



**Imagine the Possibilities**

# Plan Description and Savings Trust Agreement

July 29, 2011

The Texas College Savings Plan (the "Plan") is a Section 529 Plan administered by the Texas Prepaid Higher Education Tuition Board. OFI Private Investments Inc. is the Plan Manager and OppenheimerFunds Distributor, Inc. is the Plan Distributor. This Plan Description and the Savings Trust Agreement (including the Account 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.



**Susan Combs** Texas Comptroller of Public Accounts



**OFI Private Investments**  
The Right Way to Invest

# Texas College Savings Plan

## Plan Description and Savings Trust Agreement

July 29, 2011

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 OFI Private Investments Inc. 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Earnings withdrawn to pay the Qualified Higher Education Expenses of the Designated Beneficiary of an Account are currently free from federal income tax and may be free from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 tax 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 the 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 or other Section 529 Plans to learn more about the features, benefits and limitations of other states' 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

### OFI PRIVATE INVESTMENTS PRIVACY NOTICES

As an Account Owner of the Texas College Savings Plan (the "Plan"), you are entitled to know how OFI Private Investments protects 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:

- 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 Account Application unless you willingly provide it to us, either directly by email or in those areas of the website that request 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 helps us provide a better service for the Plan's website visitors.

#### Protection of Information

We do not disclose nonpublic personal 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.
- Encryption is achieved through an electronic scrambling technology that uses a "key" to code and then decode the data. Encryption acts like the cable converter box you may have on your television set. It scrambles data with a secret code so that no one can make sense of it while it is being transmitted. When the data reaches its destination, the same software unscrambles the data.
- 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 OFI Private Investments Inc. and OppenheimerFunds Distributor, Inc. as the Plan Manager and Distributor, respectively, of the Plan. This notice was last updated on June 30, 2011. 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 P.O. Box 173881, Denver, CO 80217, 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); Tex. Gov't Code §403.011 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 P.O. Box 173691, Denver, CO. 80217 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. 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.

**Account Owner** means the individual or entity signing the Account 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 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** means the individual designated in your Savings Trust Agreement 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.

**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.

**IRS** means the Internal Revenue Service.

**Maximum Contribution Limit** means the maximum balance (currently \$320,000) 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 5 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 OppenheimerFunds Distributor, Inc.

**Plan Manager** means OFI Private Investments Inc. The Plan Manager provides administrative, recordkeeping, and investment advisory 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** mean tuition, fees, and the cost of books, supplies and equipment required for the enrollment or attendance of a Designated Beneficiary at an Eligible Educational Institution; the cost of room and board incurred while attending an Eligible Educational Institution at least half-time; and expenses for special needs services in the case of a Special Needs Beneficiary who incurs such expenses in connection with 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 Plan** means a college savings program established under and operated in accordance with Section 529 of the Code.

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

**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 OFI Private Investments Inc., provides a tax-advantaged vehicle to save for college, graduate school and other forms of higher education. The Plan is intended to comply with 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.)

- OFI Private Investments Inc. serves as Plan Manager and is responsible for the day-to-day operation of the Plan.
- OppenheimerFunds Distributor, Inc. 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:

- United States citizens or permanent resident aliens 18 years or older who have a valid Social Security number.

- State or local government, or tax-exempt organization described in Section 501(c)(3) of the Internal Revenue Code.
- There can be only one Account Owner and one Designated Beneficiary for each account. An Account Owner can be the Designated Beneficiary of the Account.
- Custodians of UGMA/UTMA accounts can open an Account.
- The Account Owner can designate a Successor Account Owner who becomes the owner of the Account in the event of the Account Owner’s death.

### 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 1 for details.)

- Can be any age, must have a valid Social Security number, and does not need to be related to the Account Owner.
- Can only be changed to a Member of the Family, as defined by Section 529 of the Code, of the existing Designated Beneficiary.
- A government entity or 501(c)(3) not-for-profit organization can establish Accounts to fund scholarship programs without designating a Designated Beneficiary.
- Designated Beneficiary of UGMA/UTMA accounts cannot be changed.

### 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.
- Individuals (including the Designated Beneficiary) who are not the Account Owner may make Contributions to an Account; however, the Account Owner will retain ownership and control over the Account (including withdrawals) and will have control over the monies contributed by such third-party contributors.
- May take Non-Qualified Withdrawals, subject to applicable federal and state income taxes on earnings and a 10% additional federal tax 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 5 for details.)

- Maximum Contribution Limit currently in place is \$320,000, subject to adjustment 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.
- Once the aggregate Account balance falls below the Maximum Contribution Limit, additional Contributions can be made.

### Qualified Withdrawals

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

- Account balances may be used to pay for tuition, room and board, supplies, and equipment required for enrollment by a Designated Beneficiary at any Eligible Educational Institution in the U.S. or abroad (including expenses for special needs services for a special needs Designated Beneficiary incurred in connection with such attendance)

### Investment Approaches

(See “Investment Approaches” on page 6 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 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 once per calendar year or upon a change of the Designated Beneficiary.
- Account Owners may hold more than one Portfolio within an Account. Certain exceptions may apply.
- Portfolio asset allocations, investment guidelines and Underlying Investments may change from time to time.

### Fees and Expenses

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

- Total Annual Asset-based fees, vary based on the Portfolio option selected.
- Total Annual Asset-based Plan Fees range from 0.42% to 0.84%.<sup>1</sup>
- Other fees and charges may apply.

### Investment Risks and Other Considerations

(See “Plan and Portfolio Risks” on page 21 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).

1. As a percentage of a Portfolio’s average annual net assets.

### Federal Tax Treatment

(See “Tax Treatment of Investments and Withdrawals” on page 18 for details.)

- Account earnings accrue federal income tax free.
- No federal gift tax on contributions up to \$65,000 (\$130,000 for spouses electing to split gifts)—subject to certain pro-ration 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 tax.

### State Tax Treatment

(See “Tax Treatment of Investments and Withdrawals” on page 18 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 distributions may be subject to the Texas franchise tax.
- State tax treatment varies from state to state.

### Portfolio Performance

(See “Portfolio Performance Information” on page 11 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 OFI Private Investments, Inc.  
 P.O. Box 173881  
 Denver, CO 80217  
[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.

**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 or other Section 529 Plans to learn more about the features, benefits and limitations of other states' Section 529 Plans.**

**The Plan Manager.** The Board has retained OFI Private Investments Inc. as Plan Manager to advise the Board on the investment of Plan assets as well as to provide other services relating to establishing accounts for Account Owners, marketing the Plan and keeping records for the Plan. OppenheimerFunds Distributor, Inc. is the distributor of the Plan. OppenheimerFunds Distributor, Inc. is an affiliate of OFI Private Investments, Inc. The Plan Manager will be acting on behalf of the Board. The Board retains ultimate authority to manage the investments of the Plan.

**The Investment Managers.** OFI Private Investments Inc., with the approval of the Board, retained OppenheimerFunds, Inc., (an affiliate of the Plan Manager), The Dreyfus Corporation ("Dreyfus"), Teachers Advisors, Inc., an affiliate of TIAA-CREF ("TIAA-CREF"), Thornburg Investment Management, Inc. ("Thornburg") and The Vanguard Group, Inc. ("Vanguard") to 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 Portfolio invests. The board of trustees and/or investment manager for a particular Underlying Investment, and not the Plan Manager, manage, operate and determine the investment policies of the 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 or a corporation. A prospective Account Owner must complete an Account 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. There is no fee or charge for establishing an Account. Accounts will not be established, orders will not be executed, and the Account Application and Contribution amount will be returned if the Account Application is not complete. Signing an Account Application acknowledges receipt of this Plan Description and the Savings Trust Agreement and acceptance of the terms and conditions of the Savings Trust Agreement. Each Account will be established as a separate Account under the Plan for a single Designated Beneficiary.

**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 Account 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 an Account is opened by an entity, trustee, custodian, guardian or conservatee, rather than an individual, additional documents may be required. Account Owners are not restricted by income or state of residence. An Account must have only one owner; joint ownership is not permitted.

As an Account Owner, under Texas law you may change the Designated Beneficiary of your Account only to a Member of the Family of the current Designated Beneficiary (see "Changing the Designated Beneficiary"), transfer assets to another Account or to another Section 529 Plan (see "Other Withdrawals"), or withdraw assets from the Account (see "Other Withdrawals"), in each case subject to any applicable additional tax or regular taxes. For example, you can do any of the foregoing if money remains in your Account after the Designated Beneficiary has completed his or her education.

**Successor Account Owner.** An Account Owner may designate a Successor Account Owner in the Account 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 effecting such a transfer. To effect a transfer of ownership, please contact the Plan Manager.

**Only One Designated Beneficiary.** Each Account can have only one Account Owner and one Designated Beneficiary at any time. However, there may be multiple Accounts for the same Designated Beneficiary opened by the same or multiple Account Owners. An Account Owner may open as many Accounts for as many different Designated Beneficiaries as he or she wishes. The Designated Beneficiary can be the Account Owner or any other individual. The Designated Beneficiary need not be related to the Account Owner in any way. 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 (an "Interest"), and this Interest is 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. See "Changing the Designated Beneficiary." 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 tax on such investment earnings withdrawn as a Non-Qualified Withdrawal, unless an exception applies. Creating a new Account may also be

treated for federal gift tax purposes as a new Contribution of the entire amount contributed. Upon a change in Designated Beneficiary for an Account, the Account Owner may also select a different investment option.

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. 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 may be able to open an Account in his or her custodial capacity, depending on the laws of that state. These types of 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 indicate that the Account is custodial by checking the appropriate box on the Account 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.

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.

In general, UGMA/UTMA Custodial Accounts are subject to the following additional requirements and restrictions:

- The UGMA/UTMA custodian will be permitted to make withdrawals only in accordance with the rules applicable to withdrawals under the applicable UGMA/UTMA and the Plan;
- The custodian will not be able to change the Account Owner to anyone other than a successor custodian during the term of the custodianship under UGMA/UTMA; and
- The custodian must notify the Plan when the custodianship expires and the Designated Beneficiary is legally entitled to take control of the Account. At that time the Designated Beneficiary will become the Account Owner and will become subject to the provisions of the Plan applicable to non-UGMA/UTMA Account Owners. Custodians or beneficiaries will need to complete certain forms to document the termination of the custodianship.

