
 - b. the Beneficiary of this ESA will be admitted to any Eligible Educational Institution;
 - c. upon admission to an Eligible Educational Institution, the Beneficiary will be permitted to continue to attend;
 - d. upon admission to an Eligible Educational Institution, state residency will be created for tuition, tax, financial aid eligibility, or any other purpose for the Beneficiary;
 - e. the Beneficiary will graduate or receive a degree from any educational institution; or
 - f. the deposits and investment returns in my ESA will be sufficient to cover the Qualified Higher Education Expenses of the Beneficiary.
 - g. I understand that the Louisiana State Treasurer may change the Investment Options offered by the START Saving Program and the START Saving Program investments from time to time.
13. I understand and acknowledge that I have not been advised by the State of Louisiana, LATTA, LOSFA or any other person or entity to invest, or to refrain from investing, in a particular Investment Option.
14. I understand that I may cancel this Participation Agreement at any time. I understand that this may be

accomplished by applying for a Qualified Distribution, if the amount does not exceed the maximum amount of Qualified Higher Education Expenses for that year.

B. Penalties and Fees. I understand and agree that a Non-Qualified Distribution from this ESA will be subject to:

1. the federal additional tax of ten percent (10%) of the earnings portion of a Non-Qualified Distribution that is payable through the Account Owner's federal income tax return to the United States Treasury;
2. federal income tax on earnings;
3. Louisiana income tax on the amount of deposits excluded from the Account Owner's reported state taxable income (must be paid for the year in which the Non-Qualified Distribution was made);
4. Louisiana income tax on earnings;
5. loss of interest earned, if my ESA is terminated within one (1) year of the date it was opened; and
6. the loss of all EE's and interest thereon.

C. I acknowledge that the rate of the federal additional tax and the state tax consequences for Non-Qualified Distributions may change.

D. Necessity of Qualification. I understand that the START Saving Program is intended to be a "qualified tuition program" under Section 529, IRC, and to achieve favorable state tax treatment under Louisiana law. I agree that LATTA may make changes to the START Saving Program and this Participation Agreement at any time if it is determined that such changes are necessary for the continuation of the federal income tax treatment provided by Section 529 or the favorable state tax treatment provided by Louisiana law, or any similar successor legislation.

E. Rules and Regulations. The ESA and this Participation Agreement are subject to future changes to the Disclosure Booklet and to such rules and regulations as LATTA may promulgate in accordance with State law.

F. Indemnity. I understand that the establishment of this ESA will be based upon my agreements, representations and warranties

on behalf of the Account Owner set forth in this Participation Agreement. The Account Owner, or if it is determined I am not an authorized agent of the Account Owner and the Account Owner does not ratify my actions, I agree to indemnify and hold harmless the State of Louisiana, LATTA, LOSFA, the Vanguard Group and its subcontractors and affiliates, any vendors, contractors, investment advisors or investment managers selected or approved by LATTA, and any agents, representatives, or successors of any of the foregoing, from and against any and all loss, damage, liability or expense, including reasonable attorney's fees, that any of them may incur by reason of, or in connection with, any misstatement or misrepresentation made by me on the Account Application or otherwise with respect to this ESA, and any breach by me of any of the agreements, representations or warranties contained in this Participation Agreement. All of my agreements, representations and warranties shall survive the termination of the Participation Agreement.

G. Binding Nature; Third-Party Beneficiaries. This Participation Agreement shall survive the dissolution of the Account Owner and shall be binding upon the Beneficiary and the Account Owner, its personal representatives, heirs, successors and assigns. The Program Managers are third-party beneficiaries of my agreements, representations and warranties in this Participation Agreement.

H. Amendment and Termination. At any time, and from time to time, LATTA may amend this Participation Agreement or the Disclosure Booklet, or the Fund may be terminated, but except as permissible under applicable law, this ESA may not thereby be diverted from the exclusive benefit of the Beneficiary.

I. Governing Law and Venue for Disputes. This Participation Agreement is governed by Louisiana law and any action arising under the Participation Agreement shall be brought in the Parish of East Baton Rouge, State of Louisiana.

J. I have submitted with Account Application documentation authorizing me to open an ESA on behalf of the Account Owner, which is a Legal Entity, and to conduct all transactions on the ESA.

List of Approved Documents for Substantiation of Authorization to Act on Behalf of a Legal Entity

1. a corporate by-law extract or corporate resolution certified by an officer of the corporation (other than an individual authorized thereby to act as signer for the corporation's ESA) with raised seal if in use by the corporation;
2. a certificate signed by the owner of a sole proprietorship;
3. a certificate signed by a general partner of a partnership (other than an individual authorized by the certificate to act as signer for the partnership's ESA);
4. a certificate signed by either an officer of a limited liability company, other company or association (other than an individual authorized by the certificate to act as signer for the account of the limited liability company, other company or association);
5. a certificate signed by the chief executive officer or a person designated by the chief executive officer in writing of a state or local government agency;
6. a certified copy of a court order establishing an estate and naming a legal representative of the estate that is authorized to act as signer for the account of the estate;
7. a certificate signed by the trustee of a trust, a court order, or a certified copy of the portions of a trust instrument that confirms the creation of the trust and the identity of the trustee, and provides authorization for the trustee to act as a signer for the ESA of the trust;
8. a letter or memorandum from the Internal Revenue Service indicating that the entity is an organization described in Section 501C(3), IRC;
9. an original memorandum exhibiting the appropriate letterhead and containing the holographic signature of (a) the chief executive officer of a corporation or limited liability company; (b) the general partner of a partnership; (c) the owner of a sole proprietorship; or (d) the chief executive officer of a state or local government agency;
10. if the Legal Entity Account Owner is unable to provide substantiation in any of the foregoing forms, the entity Account Owner may propose an alternate form of substantiation to LOSFA for consideration. LOSFA will review the alternate form of substantiation for authenticity and completeness. LOSFA will either accept or reject the documentation. LOSFA's decision is final.

