SUPPLEMENT NO. 1 DATED DECEMBER 31, 2015, TO THE CONNECTICUT HIGHER EDUCATION TRUST – DIRECT PLAN DISCLOSURE BOOKLET DATED MARCH 31, 2015

*This Supplement No. 1 provides new and additional information beyond that contained in the March 31, 2015 Plan Disclosure Booklet and Participation Agreement, as supplemented (the "**Disclosure Booklet**") of the Connecticut Higher Education Trust (the "**Plan**"). It should be retained and read in conjunction with the Disclosure Booklet.*

I. THE DIRECT PLAN MANAGER

On page 28 of the Disclosure Booklet, the section entitled "The Direct Plan Manager" is deleted in its entirety and replaced with the following:

The Trustee selected TFI as the Direct Plan Manager. TFI is a wholly owned, direct subsidiary of Teachers Insurance and Annuity Association of America ("**TIAA**"). TIAA, together with its companion organization, the College Retirement Equities Fund ("**CREF**"), forms one of America's leading financial services organizations and one of the world's largest pension systems, based on assets under management. Effective December 31, 2015, TIAA-CREF Individual & Institutional Services, LLC ("Services"), a wholly owned, direct subsidiary of TIAA, serves as the primary distributor and underwriter for the Direct Plan and provides certain underwriting and distribution services in furtherance of TFI's marketing plan for the Direct Plan. Services is registered as a broker-dealer under the Securities Exchange Act of 1934 and is a member of the Financial Industry Regulatory Authority.

Management Agreement. TFI and the Trustee entered into an agreement (the "**Management Agreement**") under which TFI provides certain services to the Direct Plan, including investment recommendations, record keeping, reporting and marketing. The Management Agreement is set to terminate at the close of business on March 12, 2020.

Other Compensation. TFI may receive payments from the investment advisors or other affiliates of certain mutual funds in which the Investment Options invest for a variety of services that TFI provides, or causes to be provided, to Account Owners who are invested in the Investment Options that invest in the mutual funds. These services include, for example, recordkeeping for Account Owners in the Investment Options, processing of Account Owner transaction requests in the Investment Options, and providing quarterly Account statements. In consideration for these services, TFI receives compensation from investment advisors or other mutual fund affiliates of up to 0.15% of the average annual amount invested by the Investment Options in the underlying investment.

II. OTHER INFORMATION

On page 28 of the Disclosure Booklet, the section entitled "Confirmations, Account Statements and Tax Reports" is renamed "Other Information". The following paragraph is added to the end of the section:

Continuing Disclosure. To comply with Rule 15c2-12(b)(5) of the Securities and Exchange Commission promulgated under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"), the Direct Plan Manager has executed a Continuing Disclosure Certificate (the "Continuing Disclosure Certificate") for the benefit of the Account Owners. Under the Continuing Disclosure Certificate, the Direct Plan Manager will provide certain financial information and operating data (the "Annual Information") relating to the Direct Plan and notices of the occurrence of certain enumerated events set forth in the Continuing Disclosure Certificate, if material. The Annual Information will be filed on behalf of the Direct Plan with the Electronic Municipal Market Access system (the "EMMA System") maintained by the Municipal Securities Rulemaking Board (the "MSRB"). Notices of certain enumerated events will also be filed on behalf of the Direct Plan with the MSRB.

The Treasurer of The State of Connecticut, Administrator and Trustee
TIAA-CREF Tuition Financing, Inc., Direct Plan Manager
TIAA-CREF Individual & Institutional Services, LLC, Distributor/Underwriter

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CHET®
529 College Savings Program
Connecticut Higher Education Trust

CONNECTICUT HIGHER EDUCATION TRUST

DIRECT PLAN
DISCLOSURE BOOKLET
AND
PARTICIPATION AGREEMENT

MARCH 31, 2015

ADMINISTRATOR:
THE TREASURER OF THE STATE OF CONNECTICUT

DIRECT PLAN MANAGER:
TIAA-CREF TUITION FINANCING, INC.

TIAA CREF
Financial Services

CT1503.XXP

Please keep this Disclosure Booklet and the Participation Agreement with your other records about the direct-sold plan of the Connecticut Higher Education Trust (the "**Direct Plan**"). You should read and understand this Disclosure Booklet before you make contributions to the Direct Plan.

You should rely only on the information contained in this Disclosure Booklet and the attached Participation Agreement. No person is authorized to provide information that is different from the information contained in this Disclosure Booklet and the attached Participation Agreement. The information in this Disclosure Booklet is subject to change without notice.

This Disclosure Booklet does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of a security in the Direct Plan by any person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

If you or your intended beneficiary reside in a state other than Connecticut, or have taxable income in a state other than Connecticut, it is important for you to note that if that other state has established a qualified tuition program under Section 529 of the Internal Revenue Code (a "529 Plan"), such state may offer favorable state tax or other benefits that are available only if you invest in that state's 529 Plan. Those benefits, if any, should be one of the many appropriately weighted factors you consider before making a decision to invest in the Direct Plan. You should consult with a qualified advisor or review the offering document for that state's 529 Plan to find out more about any such benefits (including any applicable limitations) and to learn how they may apply to your specific circumstances.

An account in the Direct Plan should be used only to save for qualified higher education expenses of a designated beneficiary. Accounts in the Direct Plan are not intended for use, and should not be used, by any taxpayer for the purpose of evading federal or state taxes or tax penalties. **The tax information contained in this Disclosure Booklet was written to support the promotion and marketing of the Direct Plan and was neither written nor intended to be used, and cannot be used, by any taxpayer for the purpose of avoiding federal or state taxes or tax penalties. Taxpayers should consult with a qualified advisor to seek tax advice based on their own particular circumstances.**

None of the State of Connecticut, the Connecticut Higher Education Trust (the "Trust"), the Direct Plan, the Treasurer of the State of Connecticut (the "Trustee"), the Federal Deposit Insurance Corporation, nor any other government agency or entity, nor any of the service providers to the Direct Plan insure any Account or guarantee any rate of return or any interest on any contribution to the Direct Plan.

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Introduction to the Direct Plan

The Connecticut Higher Education Trust (the "**Trust**"), Connecticut's higher education qualified tuition program, was established to promote and enhance the affordability and accessibility of higher education for residents of Connecticut. The Trust is administered by the Connecticut State Treasurer as the Trustee of the Connecticut Higher Education Trust. The Trust consists of two components – the Direct Plan, which is offered directly by the State of Connecticut, and the Advisor Plan (the "**Advisor Plan**"), which can be purchased only through financial advisors. The Trust is intended to meet the requirements of a qualified tuition program under Internal Revenue Code ("**IRC**") Section 529 ("**Section 529**"). The Trust is authorized by sections 3-22e to 3-22o of the Connecticut General Statutes (as the same may be amended, the "**Statute**"). Under the Statute, the Trustee has the power and authority to enter into contracts for program management services, adopt regulations for the administration of the Trust and establish investment policies for the Trust.

The Direct Plan and the Advisor Plan consist of different investment options and are subject to different fees and expenses. This Disclosure Booklet is only about the Direct Plan. For more information about the Advisor Plan, please contact your broker or financial advisor.

To contact the Direct Plan and to obtain forms related to your Account in the Direct Plan:

Visit the Direct Plan's **website** at www.aboutchet.com;

Call the Direct Plan toll-free at **1-888-799-CHET (2438)**; or

Write to the Connecticut Higher Education Trust at PO Box 150499, Hartford, CT 06115-0499.

Overview of the Direct Plan

This section provides summary information about the Direct Plan, but it is important that you read the entire Disclosure Booklet for detailed information. Capitalized terms used in this section are defined in "Frequently Used Terms" or elsewhere in this Disclosure Booklet.

Feature	Description	Additional Information
State Administrator	The Treasurer of the State of Connecticut as Trustee of the Trust (the "**Trustee**")	*Administration of the Direct Plan*, page 28.
Direct Plan Manager	TIAA-CREF Tuition Financing, Inc. (the "**Direct Plan Manager"** or "**TFI**").	*The Direct Plan Manager*, page 28.
Eligible Account Owner	Any U.S. citizen or resident alien with a valid Social Security number or taxpayer identification number. Certain types of entities with a valid taxpayer identification number may also open an Account (additional restrictions may apply to such Accounts).	*Opening an Account,* page 4.
Eligible Beneficiary	Any U.S. citizen or resident alien with a valid Social Security number or taxpayer identification number.	*Opening an Account,* page 4.
Minimum Contribution	The minimum initial and subsequent contribution amount is $25 per Investment Option ($15 per Investment Option via payroll deduction).	*Contributions,* page 5.
Current Maximum Account Balance	$300,000 for all accounts in the Direct Plan, as well as any amounts held in the Advisor Plan for the same Beneficiary.	*Contributions,* page 5.
Qualified Withdrawals	Withdrawals from an Account used to pay for the Qualified Higher Education Expenses of the Beneficiary at an Eligible Educational Institution. These withdrawals are tax free.	*Withdrawals*, page 27.

