



Program Description

Direct Program, December 2010

The State of South Carolina's College Investing Program



Persons having questions concerning the Future Scholar 529 College Savings Plan (the "Program"), including procedures for opening an Account, or wishing to request an Account Application or other Account forms, should contact their financial professional, call the Program Manager, toll-free at 888.244.5674, or visit the Program's website at futurescholar.com. Questions or requests for information also may be addressed in writing to: Future Scholar 529 College Savings Plan, P.O. Box 8036, Boston, MA 02266-8036.

Not FDIC insured	May lose value
No bank, state or federal guarantee	

FUTURE Scholar 
South Carolina's 529 College Savings Plan

Columbia Management Investment Distributors, Inc., member FINRA, is the distributor and underwriter for 529 plans available through Columbia Management. The Office of State Treasurer of South Carolina (the State Treasurer) administers the Program, and has selected Columbia Management Investment Distributors, Inc. (CMID) as Program Manager. CMID and its affiliates, including Columbia Management Investment Advisers, LLC, are responsible for providing certain administrative, recordkeeping and investment services, and for the marketing of the Program. Columbia Management is not affiliated with the State Treasurer.

This Program Description should be retained for future reference as it sets forth information you should know before participating in the Direct Program, including information about fees, expenses, tax consequences and investment risks. Account Owners should rely only on the information contained in the Program Description (and any supplements). No one is authorized to provide information that is different from the information contained in the Program Description (and any supplements). The information in the Program Description is believed to be accurate as of December, 2010 and is subject to change without notice. The Portfolios and Underlying Funds may change. This Program Description will be updated from time to time to reflect changes determined to be material.

Account Owners or Designated Beneficiaries are not permitted to direct or control the investments of the Portfolios or the Underlying Funds, and do not have access or rights to any assets of the Office of State Treasurer, the State of South Carolina or the Program other than Trust Fund assets credited to the Account Owner or Designated Beneficiary.

No Individual Tax Advice. To ensure compliance with requirements imposed by the Internal Revenue Service (“IRS”), you are hereby informed that any statements in this Program Description concerning U.S. tax issues (i) are not offered as individual tax advice to any person, (ii) are provided as general information in connection with the promotion or marketing of the Program, 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. Each taxpayer should seek advice, based on the taxpayer’s particular circumstances, from an independent tax advisor.

State Tax and Other Benefits. If you are not a South Carolina taxpayer, consider before investing whether your or the beneficiary’s home state offers a Section 529 Program 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 Program, and which are not available through investment in the Future Scholar 529 College Savings Plan. Since different states have different tax provisions, this Program Description contains limited information about the state tax consequences of investing in the Program. 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 Program(s), or any other Section 529 Program, to learn more about those plans’ features, benefits and limitations. Keep in mind that state-based benefits should be one of many appropriately weighted factors to be considered when making an investment decision.

Program Accounts are not bank deposits, are not insured by the Federal Deposit Insurance Corporation or any other government agency, are not debts or obligations of, or guaranteed by, any bank or other financial institution, including the Office of State Treasurer, the State of South Carolina, the Program Manager or its affiliates. Investments in the Direct Program involve investment risks including possible loss of principal. None of the State of South Carolina, the Treasurer, any agency or instrumentality of South Carolina, Boston Financial Data Services, Inc., Columbia Management Investment Distributors, Inc., Bank of America, Ameriprise Financial, Inc. or any of their affiliates, any agent or representative retained in connection with the Direct Program or any other person, is an insurer of, makes any guarantee of or has any legal or moral obligation to insure the ultimate payout of any or all of the amount of any Contribution to an Account or that there will be any investment return or investment return at any particular level with respect to any Account.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy of this Program Description or the Participation Agreement. Any representation to the contrary is a criminal offense. These securities have not been registered with the Securities and Exchange Commission or any state securities commission.

TABLE OF CONTENTS

	<u>Page</u>
PLAN HIGHLIGHTS	1
DEFINITIONS OF KEY TERMS.....	3
INTRODUCTION	6
General	6
Opening a New Account	6
Plans within the Program.....	6
PARTICIPATION AND ACCOUNTS.....	8
Establishing an Account.....	8
Contributions.....	9
Rollover Contributions.....	10
Ownership of Contributions.....	11
Changing Investment Options within the Program.....	12
Successor Account Owners.....	12
Investment and Account Balances.....	13
Account Duration	13
Prohibition on Pledges, Assignments and Loans.....	14
Creditor Claims	14
Application of Community Property Laws.....	14
Withdrawals.....	14
Qualified Withdrawals.....	15
Non-Qualified Withdrawals and the Additional Tax.....	16
Qualifying Rollovers to Other Section 529 Programs.....	17
Residual Account Balances.....	18
Termination	18
Change of Designated Beneficiary.....	18
THE FUTURE SCHOLAR PORTFOLIOS.....	19
Portfolio Selection.....	20
Automatic Allocation Option	20
Allocation Portfolios	21
Single Fund Portfolios.....	22
Investment Options.....	22
Portfolio Allocations	22
Underlying Funds.....	23
Target Allocations of Asset Allocation Portfolios.....	24
HISTORICAL INVESTMENT PERFORMANCE.....	26
Portfolio Performance	26
Conservative Portfolio	27
Description of Benchmark Indices	28
PROGRAM FEES AND EXPENSES.....	29
Maintenance Fee.....	29
Other Fees	29
Annual Asset-Based Fees	29
What It Costs to Invest in the Program.....	29
Expense Examples.....	31
Indirect Expenses	31
Expenses of the Conservative Portfolio	31
Underlying Fund Expenses.....	31
SUMMARY OF INVESTMENT OBJECTIVES AND PRINCIPAL INVESTMENT STRATEGIES OF THE CURRENT UNDERLYING FUNDS	34
Domestic Equity Funds	34
International Equity Funds	36
Fixed Income Funds	38
Conservative Portfolio	41

Money Market Fund	41
TAX TREATMENT OF INVESTMENTS AND WITHDRAWALS.....	44
Federal Taxation of Section 529 College Savings Programs.....	44
Rollovers and Transfers.....	44
Coordination of Federal Tax Benefits	45
Coverdell Education Savings Accounts.....	45
Hope Scholarship and Lifetime Learning Tax Credits	45
Federal Gift, Estate, and GST Taxes	46
Taxation by the State of South Carolina.....	47
Taxation by Other States	47
PROGRAM AND PORTFOLIO RISKS AND OTHER CONSIDERATIONS.....	48
Risks of Participation in the Program.....	48
Status of Federal and State Law and Regulations Governing the Program	50
Investment Risks of Underlying Funds	51
Legislative Developments	57
THE PROGRAM AND THE TRUST FUND	58
The Program	58
The Trust Fund	58
Special Benefits Available to South Carolina Residents	59
PROGRAM MANAGEMENT AND ADMINISTRATION	60
Office of State Treasurer	60
CMID and Affiliates.....	60
BFDS.....	61
THE MANAGEMENT AGREEMENT.....	62
Standard of Care.....	62
Payments from Underlying Funds.....	62
Termination of Agreement	62
Audits	62
MISCELLANEOUS	63
Regulatory Matters	63
Securities Laws.....	63
Continuing Disclosure	63
Obtaining Additional Information About the Program.....	63
PARTICIPATION AGREEMENT.....	A-1

Program Description

December, 2010

Future Scholar

529 College Savings Plan Highlights

Management and Administration

The Program is an investment program administered by the Treasurer to provide a tax-advantaged method of funding higher education expenses. CMID is the Program Manager and performs certain investment, management, and administrative functions. **See “PROGRAM MANAGEMENT AND ADMINISTRATION.”**

Investment Options

An Account Owner can choose from the following investment options: a single Allocation Portfolio or a Single Fund Portfolio, or a combination of the two, or the Automatic Allocation option. (Each investment alternative within an investment option is referred to as a “Portfolio.”) These investment options are subject to change from time to time, and additional or different investment options may be available in the future. **See “THE FUTURE SCHOLAR PORTFOLIOS.”**

Maximum Contribution Limit

\$318,000 per Designated Beneficiary. **See “PARTICIPATION AND ACCOUNTS – Contributions – Maximum Contribution.”**

Minimum Contribution

Initial Contribution: \$250 for each Account, except for contributions made by automatic direct deposit and payroll deduction plans.

Subsequent Contributions: \$50 for each Account, and the minimum payroll deduction or automatic direct deposit amount is \$50 per month per account.

Potential Tax Advantages

- Federal tax deferred growth.
- No federal income tax on Qualified Withdrawals.
- Contributions are deductible in computing the contributor’s South Carolina taxable income for South Carolina personal income tax purposes. All or a portion of Non-Qualified Withdrawals may be includible in computing an Account Owner’s South Carolina taxable income for the year in which the withdrawal is made, including such portion constituting principal as may be taxable under state recapture provisions.
- No federal gift tax on contributions up to \$65,000 (single) and \$130,000 (married couple) in 2010 and 2011, if prorated over five years pursuant to election on gift tax return.
- No federal generation-skipping transfer (GST) tax on contributions up to \$65,000 (single) and \$130,000 (married couple) in 2010 and 2011, if prorated over five years pursuant to election on gift tax return.
- Contributions are considered completed gifts for federal gift, estate, and GST tax purposes.
- No annual adjusted gross income (AGI) limits on Account Owners.
See “TAX TREATMENT OF INVESTMENTS AND WITHDRAWALS.”

Applicability to Schools

Account balances may be used at any eligible post-secondary school in the U.S. or abroad.

Qualified Withdrawals

Account balances may be used to pay for the Designated Beneficiary’s tuition, fees, room and board expenses (for students attending on at least a half-time basis), books, supplies and equipment required for enrollment or attendance at any eligible post-secondary school in the U.S. or abroad (and, for 2010, expenses for the purchase of certain computer technology or equipment or Internet access and related services). **See “PARTICIPATION AND ACCOUNTS – Qualified Withdrawals.”**

State Residency Requirement

None – the Account Owner and Designated Beneficiary must each be a U.S. citizen or resident alien who resides in the United States.

Designated Beneficiary Age Limits

None – the Designated Beneficiary may be any age, from newborn to adult.

This section highlights certain key features of the Direct Program. Please read the complete Program Description before you invest.

Program Description

December, 2010

Future Scholar 529 College Savings Plan Highlights

Control of the Account

- Account Owner retains control of how and when money is used.
- Account Owner can change the Designated Beneficiary to a “Member of the Family” of the existing Designated Beneficiary (as defined in Section 529 of the Code) without penalty at any time.
- Account Owner can take a Non-Qualified Withdrawal from the Account, subject to applicable federal and state income tax on earnings, an additional federal tax of 10% on earnings.
- Account Owner can change the investment allocation of assets already existing in the Account once per calendar year and upon a change in the Designated Beneficiary.

See “PARTICIPATION AND ACCOUNTS.

Fees and Expenses

The Program assesses certain fees, which include a management and administration fee. In addition, Account Owners will indirectly bear the fees and expenses charged by the underlying investments of the Portfolios. Because the fees and expenses you will pay may vary by Portfolio, you should consider the applicable fees and expenses when you choose among the Portfolios.

See “PROGRAM FEES AND EXPENSES – What It Costs to Invest in the Program.”

Risks

Accounts in the Direct Program are subject to various risks, including risks of (i) investment losses, (ii) federal and state tax law changes, (iii) changes to the Direct Program (including changes in fees and other expenses), and (iv) adverse effects on eligibility of the Account Owner or Designated Beneficiary for other benefits.

See “PROGRAM AND PORTFOLIO RISKS AND OTHER CONSIDERATIONS – Investment Risks of the Underlying Funds.”

On-line Program Information

Account Owners may view their Accounts on-line and may choose to order copies of account statements, transaction confirmations and other Direct Program materials. For more information, go to www.futurescholar.com.

Contact Information

<p>Regular Mail/Email: Future Scholar 529 College Savings Plan P.O. Box 8036 Boston, MA 02266-8036 www.futurescholar.com</p>	<p>Overnight Mail: Future Scholar 529 College Savings Plan c/o BFDS 30 Dan Road Canton, MA 02021</p>	<p>1-888-244-5674 (toll-free) Automated telephone service is available 24 hours a day, 7 days a week. Service representatives are available from 8:00 a.m. to 8:00 p.m. Eastern time, Monday through Friday.</p>
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This Program Description, which is for use by prospective investors in the Direct Program only, provides essential information to be considered in making a decision to invest under the Program. Please read this Program Description thoroughly before investing and retain this document for future reference. The Program Manager cannot provide financial advice or counseling about the Portfolios or Underlying Funds.

DEFINITIONS OF KEY TERMS

Set forth below are definitions of certain key terms used in this Program Description. Other terms are defined elsewhere in this document.

“Account”	is an account established by an Account Owner pursuant to an Account Application and Participation Agreement for purposes of investing in the Trust Fund through the Direct Program.
“Account Application”	together with the Participation Agreement, constitutes the contract between the Account Owner and the Treasurer that establishes the Account and the respective obligations of the Treasurer and the Account Owner.
“Account Owner”	is the person or entity opening an Account or any successor to such person or entity.
“Allocation Portfolio”	means a Portfolio the assets of which are invested in a combination of Underlying Funds.
“BFDS”	means Boston Financial Data Services, Inc., the transfer and servicing agent of the Program.
“CMIA”	means Columbia Management Investment Advisers, LLC (formerly, RiverSource Investments, LLC), which provides investment services to the Direct Program and is a wholly owned subsidiary of Ameriprise Financial, Inc.
“CMID”	means Columbia Management Investment Distributors, Inc. (formerly, RiverSource Fund Distributors, Inc.), which serves as Program Manager and distributor of the Direct Program. CMID may also be referred to as the “Program Manager.”
“CMIS”	means Columbia Management Investment Services Corporation (formerly, RiverSource Service Corporation), an affiliate of CMID and a registered transfer agent, which provides certain services to the Program, including answering and responding to telephone inquiries from existing Account Owners, prospective Account Owners of the Program and broker-dealers on behalf of such Account Owners.
“Columbia”	means CMIA and CMID.
“Contribution”	is an amount contributed by an Account Owner or other person to an Account.
“Designated Beneficiary”	for an Account is the person specified by the Account Owner whose Qualified Higher Education Expenses are expected to be paid from the Account.

“Eligible Educational Institutions”	generally are accredited post-secondary educational institutions offering credit toward a bachelor’s degree, an associate’s degree, a graduate level or professional degree, or another recognized post-secondary credential. Institutions must be eligible to participate in certain federal student financial aid programs. Certain proprietary institutions, foreign institutions and post-secondary vocational institutions are included as are certain specified U.S. Military Academies. The U.S. Department of Education maintains a database of the institutions that qualify as Eligible Educational Institutions.
“Maximum Contribution Limit”	means the maximum aggregate account balance, established by the Treasurer from time to time, which will limit the amount of Contributions that may be made to Accounts for any one Designated Beneficiary, as required by Section 529 of the Code. The balance in all accounts for the same Designated Beneficiary in South Carolina-sponsored Section 529 Programs will be aggregated for purposes of applying the Maximum Contribution Limit.
“Participation Agreement”	is attached as Appendix A hereto. The Participation Agreement and Account Application together constitute the contract between the Account Owner and the Treasurer that establishes the Account and the respective obligations of the Treasurer and the Account Owner.
“Portfolio”	means one of the Future Scholar Portfolios, which are the subaccounts established within the Trust Fund to which Contributions are allocated, and that are invested in Underlying Funds.
“Pricing Alternative”	means the type of Shares available for purchase by Account Owners. Each Pricing Alternative involves different charges payable to the Program Manager. The Shares available through the Direct Program offered by this Program Description have lower charges than those in the Pricing Alternatives available in the Financial Advisor Program.
“Program Description”	is the then current Future Scholar 529 College Savings Plan Direct Program Program Description including any supplements.
“Program Manager”	is the then current entity which is administering the Future Scholar 529 College Savings Plan. CMID currently serves as the Program Manager.
“Qualified Higher Education Expenses”	include tuition, fees, and the cost of books, supplies and equipment required for the enrollment or attendance of a Designated Beneficiary (including expenses for special needs services in the case of a special needs Designated Beneficiary) at an Eligible Educational Institution, along with room and board expenses, as allowable under Section 529 of the Code and described in more detail below. See “PARTICIPATION AND ACCOUNTS—Withdrawals—Qualified Higher Education Expenses.”
“Section 529 Program”	means a “qualified tuition program” established under and operated in accordance with Section 529 of the Code.
“Shares”	are interests in a Portfolio that are credited to the Account of the Account Owner when Contributions are made to an Account (or upon a subsequent investment exchange).

“Single Fund Portfolio”	means a Portfolio the assets of which are invested in a single Underlying Fund.
“Supplement”	means any then current supplement(s) to the Program Description.
“Treasurer”	means the Office of State Treasurer of the State of South Carolina.
“Trust Fund”	means the South Carolina College Investment Trust Fund created by Chapter 2 of Title 59 of the South Carolina Code of Laws of 1976, as amended, to hold the assets of the Program.
“Underlying Funds”	are mutual funds or other investments in which assets of the Portfolios are invested.

INTRODUCTION

General

The Future Scholar 529 College Savings Plan™ (referred to herein as the “Program”) has been established by the Treasurer to provide a tax-advantaged method to fund Qualified Higher Education Expenses of a Designated Beneficiary at Eligible Educational Institutions. See “PARTICIPATION AND ACCOUNTS.” The Program has been designed to comply with the requirements for treatment as a “qualified tuition program” under Section 529 of the Internal Revenue Code of 1986, as amended (the “Code”).

Opening a New Account

Account Owners who meet the eligibility requirements set forth below may establish Accounts in the Direct Program by executing an Account Application and funding the Account as described in this Program Description. Account Owners and others may make cash Contributions to Accounts, subject to Maximum Contribution Limits determined from time to time by the Treasurer. Contributions will be accepted provided that the aggregate balance of all accounts in South Carolina-sponsored Section 529 Programs established for the same Designated Beneficiary (regardless of Account Owner) does not exceed the current Maximum Contribution Limit of \$318,000 at the time the Contribution is made. The Treasurer expects to adjust the Maximum Contribution Limit periodically. For more information concerning Accounts, see “PARTICIPATION AND ACCOUNTS.”

Contributions to an Account opened by an Account Owner will be invested in one or more Portfolios. Portfolios will be invested as described under “THE FUTURE SCHOLAR PORTFOLIOS.” Account Owners cannot direct the investments of the Portfolios.

The Portfolios currently offer separate investment strategies as described under “THE FUTURE SCHOLAR PORTFOLIOS.” The investment options currently consist of Automatic Allocation Portfolios, Allocation Portfolios and Single Fund Portfolios. The current target allocation to various asset classes of each Allocation Portfolio is also set forth below under “THE FUTURE SCHOLAR PORTFOLIOS – Portfolio Allocations.” The performance of each Portfolio depends on the weighted average performance of the Underlying Funds in which it invests. The value of Shares in each Portfolio varies from day to day.

Plans within the Program

The Future Scholar Automatic Allocation Portfolios, Allocation Portfolios and Single Fund Portfolios are currently offered through two programs, the Financial Advisor Program and the Direct Program, each with its own expense structure and Pricing Alternatives.

Direct Program – This Program Description only offers Shares to eligible investors through the Direct Program. The Direct Program is designed for self-directed investors and is offered only to Account Owners who are: (i) South Carolina residents; (ii) residents of other states but who have designated a South Carolina resident as Designated Beneficiary; (iii) employees of Ameriprise Financial, Inc. and its affiliates, and employees of BFDS; and (iv) employees of the State of South Carolina, and employees of a political subdivision of the State of South Carolina, including school districts, regardless of residency. The Direct Program may also be offered to any other Account Owners whom the Treasurer and Program Manager deem eligible. The Direct Program is offered by the Program Manager by calling 1-888-244-5674 or visiting www.futurescholar.com. Expenses associated with the Direct Program are lower than those associated with the Financial Advisor Program and do not include financial advisor compensation. To invest through the Financial Advisor Program, see the information below under “Financial Advisor Program.”

Neither the Program Manager nor any representative will give any advice to any Account Owner or offer any opinion regarding the suitability of any Portfolio that is offered through the Direct Program.

Financial Advisor Program – The Financial Advisor Program is designed for Account Owners seeking advice and guidance from an investment professional and is available through registered broker-dealers. The Financial Advisor

Program includes Pricing Alternatives A, C, E, and Z, which are not described in this Program Description but are instead offered by separate program descriptions. Pricing Alternatives A, C, E and Z have different and higher expense structures than the Direct Program. A program description for the Financial Advisor Program may be obtained by calling 1-888-244-5674, through the Internet at www.futurescholar.com, or by contacting the Program Manager.

The Financial Advisor Program and the Direct Program may be offered through additional or different distribution channels, as determined by the Treasurer and the Program Manager, and to additional or different categories of eligible investors. One Program may offer some or all Portfolios that are not available through the other Program. For example, the Direct Program currently offers three Single Fund Portfolios that invest in underlying index mutual funds that are not available through the Financial Advisor Program. The expenses associated with the Financial Advisor Program are generally higher than those associated with the Direct Program. See “PROGRAM FEES AND EXPENSES.”

Prepaid Tuition Plan – The South Carolina Tuition Prepayment Plan is a prepaid tuition program for South Carolina residents that is also administered by the Treasurer. Information regarding the Tuition Prepayment Plan is not included in this Program Description but may be obtained by calling 1-888-772-4723 or through the Internet at www.segrad.org.

PARTICIPATION AND ACCOUNTS

Accounts may be established by Account Owners who are: (i) South Carolina residents; (ii) residents of other states but who have designated a South Carolina resident as Designated Beneficiary; (iii) employees of Ameriprise Financial, Inc. and its affiliates and employees of BFDS; and (iv) employees of the State of South Carolina, and employees of a political subdivision of the State of South Carolina, including school districts, regardless of residency. The custodian of an account established under the Uniform Gifts to Minors Act or Uniform Transfers to Minors Act may also open an Account under certain circumstances. The Treasurer and the Program Manager may agree that other persons or entities are eligible to establish Accounts. All Accounts are subject to Maximum Contribution Limits applicable to all Accounts under the Program for each Designated Beneficiary.

In addition to Accounts opened by individuals, Accounts may be established by most types of legal entities, including trusts, where the entity's purposes and powers permit. Also, under proposed Treasury Regulations, Accounts under the Program may be established by a state or local government (or agency or instrumentality thereof) or an organization described in Section 501(c)(3) of the Code and exempt from taxation under Code Section 501(a) ("501(c)(3) organization"), as part of a scholarship program operated by the government or 501(c)(3) organization. Scholarship Accounts and Accounts of legal entities rather than an individual are not discussed in this Program Description, and the establishment of such Accounts and questions concerning them should be addressed to the Program Manager.

Establishing an Account

Account Application – To establish an Account, an Account Owner must complete an Account Application and consent and agree to the terms and conditions of the Participation Agreement. Either the Treasurer or the Program Manager may require the completion of certain other documents 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 Program Description and the Participation Agreement and acceptance of the terms and conditions of the Participation Agreement. There may be only one Account Owner and one Designated Beneficiary for each Account. A Successor to an Account Owner (defined below) may be identified for an Account on the Account Application. There is no limit to the number of Accounts that an Account Owner can open.

Identifying a Designated Beneficiary – On the Account Application, Account Owners (other than state or local governments (or agencies or instrumentalities thereof) or 501(c)(3) organizations) must identify a Designated Beneficiary whose Qualified Higher Education Expenses are expected to be paid from the Account. There is no limit on the number of Accounts that can be opened for the same Designated Beneficiary by a single Account Owner or different Account Owners. The Designated Beneficiary may be the Account Owner or any other individual. There is no requirement that the Account Owner and Designated Beneficiary be related in any way. For information about changing the Designated Beneficiary of an Account, see "Change of Designated Beneficiary" below. The Designated Beneficiary of an Account does not receive any benefits from the Account until a withdrawal is made from the Account.

Accounts Opened by Trustees, Custodians, Guardians, and Conservators – An authorized trustee or custodian must be identified if Contributions to an Account come from an existing trust or custodial account. Trustees opening an Account on behalf of a trust must provide representations or documentation concerning the trustees' authority or such other matters as required by the Program Manager. In addition, guardians and conservators may open an Account provided copies of the applicable governing documents are acceptable to the Program Manager. An Account Owner may authorize another individual or entity to exercise his or her rights over an Account or to open an Account through a power of attorney. However, the Treasurer and the Program Manager reserve the right to take instructions from an Account Owner's agent only if the Account Owner is incompetent. A copy of the power of attorney must be presented to the Program Manager. If applicable, the power of attorney must be durable, and must include other language acceptable to the Program Manager, including the power to make or revoke gifts.