PARTICIPATION AGREEMENT FOR A CUSTODIAL ESA

This Agreement applies to ESA's opened for minors by custodians appointed by a court of competent jurisdiction to administer the estate of a minor child and to custodians appointed in accordance with the Uniform Transfers to Minors Act. These ESA's are opened on behalf of the minor child and are classified in ESA Category IV.

I agree, represent and warrant to the Louisiana Tuition Trust Authority ("LATTA") as set forth below. Each capitalized term used but not defined in this Participation Agreement has the meaning that term has in the Disclosure Booklet.

A. General – On behalf of and for benefit of the Account Owner/Beneficiary:

1. I understand and agree that this Participation Agreement is subject to and incorporates by reference the Disclosure Booklet, the START Saving Program statute and LATTA rules implementing the statute, as modified from time to time.
2. I understand the Louisiana Office of Student Financial Assistance ("LOSFA") manages the program on a day-to-day basis under the direction of LATTA.
3. I have received, read and understand the START Saving Program Disclosure Booklet. I understand that this Participation Agreement shall become effective upon the opening of the ESA on behalf of the Beneficiary on the records of LOSFA.
4. I certify that I am opening this ESA as custodian of Beneficiary's property to provide funds for the Qualified Higher Education Expenses of the Beneficiary of the ESA.
5. I understand that this ESA is classified in Category IV and that Earnings Enhancements are limited to two percent (2%).
6. I understand that full custody and control of this ESA shall be automatically transferred to the Account Owner/Beneficiary on his/her eighteenth (18th) birthday and at that time the Account Owner/Beneficiary will be bound by the provisions of this Participation Agreement as are in effect at that time.
7. I understand that pursuant to federal and Louisiana law, any deposit, or portion of a deposit, made by me for a Beneficiary will be rejected and returned to the extent that the amount of the deposit would cause the total ESA balance for all ESA's under the program for that Beneficiary to exceed the Maximum Allowable ESA Balance of \$218,535 (subject to adjustment for inflation).
8. I recognize that the investment of deposits and of investment returns in this ESA involves certain risks and I have taken into consideration and understand the risk factors related to these investments.
9. I understand that neither I, nor the Beneficiary, is or will be permitted to exercise any investment direction over the ESA other than my selection, and potential later revision, of Investment Options for the ESA.
10. I understand and acknowledge that once invested in a particular Investment Option, deposits and any earnings thereon may not be transferred to another Investment Option more than once in any twelve (12) month period.
11. I understand that one hundred percent (100%) of deposits allocated to the Principal Protection Option will be invested in Fixed Earnings investments such as government bonds, notes, and certificates of deposit. I understand that the Beneficiary cannot lose money because the State guarantees the return of the principal deposited therein, but I acknowledge that the State does not guarantee any particular investment return or any return at all.
12. With respect to each Investment Option, other than the Principal Protection Option, I understand and acknowledge that neither deposits nor investment returns allocated to the ESA are guaranteed or insured by any person or entity, including but not limited to, the State of Louisiana, LATTA, LOSFA, the Louisiana State Treasurer, The Vanguard Group and its subcontractors and affiliates, any vendors, contractors, investment advisors, or investment managers selected or approved by LATTA or any agents, representatives or successors of the foregoing.
13. I understand and acknowledge that with respect to each Investment Option there is no guarantee or commitment whatsoever from the State of Louisiana, LOSFA, LATTA, the Louisiana State Treasurer or any other person or entity that:
 - a. actual higher education expenses will be equal to projections and estimates provided by LATTA;
 - b. the Beneficiary of the ESA will be admitted to any Eligible Educational Institution;
 - c. upon admission to an Eligible Educational Institution, my Beneficiary will be permitted to continue to attend;
 - d. upon admission to an Eligible Educational Institution, state residency will be created for tuition, tax, financial aid eligibility, or any other purpose for my Beneficiary;
 - e. my Beneficiary will graduate or receive a degree from any educational institution; or
 - f. the deposits and investment returns in the ESA will be sufficient to cover the Qualified Higher Education Expenses of my Beneficiary.
14. I understand that the Louisiana State Treasurer may change the Investment Options offered by the START Saving Program and the START Saving Program investments from time to time.
15. I have full power and authority to enter into and perform this Participation Agreement on behalf of the individual named above as Account Owner.
16. I understand and acknowledge that I have not been advised by the State of Louisiana, LATTA, LOSFA or any other person or entity to invest, or to refrain from investing, in a particular Investment Option.

17. I understand that I may cancel this Participation Agreement at any time. I understand that this may be accomplished by:
- a. applying for a Qualified Distribution, if the amount does not exceed the maximum amount of Qualified Higher Education Expenses for that year; or
 - b. submitting a written request for termination of the ESA (a Non-Qualified Distribution), in which case the penalties referenced in paragraph B of this Participation Agreement may apply.
- B. Penalties and Fees. I understand and agree that a Non-Qualified Distribution from this ESA will be subject to:
1. the federal additional tax of ten percent (10%) of the earnings portion of a Non-Qualified Distribution that is payable through the Account Owner's federal income tax return to the United States Treasury;
 2. federal income tax on earnings;
 3. Louisiana income tax on the amount of deposits excluded from the Account Owner's reported state taxable income (must be paid for the year in which the Non-Qualified Distribution was made);
 4. Louisiana income tax on earnings;
 5. loss of interest earned, if my ESA is terminated within one year of the date it was opened; and
 6. the loss of all EE's and interest thereon.
- C. I acknowledge that the rate of the federal additional tax and the State tax consequences for Non-Qualified Distributions may change.
- D. Necessity of Qualification. I understand that the START Saving Program is intended to be a "qualified tuition program" under Section 529, IRC, and to achieve favorable state tax treatment under Louisiana law. I agree that LATTA may make changes to the START Saving Program and this Participation Agreement at any time if it is determined that such changes are necessary for the continuation of the federal income tax treatment provided by Section 529 or the favorable state tax treatment provided by Louisiana law, or any similar successor legislation.
- E. Rules and Regulations. The ESA and this Participation Agreement are subject to future changes to the Disclosure Booklet