Investment Options	• **Three** age-based options
	• **Eleven** risk-based options
	  ○ Four of the risk-based options invest in index funds.
	  ○ Seven of the risk-based options invest primarily in actively-managed mutual funds, in a combination of index funds and actively-managed mutual funds, or in a funding agreement.
		Investment Options, page 9. For information about performance, see *Past Performance*, page 24.

Changing Investment Strategy for Amounts Previously Contributed	Once you have contributed to your Account (or an account in the Advisor Plan) and selected Investment Option(s) in which to invest your contribution, you may move these amounts to a different Investment Option(s) (or to investment options in the Advisor Plan) only twice per calendar year, or if you change the Beneficiary on your Account to a Member of the Family of the previous Beneficiary.	*Making Changes to Your Account* page 5.
Federal Tax Benefits	• Earnings accrue free of federal income tax. • Qualified Withdrawals are not subject to federal income tax or the Additional Tax. • No federal gift tax on contributions of up to $70,000 (single filer) and $140,000 (married couple electing to split gifts) if prorated over 5 years. • Contributions are generally considered completed gifts to the Beneficiary for federal gift and estate tax purposes.	*Federal Tax Information*, page 28.
Connecticut Tax Treatment	• Earnings accrue free of Connecticut income tax. • Qualified Withdrawals are not subject to Connecticut income tax. • Contributions are deductible for Connecticut income tax purposes up to $5,000 per year for a single return or $10,000 per year for a joint return. • **Connecticut tax benefits related to the Direct Plan are available only to Connecticut taxpayers.**	*Connecticut Tax Information*, page 30.

Feature	Description	Additional Information
Direct Plan Fees	For the services provided to it, the Direct Plan pays: • to the Direct Plan Manager, a plan management fee at the annual rate of 0.15% of the average daily net assets of the Direct Plan (excluding any assets in the Principal Plus Interest Option); and • to the Trustee, an administrative fee at the annual rate of 0.01% of the average daily net assets of the Direct Plan (excluding any assets in the Principal Plus Interest Option).	*Direct Plan Fees*, page 7.
Risks of Investing in the Direct Plan	• Assets in an Account are not guaranteed or insured. • The value of your Account may decrease. You could lose money, including amounts you contributed. • Federal or Connecticut tax law changes could negatively affect the Direct Plan. • Fees could increase. • The Trustee may terminate, add or merge Investment Options, change the investments in which an Investment Option invests, or change allocations to those investments. • Contributions to an Account may adversely affect the Beneficiary's eligibility for financial aid or other benefits.	*Risks of Investing in the Direct Plan*, page 23.

Frequently Used Terms

For your convenience, certain frequently used terms are defined below.

Account	An account in the Direct Plan.
Account Owner/You	The individual or entity that opens or becomes an owner of an Account in the Direct Plan.
Additional Tax	A 10% additional federal tax imposed on the earnings portion of a Non-Qualified Withdrawal.
Beneficiary	The beneficiary for an Account as designated by you, the Account Owner.
Eligible Educational Institutions	Any college, university, vocational school or other postsecondary educational institution eligible to participate in a student aid program administered by the U.S. Department of Education. This includes virtually all accredited public, nonprofit and proprietary (privately owned profit-making) postsecondary institutions. The educational institution should be able to tell you if it is an eligible educational institution. Certain educational institutions located outside the United States also participate in the U.S. Department of Education's Federal Student Aid (FSA) programs.
Investment Options	The Direct Plan investment options in which you may invest your contributions.
Member of the Family	A person related to the Beneficiary as follows: (1) a child or a descendant of a child; (2) a brother, sister, stepbrother or stepsister; (3) the father or mother, or an ancestor of either; (4) a stepfather or stepmother; (5) a son or daughter of a brother or sister; (6) a brother or sister of the father or mother; (7) a son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law or sister-in-law; (8) the spouse of any of the foregoing individuals or the spouse of the Beneficiary; or (9) a first cousin of the Beneficiary. For this purpose, a child includes a legally adopted child and a stepson or stepdaughter, and a brother or sister includes a half-brother or half-sister.
Non-Qualified Withdrawal	Any withdrawal from an Account that does not meet the requirements of being: (1) a Qualified Withdrawal; (2) a Taxable Withdrawal; or (3) an outgoing rollover to another state's 529 Plan or to an Account within the Direct Plan (or an account in the Advisor Plan) for a different Beneficiary who is a Member of the Family of the previous Beneficiary.
Qualified Higher Education Expenses	Generally, tuition, certain room and board expenses, fees, books, supplies and equipment required for the enrollment or attendance of a Beneficiary at an Eligible Educational Institution.
Qualified Withdrawal	Any withdrawal from an Account used to pay for the Qualified Higher Education Expenses of the Beneficiary at an Eligible Educational Institution.

Taxable Withdrawal	Any withdrawal from an Account that is: (1) paid to a beneficiary of, or the estate of, the Beneficiary on or after the Beneficiary's death or attributable to the permanent disability of the Beneficiary; (2) made on account of the receipt by the Beneficiary of a scholarship award or veterans' or other nontaxable educational assistance (other than gifts or inheritances), but only to the extent of such scholarship or assistance; (3) made on account of the Beneficiary's attendance at a military academy, but only to the extent of the costs of education attributable to such attendance; or (4) equal to the amount of the Beneficiary's relevant Qualified Higher Education Expenses that is taken into account in determining the Beneficiary's Hope Scholarship/American Opportunity Credit or Lifetime Learning Credit.
Unit	An ownership interest in an Investment Option that is purchased by making a contribution to an Account.

Opening an Account

Account Application. To open an Account, you need to complete and sign a Direct Plan application (the "**Application**"). Your signature on the Application indicates your agreement to and acceptance of all terms in this Disclosure Booklet and in the attached Participation Agreement between you and the Trust. On your Application, you need to designate a Beneficiary for the Account and select the Investment Option(s) in which you want to invest your contributions.

To obtain an Application and enrollment kit, call or write to the Direct Plan (contact information is located on page 1 and the back cover of this Disclosure Booklet) or go to the Direct Plan's website. You may complete and submit the Application online (only available for individuals) or, you may mail a completed Application to the Direct Plan. After the Direct Plan receives your completed Application in good order, including a check or authorization for your initial contribution, the Direct Plan will open an Account for you.

To open an Account, you need to provide your name, address (must be a permanent U.S. address and not a post office box), Social Security number or taxpayer identification number and other information that will allow the Direct Plan to identify you, such as your telephone number. Until you provide the required information, the Direct Plan will not be able to open your Account. There may be only one Account Owner per Account.

Account Ownership. To be an Account Owner, you must be:

- A U.S. citizen or resident alien with a valid Social Security number or taxpayer identification number.
- A trust, corporation, or certain other type of entity with a taxpayer identification number.
- An organization described in Section 501(c)(3) of the IRC with a valid taxpayer identification number.
- A state or local government (or agency or instrumentality).
- A custodian for minors under the Uniform Gift to Minors Act or Uniform Transfer to Minors Act ("**UGMA/UTMA**") with a valid Social Security Number or taxpayer identification number.

Accounts opened by entities, Section 501(c)(3) organizations, state and local governments, trusts or UGMA/UTMA custodians are subject to additional restrictions and must provide documentation evidencing the legal status of the entity and the authorization of the representative to open an Account and to request Account transactions. UGMA/UTMA custodians are also subject to certain limitations on their ability to make changes to, and transfers to and from, such Accounts. UGMA/UTMA custodians and trust representatives should consult with a qualified advisor about the tax and legal consequences of opening an Account and their rights and responsibilities as custodians or representatives.

Selecting a Beneficiary. You must designate a Beneficiary on your Application (unless you are a state or local government or a 501(c)(3) tax-exempt organization establishing a scholarship account). Anyone with a valid Social Security number or taxpayer identification number can be the Beneficiary, including you. You do not need to be related to the Beneficiary. There may be only one Beneficiary on your Account. You may establish only one Account for each Beneficiary.

Choosing Investment Options. The Direct Plan offers multiple Investment Options. On the Application, you must select the Investment Option(s) in which you want to invest your contributions. You may select one or a combination of the Investment Options, subject to the minimum initial contribution amount per Investment Option. (For minimum initial contribution amounts, see the Overview table in the front of this Disclosure Booklet.) If you select more than one Investment Option, you must designate what portion of your contribution should be invested in each Investment Option. See "Investment Options" for summaries of the Investment Options offered under the Direct Plan.

