



Imagine the  
**Possibilities**



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Dear College Saver:

Thank you for your interest in the Texas College Savings Plan®. As a parent, I know you're committed to doing all you can to help our children reach their full potential. An increasingly important part of that effort is providing the resources for a college education.

We're pleased to offer a plan that allows you to save for rising college expenses. The Texas College Savings Plan offers tax advantages, flexibility and diversified investment options to help you save for qualified higher education expenses.

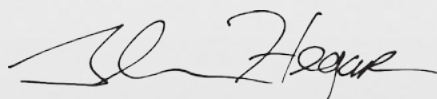
The Texas College Savings Plan is administered for the state by the Texas Prepaid Higher Education Tuition Board, which I chair, and professionally managed by NorthStar Financial Services Group, LLC. Earnings and withdrawals for qualified educational expenses are tax-free and can be used at colleges and universities across the U.S. as well as at select schools overseas.

A college savings plan is important, and choosing the right one is essential. With the Texas College Savings Plan, you can give your child a head start toward a better future for themselves — and our state.

If you have any questions or would like more information about the Texas College Savings Plan, please visit our website at **[www.texascollegesavings.com](http://www.texascollegesavings.com)** or call us toll-free at **1.800.445.GRAD (4723), option #3.**

I encourage you to study this booklet to see how the Texas College Savings Plan can help you reach your goals. We look forward to helping you.

Sincerely,



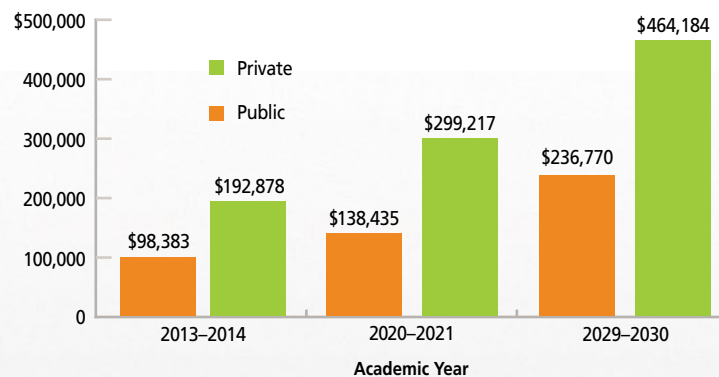
**Glenn Hegar**  
Texas Comptroller of Public Accounts  
Chairman, Texas Prepaid Higher Education  
Tuition Board



# Big Dreams Take Smart Planning

Anything is possible. That's the dream we have for our children, and, sometimes, the dream that takes our lives in exciting new directions. However, the cost of higher education, an important factor in achieving big dreams, keeps rising.

**The Rising Cost of a Four-year College Education**



Source of chart data: The College Board, "Trends in College Pricing 2013." Average college costs for four years of school include tuition, fees, books and supplies, room and board, transportation and other expenses as well as an assumed 5% annual rate of increase. This illustration uses the "Average Estimated Undergraduate Budgets, 2013-2014 (Enrollment-Weighted)" figures to project the hypothetical future costs.

## The Texas College Savings Plan®

The Texas College Savings Plan® (the "Plan") represents an opportunity to help you save enough for college. The Plan is a 529 savings plan administered by the state of Texas and managed by NorthStar Financial Services Group, LLC, the parent company of Northern Lights Distributors, LLC.

The Plan's tax advantages, affordable costs, flexibility and diversified investment options help make it simple to save and pay for qualified higher education expenses. You can use your savings at eligible colleges, universities, technical or graduate schools in Texas, throughout the U.S. and at select schools overseas.

# The Potential Benefits of the Texas College Savings Plan



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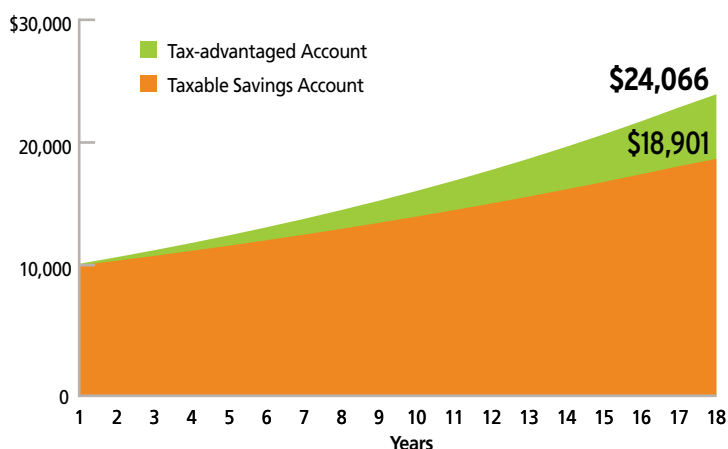
**Please remember, when you invest in securities, your account value will fluctuate and there's always the possibility of losing money.**

The possibilities for your child are endless, and the Texas College Savings Plan can make it easier to save more for the education he or she deserves.

## Tax-advantaged savings may help your account grow

Unlike a taxable account, the assets in your Plan account can compound tax free, giving you greater potential for growth over the long term. What's more, you can withdraw the money federal tax free, as long as it's used to pay for qualified higher educational expenses. When withdrawals are used for other purposes, any earnings are subject to federal income taxes plus an additional 10% federal tax penalty and any state and local income tax, if applicable. Please check with your tax advisor.

### The Benefits of Tax-free Growth



This hypothetical illustration assumes an initial investment of \$10,000 and a 5% annual rate of return. The taxable account assumes a 28% federal tax rate. The illustration does not represent the performance of any specific account or investment and does not reflect any plan fees or sales charges that may apply. If such fees or sales charges had been taken into account, returns would have been lower.



## It doesn't take a lot to get started

Any U.S. resident, regardless of income or state residency, can open or contribute to a Plan account, including parents, grandparents, aunts, uncles or even family friends. And they can do so for as little as \$25 per portfolio to start and \$25 per portfolio for subsequent investments.

You may also choose to open your account with only \$15 per portfolio when you set up an automatic purchase plan to transfer money directly from your bank account or from your paycheck. Just remember, systematic investing does not assure a profit and does not protect against loss in declining markets.

## Use your savings at schools throughout the U.S.—and around the world

You can use your savings to pay for higher education at most accredited institutions in the U.S., including vocational schools, two- and four-year colleges and graduate schools, as well as at some foreign institutions.

## Save more. Take advantage of high account balance maximum

The combined account balance per beneficiary for the Plan and all other Texas 529 programs may reach as high as \$370,000. During any time an account exceeds this limit, earnings can continue to accrue, though new contributions will not be allowed.

## The Benefits of an Early Start

Opening a Texas College Savings Plan account with \$5,000 and adding just \$100 each month until your child turns 18, can help you take advantage of the power of compounding—earnings generated from previous earnings. This may potentially increase your account balance over time.

And the earlier you start, the bigger your account may potentially grow.



## Gift tax planning advantages make it easy to give

You can contribute up to \$14,000 (\$28,000 for married couples) per year, per beneficiary, or up to \$70,000 (\$140,000 for married couples) in a single five-year period<sup>1</sup>—without triggering gift taxes. In addition, contributions treated as completed gifts are excluded from an account owner's estate, making the Plan an attractive option for grandparents looking for a way to contribute to a grandchild's dreams.

## You retain control and direct how funds are used

The Plan's assets remain in your name for the life of the account. If your beneficiary decides not to pursue a higher education, you can change the beneficiary to another qualified family member without penalty,<sup>2</sup> keep the account for future use or make a nonqualified withdrawal. As stated on page 2, nonqualified withdrawals are subject to taxes and penalties.

## Choose from a wide range of investments

The Plan offers a wide range of portfolios with investments from T. Rowe Price, Artisan, Vanguard, DFA, Dodge & Cox, Invesco and The Dreyfus Corporation. Once you select how to invest, these teams of experienced professionals manage your assets with care. Of course, investments in the Plan are market-based and may rise or fall in value. The Plan offers portfolios with low fees. As stated in the current Plan Description, total fees for the portfolios range from 0.60% to 1.00%, including six index age-based portfolios with total fees that range from 0.60% to 0.62%. Fees are subject to change.

1. If the contributor dies before the end of the five-year period, a prorated portion of the contribution allocatable to the remaining years in the five-year period, beginning with the year after the contributor's death, will be included within his or her gross estate for federal estate tax purposes.

2. Please see the Plan Description for details. Consult your tax advisor to determine whether such a change creates a taxable gift.

# Tailored Investments from Industry Leaders

Saving for higher education costs often means selecting investments—a task that can seem overwhelming for some. However, the Texas College Savings Plan makes it easier by offering two investment options—Age-based and Static—tailored to different growth requirements, situations and risk tolerances. Portfolios include different investment allocation strategies from industry leaders T. Rowe Price, Artisan, Vanguard, DFA, Dodge & Cox, Invesco and The Dreyfus Corporation.

## Age-based option

Your savings are placed in a portfolio matched to your beneficiary's age and your choice of blended or index investment strategy (see below). The Plan will automatically move your investment to another age-based portfolio when your beneficiary moves into the next age group.

When your beneficiary is younger, the portfolio will be weighted more heavily in equity investments. As your beneficiary approaches college age, the portfolio will be weighted more heavily in fixed income and money market investments.

Before investing in the Plan's age-based portfolios, you should review the table on page 6 and consider additional factors, including your risk tolerance, personal circumstances and complete financial situation.

## Static option

If you choose a static portfolio your investment does not change with the age of the beneficiary. Your investment will remain in that portfolio until you instruct the Plan to move to another portfolio.

## Investment strategies

**Blended Strategy** The blended strategy offers a combination of index and actively managed investments in one portfolio. Actively managed investments attempt to beat a major market index over the long term and are managed by dedicated portfolio managers.

**Index Strategy** Generally, this strategy is designed to generate returns that attempt to track the performance of a major market index over the long term. Transaction costs and other expenses are lower because the investments are based on the composition of the index.

### A Word from NorthStar Financial Services Group, LLC.

NorthStar Financial Services Group, LLC, was founded to empower the investment community with a suite of services designed to help the individual investor. With a client-centric culture, we proudly assist investors to meet their investment goals.

# Investment Options

## Age-based Option

Your account is placed in one of the following six portfolios.

	Blended Age-based	Index Age-based	Portfolio Objective
Age Based 0–6 Years Portfolio			Seeks long-term growth by investing primarily in equity investments. A percentage of assets are invested in fixed income investments to provide some protection from equity volatility.
Age Based 7–9 Years Portfolio			Seeks growth by investing in an allocation weighted toward equity investments versus fixed income investments.
Age Based 10–11 Years Portfolio			Seeks moderate growth by investing in a balanced asset allocation slightly weighted toward equity investments over fixed income investments.
Age Based 12–14 Years Portfolio			Seeks moderate growth by investing in a balanced asset allocation weighted equally between equity investments and fixed income investments.
Age Based 15–17 Years Portfolio			Seeks conservative growth by investing in a combination of equity, fixed income and money market investments weighted toward fixed income.
Age Based 18 Years and Over Portfolio			Seeks preservation of capital and income with minimal growth by investing primarily in fixed income and money market investments to maintain stability.

### Equity

- T. Rowe Price Large Cap Growth
- Artisan Value Fund Institutional Shares
- Vanguard Institutional Index
- DFA U.S. Small Cap
- Vanguard Extended Market Index
- Dodge & Cox International Stock
- Vanguard Total International Stock Market Index Institutional Plus

### Fixed Income

- Vanguard Total Bond Market Index Institutional Plus
- DFA Inflation-Protected Securities I

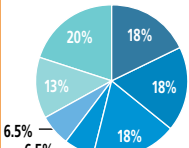
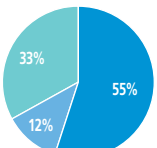
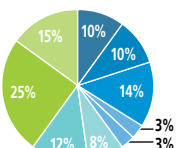
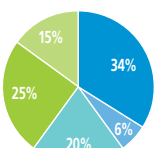
### Money Market

- Invesco Liquid Assets<sup>3</sup>



## Static Option

You may choose to invest in one, or any combination of the portfolios below.

	Blended Static	Index Static	Portfolio Objective
<b>100% Equity Portfolio</b>			Seeks long-term growth by investing all of its assets in equity investments.
<b>Balanced Portfolio</b>			Seeks moderate growth by investing in a balanced allocation weighted toward equity investments versus fixed income investments.
<b>Individual Fund Portfolios</b>			
<b>Fixed Income Portfolio</b>	■ 100% Vanguard Total Bond Market Index Institutional Plus		Seeks to closely track the total return of the Barclays Capital U.S. Aggregate Index by investing in domestic fixed income and money market instruments.
<b>Inflation-Protected Bond Portfolio</b>	■ 100% DFA Inflation-Protected Securities I		Seeks to provide investors inflation protection and income consistent with investments in inflation-indexed securities.
<b>Money Market Portfolio</b>	■ 100% Invesco Liquid Assets <sup>3</sup>		Seeks preservation of capital by investing all of its assets in a money market mutual fund.
<b>U.S. Government Money Market Portfolio</b>	■ 100% Dreyfus Treasury Prime Cash Management <sup>3</sup>		Seeks preservation of capital by investing all of its assets in a U.S. Government money market mutual fund.

Each underlying investment has its own risks. There is always the potential for losing money when you invest in securities. For example, the prices of small-cap stocks are generally more volatile than large-company stocks. There are special risks inherent to international investing, including currency, political, social and economic risks. Investments in growth stocks may be more volatile than other securities. With value investing, if the marketplace does not recognize that a security is undervalued, the expected price increase may not occur. Fixed-income investing entails credit and interest rate risks. When interest rates rise, bond prices generally fall, and the fund or account value may fall as well. Diversification does not guarantee a profit or protect against loss.

Derivative instruments, investments whose values depend on the performance of an underlying security, asset, interest rate, index or currency, entail potentially higher volatility and risk of loss compared to traditional stock or bond investments.

3. A portfolio's investment in Invesco Liquid Assets or Dreyfus Treasury Prime Cash Management is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other governmental agency. Although the funds seek to preserve the value of an investment at \$1.00 per share, it is possible for a Portfolio to lose money by investing in these funds.

# Compare Your Savings Options

The Texas College Savings Plan offers many potential benefits not found in other education savings options, such as a Coverdell Education Savings Account and a Uniform Gift to Minors Act (UGMA) or Uniform Transfer to Minors Act (UTMA) account.

The Texas College Savings Plan vs. Other Education Savings Options

Features	The Texas College Savings Plan	Coverdell Education Savings Account	UGMA/UTMA Account
<b>Beneficiary Age Limit</b>	None	Can contribute until child reaches 18. Must spend assets by child's 30th birthday	18 or 21, depending on state law
<b>Account Owner Income Limit</b>	None	Phases out for incomes between \$95,000 and \$110,000 if single, \$190,000 and \$220,000 if married	None
<b>Federal Tax Exemption</b>	For qualified withdrawals	For qualified withdrawals	None
<b>Contribution Limit</b>	\$370,000 per child <sup>4</sup>	\$2,000 per year	None
<b>Account Control</b>	Parent/account owner	Parent/account owner	Child assumes control at legal age of majority
<b>Beneficiary Flexibility</b>	Flexible beneficiary designation <sup>5</sup>	Flexible beneficiary designation <sup>5</sup>	May not be transferred
<b>Financial Aid Impact</b>	Considered account owner's assets	Considered account owner's assets	Considered student's assets
<b>Asset Use</b>	Can be used for a broad range of higher education expenses	Can be applied to elementary, secondary and higher education expenses	Unrestricted, provided it is for the benefit of the minor
<b>Gift Tax Treatment</b>	Qualifies for \$14,000 exclusion from gift tax (\$28,000 for married couples filing jointly)	Amount contributed qualifies for gift tax exclusion	Qualifies for \$14,000 exclusion from gift tax (\$28,000 for married couples filing jointly)
<b>Estate Tax Treatment</b>	Considered removed from donor's estate (partial inclusion if donor dies during the five-year election period)	Considered removed from donor's estate	Considered removed from donor's estate
<b>Investment Flexibility</b>	Yes <sup>6</sup>	Yes	Yes

4. All assets, including earnings, under all 529 accounts within all plans maintained by the state of Texas, including the Texas Guaranteed Tuition Plan, the Texas College Savings Plan®, the LoneStar 529 Plan® and the Texas Tuition Promise Fund®, established for the benefit of a particular beneficiary, must be aggregated when applying this limit. New contributions will not be allowed while a beneficiary's accounts exceed this limit. Earnings, however, can continue to accrue.

5. Changes in beneficiary are limited to qualified family members of the current beneficiary to avoid federal tax consequences.

6. Account owner may only change how previous contributions and any earnings thereon are invested twice per calendar year or upon a change in beneficiary.

# Your Questions Answered

## Q: What is a 529 Plan?

**A:** Named after Section 529 of the IRS code, state-sponsored 529 plans are investment plans that receive special federal tax benefits to encourage families to save for college. Also referred to as qualified tuition programs, they are specifically designed to help families—regardless of income level—save for college expenses by offering the potential for tax-deferred growth and tax-free withdrawals for qualified educational expenses.

## Q: What defines a “U.S. resident” for the purposes of the Texas College Savings Plan?

**A:** All U.S. citizens and permanent resident aliens are considered U.S. residents for the purposes of the Texas College Savings Plan.

## Q: What are qualified educational expenses?

**A:** Qualified educational expenses include tuition, fees, certain room and board expenses, textbooks, supplies and equipment required for a student to attend classes at an eligible educational institution, and expenses for special needs services in the case of a special needs beneficiary who incurs such expenses in connection with attendance at an eligible educational institution.

## Q: Can I open an account for myself?

**A:** Absolutely. The Texas College Savings Plan can help anyone save for future educational expenses.

## Q: How do I select the right investment option for my account?

**A:** The Age-based Option is a simple way to save for higher education costs. Contributions are placed in one of six portfolios depending on the beneficiary's age and your choice of a blended strategy or an index strategy. The Plan will automatically move your investment to another age-based portfolio when the beneficiary moves into the next age group.

The Static Option offers more control. Based on your situation and risk tolerance, you can choose to invest in one, or any combination of the static portfolios.

When deciding how to invest, keep in mind that the Texas College Savings Plan does not require you to choose between the two options. You may choose to

- Invest 100% in the appropriate age-based portfolio



- Invest 100% in one or more of the static portfolios
- Split your contribution between the appropriate age-based portfolio and one or more of the static portfolios

**Q: Will having a 529 Plan savings account hurt a beneficiary's chances for federal financial aid?**

**A:** College savings normally reduce the amount of federal financial aid your beneficiary is eligible to receive; however, savings increase the total amount of money available to actually pay college expenses.

Generally, the current federal financial aid formula includes up to 5.64% of parental assets and up to 20% of the student's own assets in determining the Expected Family Contribution (EFC). If the beneficiary is your dependent, your 529 account will be included as one of your assets, rather than your child's asset. If the account owner is neither the parent nor the beneficiary, the 529 account might not be an asset included in the calculation.

While earnings from a taxable savings or mutual fund account are generally included as income in the EFC formula, 529 plan accounts are treated differently. If certain criteria are met, tax-free distributions to the student from your 529 account might be excluded from the parent and student income portions of the EFC formula.

See the latest Department of Education's *Federal Student Aid Handbook* for more details and any changes.

Please note that school-based financial aid does not have to follow the federal formula. Texas law provides that assets in a Texas College Savings Plan account may not be considered in determining eligibility for Texas state-funded student financial aid.

**Q: What if my beneficiary receives a scholarship?**

**A:** If that occurs, congratulate your beneficiary, and rest assured that you may still use your savings to pay for expenses not covered by the scholarship, such as room and board, books and other required supplies.

You can also withdraw an amount equal to the value of the scholarship from your account. Earnings on this amount will be taxed at your tax rate, but will not be subject to the additional 10% federal tax penalty. Other options include leaving the money in the account or changing your beneficiary.



### Q: What if my beneficiary doesn't go to college?

**A:** As the account owner, you always control the account. If your beneficiary chooses a path that does not include higher education, you can

- **Keep the funds in the account** Your account will remain available should your beneficiary change his or her mind
- **Change the beneficiary** You can change your beneficiary at any time, as long as the new beneficiary is a qualified family member. Please see the Plan Description for details. Consult your tax advisor to determine whether such a change creates a taxable gift
- **Take a nonqualified withdrawal** While this is always an option, keep in mind your account's earnings will be subject to federal income taxes and an additional 10% federal tax penalty, and any state and local income tax, if applicable

### Q: Can I roll over assets from another 529 plan?

**A:** Yes. Rollovers, or transfers from another 529 plan without incurring tax penalties are permitted for the benefit of the beneficiary or a qualified family member of the current beneficiary once every 12 months. However, you must send the money to the Texas College Savings Plan within 60 days of the withdrawal or direct us to transfer the money from your existing account. Some qualified savings plans impose a penalty for this type of transfer and some states recapture tax benefits. Please review the terms of your existing account.

### Q: How does the Texas College Savings Plan differ from a Coverdell Education Savings Account?

**A:** While a Coverdell Education Savings Account (ESA) offers similar tax advantages, annual contributions are limited and may not be sufficient to adequately fund a college education. ESAs also impose restrictions on who may contribute, based on income levels.

### Q: Can I transfer assets of a UGMA/UTMA account?

**A:** Yes. If you are the custodian for the beneficiary, you may elect to place part or all of the UGMA/UTMA assets into a Texas College Savings Plan account in your custodial capacity. However, there are certain considerations when doing so:

- Non-cash assets held in an UGMA/UTMA must first be liquidated, as only cash contributions are permitted into a college savings account. You should discuss the tax consequences with your tax advisor before executing this transaction
- The account beneficiary may not be changed from the original beneficiary of the UGMA/UTMA account, and all withdrawals must be made for the benefit of the beneficiary, as outlined in the terms governing UGMA/UTMAs
- The custodian must notify the Plan when the custodianship terminates and the beneficiary is legally entitled to take control of the account

### Increased Earnings Opportunities

- The \$99,716 median family income for families headed by a four-year college graduate was more than twice the median income for families headed by a high school graduate<sup>7</sup>

7. Source of data: The College Board, "Trends in College Pricing 2011."



# Easy Online Enrollment

There's no reason to delay one more day. Take a giant next step and open a 529 account with the Texas College Savings Plan today.

## Here's how

1. Visit [www.texascollegesavings.com](http://www.texascollegesavings.com).
2. Click "Enroll Online."
3. Follow the simple instructions.

If you prefer, you may complete and return the Account Application, along with a check for a deposit of \$25 or more, made payable to the Texas College Savings Plan. No matter how you open your account, be sure to read the Plan Description carefully. It outlines the risks, fees and other expenses associated with investing in the Plan. If you have questions, call **1.800.445.GRAD (4723), option #3**, between the hours of 8am and 6pm Central Time.

## Additional Resources

The following websites can help you understand 529 plans, and other savings options, as you work toward affording higher education for a child in your life.

**Every Chance Every Texan, [www.everychanceeverytexan.org](http://www.everychanceeverytexan.org)**

Provides details on the jobs of tomorrow and strategies for obtaining the necessary education.

**Saving for College, [www.savingforcollege.com](http://www.savingforcollege.com)** Includes information about 529 plans and other ways to save and pay for college.

**College Board, [www.collegeboard.org](http://www.collegeboard.org)** Provides a broad range of information on saving and paying for college, including college cost calculators, financial aid, grants and loans.

**College Savings Plan Network, [www.collegesavings.org](http://www.collegesavings.org)** An affiliate to the National Association of State Treasurers, the College Savings Plan Network's website provides detailed information about 529 college savings plans and allows you to compare plans from around the country.

**Texas Higher Education Coordinating Board, [www.thecb.state.tx.us](http://www.thecb.state.tx.us)** Provides information on planning and applying for college, as well as higher education funding options.

**Texas Education Agency, [www.tea.state.tx.us](http://www.tea.state.tx.us)** Provides leadership, guidance and resources to help schools meet the educational needs of all students and prepare them for postsecondary success in the global economy.

**Federal Student Aid, [www.studentaid.ed.gov](http://www.studentaid.ed.gov)** Includes planning resources for students, parents and educators, including information on the various kinds of federal financial aid available, how to apply, common myths and more. Also offers assistance filling out and tracking the Free Application for Federal Student Aid form, or FAFSA.



# An education savings plan is important. Choosing the right one is essential.

The Texas College Savings Plan® offers

- Professionally managed investments
- Federal tax advantages for growth potential
- Minimal maintenance and competitive portfolio management fees
- The ability for both family and friends to easily contribute

FOR MORE INFORMATION  
AND PLAN DETAILS



Go to [www.texascollegesavings.com](http://www.texascollegesavings.com)

This material is provided for general and educational purposes only and is not intended to provide legal, tax or investment advice, or for use to avoid penalties that may be imposed under U.S. federal tax laws. Contact your attorney or other advisor regarding your specific legal, investment or tax situation.

The Texas College Savings Plan® is established and maintained by the Texas Prepaid Higher Education Tuition Board. NorthStar Financial Services Group, LLC ("NorthStar") is the Plan manager, and the Plan is distributed by NorthStar affiliate Northern Lights Distributors, LLC, Member FINRA/SIPC, and administered by NorthStar affiliate Gemini Fund Services, LLC.

As stated in the current Plan Description and Savings Trust Agreement, total Plan fees for the portfolios range from 0.60% to 1.00% including six index age-based portfolios ranging from 0.60% to 0.62%. Fees are subject to change.

Some states offer favorable tax treatment to their residents only if they invest in the state's own plan. Non-residents of Texas should consider whether their state offers its residents a 529 plan with alternative tax advantages and should consult their tax advisor. Interests in the Plan are not deposits or other obligations of any depository institution.

No part of an account, the principal invested nor any investment return is insured or guaranteed by the FDIC, the state of Texas, the Texas Prepaid Higher Education Tuition Board, any other state or federal governmental agency or NorthStar or its affiliates. An account might not make money and could lose money (including the principal invested) if money is invested in the Plan. Interests in the Plan have not been registered with the U.S. Securities and Exchange Commission or with any state.

*Before investing in the Plan, investors should carefully consider the investment objectives, risks, administrative fee, service and other charges and expenses associated with municipal fund securities. The Plan Description and Savings Trust Agreement contains this and other information about the Plan and may be obtained by visiting [www.texascollegesavings.com](http://www.texascollegesavings.com) or by calling 1.800.445.GRAD (4723), option #3. Investors should read these documents carefully before investing.*

## Information About the Plan's Underlying Investments

Account owners do not invest in, and do not have ownership or other rights relating to, the underlying investments. The Plan's underlying investments are not deposits or obligations of any bank, are not guaranteed by any bank, are not insured by the FDIC or any other agency, and involve investment risks, including the possible loss of the principal amount invested.

The Plan Description and Savings Trust Agreement contains summary information regarding the underlying investments' objectives, risks, charges and expenses and details on how to obtain more information about the Plan's underlying investments.

Comments or complaints may be forwarded to the following address or by calling the following number: Prepaid Higher Education Tuition Program, Office of the Comptroller of Public Accounts, at P.O. Box 13407, Austin, Texas 78711-3407 or at 1.512.936.2064.

"Texas College Savings Plan" is a registered service mark of the Texas Prepaid Higher Education Tuition Board. All rights reserved.

The Texas College Savings Plan® is distributed by Northern Lights Distributors, LLC, Member FINRA, SIPC  
17605 Wright Street, Omaha, NE 68130  
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TX0000.001.1211 September 1, 2014

2322-NLD-8/30/2014 TCSP-010



Glenn Hegar Texas Comptroller of Public Accounts



# Enrollment Application



Imagine the Possibilities

## | Instructions

Print clearly in all  
CAPITAL LETTERS using  
blue or black ink.

When requested, please color  
in circles completely. For  
example: ● not ⊗ not ✓

**Complete this form to establish a Texas  
College Savings Plan® account.**

- To enroll online visit  
**www.texascollegesavings.com**
- Please read the Plan Description and  
Savings Trust Agreement prior to investing.  
You can obtain a copy at  
**www.texascollegesavings.com**
- Before investing, you should check with  
your or your Beneficiary's home state to  
determine if it offers tax or other benefits  
for investing in any plan.
- If your mail is returned undeliverable and we  
don't hear from you and are unable to locate  
you for at least 2 years, your account maybe  
transferred to the appropriate state within the  
time period specified by law.

If you have any questions, please call us at  
**1.800.445.GRAD (4723), option #3**, Monday  
through Friday from 8am to 6pm, Central Time.

Please mail or fax the completed form and any  
required documents to the following address:

**The Texas College Savings Plan  
c/o NorthStar Financial Services Group, LLC  
P.O. Box 540010  
Omaha, NE 68154  
Fax: 1.402.431.4452**

## 1 | Account Type

### Important information about opening a new account

To help the government fight the funding of terrorism and money laundering activities, we are required by federal law to obtain, verify and record certain personal information that identifies each person prior to opening an account. This information includes the applicant's name and date of birth, street address, and Social Security number (SSN) or Tax Identification number (TIN).

If you are establishing an account using a Power of Attorney on behalf of an Account Owner, please call us at **1.800.445.GRAD (4723), option #3**, for instructions about how to properly establish the account.

**If you are establishing a  
UGMA/UTMA account, you  
must complete the UGMA/  
UTMA form in addition to  
the Enrollment Application.**

### A. Individual *(For a UGMA/UTMA account, do not fill out Section 1A.)*

Name (first, middle initial, last) of Account Owner

Social Security number of Account Owner/Custodian (Required)

Date of Birth (mm/dd/yyyy)

☐ Male ☐ Female

☐ U.S. Citizen/Resident Alien *(Nonresident aliens are not eligible to participate in the Plan.)*

Street address (No P.O. Boxes)

City

State

Zip

Daytime phone number

Evening phone number

Email address (See Section 8)

Mailing address (if different from above)

City

State

Zip

Please fill out Section B if your Account Type is a Trust, 501(c)(3), Partnership or Corporation.

### Country of Incorporation/ Organization

United States (Entity must be incorporated/organized in the U.S. to be eligible to participate in the Plan.)

To list additional Trustees/ Partners/Officers, attach a separate sheet.

### B. Trusts, 501(c)(3), Partnerships and Corporations (Check one. For a UGMA/UTMA account, do not fill out Section 1B.)

- ☐ Trust (Please include a copy of the title and signature pages of the Trust Document.)
- ☐ 501(c)(3) (Please include a copy of the ruling Determination Letter from the IRS.)
- ☐ Partnership (Please include a copy of the Partnership Agreement.)
- ☐ Corporation (Please include a copy of the Articles of Incorporation, certified by the Secretary of State or other government entity.)

Name of Trust, 501(c)(3), Partnership or Corporation		Date of Trust (if applicable)
Social Security number/U.S. Taxpayer ID number	Phone number	Email address
Street address (No P.O. Boxes)		
City	State	Zip
Mailing address (if different from above)		
City	State	Zip

### Trustee/Partner/Officer Information

Federal law requires that we obtain your name, street address, date of birth and Taxpayer Identification number prior to opening the account. This Trust, 501(c)(3), Partnership or Corporation entity account may have one or more authorized representatives.

Name of Trustee/Partner/Officer (first, middle initial, last)	Social Security number/U.S. Taxpayer ID number (Required)	
Street address of Trustee/Partner/Officer (No P.O. Boxes)		Date of Birth (mm/dd/yyyy)
City	State	Zip
Mailing address (if different from above)		
City	State	Zip

Name of Trustee/Partner/Officer (first, middle initial, last)	Social Security number/U.S. Taxpayer ID number (Required)	
Street address of Trustee/Partner/Officer (No P.O. Boxes)		Date of Birth (mm/dd/yyyy)
City	State	Zip
Mailing address (if different from above)		
City	State	Zip



## 2 | Designated Beneficiary Information

All information in this section is **REQUIRED**.

The Designated Beneficiary is the individual whose Qualified Higher Education Expenses will be paid from this Account. *(For a UGMA/UTMA account, do not fill out Section 2.)*

Designated Beneficiary's name (first, middle initial, last)

Social Security number

Date of Birth (mm/dd/yyyy)

Relationship to Account Owner

☐ Male ☐ Female

☐ U.S. Citizen/Resident Alien *(Nonresident aliens are not eligible to participate in the Plan.)*

☐ Check here if the address is the same as the Account Owner or complete the following:

Street address (No P.O. Boxes)

City

State

Zip

## 3 | Successor Account Owner

**You cannot designate a Successor Account Owner for a UGMA/UTMA. For UGMA/UTMA accounts, do not fill out Section 3.**

You may name a Successor Account Owner for this Account. In the event of your death, ownership of all assets in the Account will be transferred to the Successor Account Owner. A Successor Account Owner will assume all rights with respect to the Account that the previous Account Owner had. Enforceability of a Successor Account Owner designation may vary by state. A transfer to a Successor Account Owner may have tax consequences. Consult your tax professional for more information.

Successor Account Owner's name (first, middle initial, last)

Social Security number

Date of Birth (mm/dd/yyyy)

Relationship to Account Owner

☐ Male ☐ Female

☐ U.S. Citizen/Resident Alien *(Nonresident aliens are not eligible to participate in the Plan.)*

Street address (No P.O. Boxes)

City

State

Zip

**For UGMA/UTMA accounts, the rest of this form must be completed.**

The initial Contribution can be made through any of the following options. The minimum initial Contribution to an Account is \$25 per Portfolio, except in the case of Contributions by Automatic Investment Plan (AIP) or payroll deductions where the minimum initial Contribution amount is \$15.

☐ **Check:** \$ \_\_\_\_\_

Checks should be made payable to "Texas College Savings Plan FBO (Name of your Designated Beneficiary)." Third party checks will only be accepted at the Plan Manager's discretion. We do not accept money orders.

☐ **One-time Electronic Funds Transfer** via Automated Clearing House (ACH)—One-time electronic transfer from your bank account. (Complete banking instructions in Section 6.)

Amount: \$ \_\_\_\_\_

☐ **Automatic Investment Plan (AIP)**—Scheduled, recurring purchases from your bank account. A minimum of \$15 per portfolio is required. (Complete banking instructions in Section 6.)

Amount: \$ \_\_\_\_\_

Frequency: ☐ Monthly ☐ Quarterly

Timing: Purchase on the \_\_\_\_\_ day of the month. (If not provided, the purchase will occur on the 10th of the month. Normally the debit will occur the same business day as the purchase date.)

The AIP will begin immediately upon receipt of this application in proper form. Unless otherwise specified above, purchases will be made on the 10th day of the month or the 10th day of the first month of the quarter. If the purchase date is a weekend or holiday, the purchase will occur on or after the preceding business day.