and to such rules and regulations as LATTA may promulgate in accordance with State law.

F. Indemnity. I understand that the establishment of this ESA will be based upon my agreements, representations and warranties on behalf of the Account Owner set forth in this Participation Agreement. The Account Owner, or if it is determined I am not court appointed custodian or a trustee appointed in accordance with the Uniform Transfers to Minors Act for the Account Owner, I agree to indemnify and hold harmless the State of Louisiana, LATTA, LOSFA, The Vanguard Group and its subcontractors and affiliates, any vendors, contractors, investment advisors or investment managers selected or approved by LATTA, and any agents, representatives, or successors of any of the foregoing, from and against any and all loss, damage, liability or expense, including reasonable attorney's fees, that any of them may incur by reason of, or in connection with, any misstatement or misrepresentation made by me on the Account Application or otherwise with respect to this ESA, and any breach by me of any of the agreements, representations or warranties contained in this Participation Agreement. All of my agreements, representations and warranties shall survive the termination of the Participation Agreement.

G. Binding Nature; Third-Party Beneficiaries. This Participation Agreement shall survive my death and shall be binding upon the Beneficiary and the Account Owner, its personal representatives, heirs, successors and assigns. The Program Managers are third-party beneficiaries of my agreements, representations and warranties in this Participation Agreement.

H. Amendment and Termination. At any time, and from time to time, LATTA may amend this Participation Agreement or the Disclosure Booklet, or the Fund may be terminated, but except as permissible under applicable law, this ESA may not thereby be diverted from the Account Owner's/Beneficiary's exclusive benefit.

I. Governing Law and Venue for Disputes. This Participation Agreement is governed by Louisiana law and any action arising under the Participation Agreement shall be brought in the Parish of East Baton Rouge, Louisiana.

APPENDIX B: GLOSSARY

Account Application and Participation Agreement or Participation Agreement is the agreement for program participation that the Account Owner completes and signs. It incorporates, by reference, LSA-R.S. 17:3091, *et seq.*, and the rules promulgated by LATTA to implement this statutory provision, any other state or federal laws applicable to the agreement and all of the terms and conditions of this START Saving Program Disclosure Booklet.

Account Owner or **you** refers to the person(s), Independent Student, organization or group that completes the START Saving Program Account Application on behalf of a Beneficiary and is the Account Owner of record of all funds credited to the account.

Act is the Louisiana Student Tuition Assistance and Revenue Trust (START) Saving Program in LSA-R.S. 17:3091 *et seq.*

Beneficiary is the person named by the Account Owner in the Education Savings Account (ESA) Account Application (or the person named by LATTA when authorized to make such a designation by the owner of an ESA that is classified under LSA-R.S. 17:3096.A(1)(e)), as the individual entitled to apply the ESA balance, or portions thereof, toward payment of their Qualified Higher Education Expenses.

Code or IRC: Internal Revenue Code of 1986, as amended. There are references to various Sections of the Code throughout this Disclosure Booklet, including Section 529 as it currently exists and as it may subsequently be amended, and regulations adopted under it.

Current Value means the value of an Education Savings Account at a given point in time.

- The Current Value of Fixed Earnings investment options includes the accumulated value of the principal deposited, earnings on deposits, Earnings Enhancements (EE's) allocated to the ESA and the earnings on EE's.
- The Current Value of Variable Earnings investment options includes the number of units in the investment option purchased multiplied by the current value of each unit plus the EE's allocated to the ESA and the earnings on EE's. This value may be more or less than the amount originally deposited.

Disabled or Disability refers to an individual who is considered to be disabled because he/she is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or to be of long-continued and indefinite duration. An individual shall not be considered Disabled unless he furnishes proof of the existence thereof in such form and manner as LATTA may require.

Distribution Tax is a federal surtax required by the Code that is equal to ten percent (10%) of the earnings portion of a Non-Qualified Distribution.

Earnings Enhancement (EE) is a payment allocated to an ESA, on behalf of the Beneficiary of the ESA, by the state. The amount of the annual EE is calculated based upon the classification of an ESA, the annual federal adjusted gross income of the Account Owner, and total annual deposits of principal into an ESA,

including deposits in Fixed Earnings and Variable Earnings options. EE's, and the interest earned thereon, may only be used to pay the Beneficiary's Qualified Higher Education Expenses, or portion thereof, at an Eligible Educational Institution and cannot be refunded.

Education Savings Account (ESA) is a savings account established by a Natural Person, a Legal Entity or an Other Person to pay Qualified Higher Education Expenses of the designated Beneficiary.

Educational Term is a semester, quarter, term, summer session, inter-session, or an equivalent unit.