Effective December 8, 2014, the Investment Option(s) you select and the percentage of your contribution to be allocated to each Investment Option as indicated on your Application will be the allocation instructions for all future contributions made to your Account by any method (except payroll deduction) ("**Allocation Instructions**"). You can change your Allocation

Instructions at any time online, by telephone or by submitting the appropriate Direct Plan form.

Designating a Contingent Account Owner. On the Application, you may designate a person to be the contingent Account Owner in the event of your death. Only Account Owners who are individuals are able to make such a designation.

Making Changes to Your Account

Changing Your Beneficiary. After you open an Account, you may change your Beneficiary to a Member of the Family of the former Beneficiary without adverse tax consequences. Otherwise, the change may be subject to federal or Connecticut income taxes. There also may be federal gift, estate and generation-skipping tax consequences of changing the Beneficiary. You should consult with a qualified advisor regarding the possible tax and legal consequences of changing the Beneficiary on your Account. To request a Beneficiary change, please complete the appropriate Direct Plan form.

Changing Investment Strategy for Future Contributions. You may change your Allocation Instructions for future contributions at any time online, by telephone or by submitting the appropriate Direct Plan form.

Changing Investment Strategy for Previously Contributed Amounts. You may move all or a portion of amounts previously contributed to your Account to different Investment Options only twice per calendar year, or if you change the Beneficiary on your Account to a Member of the Family of the previous Beneficiary.

Please keep in mind that this restriction applies to all accounts in the Trust, so if you have an account in each of the Direct Plan and the Advisor Plan for the same Beneficiary, an exchange of amounts previously contributed among investment options in either of these accounts counts against your twice per year exchange limit. An exchange from investment options in one plan within the Trust to investment options in another plan in the Trust for the same Beneficiary also counts against your twice per year exchange limit. However, changes within both plans that are submitted on the same day will count as a single exchange.

Transfers (including when there is a change of Beneficiary) from the Principal Plus Interest Option to the Money Market Option are not permitted. If this restriction changes, you will be notified prior to the effective date of any such change.

Adding or Changing the Contingent Account Owner. You may change or add a contingent Account Owner on your Account at any time by completing the appropriate Direct Plan form. You should consult with a qualified advisor regarding the possible tax and legal consequences of making such a change.

Transfer of Account Ownership. You may transfer the ownership of your Account to another individual or entity that is eligible to be an Account Owner by submitting the appropriate Direct Plan form. You do not need to change the Beneficiary if you transfer Account ownership. A transfer of the ownership of an Account will be effective only if the assignment is irrevocable, and transfers all rights, title and interest in the Account. Certain types of Account Owners that are not individuals may be subject to restrictions on their ability to transfer ownership of the Account. A change in Account ownership may have income or gift tax consequences. You should consult with a qualified advisor regarding the possible tax and legal consequences of transferring ownership of an Account.

Contributions

Who May Contribute. Anyone (including your friends and family) may make a contribution to your Account. However, there may be gift or other adverse tax consequences to the contributor and/or the Account Owner. A person, other than the Account Owner, who contributes to an Account, will not retain any rights with respect to such contribution — for example, only the Account Owner may give investment instructions for contributions or request withdrawals from the Account.

Contribution Minimums. The minimum initial and subsequent contribution to an Account is $25 in each Investment Option selected or $15 per pay period per Investment Option selected if you contribute using payroll deduction.

Methods of Contribution. Contributions to an Account, which must be in U.S. dollars, may be made:

- By check drawn on a banking institution located in the United States.
- By recurring automatic fund transfers from a checking or savings account.
- With a one-time electronic funds transfer from a checking or savings account.
- Through payroll deduction.
- With an incoming rollover from another state's 529 Plan, or from within the Trust from an account for a different Beneficiary.
- With redemption proceeds from a Coverdell Education Savings Account ("**Coverdell ESA**") or a "qualified United States savings bond" described in IRC Section 135 ("**qualified U.S, savings bond**").

Impermissible Methods of Contribution. The Direct Plan cannot accept contributions made by cash, starter check, traveler's check, credit card, convenience check or money order.

Checks. Checks should be made payable to the "Connecticut Higher Education Trust." Personal checks, bank drafts, tellers' checks, cashier's checks and checks issued by a financial institution or brokerage firm payable to the Account Owner and endorsed over to the

Direct Plan by the Account Owner are permitted, as are third-party personal checks up to $10,000 that are endorsed over to the Direct Plan. If you opened your Account prior to December 8, 2014 and you have not submitted Allocation Instructions for your Account for future contributions, with each contribution by check, you will need to tell the Direct Plan in which Investment Option(s) your contribution should be invested and how much of the contribution should be invested in each Investment Option.

Automatic Contribution Plan You may authorize the Direct Plan to periodically debit your checking or savings account on your Application or, after your Account is opened, by submitting the appropriate Direct Plan form or contacting the Direct Plan by mail, telephone or online. You may change or stop this automatic debit at any time by completing the appropriate Direct Plan form or contacting the Direct Plan by mail, telephone or online.

One-time Electronic Funds Transfer. You may authorize the Direct Plan to debit your checking or savings account on your Application or, after your Account is opened, by completing the appropriate Direct Plan form or by contacting the Direct Plan by mail, telephone, or online. If you opened your Account prior to December 8, 2014 and you have not submitted Allocation Instructions for your Account for future contributions, with each contribution by a one-time electronic funds transfer, you will need to tell the Direct Plan in which Investment Option(s) your contribution should be invested and how much of the contribution should be invested in each Investment Option.

Payroll Deduction. You may be able to make automatic contributions to your Account through payroll deduction if your employer offers such a service. Please check with your employer for more information and to see whether you are eligible to contribute to the Direct Plan through payroll deduction. If eligible, you will also need to complete the appropriate Direct Plan form and notify your employer to start such deductions. You can change or stop such deductions by contacting your employer and the Direct Plan.

Incoming Rollovers from Another State's 529 Plan. You may roll over funds from another state's 529 Plan to an Account in the Direct Plan for the same Beneficiary without adverse federal tax consequences if the rollover occurs at least 12 months from the date of a previous rollover for that Beneficiary. You may also roll over funds from another state's 529 Plan to an Account in the Direct Plan for a new Beneficiary without adverse federal income tax consequences if the new Beneficiary is a Member of the Family of the previous Beneficiary.

Rollovers may be direct or indirect. A direct rollover is when another state's 529 Plan transfers funds directly to your Account. An indirect rollover is when another state's 529 Plan transfers the funds to you, the Account Owner, and you contribute those funds to an Account within 60 days of the withdrawal. If the rollover funds received by you are not contributed to an Account within 60 days of the withdrawal from the previous account, then the earnings portion of the rollover may be subject to taxes.

Each incoming rollover contribution to an Account in the Direct Plan must be accompanied by a basis and earnings statement from the distributing 529 Plan that shows the earnings portion of the contribution. If the Direct Plan does not receive this documentation, the entire amount of the rollover contribution will be treated as earnings.

Intra-Trust Rollover from an Account in the Direct Plan to an Account for a New Beneficiary. You may also roll over funds from an Account in the Direct Plan or an account in the Advisor Plan to an Account in the Direct Plan or an account in the Advisor Plan for a new Beneficiary without adverse federal income tax consequences if the new Beneficiary is a Member of the Family of the previous Beneficiary.

Redemption Proceeds from Coverdell ESA or Qualified U.S. Savings Bond. You may contribute amounts from the redemption of a Coverdell ESA or qualified U.S. savings bond to an Account without adverse federal tax consequences. If you are contributing amounts from a Coverdell ESA, you must submit 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 redemption proceeds. If you are contributing amounts from a savings bond, you must submit an account statement or Internal Revenue Service ("**IRS**") Form 1099-INT issued by the financial institution that redeemed the bonds showing the interest portion of the redemption proceeds.

Maximum Account Balance. Currently, the maximum account balance for all Accounts in the Direct Plan, as well as any amounts held in the Advisor Plan for the same Beneficiary, is $300,000. Any contribution that would cause the account balance(s) for a Beneficiary to exceed the maximum account balance will be rejected by the Direct Plan and returned. It is possible that increases in market value could cause amounts in an Account(s) to exceed the maximum account balance limit. In this case, the amount in excess of the maximum could remain in the Account(s), but no new contributions would be accepted.

Unit Value

The Direct Plan will credit contributions to, or deduct withdrawals from, your Account at the Unit value of the applicable Investment Option determined on the day the Account transaction request is received in good order before the close of regular trading on the New York Stock Exchange ("**NYSE**") (usually 4:00 p.m., Eastern time). Contribution or withdrawal requests received after the close of regular trading or on a day when the

NYSE is not open will be credited to your Account at the Unit value next determined.