Scholarship Accounts – Accounts may be established by state or local governments (or agency or instrumentality thereof) or 501(c)(3) organizations and most types of legal entities, including trusts, whose purposes and powers so permit. As an Account Owner, a government or 501(c)(3) organization may establish an Account as part of a scholarship program operated by such government or organization (a “Scholarship Account”). Governments and 501(c)(3) organizations may designate a Portfolio or any combination of Portfolios in which Contributions to a Scholarship Account are to be invested. Contributions to such Scholarship Accounts will be permitted even if they cause the balance of the Account to exceed the Program’s Maximum Contribution Limit. Questions regarding the establishment of Scholarship Accounts should be addressed to the Program Manager.

Selection of Investment Option(s) – Account Owners also must indicate on the Account Application to which Portfolio(s), and in what percentages, Contributions to an Account should be allocated. An Account Application will not be deemed complete without a designation of one or more Portfolios and allocation(s) equaling 100%. If the Account Owner is investing systemically through Automatic Clearing House (“ACH”) or payroll deduction, these allocations will be used to allocate those future Contributions. For additional Contributions via check, or any other method, the Account Owner must identify the Portfolio(s) to which these proceeds should be allocated if the Account holds more than one Portfolio. See “Portfolio Selection” for information about changing existing investment allocations and/or changing the investment allocation of future Contributions.

Personal Information – Establishment of an Account is subject to acceptance by the Program 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. If an Account Owner does not provide the information as requested on the Account Application, the Program Manager may refuse to open an Account for the Account Owner. If reasonable efforts to verify this information are unsuccessful, the Program 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. Shares redeemed as a result of closing an Account will be valued at the Shares’ Net Asset Value next calculated after the Program Manager closes the Account. The risk of market loss, tax implications, and any other expenses, as a result of the liquidation, will be solely the Account Owner’s responsibility.

Contributions

Initial and Subsequent Contributions by Check – Initial Contributions by check must be at least \$250 for each Account and should be made payable to the “Future Scholar 529 College Savings Plan.” Initial Contributions by check should be sent to the Program Manager, along with a completed Account Application. Account Owners will receive statements confirming investments purchased and such other information as may be required by law. Subsequent Contributions by check must be for at least \$50 for each Account. The Program Manager may impose a fee on any check returned unpaid by the financial institution upon which it is drawn (currently \$25 per check), which may be deducted from the Account.

Automatic Contribution Plan¹ – Account Owners may authorize the Program Manager to perform automated, periodic debits to contribute to their Accounts from a checking or savings account in the Account Owner’s name at their financial institution. These Contributions will be made through the Program’s Automatic Contribution Plan. To initiate this Contribution method, Account Owners must complete the electronic subsequent Contribution section of the Account Application or request a Future Scholar Account Update/Automatic Contributions Change Form from the Program Manager. Automated payments must be for at least \$50. (The \$250 minimum initial contribution requirement does not apply to the Automatic Contribution Plan.) An authorization to perform automated, periodic deposits will remain in effect until the Program Manager has received notification of its termination. Account Owners or the Program Manager may terminate the enrollment in the Program’s Automatic Contribution Plan at any time. Any termination of such service initiated by an Account Owner must be in writing and may take up to 10 business days after receipt by the Program Manager to become effective. A complete withdrawal of all amounts in an Account will be considered a termination of enrollment in the Automatic Contribution Plan. There is no charge for enrolling in the Program’s Automatic Contribution Plan or for an electronic funds transfer to an Account.

¹ A program of regular investment cannot assure a profit or protect against a loss in a declining market.

Enrollments in the service are processed within 10 business days after acceptance by the Program Manager and thereafter debits begin on the day and with the frequency specified by the Account Owner.

Direct Deposit from Payroll – Account Owners may be eligible to make automatic, periodic Contributions to their Accounts by direct deposit ACH payroll deductions. The minimum payroll deduction amount is \$50 per month per Account. (The \$250 minimum initial contribution requirement does not apply to Contributions by payroll deduction.) Contributions by payroll deduction will only be permitted from organizations able to meet the Program Manager’s operational and administrative requirements for Section 529 Program Payroll Contributions. For more information, contact Future Scholar at 1-888-244-5674.

UGMA/UTMA Accounts – Custodians under Uniform Gifts to Minors Act (“UGMA”) and Uniform Transfers to Minors Act (“UTMA”) accounts outside the Program must execute Account Applications as UGMA/UTMA custodians and establish Accounts separate from any Accounts they may hold in their individual capacity before contributing UGMA/UTMA property. The Program Manager must be notified upon appointment of a successor UGMA/UTMA custodian. Account Owners maintaining Accounts as UGMA/UTMA custodian may not change the Designated Beneficiary for their Accounts, except as may be permitted by applicable law, and must notify the Program Manager when the custodianship terminates. All Contributions to Accounts held by the UGMA/UTMA custodian will be treated by the Program as subject to the UGMA/UTMA. Because only cash Contributions are allowed under Section 529 of the Code, investments in UGMA/UTMA accounts must be liquidated in order to invest the proceeds in an Account. Because the Designated Beneficiary of an Account under the UGMA/UTMA is the owner of the Account, 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 Program). Account Owners who are also UGMA/UTMA custodians who wish to retain control over and ownership of non-UGMA/UTMA Account assets must establish a separate Account for such non-UGMA/UTMA assets.

Maximum Contribution – Currently, Contributions will be permitted if they do not cause the aggregate balance of all accounts for the same Designated Beneficiary in South Carolina-sponsored Section 529 Programs (regardless of Account Owner) to exceed \$318,000 at the time the Contribution is made. In other words, Contributions may no longer be made to an Account if the aggregate balance of all accounts with the same Designated Beneficiary in South Carolina-sponsored Section 529 Programs (regardless of Account Owner) totals \$318,000. If the aggregate balance of all such Accounts falls below \$318,000, additional Contributions may again be made until the Maximum Contribution Limit is reached. An Account may still continue to accrue earnings once the Maximum Contribution Limit has been reached. The Treasurer expects to adjust the Maximum Contribution Limit periodically. Information concerning the applicable Contribution limit in effect may be obtained from the Program Manager. While not anticipated, it is possible that federal law might impose a lower limit on maximum allowable Contributions.

Contribution Policies – Following receipt of Contributions by check or draft or by transfer of funds electronically, the Program reserves the right, subject to applicable law, not to allow withdrawals of those funds (or their equivalent) for up to ten business days for checks, drafts, and electronic transfers. Please ask the Program Manager about the specific time periods involved. A Contribution, rollover or transfer may be refused if the Treasurer 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 Program, or (iii) such transaction is unlawful. The Program 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, abusive or unlawful. The Program therefore makes no representation that all such Contributions, rollovers or transfers can or will be rejected.

Rollover Contributions

Rollovers from Another State’s Section 529 Program – Rollover Contributions directly from another Section 529 Program to an established Account may be initiated by executing an “Incoming Rollover Form” and providing a statement issued by the distributing Section 529 Program that shows the principal and earnings portions of the Contribution.

Rollover Contributions from another Section 529 Program sent directly to an Account Owner must be accompanied by an Incoming Rollover Form and a statement issued by the distributing Section 529 Program that shows the principal and earnings portions of the Contribution.

Rollover Contributions to an Account from another Section 529 Program are federal income tax free only if the rollover is into:

- an Account for the same Designated Beneficiary, and there have been no other Section 529 Program rollovers within the immediately preceding 12 months for the same Designated Beneficiary, or
- an Account for a Designated Beneficiary who is a “Member of the Family” (defined below) of the Designated Beneficiary of the account from which the rollover Contribution was made (see “Change of Designated Beneficiary – General” for a discussion of possible gift or GST tax consequences).

Rollovers from Coverdell Education Savings Accounts – Coverdell Education Savings Account (“Coverdell ESA”) assets can be rolled over to an Account. In order to take advantage of a tax-free rollover from a Coverdell ESA, the rollover Contribution must be accompanied by an Incoming Rollover Form. An account statement issued by the financial institution that acted as trustee or custodian of the Coverdell ESA that shows the principal and earnings portions of the rollover Contribution must also be provided to the Program Manager.

Rollovers from Qualified U.S. Savings Bonds – Assets invested in certain U.S. savings bonds issued after 1989 can be rolled over to an Account. In order to take advantage of a tax-free rollover in connection with the liquidation of Series EE or Series I bonds, the rollover Contribution must be accompanied by an Incoming Rollover Form. In addition, an account statement or IRS Form 1099-INT issued by the financial institution that redeemed the bonds showing the interest portion of the redemption proceeds must also be provided to the Program Manager. [See IRS Publication 970](#) or [consult your tax advisor to determine your eligibility for a tax-free rollover](#).

Transfer to Another Account within the South Carolina Program – Please note that, for federal tax purposes, a transfer of assets for the same Designated Beneficiary from one Section 529 Program sponsored by the State of South Carolina to another Section 529 Program also sponsored by the State of South Carolina is considered an investment reallocation (subject to the once-per-calendar year limitation) and not a rollover Contribution.

General Considerations – Rollovers require the liquidation of assets and the contribution of cash to an Account. Rollover Contributions to an Account must be made within 60 days of the liquidation and withdrawal of such assets from another account. If the Account Owner effects a qualifying rollover, the withdrawal from the originating Section 529 Program account will not be subject to federal income tax or the additional 10% tax on earnings.

Tax Considerations – Until a statement issued by the distributing Section 529 Program, trustee or custodian of the Coverdell ESA or financial institution that redeemed the U.S. savings bonds showing the principal and earnings portion of the Contribution is received by the Program Manager, the Program will treat the entire amount of the rollover Contribution as earnings in the receiving Account for tax purposes. An Account Owner may be required to provide certain documentation to the distributing Section 529 Program.

Rollovers and other transfers between accounts in college savings programs can have substantial federal and state income tax and transfer tax consequences, and Account Owners and Designated Beneficiaries are advised to consult with a qualified tax advisor prior to any such rollover or other transfer.

Ownership of Contributions

Pursuant to the Act, the Account Owner retains ownership of all Contributions made to an Account and all earnings allocated to an Account up to the date of withdrawal. Special rules apply to Accounts established by UGMA/UTMA custodian Account Owners. An Eligible Educational Institution obtains ownership of the amounts disbursed from an Account to such Eligible Educational Institution with respect to the Qualified Higher Education Expenses paid to the Eligible Educational Institution at the time each disbursement is made to the Eligible Educational Institution, subject to any applicable refund policy or other policies of the Institution. Any individual or entity may make Contributions

to an Account. Only the Account Owner will receive confirmation of Account transactions. Individuals or entities other than the Account Owner that contribute funds to an Account will have no subsequent control over those Contributions. Only the Account Owner may direct transfers, rollovers, investment changes (as permitted under federal law), withdrawals and changes in the Account Owner or Designated Beneficiary.

Changing Investment Options within the Program

Account Owners may move assets already held in an Account to a different mix of Portfolios (an “Investment Exchange”) once per calendar year without changing the Designated Beneficiary. An Account Owner may also make an Investment Exchange at any time he or she changes the Designated Beneficiary, whether or not the Account Owner has previously directed an Investment Exchange within the calendar year. The Investment Exchanges described in the immediately preceding two sentences will not be subject to federal or state income tax or to the additional federal tax of 10% on earnings. For purposes of the once-per-calendar-year restriction, accounts in all Section 529 Programs sponsored by the State of South Carolina, such as the Program, with the same Account Owner and the same Designated Beneficiary are treated as a single Account. Accordingly, if an Account Owner decides to reallocate the assets in an Account, any desired reallocations to all Accounts in all such Section 529 Programs sponsored by the State of South Carolina with the same Designated Beneficiary should be made at the same time. Any such Investment Exchange for the same Designated Beneficiary must be done directly between the programs, without a distribution of money from the initial program to the Account Owner or any other person.

Assets reallocated from one Portfolio to another will be used to purchase Shares in the selected Portfolio of the same Pricing Alternative as those being surrendered in connection with the reallocation.

The limitations above apply only to assets already existing in an Account, and do not apply to new subsequent Contributions. More specifically, Account Owners may choose to invest new Contributions in any mix of Portfolio choices and may change these choices at any time in connection with future Contributions. Please also note that the automatic reallocations under the Automatic Allocation option do not themselves constitute reallocations for purposes of the limitations above.

Successor Account Owners

Death or Incapacity – Account Owners may designate a successor Account Owner (to the extent permissible in accordance with applicable law). The Successor Account Owner shall assume all of the current Account Owner’s rights, title and interests in an Account (including the right to withdraw assets from the Account and to change the Designated Beneficiary) upon the death or incapacity of the current Account Owner. Such designation must be in writing and is not effective until accepted by the Program Manager. Special rules apply to UGMA/UTMA accounts. The successor Account Owner will be required to provide the Program Manager with a certified copy of a death certificate in the case of the death of an Account Owner or an acceptable medical authorization or court order in the case of the incapacity of an Account Owner and such other information as the Program Manager requires prior to taking any action regarding the Account. A designation of a successor Account Owner that is executed by an Account Owner prior to his or her death or incapacity and is accepted following the Account Owner’s death or incapacity will govern all directions with respect to the Account following (but not prior to) the Program Manager’s acceptance of the designation. A successor Account Owner may be named on the Account Application Form. In the event no successor Account Owner is named on the Account Application or on another form accepted by the Program Manager, or the named successor Account Owner predeceases the Account Owner or does not accept ownership of the Account, the surviving spouse of the Account Owner, provided he or she is the natural or adoptive parent of the Designated Beneficiary, will become the Account Owner for the Account. In the event there is no surviving spouse who is a parent of the Designated Beneficiary and the Designated Beneficiary is not a minor, the Designated Beneficiary will become the Account Owner for the Account. If the Designated Beneficiary is a minor, the Designated Beneficiary’s custodial guardian will become the Account Owner for the Account. If the Designated Beneficiary has more than one custodial guardian, the oldest custodial guardian will become the Account Owner for the Account. If the Designated Beneficiary predeceases the Account Owner or dies in a manner that it cannot be determined who died first, the estate of the Designated Beneficiary will become the Account Owner for the Account. Account Owners may name a contingent successor Account Owner(s), in case a designated successor Account

Owner is deceased or incapacitated, or establish other rules for successor Account Owners, in each case subject to review and acceptance by the Program Manager.

Lifetime Transfers – Account Owners may transfer ownership of an Account, without penalty, to another individual or entity to be the Account Owner in the Program. A transfer of ownership of an Account does not require a change in the Designated Beneficiary. A transfer of ownership of an Account will only be effective if it is irrevocable and transfers all rights, title, interests and powers over the Account. A transfer of ownership of an Account may have income or gift tax consequences; please contact your tax advisor before transferring ownership of an Account. To transfer ownership of an Account, please contact the Program Manager.

Investment and Account Balances

Investment of Contributions – The Program Manager will generally credit Contributions to an Account as of the business day received by the Program Manager. The Program Manager will separately maintain each Account, but Contributions to an Account will be commingled with Contributions of other Accounts for purposes of investment.

Investment of Contributions – Payroll Deduction – For payroll deduction, the Program Manager will process transactions on the date Contributions are received from the employer. There may be a delay between the date an employee’s pay is deducted and the date on which the employer forwards such Contributions to the Program Manager. Account Owners using payroll deduction should contact their employers for more details.

Net Asset Value – The Program Manager calculates a Net Asset Value for each Pricing Alternative of a particular Portfolio, as of 4:00 p.m. Eastern time, on each day that the New York Stock Exchange (“NYSE”) is open for trading. “Net Asset Value” is computed by dividing the value of the shares of each Underlying Fund held in a Portfolio, plus any receivables and less any liabilities of such Portfolio, by the number of outstanding Shares of the Portfolio. Each Pricing Alternative of a particular Portfolio may have a different Net Asset Value. The Net Asset Value for purposes of calculating the investment or reinvestment of Contributions to an Account will be the Net Asset Value calculated for the business day on which Contributions are invested or reinvested as described in this Program Description.

Statements and Reports – The Program Manager will keep accurate and detailed records of all transactions concerning Accounts and will provide each Account Owner with periodic statements of each Account showing: (i) Contributions made during the preceding period; (ii) the value of the Account at the end of the period; (iii) withdrawals made during the period; and (iv) such other information as may be required by law. The Program Manager will provide annual and other reports to Account Owners, the IRS and such other regulatory authorities as required by law.

If an Account Owner does not write to the Program Manager to object to a statement or report within 60 days after it has been sent to such Account Owner, the Account Owner will be considered to have approved it and to have released the Treasurer, the Program Manager and all service providers to the Program from all responsibility for matters covered by the statement or report. Each Account Owner agrees to provide all information that the Treasurer or the Program Manager may need to comply with any legal reporting requirements. Each Account Owner is responsible for filing his or her federal tax return, including paying any taxes or penalties thereon, and filing any other reports required by applicable law.

Account Duration

Assets in an Account must be used to pay for Qualified Higher Education Expenses or be withdrawn within thirty years of either the expected date of the Designated Beneficiary’s matriculation at an Eligible Educational Institution or the Designated Beneficiary’s eighteenth birthday. Time spent in official service in the U.S. military is excluded in calculating the thirty-year period. The Treasurer reserves the right to establish a minimum Account balance and to change the maximum duration of an Account.

Prohibition on Pledges, Assignments and Loans

An Account may not be assigned, transferred or pledged as security for a loan or debt by the Account Owner or the Designated Beneficiary, or anyone else, and any attempted assignment, transfer, or pledge of an Account will be void. Neither an Account Owner nor a Designated Beneficiary may receive a loan secured by amounts in the Account.

Creditor Claims

Federal bankruptcy law provides that funds contributed to an Account at least 365 days prior to a bankruptcy filing will be excluded from the debtor's bankruptcy estate if the Designated Beneficiary was a child, stepchild, grandchild or stepgrandchild of the debtor for the year of Contribution. This exclusion from the bankruptcy estate will be subject to (i) a maximum of \$5,850 (as adjusted periodically for inflation) for funds contributed to a Section 529 Program for the Designated Beneficiary between 365 and 720 days prior to the bankruptcy filing and (ii) a maximum aggregate amount not exceeding the total contributions to a Section 529 Program permitted under Section 529 for the Designated Beneficiary (which for the Program may potentially be interpreted to mean the Maximum Contribution Limit at the time of the bankruptcy filing), as adjusted for changes in the cost of education under a specified index.

In addition, under South Carolina law (pursuant to the Act), all assets in, or credited to, an Account are not subject to levy, execution, judgment or other operation of law, garnishment or other judicial enforcement. Other states might also provide for protection of assets held in Section 529 Programs from creditor claims in those states.

Account Owners, however, should consult an attorney regarding the potential treatment of an Account in a specific situation under federal bankruptcy law and relevant South Carolina or other applicable state law.

Application of Community Property Laws

Account Owners who are current or former residents of any state that has community property laws and who are concerned about the application of those laws to Contributions, withdrawals and ownership of Accounts should consult a legal advisor. Community property issues such as limitations on gifts of community property and ownership of community property upon death or dissolution of marriage are beyond the scope of this Program Description.

Withdrawals

General – Account Owners may direct withdrawals from their Account at any time by notifying the Program Manager. See “PROGRAM FEES AND EXPENSES” below. Following the acceptance and processing of a properly completed withdrawal request by the Program Manager, the proceeds delivered to the payee will be calculated at the next Net Asset Value for a Share of a particular Portfolio applicable to a withdrawal calculated for such Share of such Portfolio.

Please note that the Program reserves the right to (i) refuse, change, discontinue or temporarily suspend account services, including accepting contributions and processing withdrawal requests, for any reason the Treasurer or Program Manager deems necessary or advisable, (ii) delay sending out the proceeds of a withdrawal request for up to ten (10) days (which would generally only apply to very large withdrawals without adequate prior notice or during unusual market conditions), (iii) refuse, following receipt of any Contributions, withdrawal requests for up to thirteen days, and (iv) suspend the processing of withdrawal requests or postpone sending out the proceeds of a withdrawal request when the NYSE is closed for any reason other than its usual weekend or holiday closings, when trading is restricted by the Securities and Exchange Commission (“SEC”), or under any emergency circumstances.

Procedures for Withdrawals – Only the Account Owner of an Account may direct withdrawals from the Account. To make a withdrawal from an Account, the Account Owner must submit a completed Withdrawal Request Form and provide such other information or documentation (for which a signature guarantee may be needed) as the Program Manager may from time to time require. The Program Manager generally will process the withdrawal from the

Account within three (3) business days of receipt of the request. During periods of market volatility and at year end, withdrawal requests may take up to five (5) business days to process.

- **Withdrawals by Telephone**—Account Owners or their financial advisors may also direct withdrawals of up to \$50,000 per Account per day by telephone. Proceeds may only be sent to the address of record or an Eligible Educational Institution for which the Account Owner’s written mailing instructions are on file. To place withdrawal orders by telephone, call 888.244.5674. Have the Account number and social security number (SSN) or taxpayer identification number (TIN) available when calling. Telephone orders may not be as secure as written orders. The Program servicing agent will take reasonable steps to confirm that telephone instructions are genuine. For example, we require proof of the Account Owner’s identification before we will act on instructions received by telephone and may record telephone conversations. However, the Program and its agents will not be responsible for any losses, costs or expenses resulting from an unauthorized telephone instruction when reasonable steps have been taken to confirm that telephone instructions are genuine. Telephone orders may be difficult to complete during periods of significant economic or market change or business interruption.

The frequency of withdrawals in a single month may be limited. A minimum withdrawal amount may also be established. Withdrawals may be subject to federal and/or state tax withholding. For more information about the procedures for withdrawals, Account Owners should call the Program Manager toll-free at 1-888-244-5674.

Recordkeeping – For purposes of determining whether a withdrawal is taxable and/or subject to the additional 10% tax, the Account Owner and/or the Designated Beneficiary must determine whether the withdrawal is made in connection with the payment of Qualified Higher Education Expenses. Neither the Program nor any of its service providers is responsible for ascertaining whether a withdrawal is a Qualified Withdrawal or not. **It is the responsibility of the Account Owner and the Designated Beneficiary to maintain adequate records and receipts to substantiate all Qualified Higher Education Expenses that are paid from an Account.**

Qualified Withdrawals

In general, a “Qualified Withdrawal” is any withdrawal that is used to pay for the Qualified Higher Education Expenses (as defined in Section 529 of the Code) of a Designated Beneficiary. If any refund of all or part of a Qualified Withdrawal (for example, if a withdrawal is used to pay tuition expenses and some of that tuition is refunded by the school) is not subsequently used to pay for other Qualified Higher Education Expenses of the Designated Beneficiary, the refunded amount will be considered a Non-Qualified Withdrawal, subject to all applicable federal and state taxes, including the additional 10% tax on earnings.

Qualified Higher Education Expenses—“Qualified Higher Education Expenses” currently include:

- tuition, fees and the costs of books, supplies and equipment required for the enrollment or attendance of a Designated Beneficiary at an Eligible Educational Institution;
- the actual costs of room and board of a Designated Beneficiary living in campus owned or operated housing or an amount equal to the allowance for room and board included in the cost of attendance of the Eligible Educational Institution incurred while attending on at least a half-time basis; and
- 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.

For 2010, Qualified Higher Education Expenses also include expenses paid or incurred for the purchase of certain computer technology or equipment or Internet access and related services, if such technology, equipment or services are to be used by a Designated Beneficiary and the Designated Beneficiary’s family during any of the years the Designated Beneficiary is enrolled at an Eligible Educational Institution. Expenses for computer software designed for sports, games, or hobbies are not included unless the software is predominately educational in nature.

A Designated Beneficiary will be considered to be enrolled at least half-time if the Designated Beneficiary is enrolled for at least half the full-time academic workload for the course of study being pursued, as determined under the standards of the Eligible Educational Institution where they are enrolled. The Institution's standard for a full-time workload must equal or exceed a standard established by the U.S. Department of Education under the Higher Education Act of 1965, as amended through June 7, 2001. A Designated Beneficiary need not be enrolled at least half-time to use a Qualified Withdrawal to pay for expenses relating to tuition, fees, books, supplies, equipment, or in the case of a special needs Designated Beneficiary, expenses for special needs services.