Eligible Educational Institution is either:

- A state college or university or a technical college or institute or an independent college or university located in this state that is accredited by the regional accrediting association, or its successor, approved by the U.S. Secretary of Education and eligible to participate in a program under Title IV of the Higher Education Act of 1965, as amended; or
- A public or independent college or a university located outside this state that is accredited by one of the regional accrediting associations, or its successor, approved by the U.S. Secretary of Education and eligible to participate in a program under Title IV of the Higher Education Act of 1965; or
- A Louisiana licensed proprietary school, licensed pursuant to R.S. Chapter 24-A of Title 17, and any subsequent amendments thereto and is eligible to participate in a program under Title IV of the Higher Education Act of 1965 (20 U.S.C. 1088), as amended.

False or Misleading Information is a statement or response made by a person, which is knowingly false or misleading, and made for the purpose of establishing a program account and/or receiving benefits to which the person would not otherwise be entitled.

Fixed Earnings refers to the placement of all deposits in an ESA, to include the interest earned thereon, in investments that normally provide a fixed rate of return for a specific period of time.

Fully Funded Account is an ESA in which the Current Value has equaled or exceeded the amount that is five (5) times the annual Qualified Higher Education Expenses at the highest cost Louisiana public college or university, projected to the Scheduled Date of First Enrollment. For the purpose of determining the Fully Funded Account amount, the Tuition component of Qualified Higher Education Expenses is limited to undergraduate enrollment. The projected Qualified Higher Education Expenses at each Eligible Educational Institution shall be updated by LATTA. On the date of the Beneficiary's first enrollment in an Eligible Educational Institution, the Fully Funded amount will be fixed at five (5) times the annual Qualified Higher Education Expenses at the highest cost Louisiana public college or university, for the academic year of enrollment or the projected amount, whichever is greater.

Independent Student is a person who is defined as an Independent Student by the Higher Education Act of 1965, as amended (HEA), and if required, files an individual federal income tax return in his/her name and designates him/herself as the Beneficiary of an ESA.

The HEA defines Independent Student as a student who:

- a. Reached 24 years of age prior to January of the year preceding the academic year for which the student is applying for aid;
- b. Is a veteran of the U.S. Armed Forces, including a student who was activated to serve in Operation Desert Storm or is currently serving on active duty in the Armed Forces for other than training purposes;
- c. Is an orphan, in foster care, or a ward of the court or was in foster care or was a ward of the court until the individual reached the age of 18;
- d. Has legal dependents other than a spouse;
- e. Is a graduate or professional student;
- f. Is married; or
- g. Has been determined independent by a financial aid officer exercising professional judgment in accordance with applicable provisions of the Higher Education Act of 1965, as amended

An Independent Student may only open an ESA as an Account Owner if he/she is 18 years or older.

Legal Entity is a juridical person including, but not limited to, groups, trusts, estates, associations, organizations, partnerships, and corporations that are incorporated, organized, established or authorized to conduct business in accordance with the laws of one or more states or territories of the United States. A Natural Person is not a Legal Entity.

Louisiana Education Tuition and Savings Fund (the Fund) is a special permanent fund maintained by the Louisiana State Treasurer for the purpose of the START Saving Program and is the account into which all initial deposits made to ESA's are deposited. The Fund includes the Savings Enhancement Fund, which is a special sub-account designated to receive EE's appropriated by the State, and interest earned thereon.

Louisiana Tuition Trust Authority (LATTA) is the statutory body responsible for administration of the START Saving Program.

Louisiana Office of Student Financial Assistance (LOSFA) is the agency of state government responsible for the day-to-day administration of the START Saving Program under the direction of LATTA.

Louisiana Resident is any person who resided in the State of Louisiana on the date of the application and who has manifested intent to remain in the state by establishing Louisiana as legal domicile, as demonstrated by compliance with all of the following:

- If registered to vote, is registered to vote in Louisiana;
- If licensed to drive a motor vehicle, is in possession of a Louisiana driver's license;
- If owning a motor vehicle located within Louisiana, is in possession of a Louisiana registration for that vehicle;
- If earning an income, has complied with state income tax laws and regulations.

A member of the Armed Forces stationed outside of Louisiana, who claims Louisiana on his/her official DD Form 2058 as his/her "legal residence" for tax purposes, and is in compliance with state income tax laws and regulations shall be considered eligible for program participation. A member of the Armed Forces stationed in Louisiana under permanent change of station orders shall

be considered eligible for program participation.

Persons less than 21 years of age are considered Louisiana Residents if they reside with and are dependent upon one or more persons who meet the above requirements.

A Legal Entity is considered to be a Louisiana Resident if it is incorporated, organized, established or authorized to conduct business in accordance with the laws of Louisiana or registered with the Louisiana Secretary of State to conduct business in Louisiana and has a physical place of business in Louisiana.

Maximum Allowable Account Balance is the amount, determined annually, and effective on August 1st of each year, and expressed as a current dollar value, which is equal to five times the Qualified Higher Education Expenses at the highest cost institution in the state. Once the Current Value of an ESA equals or exceeds the Maximum Allowable Account Balance, principal deposits will no longer be accepted for the ESA. However, if subsequent increases occur in the Maximum Allowable Account Balance, principal deposits may resume until the Current Value equals the most recently determined Maximum Allowable Account Balance.

Member of the Family is, with respect to the designated Beneficiary:

- a. The spouse of such Beneficiary; or
- b. An individual who bears one of the following relationships to such Beneficiary:
 1. A son or daughter of the Beneficiary, or a descendant of either;
 2. A stepson or stepdaughter of the Beneficiary;
 3. A brother, sister, stepbrother, or stepsister of the Beneficiary;
 4. The father or mother of the Beneficiary or an ancestor of either;
 5. A stepfather or stepmother of the Beneficiary;
 6. A son or daughter of a brother or sister of the Beneficiary;
 7. A brother or sister of the father or mother of the Beneficiary;
 8. A son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, or sister-in-law of the Beneficiary.
 9. Any first cousin of a Beneficiary; and
- c. The spouse of an individual listed in items b.1 through 9.