The value of a Unit in each Investment Option is computed by dividing (a) the Investment Option's assets minus its liabilities by (b) the number of outstanding Units of such Investment Option.

Investments in the Principal Plus Interest Option earn a rate of interest at the declared rate then in effect which will be compounded daily and will be credited to Accounts on a daily basis.

Direct Plan Fees

The following table describes the Direct Plan's current fees. The Trustee reserves the right to change the fees and/or to impose additional fees in the future.

Fee Table

Investment Option	Direct Plan Manager Fee (1)(2)	Administrative Fee (1)(3)	Estimated Underlying Mutual Fund Expenses (4)	Total Annual Asset-Based Fees (5)
Conservative Managed Allocation Option				
Age Band 0–3 years	0.15%	0.01%	0.28%	0.44%
Age Band 4–7 years	0.15%	0.01%	0.33%	0.49%
Age Band 8–11 years	0.15%	0.01%	0.38%	0.54%
Age Band 12–14 years	0.15%	0.01%	0.37%	0.53%
Age Band 15–17 years	0.15%	0.01%	0.35%	0.51%
Age Band 18 years and over	0.15%	0.01%	0.33%	0.49%
Moderate Managed Allocation Option				
Age Band 0–3 years	0.15%	0.01%	0.22%	0.38%
Age Band 4–7 years	0.15%	0.01%	0.27%	0.43%
Age Band 8–11 years	0.15%	0.01%	0.32%	0.48%
Age Band 12–14 years	0.15%	0.01%	0.35%	0.51%
Age Band 15–17 years	0.15%	0.01%	0.33%	0.49%
Age Band 18 years and over	0.15%	0.01%	0.30%	0.46%
Aggressive Managed Allocation Option				
Age Band 0–3 years	0.15%	0.01%	0.15%	0.31%
Age Band 4–7 years	0.15%	0.01%	0.20%	0.36%
Age Band 8–11 years	0.15%	0.01%	0.25%	0.41%
Age Band 12–14 years	0.15%	0.01%	0.28%	0.44%
Age Band 15–17 years	0.15%	0.01%	0.32%	0.48%
Age Band 18 years and over	0.15%	0.01%	0.32%	0.48%
Global Equity Index Option	0.15%	0.01%	0.08%	0.24%
Global Tactical Asset Allocation Option	0.15%	0.01%	0.91%	1.07%
International Equity Index Option	0.15%	0.01%	0.06%	0.22%
Active Global Equity Option	0.15%	0.01%	0.67%	0.83%
U.S. Equity Index Option	0.15%	0.01%	0.05%	0.21%
High Equity Balanced Option	0.15%	0.01%	0.19%	0.35%
Active Fixed-Income Option	0.15%	0.01%	0.56%	0.72%
Social Choice Option	0.15%	0.01%	0.18%	0.34%
Index Fixed-Income Option	0.15%	0.01%	0.12%	0.28%
Money Market Option (6)	0.15%	0.01%	0.13%	0.29%
Principal Plus Interest Option (7)	None	None	None	None

(1) Although the Direct Plan Manager Fee and the Administrative Fee are deducted from an Investment Option, not from your Account, each Account in the Investment Option indirectly bears its pro rata share of the Direct Plan Manager Fee and the Administrative Fee as these fees reduce the Investment Option's return.

(2) Each Investment Option (with the exception of the Principal Plus Interest Option) pays the Direct Plan Manager a fee at an annual rate of 0.15% (15 basis points) of the average daily net assets of the Investment Option. The Direct Plan Manager fee is subject to further reductions if total assets in the Direct Plan reach certain levels.

(3) For its services administering the Direct Plan, each Investment Option (with the exception of the Principal Plus Interest Option) pays to the Trustee an Administrative Fee at an annual rate of 0.01% of the average daily net assets of the Investment Option.

(4) The percentages set forth in this column are based on the expense ratios of the mutual funds in which an Investment Option invests. The amounts are calculated using the expense ratio reported in each mutual fund's most recent prospectus available prior to the date of this Disclosure Booklet weighted according to the Investment Option's allocation among the mutual funds in which it invests. Although these expenses are not deducted from an Investment Option's assets, each Investment Option (other than the Principal Plus Interest Option) indirectly bears its pro rata share of the expenses of the mutual funds in which it invests as these expenses reduce such mutual fund's return.

(5) These figures represent the estimated weighted annual expense ratios of the mutual funds in which the Investment Options invest plus the Administrative Fee and the fee paid to the Direct Plan Manager.

(6) Effective August 1, 2011, the Direct Plan Manager and the Trustee have agreed to voluntarily waive the Money Market Option's Direct Plan Manager Fee and Administrative Fee, respectively, in an attempt to maintain at least a 0.00% return for this Investment Option. The Direct Plan Manager and the Trustee may discontinue the waiver at any time without notice. Please note that after the waivers, the net return for the Money Market Option may still be negative.

(7) The Principal Plus Interest Option does not pay a Direct Plan Manager Fee or Administrative Fee. TIAA-CREF Life Insurance Company ("**TIAA-CREF Life**"), the issuer of the funding agreement in which this Investment Option invests and an affiliate of TFI, makes payments to TFI, as Plan Manager. This payment, among many other factors, is considered by the issuer when determining the interest rate(s) credited under the funding agreement.

Investment Cost Example. The example in the following table is intended to help you compare the cost of investing in the different Investment Options over various periods of time. This example assumes that:

- You invest $10,000 in an Investment Option for the time periods shown below.
- Your investment has a 5% compounded return each year.
- You withdraw your entire investment from the Investment Option at the end of the specified periods for Qualified Higher Education Expenses.
- Total Annual Asset-Based Fees remain the same as those shown in the Fee Table above.

Although your actual costs may be higher or lower, based on the above assumptions, your costs would be:

	APPROXIMATE COST OF $10,000 INVESTMENT			
INVESTMENT OPTIONS	**1 Year**	**3 Years**	**5 Years**	**10 Years**
Conservative Managed Allocation Option				
Age Band 0–3 years	$45	$142	$247	$555
Age Band 4–7 years	$50	$158	$275	$617
Age Band 8–11 years	$55	$174	$302	$678
Age Band 12–4 years	$54	$170	$297	$666
Age Band 15– 17 years	$52	$164	$286	$642
Age Band 18 years and over	$50	$158	$275	$617
Moderate Managed Allocation Option				
Age Band 0–3 years	$39	$122	$214	$481
Age Band 4–7 years	$44	$138	$241	$543

	APPROXIMATE COST OF $10,000 INVESTMENT			
INVESTMENT OPTIONS	**1 Year**	**3 Years**	**5 Years**	**10 Years**
Age Band 8–11 years	$49	$154	$269	$605
Age Band 12–14 years	$52	$164	$286	$642
Age Band 15–17 years	$50	$158	$275	$617
Age Band 18 years and over	$47	$148	$258	$580
Aggressive Managed Allocation Option				
Age Band 0–3 years	$32	$100	$174	$394
Age Band 4–7 years	$37	$116	$202	$456
Age Band 8–11 years	$42	$132	$230	$518
Age Band 12–14 years	$45	$142	$247	$555
Age Band 15–17 years	$49	$154	$269	$605
Age Band 18 years and over	$49	$154	$269	$605
Global Equity Index Option	$25	$77	$135	$306
Global Tactical Asset Allocation Option	$110	$342	$593	$1,311
International Equity Index Option	$23	$71	$124	$281
Active Global Equity Option	$85	$266	$462	$1,029
U.S. Equity Index Option	$22	$68	$118	$268
High Equity Balanced Option	$36	$113	$197	$444
Active Fixed-Income Option	$74	$231	$402	$897
Social Choice Option	$35	$109	$191	$431
Index Fixed-Income Option	$29	$90	$158	$356
Money Market Option	$30	$93	$163	$369
Principal Plus Interest Option	$0	$0	$0	$0

Investment Options

Choosing Your Investment Options. This section describes each Investment Option offered in the Direct Plan and the risks associated with an investment in such Investment Option.

The Trustee approves and authorizes each Investment Option, the investments in which each Investment Option invests and the allocations among those investments. The Trustee may add or remove Investment Options and change the allocations or the investments in which an Investment Option invests at any time.

You should consider a periodic assessment of your Investment Option selections to determine whether such selections are consistent with your current investment time horizon, risk tolerance and investment objectives. See “Making Changes to Your Account” for information about changing your Investment Option selections.