Non-Qualified Withdrawals and the Additional Tax

General – A “Non-Qualified Withdrawal” is any withdrawal from an Account other than a Qualified Withdrawal or a rollover. The earnings portion of a Non-Qualified Withdrawal is subject to applicable federal and state income tax and an additional 10% tax on earnings. There is an exception to the additional 10% tax imposed for withdrawals on account of:

- the death of the Designated Beneficiary of the Account if paid to the Designated Beneficiary's estate;
- the disability of the Designated Beneficiary of the Account within the meaning of Section 72(m)(7) of the Code;
- the receipt of a scholarship by the Designated Beneficiary to the extent the amount withdrawn does not exceed the amount of such scholarship;
- the use of Hope Scholarship tax credits or Lifetime Learning tax credits (together, “Education Tax Credits”) as allowed under federal income tax law; or
- the attendance of the Designated Beneficiary at a U.S. Military Academy (as defined below).

Although the Program Manager will report the earnings portion of all withdrawals, it is solely the responsibility of the person to whom earnings are reportable under federal and state laws to calculate and report any resulting tax liability.

Death of Designated Beneficiary – In the event of the death of the Designated Beneficiary, the Account Owner may exercise one or more of the following options:

- the Account Owner may request payment of the Account balance to the Designated Beneficiary's estate in which case the earnings portion will be subject to federal income tax and possibly state income tax on the earnings portion of the withdrawal, without imposition of the additional 10% tax on earnings;
- the Account Owner may request the return of the Account balance, the earnings portion of which will be subject to federal income tax and may be subject to an additional 10% tax; or
- the Account Owner may initiate a change of Designated Beneficiary, as described in “Change of Designated Beneficiary.”
- Special rules apply to Accounts established by UGMA/UTMA custodians.

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 exercise one or more of the following options:

- The Account Owner may request the return of all or a portion of the Account balance, in which case the earnings portion will be subject to federal income tax and possibly state income tax on the earnings portion of the withdrawal, without imposition of the additional 10% tax.

- Alternatively, the Account Owner may initiate a change of Designated Beneficiary, as described in “Change of Designated Beneficiary.”
- Special rules apply to Accounts established by UGMA/UTMA custodians.

Receipt of Scholarship – If the Designated Beneficiary receives a qualified scholarship, Account assets up to the amount of the qualified scholarship may be withdrawn by the Account Owner or paid to the Designated Beneficiary without imposition of the additional 10% tax on the earnings portion of the withdrawal. However, the earnings portion will be subject to any applicable federal and state income tax. Special rules apply to Accounts established by UGMA/UTMA custodians. A qualified scholarship generally means any scholarship or fellowship grant (or portion thereof) that is exempt from federal income tax. This may include a scholarship received under a state-sponsored scholarship program administered by the South Carolina Commission on Higher Education or the South Carolina Higher Education Tuition Grants Commission, if and to the extent such scholarship is exempt from federal income tax. In addition, a qualified scholarship includes certain educational assistance allowances under federal law, as well as certain payments for education expenses that are exempt from federal income tax. You should consult a qualified educational or tax advisor to determine whether a particular payment or benefit constitutes a qualified scholarship.

Attendance at Certain Specified U.S. Military Academies – If the Designated Beneficiary attends certain educational institutions such as the United States Military Academy, the United States Naval Academy, the United States Air Force Academy, the United States Coast Guard Academy, and the United States Merchant Marine Academy (each, a “U.S. Military Academy”), Account funds may be withdrawn, subject to federal income tax and possibly state income tax on the earnings portion of the withdrawal, without imposition of the additional 10% tax on earnings to the extent the withdrawal does not exceed the costs of qualifying expenses attributable to such attendance.

Use of Education Tax Credits – The Education Tax Credits provide a tax credit, subject to various limitations, for amounts expended for tuition and fees required for the enrollment or attendance of the taxpayer, the taxpayer’s spouse or a dependent of a taxpayer at an Eligible Educational Institution. Taxpayers paying Qualified Higher Education Expenses from an Account will not be able to claim Education Tax Credits for the same expenses. Furthermore, expenses used in determining the allowed Education Tax Credits will reduce the amount of a Designated Beneficiary’s Qualified Higher Education Expenses to be paid from an Account and may result in taxable withdrawals. Such withdrawals may be subject to federal income tax and possibly state income tax on the earnings portion of the withdrawal, but will not be subject to the additional 10% tax on earnings. See “TAX TREATMENT OF INVESTMENTS AND WITHDRAWALS.”

Qualifying Rollovers to Other Section 529 Programs

Rollover Withdrawals – An Account Owner may make a penalty-free and federal income tax-free rollover from an Account in the Program to an account in another state’s Section 529 Program without changing the Designated Beneficiary, if no rollover to any account under any Section 529 Program has occurred within the preceding 12 months with respect to the same Designated Beneficiary. In addition, Account Owners may make more frequent rollovers without penalty or federal income taxes and regardless of whether the rollover is to: (i) an account in another state’s Section 529 Program; (ii) an Account in the Program; or (iii) an account in another college savings program sponsored by the State of South Carolina, provided that the rollover is into an account for a different Designated Beneficiary who is a “Member of the Family” of the existing Designated Beneficiary (see “Member of the Family”). A rollover must be made within 60 days of the distribution from the originating account.

If a rollover does not meet the criteria outlined above, it will be considered a Non-Qualified Withdrawal that is subject to federal income tax and the additional 10% tax on earnings, as well as any applicable state income taxes, and it might give rise to various gift, estate, and GST tax consequences. See “TAX TREATMENT OF INVESTMENTS AND WITHDRAWALS.” Please note that, for federal tax purposes, a transfer of assets for the same Designated Beneficiary from one college savings program sponsored by the State of South Carolina to another college savings program also sponsored by the State of South Carolina is considered an investment reallocation (subject to the once-per-calendar-year limitation) and not a rollover. See “Changing Investment Options within the Program.”

Rollovers and other transfers between accounts in Section 529 Programs can have substantial federal and state income and transfer tax consequences, and Account Owners and Designated Beneficiaries are advised to consult with a qualified tax advisor prior to requesting any such rollover or transfer.

Residual Account Balances

If the Designated Beneficiary graduates from an Eligible Educational Institution or chooses not to pursue higher education, and funds remain in the Account, the Account Owner can choose from one of three options. First, if the Account Owner requests, the remaining funds (including earnings, which generally will be subject to federal and possibly state income tax and an additional 10% tax) will be returned to the Account Owner. Second, the Account Owner may authorize a change of the Designated Beneficiary for the remaining funds in the Account. See “Change of Designated Beneficiary.” Special rules apply to Accounts established by UGMA/UTMA custodians. Third, the Account Owner may keep the funds in the Account to pay future Qualified Higher Education Expenses (such as graduate or professional school expenses) of the Designated Beneficiary.

Termination

An Account Owner may at any time close the Account by providing a Withdrawal Request Form to the Program Manager requesting a withdrawal of the full Account balance. Such withdrawal amount will be less any applicable fees and expenses. Unless used for Qualified Higher Education Expenses or fitting within certain exceptions (see “Non-Qualified Withdrawals and the Additional Tax”), such withdrawal may be considered to be a Non-Qualified Withdrawal. The Treasurer may terminate an Account at any time and for any reason, including if it determines that: (i) the Designated Beneficiary of an Account does not attend an Eligible Educational Institution; (ii) an Account Owner has changed Designated Beneficiaries of an Account primarily to avoid or significantly defer federal or state income tax; or (iii) the assets in an Account are too small to be economically administered. Upon termination of an Account by the Treasurer, the Program Manager shall liquidate the investments in the Account and distribute the balance to the Account Owner, less any applicable fees and expenses. This withdrawal may be treated as a Non-Qualified Withdrawal (subject to federal and any applicable state income tax and the additional 10% tax on earnings).

Change of Designated Beneficiary

General – Section 529 of the Code and the proposed regulations thereunder generally allow for changes of Designated Beneficiary without federal income tax consequences, so long as the new Designated Beneficiary is a “Member of the Family” of the current Designated Beneficiary. In addition, no federal gift tax or any GST will result as long as the new Designated Beneficiary is a “Member of the Family” of the current Designated Beneficiary and is assigned to the same generation as the current Designated Beneficiary (or a higher generation). If the new Designated Beneficiary is of a younger generation than the current Designated Beneficiary, the change of Designated Beneficiary will be deemed a gift from the current Designated Beneficiary and may be subject to federal gift tax and perhaps GST tax (payable by the Account Owner, under Section 529 of the Code and the advance notice of proposed rulemaking issued thereunder), even if the new Designated Beneficiary is a Member of the Family of the current Designated Beneficiary. Any change of the Designated Beneficiary to a person who is not a “Member of the Family” of the current Designated Beneficiary should be treated as a Non-Qualified Withdrawal that is subject to federal income tax and an additional 10% federal tax on earnings and may be treated as a new contribution to the new Designated Beneficiary for transfer tax purposes.. See “TAX TREATMENT OF INVESTMENTS AND WITHDRAWALS—Federal Gift, Estate and GST Taxes.”

To initiate a change of Designated Beneficiary, the Account Owner must provide a Change of Beneficiary Form (and any additional required documentation) to the Program Manager. An Account Owner will be asked to certify that the relationship between the new Designated Beneficiary and the prior Designated Beneficiary meets the “Member of the Family” requirement. An Account Owner changing the Designated Beneficiary may select different investment options at the time the change is made which take into account the circumstances of the new Designated Beneficiary. See “Changing Investment Options Within the Program.” The change will be made upon the Program Manager’s acceptance and processing of a properly completed form. There is currently no fee or charge for changing a Designated Beneficiary. If the Account Owner’s Account is currently invested in a Portfolio in the Automatic Allocation option, the Program Manager will reinvest such amounts in a new Portfolio in the Automatic Allocation

option based on the age of the new Designated Beneficiary, unless otherwise instructed by the Account Owner. If an Account Owner changes Designated Beneficiaries excessively, the Program Manager in its discretion may reject any future requests by the Account Owner to change the Designated Beneficiary on the Account.

Changes of Designated Beneficiaries can have substantial federal and state income tax and transfer tax consequences, and Account Owners and Designated Beneficiaries are advised to consult with a qualified tax advisor prior to any such change of Designated Beneficiary.

Member of the Family – A “Member of the Family” is the Designated Beneficiary’s:

- Father or mother, or an ancestor of either;
- Son or daughter, or a descendant of either;
- Stepfather or stepmother;
- Stepson or stepdaughter;
- Brother, sister, stepbrother or stepsister;
- Brother or sister of the father or mother;
- Brother-in-law, sister-in-law, son-in-law, daughter-in-law, father-in-law or mother-in-law;
- Son or daughter of a brother or sister;
- Spouse of the Designated Beneficiary or any of the foregoing individuals; or
- First cousin.

A legally adopted child or a foster child of an individual is to be treated as the child of such individual by blood, and a half-brother or half-sister is treated as a brother or sister. A foster child is considered to be a Member of the Family of his/her current foster family. If a foster child is placed with a subsequent foster family, the foster child is considered to be a Member of the Family of his/her successor foster family, and not a Member of the Family of his/her previous foster family(ies).

THE FUTURE SCHOLAR PORTFOLIOS

Contributions made to an Account on behalf of a Designated Beneficiary are invested in Shares of one or more Portfolios based on an election on the Account Application (or any change to such election) made by the Account Owner. Assets of Portfolios are invested in a single or a combination of Underlying Funds recommended by the Program Manager and approved by the Treasurer that reflect the investment strategies of the respective Portfolios. There is no assurance that any Portfolio’s strategy will be successful. Participation in the Direct Program is not considered to be part of an investment advisory service.

The Direct Program offers an Automatic Allocation option, and ten Portfolios, including six Allocation Portfolios and four Single Fund Portfolios, any one or more of which may be selected as an investment by an Account Owner. The Automatic Allocation option allows Account Owners to elect to have Contributions automatically allocated among the six Allocation Portfolios. The Allocation Portfolios each invest in a mix of Underlying Funds in the approximate percentages set forth below. See “Allocation Portfolios and Single Fund Portfolios.” The Single Fund Portfolios each invest in a single Underlying Fund. The Conservative Portfolio is a Single Fund Portfolio that invests in a single mutual fund (and, with respect to prior Contributions, in a funding agreement).

Within the equity securities segment of a Portfolio, if any, investments will generally be allocated among Underlying Funds investing in domestic equity and international equity investments. Within the fixed income segment of a Portfolio, if any, investments will generally be allocated among Underlying Funds investing in investment grade debt, non-investment grade debt and/or money market investments.

Portfolio Selection

Account Owners may select one or more Allocation Portfolios or Single Fund Portfolios, or the Automatic Allocation option, for the investment of Contributions made to their Accounts and may maintain that investment selection for the entire term of their Accounts. The current target asset allocation of each Portfolio is set forth below.

An Account Owner may allocate Contributions to any one or more of the Portfolios or the Automatic Allocation option. Although an Account Owner may select from among Portfolios for Contributions made to his/her Account, and may vary the Portfolios selected in connection with each Contribution, under federal law neither Account Owners nor Designated Beneficiaries may exercise any investment discretion, directly or indirectly, over Contributions to an Account or over any earnings on Contributions except as otherwise explicitly permitted by Section 529 of the Code and the regulations or other guidance thereunder. Accordingly, once made, Contributions and any earnings thereon may be transferred to another Portfolio only in limited circumstances (generally, once per calendar year, or in connection with a change of Designated Beneficiary or, automatically, in connection with the Automatic Allocation option). Portfolios may merge, terminate, reorganize or cease accepting new Contributions. See “PROGRAM AND PORTFOLIO RISKS AND OTHER CONSIDERATIONS—Limits on Control by Account Owners.” The Treasurer may elect to substitute another Underlying Fund for a specified Underlying Fund provided that substitution complies with the Investment Plan. Account Owners shall receive notice of any such substitution by receiving either a new Program Description, a Supplement, or other written communication from the Program.

Automatic Allocation Option

General – The Automatic Allocation option seeks to balance the expected returns and risks of the Underlying Funds with the time period remaining before a typical Designated Beneficiary is expected to attend an Eligible Educational Institution. Generally, the Automatic Allocation option allocates investments among the Allocation Portfolios so that an Account is more heavily invested in Underlying Funds that invest in equity securities when the Designated Beneficiary is younger or the date of expected matriculation at an Eligible Educational Institution is more distant, and is more heavily invested in Underlying Funds that invest in fixed income securities and money market instruments when the Designated Beneficiary is older or the date of expected matriculation at an Eligible Educational Institution is closer.

If an Account Owner selects the Automatic Allocation option on the Account Application, the Program Manager will direct Contributions to the Allocation Portfolios under a procedure which is currently based either on the date of birth of the Designated Beneficiary or on the number of years prior to the Designated Beneficiary’s expected matriculation at an Eligible Educational Institution. Each Account Owner will be asked to specify on the Account Application which of these two Automatic Allocation alternatives is to be followed.

Based on Date of Birth – For Accounts selecting the Automatic Allocation option based on the date of birth of the Designated Beneficiary, Contributions will initially be allocated to the specified Portfolio based on the age of the Designated Beneficiary at the time the Contribution is made. Once Contributions have been allocated to a particular Allocation Portfolio, Shares of that Portfolio will continue to be held in the Account until the Designated Beneficiary reaches the age for the exchange into the next Allocation Portfolio as set forth in the schedule below. If the specified age has been reached on or before August 31, Shares will be exchanged on or about August 31 for Shares of the Allocation Portfolio for the next age group (an “Automatic Allocation Exchange”). Automatic Allocation Exchanges will continue until Shares are exchanged for an equal dollar value of Shares of the Income Allocation Portfolio, in which Account assets will remain invested until withdrawn or reinvested.

For example, for Contributions made on behalf of a Designated Beneficiary who reaches age 6 on July 1 of a given year, Shares of Aggressive Growth Portfolio will be exchanged for an equal dollar value of Shares of Growth Portfolio on or about August 31 of that year. For Contributions made on behalf of a Designated Beneficiary who reaches age 6 on December 1 of given year, Shares of Aggressive Growth Portfolio will be exchanged for an equal dollar value of Shares of Growth Portfolio on or about August 31 of the following year.

Based on Years to Enrollment (First Use) – For Accounts selecting the Automatic Allocation option where the Account Owner has provided the number of years before the Designated Beneficiary’s expected matriculation,

Contributions will initially be allocated to the specified Portfolio based on the number of years remaining before expected matriculation as specified by the Account Owner on the Account Application. Once Contributions have been allocated to a particular Allocation Portfolio, the years to matriculation will be reduced by one as of each January 1st following the date on which the Account is opened, and Shares will be exchanged for the next Allocation Portfolio when the years to matriculation reach the range for that Portfolio set forth in the schedule below. As such, Account Owners choosing an Automatic Allocation Account will see their performance vary over time as their Accounts are allocated to more conservative Allocation Portfolios.

In both instances, all exchanges of Shares will occur on or about August 31.

Set forth below are the names of the six Allocation Portfolios and a description of their current allocations.

Contributions made on behalf of a Designated Beneficiary Aged*	Number of years before Designated Beneficiary expected to commence his or her higher education	Will be invested in the Future Scholar:
0-5 years	13 or more	Aggressive Growth Portfolio
6-8 years	10-12	Growth Portfolio
9-11 years	7-9	Balanced Growth Portfolio
12-15 years	3-6	Balanced Portfolio
16-17 years	1-2	Income & Growth Portfolio
18 years or older	Attendance has begun	Income Portfolio

* Determined annually on or about August 31.

The Treasurer reserves the right to alter the method of assigning Contributions to Allocation Portfolios, to increase or decrease the number of Allocation Portfolios and, subject to receipt of satisfactory assurance that such reassignment would not disqualify the affected Accounts or the Program from treatment, for federal tax purposes, as a Section 529 Program, to reassign existing Contributions to other Portfolios.

The percentage of assets held within each Allocation Portfolio in different investment sectors currently depends on the ages of the Designated Beneficiaries assigned to that Portfolio or their anticipated dates of matriculation. For example, the Aggressive Growth Portfolio, which is designed for Designated Beneficiaries less than six years of age, or thirteen or more years from college, will typically invest all of its assets in equity mutual funds. By contrast, the Income Portfolio, which is designed for Designated Beneficiaries 18 years of age or older, or who are already attending college, has a relatively conservative target asset allocation, investing a small portion of its assets in equity mutual funds and the majority of its assets in fixed income and money market mutual funds.

Allocation Portfolios

The Allocation Portfolios typically invest in a combination of Underlying Funds that are invested primarily in equity, fixed income and cash equivalent securities. Each Allocation Portfolio has a distinct investment objective and a different target allocation among Underlying Funds. CMIA will adjust the weightings of the Underlying Funds in the Allocation Portfolios within the percentage limits set forth below under “Future Scholar Allocation Ranges” and “Target Allocations of Asset Allocation Portfolios.” New Underlying Funds may be added to and existing Underlying Funds may be removed from the Allocation Portfolios at the discretion of the Treasurer and the Program Manager without prior notice to Account Owners, but Account Owners will be informed of any such change by receiving either a new Program Description, a Supplement, or other written communication from the Program. Account Owners will generally receive notice of the addition or removal of an Underlying Fund with their next regularly scheduled Account Statement after such addition or removal.

Single Fund Portfolios

Each Single Fund Portfolio has a specified investment strategy. Eighteen of the Single Fund Portfolios each invest in a single mutual fund. Note that a Single Fund Portfolio's Underlying Fund may change from time to time without prior notice to Account Owners, but Account Owners will be informed of any such change by receiving either a new Program Description, a Supplement, or other written communication from the Program. The Conservative Portfolio is a Single Fund Portfolio that invests in a single mutual fund (and, with respect to prior Contributions, in a funding agreement).

Investment Options

Contributions to the Portfolios are invested in accordance with the various investment options approved by the Treasurer. In conjunction with the Treasurer, CMIA, in its discretion, may change the investment options at any time without the Account Owner's consent. At least annually, CMIA in consultation with the Program Manager will review the then-current investment options of the Program and determine whether or not to propose any change to the existing options. Such changes may include, among other things, the addition of new Portfolios, changes in the allocation percentages of existing Portfolios and the addition or substitution of new Underlying Funds (which may or may not be mutual funds) and the removal of existing Underlying Funds from Portfolios. Any such action affecting a Portfolio may result in an Account Owner's Contributions being reinvested in a Portfolio different from the Portfolio in which contributions were originally invested or in Underlying Funds different than those currently set forth in "Underlying Funds" below.

Portfolio Allocations

In accordance with the Act, the Treasurer is responsible for the investment of assets held in the Trust Fund. Pursuant to the Management Agreement, CMID provides recommendations as to the Portfolios to be offered and the specific Underlying Funds for each Portfolio. For this purpose, the Underlying Funds must generally invest in the types of investments permitted by the Investment Plan, which currently allows investments of the following types: domestic equity, international equity, and fixed income and cash equivalents.

Under the Management Agreement, the Treasurer may: (i) approve any proposed combination of Underlying Funds and Portfolios as recommended by CMID; or (ii) request that CMID consider alternative proposed Underlying Funds and Portfolios. CMID may from time to time recommend changes to the Portfolios offered. The Treasurer will determine whether to approve any such recommendation. It is anticipated that Portfolios will be rebalanced periodically to reflect their target allocations. For information regarding the allocations to particular Underlying Funds for each Allocation Portfolio, please refer to the Portfolio Construction, which is available at www.futurescholar.com or from the Program Manager.

The following chart illustrates the investment objective and target asset allocation percentage range of each Portfolio as of the date of this Program Description.

Future Scholar Allocation Ranges and Investment Objectives

Future Scholar Portfolio	Int'l Equities	U.S. Equities	Total Equities	Fixed Income (%)	Cash Equivalent	Investment Objective
1) Aggressive Growth	10-25	75-90	100	0	0	This Portfolio seeks capital appreciation through exposure to a variety of equity market segments.
2) Growth	10-25	70-85	85-95	5-15	0-5	This Portfolio seeks long-term growth of capital through substantial exposure to a variety of equity market segments with limited exposure to fixed income investments.
3) Balanced Growth	5-20	50-70	60-80	20-40	0-5	This Portfolio seeks long-term growth of capital with modest exposure to fixed income investments.
4) Balanced	5-15	35-50	40-60	40-60	0-5	This Portfolio seeks total return through a balanced portfolio of equity and fixed-income investments.
5) Income & Growth	0-10	20-40	20-40	40-80	0-30	This Portfolio seeks current income and modest growth of capital
6) Income	0-5	5-20	5-20	25-60	20-70	This Portfolio seek current income to prepare for funding withdrawals.

Future Scholar Portfolio

Future Scholar Portfolio	Investment Objective
7) Large Cap Index	This Portfolio seeks investment results that (before fees and expenses) correspond to the total return of the S&P 500 Index.
8) Mid Cap Index	This Portfolio invests all of its net investable assets in Columbia Large Cap Index Fund.
9) Small Cap Index	This Portfolio seeks investment results that (before fees and expenses) correspond to the total return of the S&P MidCap 400 Index. This Portfolio invests all of its net investable assets in Columbia Mid Cap Index Fund.
10) Conservative	This Portfolio seeks investment results that (before fees and expenses) correspond to the total return of the S&P Small Cap 600 Index. This Portfolio invests all of its investable assets in Columbia Small Cap Index Fund. This Portfolio seeks to provide current income while maintaining stability of principal.

Underlying Funds

The assets of each Portfolio invested in Underlying Funds are done so in accordance with the sector allocation targets and Underlying Fund determinations made by the Treasurer. Columbia may adjust the ongoing Underlying Fund allocations within the target asset allocation percentage ranges approved by the Treasurer, which are described above. Under the terms of the Management Agreement, the Underlying Funds for the Portfolios of the Trust Fund are expected to be mutual funds managed by CMIA or its affiliates (except that prior Contributions to the Conservative Portfolio were invested in a funding agreement and BofA Cash Reserves is managed by BofA Advisors, LLC).

Target Allocations of Asset Allocation Portfolios

The table below provides the target asset class allocations as of the date of this Program Description applicable to the six Asset Allocation Portfolios, as well as the Underlying Funds currently selected for investments to underlie each Asset Allocation Portfolio. The table also identifies the portions of each Portfolio invested in “*equity funds, bond funds*” and in “*cash/money market funds.*” (Please note that total allocations may reflect rounding.) Target asset allocations may change from time to time, and actual asset allocations will change with fluctuations in the value of each Underlying Fund’s investments and certain other factors.

