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UESP is a section 529 plan administered and managed by the Utah State Board of Regents and the Utah Higher Education Assistance Authority (UHEAA).

Investors should read the Program Description and consider all investment objectives, risks, charges, and expenses before investing. The Program Description is available on the web at www.uesp.org or by calling 1.800.418.2551.

You could lose the money you invest in UESP. Investments are not guaranteed by UESP, the Board of Regents, UHEAA, the FDIC, or any other state or federal government agency.

The current law that allows tax-free withdrawals for qualified higher education expenses will expire after December 31, 2010 unless Congress extends the exemption beyond this date.

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Don't Want Snail Mail?

You may now choose to get your quarterly statement online, rather than in the mail. Simply go to www.uesp.org, log into "account access," click on "modify statement delivery option," "statement delivery method," select "online," confirm your e-mail address, and click "save". If you prefer to continue receiving your statements by mail, you do not need to do anything.

Establish Online Access

If you haven't yet established online access, it isn't too late. Go to UESP's web account access at www.uesp.org:

- Click on "setup user ID/password"
- Enter the account owner's Social Security Number (SSN), account number, and beneficiary's SSN
- Choose a new user name and confirm it in the confirmation field
- Choose an eight digit alphanumeric password and confirm it in the confirmation field

Back to Class, Need Cash?

As college students across the country return to class, bills for tuition, fees, books, supplies, and equipment required for enrollment or attendance start rolling in. So, how do you withdraw your money from your UESP account?

Account owners may request disbursements from their accounts by submitting a signed and dated Disbursement Request Form, Form 300, available online at www.uesp.org. Funds may only be disbursed to an eligible educational institution, account owner, beneficiary, or another qualified 529 plan.

If the funds are disbursed to the account owner or another qualified 529 plan, the account owner will receive an IRS Form 1099-Q. If the funds are disbursed to the beneficiary or eligible educational institution, the beneficiary will receive the IRS Form 1099-Q. UESP will mail IRS Form 1099-Q for 2006 disbursements in January 2007.

Disbursement Tips

Plan ahead. It will take about two weeks to process your check. Please ensure that you have provided all required information on the Disbursement Request Form, Form 300:

- UESP account number
- Account owner and beneficiary names and SSNs
- Amount to be disbursed
- Name of the person or eligible educational institution to whom the check should be written
- Account owner's signature
- Date

We recommend that you call UESP, or check your account online, to ensure that the address we have on file for the account owner and beneficiary are current. If your check is going straight to the school, make sure you include the school's address and the student identification number on the form.

Unqualified Disbursements

Funds disbursed from a UESP account that are not used for qualified higher education expenses are subject to taxation and penalties. The earnings portion of the non-qualified disbursement will be subject to federal and state income tax as well as an additional 10% federal penalty tax. If funds disbursed from a UESP account were not used for qualified higher education expenses, and a Utah state tax deduction was claimed in any prior tax year, the account owner must add the previously deducted amount to his or her taxable income for Utah state income tax purposes in the year of the non-qualified disbursement. Since UESP can withhold neither federal taxes, state taxes, nor the additional 10% federal penalty tax from a disbursement, the taxpayer who receives the IRS Form 1099-Q is responsible for paying any taxes. For more information about disbursements, see pages 10-12 of UESP's Program Description.

Transfer or Option Change?

Need to transfer money between existing UESP accounts where either the beneficiaries, account owners, or both are different? This is an internal transfer. To do this, complete and submit UESP's Internal Transfer Form, Form 400. To avoid adverse tax consequences, your new beneficiary must be a family member of the current beneficiary.

Want to transfer money between two UESP accounts with the same beneficiary and same account owner, but different investment options? Or, are you changing the investment option for a single UESP account? These are investment option changes. To change your investment option, complete and submit UESP's Investment Option Change Form, Form 405. IRS rules governing 529

plans allow you to change your option only once per calendar year.

Fees

One reason UESP continues to hold the national media spotlight is our relatively low fees. UESP's asset fees range from 0.0% to 0.391%. UESP also charges an annual account maintenance fee of up to \$25 per account per year. This fee is waived for Utah residents. UESP does not charge asset or maintenance fees for the quarter in which an account is opened. UESP charges no fees at all for one investment option, the Public Treasurer's Investment Fund. A \$30 fee is charged to affected accounts for bounced checks or rejected automated clearinghouse (ACH) transactions.

Unlike some other 529 plans, UESP does not charge "specialty fees." There is:

- No enrollment fee
- No front load
- No back-end load
- No minimum balance fee
- No disbursement fee
- No transfer fee
- No investment option change fee
- No account closure fee

Reminders Custodial Accounts

Custodial accounts are opened only when assets from custodial Uniform Gift to Minors Act/Uniform Transfer to Minors Act (UGMA/UTMA) are liquidated and contributed to a UESP account. The money in a custodial account is an irrevocable and permanent gift to the minor beneficiary. The minor will be listed as the beneficiary **and** owner of the UESP account. The custodian of the former UGMA/UTMA account will be listed as the agent or "custodian" of the UESP account until the beneficiary reaches the age of

majority under state law. The agent must complete an account agreement as a UGMA/UTMA custodian and the account must be established separately from any other accounts that the custodian may hold for the beneficiary. The agent is responsible for acting in the best interest of the beneficiary and carrying out the laws and regulations of the UGMA/UTMA in the state in which it was created.