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, the Account cannot be transferred to another Account Owner (other than to another UGMA/UTMA custodian for the benefit of the same Designated Beneficiary), and there cannot be any Non-Qualified Withdrawals or other withdrawals other than 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 Account 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 Account Application and investment. 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 except that the minimum initial Contribution per Portfolio is \$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 making an initial Contribution by check must send a minimum initial Contribution of \$25 with their Account Application. The check must be made payable to "Texas College Savings Plan." Subsequent Contributions must be at least \$25 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 Account 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. Normally, the debit will be made 2 business days prior to the selected cycle date. Account Owners or the Plan may terminate enrollment in the Plan's AIP at any time. 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 Account 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 Account 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 treated as the Account Owner's once 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 treated as the Account Owner's once per calendar year Account investment reallocation.

**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 a Plan 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 tax, 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 a Plan 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.

**Plan Transfers for the Account of a New Designated Beneficiary.** An Account Owner may make a transfer to a Plan Account for the benefit of a new Designated Beneficiary without

imposition of federal income tax or the additional 10% federal tax, 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 Plan Accounts, the transfer will be treated as a nontaxable investment reallocation allowable only once 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 treated as a Non-Qualified Withdrawal subject to federal and applicable state income tax and the additional 10% federal tax on earnings (even if amounts are subsequently redeposited).

**Transfer into a Plan 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 tax, 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 a Plan Account from Another Texas-Sponsored Section 529 Plan for the Benefit of the Same Designated Beneficiary.** A transfer into a Plan 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 once 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') once per calendar year investment reallocation. If an Account Owner takes a distribution (i.e., receives a withdrawal check from the transferring account), the withdrawal will be treated as a Non-Qualified Withdrawal subject to federal and applicable state income tax and the additional 10% federal tax on earnings (even if amounts are subsequently redeposited). See "Other Withdrawals" on page 17.

**Rollovers from Coverdell ESAs and Series EE and Series I Bonds.** Tax-free transfers into a Plan 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 Investments and Withdrawals" on page 18.

**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 Investments and Withdrawals" on page 18.

**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 Unit net asset value 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 Unit net asset value used to calculate the value of a withdrawal from an Account will be the one next computed 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 a Plan 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 the distribution. 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 will 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 Account 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 once 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 balance, including the proposed Contribution amount, of all Plan (and other Texas-sponsored Section 529 Plan) Accounts for the same Designated Beneficiary does not exceed \$320,000 ("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 might impose different limits on Maximum Contribution Limits in the future.

#### **EXCESS CONTRIBUTIONS**

Any Contributions received in excess of the Maximum Contribution Limit will be returned to the Account Owner, without adjustment for gains or 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 so requests). However, no additional Contributions will be accepted unless and until the actual Account balance is less than the Maximum Contribution Limit.

The Plan Manager may return all or any part of a Contribution, rollover or transfer that would cause the market value of the Accounts held on behalf of a particular Designated Beneficiary in the Aggregate to exceed the Maximum Contribution Limit ("Excess Contribution").

#### **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

<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.

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. Excess Contributions will not be invested.

Notwithstanding the above, normally for AIP and EFT Contributions, the debit will be made 2 business days prior to the selected cycle date. Dividends and/or capital gains paid by the Underlying Investments to the Plan are reinvested in the applicable Portfolio and not into individual Accounts.

**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. 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, titles, and interest in an Account (including the right to change the Designated Beneficiary) upon the death or legal incapacity of the current Account Owner. Such designation must either be on the original Account 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. All other requests to transfer ownership to a Successor Account Owner (i.e., other than at the death of the Account Owner) must be submitted in writing. 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 Approach
  - Blended Static Portfolios
  - Index Static Portfolios
  - Individual Fund Portfolios

The Blended Age Based Portfolios and the Blended Static Portfolios offer a combination of index and actively managed investments in one portfolio in order to take advantage of 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 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 your investments.

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 once per calendar year or upon a change of the Designated Beneficiary. The Portfolios are not insured or guaranteed by the State of Texas, the Board, OFI Private Investments Inc. or OppenheimerFunds Distributor, Inc. (collectively, "Program Parties"), the Federal Deposit Insurance Corporation or any government agency. Neither the Board, any member of the Board or the State of Texas insures any Account or guarantees any rate of return or any interest rate on any Contribution, and neither the Board, any member of the Board or the State of Texas is 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. 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 reinvested.

### **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 a 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” on pages 21-26 and the Appendix for more detailed information regarding the investment risks and objectives, respectively, of the Underlying Investments.

Blended Age Based Portfolios <sup>1</sup>	Underlying Investments and Target Allocations for the Blended Age Based Portfolios									
	Oppenheimer Capital Appreciation Fund	Oppenheimer Value Fund	Vanguard Institutional Index Fund	Oppenheimer Main Street Small- and Mid- Cap Fund <sup>®</sup>	Vanguard Extended Market Index Fund	Thornburg International Value Fund	Vanguard Developed Markets Index Fund	Dreyfus Bond Market Index Fund	Vanguard Inflation-Protected Securities Fund	Oppenheimer Institutional Money Market Fund <sup>2</sup>
Blended Age Based 0-6 Years Portfolio	14%	14%	18%	7%	7%	12%	18%	10%	0%	0%
Blended Age Based 7-9 Years Portfolio	12	12	14	4.5	4.5	9	14	20	10	0
Blended Age Based 10-11 Years Portfolio	10	10	13	3.5	3.5	8	12	25	15	0
Blended Age Based 12-14 Years Portfolio	8.5	8.5	11	2.5	2.5	7	10	30	20	0
Blended Age Based 15-17 Years Portfolio	4.5	4.5	7	2	2	4	6	30	30	10
Blended Age Based 18 Years and Over Portfolio	1.5	1.5	3	0	1	1	2	45	30	15

Index Age Based Portfolios <sup>1</sup>	Underlying Investments and Target Allocations for the Index Age Based Portfolios					
	TIAA-CREF S&P 500 Index Fund	Vanguard Extended Market Index Fund	Vanguard Developed Markets Index Fund	Dreyfus Bond Market Index Fund	Vanguard Inflation-Protected Securities Fund	Oppenheimer Institutional Money Market Fund <sup>2</sup>
Index Age Based 0-6 Years Portfolio	47%	13%	30%	10%	0%	0%
Index Age Based 7-9 Years Portfolio	38	9	23	20	10	0
Index Age Based 10-11 Years Portfolio	33	7	20	25	15	0
Index Age Based 12-14 Years Portfolio	28	5	17	30	20	0
Index Age Based 15-17 Years Portfolio	17	3	10	30	30	10
Index Age Based 18 Years and Over Portfolio	6	1	3	45	30	15

1. Each Portfolio invests in the institutional (Y) class of shares of the applicable Underlying Investment, except that the Portfolios invest in the L class of shares of Oppenheimer Institutional Money Market Fund, the BASIC share class of the Dreyfus Bond Market Index Fund, the institutional (I) share class of the TIAA-CREF S&P 500 Index Fund, the Thornburg International Value Fund, and the Vanguard Institutional Index Fund, Vanguard Extended Market Index Fund, Vanguard Developed Markets Index Fund and Vanguard Inflation-Protected Securities Fund.

2. A Portfolio's investment in the Oppenheimer Institutional Money Market Fund is neither insured nor guaranteed by the Federal Deposit Insurance Corporation 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 Approach

Account Owners who prefer to select a Portfolio for its asset allocation target may do so through the Static Approach instead of selecting a Portfolio under the Age Based Approach. Selection of Portfolios under the Static Approach allows Account Owners to select a combination of Portfolios. While the asset allocations for the Static 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, your money will remain in that Portfolio until you instruct the Plan to move it to another investment approach or Portfolio. None of the Static Portfolios is designed to provide any particular total return over any particular time period or investment time horizon.

The Static Portfolios include:

#### 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 income and protection of principal by investing in fixed income investments. This Portfolio has a target allocation of 100% fixed income.

**Inflation-Protected Bond Portfolio** seeks to provide inflation protection and income consistent with inflation-indexed securities. This Portfolio invests at least 80% of its assets in

inflation-indexed bonds issued by the U.S. government, its agencies and instrumentalities, and corporations.

**Money Market Portfolio** seeks current income and preservation of principal. The target allocation for this Portfolio is 100% Oppenheimer Institutional Money Market Fund.

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

**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” on pages 21-26 and the Appendix for more detailed information regarding the investment risks and objectives, respectively, of the Underlying Investments.

Blended Static Portfolios <sup>1</sup>	Underlying Investments and Target Allocations for the Blended Static Portfolios								
	Oppenheimer Capital Appreciation Fund	Oppenheimer Value Fund	Vanguard Institutional Index Fund	Oppenheimer Main Street Small- and Mid-Cap Fund®	Vanguard Extended Market Index Fund	Thornburg International Value Fund	Vanguard Developed Markets Index Fund	Dreyfus Bond Market Index Fund	Vanguard Inflation-Protected Securities Fund
Blended 100% Equity Portfolio	18%	18%	18%	6.5%	6.5%	13%	20%	0%	0%
Blended Balanced Portfolio	10	10	14	3	3	8	12	25	15

Index Static Portfolios <sup>1</sup>	Underlying Investments and Target Allocations for the Index Static Portfolios				
	TIAA_CREF S&P 500 Index Fund	Vanguard Extended Market Index Fund	Vanguard Developed Markets Index Fund	Dreyfus Bond Market Index Fund	Vanguard Inflation-Protected Securities Fund
Index 100% Equity Portfolio	55%	12%	33%	0%	0%
Index Balanced Portfolio	34	6	20	25	15

Individual Fund Portfolios <sup>1</sup>	Underlying Investments and Target Allocations for the Individual Fund Portfolios		
	Dreyfus Bond Market Index Fund	Vanguard Inflation-Protected Securities Fund	Oppenheimer Institutional Money Market Fund <sup>2</sup>
Fixed Income Portfolio	100%	0%	0%
Inflation-Protected Bond Portfolio	0	100	0
Money Market Portfolio	0	0	100

**1.** Each Portfolio invests in the institutional (Y) class of shares of the applicable Underlying Investment, except that the Portfolios invest in the BASIC share class of the Dreyfus Bond Market Index Fund, the institutional (I) share class of the TIAA-CREF S&P 500 Index Fund, the institutional (I) share class of the Thornburg International Value Fund and the institutional (I) share class of the Vanguard Institutional Index Fund, Vanguard Extended Market Index Fund, Vanguard Developed Markets Index Fund and Vanguard Inflation-Protected Securities Fund.