FUTURE SCHOLAR TARGET PORTFOLIO ALLOCATIONS							
Asset Allocation Portfolio							
Corresponding Beneficiary Ages for Aged-Based Portfolios:		0-5 Years	6-8 Years	9-11 Years	12-15 Years	16-17 Years	Over 18 Years
Asset Class	Underlying Fund	Aggressive Growth Portfolio	Growth Portfolio	Balanced Growth Portfolio	Balanced Portfolio	Income & Growth Portfolio	Income Portfolio
Domestic Equity	Columbia Large Cap Index Fund	59.0%	52.0%	43.0%	33.0%	21.0%	12.0%
	Columbia Mid Cap Index Fund	16.0%	16.0%	12.0%	8.0%	5.0%	4.0%
	Columbia Small Cap Index Fund	8.0%	8.0%	6.0%	4.0%	3.0%	0%
	Total	83.0%	76.0%	61.0%	45.0%	29.0%	16.0%
	Columbia Multi-Advisor International Equity Fund	17.0%	15.0%	12.0%	8.0%	4.0%	2.0%
	Total	17.0%	15.0%	12.0%	8.0%	4.0%	2.0%
Bonds	Columbia Total Return Bond Fund	0%	3.0%	10.0%	14.0%	14.0%	10.0%
	Columbia Short Term Bond Fund	0%	5.0%	15.0%	30.0%	35.0%	35.0%
	Columbia U.S. Treasury Index Fund	0%	1.0%	2.0%	3.0%	3.0%	2.0%
	Total	0%	9.0%	27%	47.0%	52%	47.0%
Cash/ Money Market	BofA Cash Reserves	0%	0%	0%	0%	15.0%	35.0%
	Total	0%	0%	0%	0%	15.0%	35.0%
Total		100%	100%	100%	100%	100%	100%

The Conservative Portfolio invests in Class Z shares of Columbia Money Market Fund (and prior Contributions were invested in a funding agreement). All of the net investable assets of each other Portfolio are invested in Class Z shares of underlying Columbia Funds mutual funds (or in Capital Class shares of BofA Cash Reserves) as recommended for that Portfolio by CMID and approved by the Treasurer.

CMID reserves the right to hold cash in a Portfolio to meet anticipated withdrawal requests or for other reasons and to invest a portion of each Portfolio in Columbia Funds money market mutual funds for cash management purposes. CMIA serves as investment advisor for all of the underlying Columbia Funds mutual funds. CMIA delegates day-to-day investment management responsibility for certain of these funds to sub-advisors, as indicated

below in “SUMMARY OF INVESTMENT OBJECTIVES AND POLICIES OF THE CURRENT UNDERLYING FUNDS.”

Account Owners do not have any direct beneficial interests in the Underlying Fund(s) held by a Portfolio and, accordingly, have no rights as an owner or shareholder of such Underlying Fund.

HISTORICAL INVESTMENT PERFORMANCE

The performance of each Portfolio depends on the weighted average performance of the Underlying Funds in which it invests. The value of Shares, which represent interests in a Portfolio, will vary from day to day.

Portfolio Performance

The tables below show the average annual total returns after deducting ongoing Portfolio fees for each Portfolio as of October 31, 2010. The performance data in these tables are net of expenses (but not the \$25 annual Maintenance Fee, which is waived for residents of South Carolina and Bank of America associates). The tables also show the returns for one or more benchmark indices that, as of the date of this Program Description, apply to each Portfolio. The indices are not available for investment, and the returns for the indices do not reflect fees, brokerage commissions, taxes or other expenses of investing. For a description of each index please see the text following the tables. To obtain up-to-date performance information for any Portfolio, please call the Program Manager toll free at 1-888-244-5674 or visit the Program's website at www.futurescholar.com. **Past performance is not predictive of future results.**

	Average Annual Total Return as of October 31, 2010 ¹				Inception Date
	One Year	Three Years	Five Years	Since Inception ²	
Aggressive Growth Portfolio	17.56%	(6.64%)	2.40%	3.62%	3/14/02
(Beneficiary Age 0-5 Years in Automatic Allocation Option)					
S&P 500 Index.....	16.52%	(6.49%)	1.73%	2.27%*	N/A
* Performance is from 3/14/02.					
Growth Portfolio	16.75%	(5.37%)	2.80%	3.85%	3/11/02
(Beneficiary Age 6-8 Years in Automatic Allocation Option)					
S&P 500 Index.....	16.52%	(6.49%)	1.73%%	2.17%**	N/A
Barclays Capital U.S. Aggregate Index	8.01%	7.23%	.45%	5.96%**	N/A
** Performance is from 3/11/02.					
Balanced Growth Portfolio	14.38%	(2.92%)	3.58%	4.31%	3/14/02
(Beneficiary Age 9-11 Years in Automatic Allocation Option)					
S&P 500 Index.....	16.52%	(6.49%)	1.73%%	2.27%***	N/A
Barclays Capital U.S. Aggregate Index	8.01%	7.23%	.45%	5.94%***	N/A
*** Performance is from 3/14/02.					
Balanced Portfolio	11.90%	(.52%)	4.15%	4.45%	3/11/02
(Beneficiary Age 12-15 Years in Automatic Allocation Option)					
S&P 500 Index.....	16.52%	(6.49%)	1.73%%	2.17%†	N/A
Barclays Capital U.S. Aggregate Index	8.01%	7.23%	.45%	5.96%†	N/A
† Performance is from 3/11/02.					

¹ "Average annual total return" is a hypothetical rate of return that, if achieved annually, would have produced the same cumulative total return if performance had been constant over the entire period. Average annual total return smoothes out variations in performance; it is not the same as actual year-by-year results.

² An individual Account Owner may have experienced different performance than that shown based on the date of the Account's investments.

	Average Annual Total Return as of October 31, 2010 ³				Inception Date
	One Year	Three Years	Five Years	Since Inception ⁴	
Income and Growth Portfolio (Beneficiary Age 16-17 Years in Automatic Allocation Option)	8.58%	1.07%	4.14%	4.01%	3/13/02
S&P 500 Index.....	16.52%	(6.49%)	1.73%%	2.15%††	N/A
Barclays Capital U.S. Aggregate Index.....	8.01%	7.23%	.45%	5.96%††	N/A
†† Performance is from 3/13/02.					
Income Portfolio (Beneficiary Age 18 Years or Older in Automatic Allocation Option)	5.49%	2.07%	3.95%	3.50%	3/19/02
Barclays Capital U.S. Aggregate Index.....	8.01%	7.23%	.45%	5.98%†††	N/A
††† Performance is from 3/19/02.					
Large Cap Index Portfolio	16.09%	(6.83%)	1.40%	1.90%	3/14/02
S&P 500 Index.....	16.52%	(6.49%)	1.73%	2.27%#	N/A
# Performance is from 3/14/02.					
MidCap Index Portfolio	27.12%	(1.65%)	4.67%	6.32%	3/14/02
S&P MidCap 400 Index.....	27.64%	(1.41%)	4.93%	6.65%##	N/A
## Performance is from 3/14/02.					
Small Cap Index Portfolio	25.73%	(3.62%)	2.80%	2.88%	7/05/05
S&P Small Cap 600 Index.....	26.27%	(3.43%)	3.12%	3.22%###	N/A
### Performance is from 7/05/05.					
Conservative Portfolio	2.99%	3.83%	3.85%	3.61%	3/01/02

Conservative Portfolio

For the period September 1, 2010 to November 30, 2010, the annualized guaranteed rate of the portion of the Conservative Portfolio which is invested in a funding agreement is 1.80%.

This rate reflects the deduction of expenses (but not the annual Maintenance Fee). Since all Contributions to the Portfolio made on or after October 1, 2010, are invested in shares of Columbia Money Market Fund, the returns of the Portfolio to all Account Holders reflect a blend of the earnings on the Portfolio's underlying investments and are anticipated to be lower than the rate shown herein. The returns of the Portfolio are not guaranteed on or after October 1, 2010, and the rate shown herein is not indicative of the returns of the Portfolio. The guaranteed rate of the portion of the Conservative Portfolio which is invested in a funding agreement is for the time period presented and is not indicative of any future guaranteed rate. The interest rate resets every March 1, June 1, September 1 and December 1. For updated interest rates, please contact the Program Manager at 1-888-244-5674 or visit the Program's website at www.futurescholar.com.

³ "Average annual total return" is a hypothetical rate of return that, if achieved annually, would have produced the same cumulative total return if performance had been constant over the entire period. Average annual total return smoothes out variations in performance; it is not the same as actual year-by-year results.

⁴ An individual Account Owner may have experienced different performance than that shown based on the date of the Account's investments.

Description of Benchmark Indices

- **S & P 500 Index**—tracks the performance of 500 widely held, large-capitalization U.S. stocks.
- **Barclays Capital Aggregate Index**—is a market value-weighted index that tracks the daily price, coupon, pay-downs and total return performance of fixed-rate, publicly placed, dollar denominated and non-convertible investment grade debt issues with at least \$250 million par amount outstanding and with at least one year to final maturity
- **S&P MidCap 400 Index**—is a market value-weighted index that tracks the performance of 400 mid-cap U.S. companies.
- **S&P Small Cap 600 Index**—tracks the performance of 600 domestic companies traded on the New York Stock Exchange, the American Stock Exchange and NASDAQ. The S&P SmallCap 600 is heavily weighted with the stocks of companies with small market capitalizations

PROGRAM FEES AND EXPENSES

Each Account bears certain ongoing Portfolio fees. These expenses, discussed below, consist of direct expenses, which are fees charged to the Portfolios, and indirect expenses incurred by the Underlying Funds in which the Portfolios invest. There is also an annual Maintenance Fee, which will be waived under the conditions described below, and certain transactional fees. These expenses and fees may be changed from time to time.

In addition, certain fees and expenses are established by the Management Agreement, which may be amended. There is no assurance that such fees would remain applicable subsequent to amendment, termination or renewal of the Management Agreement. A portion of the Portfolio's interest in Underlying Funds may be liquidated to pay direct and other expenses charged to a Portfolio including the fees and expenses described below.

Maintenance Fee

There is an annual maintenance fee of \$25 for each Account (the "Maintenance Fee"). The Maintenance Fee will be assessed on or about the anniversary of the date the Account was established and each year thereafter until the Account is closed. The fee will be assessed against that Portfolio which represents the largest percentage allocation of an Account. The Maintenance Fee will be waived for all Accounts established where: (i) either the Account Owner or the Designated Beneficiary (or both) is a resident of South Carolina; (ii) the Account Owner is an employee of Ameriprise Financial, Inc. or any affiliate, is an employee of BFDS, or is an employee of the State of South Carolina, regardless of residency; (iii) the value of the Account at the time of assessment of the annual Maintenance Fee is at least \$10,000; or (iv) the Account Owner has established an automatic direct deposit, payroll deduction or automatic investment plan.

Other Fees

There is a returned check fee of \$25, a \$50 fee for processing rollovers from the Program, a \$10 fee for a report on the history of an Account, and a \$2 fee for withdrawals of less than \$250. The Treasurer and the Program Manager reserve the right to change the amount of any of these fees, or the circumstances under which fees may be waived.

Annual Asset-Based Fees

Management and Administration Fee – Shares of each Portfolio also bear a management and administration fee at the annual rate of 0.20% of Portfolio assets attributable to the relevant class ("Management Fee"), which is payable to CMID for the performance of certain Portfolio administration and management services. This fee is accrued daily and is factored into the Portfolio's share value.

Underlying Fund Expenses – All Portfolios invest in the Class Z shares of their Underlying Funds (or, for BofA Cash Reserves, in Capital Class shares). Each of the Underlying Funds in which the Portfolios invest assesses certain fees against amounts invested. An Underlying Fund's expense ratio measures the total annual operating expenses of the Underlying Fund as a percentage of its average daily net assets. The total net operating expense ratio measures the annual operating expenses of an Underlying Fund as a percentage of its average daily net assets. Operating expenses for each Underlying Fund include investment advisory fees paid to CMIA (or, for BofA Cash Reserves, to BofA Advisors, LLC), administration and other fees. For more information on these expenses, see "Underlying Fund Expenses" below.

What It Costs to Invest in the Program

The table below describes the fees and expenses that an Account Owner may pay if Shares of the Portfolios are bought and held.

Portfolio	Annual Asset-Based Fees¹		
	Estimated Underlying Fund Expenses²	Management Fee	Total Annual Asset-Based Fees³
Aggressive Growth Portfolio (Beneficiary Age 0-5 Years in Automatic Allocation Option).....	0.30%*†	0.20%	0.50%
Growth Portfolio (Beneficiary Age 6-8 Years in Automatic Allocation Option).....	0.32%*†	0.20%	0.52%
Balanced Growth Portfolio (Beneficiary Age 9-11 Years in Automatic Allocation Option).....	0.36%*†	0.20%	0.56%
Balanced Portfolio (Beneficiary Age 12-15 Years in Automatic Allocation Option).....	0.39%*†	0.20%	0.59%
Income & Growth Portfolio (Beneficiary Age 16-17 Years in Automatic Allocation Option).....	0.38%*†	0.20%	0.58%
Income Portfolio (Beneficiary Age 18 Years or Older in Automatic Allocation Option).....	0.35%*†	0.20%	0.55%
Large Cap Index Portfolio	0.14%*†	0.20%	0.34%
Mid Cap Index Portfolio	0.18%*	0.20%	0.38%
Small Cap Index Portfolio	0.20%*	0.20%	0.40%
Conservative Portfolio	0.03%**	0.20%	0.23%

- ¹ There is also a \$25 annual Maintenance Fee. This fee may be waived in certain circumstances. Certain other fees may also be assessed. See “Maintenance Fee” and “Other Fees.”
- ² For Allocation Portfolios the figures are based on a weighted average of each Underlying Fund’s total net operating expense ratio as reported for the most recent fiscal year reported in the applicable fund’s most recent prospectus, in accordance with the Portfolio’s asset allocation among the Underlying Funds as of November 30, 2010.
- ³ This total is assessed against assets over the course of the year and does not include the annual account maintenance fees. **Please refer to the table below under “Expense Examples” for the approximate cost of investing in the Portfolio over 1-, 3-, 5-, and 10-year periods.**
- † The Underlying Fund’s investment advisor is entitled to recover from certain Underlying Funds any fees waived or expenses reimbursed for a three-year period following the date of such waiver or reimbursement if such recovery does not cause the Underlying Fund’s expenses to exceed the expense limitation in effect at the time of the recovery.
- * The figures shown may reflect temporary fee waivers by the Underlying Fund’s investment advisor and/or some of its other service providers. See **Underlying Fund Expenses** for more information.”
- ** Estimated annual expenses based on the Portfolio’s initial \$5 million investment in shares of Columbia Money Market Fund.

Expense Examples

The following table compares the approximate cost of investing over different periods of time in each Portfolio. Actual costs may be higher or lower. The table is based on the following assumptions:

- A \$10,000 investment invested for the time periods shown.
- A 5% annually compounded rate of return on the net amount invested throughout each period shown.
- Total annual asset-based fees remain the same as those shown in the fee table above.
- No transaction fees are incurred.

Portfolio	Number of Years Shares Are Owned			
	1 Year	3 Years	5 Years	10 Years
Aggressive Growth Portfolio (Beneficiary Age 0-5 Years in Automatic Allocation Option)	\$51	\$160	\$280	\$628
Growth Portfolio (Beneficiary Age 6-8 Years in Automatic Allocation Option)	53	167	291	653
Balanced Growth Portfolio (Beneficiary Age 9-11 Years in Automatic Allocation Option)	57	179	313	701
Balanced Portfolio (Beneficiary Age 12-15 Years in Automatic Allocation Option)	60	189	329	738
Income & Growth Portfolio (Beneficiary Age 16-17 Years in Automatic Allocation Option)	59	186	329	726
Income Portfolio (Beneficiary Age 18 Years or Older in Automatic Allocation Option)	56	176	307	689
Large Cap Index Portfolio	35	109	191	431
Mid Cap Index Portfolio	39	122	213	480
Small Cap Index Portfolio	41	128	224	505
Conservative Portfolio	24	74	130	293

Indirect Expenses

Each Portfolio indirectly bears its proportional share of the fees and expenses incurred by the Underlying Funds in which it invests. Accordingly, each Portfolio's investment return will be net of both the fees and expenses of the Underlying Funds (see "Underlying Fund Expenses" below) and the direct expenses noted above.

CMID and its affiliates provide services and receive compensation for those services from the Underlying Funds. For more information about such payments, see "THE MANAGEMENT AGREEMENT—Payments from Underlying Funds."

Compensation with Respect to the Conservative Portfolio

CMID also receives an administration and distribution fee equal to, on an annual basis, 0.10% of the Conservative Portfolio's average daily net assets invested in the funding agreement issued by Transamerica Life Insurance and Annuity Company, the initial investment of the Conservative Portfolio. This fee is paid by the issuer of the funding agreement and not by the Portfolio.

Underlying Fund Expenses

The table below provides the total annual operating expense ratio of the class of each of the Underlying Funds in which the Portfolios expect to invest, as reported in the most recent financial statements of each Underlying Fund

available prior to the date of the Program Description. The expense ratios of the Underlying Funds are taken from the financial statements of the Underlying Funds.

Name of Underlying Fund	Total Annual Fund of the Operating Expenses of the Portfolio's Underlying Funds
BofA Cash Reserves	0.20% ¹
Columbia Large Cap Index Fund	0.14% ²
Columbia Mid Cap Index Fund	0.18% ³
Columbia Multi-Advisor International Equity Fund	1.01% ⁴
Columbia Short Term Bond Fund	0.48% ⁵
Columbia Small Cap Index Fund	0.20% ⁶
Columbia Total Return Bond Fund	0.64% ⁷
Columbia U.S. Treasury Index Fund	0.20% ⁸
Columbia Money Market Fund	0.55% ⁹

1. The Advisor and/or some of the Fund's other service providers have contractually agreed to bear a portion of the Fund's expenses so that the Fund's ordinary operating expenses (excluding any distribution, shareholder servicing and/or shareholder administration fees, interest, taxes and extraordinary expenses, but including custodian charges relating to overdrafts, if any), after giving effect to any balance credits from the Fund's custodian, do not exceed the annual rate of 0.20% of the Fund's average daily net assets through December 31, 2011. The Advisor and the Distributor are entitled to recover from the Fund any fees waived and/or expenses reimbursed for a three year period following the date of such waiver and/or reimbursement if such recovery does not cause the Fund's total operating expenses to exceed the expense commitment then in effect. Also, the Distributor has voluntarily undertaken to reimburse certain class-specific Fund expenses (consisting of shareholder servicing, distribution and shareholder administration fees, as applicable) to the extent necessary in order to maintain a minimum annualized net yield of 0.00% for all classes of the Fund. In addition, the Advisor has voluntarily undertaken to reimburse certain Fund expenses (consisting of advisory and administration fees) to the extent necessary to maintain such yield in the event the Distributor's reimbursement of class-specific Fund expenses is fully utilized. These reimbursements are voluntary and may be modified or discontinued by the Distributor or the Advisor at any time.

2. The Advisor has voluntarily agreed to reimburse a portion of the Fund's expenses so that the Fund's ordinary operating expenses (excluding any distribution and service fees, brokerage commissions, interest, taxes and extraordinary expenses, but including custodian charges relating to overdrafts, if any), after giving effect to any balance credits from the Fund's custodian, do not exceed 0.14% of the Fund's average daily net assets on an annualized basis. The Advisor, in its discretion, may revise or discontinue this arrangement at any time. Columbia is entitled to recover any fees waived and/or expenses reimbursed for a three year period following the date of such fee waiver and/or reimbursement if such recovery does not cause a Fund's expenses to exceed the expense limitations in effect at the time of recovery.

3. The Advisor has voluntarily agreed to reimburse a portion of the Fund's expenses so that the Fund's ordinary expenses (excluding any distribution and service fees, brokerage commissions, interest, taxes and extraordinary expenses, but including custodian charges relating to overdrafts, if any), after giving effect to any balance credits from the Fund's custodian, do not exceed 0.20% of the Fund's average daily net assets on an annualized basis. The Advisor, at its discretion, may revise or discontinue this arrangement at any time.

4. The Advisor has voluntarily agreed to reimburse a portion of the Fund's expenses so that the Fund's ordinary operating expenses (excluding any distribution and service fees, brokerage commissions, interest, taxes and extraordinary expenses, but including custodian charges relating to overdrafts, if any), after giving effect to any balance credits from the Fund's custodian, do not exceed 1.35% of the Fund's average daily net assets on an annualized basis. The Advisor, in its discretion, may revise or discontinue this arrangement at any time.

5. The Advisor has voluntarily agreed to reimburse a portion of the Fund's expenses so that the Fund's ordinary operating expenses (excluding any distribution and service fees, brokerage commissions, interest, taxes and extraordinary expenses, but including custodian charges relating to overdrafts, if any), after giving effect to any balance credits from the Fund's custodian, do not exceed 0.48% of the Fund's average daily net assets on an annualized basis. The Advisor, in its discretion, may revise or discontinue this arrangement at any time. The Advisor is entitled to recover from the Fund any fees waived and/or expenses reimbursed for a three year period following the date of such waiver and/or reimbursement if such recovery does not cause the Fund's expenses to exceed the expense limitations in effect at the time of recovery.

6. The Advisor has voluntarily agreed to reimburse a portion of the Fund's expenses so that the Fund's ordinary operating expenses (excluding any distribution and service fees, brokerage commissions, interest, taxes and extraordinary expenses, but including custodian charges relating to overdrafts, if any), after giving effect to any balance credits from the Fund's custodian, do not exceed 0.20% of the Fund's average daily net assets on an annualized basis. The Advisor, in its discretion, may revise or discontinue this arrangement at any time. Columbia is entitled to recover any fees waived and/or expenses reimbursed for a three year period following the date of such fee waiver and/or reimbursement if such recovery does not cause a Fund's expenses to exceed the expense limitations in effect at the time of recovery.

7. The Advisor has voluntarily agreed to reimburse a portion of the Fund's expenses so that the Fund's ordinary operating expenses (excluding any distribution and service fees, brokerage commissions, interest, taxes and extraordinary expenses, but including custodian charges relating to overdrafts, if any), after giving effect to any balance credits from the Fund's custodian, do not exceed 0.70% of the Fund's average daily net assets on an annualized basis. The Advisor, in its discretion, may revise or discontinue this arrangement at any time. Columbia is entitled to recover any fees waived and/or expenses reimbursed for a three year period following the date of such fee waiver and/or reimbursement if such recovery does not cause a Fund's expenses to exceed the expense limitations in effect at the time of recovery.

8. The Advisor has voluntarily agreed to reimburse a portion of the Fund's expenses so that the Fund's ordinary operating expenses (excluding any distribution and service fees, brokerage commissions, interest, taxes and extraordinary expenses, but including custodian charges relating to overdrafts, if any), after giving effect to any balance credits from the Fund's custodian, do not exceed 0.20% of the Fund's average daily net assets on an annualized basis. If the reimbursement was not reflected in the table, the total annual Fund operating expenses would be 0.23% for Class Z shares. The Advisor, in its discretion, may revise or discontinue this arrangement at any time.

⁹ The investment manager and its affiliates have contractually agreed to waive certain fees and to reimburse certain expenses (other than acquired fund fees and expenses, if any) until April 1, 2011, unless sooner terminated at the sole discretion of the Fund's Board. Any amounts waived will not be reimbursed by the Fund. Under this agreement, net fund expenses (excluding acquired fund fees and expenses, if any) will not exceed 0.55% for Class Z shares.

SUMMARY OF INVESTMENT OBJECTIVES AND PRINCIPAL INVESTMENT STRATEGIES OF THE CURRENT UNDERLYING FUNDS

The following descriptions summarize the investment objectives and principal investment strategies of the Underlying Funds in which the Portfolios are currently invested. The descriptions also identify certain principal risks to which particular Underlying Funds may be subject. **Additional discussion of these and other risks related to the Underlying Funds is set forth below under “PROGRAM AND PORTFOLIO RISKS AND OTHER CONSIDERATIONS.”** The Underlying Funds’ investment strategies are subject to change, and future performance cannot be guaranteed.

These summaries are qualified in their entirety by reference to the detailed information included in each Underlying Fund’s current prospectus and statement of additional information which contain additional information not summarized herein and which may identify additional risks to which the respective Underlying Fund may be subject. You can request a copy of any Underlying Fund’s current prospectus and statement of additional information, or an Underlying Fund’s most recent semi-annual or annual report, by calling 1-888-244-5674.

Domestic Equity Funds

Columbia Large Cap Index Fund

Investment Objective and Principal Investment Strategies—This Underlying Fund seeks total return before fees and expenses that corresponds to the total return of the S&P 500 Index. Under normal circumstances, the Fund invests at least 80% of its net assets in common stocks that comprise the S&P 500 Index. The Fund may invest in derivatives, consisting of stock index futures or options, as substitutes for the underlying securities in the S&P 500 Index.