Trust

If the account owner is a trust, corporation, or other organization, the Taxpayer Identification Number (TIN) for that organization must be listed on the Account Agreement, as well as the address, SSN, and telephone number for the contact person and appropriate signatures. Some trusts do not have a TIN; in that case, UESP will accept the agent's SSN. Remember to enclose a copy of the trust's title and signature pages, and the page identifying the trustees.

Rollovers into UESP

Please be aware that rollovers from other 529 plans into UESP by Utah taxpayers may not be eligible for the Utah state income tax deduction. UESP is awaiting a ruling from the Utah State Tax Commission to determine the deductibility of incoming rollovers. We will post the Utah State Tax Commission's ruling at www.uesp.org as soon as we receive it. Please contact your tax advisor concerning your particular tax situation.

Plan Now for End-of-Year Contributions

Since 2006 is already half over, it is time to plan ahead for the end of the year. Contributions for the calendar year 2006 must be received in the UESP office in the State Board of Regents Building before the close of business on **Friday, December 29, 2006**.

Contribution Limit Clarification

Each 529 college savings plan is required to set a limit on the amount of contributions for a single beneficiary. UESP's limit for 2006 is \$319,000 and reflects the possible costs of a bachelor's and graduate degree including housing costs. UESP will accept contributions until all UESP account balances for the same beneficiary reach \$319,000.

Imagination Unveiled

UESP teamed up with a local Utah artist, Todd Powelson, to create an original work of art at the Utah Foster Care Foundation's popular Chalk Art Festival, held annually in downtown Salt Lake City. The work, *Imagination*, represents a child's future, dreams, and aspirations. The festival drew thousands of Utah families who stopped in to see the artwork and learn more about saving for their children's futures.

"Powelson's work. . . shows a tree growing in the foreground of a human face silhouette. The image is meant to conjure thoughts of new ideas, dreams and planning for the future."

Deseret Morning News
June 13, 2006

Holidays

UESP's offices will be closed for state and federal holidays:

- Monday, July 24, 2006
- Monday, September 4, 2006
- Thursday, November 23, 2006
- Friday, November 24, 2006
- Monday, December 25, 2006



Imagination
© 2006 Todd Powelson
See it in color at www.uesp.org

In the News

"... if you're serious about saving for your children's college, you ought to check out the UESP."

Deseret Morning News
May 21, 2006

"Utah remains the industry cost champion by offering a diverse lineup of Vanguard index options and by administering the plan itself."

Morningstar Fund Investor
February 2006



Audrey Powelson helps her uncle at the Chalk Art Festival.