**2.** A Portfolio’s investment in the Oppenheimer Institutional Money Market Fund is neither insured nor guaranteed by the Federal Deposit Insurance Corporation 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.

### Changes in Underlying Investments

From time to time, the Board may change the investment guidelines for the Plan. If so required, 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 uninvested 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

The following table represents the Average Annual Total Returns for each Portfolio for the period shown to June 30, 2011. The Portfolio performance information represents past performance and is no guarantee of future results. The Average Annual Total Returns presented below reflect past performance and are net of Total Annual Asset-based Plan Fees and do not consider the impact of any potential federal or state taxes.

In evaluating the Portfolio performance information, the Account Owner should consider that the Portfolios are relatively new and do not have a significant operating or investment performance history. Performance information for the Portfolios should not be viewed as a prediction of future performance of any particular Portfolio. Moreover, in view of anticipated periodic revisions of allocations and possible changes in the Underlying Investments, the future investment results of any Portfolio cannot be expected, for any period, to be similar to the past performance of any Underlying Investment or group of Underlying Investments.

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.

Updated Portfolio performance information is available online at [www.texascollegesavings.com](http://www.texascollegesavings.com) or by calling **800.445.GRAD (4723), option #3**. For more information, including performance information, on the underlying Oppenheimer mutual funds in which the Portfolios invest, please visit [www.oppenheimerfunds.com](http://www.oppenheimerfunds.com) or call OppenheimerFunds at 800.255.2750 and obtain a free prospectus. The prospectus for the Dreyfus mutual fund held by certain Portfolios is available upon request by calling 800.645.6561 or visiting [www.dreyfus.com](http://www.dreyfus.com). Prospectuses for the TIAA-CREF mutual funds held by certain Portfolios are available upon request by calling 800.223.1200 or visiting [www.TIAA-CREF.org](http://www.TIAA-CREF.org). The prospectus for the Thornburg mutual fund held by certain Portfolios is available upon request by calling 800.847.0200 or visiting [www.thornburg.com](http://www.thornburg.com). Prospectuses for the Vanguard mutual funds held by certain of the Portfolios are available upon request by calling 866.734.4530 or visiting [www.vanguard.com](http://www.vanguard.com).

**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.**

### Customized Portfolio Performance Benchmarks

The benchmarks for the Portfolio's represent customized composites of market indices for the available Underlying Investments weighted by the relative target asset allocation for such Portfolio. Investors cannot directly invest in the compilation of the benchmark indices.

Underlying Investment	Benchmark
Oppenheimer Capital Appreciation Fund	Russell 1000 <sup>®</sup> Growth Index
Oppenheimer Value Fund	Russell 1000 <sup>®</sup> Value Index
Vanguard Institutional Index Fund	S&P 500 Index
TIAA-CREF S&P 500 Index Fund	S&P 500 Index
Oppenheimer Main Street Small- & Mid-Cap Fund	Russell 2500 <sup>®</sup> Index
Vanguard Extended Market Index Fund	S&P Completion Index
Thornburg International Value Fund	Morgan Stanley Capital International All Country World ex-U.S. Index
Vanguard Developed Markets Index Fund	Morgan Stanley Capital International Inc. Europe, Australia, and Far East ("MSCI EAFE") Index
Dreyfus Bond Market Index Fund	Barclays Capital U.S. Aggregate Bond Index
Vanguard Inflation-Protected Securities Fund	Barclays Capital U.S. Treasury Inflation Protected Securities ("Barclays Capital TIPS") Index
Oppenheimer Institutional Money Market Fund	iMoney Net First Tier Institutional Index

Period Ended June 30, 2011<sup>1</sup>

Portfolio Name	Average Annual Total Return			Inception Date
	1-Year	3-Year	Since Inception <sup>2</sup>	
<b>Blended Age Based 0-6 Years Portfolio</b>	28.42%	0.47%	-1.70%	11/19/2007
Customized Performance Benchmark <sup>3</sup>	29.44	3.76	0.06	
<b>Blended Age Based 7-9 Years Portfolio</b>	22.72	-2.06	-3.29	11/19/2007
Customized Performance Benchmark <sup>3</sup>	23.80	4.65	1.66	
<b>Blended Age Based 10-11 Years Portfolio</b>	19.92	-3.45	-4.24	11/19/2007
Customized Performance Benchmark <sup>3</sup>	21.04	5.00	2.38	
<b>Blended Age Based 12-14 Years Portfolio</b>	17.12	-3.30	-3.81	11/19/2007
Customized Performance Benchmark <sup>3</sup>	18.33	5.27	3.04	
<b>Blended Age Based 15-17 Years Portfolio</b>	11.70	-4.94	-4.71	11/19/2007
Customized Performance Benchmark <sup>3</sup>	12.81	5.21	3.90	
<b>Blended Age Based 18 Years and Over Portfolio</b>	6.20	-5.01	-4.18	11/19/2007
Customized Performance Benchmark <sup>3</sup>	7.12	5.19	4.66	
<b>Index Age Based 0-6 Years Portfolio</b>	28.31	3.20	-0.08	11/20/2007
Customized Performance Benchmark <sup>3</sup>	29.10	3.47	-0.30	
<b>Index Age Based 7-9 Years Portfolio</b>	22.63	4.49	1.69	11/27/2007
Customized Performance Benchmark <sup>3</sup>	23.57	4.46	1.40	
<b>Index Age Based 10-11 Years Portfolio</b>	19.72	4.90	2.49	11/20/2007
Customized Performance Benchmark <sup>3</sup>	20.86	4.82	2.15	
<b>Index Age Based 12-14 Years Portfolio</b>	17.20	4.62	2.41	11/20/2007
Customized Performance Benchmark <sup>3</sup>	18.17	5.11	2.84	
<b>Index Age Based 15-17 Years Portfolio</b>	11.68	4.72	3.64	11/20/2007
Customized Performance Benchmark <sup>3</sup>	12.65	5.05	3.72	
<b>Index Age Based 18 Years and Over Portfolio</b>	6.22	4.31	3.55	1/22/2008
Customized Performance Benchmark <sup>3</sup>	7.09	5.16	4.45	
<b>Blended 100% Equity Portfolio</b>	31.66	1.93	-0.70	11/19/2007
Customized Performance Benchmark <sup>3</sup>	32.32	2.97	-1.00	
<b>Blended Balanced Portfolio</b>	19.93	-3.41	-4.23	11/19/2007
Customized Performance Benchmark <sup>3</sup>	20.96	4.94	2.32	
<b>Index 100% Equity Portfolio</b>	31.28	2.90	-0.03	11/21/2007
Customized Performance Benchmark <sup>3</sup>	31.88	2.64	-1.42	
<b>Index Balanced Portfolio</b>	19.93	4.97	2.70	11/20/2007
Customized Performance Benchmark <sup>3</sup>	20.77	4.75	2.08	
<b>Fixed Income Portfolio</b>	3.10	n/a	3.00	6/22/2010
Barclays Capital U.S. Aggregate Bond Index <sup>3</sup>	3.90	n/a	3.90	
<b>Inflation Protected Bond Portfolio</b>	7.27	n/a	7.44	6/21/2010
Barclays Capital TIPS Index <sup>3</sup>	7.74	n/a	7.74	
<b>Money Market Portfolio</b>	0.00	n/a	0.00	9/25/2009
iMoney Net First Tier Institutional Index <sup>3</sup>	0.08	n/a	0.08	

1. Performance data for each Portfolio is based on the total return of a hypothetical account, including reinvestment of dividends and distributions, net of the Texas College Savings Plan Program Management and State Administrative Fees.

2. Since inception returns of less than 12 months are cumulative returns. Since inception returns of greater than 12 months are annualized returns based upon a true day count and a 365-day/year calculation.

3. Benchmark returns for the period Since Inception begin on December 1, 2007, except for the Index Age Based 18 Years and Over Portfolio for which the Benchmark returns begin on February 1, 2008, the Fixed Income Portfolio and the Inflation-Protected Bond Portfolio for which Benchmark returns begin July 1, 2010 and the Money Market Portfolio for which Benchmark returns begin on October 1, 2009. See "PORTFOLIO PERFORMANCE INFORMATION—Customized Portfolio Performance Benchmarks" for a list of the Customized Portfolio Benchmarks.

## FEES AND EXPENSES

### Plan Fees and Expenses

Each Account bears certain ongoing Portfolio fees (including the Program Management Fee and State Administrative Fee 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. These charges include the fees of independent public accountants for conducting annual audits and other fees and expenses the Board may impose at their discretion. 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 0.15% 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. The Plan Manager and its affiliates, The Dreyfus Corporation, TIAA-CREF, Thornburg Investment Management, Inc. and The Vanguard Group, Inc. each receive compensation directly from certain of the Underlying Investments in which the Portfolios

invest for serving as the investment adviser of those funds. The Plan Manager and/or its affiliates may receive certain payments from The Dreyfus Corporation and Thornburg Investment Management, Inc. or from the Dreyfus and Thornburg mutual funds for a variety of services with respect to Plan assets invested in those mutual funds. The Plan Manager provides various sub-transfer agency and other related administrative services with respect to Dreyfus and Thornburg mutual fund positions. In consideration for these services, the Plan Manager and/or its affiliates receives compensation from The Dreyfus Corporation or from the Dreyfus mutual fund of up to 0.05% of the average annual amount invested by certain Portfolios in the Dreyfus mutual fund and from Thornburg Investment Management, Inc. or the Thornburg mutual fund of up to 0.10% of the average annual amount invested by certain Portfolios in the Thornburg mutual fund.

**State Administrative Fee.** The Board receives an State Administrative Fee at the annual rate of 0.10% 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. 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.