Different common stocks have different weightings in the S&P 500 Index, depending on the amount of stock outstanding and the stock’s current price. In seeking to match the performance of the S&P 500 Index, CMIA, Fund’s investment advisor, attempts to allocate the Fund’s assets among common stocks in approximately the same weightings as the S&P 500 Index. The Fund may buy shares of Ameriprise Financial, Inc., an affiliate of CMIA, which is currently included in the S&P 500 Index, subject to certain restrictions.

The Fund attempts to achieve at least a 95% correlation between the performance of the S&P 500 Index and the Fund’s investment results, before fees and expenses. The Fund’s ability to track the S&P 500 Index is affected by, among other things, transaction costs and other expenses, changes in the composition of the S&P 500 Index, changes in the number of shares issued by the companies represented in the S&P 500 Index, and by the timing and amount of shareholder purchases and redemptions.

CMIA may sell a stock when the stock’s percentage weighting in the index is reduced, when the stock is removed from the index, or for other reasons.

The Fund’s policy regarding the 80% investment requirement of “net assets” (which includes net assets plus any borrowings for investment purposes) discussed above may be changed by the Fund’s Board without shareholder approval as long as shareholders are given 60 days advance notice of the change.

Principal Risks of Investing—The Fund is subject to investment strategy risk, market risk, index risk and derivatives risk.

Columbia Mid Cap Index Fund

Investment Objective and Principal Investment Strategies—This Underlying Fund seeks total return before fees and expenses that corresponds to the total return of the S&P MidCap 400 Index. Under normal circumstances, the Fund invests at least 80% of its net assets in common stocks that comprise the S&P MidCap 400 Index. The Fund may invest in derivatives, consisting of stock index futures or options, as substitutes for the underlying securities in the S&P MidCap 400 Index.

Different common stocks have different weightings in the S&P MidCap 400 Index, depending on the amount of stock outstanding and the stock's current price. In seeking to match the performance of the S&P MidCap 400 Index, CMIA, the Fund's investment advisor, attempts to allocate the Fund's assets among common stocks in approximately the same weightings as the S&P MidCap 400 Index.

The Fund attempts to achieve at least a 95% correlation between the performance of the S&P MidCap 400 Index and the Fund's investment results, before fees and expenses. The Fund's ability to track the S&P MidCap 400 Index is affected by, among other things, transaction costs and other expenses, changes in the composition of the S&P MidCap 400 Index, changes in the number of shares issued by the companies represented in the S&P MidCap 400 Index, and by the timing and amount of shareholder purchases and redemptions.

CMIA may sell a stock when the stock's percentage weighting in the index is reduced, when the stock is removed from the index, or for other reasons.

The Fund's policy regarding the 80% investment requirement of "net assets" (which includes net assets plus any borrowings for investment purposes) discussed above may be changed by the Fund's Board without shareholder approval as long as shareholders are given 60 days advance notice of the change.

Principal Risks of Investing—The Fund is subject investment strategy risk, market risk, index risk, derivatives risk, and smaller company securities risk.

Columbia Small Cap Index Fund

Investment Objective and Principal Investment Strategies—This Underlying Fund seeks total return before fees and expenses that corresponds to the total return of the S&P SmallCap 600 Index. Under normal circumstances, the Fund invests at least 80% of its net assets in common stocks that comprise the S&P SmallCap 600 Index. The Fund may invest in derivatives, consisting of stock index futures or options, as substitutes for the underlying securities in the S&P SmallCap 600 Index.

Different common stocks have different weightings in the S&P SmallCap 600 Index, depending on the amount of stock outstanding and the stock's current price. In seeking to match the performance of the S&P SmallCap 600 Index, CMIA, the Fund's investment advisor, attempts to allocate the Fund's assets among common stocks in approximately the same weightings as the S&P SmallCap 600 Index.

The Fund attempts to achieve at least a 95% correlation between the performance of the S&P SmallCap 600 Index and the Fund's investment results, before fees and expenses. The Fund's ability to track the S&P SmallCap 600 Index is affected by, among other things, transaction costs and other expenses, changes in the composition of the S&P SmallCap 600 Index, changes in the number of shares issued by the companies represented in the S&P SmallCap 600 Index, and by the timing and amount of shareholder purchases and redemptions.

CMIA may sell a stock when the stock's percentage weighting in the index is reduced, when the stock is removed from the index, or for other reasons.

The Fund's policy regarding the 80% investment requirement of "net assets" (which includes net assets plus any borrowings for investment purposes) discussed above may be changed by the Fund's Board without shareholder approval as long as shareholders are given 60 days advance notice of the change.

Principal Risks of Investing—The Fund is subject to investment strategy risk, market risk, index risk, derivatives risk, and smaller company securities risk.

International Equity Funds

Columbia International Value Fund

THIS FUND IS CLOSED TO NEW INVESTMENT THROUGH THE PROGRAM. SHARES OF THIS FUND MAY ONLY BE PURCHASED THROUGH REINVESTMENT OF DISTRIBUTIONS.

Investment Objectives and Principal Investment Strategies—This Underlying Fund's investment objective is to seek long-term capital appreciation. The Fund invests all or substantially all of its assets in Columbia International Value Master Portfolio ("Master Portfolio"). The Master Portfolio has the same investment objective as the Fund. Under normal circumstances, the Master Portfolio invests at least 65% of its total assets in equity securities of foreign companies that have market capitalizations of more than \$1 billion at the time of purchase. The Master Portfolio typically invests in foreign companies in at least three countries, other than the United States, at any one time and may invest in emerging market countries. The Master Portfolio invests primarily in foreign equity securities, either directly or indirectly through closed-end investment companies and depositary receipts. Depositary receipts are receipts issued by a bank or trust company and evidence ownership of underlying securities issued by foreign companies.

The Master Portfolio has the following limits on its investments, which are applied at the time an investment is made. The Master Portfolio:

- normally invests no more than 5% of its total assets in a single security.
- typically invests up to the greater of (i) 20% of its total assets in a single country or industry or (ii) 150% of the weighting of a single country or industry in the MSCI EAFE[®] Value Index (limited to less than 25% of total assets in a single industry, other than U.S. Government obligations).
- generally may not invest more than 20% of its total assets in emerging market countries.

The Master Portfolio may from time to time emphasize one or more economic sectors in selecting its investments.

CMIA, the Fund's investment advisor, has engaged an investment sub-advisor – Brandes Investment Partners, L.P. ("Brandes") – which manages the Master Portfolio on a day-to-day basis, although CMIA retains general investment management responsibility for the management of the Master Portfolio. Brandes uses the "Graham and Dodd" value approach to managing the Master Portfolio. Brandes invests in a company when its current price appears to be below its "true" long-term – or intrinsic – value. Brandes uses fundamental analysis to develop an estimate of intrinsic value, and will consider, among other factors, a company's earnings, book value, cash flow, capital structure, and management record, as well as its industry and its position within that industry. This analysis includes a review of company reports, filings with the SEC, computer databases, industry publications, general and business publications, research reports and other information sources, as well as interviews with company management. Brandes may sell a security when its price reaches a target set by Brandes or if Brandes believes that other investments are more attractive; or for other reasons.

Principal Risks of Investing—The Fund is subject to investing in other funds risk, and is subject indirectly to the following risks of the Master Portfolio: investment strategy risk, market risk, value securities risk, foreign securities risk, emerging markets securities risk, currency risk, and sector risk.

Columbia Multi-Advisor International Equity Fund

Investment Objectives and Principal Investment Strategies—This Underlying Fund’s investment objective is to seek long-term capital growth. Under normal circumstances, the Fund invests at least 80% of its net assets in equity securities (including common stock and preferred stock) of established companies located in at least three countries other than the United States, including emerging market countries. The Fund invests in companies that are believed to have the potential for growth or to be undervalued.

The Fund may invest in mutual funds managed by CMIA, the Fund’s investment advisor, or an affiliate, third-party advised mutual funds, foreign investment funds or trusts, convertible securities, real estate investment trusts and depositary receipts. Depositary receipts are receipts issued by a bank or trust company and evidence ownership of underlying securities issued by foreign companies.

CMIA has engaged Marsico Capital Management, LLC (Marsico Capital) to manage a portion of the Fund’s assets (the “Marsico sleeve”) on a day-to-day basis, with CMIA managing the balance of the Fund’s assets (the “Advisor sleeve”) on a day-to-day basis. CMIA also retains general investment management responsibility for the Fund.

The current targeted allocation to each of the Marsico sleeve and Advisor sleeve is approximately 50% of the Fund’s net assets. Because the investment results of each sleeve may vary, the actual allocation to each sleeve as of any given date may vary from the targeted allocation. CMIA monitors the allocation of the Fund’s assets and rebalances the allocation between the Advisor sleeve and Marsico sleeve so that the actual allocation does not exceed plus or minus 5% of the targeted allocation.

The investment styles for CMIA and Marsico are as follows:

CMIA

CMIA combines fundamental and quantitative analysis with risk management in identifying value opportunities and constructing the Fund’s portfolio. CMIA considers, among other factors:

- businesses that are believed to be fundamentally sound and undervalued due to investor indifference, investor misperception of company prospects, or other factors.
- various measures of valuation, including price-to-cash flow, price-to-earnings, price-to-sales, and price-to-book value and a discounted cash flow model.
- a company’s current operating margins relative to its historic range and future potential.
- potential indicators of stock price appreciation, such as anticipated earnings growth, company restructuring, changes in management, business model changes, new product opportunities, or anticipated improvements in macroeconomic factors.

CMIA also seeks to manage the Fund’s overall risk exposure by maintaining the targeted industry, geographic and market capitalization sector exposure for the Fund.

Marsico Capital

Marsico Capital combines “top-down” macroeconomic analysis with “bottom-up” stock selection. The “top-down” approach may take into consideration macroeconomic factors such as, without limitation, interest rates, currency movements, inflation, demographics, the regulatory environment and the global competitive landscape. In addition, Marsico Capital also may examine other factors that may include, without limitation, the most attractive global investment opportunities, industry consolidation, and the sustainability of financial trends. As a result of the “top-down” analysis, Marsico Capital seeks to identify sectors, industries and companies that may benefit from the overall trends Marsico Capital has observed. Marsico Capital then looks for individual companies or securities with earnings growth potential that may not be recognized by the market at large. In determining whether a particular company or security may be a suitable investment, Marsico Capital may focus on any of a number of different attributes that may include, without limitation, the company’s specific market expertise or dominance; its franchise durability and pricing power; solid fundamentals (e.g., a strong balance sheet, improving returns on equity, the ability to generate free cash flow, apparent use of conservative accounting standards and transparent financial disclosure); strong and ethical management; commitment to shareholder interests; reasonable valuations in the context of projected growth rates; current income and other indications that a company or security may be an attractive investment prospect. This process is called “bottom-up” stock selection.

As part of this fundamental, “bottom-up” research, Marsico Capital may visit with various levels of a company’s management, as well as with its customers and (as relevant) suppliers, distributors and competitors. Marsico Capital also may prepare detailed earnings and cash flow models of companies. These models may assist Marsico Capital in projecting potential earnings growth and other important company financial characteristics under different scenarios. Each model is typically customized to follow a particular company and is generally intended to replicate and describe a company’s past, present and potential future performance. The models may include quantitative information and detailed narratives that reflect updated interpretations of corporate data and company and industry developments.

Marsico Capital may reduce or sell investments in portfolio companies if, in the opinion of Marsico Capital, a security’s fundamentals change substantially, its price appreciation leads to substantial overvaluation in relation to Marsico Capital’s estimates of future earnings and cash flow growth, the company appears unlikely to realize its growth potential, there are more attractive investment opportunities elsewhere, or for other reasons.

The Fund’s policy regarding the 80% investment requirement of “net assets” (which includes net assets plus any borrowings for investment purposes) discussed above may be changed by the Fund’s Board without shareholder approval as long as shareholders are given 60 days advance notice of change.

Principal Risks of Investing—The Fund is subject to investment strategy risk, market risk, growth securities risk, value securities risk, foreign securities risk, emerging market securities risk, currency risk, derivatives risk, real estate investment trusts risk, convertible securities risk, and investing in other funds risk.

Fixed Income Funds

Columbia U.S. Treasury Index Fund

Investment Objective and Principal Investment Strategies – This Underlying Fund’s investment objective is to seek total return that corresponds to the total return of the Citigroup Bond U.S. Treasury Index, before fees and expenses. Under normal circumstances, the Fund invests at least 80% of its net assets in securities that comprise the Citigroup Bond U.S. Treasury Index. The Citigroup Bond U.S. Treasury Index is an unmanaged index composed of U.S. Treasury notes and bonds with remaining maturities of at least one year and outstanding principal of at least \$25 million and which are included in the Citigroup Broad Investment-Grade Bond Index. Different securities have different weightings in the Citigroup Bond U.S. Treasury Index. Securities in the Citigroup Bond U.S. Treasury Index are weighted by market value, that is, the price per bond or note multiplied by the number of bonds or notes outstanding.

In seeking to match the performance of the Citigroup Bond U.S. Treasury Index, before fees and expenses, CMIA, the Fund's investment advisor, attempts to allocate the Fund's assets among securities in the Citigroup Bond U.S. Treasury Index. In determining whether to include a security in the Fund's portfolio, CMIA will consider a security's effect on the Fund's total market value, average coupon rate, and average weighted maturity as compared to the Citigroup Bond U.S. Treasury Index. The Fund will only purchase securities that are included in the Citigroup Bond U.S. Treasury Index at the time of purchase.

The Fund attempts to achieve at least a 95% correlation between the performance of the Citigroup Bond U.S. Treasury Index and the Fund's investment results, before fees and expenses. The Fund's ability to track the Citigroup Bond U.S. Treasury Index is affected by, among other things, transaction costs and other expenses, changes in the composition of the Citigroup Bond U.S. Treasury Index, and by the timing and amount of shareholder purchases and redemptions. The Fund will not hold all of the securities in the Citigroup Bond U.S. Treasury Index.

CMIA may sell a security when the security's percentage weighting in the index is reduced, when the security is removed from the index, or for other reasons.

The Fund's policy regarding the 80% investment requirement of "net assets" (which includes net assets plus any borrowings for investment purposes) discussed above may be changed by the Fund's Board without shareholder approval as long as shareholders are given 60 days advance notice of the change.

Principal Risks of Investing—The Fund is subject to investment strategy risk, market risk, index risk, interest rate risk, credit risk, U.S. government obligations risk, and investment in money market fund risk.

Columbia Short Term Bond Fund

Investment Objective and Principal Investment Strategies—This Underlying Fund's investment objective is to seek current income, consistent with minimal fluctuation of principal. Under normal circumstances, the Fund invests at least 80% of its net assets in bonds, including debt securities issued by the U.S. Government and its agencies, debt securities issued by corporations, mortgage- and other asset-backed securities, and dollar-denominated securities issued by foreign governments, companies or other entities. The Fund also invests at least 65% of its total assets in securities that, at the time of purchase, are investment grade debt securities or unrated securities determined by CMIA, the Fund's investment advisor, to be of comparable quality. Under normal circumstances, the Fund's dollar-weighted average effective maturity will be three years or less, and its duration will be three years or less.

The Fund may invest in derivatives, including futures, forwards, options, swap contracts and other derivative instruments. The Fund may invest in derivatives for both hedging and non-hedging purposes, including, for example, to seek to enhance returns, or as a substitute for a position in an underlying asset. The Fund also may invest in private placements. The Fund also may participate in mortgage dollar rolls up to the Fund's then current position in mortgage-backed securities.

CMIA evaluates a number of factors in identifying investment opportunities and constructing the Fund's portfolio. CMIA considers local, national and global economic conditions, market conditions, interest rate movements, and other relevant factors to determine the allocation of the Fund's assets among different issuers, industry sectors and maturities.

CMIA, in connection with selecting individual investments for the Fund, evaluates a security based on its potential to generate income and/or capital appreciation. CMIA considers, among other factors, the creditworthiness of the issuer of the security and the various features of the security, such as its interest rate, yield, maturity, any call features and value relative to other securities.

CMIA may sell a security if the advisor believes that there is deterioration in the issuer's financial circumstances, or that other investments are more attractive; if there is deterioration in a security's credit rating; or for other reasons.

The Fund's policy regarding the 80% investment requirement of "net assets" (which includes net assets plus any borrowings for investment purposes) discussed above may be changed by the Fund's Board without shareholder approval as long as shareholders are given 60 days advance notice of the change.

Principal Risks of Investing—The Fund is subject to investment strategy risk, market risk, interest rate risk, U.S. Government obligations risk, dollar rolls risk, mortgage-backed securities risk, asset-backed securities risk, credit risk, foreign securities risk, reinvestment risk, liquidity risk, derivatives risk, and changing distribution levels risk.

Columbia Total Return Bond Fund

Investment Objective and Principal Investment Strategies—This Underlying Fund's investment objective is to seek total return, consisting of current income and capital appreciation. Under normal circumstances, the Fund invests at least 80% of its net assets in bonds, including debt securities issued by the U.S. Government and its agencies, debt securities issued by corporations, mortgage- and other asset-backed securities, and dollar-denominated securities issued by foreign governments, companies or other entities. The Fund normally invests at least 65% of its total assets in securities that, at the time of purchase, are rated investment grade or are unrated but determined by CMIA, the Fund's investment advisor, to be of comparable quality. The Fund may invest up to 20% of its total assets in securities that, at the time of purchase, are rated below investment grade or are unrated but determined by CMIA to be of comparable quality, which are commonly referred to as "junk bonds." The Fund also may invest up to 20% of its total assets in non-U.S. dollar denominated foreign debt securities. Under normal circumstances, the Fund's dollar-weighted average effective maturity will be between three and ten years.

The Fund may invest in derivatives, including futures, forwards options, swap contracts and other derivative instruments. The Fund may invest in derivatives for both hedging and non-hedging purposes, including, for example, to seek to enhance returns or as a substitute for a position in an underlying asset. The Fund may also invest in private placements. The Fund may participate in mortgage dollar rolls up to the Fund's then current position in mortgage-backed securities.

CMIA evaluates a number of factors in identifying investment opportunities and constructing the Fund's portfolio. CMIA considers local, national and global economic conditions, market conditions, interest rate movements, and other relevant factors to determine the allocation of the Fund's assets among different issuers, industry sectors and maturities.

CMIA, in connection with selecting individual investments for the Fund, evaluates a security based on its potential to generate income and/or capital appreciation. CMIA considers, among other factors, the creditworthiness of the issuer of the security and the various features of the security, such as its interest rate, yield, maturity, any call features and value relative to other securities.

CMIA may sell a security if it believes that there is deterioration in the issuer's financial circumstances, or that other investments are more attractive; if there is deterioration in a security's credit rating; or for other reasons.

The Fund's policy regarding the 80% investment requirement of "net assets" (which includes net assets plus any borrowings for investment purposes) discussed above may be changed by the Fund's Board without shareholder approval as long as shareholders are given 60 days advance notice of the change.

The Fund's investment strategy may involve the frequent trading of portfolio securities. This may cause the Fund to incur higher transaction costs (which may adversely affect the Fund's performance).

Principal Risks of Investing—The Fund is subject to investment strategy risk, market risk, interest rate risk, U.S. Government obligations risk, dollar rolls risk, mortgage-backed securities risk, asset-backed securities risk, credit risk, low and below investment grade securities risk, foreign securities risk, reinvestment risk, liquidity risk, derivatives risk, changing distribution levels risk, and frequent trading risk.

Conservative Portfolio

The investment objective of the Conservative Portfolio is to seek to provide current income while maintaining stability of principal. The investments of the Conservative Portfolio consist of shares of Columbia Money Market Fund and, with respect to prior Contributions, a funding agreement issued by Transamerica Life Insurance and Annuity Company. The guarantees available through such funding agreement are made by the insurance company to the Trust Fund, not to an individual Account Owner. The funding agreement is not a registered mutual fund. None of Ameriprise Financial, Inc., the Office of State Treasurer, the State of South Carolina, the Program Manager or its affiliates guarantee the principal, accumulated interest or the future interest rate. Under the funding agreement, the insurance company guarantees principal, accumulated interest and a future interest rate. Every March 1, June 1, September 1 and December 1, the insurance company will announce the interest rate it will pay for the next three-month period under the funding agreement. Subject to a minimum gross interest rate that is established at the beginning of each such period, the insurance company sets the interest rate it pays in its sole discretion.

The insurance company may allocate amounts used to purchase funding agreements to a separate account of the insurance company established to hold such amounts, and assets of other funding agreements. In the event of the insurance company's insolvency, assets in a separate account are available only to the owners of the funding agreements and are insulated from the claims of the general creditors of the insurance company (except to the extent that the assets in the separate account exceed the insurance company's obligations under the separate account).

The insurance company has notified CMID that it will not renew the funding agreement and that the funding agreement is in its wind-down phase. Accordingly, no additional Contributions will be made to the funding agreement. It is anticipated that the assets of the funding agreement will be paid to the Conservative Portfolio in specified portions over a five-year period beginning in 2013. Assets in the funding agreement will be available to cover Account Owner directed withdrawals, transfers, rollovers or other distributions from Accounts without penalty, but only after the Portfolio's assets held in shares of Columbia Money Market Fund have been exhausted.

For all Account Holders, the performance of the Conservative Portfolio is based upon the returns of its underlying investments. The expenses of the Conservative Portfolio, including the Management Fee payable to CMID and the Marketing Fee, are paid from the redemption of shares of Columbia Money Market Fund held by the Portfolio. See "Expenses of the Conservative Portfolio" under "PROGRAM FEES AND EXPENSES" for information about the administration and distribution fee paid from the funding agreement.

Principal Risks of Investing - The Portfolio is subject to active management risk, concentration risk, credit risk, interest rate risk, reinvestment risk, investment strategy risk, and funding agreement risk. There is a risk that the insurance company could fail to perform its obligations under the funding agreement for financial or other reasons.

Money Market Funds

Columbia Money Market Fund

(Formerly known as "RiverSource Cash Management Fund.")

Investment Objective and Principal Investment Strategies – This Underlying Fund seeks to provide maximum current income consistent with liquidity and stability of principal. The Fund's assets are invested primarily in money market instruments, such as marketable debt obligations issued by corporations or the U.S. government or its agencies, bank certificates of deposit, bankers' acceptances, letters of credit, and commercial paper, including asset-backed commercial paper. The Fund may invest more than 25% of its total assets in money market instruments issued by U.S. banks, U.S. branches of foreign banks and U.S. government securities. Additionally, the Fund may invest up to 35% of its total assets in U.S. dollar-denominated foreign securities.

Because the Fund seeks to maintain a constant net asset value of \$1.00 per share, capital appreciation is not expected to play a role in the Fund's return. The Fund's yield will vary from day to day.

The Fund restricts its investments to instruments that meet certain maturity and quality standards required by the SEC for money market funds. For example, the Fund:

- Invests substantially in securities rated in the highest short-term rating category, or deemed of comparable quality by CMIA, the Fund's investment manager. However, the Fund is permitted to invest up to 3% of its total assets in securities rated in the second highest short-term rating category, or deemed to be of comparable quality by CMIA.
- Limits its U.S. dollar-weighted average portfolio maturity to 60 days or less and U.S. dollar-weighted average life to 120 days or less.
- Buys obligations with remaining maturities of 397 days or less.
- Buys only obligations that are denominated in U.S. dollars and present minimal credit risk.

In pursuit of the Fund's objective, CMIA chooses investments by:

- Considering opportunities and risks given current interest rates and anticipated interest rates.
- Purchasing securities based on the timing of cash flows in and out of the Fund.

In evaluating whether to sell a security, CMIA considers, among other factors, whether:

- The issuer's credit rating declines or CMIA expects a decline (the Fund, in certain cases, may continue to own securities that are downgraded until CMIA believes it is advantageous to sell).
- Political, economic, or other events could affect the issuer's performance.
- CMIA identifies a more attractive opportunity.
- The issuer or the security continues to meet the other standards described above.

Principal Risks of Investing – The Fund is subject to active management risk, concentration risk, credit risk, interest rate risk, and reinvestment risk.

BofA Cash Reserves

(Formerly known as "Columbia Cash Reserves.")

Investment Objective and Principal Investment Strategies—This Underlying Fund seeks current income, consistent with capital preservation and maintenance of a high degree of liquidity. The Fund invests in high-quality money market instruments, including primarily short-term debt securities of U.S. and foreign issuers. The Fund purchases only first-tier securities, which include bank obligations (including certificates of deposit and time deposits issued by domestic or foreign banks or their subsidiaries or branches), commercial paper, corporate bonds, extendible commercial notes, asset-backed securities, funding agreements, municipal securities, repurchase agreements and other high-quality, short-term obligations. These securities may have fixed, floating or variable rates of interest.