Investments of the Investment Options. Each Investment Option invests in one or more mutual funds or in a funding agreement. **Please keep in mind that you will not own shares of any of these mutual funds nor will you own any interest in a funding agreement.** Instead, you will own interests in the Direct Plan.

Information about the Funding Agreement and the Mutual Funds in which the Investment Options Invest. Information about the funding agreement is contained in this Disclosure Booklet. Information about the investment strategies and risks of each mutual fund in which an Investment Option invests is available in the mutual fund’s current prospectus and statement of additional information. You can request a copy of the current prospectus, the statement of additional information, or the most recent semiannual or annual report of each such mutual fund by:

- calling 1-800-223-1200 or visiting www.tiaa-cref.org/public/prospectuses for the TIAA-CREF funds (the investment advisor to the TIAA-CREF funds is Teachers Advisors, Inc., an affiliate of the Direct Plan Manager);
- calling 1-800-441-7762 or visiting www.blackrock.com for the BlackRock Strategic Income Opportunities Portfolio;
- calling 1-512-306-7400 or visiting www.dimensional.com for the DFA Emerging Markets Core Equity Portfolio;
- calling 1-800-242-0134 or visiting www.geam.com/prospectus for the GE Institutional Funds Small-Cap Equity Fund;
- calling 1-877-466-7778 or visiting http://dc.gmo.com for the GMO funds;

- calling 1-800-241-4671 or visiting www.mwamllc.com for the MetWest Total Return Bond Fund;
- calling 1-800-342-5236 or visiting www.franklintempleton.com/prospectus for the Templeton Global Bond Fund;
- calling 1-877-435-8105 or visiting www.hardingloevnerfunds.com for the Harding Loevner International Equity Portfolio; or
- calling 1-800-638-8790 or visiting www.troweprice.com/prospectus for the T. Rowe Price funds.

Risk Information. The risks of investing in each Investment Option are identified within the Investment Option description below. An explanation of these risks is in the section immediately following the last Investment Option description.

Age-Based Investment Options

Investment Objective: The Managed Allocation Options seek to match the investment objective and level of risk to the investment horizon by taking into account the Beneficiary's current age and the number of years before the Beneficiary turns 18 and is expected to enter college.

Investment Strategy. Depending on the Beneficiary's age, contributions to these Investment Options will be placed in one of six age bands, each of which has a different investment objective and investment strategy. As discussed below, the age bands for younger Beneficiaries seek a favorable long-term return by investing primarily in mutual funds that invest in equity securities, which typically have a higher level of risk, but may have greater potential for returns than mutual funds that invest primarily in debt securities. As a Beneficiary nears college age, the age bands allocate less to mutual funds that invest primarily in equity securities and allocate more heavily to mutual funds that invest primarily in debt securities, which typically have a lower level of risk than mutual funds that invest primarily in equity securities.

As the Beneficiary ages, assets in your Account that are attributable to the Managed Allocation Options are moved from one age band to the next on the first "Rolling Date" following the Beneficiary's fourth, eighth, twelfth, fifteenth, and eighteenth birthdays. The Rolling Dates are March 20, June 20, September 20 and December 20 (or the first business day thereafter).

With respect to each of the Managed Allocation Options, the percentage of each age band's assets allocated to each mutual fund is set forth in the tables below.

To varying degrees, the age bands invest in certain mutual funds that invest primarily in equity securities. As a Beneficiary ages, an age band's investment in these mutual funds will generally decrease. Through these mutual funds, an age band intends to indirectly allocate varying percentages of its assets to:

- equity securities of U.S. companies across all capitalization ranges;
- equity securities of foreign issuers across all capitalization ranges, including foreign issuers located in developed and emerging market countries; and
- equity securities of issuers that are principally engaged in or related to the real estate industry, including those that own significant real estate assets, such as real estate investment trusts ("**REITs**").

Also to varying degrees, the age bands invest in certain mutual funds that invest primarily in fixed-income or other types of debt securities. As a Beneficiary ages, an age band's investment in these mutual funds will generally increase.

Through these mutual funds, an age band intends to indirectly allocate varying percentages of its assets to:

- debt securities of U.S. companies and foreign issuers, including foreign issuers located in developed and emerging market countries, of any maturity or credit rating;
- a wide spectrum of investment-grade debt securities, including, but not limited to: corporate bonds; U.S. government securities; and mortgage-backed and asset-backed securities;
- inflation-indexed securities, including debt securities the principal values of which increase or decrease based on changes in the Consumer Price Index for All Urban Consumers over the life of the securities (typically U.S. Treasury Inflation-Indexed Securities, but also including other inflation-linked bonds that are issued or guaranteed by U.S. or non-U.S. public or private sector entities);
- a combination of other fixed-income securities, including, but not limited to: bonds rated below investment grade (*i.e.*, high-yield or "junk" bonds); mortgages and other loans; corporate debt obligations; floating and variable rate obligations; municipal obligations; zero coupon securities; and non-dollar denominated bonds; and
- fixed-income securities with equity features and, to a lesser extent, equity securities, such as preferred stock, convertible securities and securities of exchange-traded funds.

In addition to the investments described above, certain of the age bands for older Beneficiaries also invest in an additional mutual fund that invests primarily in high-quality, short-term money market instruments.

In addition, through its investment in mutual funds, a small percentage of the age band's assets may be indirectly allocated to derivative instruments and structured products that are linked to or derive their value from another security, asset, commodity or currency of any nation.

Investment Risks. Because the Managed Allocation Options invest in multiple mutual funds that, taken together, invest in a diversified portfolio of securities, the Managed Allocation Options are subject to the following risks to varying degrees: Active Management Risk; Call Risk; Collateralized Debt Obligations Risk; Commodities-Related Investments Risk; Convertible Securities Risk; Corporate Loans Risk; Credit Risk; Currency Management Strategies Risk; Current Income Risk; Debt Securities Risk; Derivatives Risk; Downgrade Risk; Emerging Markets Risk; Extension Risk; Fixed-Income Foreign Investment Risk; Foreign Investment Risk; Growth Investing Risk; High Portfolio Turnover Risk; Income Volatility Risk; Index Risk; Inflation-Indexed Securities Risk; Interest Rate Risk; Issuer Risk; Junk Bonds Risk; Large-Cap Risk; Leverage Risk; Liquidity Risk; Market Risk; Market Volatility/Liquidity/Valuation Risk; Mid-Cap Risk; Mortgage- and Asset-Backed Securities Risk; Municipal Securities Risk; Preferred Securities Risk; Prepayment Risk; Real Estate Investing Risk; Regional Risk; Repurchase Agreements and Purchase and Sale Contracts Risk; Reverse Repurchase Agreements Risk; Securities Lending Risk; Short Sales Risk; Small-Cap Risk; Sovereign Debt Securities Risk; Subsidiary Risk; Treasury Obligations Risk; US Government Mortgage-Related Securities Risk; Value Investing Risk; and Zero Coupon Securities Risk.

The age bands for younger Beneficiaries are subject to Emerging Markets Risk; Foreign Investment Risk; Large-Cap Risk; Mid-Cap Risk; Real Estate Investing Risk; and Small-Cap Risk to a greater extent than are the age bands for older Beneficiaries.

Likewise, the age bands for older Beneficiaries are subject to Call Risk; Collateralized Debt Obligations Risk; Corporate Loans Risk; Credit Risk; Current Income Risk; Debt Securities Risk; Downgrade Risk; Extension Risk; Fixed-Income Foreign Investment Risk; Income Volatility Risk; Index Risk; Inflation-Indexed Securities Risk; Interest Rate Risk; Mortgage- and Asset-Backed Securities Risk; and Prepayment Risk to a greater extent than are the age bands for younger Beneficiaries.