Mutual Fund or Funds refer to the mutual funds of The Vanguard Group available in Investment Options 1, 3, 4, 5, 6 and 7. (See the *Investment Options* section, above, for more detailed descriptions.)

Natural Person means a human being.

Non-Qualified Distribution refers to any distributions that is not a Qualified Distribution and is considered taxable.

Other Person, with respect to any designated Beneficiary, is any person, other than the Beneficiary, whether natural or juridical, who is not a Member of the Family, including but not limited to individuals, groups, trusts, estates, associations, organizations, partnerships, corporations, and custodians under the Uniform Transfers to Minors Act (UTMA).

Person is a human being or a juridical entity.

Qualified Distribution is a distribution that is:

- a. Used to pay Qualified Higher Education Expenses;

- b. Payable upon the Beneficiary's death or Disability;
- c. Made because the Beneficiary received a scholarship, grant, or Tuition waiver, provided that the amount received is greater than or equal to the amount distributed; or
- d. A qualified rollover distribution.

Qualified Higher Education Expenses are:

- a. Tuition, fees, books, supplies, and equipment required for the enrollment or attendance of a designated Beneficiary at an Eligible Educational Institution; and
- b. Room and Board; and
- c. Expenses for Special Needs Services in the case of a Special Needs Beneficiary, which are incurred in connection with such enrollment or attendance.

Qualified Tuition Program is a college savings program that meets the requirements of Section 529 of the Code.

Rate of Expenditure is the rate per Educational Term at which the EE's may be disbursed from an ESA to pay for the Beneficiary's Qualified Higher Education Expenses at an Eligible Educational Institution. For each disbursement requested by an Account Owner, EE's and the earnings thereon will be disbursed from the ESA in the same ratio that they bear to the Current Value of the ESA.

Redemption Value is the cash value of the monies in an ESA invested in a Fixed Earnings option that are attributable to the sum of the principal deposited and the earnings on principal authorized to be credited to the ESA by LATTA, less any disbursements and refunds. The Redemption Value does not include any EE's allocated to the ESA or the earnings on EE's. Redemption Value is not applicable to an ESA invested in Variable Earnings.

Refund Recipient is the person designated by the Account Owner in the START Saving Program Account Application or by operation of law to receive refunds from the ESA. The Refund Recipient can only be the Account Owner or the Beneficiary.

Room and Board is the reasonable cost for the Educational Term incurred by the designated Beneficiary for Room and Board while attending an Eligible Educational Institution on at least a half time

basis, not to exceed the maximum amount included for Room and Board for such period in the cost of attendance (as currently defined in §472 of the Higher Education Act of 1965, 20 U.S.C. 108711) as determined by the Eligible Educational Institution for such period, or if greater, the actual invoice amount the student residing in housing owned or operated by the Eligible Educational Institution is charged by such institution for Room and Board.

Saving Enhancement Fund is the sub-account established within the Tuition and Savings Fund by the State Treasurer to receive funds appropriated by the Legislature or donated from any other source for the purpose of funding EE's.

Scheduled Date of First Enrollment for a dependent Beneficiary is the month and year in which the Beneficiary turns eighteen (18) years of age. For an Independent Student over the age of 18, the scheduled date of first-enrollment is the date the ESA is opened. This date is used to determine eligibility for EE's. See the term *Fully Funded Account*.

Special Needs Services and Beneficiary are services provided to a Beneficiary because the student has one or more disabilities.

Trade Date is the date that a deposit to an investment option that includes Variable Earnings is assigned a value in units or the date a disbursement or refund from an investment option that includes Variable Earnings is assigned a value or the date of a change in investment options that includes Variable Earnings is assigned a value, whichever is applicable.

Tuition is the mandatory educational charge required as a condition of enrollment. For purposes of determining the Fully Funded Account amount, Tuition is limited to undergraduate enrollment. It does not include non-resident fees, laboratory fees, Room and Board nor other similar fees and charges.

Variable Earnings refers to that portion of funds in an ESA invested in equities, bonds, short-term fixed income investments or a combination of any of the three.

Variable Earnings Transaction Fund is the subaccount established within the Louisiana Education Tuition and Savings Fund to receive funds as directed by rule.

APPENDIX C: CONTACT US

If you have any questions concerning the START Saving Program or this Disclosure Booklet, or to obtain a START Saving Program Account Application, please contact the START Saving Program at one of the following:

The START Saving Program

Telephone: 800-259-5626 Ext. 1012

Fax: 225-612-6497

E-mail: START@osfa.la.gov

U. S. Mail Assistance: START Saving Program
Louisiana Office of Student Financial Assistance
Post Office Box 91271
Baton Rouge, LA 70821-9271

Overnight Mail:
START Saving Program
Louisiana Office of Student Financial Assistance
1885 Wooddale Boulevard
Baton Rouge, LA 70806

The Vanguard Group

To obtain a prospectus for the underlying investments in a Variable Earnings option, contact The Vanguard Group.

DO NOT SEND ANY DOCUMENTS OR DEPOSITS TO THE VANGUARD GROUP.

Web Site: www.vanguard.com

U. S. Mail: The Vanguard Group
Post Office Box 1110
Valley Forge, PA 19482-1110

APPENDIX D: 2007 PROGRAM FEE DISCLOSURE

(As of April 30, 2007 - Fees/costs are subject to change at any time.)