The Fund may invest more than 25% of its assets in U.S. dollar-denominated bank obligations of U.S. banks, foreign branches of U.S. banks and U.S. branches of foreign banks.

BofA Advisors, LLC the Fund's investment advisor, evaluates a number of factors in identifying investment opportunities and constructing the Fund's portfolio. BofA Advisors, LLC considers local, national and global economic conditions, market conditions, interest rate movements, and other relevant factors to determine the allocation of the Fund's assets among different securities.

BofA Advisors, LLC, in connection with selecting individual investments for the Fund, evaluates a security based on its potential to generate income and to preserve capital. BofA Advisors, LLC considers, among other factors,

the creditworthiness of the issuer of the security and the various features of the security, such as its interest rate, yield, maturity and value relative to other securities.

BofA Advisors, LLC seeks to maintain a constant net asset value of \$1.00 per share for the Fund.

BofA Advisors, LLC may sell an instrument before it matures in order to meet cash flows needs; to manage the portfolio's maturity; if the advisor believes that the instrument is no longer a suitable investment, or that other investments are more attractive; or for other reasons.

Principal Risks of Investing—The Fund is subject to investment strategy risk, market risk, money market fund risk, changing distribution levels risk, interest rate risk, credit risk, U.S. Government obligations risk, asset-backed securities risk, municipal securities risk, repurchase agreements risk, and foreign securities risk.

TAX TREATMENT OF INVESTMENTS AND WITHDRAWALS

The following section is a summary of certain aspects of federal and state taxation of contributions to and withdrawals from Section 529 accounts. This summary is based on the Code and proposed regulations and other guidance issued by the Treasury Department or the IRS pursuant to Section 529, as of the date of this Program Description, and the Program's understanding and interpretation thereof. It is possible that Congress, the Treasury Department, the IRS, or courts may take action that will affect Section 529 and the guidance issued thereunder. Legislation of an individual state also may affect the state tax treatment of the Program for residents or other taxpayers of that state.

This summary and all other statements in this Program Description concerning U.S. federal and state tax issues (i) are not offered as individual tax advice to any person (including any Account Owner, other contributor, or Designated Beneficiary), (ii) are provided as general information in connection with the promotion or marketing of the Program, 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. Each taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor. Neither the Treasurer nor Columbia nor any of their respective representatives may give or purport to give legal or tax advice.

Federal Taxation of Section 529 College Savings Programs

Contributions to Section 529 Programs are not deductible for federal income tax purposes. However, any earnings on contributions are not subject to federal income tax until amounts are withdrawn, if at all. Qualified Withdrawals are federal income tax-free. The earnings portion of a Non-Qualified Withdrawal from Section 529 Programs will be subject to all applicable federal and state taxes, including in some cases an additional 10% tax.

As described above, there are four exceptions to the additional 10% tax on the earnings portion of Non-Qualified Withdrawals: (i) withdrawals made on account of the death of the Designated Beneficiary (at least if the Account is liquidated and the proceeds are paid to the Designated Beneficiary's estate); (ii) withdrawals made on account of the Designated Beneficiary's disability; (iii) withdrawals that are not treated as being used to pay for Qualified Higher Education Expenses because of the use of Education Tax Credits as allowed under federal income tax law; and (iv) withdrawals made on account of a qualified scholarship received by the Designated Beneficiary or the attendance of the Designated Beneficiary at a U.S. Military Academy (to the extent the withdrawal does not exceed the amount of the qualified scholarship or the cost of such attendance). See "*Death of Designated Beneficiary*," "*Disability of Designated Beneficiary*" and "*Receipt of Qualified Scholarship*" under "PARTICIPATION AND ACCOUNTS—Withdrawals."

For purposes of calculating the earnings portion of withdrawals from an Account, all accounts established under any South Carolina-sponsored Section 529 Programs having the same Account Owner and Designated Beneficiary will be aggregated, except that accounts under the South Carolina Tuition Prepayment Program having the same Account Owner and Designated Beneficiary will not be aggregated with other college savings program accounts. For all withdrawals, as well as for all direct transfers between Section 529 Programs, the earnings portion of each withdrawal or transfer will be computed as of the date of such withdrawal or transfer.

If a withdrawal is payable to a Designated Beneficiary or to an Eligible Educational Institution on behalf of a Designated Beneficiary, the earnings are reportable on Form 1099-Q to the Designated Beneficiary. Otherwise the earnings are reportable on Form 1099-Q to the Account Owner.

Rollovers and Transfers

An Account Owner may make a rollover (in either direction) between an Account in the Program and an account in another state's Section 529 Program, without adverse federal income tax consequences, if (i) the rollover occurs by a direct transfer between the programs or within 60 days after the distribution from the original program, and (ii) the recipient account is for the same Designated Beneficiary, and no rollover contribution to an account under any Section 529 Program for the same Designated Beneficiary has occurred within the preceding 12 months, or

the recipient account is for a new Designated Beneficiary who is a “Member of the Family” of the previous Designated Beneficiary.

An Account Owner may make a rollover (in either direction) between an Account in the Program and another account in the Program or in another Section 529 Program sponsored by the State of South Carolina, without adverse federal income tax consequences, if (i) the rollover occurs by a direct transfer within the Program or between the programs (as the case may be) or within 60 days after the distribution from the Program Account, and (ii) the recipient account is for a new Designated Beneficiary who is a “Member of the Family” of the previous Designated Beneficiary. A direct transfer described in this paragraph may be considered a change of Designated Beneficiary for federal and state income tax purposes.

For federal income tax purposes, the direct transfer of any assets between an Account in the Program and another account in the Program or in another Section 529 Program sponsored by the State of South Carolina for the benefit of the same Designated Beneficiary is considered an investment reallocation (subject to the once-per-calendar-year limitation) and not a rollover. In addition, any such transfer of assets for the same Designated Beneficiary must be done directly within the Program or between the programs (as the case may be), without a distribution of money from either program to the Account Owner or any other person. If a direct transfer is not made (whether because it is not an available option between the two programs or for any other reason) and money is distributed from either program to the Account Owner or any other person and then contributed to an account for the same Designated Beneficiary in the Program or in the other South Carolina-sponsored program, the distribution from one program will nonetheless be considered a Non-Qualified Withdrawal that is subject to federal income tax on earnings and the additional 10% tax on earnings, as well as any applicable state income tax, and the subsequent contribution to the account for the same Designated Beneficiary might give rise to various gift, estate and GST tax consequences.

Coordination of Federal Tax Benefits

In addition to the tax benefits available to participants in a Section 529 Program, certain tax benefits are available for individuals who may qualify for the Education Tax Credits, who utilize the income from Qualified U.S. Savings Bonds to pay higher education tuition and fees, and/or who establish Coverdell ESAs. The tax laws provide a number of special rules intended to coordinate these programs and avoid duplication of benefits. Any Account Owner, other contributor, or Designated Beneficiary 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.

Coverdell Education Savings Accounts

Amounts contributed to a Section 529 Program account from a Coverdell ESA for the same Designated Beneficiary will be considered a Qualified Withdrawal from such Coverdell ESA and will not be subject to federal income tax or penalty. A person may make contributions to both a Section 529 Program and a Coverdell ESA for the same Designated Beneficiary in the same year. However, unless Congress enacts legislation, beginning in 2011, all contributions to a Coverdell ESA will constitute excess contributions and will be subject to an excise tax if contributions are made in the same calendar year to a Section 529 program established on behalf of the same Designated Beneficiary. In addition, as of the date of this Program Description, the maximum Coverdell ESA contribution limit is scheduled to be reduced from \$2,000 to \$500 starting in 2011. The excise tax is equal to 6% of the amount contributed, and applies each year until the excess contribution(s) and all earnings thereon are withdrawn.

Hope Scholarship and Lifetime Learning Tax Credits

The use of an Education Tax Credit by a qualifying Account Owner or Designated Beneficiary will not affect participation in, or potential tax benefits from, a Section 529 Program, so long as any withdrawal from the Section 529 Program account is not used for the same expenses for which the credit was claimed.

Federal Gift, Estate, and GST Taxes

Contributions (including certain rollover contributions) to a Section 529 Program are generally considered completed gifts to the Designated Beneficiary and are eligible for the \$13,000 (in 2010 and 2011 and \$26,000 in the case of an electing married couple) annual gift and GST tax exclusions. Except in the situations described in the following paragraph, if the Account Owner or other contributor were to die while assets remained in a Section 529 Program account for a Designated Beneficiary other than the Account Owner or other contributor, the value of the account would not be included in the Account Owner's or other contributor's estate. In cases where contributions to a Section 529 Program for a particular Designated Beneficiary exceed the available annual exclusion, the contributions are subject to federal gift tax and possibly the GST tax in the year of contribution, as described below. However, in these cases, a contributor may decide to apply the contribution against the annual exclusion equally over a five-year period. For example, an electing contributor who makes a \$65,000 (\$130,000 in the case of an electing married couple) contribution in one year, and makes no other gifts to the Designated Beneficiary during the five calendar years beginning with the year of contribution, will not incur a gift or GST tax. This election (which must be made on a gift tax return) is available only for contributions up to five times the annual exclusion amount for the year of contribution (i.e., currently, five times \$13,000, or five times \$26,000 for an electing married couple). Any excess contribution during that year will be treated as a gift in the calendar year of the contribution and may not be prorated.

If the Account Owner or other contributor chooses to use the five-year election described above and dies before the first day of the fifth calendar year beginning with the year of contribution, the portion of the contribution allocable to the calendar years remaining (beginning with the year after the Account Owner's or other contributor's death) will be included in the Account Owner's or other contributor's estate for federal estate tax (and possibly GST tax) purposes.

Each Account Owner or other contributor currently has a \$1,000,000 lifetime gift tax exemption that may be applied to gifts greater than the annual exclusion amounts referred to above. A married couple may elect to split gifts and apply their combined exemptions of \$2,000,000 to gifts made by either of them. Although the IRS requires gift tax returns to be filed for gifts greater than the annual exclusion amount, no gift tax will be due until the contributor's lifetime exemption has been used.

An Account Owner or other contributor may also need to be concerned about the GST tax with respect to contributions to an account. The GST tax may apply to contributions greater than the GST tax annual exclusion amount (which is the same as the gift tax annual exclusion amount, currently \$13,000) or the amount that may be elected to be ratably spread over the above-referenced five-year period, where the Designated Beneficiary is deemed to be a member of a generation that is more than one generation younger than the generation of the contributor. Each Account Owner or other contributor in 2010 has a \$3,500,000 GST tax exemption that will be allocated to transfers that are subject to GST tax unless the taxpayer elects otherwise.⁵

If the Designated Beneficiary for a Section 529 Program account is changed or amounts in an account are rolled over, resulting in a new Designated Beneficiary who is a "Member of the Family" of the previous Designated Beneficiary and of the same generation as the previous Designated Beneficiary (or a higher generation), a gift or GST tax will not apply. If the new Designated Beneficiary is of a younger generation than the previous Designated Beneficiary, the change of Designated Beneficiary will be deemed a gift from the previous Designated Beneficiary to the new Designated Beneficiary and may be subject to federal gift tax and perhaps GST tax (payable by the Account Owner, under Section 529 and the advance notice of proposed rulemaking issued thereunder), even though the new Designated Beneficiary is a "Member of the Family" of the previous Designated Beneficiary. The annual exclusion and the five-year rule explained above may be applied here. For estate tax purposes, the gross estate of a Designated Beneficiary of a Section 529 Program account might include the value of the account.

⁵ The increases in the federal estate tax and GST tax exemptions were promulgated by the Economic Growth and Tax Relief Reconciliation Act of 2001. Unless extended by Congress, this legislation will expire automatically on December 31, 2010, and the estate tax and GST tax exemptions will revert back to their status prior to January 1, 2002 (\$1,000,000).

Account Owners and Designated Beneficiaries and other contributors should consult a qualified tax advisor with respect to the potential federal gift, estate and GST tax consequences of Contributions, withdrawals, and other transactions with respect to an Account in the Program.

Taxation by the State of South Carolina

Under the Act, all property and income of the Trust Fund is exempt from all taxation by the State of South Carolina or any of its political subdivisions. The Act further provides that all interest, dividends, gains or income in an Account are excluded from the gross income of an Account Owner or Designated Beneficiary for purposes of South Carolina income taxes provided that such amounts are invested in the Trust Fund or are withdrawn for Qualified Higher Education Expenses. Contributions to an Account by a resident of South Carolina or a non-resident that is required to file a South Carolina income tax return are deductible up to the maximum Account Contribution limit of \$318,000 or any lower limit under applicable law. This deduction for Contributions to an Account may be taken in any taxable year for Contributions made during that year and up to April 15th of the succeeding year, or (if later) the due date of a taxpayer's state income tax return, excluding extensions. However, the principal portion of any Non-Qualified Withdrawal must be included in South Carolina gross income to the extent those amounts were previously deducted from South Carolina taxable income. South Carolina residents and taxpayers should consult a qualified tax advisor with respect to the potential South Carolina tax consequences of Contributions, withdrawals, and other transactions with respect to an Account in the Program.

Taxation by Other States

In general, if a state's income tax law conforms to the federal income tax law, an Account Owner or Designated Beneficiary who is a resident of the state should not recognize income on any withdrawals for Qualified Higher Education Expenses, including the portions of such withdrawals representing earnings.

If a state's definition of taxable income or adjusted gross income does not conform to the federal definition and the state does not have an explicit provision addressing the tax consequences of Section 529 Programs, the tax consequences to an Account Owner, other Contributor (if any) or Designated Beneficiary may be unclear. In such cases, the earnings on an Account may be included in the Account Owner's state taxable income when earned.

If you are not a South Carolina taxpayer, consider before investing whether your or the beneficiary's home state offers a Section 529 Program 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 Program, and which are not available through investment in the Future Scholar 529 College Savings Plan. Since different states have different tax provisions, this Program Description contains limited information about the state tax consequences of investing in the Future Scholar 529 College Savings Plan. Therefore, please consult your financial, tax, or other advisor to learn more about how state-based benefits (or any limitations) would apply to your specific circumstances. You also may wish to contact your home state's Section 529 Program[s], or any other Section 529 Program, to learn more about those plans' features, benefits and limitations. Keep in mind that state-based benefits should be one of many appropriately weighted factors to be considered when making an investment decision.

PROGRAM AND PORTFOLIO RISKS AND OTHER CONSIDERATIONS

Prospective Account Owners should carefully consider the matters set forth below as well as all of the other information contained or referred to in this Program Description and the Participation Agreement in evaluating whether to establish an Account or make additional Contributions. The contents of this Program Description should not be construed as legal, financial or tax advice. Prospective Account Owners should consult their own attorneys and financial and tax advisors for legal and tax advice.

Risks of Participation in the Program

Accounts are subject to certain risks associated with participation in the Program. In addition, certain Portfolios are subject to different or greater risks than are other Portfolios. Account Owners should consider such risks in light of the possibility that the risks may arise at any time during the life of an Account, that they cannot direct the investment of Contributions to an Account, and that withdrawals may be subject to penalties.

No Guarantee of Income or Principal – Except with respect to the funding agreement held in the Conservative Portfolio and for which the risks are described below, the investments made by the Portfolios in Underlying Funds are subject to market, interest rate and other investment risks. The value of an Account may increase or decrease, based on the investment performance of the Portfolio(s) in which Contributions have been invested, and the value of an Account may be more or less than the amount contributed to the Account. None of the State of South Carolina, the Treasurer, any agency or instrumentality of South Carolina, BFDS, CMID, Ameriprise Financial, Inc. or any of their affiliates, any agent or representative retained in connection with the Program or any other person, is an insurer of, makes any guarantee of or has any legal or moral obligation to insure the ultimate payout of any or all of the amount of any Contribution to an Account or that there will be any investment return or investment return at any particular level with respect to any Account. Due to different Pricing Alternatives among investment options in the Program, the Net Asset Value of each Portfolio Share and the investment return on an equivalent Contribution invested in a particular Portfolio Share may be more or less than it would be by investing in a Portfolio Share of a different Pricing Alternative.

Limits on Control by Account Owners – The Treasurer, not an Account Owner, determines the investment allocations for the Portfolio(s) to which Contributions are allocated and selects the Underlying Funds for such Portfolio(s). These determinations are effected from time to time as described under “Portfolio Allocations.” Any Portfolio may at any time be merged, terminated, reorganized or cease accepting new Contributions. Any such action affecting a Portfolio may result in an Account Owner’s Contributions being reinvested in a Portfolio different from the Portfolio in which the Contributions were originally invested. With certain exceptions, the Account Owner is not permitted to withdraw funds from the Account without imposition of federal and applicable state income tax, and the additional 10% tax on earnings, except for application to the Qualified Higher Education Expenses of the Designated Beneficiary.

Effect of Investment Strategies and Inflation in Qualified Higher Education Expenses – Contributions to an Account are limited to amounts projected to be sufficient to permit all Accounts established for a Designated Beneficiary to fund Qualified Higher Education Expenses for the Designated Beneficiary for a seven-year period of combined undergraduate and graduate attendance. However, the balance in an Account or Accounts maintained on behalf of 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 per Designated Beneficiary. In addition, the level 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 Portfolios over the corresponding periods. There is no obligation on the part of any college or university to maintain a rate of increase in Qualified Higher Education Expenses which is in any way related to Portfolio investment results.

The Automatic Allocation option utilizing the Allocation Portfolios has been designed to seek to balance risk and expected returns of the Underlying Funds with the time periods remaining until a typical Designated Beneficiary is expected to need assets for Qualified Higher Education Expenses. The Account’s allocations among the Allocation Portfolios will vary as described in this Program Description. In general, the allocation of equity

investments for an Account is expected to become increasingly conservative over time. As a result, the return on Contributions for a Designated Beneficiary closer to college age or the expected matriculation date may be less likely to equal or exceed the rate of inflation in Qualified Higher Education Expenses.

The investment strategies of the Portfolios vary significantly from each other. The strategies of the Portfolios are subject to change over time. Further, the Single Fund Portfolios may have more concentration risk. None of the Single Fund Portfolios or Allocation Portfolios investing exclusively in Underlying Funds that invest in equity securities will provide for capital preservation at any particular time. Because they are concentrated in equity investments, these Portfolios may underperform certain other Portfolios, particularly if equity securities generally underperform other asset classes for any particular period of time. None of the Single Fund Portfolios or Allocation Portfolios investing exclusively in Underlying Funds that invest in fixed income securities will seek capital appreciation at any particular time. Because they are concentrated in fixed income securities, these Portfolios may underperform certain other Portfolios, particularly if fixed income securities generally underperform other asset classes for any particular period of time.

Account Owners electing Portfolios that invest in Underlying Funds investing in equity securities should carefully review the investment risks applicable to Underlying Funds investing in equity securities. Account Owners electing Portfolios that invest in Underlying Funds investing in fixed income securities should carefully review the investment risks applicable to Underlying Funds investing in fixed income securities. See “Investment Risks of Underlying Funds.” An Account Owner selecting the Conservative Portfolio also should carefully review the investment risks described under the heading “*Conservative Portfolio*” under “Investment Risks of Underlying Funds.”

Education Savings and Investment Alternatives – A number of other Section 529 Programs and other education savings and investment programs are currently available to prospective Account Owners. These programs may offer benefits, including state tax benefits, to some or all Account Owners or Designated Beneficiaries that may or may not be available under the terms of the Program or under applicable law. **If an Account Owner is not a South Carolina resident, the state(s) where he or she lives or pays taxes may offer one or more direct sold, advisor/broker sold or prepaid tuition Section 529 Programs, and those programs may offer the Account Owner state or local income tax or other benefits not available through the Program.** For instance, several states offer unlimited state income tax deductions for contributions to their own state’s Section 529 Program. Such deductions may not be available for Contributions under this Program. Other Section 529 Programs may offer other investment options, and involve fees and expenses (including sales charges) that are lower than those borne by Accounts under the Program and may involve investment consequences (such as recapture of deductions previously taken) that differ and may offer different investment options. Accordingly, prospective Account Owners should consider other investment alternatives before establishing an Account in the Program.

Potential Program Enhancements – The Treasurer may offer enhancements to the Program, including additional investment choices. Account Owners who have established Accounts prior to the time an enhancement is made available may be precluded from participating in any such enhancement. The Portfolio fees and other charges described in this Program Description and the Participation Agreement are subject to change at any time.

Treatment for Federal and State Financial Aid Purposes – In making decisions about eligibility for financial aid programs offered by the U.S. government and the amount of such aid required, the U.S. Department of Education takes into consideration a variety of factors, including among other things the assets owned by the student (i.e., the beneficiary) and the assets owned by the student’s parents. The U.S. Department of Education generally expects the student to spend a substantially larger portion of his or her own assets on educational expenses than the parents. Beginning with the 2009/2010 school year, available balances in a Section 529 Program account will be treated as an asset of (a) the student if the student is an independent student or (b) the parent if the student is a dependent student, regardless of whether the owner of the Section 529 Program account is the student or the parent. However, other aid programs, including programs funded by other states or by educational institutions, may count such assets differently when determining eligibility for aid under those programs.

The federal and non-federal financial aid program treatment of assets in a Section 529 Program are subject to change at any time. Account owners should therefore check and periodically monitor the applicable laws and other official guidance, as well as particular program and institutional rules and requirements, to determine the impact of Section 529 Program assets on eligibility under particular financial aid programs.

No Guarantee of Performance – The Program commenced operations in March 2002, and certain Portfolios commenced operations subsequent to that date. Performance information for the Portfolio should not be viewed as a prediction of future performance of any 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 Funds 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 Funds.

Certain Considerations in Connection with the Termination of the Management Agreement and Successor Program Managers – A new Program Manager may be appointed either upon expiration of the current term of the Management Agreement or earlier in the event CMID or the Treasurer terminates the Management Agreement prior to its current term. See “THE MANAGEMENT AGREEMENT.” CMID or any affiliate may be eligible for selection as the new Program Manager after the end of the term. Regardless of whether CMID or some other entity is the new Program Manager, the fee and compensation structure of the new Program Manager might be higher or different, respectively, than the Management Fee. In addition, a successor Program Manager may achieve different investment results than might have been achieved by CMID.

Adverse Tax Consequences – No final regulations have been issued by the IRS pursuant to Section 529 of the Code and either before or after issuance of final regulations, IRS rulings or other administrative guidance or court decisions might be issued which would materially adversely impact the federal tax consequences with respect to the Program. The Treasurer and the Program Manager intend to modify the Program within the constraints of applicable law to enable the Program to meet the requirements of Section 529 of the Code. In the event that the Program, as currently structured or as subsequently modified, does not meet the requirements of Section 529 of the Code for any reason, the tax consequences to Account Owners and Designated Beneficiaries may differ substantially from those described above under “TAX TREATMENT OF INVESTMENTS AND WITHDRAWALS.”

No Guarantees by an Institution of Higher Education – There is no guarantee that: (i) any Designated Beneficiary will be admitted to any Eligible Educational Institution; (ii) assuming a Designated Beneficiary is admitted to an Eligible Educational Institution, any Designated Beneficiary will be permitted to continue to attend any such Eligible Educational Institution; (iii) any Designated Beneficiary will be treated as a state resident of any state for tuition or any other purpose; or (iv) any Designated Beneficiary will graduate or receive a degree from an Eligible Educational Institution.

Status of Federal and State Law and Regulations Governing the Program

Federal and state law and regulations governing the administration of Section 529 Programs may change in the future. In addition, federal and state laws regarding the funding of higher education expenses, treatment of financial aid, and tax matters are subject to frequent change. There can be no assurance that such changes in law will not adversely affect the value of an account or subject Account Owners and/or Designated Beneficiaries to adverse tax consequences. It is unknown what effect, if any, these kinds of changes could have on the Program. You should also consider the potential impact of any other state laws applicable to your Account.

Medicaid and Other Federal and State Benefits – The effect of owning Account balances on eligibility for Medicaid or other state and federal benefits is uncertain. It is possible that assets held in an Account will be viewed as a “countable resource” in determining an Account Owner’s financial eligibility for Medicaid. Withdrawals from an Account during certain periods may also have the effect of delaying the disbursement of Medicaid payments. Account Owners should consult a qualified tax advisor to determine how an Account may affect eligibility for Medicaid or other state and federal non-education benefits.