Conservative Managed Allocation Option
(Risk level shifts from aggressive to conservative as the Beneficiary ages)

Each age band in the Conservative Managed Allocation Option will invest more heavily in conservative investments than the corresponding age band within the Moderate or Aggressive Managed Allocation Options The mutual funds to which each age band in the Conservative Managed Allocation Option is allocated are:

Age Bands	TIAA-CREF Equity Index Fund	TIAA-CREF Int'l Equity Index Fund	DFA Emerging Markets Core Equity Portfolio	TIAA-CREF Real Estate Securities Fund	TIAA-CREF Bond Index Fund	TIAA-CREF Inflation-Linked Bond Fund	BlackRock Strategic Income Opportunities Fund	Templeton Global Bond Fund	TIAA-CREF Short-Term Bond Fund	TIAA-CREF Money Market Fund
0–3 Years	27.00%	21.60%	5.40%	6.00%	13.00%	8.00%	13.00%	6.00%	0.00%	0.00%
4- 7 Years	20.25%	16.20%	4.05%	4.50%	17.88%	11.00%	17.87%	8.25%	0.00%	0.00%
8-11 Years	13.50%	10.80%	2.70%	3.00%	22.75%	14.00%	22.75%	10.50%	0.00%	0.00%
12-14 Years	9.00%	7.20%	1.80%	2.00%	19.50%	12.00%	19.50%	9.00%	14.00%	6.00%
15-17 Years	4.50%	3.60%	0.90%	1.00%	16.25%	10.00%	16.25%	7.50%	28.00%	12.00%
18 and Over	0.00%	0.00%	0.00%	0.00%	13.00%	8.00%	13.00%	6.00%	42.00%	18.00%

Moderate Managed Allocation Option
(Risk level shifts from aggressive to conservative as the Beneficiary ages)

Each age band in the Moderate Managed Allocation Option will invest more heavily in mutual funds that invest in equity securities than the corresponding age band within the Conservative Managed Allocation Option, but less heavily in such mutual funds than the Aggressive Managed Allocation Option. Furthermore, each age band in the Moderate Managed Allocation Option will invest more heavily in conservative investments than the corresponding age band with the Aggressive Managed Allocation Option, but less heavily than the Conservative Managed Allocation Option. The mutual funds to which each age band in the Conservative Managed Allocation Option is allocated are:

Age Bands	TIAA-CREF Equity Index Fund	TIAA-CREF Int'l Equity Index Fund	DFA Emerging Markets Core Equity Portfolio	TIAA-CREF Real Estate Securities Fund	TIAA-CREF Bond Index Fund	TIAA-CREF Inflation-Linked Bond Fund	BlackRock Strategic Income Opportunities Fund	Templeton Global Bond Fund	TIAA-CREF Short-Term Bond Fund	TIAA-CREF Money Market Fund
0–3 Years	36.00%	28.80%	7.20%	8.00%	6.50%	4.00%	6.50%	3.00%	0.00%	0.00%
4- 7 Years	29.25%	23.40%	5.85%	6.50%	11.38%	7.00%	11.37%	5.25%	0.00%	0.00%
8-11 Years	22.50%	18.00%	4.50%	5.00%	16.25%	10.00%	16.25%	7.50%	0.00%	0.00%
12-14 Years	18.00%	14.40%	3.60%	4.00%	19.50%	12.00%	19.50%	9.00%	0.00%	0.00%
15-17 Years	13.50%	10.80%	2.70%	3.00%	16.25%	10.00%	16.25%	7.50%	14.00%	6.00%
18 and Over	9.00%	7.20%	1.80%	2.00%	11.38%	7.00%	11.37%	5.25%	31.50%	13.50%

Aggressive Managed Allocation Option
(Risk level shifts from aggressive to conservative as the Beneficiary ages)

Each age band in the Aggressive Managed Allocation Option will invest more heavily in mutual funds that invest in equity securities than the corresponding age band within the Conservative or Moderate Managed Allocation Options. The mutual funds to which each age band in the Aggressive Managed Allocation Option is allocated are:

Age Bands	TIAA-CREF Equity Index Fund	TIAA-CREF Int'l Equity Index Fund	DFA Emerging Markets Core Equity Portfolio	TIAA-CREF Real Estate Securities Fund	TIAA-CREF Bond Index Fund	TIAA-CREF Inflation-Linked Bond Fund	BlackRock Strategic Income Opportunities Fund	Templeton Global Bond Fund	TIAA-CREF Short-Term Bond Fund	TIAA-CREF Money Market Fund
0–3 Years	45.00%	36.00%	9.00%	10.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
4- 7 Years	38.25%	30.60%	7.65%	8.50%	4.88%	3.00%	4.87%	2.25%	0.00%	0.00%
8-11 Years	31.50%	25.20%	6.30%	7.00%	9.75%	6.00%	9.75%	4.50%	0.00%	0.00%
12-14 Years	27.00%	21.60%	5.40%	6.00%	13.00%	8.00%	13.00%	6.00%	0.00%	0.00%
15-17 Years	22.50%	18.00%	4.50%	5.00%	16.25%	10.00%	16.25%	7.50%	0.00%	0.00%
18 and Over	13.50%	10.80%	2.70%	3.00%	14.63%	9.00%	14.62%	6.75%	17.50%	7.50%

Risk-Based Investment Options

These Investment Options are intended for Participants who prefer to select an Investment Option (or several Investment Options) with a fixed risk level rather than a risk level that changes as the Beneficiary ages. Each of these Investment Options invests in one or more mutual funds or in a funding agreement, and each Investment Option has a different investment objective and investment strategy and is subject to different investment risks as summarized below.

Global Equity Index Option (formerly the Equity Index Option) (Risk level — Aggressive)

Investment Objective. This Investment Option seeks to provide a favorable long-term total return, mainly through capital appreciation.

Investment Strategy. This Investment Option invests its assets in index mutual funds that primarily invest in equity securities of U.S. companies and foreign issuers. The mutual funds in which this Investment Option is invested are:

TIAA-CREF International Equity Index Fund	44.00%
TIAA-CREF Equity Index Fund	43.00%
TIAA-CREF Emerging Markets Equity Index Fund	13.00%

Through its investments in these three mutual funds, this Investment Option intends to indirectly allocate its assets to:

- equity securities of large- and mid-capitalization foreign issuers, including foreign issuers located in developed and emerging market countries; and
- equity securities of U.S. companies across all capitalization ranges.

Investment Risks. Because the Global Equity Index Option invests in multiple mutual funds that, taken together, invest in a diversified portfolio of securities, the Global Equity Index Option is subject to the following risks to varying degrees: Emerging Markets Risk; Foreign Investment Risk; Index Risk; Issuer Risk; Large-Cap Risk; Market Risk; Mid-Cap Risk; and Small-Cap Risk.

Global Tactical Asset Allocation Option
(Risk Level — Aggressive)

Investment Objective. This Investment Option seeks a favorable long-term total return.

Investment Strategy. This Investment Option invests 100% of its assets in an actively-managed mutual fund structured as a fund of funds that invests in various asset classes pursuant to a forecast of risk and return as calculated by the fund's investment adviser. The mutual fund in which this Investment Option is invested is:

GMO Benchmark-Free Allocation Series Fund	100%

Through its investment in this mutual fund, this Investment Option intends to indirectly allocate its assets to securities associated with any asset class, country sector and capitalization range, including, but not limited to:

- equity, debt, and fixed-income securities of U.S. companies and foreign issuers, including foreign issuers located in developed and emerging market countries;
- real estate-related securities (*e.g.*, mortgage- and asset-backed securities);
- derivative instruments;
- securities issued by the U.S. Treasury and other securities issued by the U.S. government; and
- money market mutual funds and other short-term securities.

Investment Risks. The Global Tactical Asset Allocation Option is subject to the following risks to varying degrees: Active Management Risk; Commodities Related Investments Risk; Counterparty Risk; Credit Risk; Currency Risk; Derivatives Risk; Fixed-Income Investments Market Risk; Focused Investment Risk; Foreign Investment Risk; Large Shareholder Risk; Leverage Risk; Liquidity Risk; Market Risk; Market Disruptions and Geopolitical Risk; Merger Arbitrage Risk; Mortgage- and Asset-Backed Securities Risk; Natural Resources Risk; Options Risk; Quantitative Analysis Risk; Real Estate Investing Risk; Short Sales Risk; and Small-Cap Risk.

International Equity Index Option
(Risk level — Aggressive)

Investment Objective. This Investment Option seeks a favorable long-term total return, mainly through capital appreciation.

Investment Strategy. This Investment Option invests 100% of its assets in an index fund that primarily invests in equity securities of foreign issuers. The mutual fund in which this Investment Option is invested is:

TIAA-CREF International Equity Index Fund	100%

Through its investment in this mutual fund, this Investment Option intends to indirectly allocate its assets to equity securities of large- and mid-capitalization foreign issuers, including foreign issuers located in developed and emerging market countries.

Investment Risks. This Investment Option is subject to the following risks to varying degrees: Foreign Investment Risk; Index Risk; Issuer Risk; Large-Cap Risk; Market Risk; and Mid-Cap Risk.

Active Global Equity Option (formerly the Active Equity Option) (Risk level — Aggressive)

Investment Objective. This Investment Option seeks to provide a favorable long-term total return mainly through capital appreciation and, to a lesser extent, current income.