☐ **Payroll Deduction**—Enclose an Employee Payroll Deduction Form. You can obtain this form by calling **1.800.445.GRAD (4723), option #3**, or by downloading the form at **www.texascollegesavings.com**.

Before electing the Payroll Deduction option, you should verify that your employer is currently processing contributions through payroll direct deposit. If your employer is not currently set up to process contributions through payroll direct deposit, you should confirm your employer offers such a service and is able to meet the Plan Manager's operational and administrative requirements. If your employer is interested in establishing the payroll deduction option, please have the appropriate personnel fill out the Employer Authorization Form, which can be downloaded at **www.texascollegesavings.com**.

☐ **Rollover/Transfer from another Section 529 Account or from a Coverdell Education Savings Account/Qualified U.S. Savings Bond**—Enclose Texas College Savings Plan Change of Trustee/Rollover Form. You can obtain this form by calling **1.800.445.GRAD (4723), option #3**, or by downloading the form at **www.texascollegesavings.com**.

If you choose the Blended Age Based Portfolio as well as the Index Age Based Portfolio you will have two separate account numbers.

### Choose Your Portfolios

Indicate as a percentage how you would like your contribution to be deposited across the Age Based Portfolios, the Static Portfolios, and/or the Individual Fund Portfolios.

**State/Local Government or 501(c)(3) Organizations:** If you choose the Age Based Portfolio, please indicate the specific portfolio in which you would like your contributions to be deposited. Please see the Plan Description and Savings Trust Agreement for detailed portfolio information.

Age Based Portfolio(s) selected by government or 501(c)(3) organizations only: \_\_\_\_\_

#### I. Age Based Portfolios

Your investment portfolio will automatically change over time based on your Designated Beneficiary's age.

Age Based Portfolios	Initial Allocation*
Blended Age Based Portfolio	_____ %
Index Age Based Portfolio	_____ %

#### II. Static Portfolios

Your investment choice changes only on your instruction to the Plan Manager.

Blended Static Portfolios	Initial Allocation*
100% Equity Portfolio	_____ %
Balanced Portfolio	_____ %

Index Static Portfolios	Initial Allocation*
100% Equity Portfolio	_____ %
Balanced Portfolio	_____ %

#### III. Individual Fund Portfolios

Fixed Income Portfolio	_____ %
Inflation-Protected Bond Portfolio	_____ %
Money Market Portfolio	_____ %
U.S. Government Money Market Portfolio	_____ %

<b>Total</b>	<b>100</b> %
--------------	--------------

\*All future contributions will be allocated in the same manner as your initial investment allocation shown above. To make any changes, please sign on to [www.texascollegesavings.com](http://www.texascollegesavings.com) or call a Customer Service Representative at **1.800.445.GRAD (4723), option #3.**

Bank account information is required to establish an Automatic Investment Plan or an Electronic Funds Transfer from your bank account.

**You must include a voided check or a preprinted savings slip for a savings account. (Please do not tape or staple it to this application.)**

Please allow sufficient time to process debit(s) from your account. Please choose which type of account you will be debiting.

**Indicate account type:** ☐ Checking ☐ Savings

I authorize NorthStar Financial Services Group, LLC, including its subsidiaries and affiliates (NorthStar), to debit and/or credit my bank account for purchases and redemptions of units of the portfolio(s) specified. I understand that if I redeem units that have been purchased through a direct link from my bank account to my Account within the last 10 days, my redemption proceeds of those units may be delayed up to 10 days to determine that the purchase payment has cleared the bank. I agree that NorthStar is purchasing and redeeming such units voluntarily at my request and the Texas College Savings Plan and NorthStar shall not be liable for any loss arising from any delay in processing or failure to process such purchases and/or redemptions. I understand that this service does not constitute an offer to sell units of any portfolio.

If I change banks, I agree to notify NorthStar promptly in writing. I agree to give adequate notice (normally 15 days) to terminate this service. I understand that if a transaction cannot be made because of insufficient funds or unit balance or because the account has been closed, this service will be cancelled and I agree to return promptly any amount overpaid to me from a redemption of units purchased with that payment. I understand that any of the features and privileges described herein may be modified, suspended or cancelled by NorthStar or the plan at any time without notice and that all services described herein are subject to the terms of the Plan Description and Savings Trust Agreement, which I acknowledge I have received and read.

**Please print and sign exactly as your name(s) appears on your plan account. If the bank account is a joint account, both individuals on the account must sign below.**

\_\_\_\_\_  
Name of Bank Account Owner

\_\_\_\_\_  
Name of Bank Account Owner

\_\_\_\_\_  
Signature of Bank Account Owner

\_\_\_\_\_  
Signature of Bank Account Owner

The following information is being requested for general reporting purposes. Your individual response will be kept confidential. If you have any questions regarding our privacy policy, call **1.800.445.GRAD (4723), option #3**, or visit our website at **www.texascollegesavings.com**.

**1. How did you hear about the Texas College Savings Plan?** (You may select more than one.)

- |                                     |  |  |
|-------------------------------------|--|--|
| <input type="radio"/> Direct mail   | <input type="radio"/> Print ad           | <input type="radio"/> Program representative/event |
| <input type="radio"/> Email         | <input type="radio"/> News story         | <input type="radio"/> Friend, family or colleague  |
| <input type="radio"/> TV commercial | <input type="radio"/> Online advertising | <input type="radio"/> Financial advisor            |
| <input type="radio"/> Radio         | <input type="radio"/> Internet search    | <input type="radio"/> Employer                     |
| <input type="radio"/> Other _____   |  |  |

**2. What aspect(s) of the Texas College Savings Plan are most appealing to you?**

- |                                      |                                       |   |
|--------------------------------------|---------------------------------------|---|
| <input type="radio"/> Tax advantages | <input type="radio"/> Estate planning | <input type="radio"/> Professional money management |
| <input type="radio"/> Flexibility    | <input type="radio"/> Affordability   |   |

**3. Indicate your education level** (Select highest level completed.)

- |                                    |  |                                       |                                    |
|------------------------------------|--|---------------------------------------|------------------------------------|
| <input type="radio"/> High school  | <input type="radio"/> Associate's degree | <input type="radio"/> Master's degree | <input type="radio"/> Professional |
| <input type="radio"/> Some college | <input type="radio"/> Bachelor's degree  | <input type="radio"/> Doctorate       |                                    |

**4. Annual household income**

- |   |   |   |
|---|---|---|
| <input type="radio"/> \$0–\$24,999      | <input type="radio"/> \$40,000–\$74,999 | <input type="radio"/> \$100,000–\$249,999 |
| <input type="radio"/> \$25,000–\$39,999 | <input type="radio"/> \$75,000–\$99,999 | <input type="radio"/> Over \$250,000      |

**5. Indicate your primary source of funding for this account**

- |   |   |
|---|---|
| <input type="radio"/> Employment earnings | <input type="radio"/> Tax refund or credits       |
| <input type="radio"/> Gift or inheritance | <input type="radio"/> Roll over from another plan |
| <input type="radio"/> Other _____         |   |

**6. Indicate the beneficiary's ethnicity (Optional)**

- |                                      |  |                                       |
|--------------------------------------|--|---------------------------------------|
| <input type="radio"/> White          | <input type="radio"/> African American | <input type="radio"/> Native American |
| <input type="radio"/> Asian American | <input type="radio"/> Hispanic/Latino  |                                       |
| <input type="radio"/> Other _____    |  |                                       |

☐ I would like to receive the following information via electronic mail:<sup>1</sup>

- Statement, Confirms and Plan Documents
- Tax Forms
- Plan News and Updates

I consent to the delivery of the documents that are governed under NorthStar Financial Services Group, LLC's eDelivery services. I understand that when a new document is available, I will receive an email notification to the email address provided. The email will include a link that will take me to the Texas College Savings Plan website, where the document can be viewed and downloaded by logging on to my account. This consent will remain effective until I revoke it.

<sup>1</sup> You may designate or change your delivery options by accessing your account online at [www.texascollegesavings.com](http://www.texascollegesavings.com) or calling 1.800.445.GRAD (4723), option #3 once your account has been established.



By signing below, I certify and acknowledge the following:

- The information contained in this form and in any required documentation is true, complete and correct. I have received, read and agree to be bound by the terms set forth in the Plan Description and Savings Trust Agreement, acknowledge that the Plan Description and Savings Trust Agreement may be amended from time to time, and agree to be bound by the terms of any such amendment. I agree that NorthStar Financial Services Group, LLC, including its subsidiaries and affiliates (NorthStar), may use this information to attempt to verify my identity. NorthStar is requesting a copy of the Articles of Incorporation, Partnership document, Trust agreement or other similar documents solely for the purpose of verifying the identity of the Account Owner as required by federal law. NorthStar is not assuming any responsibility for monitoring, maintaining, interpreting or enforcing any terms or provisions of those documents.

**Account Owner, Trustee,  
Partner or Officer  
signature REQUIRED.**

- I, the Account Owner, am 18 years of age or older.

_____ Signature	_____ Date (mm/dd/yyyy)	_____ Title (if the account is held by a trust, corporation, estate or other entity)
_____ Signature	_____ Date (mm/dd/yyyy)	_____ Title (if the account is held by a trust, corporation, estate or other entity)
_____ Signature	_____ Date (mm/dd/yyyy)	_____ Title (if the account is held by a trust, corporation, estate or other entity)

Mail initial deposits and future purchases to:

**The Texas College Savings Plan  
c/o NorthStar Financial Services Group, LLC  
P.O. Box 540010  
Omaha, NE 68154**

This material is provided for general and educational purposes only and is not intended to provide legal, tax or investment advice, or for use to avoid penalties that may be imposed under U.S. federal tax laws. Contact your attorney or other advisor regarding your specific legal, investment or tax situation.

The Texas College Savings Plan® is established and maintained by the Texas Prepaid Higher Education Tuition Board and distributed by Northern Lights Distributors, LLC, Member FINRA/SIPC. NorthStar Financial Services Group, LLC, the parent company of Northern Lights Distributors, LLC, is the Plan manager and administrator of the Plan.

As stated in the current Plan Description and Savings Trust Agreement, total Plan fees for the portfolios range from 0.60% to 1.00%, including six index age-based portfolios ranging from 0.60% to 0.62%. Fees are subject to change.

Some states offer favorable tax treatment to their residents only if they invest in the state's own plan. Non-residents of Texas should consider whether their state offers its residents a 529 plan with alternative tax advantages and should consult their tax advisor. Interests in the Plan are not deposits or other obligations of any depository institution.

No part of an account, the principal invested nor any investment return, is insured or guaranteed by the FDIC, the state of Texas, the Texas Prepaid Higher Education Tuition Board, any other state or federal governmental agency or NorthStar or its affiliates. An account might not make money and could lose money (including the principal invested) if money is invested in the Plan. Interests in the Plan have not been registered with the U.S. Securities and Exchange Commission or with any state.

**Before investing in the Plan, investors should carefully consider the investment objectives, risks, administrative fees, service and other charges and expenses associated with municipal fund securities. The Plan Description and Savings Trust Agreement contains this and other information about the Plan and may be obtained by visiting [www.texascollegesavings.com](http://www.texascollegesavings.com) or calling 1.800.445.GRAD (4723), Option #3. Investors should read these documents carefully before investing.**

Comments or complaints may be forwarded to the Prepaid Higher Education Tuition Program, Office of the Comptroller of Public Accounts, at P.O. Box 13407, Austin, Texas 78711-3407 or at 1.512.936.2064.

"Texas College Savings Plan" is a registered service mark of the Texas Prepaid Higher Education Tuition Board. All rights reserved.

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**TCSP-006 September 1, 2014**



# Change of Trustee/ Rollover Form

## 1 | Instructions

Print clearly in all  
**CAPITAL LETTERS** using  
**blue or black ink.**

When requested, please color  
in circles completely. For  
example: ● not ⊗ not ✓

Please use this form for the following:

- Rollover assets from another Section 529 Plan,  
Coverdell Education Savings Account,  
or Qualified Savings Bond
- Transfer assets from another Texas 529 Plan

If you have any questions, please call us  
at **1.800.445.GRAD (4723), option #3**,  
Monday through Friday from 8am to 6pm  
Central Time.

Please mail the completed form with any  
required documents to the following address:

**The Texas College Savings Plan**  
**c/o NorthStar Financial Services Group, LLC**  
**P.O. Box 540010**  
**Omaha, NE 68154**

## 2 | Texas College Savings Plan Account Information

If you have not established  
an account, you must also  
either enroll online at  
**www.texascollegesavings.com**  
and obtain an account number  
or complete and enclose an  
Enrollment Application with  
this form, which you can  
download from the site.

Texas College Savings Plan account number

Social Security or Taxpayer ID number

Account Owner's first name

Middle initial

Last name

Street address (no P.O. Boxes)

City

State

Zip

Phone number

Account Owner's email address

Beneficiary's first name

Middle initial

Last name

Beneficiary's Social Security number

Beneficiary's date of birth

Special note should be  
taken when selecting a  
new Designated Beneficiary  
as multiple rollovers for a  
beneficiary within a 12-month  
period or the designation of  
a beneficiary who is not a  
Qualified Family Member  
may result in additional taxes  
or penalties. See the Plan  
Description and Savings Trust  
Agreement for potential tax  
consequences and other  
considerations, and consult  
your tax advisor.

**Is the beneficiary named above different than the beneficiary on the Section 529 Plan College Savings Account that you are rolling over or transferring?**

☐ Yes

☐ No

**A. Indicate the source of your Rollover/Transfer** (check one):

- ☐ Section 529 College Savings plan outside of Texas
- ☐ Texas-sponsored 529 plan (allowed once per calendar year)
- ☐ Coverdell Education Savings Account
- ☐ Qualified Savings Bonds

**B. Indicate whether this is an Indirect Rollover or a Direct Rollover request** (Check one and complete additional information as requested for a Direct Rollover. Note that a Direct Rollover is only permissible for assets held in the LoneStar 529 Plan®, the Texas Tuition Promise Fund® or another Section 529 College Savings plan account.)

- ☐ Indirect Rollover: I am enclosing a check representing the rollover proceeds.
- ☐ Direct Rollover: I am requesting and instructing Texas College Savings Plan to act on my behalf to obtain funds directly from the trustee of my current Section 529 College Saving Program Account. For a Direct Rollover, please fill in the information requested below, and include a copy of your current account statement. Your current Plan Manager may require additional information.

\_\_\_\_\_  
Name of Current Program Manager\_\_\_\_\_  
Account number\_\_\_\_\_  
Street address or P.O. Box number\_\_\_\_\_  
City\_\_\_\_\_  
State\_\_\_\_\_  
Zip\_\_\_\_\_  
Program phone number\_\_\_\_\_  
State Sponsor (if applicable)

- ☐ Full Account
- ☐ Partial Account (select one of the following)
- ☐ Dollar amount \$ \_\_\_\_\_ or
- ☐ Percentage \_\_\_\_\_ %

**C. Attach a statement from your current account provider that indicates which portion of the Rollover or Transfer is attributable to contributions (cost basis), and which is attributable to earnings. Otherwise, your entire Rollover or Transfer is required to be treated as earnings, which may be taxable upon withdrawal.** For further details, please call your current Plan Manager.

\$ \_\_\_\_\_ Total Amount of Rollover/Transfer

\$ \_\_\_\_\_ Base Contribution or Cost Basis of Rollover/Transfer

\$ \_\_\_\_\_ Earnings Portion of Rollover/Transfer

**D. Please indicate below whether you would like to allocate these funds differently from the way you did in the Elected Investment Allocation on your Enrollment Application for the Texas College Savings Plan. Please note this will only affect your rollover dollars.**

**I. Age Based Portfolios**

Blended Age Based Portfolio \_\_\_\_\_ %

Index Age Based Portfolio \_\_\_\_\_ %

**II. Blended Static Portfolios**

100% Equity Portfolio \_\_\_\_\_ %

Balanced Portfolio \_\_\_\_\_ %

**III. Index Static Portfolios**

100% Equity Portfolio \_\_\_\_\_ %

Balanced Portfolio \_\_\_\_\_ %

**IV. Individual Fund Portfolios**

Fixed Income Portfolio \_\_\_\_\_ %

Inflation-Protected Bond Portfolio \_\_\_\_\_ %

Money Market Portfolio \_\_\_\_\_ %

U.S. Government Money Market Portfolio \_\_\_\_\_ %

**Total** \_\_\_\_\_ **100** %

I authorize NorthStar Financial Services Group, LLC, including its subsidiaries and affiliates, to act on my behalf in contacting the current 529 Plan Program Manager to facilitate the transfer of assets. I hereby certify that (1) the information provided herein is accurate, (2) the Designated Beneficiary on the Texas College Savings Plan Account is a "member of the family" of the Designated Beneficiary in the current program (as defined in the Plan Description and Savings Trust Agreement) or this Rollover does not change the Beneficiary, and is the only Rollover for the Beneficiary within the past 12 months, and if applicable, (3) my contribution of rollover proceeds from another account is within 60 days of receiving the refund. I understand that if I fail to provide the required information mentioned in Section 3C, the entire amount of the rollover contribution will be treated as earnings that may be taxable upon withdrawal.

\_\_\_\_\_  
Signature of Account Owner, Custodian, Trustee, Partner or Officer

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature of Co-Trustee, Partner or Officer

\_\_\_\_\_  
Date

**Signature Guarantee (Call your current Plan Manager to determine if a signature guarantee is required.)**—A Signature Guarantee may be obtained from any eligible guarantor institution, as defined by the Securities and Exchange Commission. These institutions include banks, savings associations, credit unions and brokerage firms. The words "SIGNATURE GUARANTEED" must be stamped or typed near the signature(s) being guaranteed. The guarantee must appear with the printed name, title and signature of an officer, and the name of the guarantor institution. **A NOTARY PUBLIC STAMP OR SEAL IS NOT ACCEPTABLE.**

**Affix medallion stamp here**

\_\_\_\_\_  
Guarantee's name (if required)

\_\_\_\_\_  
Middle initial

\_\_\_\_\_  
Last name

\_\_\_\_\_  
Title

\_\_\_\_\_  
Signature Guarantee

\_\_\_\_\_  
Date

**Before you mail, have you**

- ☐ Completed a Texas College Savings Plan Enrollment Application, if you are opening a new account
- ☐ Included documents from your current Plan Manager, if required
- ☐ Written a check payable to "Texas College Savings Plan" for an Indirect Rollover
- ☐ Signed, and obtained a Signature Guarantee, if needed, for Section 4



**The Plan Manager of the Texas College Savings Plan will complete this acceptance agreement.**

As Plan Manager of the Texas College Savings Plan, we will accept the rollover/transfer requested.

\_\_\_\_\_  
Authorized Plan Manager's signature

\_\_\_\_\_  
Date

**Please make a copy of this form for your own records.**

This material is provided for general and educational purposes only and is not intended to provide legal, tax or investment advice, or for use to avoid penalties that may be imposed under U.S. federal tax laws. Contact your attorney or other advisor regarding your specific legal, investment or tax situation.

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No part of an account, the principal invested nor any investment return, is insured or guaranteed by the FDIC, the state of Texas, the Texas Prepaid Higher Education Tuition Board, any other state or federal governmental agency or NorthStar or its affiliates. An account might not make money and could lose money (including the principal invested) if money is invested in the Plan. Interests in the Plan have not been registered with the U.S. Securities and Exchange Commission or with any state.

**Before investing in the Plan, investors should carefully consider the investment objectives, risks, administrative fees, service and other charges and expenses associated with municipal fund securities. The Plan Description and Savings Trust Agreement contains this and other information about the Plan and may be obtained by visiting [www.texascollegesavings.com](http://www.texascollegesavings.com) or calling 1.800.445.GRAD (4723), Option #3. Investors should read these documents carefully before investing.**

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**TCSP-005 September 1, 2014**

# Change of Beneficiary Form



Under Texas law, the new Designated Beneficiary must be a “member of the family” of the former Designated Beneficiary as defined by federal law and described in the Plan Description and Savings Trust Agreement.

- For UGMA/UTMA, the Beneficiary cannot be changed.
- A change in Beneficiary might result in a gift tax or generation skipping transfer tax. See Plan Description and consult your tax advisor.

Forms can be downloaded from our website at [www.texascollegesavings.com](http://www.texascollegesavings.com) or by calling a Customer Service Representative at 1.800.445.GRAD(4723), option #3, Monday through Friday from 8am to 6pm Central Time.

Return this form and any other required documents to:

The Texas College Savings Plan  
c/o NorthStar Financial Services Group, LLC  
P.O. Box 540010  
Omaha, NE 68154

## 1 | Current Account Information

Account number

Name of Account Owner (first, middle, last)

Social Security number or  
Individual Taxpayer ID number

Name of Beneficiary (first, middle, last)

Social Security number

## 2 | New Designated Beneficiary Information

There are restrictions regarding the change of Beneficiary. Please refer to the Plan Description and Savings Trust Agreement for details.

Name of Designated Beneficiary (first, middle, last)

Social Security number

Street address (no P.O. Boxes)

Date of Birth (mm/dd/yyyy)

City

State

Zip

- ☐ U.S. Citizen/Resident Alien (Nonresident aliens are not eligible to participate in the Program.)

### 3 | Transfer Amount

Do you already have an account for the new Beneficiary?

- ☐ Yes. Account number: \_\_\_\_\_.
- ☐ No

Choose how you would like to change your investment selections.

- ☐ No Change to Current Investment Selections
- ☐ Entire Balance. The Program will close the account you indicate in Section 1 and will transfer all of the assets to an account for your new Beneficiary. If the amount you want transferred to the new Beneficiary exceeds the maximum contribution allowance—or if the amount of your transfer causes the aggregate balance of all existing Program accounts for the new Beneficiary to exceed the maximum contribution allowance—the excess will remain in the account designated for your original Beneficiary under your current account number.
- ☐ Partial Balance. The Program will keep your account open for the original Beneficiary. The dollar amount or percentage you specify below will be transferred to the new Beneficiary's account. If you are invested in more than one investment option, the dollar amount or percentage will be taken out on a proportional basis from each investment option based on your Elected Investment Allocation on file. If the amount you want transferred to the new Beneficiary exceeds the maximum contribution allowance—or if the amount of your transfer causes the aggregate balance of all existing Program accounts for the new Beneficiary to exceed the maximum contribution allowance—the excess will remain in the account designated for your original Beneficiary under your current account number.

\$ \_\_\_\_\_ or \_\_\_\_\_ %  
Dollar Amount Percentage

If you have already established an account for the new Beneficiary and provided the account number above, proceed directly to Section 6. Otherwise, complete all remaining sections.

### 4 | Investment Options

REQUIRED: Provide the anticipated year the Designated Beneficiary will begin college: \_\_\_\_\_

State/Local Government or 501(c)(3) Organizations Only: If you choose the Age Based Portfolio and have not indicated a new beneficiary at this time, please indicate the specific portfolio in which you would like your contributions to be deposited. Please see the Plan Description and Savings Trust Agreement.

Portfolio(s) selected: \_\_\_\_\_

- ☐ I want to keep the same investment options for my new Beneficiary. If you are invested in an age-based allocation and the new Beneficiary is in a different age bracket than the original Beneficiary, your asset allocation will change.
- ☐ I want to establish a new investment allocation for this account.

Portfolio Option	Allocation
I. Age Based Portfolios	
Index Age Based Portfolio	%
Blended Age Based Portfolio	%
II. Blended Static Portfolios	
Blended 100% Equity Portfolio	%
Blended Balanced Portfolio	%
III. Index Static Portfolios	
Index 100% Equity Portfolio	%
Index Balanced Portfolio	%
IV. Individual Portfolios	
Fixed Income Portfolio	%
Inflation Protected Bond Portfolio	%
Money Market Portfolio	%
U.S. Government Money Market Portfolio	%
Total	100%

Elected Investment Allocation (EIA)

All future contributions will be allocated in the same manner as selected above within Sections I, II, III or IV. Changes to your EIA can be made online at [www.texascollegesavings.com](http://www.texascollegesavings.com) or by calling a Customer Service Representative at 1.800.445.GRAD (4723), option #3.

## 5 | Successor Account Owner

You may name a successor account owner for this account. In the event of your death, ownership of all assets in the account will be transferred to the successor account owner. A successor account owner will assume all rights with respect to the account the previous account owner had. Enforceability of a successor account owner designation may vary by state. A transfer to a successor account owner may have tax consequences. Consult your tax professional for more details.

- ☐ I would like the same successor Account Owner for the new Beneficiary.
- ☐ I would like to establish a new successor Account Owner for the new Beneficiary as follows:

Successor Account Owner's name (first, middle initial, last) or entity name				Relationship to Account Owner
Street address				Social Security/U.S. Taxpayer ID number
City	State	County	Zip	Date of Birth (mm/dd/yyyy) (must be 18 or older)
( )	( )			
Daytime phone number	Evening phone number			Date of Trust (mm/dd/yyyy) (if applicable)

- ☐ U.S. Citizen/Resident Alien (Nonresident aliens are not eligible to participate in the Program.)

## 6 | Account Agreement and Signature

I certify that the information I have provided, and all future information I will provide with respect to my Texas College Savings Plan account, is true, complete, and correct. I have received, read, and agree to the terms set forth in the Plan Description and Savings Trust Agreement. I certify that the new Designated Beneficiary is a "member of the family" of the current Beneficiary as defined by federal law and described in the Plan Description and Savings Trust Agreement.

X	
Signature of Account Owner	Date

This material is provided for general and educational purposes only and is not intended to provide legal, tax or investment advice, or for use to avoid penalties that may be imposed under U.S. federal tax laws. Contact your attorney or other advisor regarding your specific legal, investment or tax situation.

The Texas College Savings Plan® is established and maintained by the Texas Prepaid Higher Education Tuition Board and distributed by Northern Lights Distributors, LLC, Member FINRA/SIPC. NorthStar Financial Services Group, LLC, the parent company of Northern Lights Distributors, LLC, is the Plan manager and administrator of the Plan.

As stated in the current Plan Description and Savings Trust Agreement, total Plan fees for the portfolios range from 0.60% to 1.00%, including six index age-based portfolios ranging from 0.60% to 0.62%. Fees are subject to change.

Some states offer favorable tax treatment to their residents only if they invest in the state's own plan. Non-residents of Texas should consider whether their state offers its residents a 529 plan with alternative tax advantages and should consult their tax advisor. Interests in the Plan are not deposits or other obligations of any depository institution.

No part of an account, the principal invested nor any investment return, is insured or guaranteed by the FDIC, the state of Texas, the Texas Prepaid Higher Education Tuition Board, any other state or federal governmental agency or NorthStar or its affiliates. An account might not make money and could lose money (including the principal invested) if money is invested in the Plan. Interests in the Plan have not been registered with the U.S. Securities and Exchange Commission or with any state.

**Before investing in the Plan, investors should carefully consider the investment objectives, risks, administrative fees, service and other charges and expenses associated with municipal fund securities. The Plan Description and Savings Trust Agreement contains this and other information about the Plan and may be obtained by visiting [www.texascollegesavings.com](http://www.texascollegesavings.com) or calling 1.800.445.GRAD(4723), Option #3. Investors should read these documents carefully before investing.**

Comments or complaints may be forwarded to the Prepaid Higher Education Tuition Program, Office of the Comptroller of Public Accounts, at P.O. Box 13407, Austin, Texas 78711-3407 or at 1.512.936.2064.

"Texas College Savings Plan" is a registered service mark of the Texas Prepaid Higher Education Tuition Board.  
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TCSP-001 September 1, 2014





# Plan Description and Savings Trust Agreement

September 2014 (as amended January, 2015)

The Texas College Savings Plan (the “Plan”) is a Section 529 Plan administered by the Texas Prepaid Higher Education Tuition Board. NorthStar Financial Services Group, LLC (“NorthStar”) is the Plan Manager and Northern Lights Distributors, LLC is the Plan Distributor. This Plan Description and the Savings Trust Agreement (including the Enrollment Application) contains information that you should know before participating in the Plan, including information about fees, expenses and risks. Please read them before investing and keep them for future reference.



**Glenn Hegar**  
Texas Comptroller of Public Accounts



# Texas College Savings Plan

## Plan Description and Savings Trust Agreement

September 2014 (as amended January 2015)

The Texas College Savings Plan® (the “Plan”) has been authorized pursuant to the Texas Education Code, Chapter 54, Subchapters F and G. The information contained in this Plan Description is believed to be accurate as of the date hereof and is subject to change without notice. No one is authorized to provide information that is different from the information contained in this Plan Description. In the event of any conflicts between this Plan Description and the Internal Revenue Code of 1986, as amended, the Texas Education Code, the Texas Administrative Code and the Savings Trust Agreement, the Internal Revenue Code of 1986, as amended, the Texas Education Code, the Texas Administrative Code and the Savings Trust Agreement control over this Plan Description, in that order.

No investment in the Plan will be insured by the Federal Deposit Insurance Corporation (the “FDIC”) or any other state or federal governmental agency. Investments in the Plan are not deposits or other obligations of any depository institution. No part of an account, the principal invested, nor any investment return is insured or guaranteed by the FDIC, the State of Texas, the Texas Prepaid Higher Education Tuition Board, any other state or federal governmental agency or NorthStar Financial Services Group, LLC or its affiliates. In short, an account might not make money and could lose money (including the principal invested) if money is invested in the Plan. Savings Trust Agreements have not been registered with the U.S. Securities and Exchange Commission or with any state.

Earnings withdrawn to pay the Qualified Higher Education Expenses of the Designated Beneficiary of an Account are currently free from federal income tax and may be free from state income tax depending on state and residency. Non-Qualified withdrawals will generally be subject to income tax on earnings plus a 10% additional federal penalty on such earnings. An Account Owner should consult his or her tax advisor for more information.

**Residents of states other than Texas should consider before investing whether their, or their beneficiary’s, home state offers a Section 529 Plan which provides its residents with favorable state tax treatment or other benefits that may only be available through investment in the home state’s Section 529 Plan, and which are not available through investment in the Plan. This Plan Description does not address any state-based benefits. State-based benefits offered with respect to a particular Section 529 Plan should be one of many appropriately weighted factors considered in making an investment decision. You should consult with your financial, tax or other advisor to learn more about how state-based benefits (including any limitations) would apply to your specific circumstances. You also may wish to contact your home state about the features, benefits and limitations of the Plan or other Section 529 Plans to learn more about the features, benefits and limitations of their Section 529 Plans.**

**Section 529 Qualified Tuition Programs are intended to be used only to save for Qualified Higher Education Expenses. These Programs are not intended to be used, nor should they be used, by any taxpayer for the purpose of evading federal or state taxes or tax penalties. In addition, in order to comply with requirements of the U.S. Treasury Department and Internal Revenue Service (“IRS”), we advise you that this Plan Description (i) is not intended as individual tax advice to any person (including any Account Owner or Designated Beneficiary), (ii) is provided as general information in connection with the promotion or marketing of the Plan and (iii) is not provided or intended to be used, and cannot be used, by any taxpayer, for the purpose of avoiding U.S. tax penalties. Taxpayers may wish to seek tax advice from an independent tax advisor based on their own particular circumstances.**



## **IMPORTANT PRIVACY INFORMATION NORTHSTAR FINANCIAL SERVICES GROUP, LLC PRIVACY NOTICES**

As an Account Owner of the Texas College Savings Plan (the “Plan”), you are entitled to know how NorthStar Financial Services Group, LLC and its affiliates (“NorthStar”) protect your personal information and how we limit its disclosure.

### **Information Sources**

We obtain nonpublic personal information about our Account Owners and Designated Beneficiaries from the following sources:

#### Enrollment Applications or other forms

- When you create a user ID and password for online Account access
- When you enroll in our electronic document delivery service
- Your transactions with us, our affiliates or others
- A software program on the Plan’s website, often referred to as a “cookie,” which indicates which parts of our site you’ve visited
- When you set up challenge questions to reset your password online

If you visit [www.texascollegesavings.com](http://www.texascollegesavings.com) and do not log on to the secure Account information areas, we do not obtain any personal information about you. When you do log on to a secure area, we do obtain your user ID and password to identify you. We also use this information to provide you with products and services you have requested and to assist you in other ways.

We do not collect personal information through the Plan’s website or on the Enrollment Application unless you willingly provide it to us, either directly by email or in those areas of the website that request such information. In order to update your personal information (including your mailing address, email address and telephone number), you must first log on and visit the “My Accounts” section and select the “Account Maintenance” menu for mailing address and telephone numbers and “My Profile” for email address.

If you have set your browser to warn you before accepting cookies, you will receive the warning message with each cookie. You can refuse cookies by turning them off in your browser. However, doing so may limit your access to certain sections of the Plan’s website.

We use cookies to help us improve and manage the Plan’s website. For example, cookies help us recognize new versus repeat visitors to the site, track the pages visited, and enable some special features on the website. This data is intended to help us provide a better service for the Plan’s website visitors.

### **Use of Information**

NorthStar may use your personal information for everyday business purposes, such as to process your transactions, maintain your account(s), provide you with services and respond to court orders and legal investigations.

### **Protection of Information**

We do not disclose any nonpublic personal individual Account information about current or former Account Owners and Designated Beneficiaries to anyone, except as permitted by law.

### **Right of Refusal**

We will not disclose your personal information to unaffiliated third parties (except as permitted by law), unless you, the person who provides the information or the person who is the subject of the information gives express written consent to such disclosure.

### **Internet Security and Encryption**

In general, the email services provided by the Plan’s website are encrypted and provide a secure and private means of communication with us. To protect your own privacy, confidential and/or personal information should only be communicated via email when you are advised that you are using a secure website.

As a security measure, we do not include personal or Account information in nonsecure emails, and we advise you not to send such information to us in nonsecure emails. Instead, you may take advantage of the secure features of the Plan’s website to encrypt your email correspondence. To do this, you will need to use a browser that supports Secure Sockets Layer (SSL) protocol.

We do not guarantee or warrant that any part of the Plan’s website, including files available for download, are free of viruses or other harmful code. It is your responsibility to take appropriate precautions, such as use of an antivirus software package, to protect your computer hardware and software.

- All transactions are secured by SSL and 128-bit encryption. SSL is used to establish a secure connection between your PC and the Plan server. It transmits information in an encrypted and scrambled format.
- You can exit the secure area by either closing your browser, or for added security, you can use the log out button before you close your browser.

**Other Security Measures**

We maintain physical, electronic and procedural safeguards to protect your personal Account information. Our employees and agents have access to that information only so that they may offer you products or provide services, for example, when responding to your Account questions.