Investment Option Performance

June 30, 2006

Portfolio/Share Class	Latest Month	Latest Three-Months	Latest Quarter End ¹	Year to Date ²	Average Annual ⁴			Since Inception	Inception Date	
					One Year	Three Year	Five Year			
AGE-BASED OPTIONS										
Option 2 - S&P/Bonds/PTIF⁵	0-3	0.11%	-1.49%	-1.49%	2.30%	7.67%	10.27%	2.13%	0.82%	9/20/99
	4-6	0.11%	-1.36%	-1.36%	1.95%	6.72%	9.35%	2.33%	1.30%	9/20/99
	7-9	0.11%	-1.24%	-1.24%	1.59%	5.76%	8.43%	2.53%	1.78%	9/20/99
	10-12	0.10%	-1.11%	-1.11%	1.24%	4.80%	7.51%	2.73%	2.26%	9/20/99
	13-15	0.13%	-0.78%	-0.78%	1.02%	3.89%	6.20%	2.84%	2.75%	9/20/99
	16+	0.17%	-0.25%	-0.25%	0.61%	2.27%	4.00%	3.05%	3.60%	9/20/99
	College Enrolled ³	0.38%	1.09%	1.09%	2.09%	3.75%	2.22%	2.10%	3.04%	9/20/99
Option 3 - S&P and Bonds	0-3	0.11%	-1.56%	-1.56%	2.48%	8.15%	10.73%	2.03%	0.58%	9/20/99
	4-6	0.11%	-1.56%	-1.56%	2.48%	8.15%	10.73%	2.03%	0.58%	9/20/99
	7-9	0.11%	-1.56%	-1.56%	2.48%	8.15%	10.73%	2.03%	0.58%	9/20/99
	10-12	0.11%	-1.49%	-1.49%	2.30%	7.67%	10.27%	2.13%	0.82%	9/20/99
	13-15	0.11%	-1.36%	-1.36%	1.95%	6.72%	9.35%	2.33%	1.30%	9/20/99
	16+	0.11%	-1.24%	-1.24%	1.59%	5.76%	8.43%	2.53%	1.78%	9/20/99
	College Enrolled ³	0.10%	-1.11%	-1.11%	1.24%	4.80%	7.51%	2.73%	2.26%	9/20/99
Option 7 - Diversified-A	0-3	0.04%	-2.35%	-2.35%	4.47%	12.52%	15.63%	NA	20.10%	4/1/03
	4-6	0.04%	-2.35%	-2.35%	4.47%	12.52%	15.63%	NA	20.10%	4/1/03
	7-9	0.05%	-1.94%	-1.94%	3.36%	9.73%	12.81%	NA	16.51%	4/1/03
	10-12	0.06%	-1.52%	-1.52%	2.25%	6.95%	9.99%	NA	12.92%	4/1/03
	13-15	0.08%	-1.11%	-1.11%	1.15%	4.16%	7.17%	NA	9.33%	4/1/03
	16+	0.09%	-0.69%	-0.69%	0.04%	1.38%	4.35%	NA	5.74%	4/1/03
	College Enrolled ³	0.38%	1.09%	1.09%	2.09%	3.75%	2.22%	NA	2.15%	4/1/03
Option 8 - Diversified-B	0-3	0.06%	-1.34%	-1.34%	4.12%	12.21%	13.59%	NA	17.26%	4/1/03
	4-6	0.07%	-1.20%	-1.20%	3.47%	10.51%	12.08%	NA	15.37%	4/1/03
	7-9	0.07%	-1.07%	-1.07%	2.82%	8.81%	10.57%	NA	13.48%	4/1/03
	10-12	0.08%	-0.94%	-0.94%	2.17%	7.10%	9.07%	NA	11.59%	4/1/03
	13-15	0.11%	-0.67%	-0.67%	1.84%	5.92%	7.63%	NA	9.70%	4/1/03
	16+	0.14%	-0.40%	-0.40%	1.51%	4.73%	6.19%	NA	7.81%	4/1/03
	College Enrolled ³	0.38%	1.09%	1.09%	2.09%	3.75%	2.22%	NA	2.15%	4/1/03
Option 9 - Diversified-Bonds Emphasis	0-3	0.07%	-1.13%	-1.13%	1.94%	6.33%	8.82%	NA	11.36%	4/1/03
	4-6	0.08%	-0.96%	-0.96%	1.33%	4.78%	7.36%	NA	9.52%	4/1/03
	7-9	0.08%	-0.79%	-0.79%	0.73%	3.23%	5.91%	NA	7.67%	4/1/03
	10-12	0.12%	-0.48%	-0.48%	0.45%	2.20%	4.52%	NA	5.83%	4/1/03
	13-15	0.15%	-0.17%	-0.17%	0.16%	1.17%	3.13%	NA	3.99%	4/1/03
	16+	0.18%	0.14%	0.14%	-0.12%	0.14%	1.74%	NA	2.15%	4/1/03
	College Enrolled ³	0.38%	1.09%	1.09%	2.09%	3.75%	2.22%	NA	2.15%	4/1/03
STATIC OPTIONS										
Option 1 - PTIF⁵	All Ages	0.42%	1.22%	1.22%	2.34%	4.25%	2.72%	2.60%	4.15%	11/1/96
Option 4 - S&P 500	All Ages	0.11%	-1.56%	-1.56%	2.48%	8.15%	10.73%	2.03%	0.58%	9/20/99
Option 5 - Bonds	All Ages	0.10%	-0.28%	-0.28%	-1.07%	-1.41%	1.53%	NA	2.92%	9/9/02
Option 6 - Diversified Stocks	All Ages	0.04%	-2.35%	-2.35%	4.47%	12.52%	15.63%	NA	20.10%	4/1/03

Important Information Regarding Investments in UESP:

Past performance does not guarantee future results; investment return and the value of the investment will fluctuate; the value of your account, when redeemed, may be worth more or less than the amount you contribute. You could lose money. The performance numbers listed above are that of the investment options, not individual accounts. Actual performance may be higher or lower than the option performance. Investors should read the Program Description and consider all investment objectives, risks, and charges and expenses associated with a UESP account before investing. Returns are based on a \$10,000 account balance for non-Utah residents and are net of all fees. Actual performance for Utah residents may be higher. Residents of states other than Utah should consider whether the state in which they or their beneficiary resides or pays taxes offers any state tax or other benefits that are only available in that state's 529 plan.

1 UESP quarterly reporting periods end each March 31, June 30, September 30, and December 31.

2 Year-to-date calculations are based on a calendar year; January 1st to the current month end date.

3 UESP will reallocate all funds to the "College Enrolled" investment bracket on age-based accounts when UESP receives a disbursement request form indicating the beneficiary's enrollment in college.

4 Average Annual Return for the trailing 12 months, 36 months, and 60 months.