Investment Strategy. This Investment Option invests its assets in actively-managed mutual funds that primarily invest in equity securities. The mutual funds in which this Investment Option is invested are:

Harding Loevner International Equity Portfolio	30.00%
TIAA-CREF Growth & Income Fund	22.00%
GMO International Equity Allocation Series Fund	20.00%
T. Rowe Price Institutional Large-Cap Growth Fund	10.50%
T. Rowe Price Institutional Large-Cap Value Fund	10.50%
GE Institutional Small-Cap Equity Fund	4.00%
TIAA-CREF Mid-Cap Growth Fund	1.50%
TIAA-CREF Mid-Cap Value Fund	1.50%

Through its investments in these eight mutual funds, and through one of the mutual fund's investments in a fund of funds, this Investment Option intends to indirectly allocate its assets to:

- equity securities of foreign issuers across all capitalization ranges, including foreign issuers located in developed and emerging market countries; and
- equity securities of U.S. companies across all capitalization ranges.

In addition, a small percentage of this Investment Option's assets may be indirectly allocated to debt securities of U.S. companies and foreign issuers of any maturity or credit quality; derivative instruments; U.S. Treasury and other U.S. government securities (including zero-coupon securities); and money market and other high-quality, short-term securities.

Investment Risks. Because the Active Global Equity Option invests in multiple mutual funds that, taken together, invest in a diversified portfolio of securities, the Active Global Equity Option is subject to the following risks to varying degrees: Active Management Risk; Allocation Risk; Commodities Related Investments Risk; Counterparty Risk; Credit Risk; Currency Risk; Derivatives Risk; Emerging Markets Risk; Fixed-Income Investments Market Risk; Foreign Investment Risk; Growth Investing Risk; Interest Rate Risk; Issuer Risk; Large-Cap Risk; Large Shareholder Risk; Leverage

Risk; Liquidity Risk; Market Disruptions and Geopolitical Risk; Market Risk; Mid-Cap Risk; Mortgage- and Asset-Backed Securities Risk; Natural Resources Risk; Options Risk; Participation Notes Risk; Quantitative Analysis Risk; Short Sales Risk; Small-Cap Risk; Special Situations Risk; and Value Investing Risk.

U.S. Equity Index Option (Risk level — Aggressive)

Investment Objective. This Investment Option seeks to provide a favorable long-term total return, mainly through capital appreciation.

Investment Strategy. This Investment Option invests 100% of its assets in an index fund that primarily invests in equity securities of U.S. companies. The mutual fund in which this Investment Option is invested is:

TIAA-CREF Equity Index Fund	100%

Through its investment in this mutual fund, this Investment Option intends to indirectly allocate its assets to equity securities of U.S. companies across all capitalization ranges.

Investment Risks. The U.S. Equity Index Option is subject to the following risks to varying degrees: Index Risk; Issuer Risk; Large-Cap Risk; Market Risk; Mid-Cap Risk; and Small-Cap Risk.

High Equity Balanced Option (formerly the High Equity Option) (Risk level — Aggressive)

Investment Objective. This Investment Option seeks to provide a favorable long-term total return through both capital appreciation and current income.

Investment Strategy. This Investment Option invests its assets in mutual funds that primarily invest in equity or debt securities. The mutual funds in which this Investment Option is invested are:

TIAA-CREF International Equity Index Fund	32.00%
TIAA-CREF S&P 500 Index Fund	30.00%
TIAA-CREF Bond Index Fund	13.00%
DFA Emerging Markets Core Equity Portfolio	8.00%
TIAA-CREF Inflation-Linked Bond Fund	4.00%
GE Institutional Small-Cap Equity Fund	3.60%
TIAA-CREF Mid-Cap Growth Fund	3.20%
TIAA-CREF Mid-Cap Value Fund	3.20%
Templeton Global Bond Fund	3.00%

Through its investments in these nine mutual funds, this Investment Option intends to indirectly allocate its assets to:

- equity securities of foreign issuers across all capitalization ranges, including foreign issuers located in developed and emerging market countries;
- equity securities of U.S. companies across all capitalization ranges;
- a wide spectrum of investment-grade debt securities, including, but not limited to: corporate bonds; U.S. government securities; and mortgage-backed and asset-backed securities;
- inflation-indexed securities, including debt securities the principal values of which increase or decrease based on changes in the Consumer Price Index for All Urban Consumers over the life of the securities (typically U.S. Treasury Inflation-Indexed Securities, but also including other inflation-linked bonds that are issued or guaranteed by U.S. or non-U.S. public or private sector entities);
- money market securities and other short-term, high-quality securities;
- bonds rated below investment grade (*i.e.*, high-yield or "junk" bonds); and
- derivative instruments and structured products that are linked to or derive their value from another security, asset or currency of any nation.

Investment Risks. Because the High Equity Balanced Option invests in multiple mutual funds that, taken together, invest in a diversified portfolio of securities, the High Equity Balanced Option is subject to the following risks to varying degrees: Active Management Risk; Allocation Risk; Call Risk; Credit Risk; Currency Risk; Currency Management Strategies Risk; Derivatives Risk; Emerging Markets Risk; Extension Risk; Fixed-Income Foreign Investment Risk; Foreign Investment Risk; Growth Investing Risk; Income Volatility Risk; Index Risk; Inflation-Indexed Securities Risk; Interest Rate Risk; Issuer Risk; Junk Bonds Risk; Large-Cap Risk; Liquidity Risk; Market Risk; Market Volatility/Liquidity/Valuation Risk; Mid-Cap Risk; Prepayment Risk; Quantitative Analysis Risk; Regional Risk; Securities Lending Risk; Small-Cap Risk; Sovereign Debt Securities Risk; Special Situations Risk; and Value Investing Risk.

Active Fixed-Income Option (Risk level —Moderate)

Investment Objective. This Investment Option seeks to provide favorable long-term total return.

Investment Strategy. This Investment Option invests its assets in actively-managed mutual funds that invest in a wide range of fixed-income securities. The mutual funds in which this Investment Option is invested are:

BlackRock Strategic Income Opportunities Fund	27.50%
Metropolitan West Total Return Bond Fund	27.50%
TIAA-CREF Inflation-Linked Bond Fund	20.00%
Templeton Global Bond Fund	15.00%
TIAA-CREF High-Yield Fund	10.00%

Through its investments in these five mutual funds, this Investment Option intends to indirectly allocate its assets to:

- debt securities of U.S. companies and foreign issuers, including foreign issuers located in developed and emerging market countries, of any maturity or credit rating;

- a combination of other fixed-income securities, including, but not limited to: bonds rated below investment grade (*i.e.*, high-yield or “junk” bonds); mortgages and other loans; corporate debt obligations; floating and variable rate obligations; municipal obligations; zero coupon securities; non-dollar denominated bonds; defaulted securities; and deferred-interest obligations;
- fixed-income securities with equity features and, to a lesser extent, equity securities, such as preferred stock, convertible securities and securities of exchange-traded funds;
- a wide spectrum of investment-grade debt securities, including, but not limited to: corporate bonds; U.S. and non-U.S. government securities; mortgage-backed and asset-backed securities; and collateralized debt obligations;
- money market securities and other short-term, high-quality securities;
- inflation-indexed securities, including debt securities the principal values of which increase or decrease based on changes in the Consumer Price Index for All Urban Consumers over the life of the securities (typically U.S. Treasury Inflation-Indexed Securities, but also including other inflation-linked bonds that are issued or guaranteed by U.S. or non-U.S. public or private sector entities); and
- derivative instruments and structured products that are linked to or derive their value from another security, asset, commodity or currency of any nation.

Investment Risks. Because the Active Fixed-Income Option invests in multiple mutual funds that, taken together, invest in a diversified portfolio of securities, the Active Fixed-Income Option is subject to the following risks to varying degrees: Active Management Risk; Call Risk; Credit Risk; Collateralized Debt Obligations Risk; Commodities-Related Investments Risk; Convertible Securities Risk; Corporate Loans Risk; Currency Management Strategies Risk; Debt Securities Risk; Derivatives Risk; Emerging Markets Risk; Extension Risk; Fixed-Income Foreign Investment Risk; Foreign Investment Risk; High Portfolio Turnover Risk; Income Volatility Risk; Inflation-Indexed Securities Risk; Interest Rate Risk; Issuer Risk; Junk Bonds Risk; Leverage Risk; Liquidity Risk; Market Risk; Market Volatility/Liquidity/Valuation Risk; Mortgage- and Asset-Backed Securities Risk; Municipal Securities Risk; Preferred Securities Risk; Prepayment Risk; Real Estate Investing Risk; Regional Risk; Repurchase Agreements and Purchase and Sale Contracts Risk; Reverse Repurchase Agreements Risk; Short Sales Risk; Small-Cap Risk; Sovereign Debt Securities Risk; Subsidiary Risk; Treasury Obligations Risk; US Government Mortgage-Related Securities Risk; and Zero Coupon Securities Risk.