**How You Can Help**

You can also do your part to keep your Account information private and to prevent unauthorized transactions. If you obtain a user ID and password for your Account, do not allow it to be used by anyone else. Also, take special precautions when accessing your Account on a computer used by others.

**Who We Are**

This joint notice describes the Privacy Policy of NorthStar, the Plan Manager, and Northern Lights Distributors, Inc., the Plan Distributor, and their respective affiliates. This notice was last updated in September 2014. In the event it is updated or changed, we will post an updated notice on the Plan's website. If you have any questions about this Privacy Policy, write to us at 17605 Wright Street, Omaha, Nebraska 68130, email us by clicking on the "Contact Us" section of the Plan's website at [www.texascollegesavings.com](http://www.texascollegesavings.com) or call us at 800.445.GRAD (4723), option #3.

**STATE OF TEXAS PRIVACY NOTICES**

**Federal Privacy Act Notice: Disclosure of your social security number on the Application is required and authorized under law, for the purpose of tax administration and identification of any individual affected by applicable law. 42 U.S.C. §405(c)(2)(C)(i); Internal Revenue Code of 1986, Sections 529(d) and 6109(a); and Tex. Educ. Code §54.702. Texas Privacy Notice: Under Chapter 559, Texas Government Code, you are entitled to review, request, and correct information we have on file about you, with limited exceptions in accordance with Chapter 552, Texas Government Code. To request information for review or to request error correction, contact us at 17605 Wright Street, Omaha, Nebraska 68130 or toll-free at 800.445.GRAD (4723), option # 3.**

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## DEFINITIONS OF KEY TERMS

Set forth below are definitions of certain key terms used in this Plan Description and in the Savings Trust Agreement. Other terms are defined elsewhere in this document.

**Account** means a Savings Trust Account that is established by an Account Owner pursuant to a Savings Trust Agreement for purposes of investing in one or more Portfolios. The money you contribute under the Plan will be allocated to your Account. You may open more than one Account for the same Designated Beneficiary. Accounts are part of the Plan and are held in the name of the Plan on behalf of and for the benefit of the Account Owners and the Designated Beneficiaries.

**Account Owner** means the individual or entity signing the Enrollment Application and establishing an Account or any successor to such individual or entity. References in this document to “you” mean you in your capacity as the Account Owner.

**Age-Based Approach** means one of the investment approaches offered under the Plan where Contributions are invested in a Portfolio based upon the current age of the Designated Beneficiary.

**Age-Based Portfolio** means a Portfolio in the Age-Based Approach. Assets invested in Age-Based Portfolios are automatically moved into another Age-Based Portfolio when the Designated Beneficiary reaches the next age group.

**AIP** means an automatic investment plan including automatic payments from the Account Owner’s bank account or other financial institution or through payroll deductions.

**Board** means the Texas Prepaid Higher Education Tuition Board.

**Code** means the Internal Revenue Code of 1986, as amended.

**Contribution** means an amount invested in an Account.

**Coverdell ESA** means a Coverdell Education Savings Account.

**Designated Beneficiary** or **Beneficiary** means the individual you identify as the beneficiary of the Account whose Qualified Higher Education Expenses are expected to be paid from the Account or, for Accounts owned by a state or local government or qualifying tax-exempt organization (otherwise known as a 501(c)(3) entity) as part of its operation of a scholarship program, the recipient of a scholarship. Any individual may be the Designated Beneficiary of an Account, including the Account Owner.

**Distributee** means the Designated Beneficiary or Account Owner who receives or is deemed to have received a distribution.

**EFT** means electronic funds transfer.

**Eligible Educational Institution** means an accredited post-secondary educational institution offering credit toward a bachelor’s degree, an associate’s degree, a graduate level or professional degree, or another recognized post-secondary credential, which is eligible to participate in certain federal student financial aid programs. Certain proprietary institutions, foreign institutions and post-secondary vocational institutions are also included as are certain specified military academies.

**Enrollment Application** refers to the Texas College Savings Plan Enrollment Application.

**FDIC** means Federal Deposit Insurance Corporation.

**Good Order** means in the case of a Plan application or other Plan form that the application or form is completed in full, signed by appropriate authorized signatories, and accompanied by any required supplementary information and fees, if any.

**Individual Fund Portfolio** means a Portfolio which is invested in a single Underlying Investment in which your investment will generally remain until you instruct the Plan to move it to another Portfolio.

**IRS** means the Internal Revenue Service.

**Maximum Contribution Limit** means the maximum contribution (currently \$370,000) per Designated Beneficiary aggregated across all accounts in Texas-sponsored 529 Plans that cannot be exceeded through additional Contributions. Accounts that have reached the limit may continue to accrue earnings, but additional Contributions are prohibited. See “Maximum Contribution Limit” on page 6 for details.

**Member of the Family** means a relative of the Designated Beneficiary as defined under Section 529 of the Code. See “Member of the Family” on page 17 for details.

**Non-Qualified Withdrawal** means a distribution from an Account that is not used to pay for Qualified Higher Education Expenses.

**Plan** means the Texas College Savings Plan, a Section 529 Plan administered by the Texas Prepaid Higher Education Tuition Board.

**Plan Description** means the Texas College Savings Plan, Plan Description and Savings Trust Agreement, as amended and supplemented from time to time.

**Portfolio** means a Plan portfolio, which may invest in mutual funds or other investments.

**Plan Distributor** means Northern Lights Distributors, LLC, an affiliate of NorthStar.

**Plan Manager** means NorthStar Financial Services Group, LLC. The Plan Manager, or its affiliates, are responsible for providing administrative, recordkeeping, distribution, customer service, fund accounting, custodian and reporting services for the Plan.

**Program Parties** means the State of Texas, the Board, the Plan, the Plan Manager and the Plan Distributor.

**Qualified Higher Education Expenses** means the Designated Beneficiary's qualified higher education expenses as defined in Section 529(e)(3) of the Code. Currently, such expenses include tuition, fees, books, supplies and equipment required for the enrollment or attendance of a Designated Beneficiary at an Eligible Educational Institution. Computers may also be considered Qualified Higher Education Expenses if required as a condition of enrollment or attendance at an Eligible Educational Institution. Room and board expenses, subject to certain limitations, are included as Qualified Higher Education Expenses for those students enrolled on at least a half-time basis. In the case of a special needs Designated Beneficiary, Qualified Higher Education Expenses include expenses for special needs services that are incurred in connection with such Designated Beneficiary's enrollment or attendance at an Eligible Educational Institution.

**Qualified Withdrawal** means a withdrawal from an Account that is used to pay the Qualified Higher Education Expenses of the Designated Beneficiary.

**Savings Trust Agreement** means the contract between the Account Owner and the Board, which establishes the Account and the obligations of the Board and the Account Owner.

**Section 529** means Section 529 of the Code.

**Section 529 Plan** means a college savings program established under and operated in accordance with Section 529 of the Code.

**Services Agreement** means the Texas 529 Plan Management Services Agreement, between the Board and NorthStar, as from time to time supplemented and amended.

**Static and Individual Fund Portfolio Approach** means one of the investment approaches offered under the Plan where the Account Owner may design his or her own asset allocation across the risk/reward spectrum. Investments in the Static and Individual Fund Portfolio Approach generally remain in the Portfolios selected until you instruct the Plan to move it to another investment approach or Portfolio.

**Static Portfolio** means a Portfolio in which your investment will generally remain until you instruct the Plan to move it to another Portfolio.

**State** refers to the Texas state government.

**Successor Account Owner** means the person designated by the Account Owner to assume ownership of the Account in the event the Account Owner dies while there is still money in the Account.

**UGMA/UTMA** means the Uniform Gifts to Minors Act or Uniform Transfers to Minors Act.

**Underlying Investment(s)** means the one or more mutual funds or other investment vehicles in which assets of the Portfolios are invested.

**Unit(s)** means interests in a Portfolio that are purchased with Contributions to an Account.

## OVERVIEW

The Plan, established by the State of Texas, administered by the Texas Prepaid Higher Education Tuition Board, and managed by NorthStar Financial Services Group, LLC, provides a tax-advantaged vehicle to save for college, graduate school and other forms of higher education. The Board may amend this Plan Description and Savings Trust Agreement at any time.

The Plan is established and maintained with the intent that it meets the requirements for favorable federal tax treatment under Section 529 of the Code. Qualification under Section 529 of the Code is vital, and the Board may choose to amend this Plan Description if the Board determines that such an amendment is necessary to maintain qualification under Section 529 of the Code. If for any reason the Internal Revenue Service determines that the Plan does not qualify under Section 529 of the Code, such a determination could have significant adverse tax consequences to you.

In addition to the Plan described in this Plan Description, the Board administers a separate prepaid tuition 529 plan, the Texas Guaranteed Tuition Plan, which is currently closed to new enrollment, and a financial adviser sold savings 529 Plan, the LoneStar 529 Plan®, which is described in a separate plan description, and the Texas Tuition Promise Fund®, the state's newest prepaid tuition plan, which is also described in a separate plan description. More information about these plans is available at [www.texastomorrowfunds.com](http://www.texastomorrowfunds.com) or by calling 800.445.GRAD (4723). Each of these plans are intended to meet the qualifications of a qualified tuition program under Section 529 of the Code.

Capitalized terms not defined in the text have the meanings set forth in the section titled "Definitions of Key Terms."



**No dealer, broker, salesperson or other person has been authorized to provide any information or to make any representation other than those contained in this Plan Description. If given or made, such other information or representations must not be relied upon.**

**Statements contained in this Plan Description, 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. The information and expressions of opinion herein are subject to change without notice. Neither delivery of this Plan Description, nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Texas College Savings Plan since the date of this Plan Description.**

Information in this Plan Description is believed to be accurate as of the date of the Plan Description and is subject to change without notice.

## **PLAN HIGHLIGHTS**

These Plan Highlights only summarize features of the Plan. More detailed information about the Plan, including establishing an Account, the Portfolios, fees and expenses, investment risks, and tax consequences, are described in the pages that follow. Please read this entire Plan Description and the Savings Trust Agreement carefully before investing and keep them for future reference.

### **Plan Administrator**

(See “Introduction” on page 1 for details.)

- The Texas Prepaid Higher Education Tuition Board administers the Plan.

### **Service Providers**

(See “Introduction” on page 1 for details.)

- NorthStar Financial Services Group, LLC serves as Plan Manager and is responsible for the day-to-day operation of the Plan.
- Northern Lights Distributors, LLC is responsible for the marketing and distribution of the Plan.

### **Eligible Account Ownership**

(See “The Application Process” on page 1 for details.)

The Plan is available (without restriction on state of residence or income) to investments by persons (or entities) who are:

- United States citizens or permanent resident aliens 18 years or older who have a valid Social Security number.
- Corporations, partnerships, or trusts.
- State or local government, or tax-exempt organizations described in Section 501(c)(3) of the Internal Revenue Code.
- Custodians of UGMA/UTMA accounts can open an Account.

### **Age Limits**

- Account Owner must be 18 years or older.
- No age limit for the Designated Beneficiary.

### **Designated Beneficiary**

(See “The Application Process” on page 2 for details.)

- Can be any age, must have a valid Social Security number, and does not need to be related to the Account Owner.
- A government entity or 501(c)(3) not-for-profit organization can establish Accounts to fund scholarship programs without designating a Designated Beneficiary at the time an Account is established.

### **Control of Account**

(See “The Application Process” on page 1 for details.) The Account Owner:

- Retains ownership and control of how and when Account assets are used.
- May change the Designated Beneficiary of the Account only if the new Designated Beneficiary is a Member of the Family of the former Designated Beneficiary.
- The earnings portion of Non-Qualified Withdrawals generally are subject to federal and state income taxes, and with certain limited exceptions, a 10% additional federal tax penalty on earnings.

### **Minimum Contributions**

(See “Contributions” on page 3 for details.)

- \$25 minimum per Portfolio (\$15 minimum per Portfolio when funding an Account through AIP or payroll deduction).

### **Maximum Contribution Limit**

(See “Maximum Contribution Limit” on page 6 for details.)

- Maximum Contribution Limit currently in place is \$370,000, subject to change in the future.
- Accounts that have reached the limit may continue to accrue earnings, but additional Contributions (including rollover Contributions) are prohibited.
- The Maximum Contribution Limit applies to aggregate Contributions to all Accounts for a particular Designated Beneficiary under the Plan and all other Texas Section 529 Plans.

### **Qualified Withdrawals**

(See “Withdrawals” on page 17 for details.)

- Account balances that are used for Qualified Higher Education Expenses are Qualified Withdrawals and are federal income tax free.

### **Investment Approaches**

(See “Investment Approaches” on page 7 for details.) The Plan offers the following investment options:

- Age-Based Approach—Automatic asset allocation changes based upon the Designated Beneficiary’s age
- Blended Age-Based Portfolios
- Index Age-Based Portfolios



- Static and Individual Fund Portfolio Approach—Design your own asset allocation across the risk/ reward spectrum
- Blended Static Portfolios
- Index Static Portfolios
- Individual Fund Portfolios
- Account Owners can change how previous Contributions (and any earnings thereon) have been allocated among the available investment options for all Accounts for the same Designated Beneficiary twice per calendar year or upon a change of the Designated Beneficiary.

### **Plan Fees and Expenses**

(See “Fees and Expenses” on page 14 for details.)

- Total Annual Asset-based Plan fees, which vary based on the Portfolio option selected.
- Total Annual Asset-based Plan fees range from 0.68% to 1.00%. (expressed as a percentage of the Portfolio’s average daily net assets)
- Other fees and charges may apply.

### **Investment Risks and Other Considerations**

(See “Plan and Portfolio Risks” on page 22 for details.)

- Account assets are not guaranteed and an Account may lose money.
- Federal and state tax laws may change.
- Investment options, fees and expenses may change.
- Contributions to an Account may affect the eligibility of the Designated Beneficiary or the Account Owner for federal and state benefits (e.g., financial aid, Medicaid).

### **Federal Tax Treatment**

(See “Tax Treatment of Contributions and Withdrawals” on page 19 for details.)

- Account earnings accrue federal income tax free.
- No federal gift tax on Contributions up to \$70,000 (\$140,000 for spouses electing to split gifts)—subject to certain pro-rata requirements.
- Contributions are generally considered completed gifts for federal gift and estate tax purposes.
- Contributions made by a decedent on behalf of a Designated Beneficiary are generally not included in the decedent’s estate for federal estate tax purposes.
- The earnings portion of a Qualified Withdrawal is not taxable to the Account Owner or Designated Beneficiary.
- The earnings portion of a Non-Qualified Withdrawal is includable in the taxable income of the Account Owner and possibly the Designated Beneficiary if paid to the Designated Beneficiary.
- Subject to certain exceptions, the earnings portion of a Non-Qualified Withdrawal also will be subject to an additional 10% federal penalty.

### **State Tax Treatment**

(See “Tax Treatment of Contributions and Withdrawals” on page 19 for details.)

- Texas does not impose a state income tax on individuals. However, if an Account Owner is a taxable business entity, earnings on Non-Qualified Withdrawals may be subject to the Texas franchise tax.
- State tax treatment varies from state to state.

### **Portfolio Performance**

(See “Portfolio Performance Information” on page 13 for details.)

- Performance information for the Portfolios is updated each trading day on the Plan’s website at [www.texascollegesavings.com](http://www.texascollegesavings.com).
- **Past performance is not a guarantee of future performance. Investment results may be better or worse than the performance shown.**

### **Contact Information**

Texas College Savings Plan  
c/o NorthStar Financial Services Group, LLC  
17605 Wright Street, Omaha, Nebraska 68130  
[www.texascollegesavings.com](http://www.texascollegesavings.com)  
800.445.GRAD (4723), option #3.

### **Comments or Complaints**

Comments or complaints may be forwarded to the Prepaid Higher Education Tuition Program, Office of the Comptroller of Public Accounts, P.O. Box 13407, Austin, Texas 78711-3407 or by calling 1.512.936.2064.

## INTRODUCTION

**The Purpose of the Plan.** As authorized by the Texas State Legislature, the Plan offers a Section 529 Plan for tax-advantaged savings trust accounts from which distributions will be made for Qualified Higher Education Expenses at an Eligible Educational Institution. To benefit fully from the Plan, the Designated Beneficiary must attend an Eligible Educational Institution and use the funds for Qualified Higher Education Expenses.

This Plan Disclosure Statement describes only Accounts held through the Plan that are sold directly to Account Owners. There are other plans established by the State of Texas and administered by the Board that may offer different investment options, different benefits, different fees, different costs and expenses. The other plans include the LoneStar 529 Plan, an adviser-sold Plan, and the Texas Tuition Promise Fund, a prepaid Plan. The LoneStar 529 Plan is designed for investments by Account Owners through a financial advisor. The Texas Tuition Promise Fund is designed to allow a person to purchase tuition units that may be applied in payment of the beneficiary's undergraduate tuition and fees at a Texas public college or university. You can obtain information regarding the Texas-sponsored 529 plans by visiting [www.lonestar529.com](http://www.lonestar529.com) or call us at 800.445.GRAD (4723), option #4 for the LoneStar 529 Plan or by visiting [www.texastuitionpromisefund.com](http://www.texastuitionpromisefund.com); or call us at 800.445.GRAD (4723), option #5.

**The Plan Manager.** The Board has retained NorthStar as Plan Manager to provide administration, recordkeeping, customer service, fund accounting and reporting services for the Plan. Northern Lights Distributors, LLC is the distributor of the Plan, and an affiliate of NorthStar. The Plan Manager acts on behalf of the Board. The Board retains ultimate authority for the management of the Plan.

**The Investment Managers.** The Board has selected Artisan Partners Limited Partnership, Dimensional Fund Advisors LP, Dodge & Cox, The Dreyfus Corporation, Invesco Advisers, Inc., T. Rowe Price Associates, Inc. and The Vanguard Group, Inc. to each be an Investment Manager for the Plan. In such capacity, each such Investment Manager serves as the investment manager of the Underlying Investment(s) in which the Portfolios invest. A separate board of trustees and/or investment manager for a particular Underlying Investment, and not the Board or the Plan Manager, manage, operate and determine the investment policies of each Underlying Investment.

**The Board.** The Plan is maintained by the State of Texas and is administered by the Board. The Board, which serves as trustee of the Plan's assets, has the authority to appoint a Plan Manager, adopt rules and regulations to implement and administer the Plan, and establish investment policies for the Plan. The Plan assets are maintained separately from

other Section 529 Plans established by the State of Texas and assets of the State of Texas. Additional information about the Board, the Plan Manager and the Plan Distributor is available at [www.texascollegesavings.com](http://www.texascollegesavings.com) or by calling 800.445.GRAD (4723), option #3.

## THE APPLICATION PROCESS

An Account Owner may be an individual, a state or local government, a tax-exempt organization described in Section 501(c)(3) of the Code, a custodian under a UGMA/UTMA, or another type of legal entity, such as a trust, corporation, or partnership. Account Owners are not restricted by income or state of residence. An Account must have only one owner; joint ownership is not permitted.

There is no fee or charge for establishing an Account. Each Account will be established as a separate Account under the Plan for a single Designated Beneficiary. A prospective Account Owner must complete an Enrollment Application and consent and agree to the terms and conditions of the Savings Trust Agreement between the Account Owner and the Board, and any other documents required by the Plan Manager or the Board and make the minimum Contribution required by the Plan Manager for an Account to be established.

Accounts will not be established, orders will not be executed, and the Enrollment Application and Contribution amount will be returned if the Enrollment Application is not complete. Signing an Enrollment Application acknowledges receipt of this Plan Description and the Savings Trust Agreement and acceptance of the terms and conditions of the Savings Trust Agreement.

**Account Ownership.** Any individual, trust, estate, Uniform Gift to Minors Act ("UGMA") or Uniform Transfer to Minor Act ("UTMA") custodian, guardian, corporation, nonprofit entity or other legal entity (such as a partnership or limited liability company) may participate in the Plan by completing an Enrollment Application and making Contributions to an Account. Accounts may only be established by individuals 18 years or older and entities that are United States persons (within the meaning of Code Sec. 7701(a)(30)).

If the Account Owner is a partnership, corporation or other entity, the entity must provide a valid taxpayer identification number, and the name and title of a person authorized by the entity to act in its capacity. The entity must be domiciled in the U.S. including Puerto Rico, Guam, and the U.S. Virgin Islands. The entity may be required to provide appropriate documentation to accompany the Enrollment Application. When signing Plan forms or conducting a transaction, the person authorized to act on behalf of the entity will certify that he or she continues to be authorized to act on behalf of the entity. The Plan Manager will be entitled to presume that any entity documents provided are valid, effective to bind the

entity, and will have no liability for defective documentations submitted by the authorized representative.

If the account owner is a trust, the trustee should consult with his or her legal and tax advisors before establishing the account. This Plan Description does not address the income or transfer tax consequences of investments in the Plan made by a trust or the propriety of such an investment under state trust law. The trustee may be required to submit documents when an account is opened. Call the Plan for more information.

If the Account Owner is a Custodian see **UGMA/UTMA Custodial Accounts** below.

**Successor Account Owner.** An Account Owner may designate a Successor Account Owner in the Enrollment Application or online at [www.texascollegesavings.com](http://www.texascollegesavings.com). An Account Owner may only change a previous designation upon written notice to the Plan Manager. If the original Account Owner dies, the Successor Account Owner becomes the Account Owner. If an Account Owner did not complete the Successor Account Owner information, ownership of the Account will pass according to the terms of the Account Owner's will following probate. If the Account Owner does not provide this information on the Account Application and does not make any provision in a will, ownership will pass by operation of law.

**Changing the Account Owner.** You may transfer your Account to another Account Owner without changing the Designated Beneficiary of your Account. Such a transfer will be effective only if it is irrevocable and transfers all rights, title, interest and power over the Account to the new Account Owner. The tax consequences associated with a transfer of ownership are uncertain. You should consult with a qualified tax advisor concerning the potential income, gift and estate tax consequences of a transfer of ownership before completing such a transfer. To transfer ownership to a new Account Owner, please contact the Plan Manager.

**Account Owners and the Designated Beneficiary.** Each Account can have only one Account Owner and one Designated Beneficiary at any time. The Designated Beneficiary may be any individual and need not be related to the Account Owner. The Account Owner may be named as a Designated Beneficiary. An Account Owner may open multiple Accounts for the same Designated Beneficiary, and more than one Account Owner may open Accounts for the same Designated Beneficiary. The Designated Beneficiary must be designated at the time the Account is opened. Exception: a Designated Beneficiary does not have to be named when the Account Owner is a state or local government (or agency or instrumentality thereof) or an organization described in Code section 501(c)(3) and exempt from taxation under Code section 501(a) as part of a scholarship program operated by such government or organization.

**Investments in the Plan.** Your Savings Trust Agreement and Account represents an investment in a security issued by the Plan also referred to as a Unit in the Plan, and this Unit is being distributed by the Plan Distributor.

Investors should consider the structure of the Plan and the different investment strategies employed by and risks of each Portfolio, including the Age-Based Portfolios, before opening an Account.

**Changing the Designated Beneficiary of Your Account.** With the exception of Accounts funded by proceeds from an UGMA/ UTMA account, Account Owners may change the Designated Beneficiary of an Account. Under Texas law, the new Designated Beneficiary must be a Member of the Family of the former Designated Beneficiary. If the new Designated Beneficiary is a Member of the Family of the existing Designated Beneficiary, there is no penalty or adverse income tax consequences resulting from such change. If you wish to change the Designated Beneficiary to someone who is not a Member of the Family of the existing Designated Beneficiary, you would make a Non-Qualified Withdrawal, which would be subject to federal income taxation on the investment earnings withdrawn, as well as an additional 10% federal penalty on such investment earnings withdrawn as a Non-Qualified Withdrawal, unless an exception applies.

Changing the Designated Beneficiary of an Account can have significant gift tax or generation-skipping-transfer tax consequences. You should consult with a tax advisor prior to changing the Designated Beneficiary of your Account.

**Requesting a Change in Designated Beneficiary.** You may request a change of the person designated as Designated Beneficiary only by completing a Change of Designated Beneficiary Form or an Account Maintenance Form. If you change the person designated as Designated Beneficiary of your Account, you may select new investment options for the new Designated Beneficiary based on the circumstances of the new Designated Beneficiary.

**UGMA/UTMA Custodial Accounts.** An Account Owner who is the custodian of an account established or being opened under a state's UGMA/UTMA ("Custodial Account") may be able to open an Account in his or her custodial capacity, depending on the laws of that state.

Custodial Accounts involve additional restrictions that do not apply to other types of Section 529 Plan accounts. A custodian using UGMA/UTMA funds to establish an Account must complete a UGMA/UTMA Enrollment Application. None of the Program Parties will be liable for any consequences related to a custodian's improper use, transfer or characterization of custodial funds. UGMA/UTMA custodians must establish Accounts in their custodial capacity separate from any Accounts they may hold in their individual capacity in order to contribute UGMA/UTMA property to an Account.

In general, UGMA/UTMA Custodial Accounts are subject to additional requirements and restrictions not applicable to other Accounts. An Account Owner maintaining an Account as a UGMA/UTMA custodian may not change the Designated Beneficiary of the Account. All UGMA/UTMA Account assets are treated by the Plan as subject to the UGMA/UTMA. Moreover, because only cash may be used to open an Account in the Plan, non-cash assets held by an UGMA/UTMA account would have to be liquidated prior to investment in the Plan, resulting in a taxable event to the Designated Beneficiary. Please consult a tax professional to determine how to transfer an existing UGMA/UTMA account, and what the implications of such a transfer may be for your specific situation.

Because the Designated Beneficiary of an Account under the UGMA/UTMA is the owner of the Account for tax purposes, any tax consequences from a withdrawal from an Account will be imposed on the Designated Beneficiary, and not the UGMA/UTMA custodian Account Owner (who is considered the owner of the Account by the Plan). Also, when the Designated Beneficiary reaches the age of majority, he or she will become the sole Account Owner with complete control over the Account. Designated Beneficiaries that reach the age of majority must notify the Plan Manager to complete the applicable forms and documentation to become the sole Account Owner. To complete a transfer of ownership, please contact the Plan Manager.

An Account Owner maintaining an Account as an UGMA/UTMA custodian may not change the Designated Beneficiary of the Account, except as may be permitted by applicable law. All UGMA/UTMA Account assets are treated by the Plan as subject to the UGMA/UTMA. Moreover, because only cash may be used to open an Account in the Plan, non-cash assets held by an UGMA/UTMA account would have to be liquidated prior to investment in the Plan, resulting in a taxable event to the Designated Beneficiary. Please consult a tax professional to determine how to transfer an existing UGMA/UTMA account, and what the implications of such a transfer may be for your specific situation.

**Changing the Designated Beneficiary of UGMA/UTMA Accounts.** If an investment in an Account consists of the proceeds from a UGMA/UTMA account, the Designated Beneficiary of the Account cannot be changed. In addition, such Account cannot be transferred to another Account Owner (other than to a successor UGMA/UTMA custodian for the benefit of the same Designated Beneficiary upon receipt of written evidence of the due appointment of the successor custodian and a new Account Application in Good Order. All withdrawals must be for the benefit of the Designated Beneficiary.

## **IMPORTANT INFORMATION ABOUT PROCEDURES FOR OPENING A NEW ACCOUNT**

Establishment of an Account is subject to acceptance by the Plan Manager, including the verification of an Account Owner's identity and other information in compliance with the requirements of the USA PATRIOT Act and other applicable law.

The Enrollment Application includes the Account Owner's name, street address, Social Security number, date of birth and other identification information. Applicable law requires completion of this information before an Account is opened, and the Account Owner may also be requested to provide other identification documents. In addition, the Plan may confirm an Account Owner's identity through the use of identity verification reports provided by consumer reporting agencies. An Account Owner's personal information will be treated confidentially. If an Account Owner fails to provide the required information or provides inaccurate information, this may lead to a delay in the processing of the Enrollment Application and the investment of Contributions. If the Plan cannot complete the identification process, the Plan Manager may take certain actions regarding the Account without prior notice to the Account Owner, including among others, rejecting Contributions and withdrawal and transfer requests, suspending account services, or closing the Account. The risk of market loss, tax implications, and any other expenses, as a result of liquidation, will be solely the Account Owner's responsibility.

## **CONTRIBUTIONS**

Except as otherwise noted, the minimum initial Contribution to the Plan is \$25 per Portfolio with \$25 minimum subsequent Contributions per Portfolio (\$15 minimum per Portfolio when funding an Account through an Automatic Investment Plan (AIP) or payroll deduction). Contributions to Portfolios are invested in accordance with the investment policy established by the Board.

A Contribution, rollover or transfer may be refused if the Board or the Plan Manager reasonably believes that (i) the purpose is for other than funding the Qualified Higher Education Expenses of the Designated Beneficiary of an Account, (ii) there appears to be an abuse of the Plan, or (iii) such transaction is unlawful. The Plan may not be able to determine that a specific Contribution, rollover or transfer is for other than funding the Qualified Higher Education Expenses of a Designated Beneficiary or is abusive or unlawful. The Plan therefore makes no representation that all such Contributions, rollovers or transfers can or will be rejected.



**Minimum Initial Contribution per Portfolio.** An Account Owner may allocate his or her Contributions among as many Portfolios as the Account Owner desires, subject to the minimum initial Contribution per Portfolio of \$25.

**Methods of Contribution.** Contributions must be made in “cash form” by check, AIP, payroll deduction through a participating employer, EFT, or federal funds wire. No securities will be accepted. Contributions by money order will not be accepted. Third party checks will only be accepted at the Plan Manager’s discretion. Account Owners must send a minimum initial Contribution of \$25 by check with their Enrollment Application. The check must be made payable to “Texas College Savings Plan.” Subsequent Contributions must be at least \$25 per Portfolio with \$25 minimum subsequent Contributions per Portfolio (\$15 minimum per Portfolio when funding an Account through AIP or payroll deduction).

**Automatic Investment Plan (AIP).** Account Owners may authorize the Plan to perform periodic automatic debits from a checking or savings account at another financial institution to execute Contributions to their Accounts. To initiate an AIP, Account Owners must either (i) complete the AIP section of the Enrollment Application and submit a voided bank check or savings account deposit slip, or (ii) (if the Account has been established) submit to the Plan Manager an Account Maintenance Form and a voided bank check or savings account deposit slip. AIP plans may also be initiated or changed online at [www.texascollegesavings.com](http://www.texascollegesavings.com). Automatic Contributions must be at least \$15 monthly. An authorization to perform automatic periodic Contributions will remain in effect until the Plan Manager has received notification of its termination. Changes to, or termination of, an AIP must occur at least 5 business days before the cycle date. The cycle date is the day of the month you designate on which the investment is regularly scheduled to occur. If no cycle date is indicated, the cycle date will default to the 10th of the month. If the cycle date falls on a weekend or a holiday, the investment will occur on the next business day. There is no charge for enrolling in the Plan’s AIP. Use of AIP does not assure a profit or protect against a loss in a declining market. Information about the Plan’s AIP is available from the Plan Manager.

**Direct Deposits from Payroll.** Account Owners may be eligible to make automatic periodic Contributions to their Accounts by payroll deduction if their employers offer such a service. The minimum initial and subsequent payroll deduction Contribution is \$15 per month. Contributions by payroll deduction will only be permitted from employers able to meet the Plan’s operational and administrative requirements for Section 529 Plan payroll Contributions.

**Electronic Funds Transfer (EFT).** To activate this option, an Account Owner must either (i) select it on the Enrollment Application and submit a voided bank check or savings account deposit slip, or (ii) (if the Account has been established) submit an Account Maintenance Form to the Plan and a voided bank check or savings account

deposit slip. EFTs may also be initiated or changed online at [www.texascollegesavings.com](http://www.texascollegesavings.com).

**Systematic Exchange Feature.** The Plan allows Account Owners the ability to invest Contributions in the Plan and take advantage of dollar cost averaging via monthly systematic exchanges. Account Owners may choose an originating Portfolio and designate a destination Portfolio into which specified dollar amounts (a minimum of \$25) will be transferred on a monthly or quarterly basis. Account Owners can choose the Systematic Exchange Feature on their initial Enrollment Application or subsequently on an Account Maintenance Form. Account Owners must have at least \$1,000 in the originating Portfolio to start the Systematic Exchange Feature. An election to begin or end investing Contributions pursuant to the Plan’s Systematic Exchange Feature is counted toward the Account Owner’s twice per calendar year Account investment reallocation. An election to invest or not invest future Contributions pursuant to the Plan’s Systematic Exchange Feature is not counted toward the Account Owner’s twice per calendar year Account investment reallocation.

#### **Sources of Contributions**

**Rollover Contributions.** Rollover Contributions to an Account from another Section 529 Plan must be accompanied by the appropriate form as well as any other required documentation. In general, a rollover to an Account made either directly from another Account in the Plan, directly from an account in another Texas-sponsored Section 529 Plan, or from an account within another state’s Section 529 Plan, will not be considered a Non-Qualified Withdrawal subject to the additional 10% federal penalty, if such rollover is into an Account for a new Designated Beneficiary who is a Member of the Family of the existing Designated Beneficiary. A rollover from another state’s Section 529 Plan for the benefit of the same Designated Beneficiary may be income tax free if no other rollover transfers have occurred with respect to such Designated Beneficiary within the prior 12 months.

A rollover from another state’s Section 529 Plan can be made directly or indirectly. An indirect rollover involves the distribution of money from an account within another state’s Section 529 Plan to the Account Owner, who then contributes the money to an Account, provided that the Contribution occurs within sixty (60) days of the distribution. You should be aware that not all accounts from other states’ Section 529 Plans permit direct rollovers of funds. Additionally, there may be state income tax consequences (and in some cases penalties) from a rollover out of another state’s Section 529 Plan, such as the recapture of prior state tax deductions or credits taken on Contributions to the Section 529 Plan.

**Plan Transfers for the Account of a New Designated Beneficiary.** An Account Owner may make a transfer to an Account for the benefit of a new Designated Beneficiary without imposition of federal income tax or the additional 10% federal penalty, if such transfer is made within sixty (60) days of distribution from the originating account into an

Account for a new Designated Beneficiary who is a Member of the Family of the existing Designated Beneficiary.

**Plan Transfers for the Same Designated Beneficiary.** An Account Owner may make a transfer within the Plan for the benefit of the same Designated Beneficiary. If the funds are transferred directly between Accounts, the transfer may be treated as a nontaxable investment reallocation allowable only twice per calendar year rather than as a tax-free rollover or transfer. If an Account Owner takes a distribution (i.e., receives a withdrawal check from the transferring account), the withdrawal will be subject to a 10% federal penalty on earnings (even if amounts are subsequently re-deposited). You should consult with your tax or financial advisor prior to such transfer.