## Fee Structure

Portfolio	Annual Asset-based Plan Fees				Additional Investor Expenses
	Estimated Weighted Average Expense Ratio Related to Underlying Investments <sup>1,3</sup>	Program Management Fee	State Administrative Fee	Total Annual Asset-based Plan Fees <sup>2</sup>	Annual Account Maintenance Fee
<b>Blended Age Based Portfolios</b>					
Blended Age Based 0-6 Years Portfolio <sup>4</sup>	0.57%	0.15%	0.10%	0.82%	none
Blended Age Based 7-9 Years Portfolio <sup>4</sup>	0.53	0.15	0.10	0.78	none
Blended Age Based 10-11 Years Portfolio <sup>4</sup>	0.51	0.15	0.10	0.76	none
Blended Age Based 12-14 Years Portfolio <sup>4</sup>	0.49	0.15	0.10	0.74	none
Blended Age Based 15-17 Years Portfolio <sup>4</sup>	0.42	0.15	0.10	0.67	none
Blended Age Based 18 Years and Over Portfolio <sup>4</sup>	0.38	0.15	0.10	0.63	none
<b>Index Age Based Portfolios</b>					
Index Age Based 0-6 Years Portfolio <sup>4</sup>	0.40	0.15	0.00	0.55	none
Index Age Based 7-9 Years Portfolio <sup>4</sup>	0.40	0.15	0.00	0.55	none
Index Age Based 10-11 Years Portfolio <sup>4</sup>	0.40	0.15	0.00	0.55	none
Index Age Based 12-14 Years Portfolio <sup>4</sup>	0.40	0.15	0.00	0.55	none
Index Age Based 15-17 Years Portfolio <sup>4</sup>	0.37	0.15	0.00	0.52	none
Index Age Based 18 Years and Over Portfolio <sup>4</sup>	0.36	0.15	0.00	0.51	none
<b>Blended Static Portfolios</b>					
Blended 100% Equity Portfolio	0.59	0.15	0.10	0.84	none
Blended Balanced Portfolio <sup>4</sup>	0.50	0.15	0.10	0.75	none
<b>Index Static Portfolios</b>					
Index 100% Equity Portfolio	0.39	0.15	0.00	0.54	none
Index Balanced Portfolio <sup>4</sup>	0.40	0.15	0.00	0.55	none
<b>Individual Fund Portfolios</b>					
Fixed Income Portfolio <sup>4</sup>	0.45	0.15	0.10	0.70	none
Inflation-Protected Bond Portfolio	0.32	0.15	0.10	0.57	none
Money Market Portfolio <sup>5</sup>	0.17	0.15	0.10	0.42	none

**1.** For Portfolios that invest in more than one Underlying Investment, based on an estimated weighted average of each Underlying Investment's expense ratio, in accordance with the Portfolio's target asset allocation as of June 22, 2011; and for Portfolios that invest in one Underlying Investment, based on most recent expense ratio for the Underlying Investment as of June 22, 2011. Underlying Investment expenses include investment advisory fees, which may be paid to the Plan Manager or its affiliates, The Dreyfus Corporation, TIAA-CREF, Thornburg Investment Management, Inc., or The Vanguard Group, Inc., administrative and other expenses.

**2.** 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.

**3.** Portfolios that invest in the TIAA-CREF S&P 500 Index Fund are charged an additional administrative services fee of 0.32% on the portion of the Portfolio that invests in this fund. Portfolios that invest in the Dreyfus Bond Market Index Fund are charged an additional administrative services fee of 0.30% on the portion of the Portfolio that invests in this fund. Portfolios that invest in the Vanguard Institutional Index Fund, Vanguard Extended Market Index Fund, Vanguard Developed Markets Index Fund and Vanguard Inflation-Protected Securities Fund are charged an additional administrative services fee of 0.32%, 0.28%, 0.31% and 0.25%, respectively, on the portion of the Portfolio that invests in these funds. As of June 22, 2011, the annualized expense ratio of Vanguard Institutional Index Fund, Vanguard Extended Market Index Fund, Vanguard Developed Markets Index Fund and Vanguard Inflation-Protected Securities Fund is 0.04%, 0.12%, 0.07% and 0.07%, respectively.

**4.** Dreyfus Bond Market Index Fund has agreed to reduce its fees in an amount equal to the fund's allocable portion of the fees and expenses of the non-interested Board members and their counsel. Without this expense limitation arrangement, the Blended Age Based 12-14 Years Portfolio's "Estimated Weighted Average Expense Ratio Related to Underlying Investments" and "Total Annual Asset-based Plan Fees" would have been 0.50% and 0.75%, respectively; the Blended Age Based 15-17 Years Portfolio's "Estimated Weighted Average Expense Ratio Related to Underlying Investments" and "Total Annual Asset-based Plan Fees" would have been 0.43% and 0.68%, respectively; the Blended Age Based 18 Years and Over Portfolio's "Estimated Weighted Average Expense Ratio Related to Underlying Investments" and "Total Annual Asset-based Plan Fees" would have been 0.39% and 0.64%, respectively. Without this expense limitation arrangement, the impact to the other Portfolios would be less than 0.01%.

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

## 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)

### Cost of a \$10,000 Investment in each Portfolio:

	1-Year	3-Year	5-Year	10-Year
<b>Blended Age Based Portfolios</b>				
Blended Age Based 0-6 Years Portfolio	\$84	\$263	\$457	\$1,018
Blended Age Based 7-9 Years Portfolio	80	250	435	970
Blended Age Based 10-11 Years Portfolio	78	244	424	946
Blended Age Based 12-14 Years Portfolio	76	237	413	922
Blended Age Based 15-17 Years Portfolio	69	215	374	837
Blended Age Based 18 Years and Over Portfolio	65	202	352	789
<b>Index Age Based Portfolios</b>				
Index Age Based 0-6 Years Portfolio	56	177	308	691
Index Age Based 7-9 Years Portfolio	56	177	308	691
Index Age Based 10-11 Years Portfolio	56	177	308	691
Index Age Based 12-14 Years Portfolio	56	177	308	691
Index Age Based 15-17 Years Portfolio	53	167	291	654
Index Age Based 18 Years and Over Portfolio	52	164	286	642
<b>Blended Static Portfolios</b>				
Blended 100% Equity Portfolio	86	269	468	1041
Blended Balanced Portfolio	77	241	418	934
<b>Index Static Portfolios</b>				
Index 100% Equity Portfolio	55	174	303	679
Index Balanced Portfolio	56	177	308	691
<b>Individual Fund Portfolios</b>				
Fixed Income Portfolio	72	225	391	874
Inflation-Protected Bond Portfolio	58	183	319	716
Money Market Portfolio	43	135	236	531

## 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 former 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 5) with



respect with 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 (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 is 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 (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 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 is also expanded to include 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 tax of 10% of such investment earnings withdrawn as a Non-Qualified Withdrawal, unless you qualify for an exception to the additional tax, 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, and the Texas Guaranteed Tuition Plan, and the Texas Tuition Promise Fund, prepaid tuition plans).

### **Other 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 tax, 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 tax.

**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 the disability of the Designated Beneficiary will not be subject to the additional 10% federal tax, 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 qualified scholarship, Account assets up to the amount of the scholarship may be withdrawn without imposition of the additional 10% federal tax. 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 tax. 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 or (2) the same Designated Beneficiary, 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 once 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 if the Account Owner has effected a change of address or change of Account Owner within 15 calendar days of such withdrawal request.

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 tax 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 INVESTMENTS 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. 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 exhaustive. 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 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. 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. An additional 10% federal tax is imposed on the amount of any distribution from a Section 529 Plan that is includible in the Distributee's gross income.

There are four exceptions to the additional 10% federal tax 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 in Section 72(m)(7) of the Code), (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 Section 2005(e) of Title 10 of the Code); 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. The calculation is made on the date of distribution.

#### **Rollovers Between Section 529 Plans**

An Account Owner may roll over all or part of the balance of an Account to another state's Section 529 Plan that accepts rollovers without subjecting the rollover amount to federal income tax. To do this, the amount withdrawn must be sent directly to the other Section 529 Plan or placed in the other plan within 60 days of the withdrawal. The Account Owner must provide any information or documentation required by the other Section 529 Plan. In general,

the amount rolled over must be placed in either an Account for a different Designated Beneficiary who is a Member of the Family of the existing Designated Beneficiary or an account for the same Designated Beneficiary if no other rollover transfers have occurred with respect to such Designated Beneficiary within the past 12 months. Moving Account balances among the Plan and other Texas-sponsored Section 529 Plans constitutes the Account Owner's once per calendar year reallocation of prior Contributions; it is not treated as a rollover among Section 529 Plans.

#### **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. 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 accounts in order to determine what portion of each withdrawal is tax free.

#### **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, qualifying expenses do not include the cost of books, room and board. The amount of Qualified Higher Education Expenses taken into account 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. Provided 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.

#### **Tuition Deduction**

Through 2012, certain taxpayers may be eligible to deduct \$4,000 of qualified tuition and related expenses paid during a taxable year for federal income tax purposes in addition to receiving Qualified Withdrawals from a Section 529 Plan or Coverdell ESA, provided that the deduction and the income exclusion for Qualified Withdrawals are not claimed for the same expenses. You should consult a tax advisor regarding the availability of this deduction.

#### **Education Tax Credits**

The use of a Hope Scholarship tax credit (also known as an American Opportunity tax credit) or a Lifetime Learning tax credit

(together, “Education Tax Credits”) by an Account Owner or Designated Beneficiary will not affect receipt of benefits from an Account as long as any Qualified Withdrawal from the Account is not used for the same expenses for which the 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 and Estate 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 \$13,000 per year (and married couples up to \$26,000 per year) for gifts made to a particular donee. A special rule under 529 allows donors who make aggregate Contributions to an Account that exceed the donor’s annual exclusion, to elect to pro-rate the Contributions for gift tax purposes over a five-year period. Thus, individuals can contribute up to \$65,000 (or up to \$130,000 for married couples) 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. The ability to accelerate gifts allows the contributor to move assets into tax-deferred investments and potentially out of the contributor’s estate more quickly. Contributions made by an Account Owner on behalf of a Designated Beneficiary are excluded from the Account Owner’s gross estate for federal estate tax purposes. However, distributions made to a Designated Beneficiary’s estate are includible in the Designated Beneficiary’s gross estate and may be subject to federal estate tax. For example, a contributor who makes a \$65,000 Contribution in one year, and makes no other gifts to the Designated Beneficiary during that same calendar year or the next four calendar years, would not incur a federal gift or generation-skipping transfer tax. To effect the five-year election, the contributor should file an IRS Form 709.

If the contributor dies before the first day of the fifth calendar year covered by a five-year election described above, the portion of the Contribution allocable to calendar years following that of the contributor’s death would be included in the contributor’s estate for federal estate tax purposes.