TABLE 1 - FEES

| Option One--Age Based Option | | | | | | | | | | |
|---|---------------|-------------------------|---|---------------------|-----------|------------|-------------------------|-------------------------------|------------------------------|--------------------------------|
| Investments | Ticker Symbol | Investment Distribution | Annual Asset-Based Fees | | | | | | Additional Investor Expenses | |
| | | | Estimated Underlying Fund Expenses ¹ | Program Manager Fee | State Fee | Misc. Fees | Annual Distribution Fee | Total Annual Asset-Based Fees | Maximum Initial Sales Charge | Annual Account Maintenance Fee |
| Vanguard LifeStrategy Moderate Growth Portfolio | VSMGX | Ages 0 - 5 100% | 0.25% | 0% | 0% | 0% | 0% | 0.25% | \$0.00 | \$0.00 |
| Vanguard LifeStrategy Conservative Growth Portfolio | VSCGX | Ages 6 - 10 100% | 0.25% | 0% | 0% | 0% | 0% | 0.25% | \$0.00 | \$0.00 |
| Vanguard LifeStrategy Income Portfolio | VASIX | Ages 11 - 15 100% | 0.25% | 0% | 0% | 0% | 0% | 0.25% | \$0.00 | \$0.00 |
| Louisiana Principal Protection Option | N/A | Ages 16+ 100% | 0% | 0% | 0% | 0% | 0% | 0% | \$0.00 | \$0.00 |
| Option Two--Louisiana Principal Protection Option | | | | | | | | | | |
| Investments | Ticker Symbol | Investment Distribution | Annual Asset-Based Fees | | | | | | Additional Investor Expenses | |
| | | | Estimated Underlying Fund Expenses | Program Manager Fee | State Fee | Misc. Fees | Annual Distribution Fee | Total Annual Asset-Based Fees | Maximum Initial Sales Charge | Annual Account Maintenance Fee |
| Louisiana Principal Protection Option | N/A | 100% | 0% | 0% | 0% | 0% | 0% | 0% | \$0.00 | \$0.00 |
| Option Three--Total Equity Option | | | | | | | | | | |
| Investments | Ticker Symbol | Investment Distribution | Annual Asset-Based Fees | | | | | | Additional Investor Expenses | |
| | | | Estimated Underlying Fund Expenses ¹ | Program Manager Fee | State Fee | Misc. Fees | Annual Distribution Fee | Total Annual Asset-Based Fees | Maximum Initial Sales Charge | Annual Account Maintenance Fee |
| Vanguard Total Stock Market Index Fund Institutional Shares | VITSX | 100% | 0.06% | 0% | 0% | 0% | 0% | 0.06% | \$0.00 | \$0.00 |

² The "Estimated Underlying Fund Expense" is not charged directly to ESA's; however, the fee is deducted from the total funds invested in this equity investment and reduces the value of the START Saving Program units owned by the Account Owner

Table 1 (Continued)

| Option Four--Balanced Option | | | | | | | | | | |
|---|---------------|-------------------------|---|---------------------|-----------|------------|-------------------------|-------------------------------|------------------------------|--------------------------------|
| Investments | Ticker Symbol | Investment Distribution | Annual Asset-Based Fees | | | | | | Additional Investor Expenses | |
| | | | Estimated Underlying Fund Expenses ² | Program Manager Fee | State Fee | Misc. Fees | Annual Distribution Fee | Total Annual Asset-Based Fees | Maximum Initial Sales Charge | Annual Account Maintenance Fee |
| Vanguard Total Stock Market Index Fund Institutional Shares | VITSX | 50% | 0.06% | 0% | 0% | 0% | 0% | 0.06% | \$0.00 | \$0.00 |
| Louisiana Principal Protection Option | N/A | 50% | 0% | 0% | 0% | 0% | 0% | 0% | \$0.00 | \$0.00 |
| Option Five--Equity-Plus Option | | | | | | | | | | |
| Investments | Ticker Symbol | Investment Distribution | Annual Asset-Based Fees | | | | | | Additional Investor Expenses | |
| | | | Estimated Underlying Fund Expenses ² | Program Manager Fee | State Fee | Misc. Fees | Annual Distribution Fee | Total Annual Asset-Based Fees | Maximum Initial Sales Charge | Annual Account Maintenance Fee |
| Vanguard Total Stock Market Index Fund Institutional Shares | VITSX | 75% | 0.06% | 0% | 0% | 0% | 0% | 0.06% | \$0.00 | \$0.00 |
| Louisiana Principal Protection Option | N/A | 25% | 0% | 0% | 0% | 0% | 0% | 0% | \$0.00 | \$0.00 |
| Option Six--Principal Preservation-Plus Option | | | | | | | | | | |
| Investments | Ticker Symbol | Investment Distribution | Annual Asset-Based Fees | | | | | | Additional Investor Expenses | |
| | | | Estimated Underlying Fund Expenses ² | Program Manager Fee | State Fee | Misc. Fees | Annual Distribution Fee | Total Annual Asset-Based Fees | Maximum Initial Sales Charge | Annual Account Maintenance Fee |
| Vanguard Total Stock Market Index Fund Institutional Shares | VITSX | 25% | 0.06% | 0% | 0% | 0% | 0% | 0.06% | \$0.00 | \$0.00 |
| Louisiana Principal Protection Option | N/A | 75% | 0% | 0% | 0% | 0% | 0% | 0% | \$0.00 | \$0.00 |
| Option Seven-- Equity Plus International Option | | | | | | | | | | |
| Investments | Ticker Symbol | Investment Distribution | Annual Asset-Based Fees | | | | | | Additional Investor Expenses | |
| | | | Estimated Underlying Fund Expenses ² | Program Manager Fee | State Fee | Misc. Fees | Annual Distribution Fee | Total Annual Asset-Based Fees | Maximum Initial Sales Charge | Annual Account Maintenance Fee |
| Vanguard Total Stock Market Index Fund Institutional Shares | VITSX | 80% | 0.06% | 0% | 0% | 0% | 0% | 0.06% | \$0.00 | \$0.00 |
| Vanguard Total International Stock Index Fund Shares | VGTSX | 20% | 0.32% | 0% | 0% | 0% | 0% | 0.32% | \$0.00 | \$0.00 |

² The “Estimated Underlying Fund Expense” is not charged directly to ESA’s; however, the fee is deducted from the total funds invested in this equity investment and reduces the value of the START Saving Program units owned by the Account Owner.