**Transfer into an Account from Another Texas-Sponsored Section 529 Plan for the Benefit of a New Designated Beneficiary.** An Account Owner may make a transfer to a Plan Account with funds from an account in another Texas-sponsored Section 529 Plan for the benefit of a new Designated Beneficiary without imposition of federal income tax or the additional 10% federal penalty, if such transfer is made within sixty (60) days of distribution from the originating account into an Account for a new Designated Beneficiary who is a Member of the Family of the existing Designated Beneficiary.

**Transfer into an Account from Another Texas-Sponsored Section 529 Plan for the Benefit of the Same Designated Beneficiary.** A transfer into an Account from an account in another Texas-sponsored Section 529 Plan for the benefit of the same Designated Beneficiary will be treated as a nontaxable investment reallocation allowable only twice per calendar year rather than as a tax-free rollover or transfer. This transfer counts towards the Account Owner's (and if more than one Account Owner is affected, all such Account Owners') twice per calendar year investment reallocation. If an Account Owner takes a distribution (i.e., receives a withdrawal check from the transferring account), the withdrawal may be treated as a Non-Qualified Withdrawal subject to federal and applicable state income tax and the additional 10% federal penalty on earnings (even if amounts are subsequently re-deposited). You should consult with your tax or financial advisor prior to such transfer. See "Withdrawals" on page 17.

**Rollovers from Coverdell ESAs and Series EE and Series I Bonds.** Tax-free transfers into an Account may be made from a Coverdell ESA or in connection with the redemption of Series EE or Series I bonds. See "Tax Treatment of Contributions and Withdrawals" on page 19.

**Third-Party Contributions.** Individuals other than the Account Owner who make Contributions to an Account will have no subsequent control over the Contribution. Such Contributions may have gift or other tax consequences. The check must be made payable to "Texas College Savings Plan." See "Tax Treatment of Contributions and Withdrawals" on page 19.

**Net Asset Value.** The Plan Manager calculates a net asset value for each Unit of a particular Portfolio, after 4:00 pm ET, on each day that the New York Stock Exchange is open for trading. Net asset value is computed by dividing the value of the Underlying Investments held in a Portfolio, plus any receivables and less any liabilities (including the management and administrative fees) of such Portfolio, by the number of outstanding Units of the Portfolio.

The net asset value per Unit for purposes of calculating the investment or reinvestment of Contributions received in Good Order by the Plan Manager will be the net asset value calculated for the business day Contributions are invested or reinvested as described in this Plan Description. The net asset value per Unit used to calculate the value of a withdrawal from an Account will be the first net asset value per Unit calculated after a completed withdrawal request is received in Good Order by the Plan Manager.

#### **REQUIRED INFORMATION UPON CERTAIN CONTRIBUTIONS TO THE PLAN**

When making a Contribution to an Account through a transfer from a Coverdell ESA, a redemption of Series EE or Series I bonds, a rollover from another Section 529 Plan or a transfer from another Texas-sponsored Section 529 Plan, the contributor must indicate the source of the Contribution and provide the Plan Manager with the following documentation, as applicable:

- In the case of a Contribution from a Coverdell ESA, an account statement issued by the financial institution that acted as custodian of the Coverdell ESA that shows basis and earnings in the Coverdell ESA.
- In the case of a Contribution from the redemption of a Series EE or Series I bond, an account statement or IRS Form 1099-INT issued by the financial institution that processed the bond redemption showing interest from the redemption of the bond.
- In the case of a rollover Contribution from another state's Section 529 Plan, a statement issued by the distributing plan that shows the earnings portion of such rollover Contribution. In the case of any direct transfer from another Texas-sponsored Section 529 Plan, the other Texas-sponsored Section 529 Plan must provide the Plan a statement that shows the earnings portion of the transferred amount.



Unless and until the Plan Manager receives the documentation described above, as applicable, the Plan is required under IRS guidance to treat the entire amount of the Contribution as earnings in the Account receiving the distribution.

### **SELECTION OF INVESTMENT OPTION(S)**

Investment option(s) and the percentage of each Contribution to be allocated to the Portfolio(s) selected must be indicated on the Enrollment Application. The total allocation may not exceed 100%. All subsequent Contributions will be invested in the selected Portfolio(s) and at the designated allocations until a new designated allocation is selected by the Account Owner.

### **INVESTMENT CHANGES**

You may move assets already invested in your Account to a different Portfolio or group of Portfolios twice per calendar year without changing the Designated Beneficiary on the Account online or by submitting the appropriate form. You may also move assets already invested in your Account to a different Portfolio or group of Portfolios anytime you change your Designated Beneficiary. In addition, you may change your designated allocation for future Contributions at any time, either online or by submitting the appropriate form.

### **MAXIMUM CONTRIBUTION LIMIT**

Although there is no limit upon the growth of an Account from earnings, Contributions to an Account will only be permitted if the aggregate Contributions, including the proposed Contribution amount, of all Plan (and other Texas-sponsored Section 529 Plan) Accounts for the same Designated Beneficiary does not exceed \$370,000 ("the Maximum Contribution Limit").<sup>1</sup> The Board sets the Maximum Contribution Limit, which is subject to change.

The Board expects to evaluate the Maximum Contribution Limit periodically. Accounts that have reached the Maximum Contribution Limit may continue to increase in value depending on market fluctuation. While not expected now, it is possible that federal tax law may alter the Maximum Contribution Limits in the future.

### **EXCESS CONTRIBUTIONS**

The Account Owner bears the risk of loss in connection with proposed Contributions, rollover, or transfer in excess of the Maximum Contribution Limit ("Excess Contribution"). Any proposed Contributions, rollover or transfers received in

excess of the Maximum Contribution Limit will be returned to the Account Owner minus any investment losses. If the aggregate Account balance for a Designated Beneficiary exceeds the Maximum Contribution Limit due to earnings on the Account, no amount will be refunded to the Account Owner (unless the Account Owner requests a withdrawal).

Any Excess Contributions will be returned to the Account Owner, without adjustment for gains or losses. The Plan Manager will not knowingly accept and will ultimately reject Contributions, rollovers, or transfers in excess of the Maximum Contribution Limit. Contributions will be deposited up to the applicable limits and the remainder will be refunded less any amounts attributable to market losses suffered between the date of the contribution and the date of the refund. If a Contribution is applied to an account and it is later determined that the Contribution resulted in exceeding the Maximum Texas Contribution Limit, the Excess Contribution and the earnings thereon, if any, will be refunded to the contributor. Any refund of an Excess Contribution may be treated as a Non-Qualified Withdrawal.

### **CONTRIBUTION POLICIES AND RELATED FEES**

Following receipt of Contributions by check or by transfer of funds electronically, the Plan reserves the right, subject to applicable law, not to allow withdrawals of those funds (or their equivalent) for up to 10 calendar days. The Plan Manager can explain this policy to you. The Plan may impose a fee (which may be deducted from the Account) for any check, AIP debit, or telephone EFT Contribution returned unpaid by the financial institution upon which it is drawn.

**Account Transactions.** Transaction requests (Contributions to Accounts, withdrawal requests, and exchanges among investment approaches) received in Good Order prior to the close of the New York Stock Exchange (NYSE), normally 4:00 pm ET, will be processed on the same business day or on the next succeeding business day if the transaction request is received after the close of the NYSE. Notwithstanding the above, normally for AIP and EFT Contributions, the debit will be made on or about the selected cycle date. Dividends and/or capital gains paid by the Underlying Investments to the Plan are reflected in the net asset value of the applicable Portfolio and are not distributed as cash into individual Accounts.

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<sup>1</sup> For purposes of the Maximum Contribution Limit, balances for all Accounts for the same Designated Beneficiary under all Plan Accounts (and all accounts in other Texas-sponsored Section 529 Plans) are aggregated.

**Confirmations, Statements and Reporting.** Confirmation statements will be mailed for any activity in an Account, except for Contributions made through the AIP, payroll deduction or Systematic Exchange Feature. Account Owners will also receive a quarterly statement of all Account activity for the given time period. Account Owners (other than those who make Contributions through the AIP, payroll deduction or Systematic Exchange Feature) may sign up to receive confirmations and account statements from the Plan in an electronic format, or request that the Plan discontinue electronic delivery, by accessing the Plan's website at [www.texascollegesavings.com](http://www.texascollegesavings.com). An Account Owner has 60 days to notify the Plan Manager of any errors on any Account confirmation, statement or report.

**Protecting Your Account.** The Plan uses reasonable procedures to confirm that transaction requests are genuine. The Account Owner may be responsible for losses resulting from fraudulent or unauthorized instructions received by the Plan Manager provided the Plan Manager reasonably believes the instructions were genuine. To safeguard your Account, please keep your Account information confidential. Contact the Plan Manager immediately if you believe there is a discrepancy between a transaction you performed and the confirmation statement you received, or if you believe someone has obtained unauthorized access to your Account.

**Ownership of Contributions.** Any individual or entity may make Contributions to an Account. Only the Account Owner will receive confirmation of Account transactions. The Account Owner owns all Contributions made to an Account as well as all earnings credited to the Account. Individuals or entities other than the Account Owner that contribute funds to an Account will have no subsequent control over the Contributions. Only the Account Owner may direct transfers, rollovers, investment changes (as permitted under federal law), withdrawals and changes in the Designated Beneficiary. The Plan Manager will contact Account Owners to clarify instructions when Contributions are received without instructions or with unclear instructions. A Designated Beneficiary who is not the Account Owner has no control over any of the Account assets.

## **NO ASSIGNMENTS OR PLEDGES**

Neither an Account nor any portion thereof may be assigned, transferred or pledged as security for a loan or otherwise (including, but not limited to, a loan used to make Contributions to the Account) either by the Account Owner or by the Designated Beneficiary.

## **SUCCESSOR ACCOUNT OWNER**

An Account Owner may designate a Successor Account Owner to succeed to all of the current Account Owner's rights, title, and interest in an Account (including the right to change the Designated Beneficiary) upon the death of

the current Account Owner. Such designation must either be on the original Enrollment Application, submitted in writing to the Plan Manager or completed online at [www.texascollegesavings.com](http://www.texascollegesavings.com) and is not effective until it is received and processed by the Plan Manager. The designation of a Successor Account Owner may be revoked or changed at any time by the Account Owner by submitting an Account Maintenance Form to the Plan Manager. Please contact the Plan Manager at 800.445.GRAD (4723), option #3, for information needed to change the ownership of an Account. Account Owners should consult a tax advisor regarding tax issues that might arise from transfer of Account ownership.

## **INVESTMENT APPROACHES**

### **General**

Account Owners, at the time of enrollment, select from two investment approaches:

- Age-Based Approach
  - Blended Age-Based Portfolios
  - Index Age-Based Portfolios
- Static and Individual Fund Portfolio Approach
  - Blended Static Portfolios
  - Index Static Portfolios
  - Individual Fund Portfolios

The Blended Age-Based Portfolios and the Blended Static Portfolios offer a combination of actively managed and index investments in one portfolio in order to offer investors (i) the potential outperformance of actively managed investments, which are designed to attempt to beat the performance of a major market index over the long-term, and (ii) the lower fees of index investments.

The Index Age-Based Portfolios and the Index Static Portfolios are designed to generate returns that closely mirror the performance of major market indices over the long term. These Portfolios are able to keep transaction costs and other expenses low because they are passively managed, meaning that the securities currently held in the benchmark index determine the Portfolio's investment.

Contributions to the Plan are invested in Portfolios selected by the Account Owner. The Board has designed each Portfolio with a different investment objective and asset allocation mix because investors have different investment goals, savings needs, investment time horizons, risk tolerances and financial and tax situations. Each Portfolio may invest in mutual funds or other investments. Portfolios with higher allocations in fixed income and money market Underlying Investments tend to be less volatile than those with higher equity Underlying Investment allocations. None of the Portfolios is designed to provide any particular total return over any particular time period or investment time horizon. Account Owners own interest in a Portfolio; they do not have a direct beneficial interest in the mutual funds, separate accounts and other

instruments held by that Portfolio and, therefore, do not have the rights of an owner or shareholder of such mutual funds, separate accounts or the other instruments. Because the Portfolios have different investment objectives, Account Owners have the opportunity to diversify their investment in the Plan. When investing in the Plan, an Account Owner should consider, among other factors, when Contributions will be made to the Account, the Contribution amounts, the time Contributions will be held in the Account before withdrawals are directed, other resources expected to be available to fund the Designated Beneficiary's Qualified Higher Education Expenses and the age of the Designated Beneficiary. Account Owners should periodically assess, and if appropriate, adjust their investment choices with their time horizon risk tolerance and investment objectives in mind.

Under federal tax law, once a Portfolio selection has been made, an Account Owner may only change how previous Contributions (and any earnings thereon) have been allocated among the available Portfolio options for all Accounts for the same Designated Beneficiary twice per calendar year or upon a change of the Designated Beneficiary. The Portfolios, the Accounts and the rate of return or interest rate are not insured or guaranteed by any of the Program Parties, the FDIC or any government agency. Neither the Board, nor any member of the Board or the State of Texas will be liable for any loss incurred by any person as a result of participating in the Plan. An Account may fluctuate in value and may be worth more or less than the amounts contributed at any given time.

The actual mix of assets in Portfolios that invest in more than one Underlying Investment will vary over time due to market performance. In seeking to meet the investment objective of each Portfolio, Underlying Investments, allocations to individual Underlying Investments and their weightings may change in response to changing market or economic conditions subject to the Board's approval and without prior notice to Account Owners. The Plan Manager will allocate each Portfolio's assets among Underlying Investments within the guidelines of each Portfolio's investment objective. For information regarding the current target allocations to particular Underlying Investments for each Portfolio, please refer to pages 8 and 12 or the Plan's website at [www.texascollegesavings.com](http://www.texascollegesavings.com). In addition, from time to time, a Portfolio may not be fully invested and may hold a limited amount of cash as needed to avoid overdrafts due to redemption requests, securities settlements, or similar situations.

### **Age-Based Approach**

If an Account Owner selects the Age-Based Approach, Contributions are invested in a Portfolio based upon the current age of the Designated Beneficiary. As the Designated Beneficiary gets older and moves into the next age group, the existing Account balance and new Contributions will automatically be invested into the next Portfolio in the

Age-Based Approach. Accounts for younger Designated Beneficiaries will be invested in a Portfolio that seeks to capitalize on the longer investment time frame and maximize returns. As time passes and the Designated Beneficiary approaches college age, investments are automatically moved to more conservative Portfolios that seek to preserve capital as the expected time for disbursement approaches. In the appropriate years, the movement between Portfolios will automatically take place on or about the Designated Beneficiary's date of birth or the next business day in the case of a weekend or holiday. At that time, Units of such Portfolio will be exchanged for an equal dollar value of Units of the next Portfolio in the sequence. This process will continue until Units of the Blended Age-Based 15-17 Years Portfolio or Index Age-Based 15-17 Years Portfolio are exchanged for an equal dollar value of Units of the Blended Age-Based 18 Years and Over Portfolio or Index Age-Based 18 Years and Over Portfolio, in which assets will remain invested until withdrawn or allocated by the Account Owner to a different Portfolio.

### **Rebalancing Age-Based Portfolios**

As a result of market gains and losses and earnings, the investment allocation of each of the Portfolios may differ over time from the target asset allocation described below. To maintain the target asset allocation for each of the Portfolios in the Age-Based Approach, the Plan Manager will rebalance each of the Portfolios at any time there is a positive or negative variance of five percent (5%) or more to retain the target asset allocations described below.

#### ***Blended Age-Based Portfolios***

**Blended Age-Based 0-6 Years Portfolio** invests primarily in equity investments in order to seek long-term growth. A percentage of assets will be invested in fixed income investments to provide some protection from equity volatility. This Portfolio has a target allocation of 60% domestic equity, 30% international equity and 10% fixed income.

**Blended Age-Based 7-9 Years Portfolio** invests in a combination of equity and fixed income investments in order to seek capital appreciation and income. This Portfolio seeks growth by investing in an asset allocation weighted toward equity investments versus fixed income investments. This Portfolio has a target allocation of 47% domestic equity, 23% international equity and 30% fixed income.

**Blended Age-Based 10-11 Years Portfolio** invests in a combination of equity and fixed income investments in order to seek capital appreciation and income. This Portfolio seeks moderate growth by investing in a balanced asset allocation slightly weighted toward equity investments over fixed income investments. This Portfolio has target allocation of 40% domestic equity, 20% international equity and 40% fixed income.

**Blended Age-Based 12-14 Years Portfolio** invests in a combination of equity and fixed income investments in order to seek capital appreciation and income. This Portfolio seeks moderate growth by investing in a balanced asset allocation weighted equally between equity investments and fixed income investments. This Portfolio has a target allocation of 33% domestic equity, 17% international equity and 50% fixed income.

**Blended Age-Based 15-17 Years Portfolio** invests in a combination of equity, fixed income and money market investments in order to seek capital appreciation and income. This Portfolio seeks conservative growth by investing in an asset allocation weighted toward fixed income investments over equity investments. This Portfolio has a target allocation of 20% domestic equity, 10% international equity, 60% fixed income and 10% money market.

**Blended Age-Based 18 Years and Over Portfolio** invests primarily in fixed income and money market investments in order to seek income and protection of principal. This Portfolio seeks preservation of capital with minimal growth by investing primarily in fixed income investments to maintain stability. This Portfolio has a target allocation of 7% domestic equity, 3% international equity, 75% fixed income and 15% money market.

### ***Index Age-Based Portfolios***

**Index Age-Based 0-6 Years Portfolio** invests primarily in equity investments in order to seek long-term growth. A percentage of assets will be invested in fixed income investments to provide some protection from equity volatility. This Portfolio has a target allocation of 60% domestic equity, 30% international equity and 10% fixed income.

**Index Age-Based 7-9 Years Portfolio** invests in a combination of equity and fixed income investments in order to seek capital appreciation and income. This Portfolio seeks moderate growth by investing in a balanced asset allocation slightly weighted toward equity over fixed income investments. This Portfolio has a target allocation of 47% domestic equity, 23% international equity and 30% fixed income.

**Index Age-Based 10-11 Years Portfolio** invests in a combination of equity and fixed income investments in order to seek capital appreciation and income. This Portfolio seeks moderate growth by investing in a balanced asset allocation slightly weighted toward equity over fixed income investments. This Portfolio has a target allocation of 40% domestic equity, 20% international equity and 40% fixed income.

**Index Age-Based 12-14 Years Portfolio** invests in a combination of equity and fixed income investments in order to seek capital appreciation and income. This Portfolio seeks moderate growth by investing in a balanced asset allocation weighted equally between equity and fixed income investments. This Portfolio has a target allocation of 33% domestic equity, 17% international equity and 50% fixed income.

**Index Age-Based 15-17 Years Portfolio** invests in a combination of equity, fixed income and money market investments in order to seek capital appreciation and income. This Portfolio seeks conservative growth by investing in an asset allocation weighted toward fixed income over equity investments. This Portfolio has a target allocation of 20% domestic equity, 10% international equity, 60% fixed income and 10% money market.

**Index Age-Based 18 Years and Over Portfolio** invests primarily in fixed income and money market investments in order to seek income and protection of principal. This Portfolio seeks preservation of capital with minimal growth by investing primarily in fixed income investments to maintain stability. This Portfolio has a target allocation of 7% domestic equity, 3% international equity, 75% fixed income and 15% money market.

**Below are the Underlying Investments and Target Allocations for each Age-Based Portfolio.** See “PLAN AND PORTFOLIO RISKS—General Investment Risks of the Underlying Investments and Principal Investment Risks of the Underlying Investments” beginning on page 24 and the Appendix for more detailed information regarding the investment risks and objectives, respectively, of the Underlying Investments.

Blended Age-Based Portfolios	Underlying Investments and Target Allocations for the Blended Age-Based Portfolios									
	T. Rowe Price Large-Cap Growth Fund	Artisan Value Fund Institutional class	Vanguard Institutional Index Fund Institutional Shares	DFA U.S. Small Cap Portfolio Institutional class	Vanguard Extended Market Index Fund Institutional Shares	Dodge & Cox International Stock Fund	Vanguard Total International Stock Index Fund Institutional Plus Shares	Vanguard Total Bond Market Index Institutional Plus Shares	DFA Inflation-Protected Securities Portfolio Institutional class	Invesco Liquid Assets Portfolio <sup>1</sup> Institutional class
Blended Age-Based 0-6 Portfolio	14.00%	14.00%	18.00%	7.00%	7.00%	12.00%	18.00%	10.00%	0.00%	0.00%
Blended Age-Based 7-9 Portfolio	12.00%	12.00%	14.00%	4.50%	4.50%	9.00%	14.00%	20.00%	10.00%	0.00%
Blended Age-Based 10-11 Portfolio	10.00%	10.00%	13.00%	3.50%	3.50%	8.00%	12.00%	25.00%	15.00%	0.00%
Blended Age-Based 12-14 Portfolio	8.50%	8.50%	11.00%	2.50%	2.50%	7.00%	10.00%	30.00%	20.00%	0.00%
Blended Age-Based 15-17 Portfolio	4.50%	4.50%	7.00%	2.00%	2.00%	4.00%	6.00%	30.00%	30.00%	10.00%
Blended Age-Based 18 Years and Over Portfolio	1.50%	1.50%	3.00%	0.00%	1.00%	1.00%	2.00%	45.00%	30.00%	15.00%

Index Age-Based Portfolios	Underlying Investments and Target Allocations for the Index Age-Based Portfolios					
	Vanguard Institutional Index Fund Institutional Shares	Vanguard Extended Market Index Fund Institutional Shares	Vanguard Total International Stock Index Fund Institutional Plus Shares	Vanguard Total Bond Market Index Institutional Plus Shares	DFA Inflation-Protected Securities Portfolio Institutional class	Invesco Liquid Assets Portfolio <sup>1</sup> Institutional class
Index Age-Based 0-6 Portfolio	47.00%	13.00%	30.00%	10.00%	0.00%	0.00%
Index Age-Based 7-9 Portfolio	38.00%	9.00%	23.00%	20.00%	10.00%	0.00%
Index Age-Based 10-11 Portfolio	33.00%	7.00%	20.00%	25.00%	15.00%	0.00%
Index Age-Based 12-14 Portfolio	28.00%	5.00%	17.00%	30.00%	20.00%	0.00%
Index Age-Based 15-17 Portfolio	17.00%	3.00%	10.00%	30.00%	30.00%	10.00%
Index Age-Based 18 Years and Over Portfolio	6.00%	1.00%	3.00%	45.00%	30.00%	15.00%

<sup>1</sup>. A Portfolio’s investment in the Invesco Liquid Assets Portfolio (the “Fund”) is neither insured nor guaranteed by the FDIC or any other governmental agency. Although the Fund seeks to preserve the value of an investment at \$1.00 per share, it is possible for a Portfolio to lose money by investing in the Fund.



### **Static and Individual Fund Portfolio Approach**

Account Owners who prefer to select a Portfolio for its asset allocation target may do so through the Static and Individual Fund Portfolio Approach instead of selecting a Portfolio under the Age-Based Approach. Portfolios under the Static Approach allow Account Owners to select a Portfolio with a combination of Underlying Investments. Portfolios under the Individual Fund Portfolio Approach allow Account Owners to select a Portfolio with a single Underlying Investment. While the asset allocations for the Static Portfolios and Individual Fund Portfolios are not expected to vary, the Underlying investments in which the Portfolios invest will be reviewed at least annually and may change. If you invest in a Static Portfolio or Individual Fund Portfolio, your money will remain in that Portfolio until you instruct the Plan to move it to another investment approach or Portfolio, unless a change is made by the Board. None of the Blended, Static, or Individual Fund Portfolios are designed to provide any particular total return over any particular time period or investment time horizon.

### **Rebalancing Static Investment Options**

As a result of market gains and losses and earnings, the investment allocation of each of the Portfolios may differ over time from the target asset allocation described below. To maintain the target asset allocation for each of the Portfolios in the Static Approach, the Plan Manager will rebalance each of the Portfolios at any time there is a positive or negative variance of five percent (5%) or more to retain the target asset allocation described below.

### ***Blended Static Portfolios***

**Blended 100% Equity Portfolio** seeks long-term capital appreciation by investing all of its assets in equity investments. This Portfolio seeks long-term growth by investing in 67% domestic equity and 33% international equity.

**Blended Balanced Portfolio** seeks to invest in a combination of equity and fixed income investments in order to seek capital appreciation and income. This Portfolio seeks moderate growth by investing in a balanced asset allocation slightly weighted toward equity investments over fixed income investments. This Portfolio has a target allocation of 40% domestic equity, 20% international equity and 40% fixed income.

### ***Index Static Portfolios***

**Index 100% Equity Portfolio** seeks long-term capital appreciation by investing all of its assets in equity investments. This Portfolio seeks long-term growth by investing in 67% domestic equity and 33% international equity.

**Index Balanced Portfolio** seeks to invest in a combination of equity and fixed income investments in order to seek capital appreciation and income. This Portfolio seeks moderate growth by investing in a balanced asset allocation slightly weighted toward equity investments over fixed income investments. This Portfolio has a target allocation of 40% domestic equity, 20% international equity and 40% fixed income.

### ***Individual Fund Portfolios***

**Fixed Income Portfolio** seeks to track the performance of a broad, market-weighted bond index. The target allocation for this Portfolio is the Vanguard Total Bond Market Index mutual fund.

**Inflation-Protected Bond Portfolio** seeks to provide inflation protection and earn current income consistent with inflation-protected securities. The target allocation for this Portfolio is the DFA Inflation- Protected Securities I mutual fund.

**Money Market Portfolio** seeks to provide current income consistent with preservation of capital and liquidity. The target allocation for this Portfolio is the Invesco Liquid Assets Portfolio mutual fund.<sup>1</sup>

**U.S. Government Money Market Portfolio** seeks as high a level of current income as is consistent with the preservation of capital and the maintenance of liquidity. The target allocation for this Portfolio is the Dreyfus Treasury Prime Cash Management mutual fund.<sup>1</sup>

There is no guarantee that any of the Portfolios will achieve their investment objective.

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<sup>1</sup> Investments in the Money Market Portfolio and the U.S. Government Money Market Portfolio are not insured or guaranteed by the FDIC or any other governmental agency. Although the portfolios invest in Underlying Investments that seek to preserve the value of an investment at \$1.00 per share, it is possible to lose money by investing in these portfolios.



**Below are the Underlying Investments and Target Allocations for each Static Portfolio.** See “PLAN AND PORTFOLIO RISKS—General Investment Risks of the Underlying Investments and Principal Investment Risks of the Underlying Investments” beginning on page 24 and the Appendix for more detailed information regarding the investment risks and objectives, respectively, of the Underlying Investments.

Blended Static Portfolios	Underlying Investments and Target Allocations for the Blended Static Portfolios									
	T. Rowe Price Large Cap Growth Fund	Artisan Value Fund Institutional Shares Institutional Class	Vanguard	DFA US Small Cap Portfolio Institutional Class Shares	Vanguard Extended Market Index Fund Institutional Shares	Dodge & Cox International Stock Fund	Vanguard Total International Stock Market Index Fund Institutional Plus Shares	Vanguard Total Bond Market Index Fund Institutional Plus Shares	DFA Inflation-Protected Securities Institutional Class Shares	Invesco Liquid Assets Portfolio <sup>1</sup> Institutional Class
Blended 100% Equity Portfolio	18.00%	18.00%	18.00%	6.50%	6.50%	13.00%	20.00%	0.00%	0.00%	0.00%
Blended Balanced Portfolio	10.00%	10.00%	14.00%	3.00%	3.00%	8.00%	12.00%	25.00%	15.00%	0.00%

Index Static Portfolios	Underlying Investments and Target Allocations for the Index Static Portfolios					
	Vanguard Institutional Index Fund Institutional Shares	Vanguard Extended Market Index Fund Institutional Shares	Vanguard Total International Stock Market Index Institutional Plus Shares	Vanguard Total Bond Market Index Fund Institutional Plus Shares	DFA Inflation-Protected Securities Institutional Class Shares	Invesco Liquid Assets Portfolio <sup>1</sup> Institutional Class
Index 100% Equity Portfolio	55.00%	12.00%	33.00%	0.00%	0.00%	0.00%
Index Balanced Portfolio	34.00%	6.00%	20.00%	25.00%	15.00%	0.00%

Individual Fund Portfolios	Underlying Investments and Target Allocations for the Individual Fund Portfolios			
	Vanguard Total Bond Market Index Fund Institutional Plus Shares	DFA Inflation-Protected Securities Institutional Class Shares	Invesco Liquid Assets Portfolio <sup>1</sup> Institutional Class	Dreyfus Treasury Prime Cash Management <sup>1</sup> Institutional Shares
Fixed Income Portfolio	100.00%	0.00%	0.00%	0.00%
Inflation Protected Bond Portfolio	0.00%	100.00%	0.00%	0.00%
Money Market Portfolio	0.00%	0.00%	100.00%	0.00%
U.S. Government Money Market Portfolio	0.00%	0.00%	0.00%	100.00%

<sup>1</sup>. A Portfolio’s investment in the Invesco Liquid Assets Portfolio and Dreyfus Treasury Prime Cash Management (the “Funds”) are neither insured nor guaranteed by the FDIC or any other governmental agency. Although the Funds seek to preserve the value of an investment at \$1.00 per share, it is possible for a Portfolio to lose money by investing in the Funds.

## Changes in Underlying Investments

From time to time, the Board may change the investment guidelines for the Plan. If so instructed by the Board, the Plan Manager will cause a Portfolio to divest itself of ownership of shares of one or more Underlying Investments. During the transition from one Underlying Investment to another Underlying Investment, a Portfolio may be temporarily un-invested and lack market exposure to an asset class. During such transition period, a Portfolio may temporarily hold a basket of securities to the extent that the Underlying Investment from which it redeems chooses to satisfy the Portfolio’s redemption out of such investment on an in-kind

basis. In such event, the Plan Manager will seek to liquidate the securities received from the Underlying Investment as promptly as practicable so that the proceeds can be promptly invested in the replacement Underlying Investment. The transaction costs associated with such liquidation, as well as any market impact on the value of the securities being liquidated, will be borne by the Portfolio and Accounts invested in such Portfolio. An Underlying Investment from which a Portfolio redeems may impose redemption fees. In such event, the Portfolio, and Accounts invested in such Portfolio, will bear such redemption fees.

## PORTFOLIO PERFORMANCE INFORMATION

Performance data for the Plan will be available as of September 2, 2014 on the Plan's website at [www.texascollegesavings.com](http://www.texascollegesavings.com) or by calling 800.445.GRAD (4723), option #3. It is anticipated that the Plan Description will be updated at least annually to reflect full year performance data. Portfolio performance information represents past performance and is no guarantee of future results, and will be net of Total Annual Asset-based Fees and will not reflect the impact of any potential federal or state taxes.

Performance differences between a Portfolio and its Underlying Investments may also result from differences in the timing of purchases. On days when Contributions are made to an Account, the Portfolios will not use that money to purchase shares of an Underlying Investment until the next business day. This timing difference, depending on how the markets are moving, will cause the Portfolio's performance to either trail or exceed the Underlying Investment's performance.

More information, including performance information and each Underlying Investment's prospectus, are available upon request by calling or visiting the website of each Underlying Investment below:

<b>T. Rowe Price Institutional Large-Cap Growth Fund</b>	1-800-638-8790 <a href="http://troweprice.com/prospectus">troweprice.com/prospectus</a>
<b>Artisan Value Fund</b>	1-800-344-1770 <a href="http://hosted.rightprospectus.com/Artisan">http://hosted.rightprospectus.com/Artisan</a>
<b>DFA U.S. Small Cap Portfolio and DFA Inflation-Protected Securities Portfolio</b>	1-512-306-7400 <a href="http://us.dimensional.com/other/prospectuses">http://us.dimensional.com/other/prospectuses</a>
<b>Dodge &amp; Cox International Stock Fund</b>	1-800-621-3979 <a href="http://www.dodgeandcox.com/forms_literature.asp">www.dodgeandcox.com/forms_literature.asp</a>
<b>Dreyfus Treasury Prime Cash Management</b>	1-800-645-6561 <a href="http://www.dreyfus.com">www.dreyfus.com</a>
<b>Invesco Liquid Assets Portfolio</b>	1-800-659-1005 <a href="http://www.invesco.com/us">www.invesco.com/us</a>
<b>Vanguard Institutional Index Fund, Vanguard Total International Stock Market Index Fund, Vanguard Total Bond Market Index Fund, and Vanguard Extended Market Index Fund</b>	1-800-662-7447 <a href="http://www.vanguard.com/prospectus">www.vanguard.com/prospectus</a>

**Past performance—and especially short-term past performance—information for the Portfolios should not be viewed as an indication of the future performance of any particular Portfolio.**

## Portfolio Performance Benchmarks

Each Portfolio evaluates its performance against either a single index or a weighted aggregation of broad-based equity indices. Benchmark returns will be included with Portfolio performance, when available.

The State's investment consultant has selected a broad-based equity index to serve as a measure of performance of each Underlying Investment in a Portfolio, as follows:

<b>Underlying Investment</b>	<b>Benchmark Index</b>
<b>T. Rowe Price Institutional Large-Cap Growth Fund</b>	Russell 1000 Growth Index
<b>Artisan Value Fund Institutional Shares</b> <i>Institutional Class</i>	Russell 1000 Value Index
<b>Vanguard Institutional Index Fund</b> <i>Institutional Shares</i>	S&P 500 Index
<b>DFA U.S. Small Cap Portfolio</b> <i>Institutional Class Shares</i>	Russell 2000 Index
<b>Vanguard Extended Market Index Fund</b> <i>Institutional Shares</i>	Russell 2500 Index
<b>Dodge &amp; Cox International Stock Fund</b>	MSCI All Country World ex-U.S. Index
<b>Vanguard Total International Stock Market Index Fund</b> <i>Institutional Plus Shares</i>	FTSE Global All Cap ex. U.S. Index
<b>Vanguard Total Bond Market Index Fund</b> <i>Institutional Plus Shares</i>	Barclays U.S. Aggregate Bond Index
<b>DFA Inflation-Protected Securities</b> <i>Institutional Class Shares</i>	Barclays U.S. TIPS Index
<b>Invesco Liquid Assets Portfolio</b> <i>Institutional Class</i>	Citigroup 1-Month Treasury Bill
<b>Dreyfus Treasury Prime Cash Management</b> <i>Institutional Shares</i>	Citigroup 1-Month Treasury Bill

The benchmark for each Portfolio, except for the Individual Fund Portfolios, is comprised of these broad-based equity indices that are then weighted in an amount equal to each Portfolio's target allocation of Underlying Investments, as described in the preceding charts on page 8 for the Age-Based Portfolios and on page 11 for the Index Static Portfolios. Because each Individual Fund Portfolio does not allocate to more than one Underlying Investment, a benchmark comprised of multiple underlying indices is not necessary. The following is a description of each broad-based index for each Underlying Investment. This information below reflects the most current information available as of the date of this Plan Description:

The Russell 1000® Growth Index measures the performance of the large-cap growth segment of the U.S. equity universe.