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 and generation-skipping transfer tax annual exclusion to any such deemed transfer, and could even make the five-year election discussed above. If the Designated Beneficiary dies, the proposed regulations provide that the Designated Beneficiary’s interest in the Account is included in the Designated Beneficiary’s gross estate.

### **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.

### **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.

#### **PLAN AND PORTFOLIO RISKS**

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.

*No Investment Direction.* In general, an Account Owner or contributor may not direct the investment of an Account, once an investment option has been selected with respect to a particular Contribution. However, 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 once 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 on November 19, 2007 and the current Portfolios commenced operations on or after that date. The Plan and the current

Portfolios thus have limited histories of investment results as of the date of this Plan Description. Portfolio performance information is made available 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. OFI Private Investments Inc. 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 December 31, 2012, 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 uninvested 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 OFI Private Investments Inc. 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, 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 consequences described above might 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.

*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 stepgrandchild (including a child, stepchild, grandchild, or stepgrandchild through adoption or foster care) subject to the following limits:

- Contributions made to all Section 529 accounts for the same Designated Beneficiary at least 720 days before a federal bankruptcy filing are completely protected;
- Contributions made to all Section 529 accounts for the same Designated Beneficiary more than 365 days but less than 720 days before a federal bankruptcy filing are protected up to \$5,850; 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 Texas College Savings 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 Texas College Savings 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 Texas College Savings 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.* Other Section 529 Plans, including the LoneStar 529 Plan, 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 should consider other savings and investment alternatives before establishing an Account in 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.

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.

*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.

*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.

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

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

### **OppenheimerFunds Underlying Investment Risks**

*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: poor earnings reports, a loss of customers, 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 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 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.

*Time-Zone Arbitrage.* The fund may invest in securities of foreign issuers that are traded in U.S. or foreign markets. If the fund 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. The fund's use of "fair value pricing" to adjust certain market prices of foreign securities may help deter those activities.

*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.* The fund can invest in the securities of small unseasoned companies. These are companies that have been in operation for less than three years, including the operations of any predecessors. In addition to the other risks of smaller issuers, these securities may have a very limited trading market, making it harder for the fund 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.

*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 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 fund's ability to sell the debt securities in which it invests or to find and purchase suitable debt instruments.

### **Dreyfus Underlying Investment Risks**

*Indexing Strategy Risk.* The fund uses an indexing strategy. It does not attempt to manage market volatility, use defensive strategies or reduce the effects of any long-term periods of poor index performance. The correlation between fund and index performance may be affected by the fund's expenses and use of sampling techniques, changes in securities markets, changes in the composition of the index and the timing of purchases and redemptions of fund shares.

*Mortgage-related Securities Risk.* Mortgage-related securities are complex derivative instruments, subject to credit, prepayment and extension risk, and may be more volatile and less liquid, and more difficult to price accurately, than more traditional debt securities. The fund is subject to the credit risk associated with these securities, including the market's perception of the creditworthiness of the issuing federal agency, as well as the credit quality of the underlying assets. Although certain mortgage-related securities are guaranteed as to the timely payment of



interest and principal by a third party (such as a U.S. government agency or instrumentality with respect to government-related mortgage backed securities) the market prices for such securities are not guaranteed and will fluctuate. Declining interest rates may result in the prepayment of higher yielding underlying mortgages and the reinvestment of proceeds at lower interest rates can reduce the fund's potential price gain in response to falling interest rates, reduce the fund's yield or cause the fund's share price to fall (prepayment risk). Rising interest rates may result in a drop in prepayments of the underlying mortgages, which would increase the fund's sensitivity to rising interest rates and its potential for price declines (extension risk).

*Government Securities Risk.* Not all obligations of the U.S. government, its agencies and instrumentalities are backed by the full faith and credit of the U.S. Treasury. Some obligations are backed only by the credit of the issuing agency or instrumentality, and in some cases there may be some risk of default by the issuer. Any guarantee by the U.S. government or its agencies or instrumentalities of a security held by the fund does not apply to the market value of such security or to shares of the fund itself. 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. In addition, because many types of U.S. government securities trade actively outside the United States, their prices may rise and fall as changes in global economic conditions affect the demand for these securities.

*Interest Rate Risk.* Prices of bonds tend to move inversely with changes in interest rates. Typically, a rise in rates will adversely affect bond prices and, accordingly, the fund's share price. The longer the effective maturity and duration of the fund's portfolio, the more the fund's share price is likely to react to interest rates.

*Credit Risk.* Failure of an issuer to make timely interest or principal payments, or a decline or perception of a decline in the credit quality of a bond, can cause a bond's price to fall, potentially lowering the fund's share price.

*Liquidity Risk.* When there is little or no active trading market for a security, the fund may not be able to sell the security in a timely manner at its perceived value.

### **Thornburg Underlying Investment Risks**

*Management Risk.* The fund is an actively managed portfolio, and the value of the fund may be reduced if Thornburg pursues unsuccessful investments or fails to correctly identify risks affecting the broad economy or specific issuers in which the fund invests.

*Market and Economic Risk.* The value of the fund's investments may decline and its share value may be reduced due to changes in general economic and market conditions. The value of a security may change in response to developments affecting entire economies, markets or industries, including changes in interest rates, political and legal developments, and general market volatility.

*Risks Affecting Specific Issuers.* The value of an equity security or debt obligation may decline in response to developments

affecting the specific issuer of the security or obligation, even if the overall industry or economy is unaffected. These developments may include a variety of factors, including but not limited to management issues or other corporate disruption, a decline in revenues or profitability, an increase in costs, or an adverse effect on the issuer's competitive position.

*Foreign Investment Risk.* Investments in securities of foreign issuers may involve risks including adverse fluctuations in currency exchange rates, political instability, confiscations, taxes or restrictions on currency exchange, difficulty in selling foreign investments, and reduced legal protection. These risks may be more pronounced for investments in developing countries.

*Smaller Company Risk.* Investments in smaller companies may involve additional risks because of limited product lines, limited access to markets and financial resources, greater vulnerability to competition and changes in markets, lack of management depth, increased volatility in share price, and possible difficulties in valuing or selling the investments.

*Credit Risk.* If debt obligations held by the fund are downgraded by ratings agencies or go into default, or if management action, legislation or other government action reduces the ability of issuers to pay principal and interest when due, the value of those debt obligations may decline and the fund's share value and any dividends paid by the fund may be reduced. Because the ability of an issuer of a lower-rated or unrated debt obligation to pay principal and interest when due is typically less certain than for an issuer of a higher rated debt obligation, lower-rated and unrated debt obligations are generally more vulnerable than higher rated debt obligations to default, to ratings downgrades, and to liquidity risk.

*Interest Rate Risk.* When interest rates increase, the value of the fund's investments in debt obligations may decline and the fund's share value may be reduced. This effect is typically more pronounced for intermediate and longer-term debt obligations. Decreases in market interest rates may result in prepayments of debt obligations the fund acquires, requiring the fund to reinvest at lower interest rates.

*Liquidity Risk*—Due to a lack of demand in the marketplace or other factors, the fund may not be able to sell some or all of the investments promptly, or may only be able to sell investments at less than desired prices.

### **TIAA-CREF Underlying Investment Risks**

*Market Risk.* The risk that market prices of securities held by the fund may fall rapidly or unpredictably due to a variety of factors, including changing economic, political or market conditions.

*Index Risk.* The risk that the fund's performance will not correspond to its benchmark index for any period of time and may underperform such index or the overall stock market. Additionally, to the extent that the fund's investments vary from the composition of its benchmark index, the fund's performance could potentially vary from the index's performance to a greater extent than if the fund merely attempted to replicate the index.

*Company Risk (often called Financial Risk).* The risk that the issuer's earnings prospects and overall financial position will deteriorate, causing a decline in the value of the security over short or extended periods of time.

*Large-Cap Risk.* The risk that large-capitalization companies are more mature and may grow more slowly than the economy as a whole and tend to go in and out of favor based on market and economic conditions.

### **Vanguard Underlying Investment Risks**

*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. Significant investments in Japan and the United Kingdom (U.K.) subject the index and the fund to proportionately higher exposure to Japan and U.K. country risk.

*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.

*Derivatives Risk.* Each of the funds in which the Portfolios invest may invest in derivatives. Generally speaking, a derivative is a financial contract whose value is based on the value of a financial asset (such as a stock, bond, or currency), a physical asset (such as gold, oil, or wheat), or a market index (such as the S&P 500 Index). Investments in derivatives may subject the funds to risks different from, and possibly greater than, those of the underlying securities, assets, or market indexes. The funds will not use derivatives for speculation or for the purpose of leveraging (magnifying) investment returns.

*Income fluctuations.* The fund's quarterly income distributions are likely to fluctuate considerably more than the income distributions of a typical bond fund. Income fluctuations associated with changes in interest rates are expected to be low; however, income fluctuations associated with changes in inflation are expected to be high. Overall, investors can expect income fluctuations to be high for the fund.

*Index Sampling Risk.* The chance that the securities selected for the fund that uses the sampling method of indexing, 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.

*Interest Rate Risk.* The chance that bond prices overall will decline because of rising interest rates. Interest rate risk is expected to be moderate for the Fund.

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

*Investment Style Risk—Large-Capitalization.* 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 the stock market in general. These periods have, in the past, lasted for as long as several years.

*Manager Risk.* The chance that poor security selection or focus on securities in a particular sector, category, or group of companies will cause the fund to underperform relevant benchmarks or other funds with a similar investment objective.

*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. Because a Vanguard index fund seeks to track its target index, it may underperform the overall stock market.

## **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 new prepaid tuition plan opened 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 further the Legislature's intent to meet "an urgent public necessity to assist young Texans in obtaining a higher education," an "educated population being necessary to the social development and economic health of this state." The main objective of the Board 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 presiding officer of the Board. By law, the Board is in the office of the Comptroller, and Comptroller employees selected by the Comptroller for that purpose serve as the staff of the Board. Also by law, two Board members are appointed by the Governor and four members are appointed by the Lieutenant Governor, with two of the Lieutenant Governor's appointees coming from a list of persons recommended by the Speaker of the House of Representatives. By law Board members must have experience in higher education, business, or finance.