Investment Risks of Underlying Funds

Accounts are subject to a variety of investment risks that will vary based on the sector allocation of the different Portfolios and the particular Underlying Funds selected by the Treasurer for the Portfolios. Set forth below is a summary of certain investment risks to which certain Underlying Funds (or the Master Portfolio in which such Underlying Funds invest, if applicable) may be subject and other relevant information.

- *Active Management Risk* – Columbia Money Market Fund is actively managed and its performance therefore will reflect in part the ability of the portfolio managers to select securities and to make investment decisions that are suited to achieving the Fund’s investment objective. Due to its active management, the Fund could underperform other money market funds.
- *Asset-Backed Securities Risk* – Payment of interest and repayment of principal may be impacted by the cash flows generated by the assets backing these securities. The value of the Fund’s asset-backed securities may also be affected, among other things, by changes in: interest rates, factors concerning the interests in and structure of the issuer or the originator of the receivables, the creditworthiness of the entities that provide any supporting letters of credit, surety bonds or other credit enhancements, or the market’s assessment of the quality of underlying assets. Asset-backed securities represent interests in, or are backed by, pools of receivables such as credit card, auto, student and home equity loans. They may also be backed, in turn, by these types of loans and others, such as mortgage loans. Asset-backed securities can have a fixed or an adjustable rate. Most asset-backed securities are subject to prepayment risk, which is the possibility that the underlying debt may be refinanced or prepaid prior to maturity during periods of declining or low interest rates, causing the Fund to have to reinvest the money received in securities that have lower yields. In addition, the impact of prepayments on the value of asset-backed securities may be difficult to predict and may result in greater volatility. Rising or high interest rates tend to extend the duration of asset-backed securities, making them more volatile and more sensitive to changes in interest rates.
- *Changing Distribution Levels* – The amount of the distributions paid by the Fund generally depends on the amount of income and/or dividends received by the Fund on the securities it holds. The Fund may not be able to pay distributions or may have to reduce its distribution level if the income and/or dividends the Fund receives from its investments decline.
- *Concentration Risk* – Investments that are concentrated in a particular issuer, geographic region, or sector will be more susceptible to changes in price. The more a Fund diversifies, the more it spreads risk. For example, if the Fund concentrates its investments in banks, the value of these investments may be adversely affected by economic or regulatory developments in the banking industry.
- *Convertible Securities Risk* – Convertible securities are subject to the usual risks associated with debt securities, such as the interest rate risk and credit risk. Convertible securities also react to changes in the value of the common stock into which they convert, and are thus subject to market risk. Because the value of a convertible security can be influenced by both interest rates and market movements, a convertible security generally is not as sensitive to interest rates as a similar debt security, and generally will not vary in value in response to other factors to the same extent as the underlying common stock. In the event of a liquidation of the issuing company, holders of convertible securities would typically be paid before the company’s common stockholders but after holders of any senior debt obligations of the company. The Fund may be forced to convert a convertible security before it otherwise would choose to do so, which may decrease the Fund’s return.
- *Credit Risk* – Credit risk applies to most debt securities, but is generally not a factor for obligations backed by the “full faith and credit” of the U.S. Government. The Fund could lose money if the issuer of a debt security is unable or perceived to be unable to pay interest or repay

principal when it becomes due. Various factors could affect the issuer's actual or perceived willingness or ability to make timely interest or principal payments, including changes in the issuer's financial condition or in general economic conditions. Debt securities backed by an issuer's taxing authority may be subject to legal limits on the issuer's power to increase taxes or otherwise to raise revenue, or may be dependent on legislative appropriation or government aid. Certain debt securities are backed only by revenues derived from a particular project or source, rather than by an issuer's taxing authority, and thus may have a greater risk of default.

- *Derivatives Risk* – Derivatives are financial contracts whose values are, for example, based on (or “derived” from) traditional securities (such as a stock or bond), assets (such as a commodity like gold or a foreign currency), reference rates (such as LIBOR) or market indices (such as the S&P 500® Index). Derivatives involve special risks and may result in losses or may limit the Fund's potential gain from favorable market movements. Derivative strategies often involve leverage, which may exaggerate a loss, potentially causing the Fund to lose more money than it would have lost had it invested in the underlying security. The values of derivatives may move in unexpected ways, especially in unusual market conditions, and may result in increased volatility, among other consequences. Other risks arise from the Fund's potential inability to terminate or sell derivative positions. A liquid secondary market may not always exist for the Fund's derivative positions at times when the Fund might wish to terminate or sell such positions. Over-the-counter instruments (instruments not traded on an exchange) may be illiquid, and transactions in derivatives traded in the over-the-counter market are subject to the risk that the other party will not meet its obligations. The use of derivatives also involves the risks of mispricing or improper valuation and that changes in the value of the derivative may not correlate perfectly with the underlying security, asset, reference rate or index. The Fund also may not be able to find a suitable derivative transaction counterparty, and thus may be unable to engage in derivatives transactions when it is deemed favorable to do so, or at all.
- *Dollar Rolls Risk* – Dollar rolls are transactions in which the Fund sells securities to a counterparty and simultaneously agrees to purchase those or similar securities in the future at a predetermined price. Dollar rolls involve the risk that the market value of the securities the Fund is obligated to repurchase may decline below the repurchase price, or that the counterparty may default on its obligations. These transactions may also increase the Fund's portfolio turnover rate. If the Fund reinvests the proceeds of the security sold, the Fund will also be subject to the risk that the investments purchased with such proceeds will decline in value (a form of leverage risk).
- *Emerging Market Securities Risk* – Securities issued by foreign governments or companies in emerging market countries, like those in Eastern Europe, the Middle East, Asia, Latin America or Africa are more likely to have greater exposure to the risks of investing in foreign securities that are described in Foreign Securities Risk. In addition, these countries are more likely to experience instability resulting, for example, from rapid social, political and economic development. Their economies are usually less mature and their securities markets are typically less developed with more limited trading activity than more developed countries. Emerging market securities tend to be more volatile than securities in more developed markets. Many emerging market countries are heavily dependent on international trade, which makes them more sensitive to world commodity prices and economic downturns in other countries. Some emerging market countries have a higher risk of currency devaluations, and some of these countries may experience periods of high inflation or rapid changes in inflation rates.
- *Foreign Securities Risk* – Foreign securities are subject to special risks as compared to securities of U.S. issuers. For example, foreign markets can be extremely volatile. Fluctuations in currency exchange rates may impact the value of foreign securities denominated in foreign currencies, or in U.S. dollars, without a change in the intrinsic value of those securities. Foreign securities may be less liquid than domestic securities so that the Fund may, at times, be unable to sell foreign securities at desirable times or prices. Brokerage commissions, custodial fees and other fees are also generally higher for foreign securities. The Fund may have limited or no legal recourse in the event of default with respect to certain foreign securities, including those issued by foreign

governments. In addition, foreign governments may impose potentially confiscatory withholding taxes, which could reduce the amount of income and capital gains available to distribute to shareholders. Other risks include possible delays in the settlement of transactions or in the payment of income; generally less publicly available information about companies; the impact of political, social or diplomatic events; possible seizure, expropriation or nationalization of a company or its assets; possible imposition of currency exchange controls; and accounting, auditing and financial reporting standards that may be less comprehensive and stringent than those applicable to domestic companies.

- *Frequent Trading Risk* – Frequent trading of investments increases the possibility that the Fund will realize taxable capital gains (including short-term capital gains, which are generally taxable at higher rates than long-term capital gains for federal income tax purposes), which could reduce the Fund’s after-tax return. Frequent trading can also mean higher brokerage and other transaction costs, which could reduce the Fund’s return.
- *Growth Securities Risk* – Because growth securities typically trade at a higher multiple of earnings than other types of securities, the prices of growth securities may be more sensitive to changes in current or expected earnings than the prices of other types of securities. In addition, growth securities, at times, may not perform as well as value securities or the stock market in general, and may be out of favor with investors for varying periods of time.
- *Index Risk* – The Fund’s value will generally decline when the performance of its targeted index declines. Because the Fund is designed to track an index before fees and expenses, the Fund cannot purchase other securities that may help offset declines in its index. In addition, because the Fund may not hold all issues included in its index, may not always be fully invested, and bears advisory, administrative and other expenses and transaction costs in trading securities, the Fund’s performance may fail to match the performance of its targeted index, after taking expenses into account. It is not possible to invest directly in an index.
- *Industry Sector Risk* – At times, a Fund may have a significant portion of its assets invested in securities of companies conducting business in the same industry or in a closely related group of industries within an economic sector. Companies in the same industry or sector may be similarly affected by economic or market events, making the Fund more vulnerable to unfavorable developments in an industry or sector than funds that invest more broadly.
- *Interest Rate Risk* – Debt securities are subject to interest rate risk. In general, if prevailing interest rates rise, the values of debt securities will tend to fall, and if interest rates fall, the values of debt securities will tend to rise. Changes in the value of a debt security usually will not affect the amount of income the Fund receives from it but will affect the value of the Fund’s shares. Interest rate risk is generally greater for debt securities with longer maturities/durations.
- *Investing in Other Funds Risk* – The performance of the underlying fund(s), including exchange-traded funds, in which the Fund invests could be adversely affected if other entities that invest in the same underlying fund(s) make relatively large investments or redemptions in the underlying fund(s). In addition, because the expenses and costs of the underlying fund(s) are shared by investors in the underlying fund(s), redemptions by other investors could result in decreased economies of scale and increased operating expenses for the underlying fund. These transactions might also result in higher brokerage, tax or other costs for the Fund. This risk may be particularly important when one investor owns a substantial portion of any underlying fund. If an underlying fund pays fees to the advisor or its affiliates, this could result in the advisor having a potential conflict of interest in selecting the underlying fund(s) in which the Fund invests or in determining the percentage of the Fund’s investments allocated to each underlying fund. There are also circumstances in which the advisor’s fiduciary duties to the Fund may conflict with its fiduciary duties to the underlying funds for which it serves as investment manager.

- *Investment in Money Market Fund Risk* – The Fund may invest in money market funds. An investment in a money market fund is not a bank deposit and is not insured or guaranteed by any bank, the FDIC or any other government agency. Although money market funds seek to preserve the value of investments at \$1.00 per share, it is possible for the Fund to lose money by investing in money market funds.
- *Investment Strategy Risk* – A Fund’s investment advisor uses the principal investment strategies and other investment strategies to seek to achieve the Fund’s investment objective. Investment decisions made by the advisor in using these strategies may not produce the returns expected by the advisor, may cause the Fund’s shares to lose value or may cause the Fund to underperform other funds with similar investment objectives.
- *Liquidity Risk* – Illiquid securities are securities that cannot be readily disposed of in the normal course of business. There is a risk that the Fund may not be able to sell such securities at the time it desires, or that it cannot sell such securities without adversely affecting their price.
- *Low and Below Investment Grade Securities Risk* – Debt securities with the lowest investment grade rating (e.g., BBB by S&P or Fitch) or that are below investment grade (e.g., BB or below by S&P or Fitch) are more speculative than securities with higher ratings, and tend to be more sensitive to credit risk, particularly during a downturn in the economy, which is more likely to weaken the ability of the issuers to make principal and interest payments on these securities than is the case for higher-rated securities. These securities typically pay a premium – a high interest rate or yield – because of the increased risk of loss or loss of value, including default. These securities also are generally less liquid than higher-rated securities. The securities ratings provided by Moody’s Investors Service, Standard & Poor’s and Fitch are based on analyses by these ratings agencies of the credit quality of the securities and may not take into account every risk related to whether interest or principal will be timely repaid.
- *Market Risk* – Market risk refers to the possibility that the market values of securities that the Fund holds will rise or fall, sometimes rapidly or unpredictably. Security values may fall because of factors affecting individual companies, industries or sectors, or the markets as a whole, reducing the value of an investment in the Fund. Accordingly, an investment in the Fund could lose money over short or even long periods. The market values of the securities the Fund holds also can be affected by changes or perceived changes in U.S. or foreign economies and financial markets and the liquidity of these securities, among other factors. In general, equity securities tend to have greater price volatility than debt securities.
- *Money Market Fund Risk* – An investment in a money market fund is not a bank deposit, and is not insured or guaranteed by any bank, the FDIC or any other government agency. Although the Fund seeks to preserve the value of an investment at \$1.00 per share, it is possible to lose money by investing in the Fund.
- *Mortgage-Backed Securities Risk* – The value of the Fund’s mortgage-backed securities may be affected by, among other things, changes in: interest rates, factors concerning the interests in and structure of the issuer or the originator of the mortgages, the creditworthiness of the entities that provide any supporting letters of credit, surety bonds or other credit enhancements, or the market’s assessment of the quality of underlying assets. Mortgage-backed securities represent interests in, or are backed by, pools of mortgages from which payments of interest and principal (net of fees paid to the issuer or guarantor of the securities) are distributed to the holders of the mortgage-backed securities. Mortgage-backed securities can have a fixed or adjustable rate. Payment of principal and interest on some mortgage-backed securities (but not the market value of the securities themselves) may be guaranteed (i) by the full faith and credit of the U.S. Government (in the case of securities guaranteed by the Government National Mortgage Association) or (ii) by its agencies, authorities, enterprises or instrumentalities (in the case of securities guaranteed by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation), which are not insured or guaranteed by the U.S. Government. Mortgage-backed securities issued by non-

governmental issuers (such as commercial banks, savings and loan institutions, private mortgage insurance companies, mortgage bankers and other secondary market issuers) may be supported by various credit enhancements, such as pool insurance, guarantees issued by governmental entities, letters of credit from a bank or senior/subordinated structures, and may entail greater risk than obligations guaranteed by the U.S. Government, whether or not such obligations are guaranteed by the private issuer. Mortgage-backed securities are subject to prepayment risk, which is the possibility that the underlying mortgage may be refinanced or prepaid prior to maturity during periods of declining or low interest rates, causing the Fund to have to reinvest the money received in securities that have lower yields. In addition, the impact of prepayments on the value of mortgage-backed securities may be difficult to predict and may result in greater volatility. Rising or high interest rates tend to extend the duration of mortgage-backed securities, making them more volatile and more sensitive to changes in interest rates.

- *Municipal Securities Risk* – Municipal securities are debt obligations generally issued to obtain funds for various public purposes, including general financing for state and local governments, or financing for a specific project or public facility. Municipal securities may be fully or partially backed by the taxing authority of the local government, by the credit of a private issuer, by the current or anticipated revenues from a specific project or specific assets or by domestic or foreign entities providing credit support, such as letters of credit, guarantees or insurance, and are generally classified into general obligation bonds and special revenue obligations. General obligation bonds are backed by an issuer’s taxing authority and may be vulnerable to limits on a government’s power or ability to raise revenue or increase taxes. They also may depend for payment on legislative appropriation and/or funding or other support from other governmental bodies. Revenue obligations are payable from revenues generated by a particular project or other revenue source, and are typically subject to greater risk of default than general obligation bonds because investors can look only to the revenue generated by the project or other revenue source backing the project, rather than to the general taxing authority of the state or local government issuer of the obligations. Because many municipal securities are issued to finance projects in similar sectors such as education, health care, transportation and utilities, conditions in those sectors can affect the overall municipal market. Municipal securities pay interest that, in the opinion of the bond counsel, is free from federal income tax. There is no assurance that the IRS will agree with this opinion. In the event the IRS determines that the issuer does not comply with relevant tax requirements, interest payments from a security could become federally taxable, possibly retroactively to the date the security was issued.
- *Non-Diversified Mutual Fund Risk* – The Fund is non-diversified, which generally means that it may invest a greater percentage of its total assets in the securities of fewer issues than a “diversified” fund. This increases the risk that a change in the value of any one investment held by the Fund could affect the overall value of the Fund more than it would affect that of a diversified fund holding a greater number of investments. Accordingly, the Fund’s value will likely be more volatile than the value of more diversified funds. The Fund may not operate as a non-diversified fund at all times.
- *Real Estate Investment Trusts Risk* – Real estate investment trusts (REITs) are entities that either own properties or make construction or mortgage loans, and may also include operating or finance companies. The value of REIT shares is affected by, among other factors, changes in the value of the underlying properties owned by the REIT and/or by changes in the prospect for earnings and/or cash flow growth of the REIT itself. In addition, certain of the risks associated with general real estate ownership apply to the Fund’s REIT investments, including risks related to general and local economic conditions, possible lack of availability of financing and changes in interest rates.
- *Reinvestment Risk* – Income from the Fund’s debt securities portfolio will decline if and when the Fund invests the proceeds from matured, traded or called securities in securities with market interest rates that are below the current earnings rate of the Fund’s portfolio.

- *Repurchase Agreements Risk* – Repurchase agreements are agreements in which the seller of a security to the Fund agrees to repurchase that security from the Fund at a mutually agreed upon price and time. Repurchase agreements carry the risk that the counterparty may not fulfill its obligations under the agreement. This could cause the Fund’s income and the value of an investment in the Fund to decline.
- *Smaller Company Securities Risk* – Securities of small- or mid-capitalization companies (“smaller companies”) can, in certain circumstances, have a higher potential for gains than securities of large-capitalization companies but may also have more risk. For example, smaller companies may be more vulnerable to market downturns and adverse business or economic events than larger, more established companies because they may have more limited financial resources and business operations. These companies are also more likely than larger companies to have more limited product lines and operating histories and to depend on smaller management teams. Their securities may trade less frequently and in smaller volumes and may be less liquid and fluctuate more sharply in value than securities of larger companies. In addition, some smaller companies may not be widely followed by the investment community, which can lower the demand for their stocks.
- *U.S. Government Obligations Risk* – U.S. Treasury obligations are backed by the “full faith and credit” of the U.S. Government and generally have negligible credit risk. Securities issued or guaranteed by federal agencies or authorities and U.S. Government-sponsored instrumentalities or enterprises may or may not be backed by the full faith and credit of the U.S. Government. For example, securities issued by the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association and the Federal Home Loan Banks are neither insured nor guaranteed by the U.S. Government. These securities may be supported by the ability to borrow from the U.S. Treasury or by the credit of the issuing agency, authority, instrumentality or enterprise and, as a result, are subject to greater credit risk than securities issued or guaranteed by the U.S. Treasury.
- *Value Securities Risk* – Value securities are securities of companies that may have experienced, for example, adverse business, industry or other developments or may be subject to special risks that have caused the securities to be out of favor and, in turn, potentially undervalued. The market value of a portfolio security may not meet the Fund’s investment advisor’s future value assessment of that security, or may decline. There is also a risk that it may take longer than expected for the value of these investments to rise to the believed value. In addition, value securities, at time, may not perform as well as growth securities or the stock market in general, and may be out of favor with investors for varying periods of time.

Conservative Portfolio

In addition to the risks described above with respect to the Underlying Fund in which the Portfolio invests, the Portfolio is subject to the following risks applicable to the funding agreement in which prior Contributions were invested:

- *Credit Risk* – This Portfolio could lose money if the insurance company providing the funding agreement is unable to pay interest or repay principal.
- *Investment Strategy Risk* – This Portfolio is subject to the risk that the funding agreement will not provide the rate of return expected. It may lose money. An investment in this Portfolio is not a bank deposit, is not insured and the principal, accumulated interest thereon or any interest rate is not guaranteed by Ameriprise Financial, Inc., the FDIC, the State of South Carolina or any other government agency.
- *Funding Agreement Risk* – The funding agreement may be terminated under certain circumstances. If a termination occurs, the payment of withdrawal requests may be delayed for a period of time.

Legislative Developments

The Pension Protection Act of 2006, signed into law on August 17, 2006, made permanent certain tax advantages and other related rules for Section 529 Plans that had been scheduled to expire (or “sunset”) after 2010. Among the most notable tax advantages that are now permanent is that the earnings portion of a Qualified Withdrawal is exempt from federal tax. See “TAX TREATMENT OF INVESTMENTS AND WITHDRAWALS.”

Increases in the federal estate tax and GST tax exemptions promulgated by the Economic Growth and Tax Relief Reconciliation Act of 2001 will expire automatically on December 31, 2010 and revert back to their status prior to January 1, 2002, unless extended by Congress. See “TAX TREATMENT OF INVESTMENTS AND WITHDRAWALS—FEDERAL GIFT, ESTATE AND GST TAXES.”

THE PROGRAM AND THE TRUST FUND

The Program

The Program has been established under Chapter 2 of Title 59 of the South Carolina Code of Laws of 1976, as amended (the “Act”), in order to encourage the investment of funds to be used for Qualified Higher Education Expenses at Eligible Educational Institutions. The Act created the Trust Fund as a special fund to hold all of the assets of the Program and authorizes the Treasurer to administer the Program. Pursuant to the Act, the Treasurer has established rules for the implementation of the Program (the “Program Rules”), which may be amended from time to time by the Treasurer without notice, and has also promulgated a Comprehensive Investment Plan (the “Investment Plan”), pursuant to which all assets in the Trust Fund must be invested. The Investment Plan may also be amended from time to time by the Treasurer without notice. Pursuant to the Act, the Program Rules and the Investment Plan, the investment choices available under the Program and among which an Account Owner’s assets shall be allocated are designed to provide Account Owners with an investment program flexible enough to meet their varying needs and a means of investing Contributions to meet long-term investment goals. With the exception of the funding agreement in which prior Contributions to the Conservative Portfolio were invested, the holdings of the Portfolios that comprise the investment choices are limited to mutual funds that are registered under the Investment Company Act of 1940, as amended, and which generally invest in the following broad asset classes:

- Cash Equivalents and other Short-Term Investments,
- Fixed Income Securities,
- U.S. Equity Securities, and
- International (Non-U.S.) Equity Securities.

Account Owners bear the risk of the investment results of the investment choices they make. Account Owners should consider which investment option—a single Allocation Portfolio or Single Fund Portfolio, a combination of them, or Automatic Allocation—is most appropriate given the other resources expected to be available to fund the Designated Beneficiary’s Qualified Higher Education Expenses, the age of the Designated Beneficiary, the anticipated date of first use of funds in the Account by the Designated Beneficiary, the risks associated with each investment option, the lack of investment control and the ability of the Account Owner and Designated Beneficiary to assume the particular investment risks associated with a particular Portfolio. As required by the Act and federal tax law, neither Account Owners nor Designated Beneficiaries are permitted to direct the selection of investments for the Portfolios.

The Trust Fund

The Act established the Trust Fund as a means of assisting qualified students and their families in financing costs of attending Eligible Educational Institutions. The Trust Fund is a special fund separate and distinct from the State of South Carolina’s general fund, and is administered by the Treasurer. The Act provides that the Treasurer shall invest and reinvest the assets in the Trust Fund for the benefit of the Program on behalf of Account Owners and Designated Beneficiaries. The assets of the Trust Fund consist of Contributions made by Account Owners or others to Accounts and any earnings allocated to the Accounts. All assets in the Trust Fund are required to be continuously applied by the Treasurer to carry out the purposes of the Act. The assets in the Trust Fund are not property of the State. See “PROGRAM AND PORTFOLIO RISKS AND OTHER CONSIDERATIONS—Status of Federal and State Law and Regulations Governing the Program.” The assets in the Trust Fund are invested in Underlying Funds. Accounts are established by Account Owners by completing an Account Application and consenting and agreeing to the terms and conditions of the Participation Agreement, subject to acceptance of the Accounts by the Program Manager. Management fees and other asset-based fees payable to CMID are paid from the Trust Fund. See “PROGRAM FEES AND EXPENSES.”

Special Benefits Available to South Carolina Residents

The Treasurer may at any time modify, add or terminate any program that provides a benefit to South Carolina residents.

State Tax Deduction – Contributions up to the maximum Account Contribution limit of \$318,000 (or any lower limit under applicable law) are deductible in computing an Account Owner's South Carolina taxable income for South Carolina personal income tax purposes.

Account Maintenance Fee Waived for South Carolina Residents – The \$25 annual Account Maintenance Fee is waived on Accounts when either the Participant or the Designated Beneficiary is a South Carolina resident.

PROGRAM MANAGEMENT AND ADMINISTRATION

Pursuant to the Act, the Treasurer administers the Program and acts as administrator of the Trust Fund. The Act requires that amounts held for the benefit of Account Owners and Designated Beneficiaries be invested in a manner reasonable and appropriate to achieve the objectives of the Program, exercising the discretion and care of a prudent person in similar circumstances with similar objectives. The Act requires that due consideration be given to the risk, expected rate of return, term or maturity, diversification of total investments, liquidity and anticipated investments in and withdrawals from the Trust Fund. The Treasurer is authorized under the Act to enter into contracts for any services it determines necessary for the effective and efficient operation of the Program, which may include investment advisory and managerial services. The Treasurer has selected CMID to act as Program Manager of the Program pursuant to a Contract for Program Management Services (the "Management Agreement"), dated January 1, 2002, as recently amended September, 2010 and as may be further amended from time to time. The Management Agreement provides that CMID and certain of its affiliates and its parent company are responsible for providing administrative, recordkeeping and investment services and for the marketing of the Program. See "THE MANAGEMENT AGREEMENT." Pursuant to the Management Agreement, BFDS has been engaged to serve as the transfer and servicing agent for the Program, and Bank of America, N.A. has been engaged to provide certain services, including sub-accounting services to the Portfolios.