The Russell 1000® Value Index measures the performance of the large-cap value segment of the U.S. equity universe.

The Russell 2000® Index consists of the small-cap segment of the U.S. equity universe. The Russell 2000® Index includes the smallest 2000 securities in the Russell 3000® Index.

The Russell 2500® Index measures the performance of the small to mid- cap segment of the U.S. equity universe, commonly referred to as “smid” cap. The Russell 2500 Index is a subset of the Russell 3000® Index. It includes approximately 2500 of the smallest securities based on a combination of their market cap and current index membership.

The S&P 500® Index consists of 500 stocks chosen for market size, liquidity and industry grouping, among other factors. The S&P 500® Index is a market-value weighted index and each stock’s weight in the index is proportionate to its market value.

The MSCI All Country World (excluding U.S.) Index is a market-capitalization- weighted index designed to provide a broad measure of stock performance throughout the world, with the exception of U.S.-based companies. The MSCI All Country World Index Ex-U.S. includes both developed and emerging markets.

The Barclays Capital U.S. Aggregate Bond Index is a market capitalization- weighted index, meaning the securities in the index are weighted according to the market size of each bond type. Most U.S. traded investment grade bonds are represented. Municipal bonds and Treasury Inflation-Protected securities are excluded. The Index includes Treasury securities, Government agency bonds, mortgage-backed bonds, corporate bonds, and a small amount of foreign bonds traded in the U.S. The Barclays Capital Aggregate Bond Index is an intermediate term index.

The Barclays U.S. TIPS Index measures the performance of the US Treasury Inflation Protected Securities (“TIPS”) market. The index includes TIPS with one or more years remaining maturity with total outstanding issue size of \$250 million or more.

The FTSE Global All Cap ex U.S. Index is part of a range of indices designed to help US investors benchmark their international investments. The index comprises large, mid and small cap stocks globally excluding the US. The index is derived from the FTSE Global Equity Index Series (GEIS), which covers 98% of the world’s investable market capitalization.

The Citigroup 1-month Treasury Bill Index consists of the last one- month Treasury bill issue and measures monthly return equivalents of yield averages that are not marked to market.

## PLAN FEES AND EXPENSES

Each Account bears certain ongoing Portfolio fees (including the Program Management Fee and State Administrative Fee as described below) which are charged against the assets of the Portfolios to provide for the costs associated with the distribution, servicing and administration of the Account. These Portfolio fees, which are described below, will reduce the value of the Account as they are incurred. Accounts also will indirectly bear fees and expenses of the Underlying Investments in which the Portfolios invest. In addition, the Accounts may be charged certain fees and expenses which are not reflected in the charts below. The Board may change or add new fees at any time.

### Total Annual Asset-based Plan Fees

**Program Management Fee.** A Program Management Fee at the annual rate of 0.535% of the average daily net assets of the Portfolios in the Plan is paid on a monthly basis to the Plan Manager for Plan administration and investment related services. Each Account indirectly bears its pro rata share of the Program Management Fee.

**State Administrative Fee.** The Board receives a State Administrative Fee at the annual rate of 0.0843% of the average daily net assets of the Blended and Individual Fund Portfolios in the Plan. The fees received by the Board are used to administer the Plan including, but not limited to, paying the cost of an independent certified public accounting firm to perform a financial audit of the Plan annually, paying for an investment consultant to advise the Board, and paying for outside legal counsel as necessary. Under Texas law, the Board may not collect administrative fees in excess of the cost of establishing and maintaining the Plan. Each Account indirectly bears its pro rata share of the State Administrative Fee

**Other Fees.** The investment advisers of each Underlying Investment each receive compensation directly from the Underlying Investments in which the Portfolios invest for serving as the investment adviser. These fees are included in the “Estimated Weighted Average Expense Ratio of Underlying Investments” in the following table. More information about the fees and expenses of each Underlying Investment can be found in the prospectus of each Underlying Investment. (see “Portfolio Performance Information” on page 13 for details.)

	Annual Asset-Based Plan Fees				Additional Investor Expenses
Portfolios	Estimated Weighted Average Expense Ratio Related to Underlying Investments <sup>1</sup>	Program Management Fee	State Administrative Fee	Total Annual Asset-based Plan Fees <sup>2</sup>	Annual Account Maintenance Fee
<b>Blended Direct Sold Portfolios</b>					
Blended Age-Based 0-6 Portfolio	0.3233%	0.5350%	0.0843%	0.9426%	none
Blended Age-Based 7-9 Portfolio	0.2779%	0.5350%	0.0843%	0.8972%	none
Blended Age-Based 10-11 Portfolio	0.2467%	0.5350%	0.0843%	0.8660%	none
Blended Age-Based 12-14 Portfolio	0.2217%	0.5350%	0.0843%	0.8410%	none
Blended Age-Based 15-17 Portfolio	0.1678%	0.5350%	0.0843%	0.7871%	none
Blended Age-Based 18 Years and Over Portfolio	0.1097%	0.5350%	0.0843%	0.7290%	none
<b>Index Age-Based</b>					
Index Age-Based 0-6 Portfolio	0.0642%	0.5350%	none <sup>4</sup>	0.5992%	none
Index Age-Based 7-9 Portfolio	0.0674%	0.5350%	none <sup>4</sup>	0.6024%	none
Index Age-Based 10-11 Portfolio	0.0693%	0.5350%	none <sup>4</sup>	0.6043%	none
Index Age-Based 12-14 Portfolio	0.0712%	0.5350%	none <sup>4</sup>	0.6062%	none
Index Age-Based 15-17 Portfolio	0.0842%	0.5350%	none <sup>4</sup>	0.6192%	none
Index Age-Based 18 Years and Over Portfolio	0.0857%	0.5350%	none <sup>4</sup>	0.6207%	none
<b>Blended Static Portfolios</b>					
Blended 100% Equity Portfolio	0.3773%	0.5350%	0.0843%	0.9966%	none
Blended Balanced Portfolio	0.2448%	0.5350%	0.0843%	0.8641%	none
<b>Index Static Portfolios</b>					
Index 100% Equity Portfolio	0.0646%	0.5350%	none <sup>4</sup>	0.5996%	none
Index Balanced Portfolio	0.0689%	0.5350%	none <sup>4</sup>	0.6039%	none
<b>Individual Fund Portfolios</b>					
Fixed Income Portfolio	0.0500%	0.5350%	0.0843%	0.6693%	none
Inflation Protected Bond Portfolio	0.1200%	0.5350%	0.0843%	0.7393%	none
Money Market Portfolio <sup>3</sup>	0.1400%	0.5350%	0.0843%	0.7593%	none
US Government Money Market Portfolio <sup>3</sup>	0.0600%	0.5350%	0.0843%	0.6793%	none

<sup>1.</sup> For Portfolios that invest in more than one Underlying Investment, based on an estimated weighted average of each Underlying Investment's expense ratio as of July 14, 2014, in accordance with the Portfolio's target asset allocation as of September 2, 2014; and for Portfolios that invest in one Underlying Investment, based on most recent expense ratio for the Underlying Investment as of July 14, 2014. Underlying Investment expenses include investment advisory fees, (which may be paid to the Artisan Partners Limited Partnership, Dimensional Fund Advisors LP, Dodge & Cox, The Dreyfus Corporation, Invesco Advisers, Inc., T. Rowe Price Associates, Inc., and Vanguard Group, Inc.), administrative and other expenses.

<sup>2.</sup> Total Annual Asset-based Plan Fees are subject to change at any time and are assessed against assets over the course of the year. See "Investment Cost Chart" below for the approximate cost of investing in each of the Plan's Portfolios over 1-, 3-, 5- and 10-year periods.

<sup>3.</sup> The Plan Manager and the Board have agreed to voluntarily waive the Program Management Fee and State Administrative Fee, respectively (but, in neither case, not below zero) and/or reimburse expenses to the extent necessary to assist the Money Market Portfolio and the US Government Money Market Portfolio in attempting to maintain at least a 0.00% return. There is no guarantee that the Money Market Portfolio and the US Government Money Market Portfolio will maintain this return. This undertaking may be amended or withdrawn at any time.

<sup>4.</sup> Texas does not impose a State Administrative Fees on Index Age-Based Portfolios and Index Static Portfolios.

## Other Fees and Charges

There may be other fees associated with wires, overnight deliveries and other requests. These fees and charges are subject to change without notice and may be waived by the Plan Manager. Please contact the Plan Manager for details.

## Investment Cost Chart

The following table compares the approximate cost of investing in the Plan over different periods of time. Your actual cost may be higher or lower based on assumptions that are different than the following assumptions. To illustrate your estimated cost, we have charted the returns for an Account Owner investing in each Portfolio, using the following assumptions:

- A \$10,000 investment invested for the time periods shown
- A 5% annually compounded rate of return on the amount invested throughout the time periods shown
- Total Annual Asset-based Plan Fees remain the same throughout the time periods shown
- All Units are redeemed at the end of the period shown for Qualified Higher Education Expenses (the table does not consider the impact of any potential state or federal taxes on the redemption)

<b>Cost of a \$10,000 investment in each Portfolio:</b>				
<b>Blended Age-Based Portfolios</b>				
	<b>1-Year</b>	<b>3-Year</b>	<b>5-Year</b>	<b>10-Year</b>
Blended Age-Based 0-6 Portfolio	\$96	\$300	\$521	\$1,158
Blended Age-Based 7-9 Portfolio	\$92	\$286	\$497	\$1,105
Blended Age-Based 10-11 Portfolio	\$88	\$276	\$480	\$1,068
Blended Age-Based 12-14 Portfolio	\$86	\$268	\$466	\$1,038
Blended Age-Based 15-17 Portfolio	\$80	\$251	\$437	\$974
Blended Age-Based 18 Years and Over Portfolio	\$74	\$233	\$405	\$905
<b>Index Age-Based Portfolios</b>				
Index Age-Based 0-6 Portfolio	\$61	\$192	\$334	\$749
Index Age-Based 7-9 Portfolio	\$62	\$193	\$336	\$753
Index Age-Based 10-11 Portfolio	\$62	\$194	\$337	\$755
Index Age-Based 12-14 Portfolio	\$62	\$194	\$338	\$758
Index Age-Based 15-17 Portfolio	\$63	\$198	\$345	\$773
Index Age-Based 18 Years and Over Portfolio	\$63	\$199	\$346	\$775
<b>Blended Static Portfolios</b>				
Blended 100% Equity Portfolio	\$102	\$317	\$551	\$1,221
Blended Balanced Portfolio	\$88	\$276	\$479	\$1,066
<b>Index Static Portfolios</b>				
Index 100% Equity Portfolio	\$61	\$192	\$335	\$750
Index Balanced Portfolio	\$62	\$193	\$337	\$755
<b>Individual Fund Portfolios</b>				
Fixed Income Portfolio	\$68	\$214	\$373	\$834
Inflation Protected Bond Portfolio	\$76	\$236	411	\$918
Money Market Portfolio	\$14	\$45	\$79	\$179
US Government Money Market Portfolio	\$6	\$19	\$34	\$77

## CHANGING THE DESIGNATED BENEFICIARY

Section 529 of the Code generally allows for changes of the Designated Beneficiary without federal income tax consequences, as long as the new Designated Beneficiary is a Member of the Family of the current Designated Beneficiary. Under Texas law, the new Designated Beneficiary must be a Member of the Family of the former Designated Beneficiary. In addition, the proposed regulations provide that no federal gift tax or generation-skipping transfer tax will result provided the new Designated Beneficiary is also assigned to the same or higher generation as the current Designated Beneficiary. If the new Designated Beneficiary is assigned to a lower generation than the old Designated Beneficiary, the change may be treated as a gift from the old Designated Beneficiary to the new Designated Beneficiary. If the new Designated Beneficiary is assigned to a generation which is two or more levels lower than the old Designated Beneficiary, the change may be subject to generation-skipping transfer tax.

If a change in the Designated Beneficiary would cause a violation of the Maximum Contribution Limit (discussed on page 6) with respect to the new Designated Beneficiary, the change will not be permitted.

To initiate a change of Designated Beneficiary, the Account Owner must complete and submit a Change of Beneficiary Form or an Account Maintenance Form (and any additional required documentation) to the Plan Manager or go online at [www.texascollegesavings.com](http://www.texascollegesavings.com). The change will be made upon the Plan Manager's acceptance of a properly completed form. There is no fee or charge for changing a Designated Beneficiary.



Account Owners who have chosen the Age-Based investment approach should note that the Plan Manager will change the particular Portfolio the Account is invested in if there is a change in the Designated Beneficiary unless the new Designated Beneficiary is in the same age bracket as the existing Designated Beneficiary. This Portfolio change may be made by the Plan Manager so that the Portfolio is appropriate for the age of the new Designated Beneficiary.

### **Member of the Family**

For purposes of changing the Designated Beneficiary, the definition of a Member of the Family of the Designated Beneficiary includes the spouse and the following relatives of the Designated Beneficiary:

- a child or a descendant of a child
- a brother, sister, stepbrother, or stepsister
- the father or mother, or an ancestor of either
- a stepfather or stepmother
- a son or daughter of a brother or sister
- a brother or sister of the father or mother
- a son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, or sister-in-law
- the spouse of any of the individuals listed above
- any first cousin of the Designated Beneficiary

For purposes of this definition, a legally adopted child of an individual shall be treated as the child of such individual by blood and a half-brother or half-sister shall be treated as a brother or sister.

## **WITHDRAWALS**

### **Qualified Withdrawals**

You must use moneys from your Account to pay Qualified Higher Education Expenses of your Designated Beneficiary or be potentially subject to certain taxes and/or penalties. A qualified withdrawal ("Qualified Withdrawal") is a withdrawal made to pay Qualified Higher Education Expenses of the Designated Beneficiary, as described below. You may request a Qualified Withdrawal from an Account by completing a withdrawal form.

The amounts withdrawn as a Qualified Withdrawal must be sent by the plan (i) in the form of a check directly to the Eligible Educational Institution, (ii) in the form of a check directly to a vendor, (iii) in the form of a check payable to both the Designated Beneficiary and the Eligible Educational Institution or vendor, or (iv) in the form of a check payable to the Account Owner or the Designated Beneficiary, as payment for Qualified Higher Education Expenses.

### **Qualified Higher Education Expenses**

Section 529 of the Code currently defines Qualified Higher Education Expenses as tuition, fees, books, supplies, and equipment (including computers) required for the enrollment

or attendance of a Designated Beneficiary at an Eligible Educational Institution. The term also includes amounts for room and board for Beneficiaries attending school at least half-time in a degree or certificate program. The amount of room and board that will be included in the definition of Qualified Higher Education Expenses cannot exceed the greater of (i) the allowance applicable to the Designated Beneficiary included in the "cost of attendance" (as defined under federal law), as determined by the Eligible Education Institution for such period, or (ii) 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 costs for such period. The definition of Qualified Higher Education Expenses also includes expenses for special needs services in the case of a special needs Designated Beneficiary which are incurred in connection with enrollment or attendance at an Eligible Educational Institution.

### **Non-Qualified Withdrawal**

A Non-Qualified Withdrawal is any withdrawal from an Account that is not a Qualified Withdrawal.

You will pay federal and possibly state income taxes on investment earnings withdrawn as a Non-Qualified Withdrawal, as well as an additional federal penalty of 10% of such investment earnings withdrawn as a Non-Qualified Withdrawal, unless you qualify for an exception to the additional penalty, as discussed under "Tax Matters." For this purpose, each withdrawal is treated as including a ratable share of investment earnings on all Accounts for the Designated Beneficiary having the same Account Owner (including all such accounts in other Texas savings-type 529 plans, including the LoneStar 529 Plan, an adviser-sold college savings plan, the Texas Guaranteed Tuition Plan, a prepaid tuition plan, and the Texas Tuition Promise Fund, a prepaid tuition plan).



## **Exceptions to the Federal Income Tax Penalty on Non-Qualified Withdrawals**

### ***Death of Designated Beneficiary***

In the event of the death of the Designated Beneficiary, the Account Owner may authorize a change in the Designated Beneficiary for the Account or request a withdrawal of all or a portion of the Account balance. A distribution on account of the death of the Designated Beneficiary if paid to the estate of the Designated Beneficiary will not be subject to the additional 10% federal penalty, but earnings will be subject to federal and any applicable state income tax. A withdrawal of amounts in the Account, if not paid to the Designated Beneficiary's estate, may constitute a Non-Qualified Withdrawal, subject to applicable federal and state income taxes at the recipient's tax rate and the additional 10% federal penalty.

### ***Disability of Designated Beneficiary***

If the Designated Beneficiary becomes disabled within the meaning of Section 72(m) (7) of the Code, the Account Owner may authorize a change in the Designated Beneficiary for the Account or request a withdrawal of all or a portion of the Account balance. A distribution on account of such disability of the Designated Beneficiary will not be subject to the additional 10% federal penalty, but earnings will be subject to federal and any applicable state income tax at the recipient's tax rate.

### ***Receipt of Scholarship***

If the Designated Beneficiary receives a tax free scholarship, Account assets up to the amount of the scholarship may be withdrawn without imposition of the additional 10% federal penalty. A qualified scholarship includes certain educational assistance allowances under federal law as well as certain payments for educational expenses (or attributable to attendance at certain educational institutions) that are exempt from federal income tax. The earnings portion of the withdrawal is subject to federal and any applicable state income tax at the recipient's tax rate.

### ***Appointment at a U.S. Military Academy***

If the Designated Beneficiary attends a U.S. Military Academy, the Account Owner may withdraw an amount up to an amount equal to the costs of advanced education (as defined by Section 2005(e)(3) of Title 10 of the United States Code) attributable to the Designated Beneficiary's attendance at the institution without incurring the additional 10% federal penalty. The earnings portion of the withdrawal is subject to federal and any applicable state income tax at the recipient's tax rate.

## **Rollover Distributions to Another State's Section 529 Plan**

An Account Owner may roll over all or part of the balance of an Account to another Section 529 Plan account without adverse federal income tax consequences so long as the amount withdrawn is placed in the other plan account within 60 days of the withdrawal, and the Designated Beneficiary of the new account is (1) a Member of the Family of the existing Designated Beneficiary of the original Account or (2) the same Designated Beneficiary as for the original Account, provided no other transfers have occurred with respect to such Designated Beneficiary within the immediately preceding 12-month period.

## **Exchanges to Another Texas-Sponsored Section 529 Plan**

A transfer between the Plan and another Texas-sponsored Section 529 Plan is treated as an investment reallocation, which is allowed only twice per calendar year or upon a change in Designated Beneficiary.

## **Records Retention**

You should obtain and retain records, receipts, invoices, or other documentation that is adequate to substantiate: (i) expenses which you or the Designated Beneficiary claim are Qualified Higher Education Expenses, (ii) the death or qualified disability of the Designated Beneficiary, (iii) the receipt by the Designated Beneficiary of a qualified scholarship, (iv) the appointment of the Designated Beneficiary to a U.S. Military Academy, (v) the use of Education Tax Credits or (vi) that you are entitled to favorable state tax treatment.

## **Other Matters Relating to Withdrawals**

The Plan Manager reserves the right to delay remittance of redemption proceeds for Units purchased by check or via direct deposit or Automatic Investment Program (AIP) for up to 5 business days. The Plan Manager also reserves the right to require that an Account Owner's withdrawal request be signature guaranteed by an eligible guarantor institution, such as a domestic bank, savings and loan institution, domestic credit union, member bank of the Federal Reserve System or member firm of a national securities exchange.

The Program permits Account Owners to make systematic withdrawals from their Account(s). An Account Owner must have at least \$1,000 invested in the originating Portfolio at the time the systematic withdrawal is established.

## RESIDUAL ACCOUNT BALANCES

If the Designated Beneficiary graduates from an institution of higher education or chooses not to pursue higher education, and funds remain in the Account, the Account Owner may:

Request that the remaining funds (including earnings) be paid to the Account Owner or another recipient, and treated as a Non-Qualified Withdrawal. Earnings will be subject to the additional 10% federal penalty and federal and any applicable state income tax.

Authorize a change of Designated Beneficiary for the Account to a Member of the Family of the existing Designated Beneficiary (See “The Application Process-Changing the Designated Beneficiary on Your Account” or “The Application Process-Changing the Designated Beneficiary of UGMA/UTMA Accounts” for details).

Keep the funds in the Account to pay future Qualified Higher Education Expenses (such as graduate or professional school expenses) of the Designated Beneficiary.

## TAX TREATMENT OF CONTRIBUTIONS AND WITHDRAWALS

The following section is a summary of certain aspects of federal and state income tax and estate and gift taxation of Contributions to and withdrawals from Section 529 Plans. References in this Plan Description to a “Section 529 Plan” mean a qualified tuition plan offered by any State under Section 529 of the Code. Any tax and legal information in the Plan Description is merely a summary of our understanding and interpretation of some of the current tax rules and guidance and is not intended to be exhaustive, and may be subject to change based on any changes to federal laws, regulations, and interpretations thereof. Account Owners must consult their tax advisors or legal counsel for advice and information concerning their particular situations. None of the Program Parties or any of their respective representatives may give legal, financial or tax advice.

The tax and legal description contained herein is based on relevant provisions of the Code, regulations proposed under Section 529, IRS notices, IRS rulings, legislative history and interpretations of applicable federal and Texas law existing on the date of this Plan Description. It is possible that Congress, the Treasury Department, the IRS or the courts may take action that will affect Section 529 and the proposed regulations thereunder.

Because the proposed regulations do not reflect changes made to Section 529 after their promulgation or interpretations of Section 529 reflected in published guidance from the IRS, it is likely that the final regulations, when issued, will differ significantly from the proposed regulations. Account Owners

should consult a qualified tax advisor about the applicability of such changes to their Accounts. State legislation may also affect the state tax treatment of the Plan and Account Owners and Designated Beneficiaries.

This summary and all other statements in this Plan Description concerning federal and state tax issues (i) are not offered as individual tax advice to any person (including any Account Owner or Designated Beneficiary), (ii) are provided as general information in connection with the promotion or marketing of the Plan, and (iii) are not provided or intended to be used, and cannot be used by any taxpayer, for the purpose of avoiding U.S. income taxes or tax penalties.

### Federal Taxation of Contributions to and Withdrawals from Section 529 Plans

Contributions to Section 529 Plans are not deductible for federal income tax purposes. However, any earnings on Contributions are generally not subject to federal income tax until assets are withdrawn. Qualified Withdrawals may be made federal income tax free. If the amount of a distribution exceeds the Beneficiary’s Qualified Higher Education Expenses for any tax year, the earnings attributable to the portion of the distribution that exceeds the Qualified Higher Education Expenses of the Beneficiary are subject to federal and applicable state income tax. Also, with a few limited exceptions, an additional 10% federal penalty is imposed on the amount of any distribution (or portion of a distribution) from a Section 529 Plan that is includible in the distributee’s gross income.

There are four exceptions to the additional 10% federal penalty required under Section 529: (i) withdrawals due to the Designated Beneficiary’s death (if paid to the Designated Beneficiary’s estate) or disability (as defined by applicable federal law), (ii) withdrawals due to a scholarship received by the Designated Beneficiary (to the extent the withdrawal does not exceed the amount of the scholarship), (iii) withdrawals made on account of the Designated Beneficiary’s attendance at a U.S. Military Academy (up to the costs of advanced education as defined by applicable federal law); and (iv) withdrawals resulting from the use of Education Tax Credits by the Designated Beneficiary. (See below for details.)

For purposes of calculating the earnings portion of a particular distribution, all Plan Accounts having the same Account Owner and same Designated Beneficiary will be aggregated into a single IRS Form 1099-Q. The calculation is made on the date of distribution. In addition, if there are any Accounts with the same Account Owner and Designated Beneficiary under the LoneStar 529 Plan, those Accounts will also be aggregated with the Accounts for these purposes.

## **Federal Taxation of Rollovers**

Rollovers must be made either directly (by the direct transfer of funds in a trustee-to-trustee transfer) or indirectly (by the contribution of funds distributed from a Section 529 Plan, within sixty (60) days after the date of distribution) or the rollover will be deemed to be a Non-Qualified Withdrawal and subject to federal taxation. In general, rollovers may be made between an Account and an account in another state's Section 529 Plan, without imposition of federal income tax on the earnings of the withdrawal or the additional 10% federal penalty on the earnings, if the rollover is to an account for a new Beneficiary who is a "Member of the family" of the existing Beneficiary, or if the rollover is to an account for the same Beneficiary but no other rollovers have occurred with respect to that Beneficiary within the prior 12 months. Also, transfers or rollovers may generally be made between an Account and another account in another Texas-sponsored Section 529 Plan, without imposition of federal income tax on the earnings of the withdrawal or the additional 10% federal penalty on the earnings, if the rollover is to an account or for a new Beneficiary who is a Member of the Family of the existing Beneficiary.

Direct transfers between an Account and a contract or Account in another Texas-sponsored Section 529 Plan for the same Beneficiary are treated not as rollovers but as nontaxable investment reallocations subject to a twice per calendar-year limit (taking into account all accounts and contracts in Texas-sponsored Section 529 Plans with the same Account Owner or purchaser and the same Beneficiary). Indirect rollovers between an Account and a contract or account in another Texas-sponsored Section 529 Plan (where the Account Owner or purchaser receives a distribution check from the existing account or contract) that are not made within sixty (60) days after the date of distribution are not treated as rollovers or investment reallocations but as Non-Qualified Withdrawals potentially subject to federal income tax on the earnings of the withdrawal and the additional 10% federal penalty on the earnings, even though the funds are subsequently contributed to an account or contract for the same Designated Beneficiary (which would be treated as a new, separate Contribution). You should consult with your tax or financial advisor prior to such transfer.

In the case of an indirect rollover, appropriate documentation from the transferring Section 529 Plan must be provided to substantiate what portion of the funds may be treated as prior Contributions rather than earnings. Otherwise, the entire amount of the rollover must be treated as earnings. (In the case of a direct rollover or transfer, this information is instead provided by the transferring Section 529 Plan.) Please note that, while rollovers and transfers may often be achieved without imposition of federal income tax on the earnings of the withdrawal or the additional 10% federal penalty on the earnings, they can in some cases have substantial income tax or transfer tax consequences. Account Owners are encouraged

to see "Sources of Contributions", and to consult with a tax advisor, for information on the tax treatment and implications of rollovers and transfers.

## **Rollovers from Coverdell ESAs**

Amounts contributed to a Section 529 Plan Account from a Coverdell ESA will be considered a qualified distribution from such Coverdell ESA and will not be subject to federal income tax or penalty. Appropriate documentation from the transferring Coverdell ESA must be provided to substantiate what portion of the funds may be treated as prior Contributions rather than earnings subject to federal taxation. Otherwise, the entire amount must be treated as earnings. Withdrawals from a Section 529 Plan and a Coverdell ESA in the same year must be used for different expenses in order to be treated as Qualified Withdrawals. To the extent that total withdrawals from a Section 529 Plan and a Coverdell ESA exceed the amount of Qualified Higher Education Expenses under Section 529 of the Code, the recipient must allocate the expenses between the two sources in order to determine what portion of each withdrawal is tax free and which portion may be subject to federal taxation.

## **Rollovers from Series EE and Series I Bonds**

Interest on Series EE Bonds issued after December 31, 1989, as well as interest on all Series I Bonds, may be completely or partially excluded from federal income tax if bond proceeds are used to pay certain Qualified Higher Education Expenses at an Eligible Educational Institution or are contributed to a Section 529 Plan account or a Coverdell ESA in the same calendar year the bonds are redeemed. For this purpose, Qualified Higher Education Expenses do not include the cost of books, or room and board. The amount of Qualified Higher Education Expenses taken into consideration in calculating the interest excludable from income is reduced by any scholarships, fellowships, employer-provided educational assistance and other forms of tuition reduction, including a payment or reimbursement of Qualified Higher Education Expenses under a Section 529 Plan. Certain income limitations apply. If appropriate documentation is received by the Section 529 Plan receiving the proceeds of the sale of Series EE or Series I bonds, the original purchase price of the bonds redeemed and contributed to the Section 529 Plan will be added to the Contributions portion of the receiving Account, with the interest added to earnings. Otherwise, the entire rollover contribution will be treated as earnings within the Account which may be subject to federal taxation.

## **Education Tax Credits**

The use of an American Opportunity tax credit or a Lifetime Learning tax credit ("Education Tax Credits") will not affect participation in or receipt of benefits from Section 529 Plans, so long as the distribution from the Section 529 Plan is not used for the same expenses for which an Education Tax Credit was claimed.



### **Coordination of Benefits**

As described above, a number of education tax benefits are available in addition to participation in Section 529 Plans. The tax laws provide a number of special rules intended to coordinate these plans and avoid duplication of benefits. Any contributor who intends to utilize more than one of these tax benefits should consult his or her tax advisor or legal counsel for advice on how these special rules may apply to his or her situation.

### **Federal Gift Estate, and Generation Skipping Transfer Taxes**

Contributions (including certain rollover Contributions but not including Contributions of funds already held in an UGMA/UTMA Account or from certain trusts) to a Section 529 Plan are completed gifts to the Designated Beneficiary and therefore qualify for the “annual exclusion” for federal gift tax purposes. The annual exclusion allows individuals to exclude up to \$14,000 per year (and married couples up to \$28,000 per year, if the spouse consents) for gifts made to a particular donee. A special rule under Section 529 allows donors who make aggregate Contributions to an Account that exceed the donor’s annual exclusion, to elect on a timely filed Federal gift tax return to pro-rate the Contributions for gift tax purposes over a five-year period. Thus, individuals can contribute up to \$70,000 in a single year (or up to \$140,000 for married couples, if the spouse consents) in a single year for a Designated Beneficiary without incurring a gift tax on the transfers. This election may use the contributor’s entire annual exclusion for a period of five years. In that case, other gifts, including additional Contributions to the Plan, may be subject to federal gift tax or have other federal gift or estate tax consequences. For example, a contributor who makes a \$70,000 Contribution in one year and takes the five-year averaging election on a Federal gift tax return, and makes no other gifts to the Designated Beneficiary during that same calendar year or the next four calendar years, would not be making a taxable gift or incur a federal gift or generation-skipping transfer tax. To effect the five-year election, the contributor should file an IRS Form 709.

If a contributor dies before the end of the five-year period, the portion of the Contribution allocable to the calendar years remaining in the five-year period (beginning with the calendar year after the contributor’s death) would be included in the contributor’s gross estate for federal estate tax purposes. In addition, distributions made to a deceased Beneficiary’s estate may be subject to federal estate tax, and the proposed regulations under Section 529 provide that a deceased Beneficiary’s interest in an Account may be subject to a federal state tax.

If the Designated Beneficiary for a Section 529 Plan Account is changed or amounts in an Account are rolled over resulting in a new Designated Beneficiary who is in the same or higher generation as the current Designated Beneficiary and is a Member of the Family of the current Designated

Beneficiary, there are no gift or generation-skipping transfer tax consequences. If the new Designated Beneficiary is of a younger generation than the current Designated Beneficiary (even if the new Designated Beneficiary is a Member of the Family of the current Designated Beneficiary), the change of beneficiary is treated as a gift from the current Designated Beneficiary to the new Designated Beneficiary for federal gift and generation-skipping transfer tax purposes. The current Designated Beneficiary could apply his or her gift tax exclusion and allocate a portion of his or her lifetime generation-skipping transfer tax exemption to any such deemed transfer, and could even make the five-year averaging election discussed above.

### **Taxation by Texas**

Texas does not impose a state income tax on individuals. However, if an Account Owner is a taxable business entity, earnings on Non-Qualified distributions may be subject to the Texas franchise tax.

### **Taxation by Other States**

If you are not a resident of the state of Texas, the state income tax treatment of Contributions to and earnings and distributions from your Plan Account will depend on the laws of your particular state. Consider before investing whether your or the Designated Beneficiary’s home state offers a Section 529 Plan that provides its taxpayers with favorable state tax or other benefits that may only be available through investment in the home state’s Section 529 Plan, and which are not available through investment in the Plan. For example, a number of states offer income tax deductions for Contributions to their own state’s Section 529 Plan, which deductions may not be available for Contributions to this Plan. Since different states have different tax provisions, this Plan Description contains limited information about the state tax consequences of investing in the Plan. Therefore, please consult your financial, tax, or other advisor to learn more about how state-based benefits (or any limitations) would apply to your specific circumstances. You also may wish to contact your home state’s Section 529 Plan(s), or any other Section 529 Plan, to learn more about those plans’ features, benefits and limitations. Keep in mind that state-based benefits should be one of many appropriately weighted factors to be considered when making an investment decision to purchase an Account in the Plan.

### **CONTRIBUTING ASSETS OF AN UGMA/UTMA ACCOUNT**

If you are the custodian of an UGMA/UTMA account for a Designated Beneficiary, you may elect to place part or all of the UGMA/UTMA account assets into an Account after converting such assets to cash. The conversion of non-cash UGMA/UTMA account assets to cash for Contribution to the Account will be a taxable transaction. It is also important to note that when opening a Plan Account, the Designated Beneficiary must be the same as the Designated Beneficiary

of the UGMA/UTMA account. Also, while the Designated Beneficiary is a minor, the Designated Beneficiary of the Account cannot be changed, and there cannot be any Non-Qualified Withdrawals other than for the benefit of the Designated Beneficiary in accordance with the terms governing the UGMA/UTMA account. Also, when the Designated Beneficiary reaches the age of majority, he or she will become the sole Account Owner with complete control over the Account. Designated Beneficiaries that reach the age of majority must notify the Plan Manager to complete the applicable forms and documentation to become the sole Account Owner. To complete a transfer of ownership, please contact the Plan Manager.