TABLE 2 - INVESTMENT COSTS

Approximate Cost of \$10,000 Investment:

The START Saving Program does not charge an Account Owner any fees for opening or maintaining an ESA. The State of Louisiana and LOSFA, through funds generated by administering the federal student loan program for Louisiana, pay most of the costs of the START Saving Program; however, the investment management fees charged by the Vanguard Group for the program's investments in Vanguard mutual funds are deducted from the total funds invested in a specific mutual fund thereby reducing the total funds invested in that mutual fund and reducing the value of the START Saving Program units owned by the Account Owner.

The following table compares the approximate cost of investment management fees to the START Saving Program over different periods of time. The actual cost may be higher or lower. The table is based on the following assumptions:

- A \$10,000 investment for the time periods shown.
- A 5% annually compounded rate of return on the amount invested throughout the period.
- The investment management fee is prorated by 365 days and deducted on a daily basis based on the value of the total amount invested in the option. (Example: The investment management fee for Option 3 is 0.06%, which is prorated by 365 days to be 0.00016438% per day).
- All units are disbursed at the end of the period shown for payment of Qualified Higher Education Expenses. (The table does not consider the impact of any potential state or federal taxes on a partial or total redemption of the amount invested.)
- Total annual asset-based fees remain the same as those shown in Table 1.

There is no annual ESA maintenance fee.

| INVEST MANAGEMENT FEES BASED ON A \$10,000 INVESTMENT | | | | | | |
|--|---------------|-------------------------|----------|-------------|----------------|----------------|
| Option One--Age Based Option | | | | | | |
| Investment options | Ticker Symbol | Investment Distribution | One Year | Three Years | Five Years | Ten Years |
| Vanguard LifeStrategy Moderate Growth Portfolio | VSMGX | Ages 0 - 5 100% | \$26 | \$81 | \$140 | Not Applicable |
| Vanguard LifeStrategy Conservative Growth Portfolio | VSCGX | Ages 6 - 10 100% | \$26 | \$81 | \$140 | Not Applicable |
| Vanguard LifeStrategy Income Portfolio | VASIX | Ages 11 - 15 100% | \$26 | \$81 | \$140 | Not Applicable |
| Louisiana Principal Protection Option | N/A | Ages 16+ 100% | \$0 | \$0 | Not Applicable | Not Applicable |
| Option Two--Louisiana Principal Protection Option | | | | | | |
| Louisiana Principal Protection Option | N/A | 100% | \$0 | \$0 | \$0 | \$0 |
| Option Three--Total Equity Option | | | | | | |
| Vanguard Total Stock Market Index Fund Institutional Shares | VITSX | 100% | \$6 | \$20 | \$34 | \$76 |

Table 2 - Investment Costs (Continued)

| INVEST MANAGEMENT FEES BASED ON A \$10,000 INVESTMENT | | | | | | |
|--|----------------------|--------------------------------|-----------------|--------------------|-------------------|------------------|
| Investment options | Ticker Symbol | Investment Distribution | One Year | Three Years | Five Years | Ten Years |
| Option Four--Balanced Option | | | | | | |
| Vanguard Total Stock Market Index Fund Institutional Shares | VITSX | 50% | \$3 | \$10 | \$17 | \$38 |
| Louisiana Principal Protection Option | N/A | 50% | | | | |
| Option Five--Equity-Plus Option | | | | | | |
| Vanguard Total Stock Market Index Fund Institutional Shares | VITSX | 75% | \$4.50 | \$15 | \$26 | \$57 |
| Louisiana Principal Protection Option | N/A | 25% | | | | |
| Option Six--Principal Preservation-Plus Option | | | | | | |
| Vanguard Total Stock Market Index Fund Institutional Shares | VITSX | 25% | \$1.50 | \$5 | \$9 | \$19 |
| Louisiana Principal Protection Option | N/A | 75% | | | | |
| Option Seven-- Equity Plus International Option | | | | | | |
| Vanguard Total Stock Market Index Fund Institutional Shares | VITSX | 80% | \$11.50 | \$36 | \$63.50 | \$145 |

TABLE 3 - SALES CHARGES:

| START Savings Program Amount Invested | Up-Front Sales Charge Percent | B Units sold within Year | Deferred Sales Charge |
|--|--------------------------------------|---------------------------------|------------------------------|
| Any Amount | 0% | Any Number | 0% |

TABLE 4 - POSSIBLE ADDITIONAL FEES:

| | Percent | Dollars |
|-------------------------------------|----------------|----------------|
| Application Fee | 0% | \$0 |
| Cancellation Fee | 0% | \$0 |
| Change in Beneficiary | 0% | \$0 |
| Change in Investment Options | 0% | \$0 |
| Other Charges | 0% | \$0 |

There are no additional fees or expenses deducted from each ESA or paid directly by the investor.