### **Administrative Services**

Under the Management Agreement, the Plan Manager or its designee performs certain administrative services to the Plan and

investment advisory services 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. Under the Management 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 Texas College Savings 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 each Nationally Recognized Municipal Securities Information Repository (“NRMSIR”) and with a state of Texas information depository, if one then exists. They will also make appropriate arrangements to file notices of certain enumerated events with the NRMSIR or the Municipal Securities Rulemaking Board and with the state of Texas information depository, if one then exists.

### SAVINGS TRUST AGREEMENT

#### 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 Account 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 Account 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 Account 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. OFI Private Investments Inc. and its affiliates will provide investment advisory, administrative and recordkeeping services with respect to the Plan, and OppenheimerFunds Distributor, Inc. 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 OFI Private Investments Inc.

and its affiliates. OppenheimerFunds Distributor, Inc. is the Distributor of each Plan. 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 recordkeeping services with respect to your investment in the Plan.

Your investment in the Plan will not be insured by the Federal Deposit Insurance Corporation (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 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. The Plan Description is incorporated in its entirety by reference into this Savings Trust Agreement. 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.

#### Definitions

Terms used in this Savings Trust Agreement shall have the meanings set forth below. Any terms not defined in this Savings Trust Agreement shall have the meanings given them in the Plan Description.

“**Account**” means your savings trust account established and maintained as part of the Plan. The money you contribute under the Plan will be allocated to your Account.

“**Account Application**” refers to the Texas College Savings Plan Account Application.

“**Account Owner**,” “**you**” or “**your**” refers to the individual or entity signing the Account Application and establishing an Account or any successor to such individual or entity.

“**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.

“**Designated Beneficiary**” means the individual you identify on the Account Application as the Designated 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

**1.** 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.

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.

**“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.

**“Member of the Family”** means a relative of the Designated Beneficiary as defined under Section 529(e)(2) of the Code.

**“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.

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

**“Portfolio”** means a Plan Portfolio.

**“Plan Distributor”** means OppenheimerFunds Distributor, Inc.

**“Plan Manager”** means OFI Private Investments Inc. The Plan Manager provides administrative, recordkeeping, and investment advisory services for the Plan.

**“Qualified Higher Education Expenses”** mean tuition, fees, and the cost of books, supplies and equipment required for the enrollment or attendance of a Designated Beneficiary at an Eligible Educational Institution; the cost of room and board incurred while attending an Eligible Educational Institution at least half-time; and expenses for special needs services in the case of a Special Needs Beneficiary who incurs such expenses in connection with enrollment or attendance at an Eligible Educational Institution.

**“Qualified Withdrawal”** means a withdrawal from an Account to pay the Qualified Higher Education Expenses of the Designated Beneficiary.

**“Services Agreement”** means the Texas 529 Plan Management Services Agreement, between the Board and OFI Private Investments Inc., as from time to time supplemented and amended.

**“State”** refers to the Texas State government.

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

**“Units”** means an interest in a Portfolio that is purchased with Contributions to an Account.

## Contributions to Your Account

1. You may make Contributions to your Account or Accounts in cash only. For these purposes, making Contributions in cash means putting money in your Account(s) by check or electronic funds transfer acceptable to the Plan Manager. Checks must be drawn on a U.S. bank, and should be made payable to the “Texas College Savings Plan”. Contributions by money order will not be accepted. Third party checks will only be accepted at the Plan Manager’s discretion.

2. The minimum initial Contribution to an Account is \$25 per Portfolio, and the minimum subsequent Contribution per Portfolio is \$25 (\$15 minimum per Portfolio when funding an Account through AIP or payroll deduction). The Plan Manager may waive such minimums for one or more Accounts in its sole discretion.

3. 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 \$320,000, subject to adjustment as hereinafter described. This means that no additional Contributions (including rollover Contributions) may be made to an Account once the aggregate Maximum Contribution Limit is reached. If the Plan Manager determines that a Contribution (including rollover Contributions) that you wish to make would result in the Account balances for all Accounts and all accounts in other Section 529 plans established and maintained by the State of Texas (including the LoneStar 529 Plan—the Advisor-sold Plan, Texas Tuition Promise Fund and the Texas Guaranteed Tuition Plan—the Prepaid Plans) for a particular Designated Beneficiary (regardless of Account Owner) to exceed the \$320,000 limit (an “Excess Contribution”), the excess Contribution either will not be accepted or will be returned to you promptly without interest or earnings. You may resume making Contributions if the aggregate balance in the Account and accounts under all other Texas Section 529 plans for the Designated Beneficiary falls below the Maximum Contribution Limit.

4. Your investment will be directed to one or more Portfolios held by an Account established for the purpose of funding the Qualified Higher Education Expenses of the Designated Beneficiary (each Account can be for only one Designated Beneficiary) that you designate when you make your initial Contribution. If you establish more than one Account for the same Designated Beneficiary, you may choose a different investment option for each Account.

## Investment of Account Assets

1. At the time you establish an Account or Accounts, you choose from Portfolios that will form the basis for the allocation of the assets in that Account among asset classes. An Account Owner may change how previous Contributions (and any earnings thereon) have been allocated among the available Portfolio options for all accounts for the same Designated Beneficiary once per calendar year by contacting the Plan Manager; however, the investment allocation of future Contributions can be changed at any time. Although Account Owners may choose to invest new Contributions in any of the Plan’s Portfolios,

they 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 once per calendar year or upon a change of Designated Beneficiary. Initial and subsequent Contributions to your Account will be invested as described in the Plan Description, as amended from time to time, and investments in the respective Portfolios will be credited to your Account. The once per calendar year limitation on changing investment options applies on an aggregate basis to all Accounts under the Plan and all accounts under other Texas Section 529 Plans, including the LoneStar 529 Plan, having the same Account Owner and the same Designated Beneficiary. Thus, you will not be permitted to change the investment options for your Account (assuming you do not change the Designated Beneficiary on the Account) if, within the same calendar year, you have already changed the investment option for another Account you maintain under the Plan for the same Designated Beneficiary or for an account you maintain for the same Designated Beneficiary under another Texas Section 529 Plan. In addition, any transfer between an Account in the Plan and an account you maintain for the same Designated Beneficiary under another Texas Section 529 Plan is considered a change of investment option for purposes of the investment change limitation. You may, however, change the investment option on more than one Account (and/or accounts under other Texas Section 529 Plans) for the same Designated Beneficiary without violating the investment change limitation if all such changes are made at the same time. All such simultaneous changes are treated as a single change of investment option for purposes of the limitation.

2. After establishing your Account or changing the investment option for your Account, it is your responsibility to review the manner in which the Plan Manager has allocated the assets in your Account and to confirm that such allocation is accurate. You have 60 days after receiving a quarterly statement concerning your Account to notify the Plan Manager if you believe that your assets have been invested in the wrong Portfolio. It is also your responsibility to review the investment goals and time horizons for the investment options and Portfolios described in the Plan Description and to determine whether participation in the Plan is appropriate for you, and if the investment option you have chosen meets your needs and risk tolerance.

3. The Plan Manager will separately maintain your Account in the Plan. The assets of your Account will be commingled with amounts credited to the Accounts of other Account Owners for investment purposes.

4. You (not the Designated Beneficiary) are the sole owner of all Contributions, and all net investment earnings on such Contributions, although there are special federal and state tax rules applicable to such Contributions and earnings.

#### **Designation of Designated Beneficiary**

1. You can designate only one individual as the Designated Beneficiary for each Account on the Account Application.
2. You may designate a new Designated Beneficiary in place of the individual then designated as the Designated Beneficiary of your

Account, only if the new Designated Beneficiary is a Member of the Family.

3. There is no penalty or adverse federal income tax consequence resulting from such designation (although you will receive a new Account number).

4. If an Account is funded with assets from an UGMA/UTMA account, the Account Owner (who is the UGMA/UTMA custodian) will not be able to change the Designated Beneficiary of the Account.

5. You may request a substitution of the individual named as Designated Beneficiary of your Account only by completing the Change of Beneficiary Form which can be obtained from the Plan Manager. The substitution shall become effective when the Plan Manager has approved the form. The form will ask you to certify the family relationship, if any, between the new Designated Beneficiary and the existing Designated Beneficiary. Under Texas law, the new Designated Beneficiary must be a Member of the Family of the former Designated Beneficiary.

#### **Withdrawals**

1. If an Account is funded with UGMA/UTMA account assets, the Account Owner is not permitted to make withdrawals other than for the benefit of the Designated Beneficiary.

2. Non-Qualified Withdrawals likely will result in income taxation to the distributee, except for (i) a non-taxable transfer to another Account or to another Section 529 Plan for a different Designated Beneficiary who is a Member of the Family of the Designated Beneficiary; or (ii) a qualifying non-taxable transfer to another Section 529 Plan for the same Designated Beneficiary provided that it has been more than 12 months since any previous rollover for that Designated Beneficiary. If you request a Non-Qualified Withdrawal, then the earnings portion of such withdrawal is subject to an additional federal tax of 10% on the earnings portion unless it satisfies one of several limited exceptions.

3. The 10% additional tax does not apply if the distribution is: (i) made to the Designated Beneficiary (or to the estate of the Designated Beneficiary) on or after the death of the Designated Beneficiary; (ii) made on account of the disability of the Designated Beneficiary; (iii) made on account of a scholarship, allowance or payment described in Section 25A(g)(2) of the Code received by the Designated Beneficiary, to the extent that the withdrawal does not exceed the amount of the scholarship, allowance or payment; (iv) made on account of the Designated Beneficiary's attendance at a U.S. military academy to the extent that the withdrawal does not exceed the costs attributable to such attendance; or (v) which is includable in the Designated Beneficiary's gross income solely because an Education Tax Credit was claimed with respect to some or all of the Designated Beneficiary's Qualified Higher Education Expenses for expenses that were taken into account in determining the Education Tax Credits allowed under federal income tax law.

4. The earnings portion of any withdrawal will be computed in accordance with Section 529 of the Code and any regulations thereunder.

### 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 Account 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 Comptroller, 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 Account 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 Balance Limit of the Accounts and other accounts under other Section 529 Plans established and maintained by the State (regardless of Account Owner) exceeds \$320,000. 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 \$320,000 (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 Comptroller, 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. Once you have selected an available investment option for your Account, you cannot direct the investment of any Contributions to your Account invested in the Plan, either directly or indirectly. You will, however, have the ability to change the investment option selected for your Account for any reason one time during any calendar year and also upon a change in the individual designated as Designated Beneficiary of your Account, as described in the "Contributions to Your Account" and "Investment of Account Assets" sections of this Savings Trust Agreement.