## **PLAN AND PORTFOLIO RISKS INFORMATION ABOUT PLAN MANAGEMENT**

Prospective Account Owners should carefully consider the information in this section, as well as the information in the rest of this Plan Description and the accompanying Plan materials, before making any decisions to establish an Account or make Contributions. This Plan Description should not be construed to provide legal, financial or tax advice. Prospective Account Owners should consult an attorney or financial or tax advisor with any legal, business, or tax questions they may have. The Plan is an investment vehicle. Accounts in the Plan are subject to certain risks. In addition, certain investment approaches carry more or different risks than others. Account Owners should weigh such risks with the understanding that they could arise at any time during the life of an Account.

*No Guarantee of Income or Principal; No Insurance.* Investments are subject to standard investment risks, including (but not limited to) market and interest rate risk and you could lose money by investing in the Plan. The value of an Account may increase or decrease over time based on the performance of the Portfolio(s). This may result in the value of the Account being more or less than the amounts contributed. None of the Program Parties or any of their affiliates makes any guarantee of, nor has any legal obligations to ensure, the ultimate payout of any amount, including a return of Contributions made to an Account. There is no guarantee that the future Account value will be sufficient to cover Qualified Higher Education Expenses at the time of withdrawal. In addition, no level of investment return is guaranteed by any of the Program Parties.

*Limited Liquidity.* The circumstances under which Account assets may be withdrawn without a penalty or adverse tax consequences are limited. This reduces the liquidity of an investment in the Account.

*Limited Investment Direction.* Once an investment selection has been made at the time an Account is established, an Account Owner may only change how previous Contributions (and any earnings thereon) have been allocated among the available investment approaches for all Accounts for the

same Designated Beneficiary twice per calendar year or upon a change of the Designated Beneficiary. The ongoing management of Portfolio assets is the responsibility of the Board. A Portfolio's assets are invested in accordance with an investment policy that is established by the Board, who may change the investment policy for the Plan at any time.

*Limited Operating History.* The Plan commenced operations in November 2007 and the current Portfolios commenced operations in September 2014. The Plan and the current Portfolios thus have no investment results as of the date of this Plan Description. Performance information for the Portfolios is updated each trading day on the Plan's website at [www.texascollegesavings.com](http://www.texascollegesavings.com). Past performance information for Portfolios and Underlying Investments are not indicative of the future performance of any particular Portfolio.

*Potential Plan Adjustments.* The Board may, during the life of the Plan, make enhancements to the Plan, such as additional investment approaches. There are no current limits on the duration of the Plan. Account Owners who have established Accounts prior to the time an enhancement is made available may be required by the Board to participate in such changes or, conversely, may be limited in their ability to participate in such enhancements under federal tax law, unless they open a new Account. NorthStar might not continue as Plan Manager for the entire period an Account is open. The Plan Manager's term under its contract with the Board extends to August 31, 2019, subject to earlier termination in certain circumstances. The contract may be extended at the option of the Board for up to two additional one year periods, one year at a time, after the initial term ends.

The Board may, at its sole discretion, hire new or additional plan managers or investment managers in the future to manage all or part of the Plan's assets. The investment guidelines, Portfolios and the Underlying Investments may be changed at any time, without notice to or consent by Account Owners. Keep in mind that if the investments selected for the Portfolios change in the future, the risks associated with investing in the Plan may change.

During a transition from investment in one Underlying Investment to investment in another Underlying Investment, a Portfolio may be temporarily un-invested and lack market exposure to such asset class, and the transaction costs associated with such liquidation, as well as any market impact on the value of the securities being liquidated, will be borne by the Portfolio and Accounts invested in such Portfolio. The Plan may offer different investment approaches under a successor plan manager, and investment results achieved by a successor plan manager may be different than those achieved by NorthStar. There is no assurance that the Plan fees and charges or the other terms and conditions of the Savings Trust Agreement will continue without material change.

*Status of Applicable Law and Regulations*—Final regulations or other administrative guidance or court decisions might be issued which could adversely impact the federal tax consequences or requirements with respect to the Plan or Contributions to, or distributions from, Accounts. Congress could also amend Section 529 of the Code or other federal law, and states could amend state law, in a manner that would materially change or eliminate the federal or state tax treatment or financial aid treatment described in this Plan Description. There can be no assurance that such changes in law will not adversely affect the value to any Account Owner or Designated Beneficiary of participation in the Plan. It is not possible to determine the effects, if any, on the Plan of such changes. Because the regulations proposed under Section 529 of the Code do not reflect changes to Section 529 after their promulgation, it is likely that the final regulations, if and when issued, may differ from the proposed regulations. In the event that a change in the tax or other federal or state law makes continued operation not in the best interests of Account Owners or Designated Beneficiaries, then neither the Board nor the Plan Manager is under any obligation to continue the Plan. Changes in the law governing the federal and/or state tax treatment in this Plan Description above could necessitate material changes to the Plan for the anticipated federal and/or state tax consequences to apply.

*Suitability.* None of the Program Parties makes any representation regarding the suitability or appropriateness of any investment approach within the Plan. Other types of investments may be more appropriate depending upon the financial status, tax situation, risk tolerance, age, investment goals, savings needs and investment time horizons of the Account Owner or the Designated Beneficiary. Anyone considering investing in the Plan's Portfolios, including the Age-Based Portfolios, should consider additional factors, including their investment risk tolerance, personal circumstances, and complete financial situation. Anyone considering investing in the Plan should also consult a tax or investment advisor to seek advice concerning the appropriateness of this investment.

*No Guarantee of Performance.* Past performance information for Portfolios (when available) and Underlying Investments are not indicative of the future performance of any particular Portfolio. The investment results of any Portfolio for any period cannot be expected to be similar to its investment performance for any prior period. In addition, in view of the anticipated periodic determinations of such investment allocations and selection of Underlying Investments for each Portfolio, the future investment results of any Portfolio cannot be expected, for any period, to be similar to the past performance of any other Portfolios or Underlying Investments. Portfolio performance information will be made available on the Plan's website at [www.texascollegesavings.com](http://www.texascollegesavings.com).

*Federal Treatment for Financial Aid Purposes.* Being the Account Owner or Designated Beneficiary of an Account may adversely affect eligibility for financial aid. The Program has not sought guidance from the U.S. Department of Education on the impact of the Program on eligibility for federal financial aid. However, pursuant to the College Cost Reduction and Access Act of 2007, for federal financial aid purposes, beginning July 1, 2009, Account assets will be considered (i) assets of a student's parent, if the student is a dependent student and the owner of the account is the parent or the student, or (ii) assets of the student, if the student is the owner of the account and not a dependent student. In addition, the treatment of Section 529 qualified tuition programs may differ substantially from the federal treatment above with respect to financial aid programs offered by educational institutions, states, and other non-federal sources. You should consult with your own financial aid advisor (and/or the educational institution, state, or other non-federal source offering a particular financial aid program) for further information based on your particular circumstances. None of the Program Parties can be responsible for determining how an Account may affect any person's eligibility for financial aid.

*Plan Contributions do not create Texas residency* Contributions to the Plan do not create Texas residency status for you or a Designated Beneficiary for purposes of the rate of tuition charged by a Texas Eligible Educational Institution.

*Texas Treatment for Financial Aid Purposes.* Texas law provides that assets in an Account may not be considered in determining eligibility for Texas state-funded student financial aid.

*Federal Creditor Protection.* The Bankruptcy Abuse Prevention and Consumer Protection Act of 2005 provides protection in federal bankruptcy proceedings for many Section 529 accounts. Generally, your Account will be protected if the Designated Beneficiary is your child, stepchild, grandchild, or step grandchild (including a child, stepchild, grandchild, or step grandchild through adoption or foster care) subject to the following limits:

- Contributions made to all Section 529 accounts for the same Designated Beneficiary at least more than 720 days before a federal bankruptcy filing are completely protected;
- Contributions made to all Section 529 accounts for the same Designated Beneficiary during the period between 365 days, and 720 days before a federal bankruptcy filing are protected up to \$6,225; and
- Contributions made to all Section 529 accounts for the same Designated Beneficiary less than 365 days before a federal bankruptcy filing are not protected against creditor claims in federal bankruptcy proceedings.



*Texas Creditor Protection.* Section 54.709(e) of the Texas Education Code, the statute that authorized creation of the Plan, states, “Money in a savings trust account (the Plan) is exempt from attachment, execution and seizure for the satisfaction of debt or liability of an account owner or beneficiary.” In addition, Section 42.0022 of the Texas Property Code, which is titled, “Exemption for College Savings Plans,” states that “a person’s right to the assets held in or to receive payments or benefits under the Plan is exempt from attachment, execution and seizure for the satisfaction of debts.” Regardless of whether an Account Owner lives in Texas or outside of Texas, the Account Owner should consult an attorney for advice on how these Texas state laws might affect his or her personal situation. Neither the Plan, the Board nor the Plan Manager makes any representations or warranties regarding protection from creditors. The Plan is prohibited from providing legal advice.

*Medicaid Eligibility.* An Account Owner or a Designated Beneficiary may seek eligibility for Medicaid, and the impact of the existence of an Account in the name of an Account Owner on behalf of a Designated Beneficiary is not clear. There is no assurance that an Account will not be treated as a “countable resource” in determining the financial eligibility of either an Account Owner or a Designated Beneficiary for Medicaid. In addition, withdrawals from an Account, whether a Qualified Withdrawal or a Non-Qualified Withdrawal may delay Medicaid payments to an Account Owner or a Designated Beneficiary, as the case may be. Account Owners and Designated Beneficiaries should consult their own qualified advisors as to the impact that an Account and withdrawals from an Account may have on Medicaid eligibility and the timing of Medicaid payments.

*Inflation and Qualified Higher Education Expenses.* Contributions to an Account are limited and the balance in an Account(s) maintained for a Designated Beneficiary may or may not be adequate to cover the Qualified Higher Education Expenses of that Designated Beneficiary even if Contributions are made in the maximum allowable amount. The rate of future inflation in Qualified Higher Education Expenses is uncertain and could exceed the rate of investment return earned by any or all of the Plan’s investment approaches over the corresponding periods.

*No Guarantee of Admission.* There is no guarantee that a Designated Beneficiary will (a) be admitted to any institution of higher education; (b) be permitted to continue to attend such institution; (c) graduate or receive a degree from an institution of higher education; (d) be treated as a state resident of any state for tuition or any other purpose; or (e) receive any particular treatment under applicable federal or state financial aid programs.

*Alternative Education Savings and Investments.* Prospective Account Owners should consider other savings and investment alternatives before establishing an Account in the Plan. Other Section 529 Plans and education savings and investment programs are currently available to prospective Account Owners. These alternative education savings and investment programs may (a) offer benefits, including state tax benefits, that are not available under the Plan, (b) offer different investment approaches than the Plan, and (c) involve different tax consequences, fees, expenses and other features than the Plan. Prospective Account Owners who are not Texas residents may want to consider a Section 529 Plan established and maintained by their own state.

### **General Investment Risks of the Underlying Investments**

The following risks are general risks that apply to all the Underlying Investments:

*Market Risk.* The risk that the value of the securities in which a Portfolio and an Underlying Investment invests may go up or down in response to the prospects of individual companies and/or general economic conditions. Price changes may be temporary or last for extended periods. Diversifying across the various asset classes may mitigate the impact, whether positive or negative, of changes in economic conditions or fundamentals in any one asset class. Market risk primarily affects stocks, but also affects high-yield bonds and, to a lesser extent, higher quality bonds.

Terrorist attacks in the United States, and the continued threat thereof, and related events, including U.S. military actions in Iraq and continued unrest in the Middle East, have led to increased short-term market volatility and may have long-term effects on U.S. and world economies and markets. The Plan does not know the extent to which and how long the securities markets may be affected by such events and cannot predict the effects of such events on the economies of the U.S., or of other countries, or on Portfolio investments.

*Issuer Risk.* Changes in an issuer’s business prospects or financial condition, including those resulting from concerns over accounting or corporate governance practices, could significantly affect a Portfolio’s performance if the Portfolio has sufficient exposure to those securities.

*Management Risk.* The risk that the asset allocation strategy approved by the Board or that a particular strategy used by an Underlying Investment advisor may fail to produce the intended results.

*Index Sampling Risk.* The chance that the securities selected for a fund, in the aggregate, will not provide investment performance matching that of the fund’s target index.

*Investment Style Risk.* The chance that returns from one sector of the market (e.g., small, mid-, or large capitalization stocks) will trail returns from other sectors of the stock market.

*Liquidity Risk.* The risk that an Underlying Investment will not be able to pay redemption proceeds to a Portfolio within the time period stated in the Underlying Investment's prospectus because of unusual market conditions, an unusually high volume of redemption requests, or other reasons. Such delay could result in a Portfolio being unable to make payments within the time period stated herein. Portfolios that invest in non-investment-grade fixed income securities, small capitalization stocks, REITs and emerging country issuers will be especially subject to the risk that during certain periods the liquidity of particular issuers or industries, or all securities within these investment categories, will shrink or disappear suddenly and without warning as a result of adverse economic, market or political events, or adverse investor perceptions, regardless of whether or not accurate.

*Main Risks of Investing in Stock.* The value of the fund's portfolio may be affected by changes in the stock markets. Stock markets may experience great short-term volatility and may fall sharply at times. Different stock markets may behave differently from each other and U.S. stock markets may move in the opposite direction from one or more foreign stock markets.

The prices of individual stocks generally do not all move in the same direction at the same time and a variety of factors can affect the price of a particular company's stock. These factors may include, but are not limited to: increased competition, poor earnings reports, a loss of customers, and litigation against the company, general unfavorable performance of the company's sector or industry, or changes in government regulations affecting the company or its industry.

At times, the fund may emphasize investments in a particular industry or economic or market sector. To the extent that the fund increases its emphasis on investments in a particular industry or sector, the value of its investments may fluctuate more in response to events affecting that industry or sector, such as changes in economic cycles and conditions, government regulations, availability of basic resources or supplies, or other events that affect that industry more than others.

*Main Risks of Growth Investing.* If a growth company's earnings or stock price fails to increase as anticipated, or if its business plans do not produce the expected results, its securities may decline sharply. Growth companies may be newer or smaller companies that may experience greater stock price fluctuations and risks of loss than larger, more established companies. Newer growth companies tend to retain a large part of their earnings for research, development or investments in capital assets. Therefore, they may not pay any dividends for some time. Growth investing has gone in and out of favor during past market cycles and is likely to continue to do so. During periods when growth investing is out of favor or when markets are unstable, it may be more

difficult to sell growth company securities at an acceptable price. Growth stocks may also be more volatile than other securities because of investor speculation.

*Main Risks of Mid-Sized Companies.* Mid-sized companies generally involve greater risk of loss than larger companies. The stock prices of mid-sized companies may be more volatile and their securities may be less liquid and more difficult to sell than those of larger companies. They may have less established markets, fewer customers and product lines, less management depth and more limited access to financial resources. Mid-sized companies may not pay dividends for some time, if at all.

*Main Risks of Value Investing.* Value investing entails the risk that if the market does not recognize that the fund's securities are undervalued, the prices of those securities might not appreciate as anticipated. A value approach could also result in fewer investments that increase rapidly during times of market gains and could cause the fund to underperform funds that use a growth or non-value approach to investing. Value investing has gone in and out of favor during past market cycles and when value investing is out of favor or when markets are unstable, the securities of "value" companies may underperform the securities of "growth" companies.

*Main Risks of Foreign Investing.* Foreign stocks and bonds tend to be more volatile and may be less liquid than their U.S. counterparts. Foreign securities are subject to special risks. Foreign issuers are usually not subject to the same accounting and disclosure requirements that U.S. companies are subject to, which may make it difficult for the fund to evaluate a foreign company's operations or financial condition. A change in the value of a foreign currency against the U.S. dollar will result in a change in the U.S. dollar value of securities denominated in that foreign currency and in the value of any income or distributions the fund may receive on those securities. The value of foreign investments may be affected by exchange control regulations, foreign taxes, higher transaction and other costs, delays in the settlement of transactions, changes in economic or monetary policy in the United States or abroad, expropriation or nationalization of a company's assets, or other political and economic factors. These risks may be greater for investments in developing or emerging market countries.

*Special Risks of Developing and Emerging Markets.* The economies of developing or emerging market countries may be more dependent on relatively few industries that may be highly vulnerable to local and global changes. The governments of developing and emerging market countries may also be more unstable than the governments of more developed countries. These countries generally have less developed securities markets or exchanges, and less developed legal and accounting systems. Securities may be more difficult to sell at an acceptable price and may be more volatile than securities in countries with more mature markets. Emerging market investing has gone in and out of favor during

past market cycles and when emerging market investing is out of favor, or when markets are unstable, the securities of emerging market companies may underperform securities of companies from more mature markets. The value of developing or emerging market currencies may fluctuate more than the currencies of countries with more mature markets. Investments in developing or emerging market countries may be subject to greater risks of government restrictions, including confiscatory taxation, expropriation or nationalization of a company's assets, restrictions on foreign ownership of local companies and restrictions on withdrawing assets from the country. Investments in companies in developing or emerging market countries may be considered speculative.

*Time-Zone Arbitrage.* If an Underlying Investment invests a significant amount of its assets in foreign markets, it may be exposed to "time-zone arbitrage" attempts by investors seeking to take advantage of differences in the values of foreign securities that might result from events that occur after the close of the foreign securities market on which a security is traded and before the fund's net asset value is calculated. If such time-zone arbitrage were successful, it might dilute the interests of other shareholders.

*Main Risks of Small- and Mid-Sized Companies.* The stock prices of small- and mid-sized companies may be more volatile and their securities may be more difficult to sell than those of larger companies. They may not have established markets, may have fewer customers and product lines, may have unseasoned management or less management depth and may have more limited access to financial resources. Smaller companies may not pay dividends or provide capital gains for some time, if at all.

*Investing in Small Unseasoned Companies Risk.* Generally, Small unseasoned companies are companies that have been in operation for less than three years. In addition to the other risks of smaller issuers, these securities may have a very limited trading market, making it harder for an Underlying Investment to sell them at an acceptable price. The price of these securities may be very volatile, especially in the short term.

*Interest Rate Risk.* The values of debt securities usually change when prevailing interest rates change. When interest rates fall, the values of already-issued debt securities generally rise. When interest rates rise, the values of already-issued debt securities generally fall. The values of longer-term debt securities usually change more when interest rates change than the values of shorter-term debt securities.

*Credit Risk.* Debt securities are also subject to credit risk, which is the risk that the issuer of a security might not make principal or interest payments on the security when they are due. If the issuer fails to pay interest, the fund's income might be reduced, and if the issuer fails to pay interest or repay principal, the value of the security might fall.

*Main Risks of Investing in Fixed-Income Securities.* Fixed-income securities may be subject to credit risk, interest rate risk, prepayment risk and extension risk. Credit risk is the risk that the issuer of a security might not make interest and principal payments on the security as they become due. If an issuer fails to pay interest or to repay principal, the Underlying Investment's income or share value might be reduced. A downgrade in an issuer's credit rating or other adverse news about an issuer can reduce the market value of that issuer's securities. The value of debt securities are also subject to change when prevailing interest rates change. When prevailing interest rates fall, the values of already-issued debt securities generally rise. When prevailing interest rates rise, the values of already-issued debt securities generally fall, and they may sell at a discount from their face amount or from the amount paid for them. These fluctuations will usually be greater for longer-term debt securities than for shorter-term debt securities and money market securities. When interest rates fall, debt securities may be repaid more quickly than expected and a fund may be required to reinvest the proceeds at a lower interest rate. This is referred to as "prepayment risk." When interest rates rise, the issuers may repay principal more slowly than expected. This is referred to as "extension risk." Interest rate changes normally have different effects on variable or floating rate securities than they do on securities with fixed interest rates.

*Fixed-Income Market Risks.* Developments relating to subprime mortgages have adversely affected fixed-income securities markets in the United States, Europe and elsewhere. The values of many types of debt securities have been reduced, including mortgage-backed securities and debt securities that are not related to mortgage loans. These developments have reduced the willingness of some lenders to extend credit and have made it more difficult for borrowers to obtain financing on attractive terms or at all. In addition, broker-dealers and other market participants have been less willing to make markets in some types of debt instruments, which has impacted the liquidity of those instruments. These developments may also have a negative effect on the broader economy. There is a risk that the lack of liquidity or other adverse credit market conditions may hamper the Underlying Investments ability to sell the debt securities in which it invests or to find and purchase suitable debt instruments.

*Special Risks of Lower-Grade Securities.* Lower-grade debt securities, whether rated or unrated, have greater risks than investment-grade securities. They may be subject to greater price fluctuations and have a greater risk that the issuer might not be able to pay interest and principal when due. The market for lower-grade securities may be less liquid and therefore they may be harder to value or to sell at an acceptable price, especially during times of market volatility or decline.



*Focused Investing.* At times, the Underlying Investment may hold a significant portion of its assets in companies in a particular industry or market sector. As a result, events (such as changes in economic conditions, government regulations, market declines, or the availability of basic resources or supplies) that affect that particular industry or sector more than others may have a greater effect on the Underlying Investments performance. It might also be more difficult for the Underlying Investment to sell portfolio securities at a price it considers appropriate if it holds larger blocks of stock because it invests in fewer issuers.

*Risks of Investing in the Underlying Investments.* Each of the Underlying Investments has its own investment risks, and those risks can affect the value of the Underlying Investment's investments and therefore the value of the Underlying Investment's shares. To the extent that the Fund invests more of its assets in one Underlying Investment than in another, it will have greater exposure to the risks of that Underlying Investment. The investment objective and principal investment strategies of each of the Underlying Investments are described in the Appendix beginning on page 33. There is no guarantee that the any Underlying Investment will achieve its investment objective. The Underlying Investments will each pursue their investment objectives and policies without the approval of the Plan. If an Underlying Investment were to change its investment objective or policies, the Portfolio may be forced to sell its shares of that Underlying Investment at a disadvantageous time. The prospectuses and Statements of Additional Information of the Underlying Investments are available upon request by calling or visiting the website of each Underlying Investment described on page 13.

*Allocation Risk.* A multi-fund Portfolio's ability to achieve its investment objective depends largely upon selecting the best mix of Underlying Investments. There is the risk that the Manager's evaluations and assumptions regarding the Underlying Investments' prospects may be incorrect in view of actual market conditions.

*Affiliated Portfolio Risk.* In managing the fund, the Manager will have authority to select and substitute Underlying Investments. The Manager may be subject to potential conflicts of interest in selecting Underlying Investments because the fees paid to it by some Underlying Investments are higher than the fees paid by other Underlying Investments. However the Manager monitors the investment process to seek to identify, address and resolve any potential issues.

#### **Principal Investment Risks of the Underlying Investments**

The risks of investing in the Plan also include the risks of investing in each of the Underlying Investments. Please see the Appendix to determine which risks are applicable to each of the Portfolio's Underlying Investments.

## **INFORMATION ABOUT PLAN MANAGEMENT**

### **Texas Prepaid Higher Education Tuition Board**

As created by the Texas Legislature in 1995, the Texas Prepaid Higher Education Tuition Board administers the state's four higher education savings programs, the Texas Guaranteed Tuition Plan (a prepaid tuition plan, also known as the Texas Tomorrow Fund, that is closed to new enrollment), the Texas College Savings Plan (a direct-sold 529 College Savings Plan), the LoneStar 529 Plan (an advisor-sold 529 College Savings Plan) and the Texas Tuition Promise Fund (the State's newest prepaid tuition plan opened for enrollment in 2008). The four programs are authorized pursuant to the Texas Education Code, Chapter 54, Subchapters F, G and H. The programs have been designed and are intended to comply with Section 529 of the Code and the proposed regulations under Section 529 ("Regulations") to the extent not inconsistent with subsequent tax legislation and guidance from the IRS.

Under Texas law, the Board is the trustee of the assets held by the Texas Comptroller of Public Accounts in the Texas Tomorrow Constitutional Trust Fund. The Board's mission is to assist Texas families by providing a means to save sufficient funds for higher education.

The Board is comprised of seven members. The Comptroller of Public Accounts is the Board's presiding officer. The Board is in the office of the Comptroller, and Comptroller employees serve as the staff of the Board. The Governor appoints two Board members, and the Lieutenant Governor appoints four, two of which come from persons recommended by the Speaker of the Texas House of Representatives. Board members have knowledge, skill, and experience in higher education, business, or finance.

#### **Administrative Services**

Under the Services Agreement, the Plan Manager or its designee performs certain administrative services for the Plan with respect to the investment of Portfolio assets. With the assistance of an investment consultant, the Board is responsible for the establishment of the Portfolios in which an Account Owner may choose to invest and the allocation of each Portfolio among the different investment asset classes, and the selection of the Underlying Investments. Under the Services Agreement, the Plan Manager may subcontract for the performance of services required to be performed by the Plan Manager with the prior written consent of the Board.

#### **CONTINUING DISCLOSURE**

To comply with Rule 15c2-12(b)(5) of the Securities Exchange Act of 1934 (the "Rule"), the Board will make appropriate arrangements for the benefit of Account Owners to produce and disseminate certain financial information and operating data (the "Annual Information") relating to the Plan and notices of the occurrence of certain enumerated events as required by the Rule. They will make provision for the filing of the Annual Information with the Municipal Securities Rulemaking Board.

## SAVINGS TRUST AGREEMENT

### A. General Information

This Savings Trust Agreement contains the terms governing your Account established pursuant to the Texas College Savings Plan<sup>1</sup> (the “Plan”). The Texas Prepaid Higher Education Tuition Board (“Board”), acting by and through the Office of the Comptroller of Public Accounts (“Comptroller”), an agency of the State of Texas, administers the Plan, which is designed to qualify for treatment as a qualified tuition program within the meaning of Section 529 of the Internal Revenue Code of 1986, as amended (a “Section 529 Plan”). By signing the Texas College Savings Plan Enrollment Application, you agree to be bound by the terms of this Savings Trust Agreement which will be effective as of the date you execute the Enrollment Application.

The Plan is designed to help you save for the Qualified Higher Education Expenses (as hereinafter defined) of the Designated Beneficiary (as hereinafter defined) you designate in the Enrollment Application (as hereinafter defined). Your investment in the Plan will be made through your Contributions to a separate account (the “Account”) that is part of the Plan. NorthStar and its affiliates will provide investment advisory, administrative and recordkeeping services with respect to the Plan, and Northern Lights Distributors, LLC, will provide distribution services with respect to the Plan. The foregoing services are referred to collectively herein as the “Services.” The term “Plan Manager,” as used herein, shall mean NorthStar and its affiliates. The Services include, but are not limited to, investing your assets according to the investment policies established by the Board and based on the investment option you select; accepting and processing Contributions to and withdrawals from your Account; and providing certain administrative, recordkeeping, customer service, fund accounting, and reporting services for the Plan with respect to your investment in the Plan.

Your investment in the Plan will not be insured by the FDIC, or any other state or federal governmental agency. Interests in the Plan are not deposits or other obligations of the Plan Manager, or any of its affiliates. No part of your Account, the principal you invest nor any investment return is insured or guaranteed by the FDIC, the State of Texas or any of its agencies, the Board, the Plan, any other state or federal governmental agency, the Plan Manager or any agent or affiliate of the Plan Manager. You could lose money (including the principal invested), or not make money, if you invest in the Plan. Portfolios may (a) invest in mutual funds, (b) invest in commingled funds as permitted by law, (c) place assets in separate accounts managed by the Plan Manager or affiliates of the Plan Manager or other managers selected by the Board for the benefit of the Plan, or (d) pursue any combination of such investment strategies.

**The Plan Description sets forth in greater detail the terms of the Plan, including and without limitation provisions governing Contributions to your Account, investment of Account assets, designation of beneficiary, and withdrawals. All terms and provisions of the Plan Description are incorporated by reference into this Savings Trust Agreement and made a part hereof. Before making any investment under the Plan, you must read the Plan Description in its entirety. Contact the Plan Manager with any questions toll free at 800.445.GRAD (4723), option #3, or contact your financial professional.**

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<sup>1</sup> The Texas College Savings Plan is a registered service mark of the State of Texas Prepaid Higher Education Tuition Board and Comptroller of Public Accounts.

## **B. Account Owner's Representations, Warranties, Acknowledgments and Covenants**

You hereby represent, warrant, acknowledge and agree with the Board as follows:

1. You are a resident of the United States of America and you are 18 years of age or older, or, if you are opening an Account in a representative or fiduciary capacity, you have full power and authority to enter into this Savings Trust Agreement for the entity or individual named as Account Owner, and that entity or individual is a United States person as described in Code Section 7701(a)(30).
2. You have received and read the Plan Description, have carefully reviewed the information contained therein, including information provided by or with respect to the Board and the Plan Manager, and agree that its terms are incorporated into this Savings Trust Agreement as if they were set forth in this Savings Trust Agreement.
3. The investment of assets held in your Account will be governed by the provisions of the Plan Description and this Savings Trust Agreement, each as amended from time to time, and all such assets will be held exclusively for your benefit and the benefit of the individual named as Designated Beneficiary of that Account.
4. You have been given an opportunity, within a reasonable time prior to the effective date of this Savings Trust Agreement, to ask questions of representatives of the Board and the Plan Manager and receive satisfactory answers concerning (i) an investment in the Plan; (ii) the terms and conditions of the Plan; (iii) the particular investment options that may be selected; (iv) the Plan Description, this Savings Trust Agreement and the Enrollment Application; and (v) your ability to obtain such additional information necessary to verify the accuracy of any information furnished.
5. Section 529 Plans offered by states other than Texas may offer tax or other benefits to taxpayers or residents of those states that are not available with regard to the Plan. If you are a taxpayer or resident of a state other than Texas, you have considered such state tax treatment and other benefits, if any, before making a decision to invest in the Plan.
6. The Plan is established and maintained with the intent that it meets the requirements for favorable federal tax treatment under Section 529 of the Code. Qualification under Section 529 of the Code is vital, and the Board may amend this Savings Trust Agreement at any time if the Board determines that such an amendment is necessary to maintain qualification under Section 529 of the Code. If for any reason the Internal Revenue Service determines that the Plan does not qualify under Section 529 of the Code, such a determination could have significant adverse tax consequences to you.

7. Federal and State laws are subject to change, sometimes with retroactive effect, and neither the State, the Board nor the Plan Manager, nor any affiliate of the foregoing, nor any other person makes any representation that such federal or State laws will not be changed or repealed.

8. With respect to each Account you open under the Plan, you are opening the Account in order to provide funds for the Qualified Higher Education Expenses of the Designated Beneficiary of that Account.

9. As of the date that you execute your Enrollment Application, you have not knowingly made Contributions to an Account under the Plan or to any other account under any other Section 529 Plan to benefit your Designated Beneficiary, such that the aggregate Account Contribution Limit of the Accounts and other accounts under other Section 529 Plans established and sponsored by the State (regardless of Account Owner) exceeds \$370,000. You will not knowingly make Contributions to your Account now or in the future, such that the aggregate balance of the Accounts and other accounts under other Section 529 Plans established and maintained by the State (regardless of Account Owner) exceed \$370,000 (or such higher Maximum Contribution Limit as to which you are notified from time to time).

10. You have not relied on any representations or other information, whether oral or written, and whether made by any agent or representative of the Board, the State, the Plan Manager, or otherwise, other than as set forth in the Plan Description (including any applicable supplement to the Plan Description) and in this Savings Trust Agreement.

11. The value of your Account(s) may increase or decrease each day that the New York Stock Exchange is open for trading, based on the investment performance of the Portfolio in which your Account is then invested, and each Portfolio will invest in the Underlying Investment or other investments selected by the Board, or in other funds of one or more other investment advisers that may be hired by the Board. **YOU UNDERSTAND THAT THE VALUE OF ANY ACCOUNT(S) TO WHICH YOU MAKE CONTRIBUTIONS MAY BE MORE OR LESS THAN THE AMOUNTS YOU CONTRIBUTE TO THE ACCOUNT(S).**

12. Neither the State, the Board, the Plan Manager nor any affiliate of the foregoing, nor any other person makes any guarantee that you will not suffer a loss of the amount invested in any Account or that you will receive a particular return on any amount contributed to an Account.



13. You have accurately and truthfully completed the Enrollment Application, and any other documentation that you have furnished or will subsequently furnish in connection with the opening or maintenance of, or any withdrawals from, your Account(s) is or will be accurate, truthful and complete, including the age indicated for the Designated Beneficiary.

14. If you make false statements in connection with opening an Account or otherwise, the Board and/or the Plan Manager may take such action as the Board and/or the Plan Manager deem necessary or appropriate, including, without limitation, terminating your Account or requiring that you indemnify the State, the Plan Manager and/or the Board as discussed under "Limitation of Liability; Indemnification" below.

15. Your participation in the Plan does not guarantee that the Designated Beneficiary: (i) will be accepted as a student by any Eligible Educational Institution; (ii) if accepted, will be permitted to continue as a student; (iii) will be treated as a Texas resident for tuition or other purposes; (iv) will graduate from any Eligible Educational Institution; or (v) will achieve any particular treatment under applicable state or federal financial aid programs. You further acknowledge and agree that neither the State, the Board, the Plan Manager, nor any affiliate of the foregoing, nor any other person, makes any such representation or guarantee.

16. No Account in which you invest will be used as collateral for any loan. Any attempt to use an Account as collateral for a loan shall be void. The Plan itself will not loan any assets to you or the Designated Beneficiary.

17. You will not assign or transfer any interest in any Account, except as otherwise contemplated in the Plan Description or this Savings Trust Agreement. Any unauthorized assignment or transfer of such an interest shall be void.

18. Although you own Units of Portfolios through your Account, you do not have a direct beneficial interest in the Underlying Investments, or any other investments held by the Plan, and therefore you do not have the rights of an owner or shareholder of such investments.

19. You acknowledge that Portfolios may (a) invest in mutual funds; (b) invest in commingled funds as permitted by law; (c) place assets in separate accounts managed by the Plan Manager or affiliates of the Plan Manager or other managers selected by the Board for the benefit of the Plan, or (d) pursue any combination of such investment strategies.

20. None of the Plan Description, this Savings Trust Agreement or the Enrollment Application addresses taxes imposed by a state, or the applicability of local taxes to the Plan, your investment in the Plan or your Account. You should consult with a qualified tax advisor regarding the application of all taxes (including those summarized in the Plan Description) to your particular situation.

21. The state or locality in which you reside may impose a tax on the earnings accumulated on your Account assets, without deferring such tax until the time that a withdrawal is made from the Account. You are generally responsible for paying any taxes imposed upon you with respect to your Account. However, to the extent that such taxes relating to your Account are imposed upon the Plan, they can be paid directly from your Account. Such payments may be considered Non-Qualified Withdrawals.