APPENDIX E: PERFORMANCE CHARTS

TABLE 5 - DEPOSITS AND ESA'S OUTSTANDING AT YEAR-END

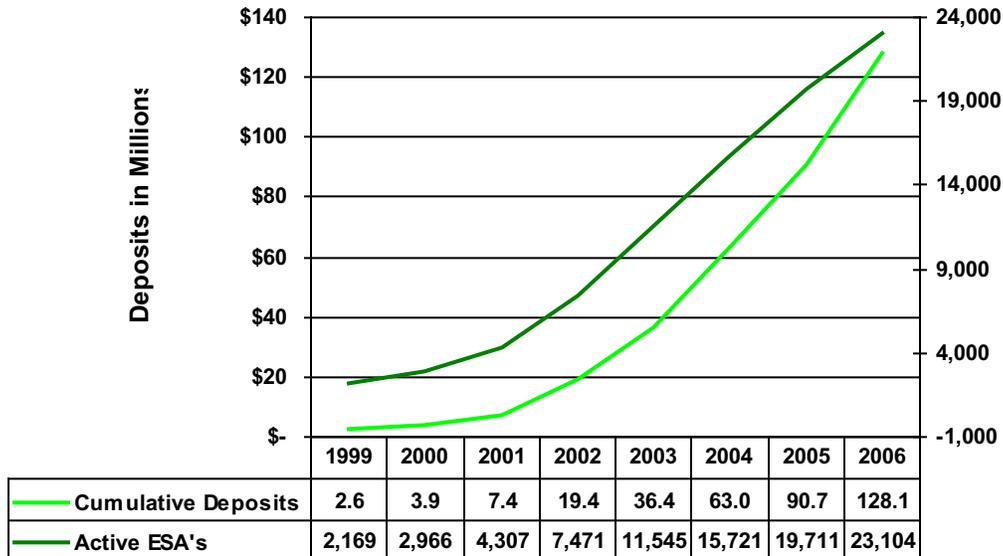


TABLE 6 - ESA DATA

As of December 31, 2006

| AGI Range | EE Rate | # of ESAs | % of Total | Dollar Amount | % of Total |
|---------------------------|---------|---------------|---------------|-------------------------|---------------|
| 0 to \$29,999 | 14% | 2,220 | 9.609% | \$8,915,052.63 | 6.520% |
| \$30,000 to \$44,999 | 12% | 1,582 | 6.847% | \$6,012,609.31 | 4.397% |
| \$45,000 to \$59,999 | 9% | 1,725 | 7.466% | \$6,456,856.04 | 4.722% |
| \$60,000 to \$74,999 | 6% | 2,066 | 8.942% | \$7,899,730.00 | 5.778% |
| \$75,000 to \$99,999 | 4% | 3,352 | 14.508% | \$15,037,802.58 | 10.998% |
| \$100,000 and above | 2% | 7,106 | 30.757% | \$61,416,042.82 | 44.918% |
| AGI not Verified | 2% | 4,451 | 19.265% | \$28,600,823.19 | 20.918% |
| Category 4 – not Verified | 2% | 566 | 2.450% | \$1,992,714.57 | 1.457% |
| Category 5 – not Verified | 0% | 36 | 0.156% | \$399,003.17 | .292% |
| Total | | 23,104 | 100.0% | \$136,730,634.31 | 100.0% |

TABLE 7 - PARTICIPATION BY INVESTMENT OPTION

As of April 30, 2007

| Option | Option | No. of Participants | % |
|---------------|--|----------------------------|----------|
| 1 | Age-Based Option | 5,258 | 21.98% |
| 2 | Louisiana Principal Protection Option | 10,738 | 44.88% |
| 3 | Total Equities Option | 3,071 | 12.84% |
| 4 | Balanced Option | 1,967 | 8.22% |
| 5 | Equity Plus Option | 2,224 | 9.30% |
| 6 | Principal Preservation Plus Option | 664 | 2.78% |
| 7 | Equity Plus International Option | 0 | 0% |

TABLE 8 - AVERAGE ANNUAL RETURNS

As of April 30, 2007

| | 1 Year | 3 Year | 5 Year | 10 Year | Since Inception | Annual Total Return 2006 |
|---|---------------|---------------|---------------|----------------|------------------------|-------------------------------------|
| <u>Vanguard Funds</u> | | | | | | |
| Vanguard Total Stock Market Index Fund Institutional Shares | 11.27% | 10.94% | 7.63% | NA | 7.00% (7-7-1997) | 15.7% |
| Vanguard LifeStrategy Moderate Growth Portfolio | 9.32% | 10.79% | 8.04% | 8.15% | 9.52% (9-30-1994) | 5.69% |
| Vanguard LifeStrategy Conservative Growth Portfolio | 7.79% | 8.26% | 6.72% | 7.59% | 8.73% (9-30-1994) | 4.45% |
| Vanguard LifeStrategy Income Portfolio | 5.99% | 5.78% | 5.47% | 7.07% | 8.02% (9-30-1994) | 3.23% |
| Vanguard Total International Stock Index Fund | 20.16% | 20.77 | 16.56% | 8.27% | 7.53% (4-29-1996) | 26.64% |

LOUISIANA PRINCIPAL PROTECTION OPTION & EARNINGS ENHANCEMENT FUND

Updated Annually

| | 1 Year | 3 Year | 5 Year | 10 Year | Since Inception | Annual Total Return 2006 |
|--------------------------------|---------------|---------------|---------------|----------------|------------------------|-------------------------------------|
| <u>Louisiana Funds</u> | | | | | | |
| Louisiana Principal Protection | 5.11% | 4.68% | 5.04% | N/A | 5.56% (1997) | 5.11% |
| Earnings Enhancement Fund* | 4.67% | 4.90% | 5.16% | N/A | 5.72% (1997) | 4.67% |