Office of State Treasurer

The Office of State Treasurer of South Carolina was established to serve the citizens of South Carolina by providing banking, investment and financial management services to the government of the State. By statute, the Treasurer is responsible for the investment, cash management, and safekeeping of the State's general and restricted funds and a portion of the assets of the South Carolina Retirement Systems. It also provides fiscal management services, including receipt and disbursement of funds, coordination of banking services, issuance and maintenance of State debt, and trusteeship of unclaimed property. The Office of State Treasurer is located in Columbia, South Carolina. As provided in the South Carolina Constitution, the individual who holds the title of Treasurer is elected to a four-year term coterminous with the term of the State's Governor.

CMID and Affiliates

CMID (formerly, RiverSource Fund Distributors, Inc.) is the distributor for more than 260 mutual funds in the Columbia Funds Family of Funds, including the underlying mutual funds (other than BofA Cash Reserves) described in this Program Description. CMID is an SEC-registered broker-dealer. It is a wholly owned subsidiary of Ameriprise Financial, Inc. CMID is a member of industry self-regulatory organizations, including the Financial Industry Regulatory Authority ("FINRA"), and is a member of the Securities Investor Protection Corporation. CMID is also regulated by the SEC, the Municipal Securities Rulemaking Board and certain state securities regulators. CMID serves as the distributor of the Program as well as the Program Manager.

Ameriprise Financial, Inc. is a financial planning and financial services company that has been offering solutions for clients' asset accumulation, income management and protection needs for more than 110 years. Its management experience covers all major asset classes, including equity securities, fixed income securities and money market instruments.

Under the Management Agreement, Columbia Management Investment Advisers, LLC (formerly, RiverSource Investments, LLC) ("CMIA"), an affiliate of CMID, assists CMID in providing investment services to the Program, including determining the allocation percentages of the Underlying Funds in the Allocation Portfolios. CMIA, an SEC-registered investment advisor, is a wholly owned subsidiary of Ameriprise Financial, Inc. CMIA acts as investment manager for individuals, corporations, private investment companies and financial institutions, and more than 260 mutual funds in the Columbia Funds Family of Funds, including the mutual funds (other than BofA Cash Reserves) described in this Program Description.

Columbia Management Investment Services Corporation (formerly, RiverSource Service Corporation), an affiliate of CMID and an SEC-registered transfer agent, provides certain services to the Program, including

answering and responding to telephone inquiries from existing Account Owners, prospective Account Owners of the Program and broker-dealers on behalf of such Account Owners.

BFDS

Boston Financial Data Services, Inc. is a Massachusetts corporation with its principal place of business located in Quincy, Massachusetts. BFDS is a transfer agent registered with the SEC and performs transfer agent and shareholder servicing functions for mutual funds and Section 529 plans. As contemplated in the Management Agreement, CMID has engaged BFDS to serve as the transfer and servicing agent for the Program. Its responsibilities for the Program will include processing purchases, withdrawals and exchanges, calculating and paying distributions, keeping records for Account Owners, preparing account statements and providing customer service.

Neither CMID, CMIA nor BFDS is a bank, and the securities offered under the Program are not backed or guaranteed by any bank, including Bank of America, N.A., nor are they insured by the Federal Deposit Insurance Corporation, the State of South Carolina or any other state or federal government agency.

Bank of America, N.A.

Bank of America, N.A., an affiliate of BofA Advisors, LLC, provides certain services to the Direct Program, including sub-accounting services to the Portfolios.

THE MANAGEMENT AGREEMENT

On May 1, 2010, CMIA (formerly RiverSource Investments, LLC) the asset management arm of Ameriprise Financial, Inc. acquired a portion of the asset management business of Bank of America Corporation, the indirect parent company of the former Program Manager (“the Transaction”), including the asset management business that advises the Program and certain mutual funds, including certain of the Underlying Funds. In connection with the Transaction, the Treasurer consented to the assignment of the Management Agreement dated January 1, 2002, to CMIA and CMID. Pursuant to the Management Agreement, CMID will serve as the Program Manager through January 1, 2012, subject to the rights of the parties to terminate the Management Agreement described below. Under the Management Agreement, as currently in effect CMIA, CMID and its affiliates agree to perform certain administrative, record keeping, investment and marketing services for the Program (collectively, the “Services”), and are permitted to delegate certain of these responsibilities with the prior consent of the Treasurer. With the Treasurer’s consent, BFDS was engaged to serve as transfer and servicing agent prior to the Transaction. No delegation or assignment by CMIA, CMID and its affiliates shall relieve them of any of their responsibilities under the Management Agreement.

Pursuant to the Management Agreement, CMID may periodically propose for approval by the Treasurer that the Program be amended to include one or more additional Portfolios, to change the percentage allocations of an Allocation Portfolio, and to change the Underlying Funds for a Portfolio.

Standard of Care

CMID and its affiliates are responsible for the performance of the Services under the Management Agreement in accordance with specified legal requirements and performance standards. Under the Management Agreement, Columbia is obligated to act as a fiduciary at all times with respect to their management of the investments of the Trust Fund, exercising the discretion and care of a prudent person in similar circumstances in seeking to achieve the objectives of the Act and Investment Plan.

Payments from Underlying Funds

CMID and its affiliates provide services to some or all of the Underlying Funds (other than BofA Cash Reserves), including investment advisory and sub-advisory, administration, sub-transfer agency and brokerage services, and are authorized to receive payments from the Underlying Funds for those services. These entities also may provide other services and be compensated for them, including transfer agency, interfund lending and securities lending services. In addition, these entities may serve as counterparties in transactions with the Underlying Funds where permitted by applicable law, and may receive compensation in that capacity.

Termination of Agreement

The Management Agreement provides that the Treasurer may terminate the Management Agreement at any time in response to a material breach after providing notice and an opportunity to cure. The Treasurer may also terminate in the event subsequent federal legislation makes it unreasonable for the Treasurer to continue the Program, and for other reasons. CMID and its affiliates may terminate if federal or state legislation is adopted which makes it unreasonable for them to provide the Services or if the Program no longer qualifies as a Qualified Tuition Program under the Code. See “PROGRAM AND PORTFOLIO RISKS AND OTHER CONSIDERATIONS—Certain Considerations in Connection with the Termination of the Management Agreement and Successor Program Managers.”

Audits

Under the Management Agreement and the Act, the Program Manager and the Treasurer have agreed to cooperate to generate annual audited financial statements of the Program to be provided by PriceWaterhouseCoopers LLP, the most recent copy of which can be obtained from the Program Manager by calling 1-888-244-5674. In

addition, the Treasurer at its option may obtain an annual compliance audit, which may include the Services, to be performed by an entity chosen by the Treasurer.

MISCELLANEOUS

Regulatory Matters

Ameriprise Financial and certain of its affiliates have historically been involved in a number of legal, arbitration and regulatory proceedings, including routine litigation, class actions, and governmental actions, concerning matters arising in connection with the conduct of their business activities. Ameriprise Financial believes that neither Ameriprise Financial nor any of its affiliates are the subject of, any pending legal, arbitration or regulatory proceedings that are likely to have a material adverse effect on the Program or any of the Underlying Funds or the ability of Ameriprise Financial or its affiliates to perform under their contracts with respect to the Program or certain of the Underlying Funds. Information regarding certain pending and settled legal proceedings may be found in the respective shareholder reports and SAIs of the Underlying Funds that are advised by Ameriprise Financial or its affiliates. Additionally, Ameriprise Financial is required to make 10-Q, 10-K and, as necessary, 8-K filings with the SEC on legal and regulatory matters that relate to Ameriprise Financial and its affiliates. Copies of these filings may be obtained by accessing the SEC website at www.sec.gov.

Securities Laws

The Treasurer has obtained an opinion of counsel to the effect that the interests in the Program represented by Accounts are distributed in reliance upon the exemption from registration provided in Section 3(a)(2) under the Securities Act of 1933, as amended.

Continuing Disclosure

To comply with Rule 15c2-12(b)(5) under the Securities Exchange Act of 1934, as amended, the Treasurer has executed a Continuing Disclosure Agreement (the “Continuing Disclosure Agreement”) for the benefit of Account Owners. Under the Continuing Disclosure Agreement, the Treasurer agrees to provide certain financial information and operating data (the “Annual Information”) relating to the Program, and notices of the occurrence of certain enumerated events as set forth in the Continuing Disclosure Agreement, if material. The Annual Information will be filed on behalf of the Program with the Electronic Municipal Market Access System of the Municipal Securities Rulemaking Board and with any South Carolina information depository. Notices of certain events will be filed on behalf of the Program with the Municipal Securities Rulemaking Board and with any South Carolina information depository.

The Treasurer reserves the right to modify its provisions for release of information pursuant to the Continuing Disclosure Agreement to the extent not inconsistent with the valid and effective provisions of Rule 15c2-12.

Obtaining Additional Information About the Program

References made in this Program Description to certain documents and reports are summaries that are not complete or definitive. Reference should be made to those documents and reports for full and complete information as to their contents. Copies of the Program materials including the Direct Plan Portfolio Construction, Account Applications and Forms may be requested by calling the telephone number indicated below.

Persons having questions concerning the Program, including procedures for opening an Account, should call the Program Manager toll free at 1-888-244-5674, or visit the Program’s website at www.futurescholar.com. Questions or requests for information also may be addressed in writing to: Future Scholar College Savings Plan, P.O. Box 8036, Boston, MA 02266-8036.

PARTICIPATION AGREEMENT

Capitalized terms used but not defined in this Participation Agreement have the meanings set forth in the Program Description. I, the Account Owner, certify that I have read and understand the following:

A. Agreements, Representations and Warranties of the Account Owner:

1. I have received, read carefully, and understand the Program Description as currently in effect and agree that its terms are incorporated into this Participation Agreement as if they were set forth herein. In making a decision to open an Account and enter into this Participation Agreement, I have not relied upon any representations or other information, written or oral, other than as set forth in the Program Description, Account Application and this Participation Agreement.
2. I certify that I intend that Contributions to this Account will fund Qualified Higher Education Expenses of the Designated Beneficiary of the Account, that each Contribution to the Account will be for that purpose, and that Contributions to the Account and all other accounts of which I am aware to have been established for the Designated Beneficiary under the Program or any other such plan sponsored by the State of South Carolina will not be made in excess of limitations established by the Office of State Treasurer of South Carolina ("Treasurer") from time to time.
3. I recognize that my Account involves certain investment or other risks, including the possible loss of principal, and that I have taken into consideration and understand the risk factors relating to such investments, including, but not limited to, those set forth in the Program Description. I understand that none of the United States, the State of South Carolina, the Treasurer, any agent or instrumentality of the federal government or the State of South Carolina, Ameriprise Financial, Inc. or any of its affiliates, my broker-dealer, any successor Program Manager or any agent or representative retained in connection with the Program or any other person, is an insurer, or makes any guarantee of, or has any legal or moral obligation to insure, the ultimate pay out of all or any portion of any amount contributed to my Account or that there will be any investment return, or an investment return at any particular level, on my Account. Further, past investment results of Ameriprise Financial, Inc. or any of its affiliates and the mutual funds or other investments of the Portfolios offer no assurance of future returns.
4. I recognize that neither I nor my Designated Beneficiary, except as permitted by Section 529 of the Code and regulations or guidance issued thereunder, is or will be permitted to have any role in the selection or retention of the Program Manager or to direct the investment of my Account or any earnings thereon after it has been invested in the Portfolios, directly or indirectly. I recognize that all investment decisions are the responsibility of the Treasurer and the Program Manager. I understand that although I own interests in a Portfolio, I do not have a direct beneficial interest in the mutual funds or other instruments held by that Portfolio, and therefore I do not have the rights of a shareholder or owner of such investments.
5. I acknowledge that the Program does not involve any guarantee or commitment whatsoever of or from the United States, the State of South Carolina, the Treasurer, Ameriprise Financial, Inc. or any of its affiliates, or any other person that: (a) my Designated Beneficiary will be admitted to any Eligible Education Institution; (b) upon admission to an Eligible Education Institution, my Designated Beneficiary will be permitted to continue to attend; (c) my Designated Beneficiary will receive a degree from any Eligible Education Institution; (d) State of South Carolina residency will be created for tax, financial aid eligibility or any other purpose for my Designated Beneficiary because of my Designated Beneficiary's designation in that capacity; or (e) Contributions to my Account plus the earnings thereon will be sufficient to cover any particular Qualified Higher Education Expenses of my Designated Beneficiary.
6. I have full power and authority to enter into and perform the Account Application and this Participation Agreement or, if the Account Owner is a minor and I have executed the Account Application in a

representative or fiduciary capacity on the minor's behalf, I have full power and authority to do so. I believe that the allocation of my Contribution to the Portfolios as stated in my Account Application is suitable for me or, if relevant, the minor involved.

7. I authorize the Program Manager on behalf of its agents to initiate debit entries if I have elected to participate in the Automatic Contribution Plan. This authorization will remain effective until I notify the Program Manager on behalf of its agents in writing of its termination and until the Program Manager on behalf of its agents has reasonable time to act on that termination.
8. If the person establishing the Account is a legal entity, in addition to the items set forth herein, the individual signing the Account Application for the entity represents and warrants that (a) the entity may legally become, and thereafter be, the Account Owner, (b) he or she is duly authorized to so act for the entity, (c) the Program Description may not discuss tax consequences and other aspects of the Program of particular relevance to the entity and persons having an interest therein, and (d) the entity has consulted with and relied on a professional advisor, as deemed appropriate by the entity, before becoming an Account Owner.
9. I understand that (i) the state(s) in which I reside or pay taxes may sponsor a plan established under Section 529 of the Code, (ii) that such other plan may offer me state income tax or other benefits that are not available through the Program, (iii) that withdrawals from my Account may be subject to state and federal tax liability that I or the Beneficiary may be liable for ascertaining and paying, (iv) that no portion of this Participation Agreement, the Program Description, or any other materials published by Columbia is intended or may be relied upon as tax advice, (v) that any statements concerning U.S. federal and state tax issues in this Participation Agreement or the Program Description are provided as general information in connection with the promotion or marketing of the Program and are not provided or intended to be used, and cannot be used by any taxpayer, for the

purpose of avoiding U.S. tax penalties, and (vi) that I should consult with my tax advisor regarding the federal and state tax consequences of investing in the Program. Further, I understand that I should retain adequate records relating to withdrawals from my Account for my tax reporting purposes. I certify that I have read and understand the discussion in the Program Description regarding the tax treatment of investments in and withdrawals from the Program. I understand that changes in or interpretation of the law governing any of the federal, state and local tax consequences relating to investments in the Program may result in adverse tax consequences.

- B. Conflicts of Interest; Value of Investments:** I understand and agree to the following: (a) that the value of my Account will increase or decrease based on the performance of the underlying investments of the Portfolio(s) I have chosen; (b) that (except for the funding agreement held in the Conservative Portfolio) the Portfolio(s) will invest in mutual funds selected by Columbia Management Investment Distributors, Inc., and the Treasurer; (c) that some or all of these mutual funds may be managed by or receive services from Columbia Management Investment Distributors, Inc. or its affiliates and that they are paid for such services; (d) that depending on the Portfolio, the mutual funds held in the Portfolio, and changes in the Portfolios or the Underlying Funds initiated by Columbia Management Investment Distributors, Inc. may cause the amount of the fees received by Columbia Management Investment Distributors, Inc. to increase or decrease.
- C. Allocations; Separate Accounts; Ownership:** I understand and agree that my Account will be invested automatically in the Portfolios in the proportions selected by me in my Account Application or any subsequent instruction given by me and accepted by the Treasurer or its delegate and that the Program Manager will maintain my Account separately but will commingle the Contributions to my Account with amounts credited to other Accounts for purposes of investment.
- D. Finality of Decisions:** All decisions and interpretations by the Treasurer and the Program Manager in connection with the operation of the Program shall be final and binding on each

Account Owner, Designated Beneficiary, and other person affected thereby.

- E. Choice of Law, Jurisdiction, and Venue:** The Program and my Account and this Participation Agreement shall be construed in accordance with the laws of the State of South Carolina and applicable federal law, including 26 U.S.C. Section 529, as amended, without regard to the community property laws or choice of law rules of any state. All disputes arising under the Program, my Account and this Participation Agreement are subject to the Arbitration provisions set forth below.
- F. Extraordinary Events:** The Program Manager shall not be liable for loss caused directly or indirectly by government restrictions, exchange or market rulings, suspension of trading, war, acts of terrorism, strikes or other conditions beyond their control.
- G. Severability:** In the event any clause or provision of this Participation Agreement is found to be invalid, illegal, void, or unenforceable by any law, rule, administrative order, or judicial decision of a court of competent jurisdiction, that clause or provision shall be severed from the Participation Agreement, and the remainder of the Participation Agreement shall continue in full force and effect as if such clause or provision had never been included.
- H. Integration:** This Participation Agreement, my completed and signed Account Application and the Program Description together are the complete and exclusive statement of the agreement between the parties hereto related to the subject matter hereof, which supersedes any prior agreement, oral or written, and any other communications between the parties hereto relating to the subject matter of such documents.
- I. Transferability:** The Account Owner may, upon approval of the Treasurer and the Program Manager, and in compliance with the procedures in the Program Description, transfer ownership of an Account to another individual or entity provided that no consideration is given for the transfer. Neither an Account nor any interest, rights, or benefits in it may be sold, nor may any interest in an Account be used as security for any loan.
- J. Verification:** The Treasurer or the Program Manager may require any written documentation or other actions taken in respect to an Account be verified as made or taken under oath, as appropriate.
- K. No Third Party Beneficiary; Binding Nature:** This Participation Agreement is not intended to, nor does it, confer any benefit or legal rights upon any third-party beneficiary except that Bank of America, N.A. and its affiliates and agents are third-party beneficiaries of the representations, warranties and covenants made by me in the Account Application and this Participation Agreement. The individual designated as the Designated Beneficiary of an Account has no independent claim, right, or access to any funds in an Account solely related to such designation. Payments directly to a Designated Beneficiary will only be made with the Account Owner's specific written authorization for such payments. This Participation Agreement will survive my death and will be binding on my personal representatives, heirs, successors and assigns.
- L. Cancellation for Material Misrepresentation:** If the Treasurer or the Program Manager determines that there has been any material misrepresentation related to the Participation Agreement or the Account, the Account may be cancelled by the Treasurer. The Account Owner will receive a refund of the current Account balance minus any applicable penalty and fees.
- M. Fees:** I acknowledge and agree that my Account and the assets of the Portfolios will be charged for the costs of administration of the Program and the Accounts. These fees include the Program Manager's fees and any Treasurer's fees as described in the Program Description, as amended from time to time. Accounts will indirectly bear expenses of the Underlying Funds in which the Portfolios invest. My Account may be subject to other fees, charges or penalties in the future, as referred to in the applicable Program Description. Whole or fractional shares of my Account may be liquidated to pay fees, expenses, or liabilities owed to the Program Manager or the State of South Carolina or the Treasurer under this Participation Agreement or the Management Agreement.
- N. Statements and Reports:** I understand that the Program Manager will keep accurate and

detailed records of all transactions concerning my Account and will provide period statements of my Account to me. If I do not write to the Program to object to a statement or report within 60 days after it has been sent to me, I will be considered to have approved it and to have released the Program Manager from all responsibility for matters covered by the statement or report.

- O. Indemnity; Extraordinary Events; Survival of Agreements, Representations, and Warranties:** I understand that the establishment of my Account is based upon my agreements, representations, and warranties set forth in this Participation Agreement. I will indemnify and hold harmless the Program, the Treasurer, the State of South Carolina, Ameriprise Financial, Inc. and their affiliates, any successor Program Manager, and any agents or representatives of any of the foregoing, from and against any and all loss, damage, liability or expense, including reasonable attorney's fees, that any of them may incur by reason of, or in connection with, any omission, misstatement, or misrepresentation made by me herein or otherwise with respect to this Account, and any breach by me of any of the agreements, representations, or warranties contained in this Participation Agreement. Neither the Treasurer, the State of South Carolina, the Program Manager nor its affiliates shall be liable for any loss caused directly or indirectly by government restrictions, exchange or market rulings, suspensions of trading, war, acts of terrorism, strikes or other conditions beyond their control. All of my agreements, representations, and warranties will survive the termination of this Participation Agreement.
- P. No Waiver of Sovereign Immunity:** I assume all liability for any financial losses related to this Account. I understand and acknowledge that there is no recourse against the Treasurer or its employees or the Program or against the State of South Carolina in connection with an Account. Nothing in this Participation Agreement shall be deemed or construed as an express or implied waiver of the sovereign immunity of the State of South Carolina or a pledge of the full faith and credit of the State of South Carolina.
- Q. Adoption of Rules and Regulations:** I understand and agree that this Participation Agreement and Account are subject to (a) Rules and Regulations adopted as part of the Program

by the Treasurer, including rules or regulations to prevent Contributions on behalf of a Designated Beneficiary in excess of those permitted under Section 529, (b) the Act, and (c) the Program Description.

- R. Changes in Law:** I understand that the Program is intended to be a "Qualified Tuition Program" under Section 529 and to achieve favorable South Carolina tax treatment under South Carolina law. I agree that the Treasurer and/or Program Manager may make changes to the Program, this Participation Agreement, and the Program Description at any time if it determines that such changes are necessary for the continuation of the federal income tax treatment provided by Section 529 or the favorable South Carolina income tax treatment provided by South Carolina state law, or any similar successor legislation, or for other reasons.
- S. Amendment and Termination:** At any time, the Office of State Treasurer or its delegate may amend or terminate this Participation Agreement, or the Program may be amended, suspended or terminated, but except as permissible under applicable law, my Account may not thereby be diverted from my exclusive benefit. A termination of the Program by the Treasurer may result in a distribution for which tax and penalties may be assessed by giving written notice to me.
- T. Effective Date:** This Participation Agreement shall become effective upon the opening of an Account by the Program Manager.
- U. Arbitration:** I agree that all controversies that may arise between me and the State of South Carolina and the Program Manager and each of their principals, subsidiaries, affiliates, successors, assigns, heirs, executors, administrators, officers, directors, employees, representatives, and agents, concerning any order or transaction, or the continuation, performance or breach of this or any other agreement between the parties to this Participation Agreement, whether entered into before, on or after the date this Account is opened, shall be determined by arbitration before a panel of independent arbitrators set up by the Municipal Securities Rulemaking Board (except as otherwise provided by applicable rules and/or regulations). If I do not notify the State of South Carolina or the Program

Manager and/or its subsidiaries in writing within five (5) days after I receive from the State of South Carolina or the Program Manager and/or its subsidiaries a written demand for arbitration, then I authorize the State of South Carolina or the Program Manager and /or its subsidiaries to make such a designation on my behalf. I understand that judgment upon any arbitration award may be entered in any court of competent jurisdiction.

I further agree and understand that: (a) arbitration is final and binding on the parties; (b) the parties are waiving their right to seek remedies in court, including the right to a jury trial; (c) pre-arbitration discovery is generally more limited than and different from court proceedings; (d) the arbitrators' award is not required to include factual findings or legal reasoning and any party's right to appeal or to seek modification of rulings by the arbitrators is strictly limited; and (e) the panel of arbitrators will typically include a minority of arbitrators who were or are affiliated with the securities industry.

The law of the state of South Carolina will apply in all respects, including but not

limited to determination of applicable statutes of limitation and available remedies, except insofar as South Carolina law is inconsistent with the arbitration code of the Municipal Securities Rulemaking Board, in which case the arbitration code of the forum in which the arbitration is being conducted will apply. Any award entered in any such arbitration may be enforced and rendered to final judgment by any court having jurisdiction over the parties.

No person shall bring a putative or certified class action to arbitration, nor seek to enforce any pre-dispute arbitration agreement against any person who has initiated in court a putative class action; or who is a member of a putative class who has not opted out of the class with respect to any claims encompassed by the putative action until: (i) the class certification is denied; (ii) the class is decertified; or (iii) I am excluded from the class by the court. Such forbearance to enforce an agreement to arbitrate shall not constitute a waiver of any rights under this Participation Agreement except to the extent stated herein.