### **C. Fees and Expenses**

1. Fees will be charged to provide for the costs of management and administration. These fees are described in the Plan Description and may be adjusted in the future.

2. New fees and expenses may be charged in the future.

### **D. Limitation of Liability; Indemnification**

1. **Indemnification.** You recognize that the establishment of any Account in the Plan will be based upon your acknowledgments, statements, agreements, representations, warranties and covenants set forth in this Savings Trust Agreement and the Enrollment Application. You agree to indemnify and hold harmless the Plan, the Board, the State, the Plan Manager, and any affiliates, directors, officers, employees, agents and other representatives of the foregoing, for any liabilities or expenses (including costs of attorney's fees) they each may incur as a result of any misstatement or misrepresentation made by you or the Designated Beneficiary, or any breach by you or the Designated Beneficiary of the acknowledgments, statements, agreements, representations, warranties or covenants contained in this Savings Trust Agreement (other than liabilities or expenses of the Board or the Plan Manager, respectively, arising from its failure to perform their duties specified in the Plan Description). All of your statements, representations, warranties, covenants and agreements shall survive the termination of this Savings Trust Agreement.

2. **Extraordinary Events.** Neither the Board, the State, nor the Plan Manager will be liable to you or any other person or entity for any loss caused directly or indirectly by government restrictions, exchange or market rulings, suspension of trading, war, terrorism, strikes, changes in federal or state law (including tax law) or other conditions beyond their reasonable control.

**E. Complaint Resolution Process—complaints against the Board, The Comptroller, and the Texas state government.**

Should a dispute arise out of this Contract, the Account Owner should first contact the Plan Manager to attempt resolution. The Account Owner and the Plan Manager shall first attempt to resolve it through direct discussions in a spirit of mutual cooperation. If these attempts are unsuccessful, then the Account Owner agrees to follow the complaint resolution process of the Board.

Consent to sue from the Legislature under Chapter 107, Civ. Prac. and Rem. Code is required before any suit or proceeding may be filed against the Board, the Comptroller, and/or the State. Neither the execution of this Contract by the Board nor any other conduct of any representative of the Board relating to this Contract shall be considered a waiver of sovereign immunity to suit or any other applicable immunity.

**F. Complaint Resolution Process—complaints against the Plan Manager.**

The parties hereby establish the following out-of-court alternate dispute resolution procedure to be followed in the event of certain controversies or disputes involving your Account or this Savings Trust Agreement that may arise between (a) you and/or your Designated Beneficiary and (b) the Plan Manager or its parent and affiliates, and their respective officers, directors, employees and agents (collectively, the “Plan Parties”).

If a dispute develops between you and/or your Designated Beneficiary and the Plan Parties related to your Account transactions or other administrative matters involving your Account, then you and/or your Designated Beneficiary and the Plan Parties will submit to non-binding mediation to address the dispute. You and/or your Designated Beneficiary and the Plan Parties will mutually determine the location, date, duration, and process for any such mediation effort and be bound by the terms and conditions as set forth in any settlement agreement that is executed following the mediation.

Adjudication of any controversies between you and/or your Beneficiary and the Plan Parties that cannot be resolved through the mediation process described above shall be in a court of law.

Some controversies between you and/or your Designated Beneficiary and the Plan Parties may involve claims that are owned by the Plan and the Board and can only be brought by the Board. This provision is not intended to cover such claims.

**G. Miscellaneous Provisions**

**1. Reporting.** Subject to certain limitations, the Board, as trustee of the Plan, has designated the Plan Manager to administer and maintain the records of the Plan. The Plan Manager will keep records of all transactions concerning your Account, and will provide quarterly statements of your Account to you. The Board will cause, and represents that

it has required the Plan Manager to cause, reports of your Account to be sent to you, the Internal Revenue Service and such other regulatory authorities as required by law. If you do not write to the Plan Manager to object to a statement or report within 60 days after it has been sent to you, you will be considered to have approved it and to have released the Board and the Plan Manager from all responsibility for matters covered by the report. You agree to provide all information the Board or the Plan Manager may need to comply with any legal reporting requirements. You will continue to be responsible for filing your federal and state tax returns and any other reports required of you by law.

**2. Duties of the Board.** Neither the Board, the Comptroller, nor their representatives has any duty to you to perform any action other than those specified in this Savings Trust Agreement or the Plan Description. The Board may accept and rely conclusively on any instructions or other communications reasonably believed to have been given by you or another authorized person, and may assume that the authority of any other authorized person continues in effect until the Board receives written notice to the contrary. The Board has no duty to determine or advise you of the investment, tax or other consequences of your actions, or of its actions in following your directions, or of its failing to act in the absence of your directions.

**3. Duties of the Plan Manager.** Neither the Plan Manager nor its representatives have a duty to perform any actions, other than those specified in the Plan Description and the Services Agreement. The Plan Manager may accept and rely conclusively on any instructions or other communications reasonably believed to have been given by you or another authorized person and may assume that the authority of any other authorized person continues in effect until the Plan Manager receives written notices to the contrary. The Plan Manager has no duty to determine or advise you of the investment, tax or other consequences of your actions, or of its actions in following your directions, or of its failing to act in the absence of your directions.

**4. Change in Plan Manager.** The Board may appoint a new plan manager in the future. In such event, your assets may (i) continue to be managed by the Plan Manager; (ii) be managed in part by the prior manager and in part by the new manager, such that assets in your Account before the change in managers, and earnings on such assets, are managed by the prior manager, and assets contributed after the change or earnings on such assets are managed by the new manager; or (iii) be managed entirely by the new manager. In each such event, you will not be able to direct investment of your Account assets, except as described in the Plan Description.

**5. Effectiveness of This Savings Trust Agreement.** This Savings Trust Agreement shall become effective upon the execution of your Enrollment Application, subject to the right of the Board or the Plan Manager to reject your Enrollment

Application if, in processing the Enrollment Application, it is determined that the Enrollment Application has not been completed in accordance with guidelines under the Plan.

**6. Amendment and Termination.** Subject to certain limitations, and except as otherwise provided herein, the Board (as trustee of the Plan) may, at any time, and from time to time, amend this Savings Trust Agreement or the Plan Description, or suspend or terminate the Savings Trust Agreement and the Plan, by giving written notice of such action to you, but your Account assets may not thereby be diverted from the exclusive benefit of you and/or the Designated Beneficiary. The Board may also terminate the Plan by giving written notice of such action to you. Nothing contained in this Savings Trust Agreement or the Plan Description shall constitute an agreement or representation by the Board, on its own behalf or on behalf of the Plan Manager, or the Comptroller, or the State or any contracting party that it will continue to maintain the Plan indefinitely.

If the Plan is terminated, the balance of each Account will be paid to you, to the extent possible, and any unclaimed assets shall be delivered to the Texas Comptroller of Public Accounts in accordance with general law regarding unclaimed property.

If your Savings Trust Account has not been terminated and the Account is presumed abandoned by applicable law and regulations, the Board, after making reasonable efforts to contact you and the Designated Beneficiary of the Account or their agents, shall report the unclaimed money in the account to the Texas Comptroller of Public Accounts.

**7. Successors and Assigns.** This Savings Trust Agreement shall be binding upon the parties and their respective heirs, successors (including Successor Account Owners) and permitted assigns. You agree that all of your representations, warranties, acknowledgments and covenants under this Savings Trust Agreement shall inure to the benefit of the Plan Manager, which shall be a third-party beneficiary of those representations, warranties, acknowledgments and covenants. With the exception of rights herein expressly conferred, nothing expressed or mentioned in or to be implied from this Savings Trust Agreement is intended or shall be construed to give to any person, other than you, the Board and the Plan Manager, any legal or equitable right, remedy or claim under or with respect to this Savings Trust Agreement or any covenants, conditions and provisions herein contained; this Savings Trust Agreement and all of the covenants, conditions and provisions hereof being intended to be and being for the sole and exclusive benefit of you, the Board and the Plan Manager as herein provided.

**8. Communications.** For purposes of this Savings Trust Agreement, communications will be sent to you at the permanent address that you specify in your Enrollment Application or at such other permanent address that you give to the Plan Manager in writing. You are solely responsible for

providing accurate address information on the account. All communications so sent will be deemed to be given to you personally upon such sending, whether or not you actually receive them.

**9. Severability.** If any provision of this Savings Trust Agreement is held to be invalid, illegal, void or unenforceable, by reason of any law, rule, or administrative order, or by judicial decision, such determination will not affect the validity of the remaining provisions of this Savings Trust Agreement.

**10. Headings.** The heading of each section, paragraph and provision in this Savings Trust Agreement is for descriptive purposes only and shall not be deemed to modify or qualify any of the rights or obligations set forth in each such section, paragraph and provisions.

**11. Governing Law.** This Savings Trust Agreement shall be construed in accordance with and shall be governed by the laws of the State of Texas, without regard to choice of law rules of any state. Your execution of the Enrollment Application shall constitute execution of this Savings Trust Agreement.

## APPENDIX

### UNDERLYING INVESTMENT OBJECTIVES, STRATEGIES AND RISKS

Below are the investment objectives and primary investment strategies and risks for each Underlying Investment. This information is only a summary; please refer to each Underlying Investment's prospectus and statement of additional information for more complete information. Additionally, please see "PLAN AND PORTFOLIO RISKS—General Investment Risks of the Underlying Investments and Principal Investment Risks of the Underlying Investments" beginning on page 24 for a more detailed discussion of the risks applicable to each Underlying Investment.

#### **Portfolios may invest in mutual funds or other investments.**

#### **T. Rowe Price Large Cap Growth Fund**

##### *Investment objective*

The Portfolio seeks to provide long-term capital appreciation through investments in common stocks of growth companies.

##### *Principal investment strategies*

The Portfolio invests in the T. Rowe Price Institutional Large-Cap Growth Fund. Through its ownership in the fund, the Portfolio will normally invest at least 80% of net assets in the common stocks of large companies. A large company is defined as one whose market cap is larger than the median market cap of companies in the Russell 1000 Growth Index, a widely used benchmark of the largest domestic growth stocks (the median market cap as of August 31, 2013, was approximately \$7.3 billion, and is subject to change). The market capitalization of the companies in the fund's portfolio and the Russell index changes over time; the fund will not automatically sell or cease to purchase stock of a company it already owns just because the company's market capitalization falls below this level. The fund generally looks for companies with an above-average rate of earnings and cash flow growth and a lucrative niche in the economy that gives them the ability to sustain earnings momentum even during times of slow economic growth. As growth investors, the Fund Manager believes that when a company increases its earnings faster than both inflation and the overall economy, the market will eventually reward it with a higher stock price.

The fund is "non-diversified," meaning it may invest a greater portion of its assets in a single issuer and own more of the issuer's voting securities than is permissible for a "diversified" fund. In pursuing its investment objective, the Fund Manager has the discretion to deviate from its normal investment criteria, as previously described, and purchase securities that the fund's management believes will provide an opportunity for substantial appreciation. These situations might arise when the Fund Manager believes a security could increase in value

for a variety of reasons, including an extraordinary corporate event, a new product introduction or innovation, a favorable competitive development, or a change in management.

While most assets will be invested in U.S. common stocks, the fund may invest in other securities including foreign stocks, and use futures and options, in keeping with fund objectives.

The fund may sell securities for a variety of reasons, such as to secure gains, limit losses, or redeploy assets into more promising opportunities.

##### *Principal Risks*

As with any mutual fund, there is no guarantee the fund will achieve its objective. The fund's share price fluctuates, which means money could be lost by investing in the fund.

The principal risks of investing in this fund are: Active Management Risk, Risks of Stock Investing, Investment Style Risk, Market Capitalization Risk, Nondiversification Risk and Foreign Investing Risk as described below.

*T. Rowe Price Large Cap Growth Underlying Investment Risks*  
*Active management risk.* The fund is subject to the risk that the Fund Manager's judgments about the attractiveness, value, or potential appreciation of the fund's investments may prove to be incorrect. If the securities selected and strategies employed by the fund fail to produce the intended results, the fund could underperform other funds with similar objectives and investment strategies.

*Risks of Stock Investing.* Stocks generally fluctuate in value more than bonds and may decline significantly over short time periods. There is a chance that stock prices overall will decline because stock markets tend to move in cycles, with periods of rising prices and falling prices. The value of a stock in which the fund invests may decline due to general weakness in the stock market or because of factors that affect a company or a particular industry.

*Investment Style Risk.* Different investment styles tend to shift in and out of favor, depending on market conditions and investor sentiment. The fund's growth approach to investing could cause it to underperform other stock funds that employ a different investment style. Growth stocks tend to be more volatile than other types of stocks and their prices usually fluctuate more dramatically than the overall stock market. A stock with growth characteristics can have sharp price declines due to decreases in current or expected earnings and may lack dividends that can help cushion its share price in a declining market.



*Market capitalization risk.* Investing primarily in issuers within the same market capitalization category carries the risk that the category may be out of favor due to current market conditions or investor sentiment. Securities issued by large-cap companies tend to be less volatile than securities issued by smaller companies. However, larger companies may not be able to attain the high growth rates of successful smaller companies, especially during strong economic periods, and may be unable to respond as quickly to competitive challenges.

*Nondiversification Risk.* As a nondiversified fund, the fund has the ability to invest a larger percentage of its assets in the securities of a smaller number of issuers than a diversified fund. As a result, poor performance by a single issuer could adversely affect fund performance more than if the fund were invested in a larger number of issuers. The fund's share price can be expected to fluctuate more than that of a comparable diversified fund.

*Foreign Investing Risk.* This is the risk that the fund's investments in foreign securities may be adversely affected by political and economic conditions overseas, reduced liquidity, or decreases in foreign currency values relative to the U.S. dollar.

### **Artisan Value Fund Institutional Shares**

#### *Investment objective*

Artisan Value Fund seeks maximum long-term capital growth.

#### *Principal investment strategies*

Artisan employs a fundamental investment process to construct a diversified portfolio of equity securities across a broad capitalization range that Artisan believes are undervalued, in solid financial condition and have attractive business economics. Artisan believes companies with these characteristics are less likely to experience eroding values over the long term.

*Attractive Valuation.* Artisan values a business using what it believes are reasonable expectations for the long-term earnings power and capitalization rates of that business. This results in a range of values for the company that Artisan believes would be reasonable. Artisan generally will purchase a security if the stock price falls below or toward the lower end of that range.

*Sound Financial Condition.* Artisan favors companies with an acceptable level of debt and positive cash flow. At a minimum, Artisan tries to avoid companies that have so much debt that management may be unable to make decisions that would be in the best interest of the companies' shareholders.

*Attractive Business Economics.* Artisan favors cash-producing businesses that it believes are capable of earning acceptable returns on capital over the company's business cycle.

The Fund often finds investment opportunities in companies that have one or more of the following characteristics:

*Turnarounds.* At times, the Fund invests in companies that have had poor results due to company-specific and/or industry-wide conditions that Artisan believes will not continue indefinitely.

*Companies in Transition.* A company's stock price may not reflect positive change in the business, such as new management, new products or a cyclical uptrend in an industry. Artisan tries to identify investments for the Fund ahead of broad recognition of changes that may be expected to cause the stock's price to rise.

*Earnings Shortfalls.* The Fund may invest in a company, in a group or industry that is out of favor, or whose earnings have disappointed, causing its stock price to drop below Artisan's estimate of the value of the business and creating the potential for patient investors to benefit when those earnings improve. The Fund may invest in a company, in a group or industry that is out of favor, or whose earnings have disappointed, causing its stock price to drop below Artisan's estimate of the value of the business and creating non-U.S. exchanges. The Fund's investments in non-U.S. securities may include investments in developed markets, as well as emerging and less developed markets. The Fund invests in common stocks and other equity securities of companies across a broad capitalization range. The Fund will invest in U.S. companies with market capitalizations of at least \$2 billion at the time of initial purchase, although the Fund may invest in a U.S. company with a lower market capitalization if it already holds a position in that company. There is no restriction on the size of the non-U.S. companies in which the Fund may invest.

#### *Principal Risks*

Like all mutual funds that invest primarily in stocks, the Fund takes investment risks and it is possible for you to lose money by investing in the Fund. Artisan's ability to choose suitable investments for the Fund has a significant impact on the Fund's ability to achieve its investment objective.

The principal risks of investing in this fund are: Stock Market Risks, Medium-Sized Company Risks, Value Investing Risks, Foreign Investing Risks, Currency Risks, Risks of Emphasizing a Region, Country, Sector or Industry and Impact of Actions by Other Shareholders as described below.

### *Artisan Value Fund Institutional Shares Underlying Investment Risks*

**Stock Market Risks.** The value of a company's stock may rise or fall in response to company, market, economic or other news.

**Medium-Sized Company Risks.** Stocks of medium-sized companies tend to be more volatile and less liquid than stocks of large companies. Compared to large companies, medium-sized companies typically may have analyst coverage by fewer brokerage firms—meaning they may trade at prices that reflect incomplete or inaccurate information. During some periods, stocks of medium-sized companies, as an asset class, have underperformed the stocks of small and large companies.

**Value Investing Risks.** Value stocks may fall out of favor with investors and underperform other asset types during given periods. The price of a company's stock may never reach the level Artisan considers its intrinsic value.

**Foreign Investing Risks.** Foreign stocks may underperform U.S. stocks, and may be more volatile than U.S. stocks. Risks relating to investments in foreign securities (including, but not limited to, depositary receipts) include: currency exchange rate fluctuation; less available public information about the issuers of securities; less stringent regulatory standards; lack of uniform accounting, auditing and financial reporting standards; and country risks including less liquidity, high inflation rates, unfavorable economic practices; political instability and expropriation and nationalization risks.

**Currency Risks.** Foreign securities usually are denominated and traded in foreign currencies, while the Fund values its assets in U.S. dollars, the values of the Fund's non-U.S. investments will be affected favorably or unfavorably by changes in currency exchange rates relative to the U.S. dollar. The Fund usually does not hedge against possible variations in exchange rates, but, in limited circumstances, the Fund's exposure to a particular currency that Artisan believes is overvalued may be hedged if the Fund has positions in securities traded in that currency.

**Risks of Emphasizing a Region, Country, Sector or Industry.** If the Fund has invested a higher percentage of its total assets in a particular region, country, sector or industry, changes affecting that region, country, sector or industry may have a significant impact on the performance of the Fund's overall portfolio.

**Impact of Actions by Other Shareholders.** The Fund, like all mutual funds, pools the investments of many investors. Actions by one investor or multiple investors may have an effect on the Fund and on other investors.

### **Vanguard Institutional Index Fund**

#### *Investment objective*

The Fund seeks to track the performance of a benchmark index that measures the investment return of large-capitalization stocks.

#### *Principal investment strategies*

The Fund employs an indexing investment approach designed to track the performance of the Standard & Poor's 500 Index, a widely recognized benchmark of U.S. stock market performance that is dominated by the stocks of large U.S. companies. The Fund attempts to replicate the target index by investing all, or substantially all, of its assets in the stocks that make up the Index, holding each stock in approximately the same proportion as its weighting in the Index.

#### *Principal Risks*

An investment in the Fund could lose money over short or even long periods. You should expect the Fund's share price and total return to fluctuate within a wide range, like the fluctuations of the overall stock market.

The principal risks of investing in this fund are: Stock Market Risk and Investment Style Risk as described below.

### *Vanguard Institutional Index Fund Underlying Investment Risks*

**Stock Market Risk.** The chance that stock prices overall will decline. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices. The Fund's target index may, at times, become focused in stocks of a particular sector, category, or group of companies, which could cause the Fund to underperform the overall stock market.

**Investment Style Risk.** The chance that returns from large-capitalization stocks will trail returns from the overall stock market. Large-cap stocks tend to go through cycles of doing better—or worse—than other segments of the stock market or the stock market in general. These periods have, in the past, lasted for as long as several years.

**An investment in the Fund is not deposit of a bank and is not insured or guaranteed by the FDIC or any other governmental agency.**

### **DFA U.S. Small Cap Portfolio**

#### *Investment objective*

The investment objective of the U.S. Small Cap Portfolio is to achieve long- term capital appreciation.

#### *Principal investment strategies*

Dimensional Fund Advisors LP (the "Advisor") believes that equity investing should involve a long-term view and a systematic focus on sources of expected returns, not on



stock picking or market timing. In constructing an investment portfolio, the Advisor identifies a broadly diversified universe of eligible securities with precisely-defined risk and return characteristics. It then places priority on efficiently managing portfolio turnover and keeping trading costs low. In general, the Advisor does not intend to purchase or sell securities for the investment portfolio based on prospects for the economy, the securities markets or the individual issuers whose shares are eligible for purchase.

The U.S. Small Cap Portfolio, using a market capitalization weighted approach, purchases a broad and diverse group of readily marketable securities of U.S. small cap companies. A company's market capitalization is the number of its shares outstanding times its price per share. In general, the higher the relative market capitalization of the U.S. small cap company, the greater its representation in the Portfolio. The Advisor may modify market capitalization weights and even exclude companies after considering such factors as free float, momentum, trading strategies, liquidity management, and expected profitability, as well as other factors that the Advisor determines to be appropriate, given market conditions. In assessing expected profitability, the Advisor may consider different ratios, such as that of earnings or profits from operations relative to book value or assets.

As a non-fundamental policy, under normal circumstances, the U.S. Small Cap Portfolio will invest at least 80% of its net assets in securities of small cap U.S. companies. As of the date of this Plan Description, for purposes of the U.S. Small Cap Portfolio, the Advisor considers small cap companies to be companies whose market capitalizations are generally in the lowest 10% of total market capitalization or companies whose market capitalizations are smaller than the 1,000th largest U.S. company, whichever results in the higher market capitalization break. Total market capitalization is based on the market capitalization of U.S. operating companies listed on the New York Stock Exchange ("NYSE"), NYSE MKT LLC, Nasdaq Global Market® or such other securities exchanges deemed appropriate by the Advisor. Under the Advisor's market capitalization guidelines described above, as of December 31, 2013, the market capitalization of a small cap company was \$3,522 million or below. This dollar amount will change due to market conditions.

The U.S. Small Cap Portfolio may use derivatives, such as futures contracts and options on futures contracts for U.S. equity securities and indices, to gain market exposure on its un-invested cash pending investment in securities or to maintain liquidity to pay redemptions.

The U.S. Small Cap Portfolio may lend its portfolio securities to generate additional income.

#### *Principal Risks.*

The principal risks of investing in this fund are: Market Risk, Small Company Risk, Derivatives Risk and Securities Lending Risk as described below.

#### *DFA US Small Cap Portfolio Underlying Investment Risks*

*Market Risk.* Even a long-term investment approach cannot guarantee a profit. Economic, political, and issuer-specific events will cause the value of securities, and the U.S. Small Cap Portfolio that owns them, to rise or fall. Because the value of your investment in the Portfolio will fluctuate, there is the risk that you will lose money.

*Small Company Risk.* Securities of small companies are often less liquid than those of large companies and this could make it difficult to sell a small company security at a desired time or price. As a result, small company stocks may fluctuate relatively more in price. In general, smaller capitalization companies are also more vulnerable than larger companies to adverse business or economic developments and they may have more limited resources.

*Derivatives Risk.* Derivatives are instruments, such as futures contracts, whose value is derived from that of other assets, rates or indices. The use of derivatives for non-hedging purposes may be considered more speculative than other types of investments. When the U.S. Small Cap Portfolio uses derivatives, the Portfolio will be directly exposed to the risks of that derivative. Derivative instruments are subject to a number of risks including counterparty, liquidity, interest rate, market, credit and management risks, and the risk of improper valuation. Changes in the value of a derivative may not correlate perfectly with the underlying asset, rate or index, and the Portfolio could lose more than the principal amount invested.

*Securities Lending Risk.* Securities lending involves the risk that the borrower may fail to return the securities in a timely manner or at all. As a result, the U.S. Small Cap Portfolio may lose money and there may be a delay in recovering the loaned securities. The U.S. Small Cap Portfolio could also lose money if it does not recover the securities and/or the value of the collateral falls, including the value of investments made with cash collateral. Securities lending also may have certain adverse tax consequences.

## **Vanguard Extended Market Index Fund**

### *Investment objective*

The Fund seeks to track the performance of a benchmark index that measures the investment return of small- and mid-capitalization stocks.

### *Principal investment strategies*

The Fund employs an indexing investment approach designed to track the performance of the Standard & Poor's Completion Index, a broadly diversified index of stocks of small and mid-size U.S. companies. The S&P Completion Index contains all of the U.S. common stocks regularly traded on the New York Stock Exchange and the Nasdaq over-the-counter market, except those stocks included in the S&P 500 Index. The Fund invests all, or substantially all, of its assets in stocks of its target index, with nearly 80% of its assets invested in approximately 1,200 of the stocks in its target index (covering nearly 85% of the Index's total market capitalization), and the rest of its assets in a representative sample of the remaining stocks. The Fund holds a broadly diversified collection of securities that, in the aggregate, approximates the full Index in terms of key characteristics. These key characteristics include industry weightings and market capitalization, as well as certain financial measures, such as price/earnings ratio and dividend yield.

*Principal Risks* An investment in the Fund could lose money over short or even long periods. You should expect the Fund's share price and total return to fluctuate within a wide range, like the fluctuations of the overall stock market.

The principal risks of investing in this fund are: Stock Market Risk, Investment Style Risk and Index Sampling Risk as described below.

*Vanguard Extended Market Index Underlying Investment Risks*  
*Stock Market Risk.* The chance that stock prices overall will decline. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices. The Fund's target index may, at times, become focused in stocks of a particular sector, category, or group of companies, which could cause the Fund to underperform the overall stock market.

*Investment Style Risk.* The chance that returns from small- and mid- capitalization stocks will trail returns from the overall stock market. Historically, small- and mid-cap stocks have been more volatile in price than the large-cap stocks that dominate the overall market, and they often perform quite differently.

*Index Sampling Risk.* The chance that the securities selected for the Fund, in the aggregate, will not provide investment performance matching that of the Fund's target index. Index sampling risk for the Fund should be low.

**An investment in the Fund is not deposit of a bank and is not insured or guaranteed by the FDIC or any other governmental agency.**

## **Dodge & Cox International Stock Fund**

### *Investment objective*

The Fund seeks long-term growth of principal and income.

### *Principal investment strategies*

The Fund invests primarily in a diversified portfolio of equity securities issued by non-U.S. companies from at least three different countries, including emerging markets. Under normal circumstances, the Fund will invest at least 80% of its total assets in common stocks, preferred stocks, securities convertible into common stocks, and securities that carry the right to buy common stocks of non-U.S. companies.

The Fund invests primarily in medium-to-large well established companies based on standards of the applicable market. In selecting investments, the Fund invests primarily in companies that, in Dodge & Cox's opinion, appear to be temporarily undervalued by the stock market but have a favorable outlook for long-term growth. The Fund also focuses on the underlying financial condition and prospects of individual companies, including future earnings, cash flow, and dividends. Various other factors, including financial strength, economic condition, competitive advantage, quality of the business franchise, and the reputation, experience, and competence of a company's management are weighed against valuation in selecting individual securities. The Fund also considers the economic and political stability of a country and the protections provided to foreign shareholders.

The Fund may enter into forward currency contracts or currency futures contracts to hedge foreign currency exposure.

### *Principal Risks*

You could lose money by investing in the Fund and the Fund could underperform other investments. You should expect the Fund's share price and total return to fluctuate within a wide range. The fund's future performance could be hurt by such investment risks.

The principal risks of investing in this fund are: Issuer Risk, Management Risk, Equity Risk, Market Risk, Liquidity Risk, Non-U.S. Investment Risk, Non-U.S. currency risk and Non-U.S. issuer risk as described below.

### *Dodge & Cox International Stock Fund Underlying Investment Risks*

*Issuer risk.* Securities held by the Fund may decline in value because of changes in the financial condition of, or other events affecting, the issuers of these securities.

*Management Risk.* Dodge & Cox's opinion about the intrinsic worth of a company or security may be incorrect, Dodge & Cox may not make timely purchases or sales of securities for the Fund, the Fund's investment objective may not be achieved, and the market may continue to undervalue the Fund's securities.

*Equity Risk.* Equity securities generally have greater price volatility than fixed income securities.

*Market Risk.* Stock prices may decline over short or extended periods due to general market conditions.

*Liquidity Risk.* The Fund may not be able to purchase or sell a security in a timely manner or at desired prices or achieve its desired weighting in a security.

*Non-U.S. Investment Risk.* Non-U.S. stock markets may decline due to conditions unique to an individual country, including unfavorable economic conditions relative to the United States. There may be increased risk of delayed settlement of portfolio transactions or loss of certificates of portfolio securities.

*Non-U.S. Currency Risk.* Non-U.S. currencies may decline relative to the U.S. dollar, which reduces the unhedged value of securities denominated in those currencies. Dodge & Cox may not hedge or may not be successful in hedging the Fund's currency exposure. The Fund also bears transaction charges for currency exchange.

*Non-U.S. Issuer Risk.* Securities may decline in value because of political, economic, or market instability; the absence of accurate information about the companies; risks of internal and external conflicts; or unfavorable government actions, including expropriation and nationalization. Non-U.S. securities are sometimes less liquid, more volatile, and harder to value than securities of U.S. issuers. Lack of uniform accounting, auditing, and financial reporting standards, with less governmental regulation and oversight than U.S. companies, may increase risk. Some countries also may have different legal systems that may make it difficult for the Fund to vote proxies, exercise shareholder rights, and pursue legal remedies with respect to investments. These risks may be higher when investing in emerging markets. Certain of these risks may also apply to securities of U.S. companies with significant non-U.S. operations.

An investment in the Fund is not a deposit of a bank and is not insured or guaranteed by the FDIC or any other government agency.

## **Vanguard Total International Stock Market Index Fund**

### *Investment objective*

The Fund seeks to track the performance of a benchmark index that measures the investment return of stocks issued by companies located in developed and emerging markets, excluding the United States.

### *Principal investment strategies*

The Fund employs an indexing investment approach designed to track the performance of the FTSE Global All Cap ex US Index, a free-float-adjusted market-capitalization-weighted index designed to measure equity market performance of companies located in developed and emerging markets, excluding the United States. The Index includes approximately 5,330 stocks of companies located in 45 countries. As of October 31, 2013, the largest markets covered in the Index were the United Kingdom, Japan, Canada, France, and Germany (which made up approximately 16%, 16%, 7%, 6%, and 6%, respectively, of the Index's market capitalization). The Fund invests all, or substantially all, of its assets in the common stocks included in its target index.

### *Principal Risks*

An investment in the Fund could lose money over short or even long periods. You should expect the Fund's share price and total return to fluctuate within a wide range, like the fluctuations of global stock markets.

The principal risks of investing in this fund are: Stock Market Risk, Investment Style Risk, Country/Regional Risk, Currency Risk and Emerging Markets Risk as described below.

### *Vanguard Total International Stock Market Index Fund Underlying Investment Risks*

*Stock Market Risk.* The chance that stock prices overall will decline. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices. The Fund's investments in foreign stocks can be riskier than U.S. stock investments. The prices of foreign stocks and the prices of U.S. stocks have, at times, moved in opposite directions. In addition, the Fund's target index may, at times, become focused in stocks of a particular market sector, which would subject the Fund to proportionately higher exposure to the risks of that sector.

*Investment Style Risk.* The chance that returns from non-U.S. small- and mid-capitalization stocks will trail returns from global stock markets. Historically, non- U.S. small- and mid-cap stocks have been more volatile in price than the large-cap stocks that dominate the global markets, and they often perform quite differently.

*Country/Regional Risk.* The chance that world events—such as political upheaval, financial troubles, or natural disasters—will adversely affect the value of securities issued by companies in foreign countries or regions. Because the Fund may invest a large portion of its assets in securities of companies located in any one country or region, the Fund's performance may be hurt disproportionately by the poor performance of its investments in that area. Country/regional risk is especially high in emerging markets.

*Currency Risk.* The chance that the value of a foreign investment, measured in U.S. dollars, will decrease because of unfavorable changes in currency exchange rates. Currency risk is especially high in emerging markets.

*Emerging markets risk,* which is the chance that the stocks of companies located in emerging markets will be substantially more volatile, and substantially less liquid, than the stocks of companies located in more developed foreign markets because, among other factors, emerging markets can have greater custodial and operational risks; less developed legal, regulatory, and accounting systems; and greater political, social, and economic instability than developed markets.

**An investment in the Fund is not deposit of a bank and is not insured or guaranteed by the FDIC or any other governmental agency.**

### **Vanguard Total Bond Market Index Fund**

#### *Investment objective*

The Fund seeks to track the performance of a broad, market-weighted bond index.

#### *Principal investment strategies*

The Fund employs an indexing investment approach designed to track the performance of the Barclays U.S. Aggregate Float Adjusted Index. This Index represents a wide spectrum of public, investment-grade, taxable, fixed income securities in the United States—including government, corporate, and international dollar-denominated bonds, as well as mortgage-backed and asset-backed securities—all with maturities of more than 1 year.

The Fund invests by *sampling* the Index, meaning that it holds a broadly diversified collection of securities that, in the aggregate, approximates the full Index in terms of key risk factors and other characteristics. All of the Fund's investments will be selected through the sampling process, and at least 80% of the Fund's assets will be invested in bonds held in the Index. The Fund maintains a dollar-weighted average maturity consistent with that of the Index, which generally ranges between 5 and 10 years.

#### *Principal Risks*

An investment in the Fund could lose money over short or even long periods. You should expect the Fund's share price and total return to fluctuate within a wide range, like the fluctuations of the overall bond market.

The principal risks of investing in this fund are: Interest Rate Risk, Income Risk, Credit Risk, Call Risk and Index Sampling Risk as described below.

#### *Vanguard Total Bond Market Index Fund Underlying Investment Risks*

*Interest Rate Risk.* The chance that bond prices overall will decline because of rising interest rates. Interest rate risk should be moderate for the Fund because it invests primarily in short- and intermediate-term bonds, whose prices are less sensitive to interest rate changes than are the prices of long-term bonds.

*Income Risk.* The chance that the Fund's income will decline because of falling interest rates. Income risk is generally high for short-term bond funds and moderate for intermediate-term bond funds, so investors should expect the Fund's monthly income to fluctuate accordingly.

*Credit Risk.* The chance that a bond issuer 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 the price of that bond to decline. Credit risk should be low for the Fund because it purchases only bonds that are of investment-grade quality.