13. Neither the Comptroller, 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.

14. You have accurately and truthfully completed the Account 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.

15. 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 Comptroller, the Plan Manager and/or the Board as discussed under “Limitation of Liability; Indemnification” below.

16. 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 Comptroller, the Board, the Plan Manager, nor any affiliate of the foregoing, nor any other person, makes any such representation or guarantee.

17. 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.

18. 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.

19. 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.

20. You may transfer your Account to another Account Owner without changing the individual identified as Designated Beneficiary of your Account. If the Account was funded with the proceeds from an UGMA/UTMA account, the Account cannot be transferred to another Account Owner (other than to another UGMA/UTMA custodian for the benefit of the same Designated Beneficiary). 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 effecting a transfer. To effect a transfer of ownership, you should contact the Plan Manager.

21. If the Account Owner did not designate a Successor Account Owner, ownership of the Account will pass according to the terms of the Account Owner’s will following probate. If the Account Owner does not make any provision in a will, control will pass by operation of law. Special rules apply to Accounts established by UGMA/UTMA custodians.

22. The Board or the Plan Manager may ask you to provide additional documentation that may be required by applicable law

or in connection with your investment in the Plan, and you agree to promptly comply with any such requests for additional documentation.

23. 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.

24. None of the Plan Description, this Savings Trust Agreement or the Account 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.

25. 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.

### **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.

### **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 Account Application. You agree to indemnify and hold harmless the Plan, the Board, the Comptroller, 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 Comptroller, 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 control.

**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.

**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.

**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 above in “Investment of Account Assets.”

**5. Effectiveness of This Savings Trust Agreement.** This Savings Trust Agreement shall become effective upon the execution of your Account Application, subject to the right of the Board or the Plan Manager to reject your Account Application if, in processing the Account Application, it is determined that the Account 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 Account 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 Account 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 pages 21-26 for a more detailed discussion of the risks applicable to each Underlying Investment.

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

#### Oppenheimer Capital Appreciation Fund

##### *Investment Objective*

The fund seeks capital appreciation.

##### *Principal Investment Strategies*

The fund mainly invests in common stocks of "growth companies." Growth companies are companies whose earnings and stock prices are expected to increase at a faster rate than the overall market. These may be newer companies or established companies of any capitalization range that the portfolio manager believes may appreciate in value over the long term. Currently, the fund primarily focuses on established companies that are similar in size to companies in the S&P 500 Index or the Russell 1000 Growth Index. The fund primarily invests in securities of U.S. issuers but may also invest in foreign securities. The portfolio manager looks for growth companies with stock prices that she believes are reasonable in relation to overall stock market valuations. In seeking broad diversification of the fund's portfolio among industries and market sectors, the portfolio manager focuses on a number of factors that may vary in particular cases and over time. Currently, the portfolio manager looks for:

- companies in business areas that have above-average growth potential,
- companies with growth rates that the portfolio manager believes are sustainable over time, and
- stocks with reasonable valuations relative to their growth potential.

The fund may sell the stocks of companies that the portfolio manager believes no longer meet the above criteria, but is not required to do so.

##### *Principal Risks*

The principal risks of investing in the fund are: Risks of Investing in Stock, Risks of Growth Investing and Risks of Mid-Sized Companies.

#### Oppenheimer Value Fund

##### *Investment Objective*

The fund seeks long-term growth of capital by investing primarily in common stocks with low price-earnings ratios and better-than-anticipated earnings. Realization of current income is a secondary consideration.

##### *Principal Investment Strategies*

The fund mainly invests in common stocks of companies that the portfolio manager believes are undervalued. The fund may also invest in other equity securities, such as preferred stock, rights, warrants and securities convertible into common stock. The fund may buy securities issued by companies of any size or market capitalization range and at times might increase its emphasis on securities of issuers in a particular capitalization range. While the fund does not limit its investments to issuers in a particular capitalization range, the portfolio manager currently focuses on securities of larger-size companies.

The fund may invest up to 25% of its total assets in foreign securities of companies or governments in any country, including in developed and emerging market countries. The fund may invest up to 10% of its net assets in debt securities.

In selecting investments for the fund's portfolio, the portfolio manager looks for companies he believes have been undervalued by the market. A security may be undervalued because the market is not aware of the issuer's intrinsic value, does not yet recognize its future potential, or the issuer may be temporarily out of favor. The fund seeks to realize gains in the prices of those securities when other investors recognize their real or prospective worth. The portfolio manager uses a "bottom up" approach to select securities one at a time before considering industry trends. The portfolio manager uses fundamental analysis to select securities based on factors such as a company's long-term earnings and growth potential. The portfolio manager currently focuses on companies with the following characteristics, which may vary in particular cases and may change over time:

- Attractive valuation,
- Future supply/demand conditions for its key products,
- Product cycles,
- Quality of management,
- Competitive position in the market place,
- Reinvestment plans for cash generated, and
- Better-than-expected earnings reports.

The portfolio manager also monitors individual issuers for changes in their business fundamentals or prospects that may trigger a decision to sell a security, but does not require a decision to do so. The portfolio manager may consider selling a stock for one or more of the following reasons:

- the stock price is approaching its price target,
- the company's fundamentals are deteriorating, or
- alternative investment ideas have been developed.

##### *Principal Risks*

The principal risks of investing in the fund are: Risks of Investing in Stock, Risks of Value Investing, Risks of Foreign Investing and Time Zone Arbitrage.

## 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 a “passive management”—or 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*

The primary risks of investing in the fund are: Stock Market Risk and Investment Style Risk—Large Capitalization. The fund is also subject to Derivatives Risk.

## Oppenheimer Main Street Small - & Mid-Cap Fund®

### *Investment Objective*

The fund seeks capital appreciation.

### *Principal Investment Strategies*

The fund mainly invests in common stocks of “small-cap” and “mid-cap” companies. A company’s “market capitalization” is the value of its outstanding common stock. Under normal market conditions, the fund will invest at least 80% of its net assets, including any borrowings for investment purposes, in securities of companies having a market capitalization in the range of the Russell 2500® Index, a measure of small-to mid-cap issuers. The capitalization range of that index is subject to change due to market activity or changes in the composition of the index. The range of the Russell 2500® Index generally widens over time and it is reconstituted annually to preserve its small- and mid- cap character. On May 31, 2010, the latest reconstitution date, that index included issuers with market capitalizations of approximately \$112 million to \$5.4 billion. The fund measures a company’s capitalization at the time the fund buys a security and is not required to sell a security if the company’s capitalization moves outside of the fund’s capitalization definition.

The portfolio managers use both fundamental research and quantitative models to identify investment opportunities. While the process may change over time or vary in particular cases, in general the selection process currently:

- Aims to maintain broad diversification across all major economic sectors,
- Uses quantitative models, including sector-specific factors, to rank securities within each economic sector,
- Uses a fundamental approach to analyze issuers based on factors such as a company’s financial performance, competitive strength, industry position, business practices and management, and
- Considers market trends, current industry outlooks and general economic conditions.

In constructing the portfolio, the fund seeks to limit exposure to so-called “top-down” or “macro” risks, such as overall stock market movements, economic cycles, and interest rate or currency fluctuations. Instead, the portfolio managers seek to add value by selecting individual securities with superior company-specific fundamental attributes or relative valuations that they expect to outperform their industry and sector peers. This is commonly referred to as a “bottom-up” approach to portfolio construction.

The portfolio managers consider stock rankings, benchmark weightings and capitalization outlooks in determining security weightings for individual issuers. Although the fund mainly invests in U.S. companies, it can invest in securities issued by companies or governments in any country. The fund primarily invests in common stock but may also invest in other types of securities, such as units of master limited partnerships or other securities that are consistent with its investment objective.

The portfolio managers might sell a security if the stock price is approaching their price target, if the company’s competitive position has deteriorated or the company’s management has performed poorly, or if they have identified more attractive investment prospects.

### *Principal Risks*

The principal risks of investing in the fund are: Risks of Investing in Stock, Risks of Small- and Mid-Sized Companies, Investing in Small Unseasoned Companies Risk and Risks of Foreign Investing.

## TIAA-CREF S&P 500 Index Fund

### *Investment Objective*

The fund seeks a favorable long-term total return, mainly through capital appreciation, by investing primarily in a portfolio of equity securities of large domestic companies selected to track U.S. equity markets based on a market index.

### *Principal Investment Strategies*

Under normal circumstances, the fund invests at least 80% of its assets in securities of its benchmark index (the S&P 500® Index). The fund buys most, but not necessarily all, of the stocks in its benchmark index, and will attempt to closely match the overall investment characteristics of its benchmark index. For purposes of the 80% investment policy, the term “assets” means net assets, plus the amount of any borrowings for investment purposes.

The fund is designed to track various U.S. equity markets as a whole or a segment of these markets. The fund primarily invests its assets in equity securities selected to track a designated stock market index. Because the return of an index is not reduced by investment and other operating expenses, the fund’s ability to match its index is negatively affected by the costs of buying and selling securities as well as the fund’s fees and other expenses. The use of a particular index by the fund is not a fundamental policy and may be changed without shareholder approval.

### *Principal Risks*

The principal risks of investing in the fund are: Market Risk, Index Risk, Company Risk, and Large-Cap Risk.

### 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 a “passive management”—or indexing—investment approach designed to track the performance of the Standard & Poor’s Completion Index, a broadly diversified index of stocks of small and medium-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*

The primary risks of investing in the fund are: Stock Market Risk, Investment Style Risk – Small- and Mid-Capitalization and Index Sampling Risk. The fund is also subject to Derivatives Risk.

### Thornburg International Value Fund

#### *Investment Objective*

The fund seeks long-term capital appreciation by investing in equity and debt securities of all types. The secondary non-fundamental goal of the fund is to seek some current income.

#### *Principal Investment Strategies*

The fund invests primarily in foreign securities and, under normal market conditions, invests at least 75% of its assets in foreign securities or depository receipts of foreign securities. The fund may invest in developing countries.

The fund’s investment advisor, Thornburg Investment Management, Inc. (“Thornburg”), intends to invest on an opportunistic basis where the fund’s portfolio managers believe intrinsic value is not recognized by the marketplace. The fund seeks to identify value in a broad or different context by investing in a diversified portfolio of stocks classified as basic values, consistent earners, and emerging franchises, when the portfolio managers believe these issues are value priced. The relative proportions of securities invested in each of those categories will vary over time. The fund seeks to invest in promising companies, and may invest in stocks that reflect unfavorable market perceptions of the company or industry fundamentals. The fund may invest in companies of any size, but invests primarily in the large and middle capitalization range of publicly traded companies.

Thornburg primarily uses individual issuer and industry analysis to make investment decisions. Value, for purposes of the fund’s selection criteria, may consider both current and projected measures. Among the specific factors considered by Thornburg in identifying securities for inclusion in the fund are:

- profitability
- undervalued assets
- price/earnings ratio
- earnings growth potential
- price/book value ratio
- industry growth characteristics
- price/cash flow ratio
- industry leadership
- debt/capital ratio
- franchise value
- dividend characteristics
- potential for favorable developments
- security and consistency of revenues
- EBIT\_ (earnings before interest and taxes)/interest expense ratio
- EV\_ (enterprise value)/EBITDA (earnings before interest, taxes, depreciation and amortization) ratio

The fund classifies its equity investments in the following categories:

**Basic Value:** Companies which, in Thornburg’s opinion, are financially sound with well established businesses selling at low valuations relative to the companies’ net assets or potential earning power.

**Consistent Earner:** Companies which normally exhibit steady earnings growth, cash flow characteristics and/or dividend growth. These companies may have above average profitability measures and normally sell at above average valuations.

**Emerging Franchises:** Companies which, in Thornburg’s opinion, are in the process of establishing a leading position in a product, service or market with the potential to grow at an above average rate. Under normal conditions, the proportion of the fund invested in this category will be lower than the other categories.

Debt obligations may be considered for investment if Thornburg believe them to be more attractive than the equity alternatives or to manage risk. The fund may purchase debt obligations of any maturity and of any quality.

#### *Principal Risks*

The principal risks of investing in the fund are: Management Risk, Market and Economic Risk, Risk Affecting Specific Issuers, Foreign Investment Risk, Smaller Company Risk, Credit Risk, Interest Rate Risk and Liquidity Risk.

### Vanguard Developed Markets 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 the major markets of Europe and the Pacific region.

*Principal Investment Strategies*

The fund employs a “passive management”—or indexing—investment approach by investing all, or substantially all, of its assets in the common stocks included in the MSCI EAFE Index. The MSCI EAFE Index includes approximately 965 common stocks of companies located in Europe, Australia, Asia, and the Far East. As of October 31, 2010, the largest markets covered in the index were in the United Kingdom, Japan, France, Australia, Germany, and Switzerland, which made up approximately 22%, 21%, 10%, 9%, 8%, and 8%, respectively, of the index’s market capitalization.

*Principal Risks*

The primary risks of investing in the fund are Stock Market Risk, Country/Regional Risk and Currency Risk. The fund is also subject to Derivatives Risk.

**Dreyfus Bond Market Index Fund***Investment Objective*

The fund seeks to match the total return of the Barclays Capital U.S. Aggregate Index. Total return includes changes in the fund’s share price as well as interest income.

*Principal Investment Strategy*

To pursue its goal, the fund normally invests at least 80% of its net assets, plus any borrowings for investment purposes, in bonds that are included in the Barclays Capital U.S. Aggregate Index. In seeking to match index performance, the manager uses a passive management approach and purchases all or a representative sample of the bonds comprising the benchmark index. Because the fund has expenses, performance will tend to be slightly lower than that of the target benchmark. To maintain liquidity, the fund may invest up to 20% of its assets in various short-term, fixed-income securities and money market instruments. The fund attempts to have a correlation between its performance and that of the index of at least .95 before expenses. A correlation of 1.00 would mean that the fund and the index were perfectly correlated.

The fund’s investments are selected by a “sampling” process, which is a statistical process used to select bonds so that the fund has investment characteristics that closely approximate those of the index. By using this sampling process, the fund typically will not invest in all of the securities in the index.

The Barclays Capital U.S. Aggregate Index is a broad-based, unmanaged index that covers the U.S. dollar-denominated, investment grade (Baa/BBB or higher), fixed-rate, taxable bond market of SEC-registered securities. The index includes bonds from the U.S. Treasury, U.S. government-related, corporate, mortgage-backed securities, asset-backed securities and commercial mortgage-backed securities sectors. Most of the bonds in the index are issued by the U.S. Treasury and other U.S. government and agency issuers. Barclays Capital is not affiliated with the fund, and it does not sell or endorse the fund, nor does it guarantee the performance of the fund or the index.

*Principal Risks*

The principal risks of investing in the fund are: Indexing Strategy Risk, Mortgage-related Securities Risk, Government Securities Risk, Interest Rate Risk, Credit risk and Liquidity risk.

**Vanguard Inflation-Protected Securities Fund***Investment Objective*

The fund seeks to provide inflation protection and income consistent with investment in inflation-indexed securities.

*Principal Investment Strategies*

The fund invests at least 80% of its assets in inflation-indexed bonds issued by the U.S. government, its agencies and instrumentalities, and corporations. The fund may invest in bonds of any maturity; however, its dollar-weighted average maturity is expected to be in the range of 7 to 20 years. At a minimum, all bonds purchased by the fund will be rated “investment-grade.”

*Principal Risks*

The principal risks of investing in the fund are: Income Fluctuation Risk, Interest Rate Risk, and Manager Risk. The fund is also subject to Derivatives Risk.

**Oppenheimer Institutional Money Market Fund***Investment Objective*

The fund’s investment objective is to seek current income and stability of principal. The fund is a money market fund.

*Principal Investment Strategies*

The fund is a money market fund that invests in a variety of money market instruments to seek current income. Money market instruments are short-term, high-quality, dollar-denominated debt instruments issued by the U.S. Government, domestic and foreign corporations and financial institutions, and other entities. Money market instruments include bank obligations, repurchase agreements, commercial paper, and other short-term corporate and governmental debt obligations.

To be considered “high-quality,” a debt instrument must be rated in one of the two highest credit quality categories for short-term securities by a nationally-recognized statistical rating service or, if a security is unrated, it must be determined by the fund’s investment manager, OppenheimerFunds, Inc. (the “Manager”) under the supervision of the fund’s Board, to be of comparable quality to rated securities in one of those two categories.

The fund’s investments are subject to changes in their value from a number of factors. However, the fund’s investments must meet strict standards set by its Board of Trustees and special rules under Federal law for money market funds. Those requirements include maintaining high credit quality, a short average maturity and diversification of the fund’s investments among issuers. Those provisions are designed to help minimize credit risks, to reduce the effects of changes in prevailing interest rates and to reduce the effect on the fund’s portfolio of a default by any one issuer. Since income on short-term securities tends to be lower than income on longer term debt securities, the fund’s yield will likely be lower than the yield on longer-term fixed income funds.

Even so, there are risks that an issuer of an obligation that the fund holds might have its credit rating downgraded or might default on its obligations, or that interest rates might rise sharply, causing the value of the fund's investments to fall. Also, there is the risk that the value of your investment could be eroded over time by the effects of inflation, or that poor security selection could cause the fund to underperform other funds that have a similar objective. If there is an unexpectedly high demand for the

redemption of fund shares, the fund might need to sell portfolio securities prior to their maturity, possibly at a loss. As a result, there is a risk that the fund's shares could fall below \$1.00 per share.

*Principal Risks*

The principal risks of the fund are: Interest Rate Risk, Credit Risk and Fixed-Income Market Risks.

## FREQUENTLY ASKED QUESTIONS

**How Do I Set Up an Account?** As the Account Owner, you may establish an Account by completing an Account 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.texasomorrowfunds.com](http://www.texasomorrowfunds.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 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 \$320,000, 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 current value of those accounts as well. The Account Balance is calculated daily. 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 Account Balance for any Designated Beneficiary is 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 once 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 \$13,000 to an individual in one year (or up to \$26,000 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 \$65,000 in one year (or up to \$130,000 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 tax 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 tax on any earnings portion of the distribution.

**Are There Any Exceptions to the Additional Federal Tax?** Yes. There is not a 10% additional federal tax 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 Balances 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 tax. There is not a 10% additional federal tax 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 Account 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 Account 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 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.**

PROSPECTUSES FOR THE OPPENHEIMER MUTUAL FUNDS HELD BY CERTAIN OF THE PORTFOLIOS ARE AVAILABLE UPON REQUEST BY CALLING 800.255.2750 OR VISITING [WWW.OPPENHEIMERFUNDS.COM](http://WWW.OPPENHEIMERFUNDS.COM). PROSPECTUSES FOR THE DREYFUS MUTUAL FUND HELD BY CERTAIN OF THE

PORTFOLIOS ARE AVAILABLE UPON REQUEST BY CALLING 800.645.6561 OR VISITING [WWW.DREYFUS.COM](http://WWW.DREYFUS.COM). PROSPECTUSES FOR THE TIAA-CREF MUTUAL FUNDS HELD BY CERTAIN PORTFOLIOS ARE AVAILABLE UPON REQUEST BY CALLING 800.223.1200 OR VISITING [WWW.TIAA-CREF.ORG](http://WWW.TIAA-CREF.ORG). PROSPECTUSES FOR THE THORNBURG MUTUAL FUND HELD BY CERTAIN PORTFOLIOS ARE AVAILABLE UPON REQUEST BY CALLING 800.847.0200 OR VISITING [WWW.THORNBURG.COM](http://WWW.THORNBURG.COM). PROSPECTUSES FOR THE VANGUARD MUTUAL FUNDS HELD BY CERTAIN OF THE PORTFOLIOS ARE AVAILABLE UPON REQUEST BY CALLING 866.734.4530 OR VISITING [WWW.VANGUARD.COM](http://WWW.VANGUARD.COM)

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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 and distributed by OppenheimerFunds Distributor, Inc. OFI Private Investments Inc., a subsidiary of OppenheimerFunds, Inc., is the plan manager and administrator of the Plan. Some states offer favorable tax treatment to their residents only if they invest in the state's own plan. Investors should consider before investing whether their or their designated beneficiary's home state offers any state tax or other benefits that are only available for investments in such state's qualified tuition program 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 OFI Private Investments Inc. 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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Susan Combs Texas Comptroller of Public Accounts



**OFI Private Investments**  
The Right Way to Invest