*Call Risk.* The chance that during periods of falling interest rates, issuers of callable bonds may call (redeem) securities with higher coupons or interest rates before their maturity dates. The Fund would then lose any price appreciation above the bond's call price 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*. Call/prepayment risk should be moderate for the Fund because it invests only a portion of its assets in callable bonds and mortgage-backed securities.

*Index Sampling Risk.* The chance that the securities selected for the Fund, in the aggregate, will not provide investment performance matching that of the Fund's target index. Index sampling risk for the Fund should be low.

**An investment in the Fund is not deposit of a bank and is not insured or guaranteed by the FDIC or any other governmental agency.**



## **DFA Inflation-Protected Securities Portfolio**

### *Investment objective*

The investment objective of the DFA Inflation-Protected Securities Portfolio (the “Inflation-Protected Portfolio”) is to provide inflation protection and earn current income consistent with inflation-protected securities.

### *Principal investment strategies*

Dimensional Fund Advisors LP (the “Advisor”) believes that fixed income investing should involve a long-term view and a systematic focus on bond market risk and return, not on interest rate forecasting or market timing.

In constructing an investment portfolio, the Advisor identifies a broadly diversified universe of eligible securities with precisely defined maturity ranges and credit quality characteristics. The Advisor will then seek to purchase a broad range of portfolio securities that result in the Portfolio maintaining similar characteristics to the whole universe of eligible securities. The Advisor also places priority on efficiently managing portfolio turnover and keeping trading costs low.

The Inflation-Protected Portfolio seeks its investment objective by investing in a universe of inflation-protected securities that are structured to provide returns that at least keep up with the rate of inflation over the long-term. The Inflation-Protected Portfolio ordinarily invests in inflation-protected securities issued by the U.S. Government and its agencies and instrumentalities and the credit quality of such inflation-protected securities will be that of such applicable U.S. government, agency or instrumentality issuer.

As a non-fundamental policy, under normal circumstances, the Portfolio will invest at least 80% of its net assets in inflation-protected securities. Inflation-protected securities (also known as inflation-indexed securities) are securities whose principal and/or interest payments are adjusted for inflation, unlike conventional debt securities that make fixed principal and interest payments. Inflation-protected securities include Treasury Inflation- Protected Securities (“TIPS”), which are securities issued by the U.S. Treasury. The principal value of TIPS is adjusted for inflation (payable at maturity) and the semi-annual interest payments by TIPS equal a fixed percentage of the inflation-adjusted principal amount. These inflation adjustments are based upon the Consumer Price Index for Urban Consumers (CPI-U). The original principal value of TIPS is guaranteed, even during periods of deflation. At maturity, TIPS are redeemed at the greater of their inflation-adjusted principal or paramount at original issue. Other types of inflation-protected securities may use other methods to adjust for inflation and other measures of inflation. In addition, inflation-protected securities issued by entities other than the U.S. Treasury may not provide a guarantee of principal value at maturity.

Generally, the Inflation-Protected Portfolio will purchase inflation-protected securities with maturities of between five and twenty years from the date of settlement, although it is anticipated that, at times, the Portfolio will purchase securities outside of this range. The Portfolio ordinarily will have an average weighted maturity, based upon market values, of between three to twelve years.

The Inflation-Protected Portfolio is authorized to invest more than 25% of its total assets in Treasury bonds, bills and notes and obligations of U.S. government agencies and instrumentalities. The Portfolio will not shift the maturity of its investments in anticipation of interest rate movements.

The Inflation-Protected Portfolio may lend its portfolio securities to generate additional income.

### *Principal Risks*

The principal risks of investing in this fund are: Market Risk, Interest Rate Risk, Inflation-Protected Securities Interest Rate Risk, Credit Risk, Risks of Investing for Inflation Protection, Income Risk, Liquidity Risk and Securities Lending Risk as described below.

### *DFA Inflation-Protected Securities I Fund Underlying Investment Risks*

**Market Risk.** Even a long-term investment approach cannot guarantee a profit. Economic, political, and issuer-specific events will cause the value of securities, and the Inflation-Protected Portfolio that owns them, to rise or fall. Because the value of your investment in the Portfolio will fluctuate, there is the risk that you will lose money.

**Interest Rate Risk.** Fixed income securities are subject to interest rate risk because the prices of fixed income securities tend to move in the opposite direction of interest rates. When interest rates rise, fixed income security prices fall. When interest rates fall, fixed income security prices rise. In general, fixed income securities with longer maturities are more sensitive to changes in interest rates.

**Inflation-Protected Securities Interest Rate Risk.** Inflation-protected securities may react differently from other fixed income securities to changes in interest rates. Because interest rates on inflation-protected securities are adjusted for inflation, the values of these securities are not materially affected by inflation expectations. Therefore, the value of inflation-protected securities are anticipated to change in response to changes in “real” interest rates, which represent nominal (stated) interest rates reduced by the expected impact of inflation. Generally, the value of an inflation-protected security will fall when real interest rates rise and will rise when real interest rates fall.

**Credit Risk.** Credit risk is the risk that the issuer of a security may be unable to make interest payments and/or repay principal when due. A downgrade to an issuer’s credit rating or a perceived change in an issuer’s financial

strength may affect a security's value, and thus, impact the Inflation-Protected Portfolio's performance. Government agency obligations have different levels of credit support and, therefore, different degrees of credit risk. Securities issued by agencies and instrumentalities of the U.S. Government that are supported by the full faith and credit of the United States, such as the Federal Housing Administration and Ginnie Mae, present little credit risk. Other securities issued by agencies and instrumentalities sponsored by the U.S. Government, that are supported only by the issuer's right to borrow from the U.S. Treasury, subject to certain limitations, and securities issued by agencies and instrumentalities sponsored by the U.S. Government that are sponsored by the credit of the issuing agencies, such as Freddie Mac and Fannie Mae, are subject to a greater degree of credit risk. U.S. government agency securities issued or guaranteed by the credit of the agency may still involve a risk of non-payment of principal and/or interest.

*Risks of Investing for Inflation Protection.* Because the interest and/or principal payments on an inflation-protected security are adjusted periodically for changes in inflation, the income distributed by the Inflation-Protected Portfolio may be irregular. Although the U.S. Treasury guarantees to pay at least the original face value of any inflation-protected securities the Treasury issues, other issuers may not offer the same guarantee. Also, inflation-protected securities, including those issued by the U.S. Treasury, are not protected against deflation. As a result, in a period of deflation, the inflation-protected securities held by the Portfolio may not pay any income and the Portfolio may suffer a loss during such periods. While inflation-protected securities are expected to be protected from long-term inflationary trends, short-term increases in inflation may lead to a decline in the Portfolio's value. If interest rates rise due to reasons other than inflation, the Portfolio's investment in these securities may not be protected to the extent that the increase is not reflected in the securities' inflation measures. In addition, positive adjustments to principal generally will result in taxable income to the Portfolio at the time of such adjustments (which generally would be distributed by the Portfolio as part of its taxable dividends), even though the principal amount is not paid until maturity. The current market value of inflation-protected securities is not guaranteed and will fluctuate.

*Income Risk.* Income risk is the risk that falling interest rates will cause the Inflation-Protected Portfolio's income to decline because, among other reasons, the proceeds from maturing short-term securities in its portfolio may be reinvested in lower-yielding securities.

*Liquidity Risk.* Liquidity risk exists when particular portfolio investments are difficult to purchase or sell. To the extent that the Inflation-Protected Portfolio holds illiquid investments, the Portfolio's performance may be reduced due to an inability to sell the investments at opportune prices or times. Liquid

portfolio investments may become illiquid or less liquid after purchase by the Inflation-Protected Portfolio due to low trading volume, adverse investor perceptions and/or other market developments. Liquidity risk includes the risk that the Inflation-Protected Portfolio will experience significant net redemptions at a time when it cannot find willing buyers for its portfolio securities or can only sell its portfolio securities at a material loss. Liquidity risk can be more pronounced in periods of market turmoil.

*Securities Lending Risk.* Securities lending involves the risk that the borrower may fail to return the securities in a timely manner or at all. As a result, the Inflation-Protected Portfolio may lose money and there may be a delay in recovering the loaned securities. The Portfolio could also lose money if it does not recover the securities and/or the value of the collateral falls, including the value of investments made with cash collateral. Securities lending also may have certain adverse tax consequences.

### **Invesco Liquid Assets Portfolio**

*Investment objective* The Fund's investment objective is to provide current income consistent with preservation of capital and liquidity.

#### *Principal investment strategies*

The Fund invests in high-quality U.S. dollar-denominated short-term debt obligations, including: (i) securities issued by the U.S. Government or its agencies; (ii) bankers' acceptances, certificates of deposit, and time deposits from U.S. or foreign banks; (iii) repurchase agreements; (iv) commercial paper; (v) municipal securities; and (vi) master notes.

The Fund may engage in repurchase agreement transactions that are collateralized by cash or government securities. In addition, it may engage in repurchase agreement transactions that are collateralized by nongovernment securities such as equity securities and securities that are rated investment grade and below investment grade by nationally recognized statistical rating organizations or unrated securities of comparable quality.

The Fund will limit investments to those securities that are First Tier Securities (defined below) at the time of purchase.



The Fund is a money market fund that seeks to maintain a stable price of \$1.00 per share by using the amortized cost method to value portfolio securities and rounding the share value to the nearest cent. The Fund invests in conformity with Security and Exchange Commission (SEC) rules and regulation requirements for money market funds for the quality, maturity, diversification and liquidity of investments. The Fund invests only in U.S. dollar denominated securities maturing within 397 days of the date of purchase, with certain exceptions permitted by applicable regulations. The Fund maintains a dollar-weighted average portfolio maturity of no more than 60 days, and a dollar-weighted average portfolio maturity as determined without exceptions regarding certain interest rate adjustments under Rule 2a-7 under the Investment Company Act of 1940 of no more than 120 days. Each investment must be determined to present minimal credit risks by the Fund's Adviser pursuant to guidelines approved by the Fund's Board of Trustees, and must be an "Eligible Security" as defined under applicable regulations. First Tier Securities generally means Eligible Securities rated within the highest short-term rating category, an unrated security of comparable quality as determined by the Adviser under the supervision of the Board of Trustees, U.S. Government Securities as defined by applicable regulations, and securities issued by other registered money market funds.

The Fund may invest up to 50% of its total assets in U.S. dollar-denominated foreign securities. The Fund may also invest in securities, whether or not considered foreign securities, which carry foreign credit exposure.

In selecting securities for the Fund's portfolio, the portfolio managers focus on securities that offer safety, liquidity, and a competitive yield. The Adviser conducts a credit analysis of each potential issuer prior to the purchase of its securities. The portfolio managers manage liquidity, for instance, by trading in daily and weekly variable-rate demand notes.

The portfolio managers normally hold portfolio securities to maturity, but may sell a security when they deem it advisable, such as when market or credit factors materially change.

#### *Principal Risks*

As with any mutual fund investment, loss of money is a risk of investing. An investment in the Fund is not a deposit in a bank and is not insured or guaranteed by the FDIC or any other governmental agency. Although the Fund seeks to preserve the value of your investment at \$1.00 per share, you may lose money by investing in the Fund. The risks associated with an investment in the Fund can increase during times of significant market volatility.

The principal risks of investing in this fund are: Banking and Financial Services Industry Focus Risk, Cash/Cash Equivalents Risk, Counterparty Risk, Credit Risk, Foreign Credit Exposure Risk, Foreign Securities Risk, Interest Rate Risk, Liquidity Risk, Management Risk, Market Risk, Money Market Fund Risk, Municipal Securities Risk, Reinvestment Risk, Repurchase Agreement Risk, U.S. Government Obligations Risk, Variable-Rate Demand Notes Risk and Yield Risk as described below.

*Invesco Liquid Assets Portfolio Underlying Investment Risks Banking and Financial Services Industry Focus Risk.* From time to time, the Fund may invest more than 25% of its assets in unsecured bank instruments, including but not limited to certificates of deposit, time deposits and bankers acceptances. To the extent the Fund focuses its investments in these instruments or invests in securities issued or guaranteed by companies in the banking and financial services industries, the Fund's performance will depend on the overall condition of those industries and the individual banks and financial institutions in which the Fund invests. Financial services companies may be dependent on the supply of short-term financing. The value of bank instruments and securities of issuers in the banking and financial services industry can be affected by and sensitive to changes in government regulation and interest rates and to economic downturns in the United States and abroad. The risk of holding bank instruments is also directly tied to the risk of insolvency or bankruptcy of the issuing banks, which risk may be higher for larger or more complex financial institutions that combine traditional, commercial and investment banking.

*Cash/Cash Equivalents Risk.* Holding cash or cash equivalents may negatively affect performance.

*Counterparty Risk.* Counterparty risk is the risk that the other party to the contract will not fulfill its contractual obligations, which may cause losses or additional costs to the Fund.

*Credit Risk.* The issuer of instruments in which the Fund invests may be unable to meet interest and/or principal payments, thereby causing its instruments to decrease in value and lowering the issuer's credit rating.

*Foreign Credit Exposure Risk.* U.S. dollar-denominated securities carrying foreign credit exposure may be affected by unfavorable political, economic or governmental developments that could affect payments of principal and interest.

*Foreign Securities Risk.* The Fund's foreign investments may be affected by political and social instability, changes in economic or taxation policies, difficulties when enforcing obligations, decreased liquidity, and increased volatility. Foreign companies may be subject to less regulation resulting in less publicly available information about the companies.

**Interest Rate Risk.** Interest rate risk refers to the risk that bond prices generally fall as interest rates rise; conversely, bond prices generally rise as interest rates fall. Specific bonds differ in their sensitivity to changes in interest rates depending on their individual characteristics, including duration.

**Liquidity Risk.** The Fund may hold illiquid securities that it may be unable to sell at the preferred time or price and could lose its entire investment in such securities. Liquidity is also the risk that a Fund may not be able to pay redemption proceeds within an allowable amount of time.

**Management Risk.** The investment techniques and risk analysis used by the Fund's portfolio managers may not produce the desired results.

**Market Risk.** The prices of and the income generated by the Fund's securities may decline in response to, among other things, investor sentiment, general economic and market conditions, regional or global instability, and interest rate fluctuations.

**Money Market Fund Risk.** Although the Fund seeks to preserve the value of your investment at \$1.00 per share, you may lose money by investing in the Fund. The share price of money market funds can fall below the \$1.00 share price. You should not rely on or expect the Fund's adviser or its affiliates to enter into support agreements or take other actions to maintain the Fund's \$1.00 share price. The credit quality of the Fund's holdings can change rapidly in certain markets, and the default of a single holding could have an adverse impact on the Fund's share price. The Fund's share price can also be negatively affected during periods of high redemption pressures and/or illiquid markets. Furthermore, additional government regulation, including by the SEC, could impact the way the Fund is managed and possibly negatively impact its return.

**Municipal Securities Risk.** The Fund may invest in municipal securities. Constitutional amendments, legislative enactments, executive orders, administrative regulations, voter initiatives, and the issuer's regional economic conditions may affect the municipal security's value, interest payments, repayment of principal and the Fund's ability to sell it. Failure of a municipal security issuer to comply with applicable tax requirements may make income paid thereon taxable, resulting in a decline in the security's value. In addition, there could be changes in applicable tax laws or tax treatments that reduce or eliminate the current federal income tax exemption on municipal securities or otherwise adversely affect the current federal or state tax status of municipal securities.

**Reinvestment Risk.** Reinvestment risk is the risk that a bond's cash flows (coupon income and principal repayment) will be reinvested at an interest rate below that on the original bond.

**Repurchase Agreement Risk.** If the seller of a repurchase agreement defaults or otherwise does not fulfill its obligations, the Fund may incur delays and losses arising from selling the underlying securities, enforcing its rights, or declining collateral value. These risks are magnified to the extent that a repurchase agreement is secured by securities other than cash or U.S. Government securities.

**U.S. Government Obligations Risk.** The Fund may invest in obligations issued by U.S. Government agencies and instrumentalities that may receive varying levels of support from the government, which could affect the Fund's ability to recover should they default.

**Variable-Rate Demand Notes Risk.** The absence of an active secondary market for certain variable and floating rate notes could make it difficult to dispose of the instruments, and a portfolio could suffer a loss if the issuer defaults during periods in which a portfolio is not entitled to exercise its demand rights.

**Yield Risk.** The Fund's yield will vary as the short-term securities in its portfolio mature or are sold and the proceeds are reinvested in other securities. Additionally, inflation may outpace and diminish investment returns over time.

## **Dreyfus Treasury Prime Cash Management**

### *Investment objective*

The fund seeks as high a level of current income as is consistent with the preservation of capital and the maintenance of liquidity.

### *Principal investment strategies*

As a money market fund, the fund is subject to the maturity, quality, liquidity and diversification requirements of Rule 2a-7 under the Investment Company Act of 1940, as amended, which are designed to help money market funds maintain a stable share price of \$1.00. To pursue its goal, the fund only invests in securities issued or guaranteed as to principal and interest by the U.S. government. The fund is managed so that income paid by the fund will be exempt from state and local taxes. Because rules regarding the state and local taxation of dividend income can differ from state to state, investors are urged to consult their tax advisers about the taxation of the fund's dividend income in their state and locality.

### *Principal Risks*

An investment in the fund is not insured or guaranteed by the FDIC or any other government agency. Although the 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.

The fund's yield will fluctuate as the short-term securities in its portfolio mature and the proceeds are reinvested in securities with different interest rates. Additionally, while the fund has maintained a constant share price since inception, and will continue to try to do so, neither The Dreyfus Corporation nor its affiliates are required to make a capital infusion, enter into a capital support agreement or take other actions to prevent the fund's share price from falling below \$1.00.

The principal risks of investing in this fund are: Interest Rate Risk, U.S. Treasury Securities Risk, and Liquidity Risk as described below.

*Dreyfus Treasury Prime Cash Management Underlying Investment Risks*

**Interest Rate Risk.** This risk refers to the decline in the prices of fixed-income securities that may accompany a rise in the overall level of interest rates. A sharp and unexpected rise in interest rates could cause a money market fund's share price to drop below a dollar.

**U.S. Treasury securities Risk.** A security backed by the U.S. Treasury or the full faith and credit of the United States is guaranteed only as to the timely payment of interest and principal when held to maturity, but the market prices for such securities are not guaranteed and will fluctuate.

**Liquidity Risk.** When there is little or no active trading market for specific types of securities, it can become more difficult to sell the securities at or near their perceived value. In such a market, the value of such securities may fall dramatically, potentially lowering the fund's share price, even during periods of declining interest rates. Also, during such periods, redemptions by a few large investors in the fund may have a significant adverse effect on the fund's net asset value and remaining fund shareholders.

## FREQUENTLY ASKED QUESTIONS

**How Do I Set Up an Account?** As the Account Owner, you may establish an Account by completing an Enrollment Application and making an initial Contribution to your Account. At the time your first Contribution is made, the Code requires that you name a beneficiary, the Designated Beneficiary. Your Account may only have one Designated Beneficiary and that Designated Beneficiary must be an individual.

**I am a Texas Resident. Do I Get Any Special Benefits under the Plan?** Yes. Texas law provides that assets in an Account may not be considered in determining eligibility for Texas state-funded student financial aid. Also, assets in an Account are exempt from attachment, execution, and seizure in Texas for the satisfaction of debts under Texas law. See Plan Description for more details.

**Does the State of Texas Sponsor any Other Section 529 Plans?** Yes. In addition to the Plan described in this Plan Description, the Board administers a separate prepaid tuition 529 plan, the Texas Guaranteed Tuition Plan, which is currently closed to new enrollment, and an advisor-sold savings 529 Plan, the LoneStar 529 Plan, which is described in a separate plan description, and the Texas Tuition Promise Fund, the state's newest prepaid tuition plan. More information about these plans is available at [www.texastomorrowfunds.com](http://www.texastomorrowfunds.com) or by calling 800.445.GRAD (4723).

**Can My Spouse and I Open a Joint Account?** No. Your Account may have only one owner. You as the Account Owner will be the only person who can give instructions to distribute money from your Account to pay the Qualified Higher Education Expenses of the Designated Beneficiary or for any other reason.

**Who Can Be a Designated Beneficiary?** The Designated Beneficiary of your Account may be any individual, including the Account Owner. The Designated Beneficiary does not need to be related to you. The Designated Beneficiary may be of any age. Once your account is established, you can change the Designated Beneficiary to a different Designated Beneficiary who is a Member of the Family of the existing Designated Beneficiary.

**How Much Do I Need to Open an Account?** You can establish an account with \$25 per Portfolio and you can make subsequent Contributions of \$25 per Portfolio (\$15 minimum per Portfolio if you fund your Account through AIP or payroll deduction).

**How Do I Make Additional Investments?** You may send money by check or establish an automatic purchase plan to contribute money via an Electronic Funds Transfer (EFT) from your bank checking or savings account. You may also make automated, systematic Contributions by payroll deduction established through your employer or, if you elected to do so on your Enrollment Application, by the telephone purchase option, which allows you to make subsequent Contributions from your bank account with a phone call.

**How Much Can I Contribute to an Account?** The Code requires that the Account balance for any single Designated Beneficiary be limited to the amount of money necessary to pay the Qualified Higher Education Expenses of the Designated Beneficiary. That limit, the Maximum Contribution Limit, is calculated based upon the actual cost of attending the most expensive educational institutions in the United States for undergraduate and graduate school. The Maximum Contribution Limit for Accounts under the Plan and accounts under all other Section 529 plans established and maintained by the State of Texas for a particular Designated Beneficiary (regardless of Account Owner) is \$370,000, subject to adjustment as described in the Plan Description.

The Account balance is permitted to exceed the Maximum Contribution Limit only if the excess balance of the account is attributable to Account earnings. The Maximum Contribution Limit applies whether or not the Account Owner is a resident of Texas. The Board reserves the right to change the Maximum Contribution Limit.

If your Designated Beneficiary is the Designated Beneficiary of more than one Account or is the Designated Beneficiary of a Texas Guaranteed Tuition Plan account, a LoneStar 529 Plan account, a Texas Tuition Promise Fund account, or any other 529 Plan account established and administered by the state of Texas in the future, the Maximum Contribution Limit is calculated by aggregating the Contributions made to those accounts as well. No Contributions will be accepted to an Account within the Plan or the Texas Guaranteed Tuition Plan, the LoneStar 529 Plan, a Texas Tuition Promise Fund account, or any other 529 Plan established and administered by the state of Texas in the future if the aggregate Contributions for any Designated Beneficiary are above the Maximum Contribution Limit.

**How Will My Account Be Invested?** Assets in your account are invested in Portfolios, depending on the investment options that you select. You will be asked to designate on your Application how you want your Contributions allocated. You may invest all of your assets in one Portfolio, or allocate your Contributions among up to nine different Portfolios. The Plan offers two types of Age-Based Portfolios and seven Static Portfolios.

Any Contributions will be invested in accordance with the standing instructions for your Account unless you specify different allocation instructions for a particular Contribution. You may change your standing instructions with respect to future Contributions at any time.

**Are the Portfolios Mutual Funds?** No, the Portfolios are not mutual funds. Each Age-Based and Static Portfolio invests in a combination of one or more Underlying Investments.

**Are the Portfolios Registered with the SEC?** No, the Portfolios are not registered with the SEC.

**Can I Redirect Money Once Contributed to a Portfolio?** Yes. You can reallocate assets already in your Account among different Portfolios within the Plan or to another Texas sponsored 529 Plan (i.e., make exchanges or reallocate) only twice per calendar year. You may also reallocate assets already in your Account at any time you change the Designated Beneficiary.

In addition, you may change the allocation of future Contributions at any time, although this will not affect the allocation of investments already in your Account.

**Can I Invest in the Plan and in a Coverdell ESA?** Yes. Investment in a Coverdell ESA has no impact on an Account Owner's ability to invest in the Plan.

## **What Are the Federal Income Tax Advantages of the Plan?**

Under the Plan, any earnings are tax-deferred, meaning that neither you nor the Designated Beneficiary owes federal income tax if your Account grows. Further, if the distributions from your Account are used to pay the Qualified Higher Education Expenses of your Designated Beneficiary, the earnings portion of such distributions is not taxed.

**What Are the Gift Tax Advantages of the Plan?** Although you, the Account Owner, continue to own Contributions to your Account, your Contributions are treated as completed gifts for federal gift tax purposes. A gift of more than \$14,000 to an individual in one year (or up to \$28,000 in the case of a married couple) may be subject to federal gift tax depending on several factors. However, the Code permits a contributor to an Account to make an election to use up to five years of his or her annual exclusion at once. Thus, a contributor to the Plan can make a gift of up to \$70,000 in one year (or up to \$140,000 in the case of a married couple) to an Account without triggering federal gift tax (although all other gifts over the five calendar years covered by the election would be subject to gift tax or have other gift or estate tax consequences). To do this, the contributor must elect to treat the entire gift as a series of five equal annual gifts. The contributor should consult with his or her tax advisor for more information on the five-year election.

**Does the money have to be used at a college in Texas?** No. You can use your savings to pay for Qualified Higher Education Expenses at most accredited institutions in the U.S., including two- and four-year colleges, graduate schools, and certain vocational schools, as well as at some foreign institutions.

**How Do I Use My Account Assets to Pay for College?** You can withdraw money from your Account at any time. However, if the money is not used to pay Qualified Higher Education Expenses within the same calendar year as the Withdrawal, you will have to pay federal income and applicable state taxes plus (unless an exception exists) a 10% additional federal penalty on the earnings portion of the distribution.

**What if I Need the Money Before the Designated Beneficiary Goes to College?** You can withdraw money from your Account at any time. However, if the money is not used to pay Qualified Higher Education Expenses within the same calendar year as the Withdrawal, you will have to pay federal income and any applicable state taxes plus (unless an exception exists) a 10% additional federal penalty on any earnings portion of the distribution.



**Are There Any Exceptions to the Additional Federal Penalty?** Yes. There is not a 10% additional federal penalty in the event that a distribution is made due to:

- the receipt of a scholarship by the Designated Beneficiary, so long as the distribution does not exceed the value of the scholarship;
- the Designated Beneficiary's disability;
- the Designated Beneficiary's death if the distribution is paid to the Designated Beneficiary's estate on or after the Designated Beneficiary's death;
- the use of Education Tax Credits as allowed under federal income tax law; or
- the Designated Beneficiary's attendance at certain specified military academies, to the extent that the amount of the withdrawal does not exceed the costs of education attributable to such attendance. Consult your tax advisor.

**Will the Plan Manager Notify Me of the Amount of Taxes Due, if Any, on a Distribution?** No. As the Account Owner, it is your sole responsibility to determine, report and pay all taxes on the earnings portion of Account distributions not used for Qualified Higher Education Expenses. The Plan will provide a statement to you each year in which a distribution is made that will include the total amount distributed and the amount of such distribution that is attributable to earnings. However, the Plan has no responsibility regarding the proper tax reporting of any distributions. You should consult your tax advisor.

**What if the Designated Beneficiary Delays Going to College?**

You can keep an Account open until the Designated Beneficiary goes to college.

**What if the Designated Beneficiary Does Not Go to College?**

You can name a Member of the Family of the current Designated Beneficiary as the new Designated Beneficiary of the Account without any federal tax consequences, unless the new Designated Beneficiary is a member of a younger generation than the existing Designated Beneficiary. In that case, there may be generation-skipping transfer tax consequences. Special rules apply to Accounts established by UGMA/UTMA custodians. You should consult your tax advisor.

If there are already other Accounts open for the benefit of the new Designated Beneficiary, the aggregate Account Contributions for the new Designated Beneficiary cannot exceed the Maximum Contribution Limit. If no eligible Member of the Family can be named Designated Beneficiary, then you may choose to close the account and any earnings will be subject to federal and applicable state income tax and the additional 10% federal income tax.

**Can I Borrow Money from the Plan?** No. The Plan will not make any loans.

**Can I Use the Money in My Account as Security for a Loan?**

No. The Code prohibits pledging, assigning or otherwise using an Account as collateral for a loan.

**How Will an Investment in the Plan Affect Eligibility for Financial Aid?** Your college savings will normally result in a reduction in the amount of federal or school based financial aid that your Designated Beneficiary is eligible to receive; however, your savings will increase the total amount of money available to actually pay college expenses.

Generally, if the Designated Beneficiary is your dependent, your 529 Accounts will be included as one of your assets, rather than your child's asset. If the Account Owner is neither the parent nor the Designated Beneficiary, the 529 account might not be an asset included in the current federal financial aid formula.

See the latest Department of Education's *Federal Student Aid Handbook* for more details and any changes when your Designated Beneficiary is close to attending college.

For school based financial aid, the effect of being an owner or Designated Beneficiary of an Account varies from institution to institution.

For Texas state-funded financial aid, Texas law provides that assets in an Account may not be considered in determining eligibility for Texas state-funded student financial aid.

**How Do I Know the Current Value of My Account?** For information on your account, visit [www.texascollegesavings.com](http://www.texascollegesavings.com) or call us at 800.445.GRAD (4723), option #3. Unit values are updated each day that the New York Stock Exchange ("NYSE") is open for business. We will also send you an Account statement each quarter with a description of your Account activity and the value of your Account.

**What Can I Do if There Is Money Left in My Account After My Designated Beneficiary Has Completed His or Her Higher Education?** You have three choices: 1) You can change the Designated Beneficiary to a Member of the Family of the existing Designated Beneficiary without federal tax consequences (except potential generation-skipping transfer tax consequences if the new Designated Beneficiary is of a younger generation). Special rules apply to Accounts established by UGMA/UTMA custodians. 2) If you do not want to change the Designated Beneficiary immediately, you can keep the Account open, with the intention of changing the Designated Beneficiary in the future (for example, to a yet-unborn grandchild). 3) You can request a distribution of the remaining balance in your Account by notifying us in writing. The distribution will be subject to federal and applicable state



income taxes on the earnings portion and the 10% additional federal penalty. There is not a 10% additional federal penalty in the event that a distribution is made due to:

- the receipt of a scholarship by the Designated Beneficiary, so long as the distribution does not exceed the value of the scholarship;
- the Designated Beneficiary's disability;
- the Designated Beneficiary's death if the distribution is paid to the Designated Beneficiary's estate on or after the Designated Beneficiary's death;
- the use of Education Tax Credits as allowed under federal income tax law; or
- the Designated Beneficiary's attendance at certain specified military academies.

**Can I Transfer Ownership of My Account to Another Account Owner?** Yes, although the transfer of your Account may have federal tax implications. You should consult your tax advisor.

**Who Will Own My Account if I Die?** In the case of your death, ownership of your Account will pass in accordance with the successor owner (the "Successor Account Owner") information you provided on the Enrollment Application or Account Maintenance Form. If you did not complete the Successor Account Owner information, ownership of the Account will pass according to the terms of your will following probate. If you do not provide this information on the application and do not make any provision in your will, control will pass by operation of law. Special rules apply to Accounts established by UGMA/UTMA custodians.

**Who Will Control My Account if I Am Declared Legally Incompetent?** If you are declared legally incompetent, control of your Account will pass in accordance with the Successor Account Owner information you provided on the Enrollment Application or Account Maintenance Form. If you did not complete the Successor Account Owner information, control of your Account will be determined under applicable law.

**Will Owning an Account Impact Eligibility for Medicaid Benefits?** Account ownership may adversely affect your eligibility for federal and state assistance programs, particularly Medicaid. You should consult your legal or financial advisor for additional information.

#### **Are Account Assets Protected From Creditor Claims?**

Section 54.709(e) of the Texas Education Code, the statute that authorized creation of the Plan, states, "Money in a savings trust account the Texas College Savings Plan is exempt from attachment, execution and seizure for the satisfaction of debt or liability of an account owner or Designated Beneficiary." In addition, Section 42.0022 of the Texas Property Code, which is titled, "Exemption for College Savings Plans," confirms that "a person's right to the assets held in or to receive payments

or benefits under the Texas College Savings Plan is exempt from attachment, execution and seizure for the satisfaction of debts." Regardless of whether you live in Texas or outside of Texas, you should consult an attorney for advice on how these Texas state laws and other federal laws might affect your personal situation. The Texas College Savings Plan is prohibited from providing legal advice.

**Can the Plan Change the Terms of My Savings Trust Agreement?** The Plan Manager, with Board approval, can change the terms of the Savings Trust Agreement and this Plan Description, which is incorporated by reference into that Agreement.

**How Safe Is My Account?** Investment returns are not guaranteed, and you could lose money by investing in the Plan. Account Owners assume all investment risks, including the potential for loss of principal, as well as responsibility for any federal and state tax consequences.

**THESE MUNICIPAL FUND SECURITIES HAVE NOT BEEN REGISTERED WITH THE U.S. SECURITIES AND EXCHANGE COMMISSION, OR WITH ANY STATE SECURITIES COMMISSIONS. NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS PASSED UPON THE ADEQUACY OF THIS PLAN DESCRIPTION. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.**

Comments or complaints may be forwarded to the Prepaid Higher Education Tuition Program, Office of the Comptroller of Public Accounts, P.O. Box 13407, Austin, Texas 78711-3407 or by calling 1.512.936.2064.

The Texas College Savings Plan® is established and maintained by the Texas Prepaid Higher Education Tuition Board. NorthStar Financial Services Group, LLC (“NorthStar”) is the plan manager and the Plan is distributed by NorthStar affiliate Northern Lights Distributors, LLC and administered by NorthStar affiliate Gemini Fund Services, LLC. Some states offer favorable tax treatment to their residents only if they invest in the state’s own plan. Non-residents of Texas should consider whether their state offers its residents a 529 plan with alternative tax advantages and should consult their tax advisor. Interests in the Plan are not deposits or other obligations of any depository institution.

No part of an account, the principal invested, nor any investment return is insured or guaranteed by the FDIC, the state of Texas, the Texas Prepaid Higher Education Tuition Board, any other state or federal governmental agency or NorthStar Financial Services Group, LLC. or its affiliates. An account might not make money and could lose money (including the principal invested) if money is invested in the Plan. Interests in the Plan have not been registered with the U.S. Securities and Exchange Commission or with any state.

Before investing in the Plan, investors should carefully consider the investment objectives, risks, administrative fees, service and other charges and expenses associated with municipal fund securities. The Plan Description and Savings Trust Agreement contain this and other information about the Plan, and may be obtained by visiting [www.texascollegesavings.com](http://www.texascollegesavings.com) or calling 1.800.445.GRAD (4723), option #3. Investors should read these documents carefully before investing.

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17605 Wright Street, Omaha, Nebraska 68130

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**Glenn Hegar**  
Texas Comptroller of Public Accounts