Social Choice Option (Risk level — Aggressive)

Investment Objective. This Investment Option seeks to provide a favorable long-term total return while giving special consideration to certain environmental, social and governance criteria.

Investment Strategy. This Investment Option invests 100% of its assets in one actively-managed mutual fund that invests primarily in equity securities. The mutual fund in which this Investment Option is invested is:

TIAA-CREF Social Choice Equity Fund	100%

Through its investment in this mutual fund, this Investment Option intends to indirectly allocate its assets to securities, primarily equity securities, of companies across all capitalization ranges (including a small percentage of foreign companies) that meet certain criteria on matters related to topics such as climate change, human rights, and business ethics, among others. This Investment Option’s assets may also be indirectly allocated to U.S. government and non-U.S. government securities.

Investment Risks. The Social Choice Option is subject to the following risks to varying degrees: Active Management Risk; Foreign Investment Risk; Index Risk; Issuer Risk; Market Risk; Mid-Cap Risk; Quantitative Analysis Risk; Small-Cap Risk; and Social Criteria Risk.

Index Fixed-Income Option (Risk level Moderate)

Investment Objective. This Investment Option seeks a favorable long-term return, mainly from current income.

Investment Strategy. This Investment Option invests 100% of its assets in an index fund that primarily invests in debt securities. The mutual fund in which this Investment Option is invested is:

TIAA-CREF Bond Index Fund	100%

Through its investment in this mutual fund, this Investment Option intends to indirectly allocate its assets to a wide spectrum of public, investment grade, taxable debt securities denominated in U.S. dollars including government securities, as well as asset- and mortgage-backed securities. A small percentage of this Investment Option’s assets may be indirectly allocated to debt securities that are unrated or below investment grade.

Investment Risks. The Index Fixed-Income Option is subject to the following risks to varying degrees: Call Risk; Credit Risk; Extension Risk; Fixed-Income Foreign Investment Risk; Income Volatility Risk; Index Risk; Interest Rate Risk; Issuer Risk; Market Volatility/Liquidity/Valuation Risk; and Prepayment Risk.

Money Market Option (Risk level — Conservative)

Investment Objective. This Investment Option seeks to provide current income consistent with the preservation of capital.

Investment Strategy. This Investment Option invests 100% of its assets in a money market mutual fund. The mutual fund in which this Investment Option is invested is:

TIAA-CREF Money Market Fund	100%

Through its investment in this mutual fund, this Investment Option intends to indirectly allocate its assets to high-quality, short-term money market instruments from domestic and foreign issuers.

Investment Risks. The Money Market Option is subject to the following risks to varying degrees: Credit Risk; Current Income Risk; Fixed-Income Foreign Investment Risk; Income Volatility Risk; Interest Rate Risk; Issuer Risk; and Market Volatility/Liquidity/Valuation Risk.

Principal Plus Interest Option
(Risk level — Conservative)

Investment Objective. This Investment Option seeks to preserve capital and provide a stable return.

Investment Strategy. The assets in this Investment Option are allocated to the funding agreement issued by TIAA-CREF Life, which is an affiliate of TFI, to the Trust, which is the policyholder under the funding agreement. The funding agreement provides a minimum guaranteed rate of return on the amounts allocated to it by the Investment Option. The minimum effective annual interest rate will be neither less than 1% nor greater than 3% at any time. The guarantee is made by the insurance company to the policyholder, not to Account Owners. In addition to the guaranteed rate of interest to the policyholder, the funding agreement allows for the possibility that additional interest may be credited as declared periodically by TIAA-CREF Life. The rate of any additional interest is declared in advance for a period of up to 12 months and is not guaranteed for any future periods. The current effective annual interest rate applicable to the funding agreement will be posted on the Direct Plan's website.

The funding agreement to which this Investment Option is allocated is:

TIAA-CREF Life Funding Agreement	100%

Investment Risks. Through its investment in a funding agreement, the Principal Plus Interest Option is subject to Funding Agreement risk.

Explanation of Investment Risks of the Investment Options

Active Management Risk - The risk that a mutual fund's investment adviser's judgments about the attractiveness, value or potential appreciation of the fund's investments may prove incorrect and, consequently, the investment adviser's strategy, investment selection or trading execution may cause the fund to underperform relative to its benchmark index or mutual funds with similar investment objectives and investment strategies. Some mutual funds may use quantitative analyses or models as part of their investment process. Any imperfections, errors, or limitations in those analyses and models could affect the fund's performance.

Allocation Risk - The risk that a mutual fund's investment adviser's may not allocate the fund's assets among investment management styles in an optimal manner, if, among other reasons, it does not correctly assess the attractiveness of an investment style.

Call Risk - The risk that, during periods of falling interest rates, an issuer may call (or repay) a fixed-income security prior to maturity, resulting in a decline in a fund's income.

Credit Risk - The issuer of debt securities, or the counterparty of a derivatives contract or repurchase agreement, may not be able or willing to meet interest or principal payments, in whole or in part, when the bonds become due. Further, the debt securities' market value may change based on changes in the issuer's credit rating or financial strength or the market's perception of the issuer's creditworthiness or financial strength. Below investment grade securities (commonly referred to as "junk bonds") have speculative characteristics, and changes in economic conditions or other circumstances are more likely to impair the capacity of issuers of those securities to make principal and interest payments than is the case with issuers of investment grade securities.

Collateralized Debt Obligations Risk - In addition to the typical risks associated with fixed income securities and asset-backed securities, CDOs carry additional risks including, but not limited to: (i) the possibility that distributions from collateral securities will not be adequate to make interest or other payments; (ii) the risk that the collateral may default or decline in value or be downgraded, if rated by a nationally recognized statistical rating organization; (iii) a mutual fund may invest in tranches of CDOs that are subordinate to other tranches; (iv) the structure and complexity of the transaction and the legal documents could lead to disputes among investors regarding the characterization of proceeds; (v) the investment return achieved by a mutual fund could be significantly different than those predicted by financial models; (vi) the lack of a readily available secondary market for CDOs; (vii) risk of forced "fire sale" liquidation due to technical defaults such as coverage test failures; and (viii) the CDO's manager may perform poorly. In addition, investments in CDOs may be characterized by a mutual fund as illiquid securities.

Commodities Related Investments Risk - Commodities prices can be extremely volatile. Exposure to commodities and the commodities markets can cause the net asset value of a mutual fund's shares to decline or fluctuate in a rapid and unpredictable manner, thus subjecting the fund to greater volatility than investments in traditional securities. The value of commodity-linked derivative investments may be affected by changes in overall market movements, commodity index volatility, changes in interest rates, or sectors affecting a particular industry or commodity, such as drought, floods, weather, embargoes, tariffs and international economic, political and regulatory developments.

Convertible Securities Risk - The market value of a convertible security performs like that of a regular debt security; that is, if market interest rates rise, the value of a convertible security usually falls. In addition, convertible securities are subject to the risk that the issuer will not be able to pay interest or dividends when due, and their market value may change based on changes in the issuer's credit rating or the market's perception of the issuer's creditworthiness. Since it derives a portion of its value from the common stock into which it may be converted, a convertible security is also subject to the same types of market and issuer risks that apply to the underlying common stock.

Corporate Loans Risk - Commercial banks and other financial institutions or institutional investors make corporate loans to companies that need capital to grow or restructure. Borrowers generally pay interest on corporate loans at rates that change in response to changes in market interest rates such as the London Interbank Offered Rate ("LIBOR") or the prime rates of U.S. banks. As a result, the value of corporate loan investments is generally less exposed to the adverse effects of shifts in market interest rates than investments that pay a fixed rate of interest. The market for corporate loans may be subject to irregular trading activity, wide bid/ask spreads and extended trade settlement periods.

Counterparty Risk - A mutual fund runs the risk that its counterparty to a derivatives contract, a clearing member used by the fund to hold a cleared derivatives contract, or a borrower of the fund's securities will be unable or unwilling to make timely settlement payments, return the fund's margin or otherwise honor its obligations.

Currency Management Strategies Risk - Currency management strategies may substantially change a mutual fund's exposure to currency exchange rates and could result in losses to the fund if currencies do not perform as the investment manager expects. In addition, currency management strategies, to the extent that they reduce a fund's exposure to currency risks, may also reduce the fund's ability to benefit from favorable changes in currency exchange rates. Using currency management strategies for purposes other than hedging further increases the fund's exposure to foreign investment losses. Currency markets generally are not as regulated as securities markets. In addition, currency rates may fluctuate significantly over short periods of time, and can reduce returns.

Currency Risk - Fluctuations in exchange rates can adversely affect the market value of foreign currency holdings and the dollar value of investments denominated in foreign currencies. If a foreign currency weakens against the U.S. dollar, the U.S. dollar value of an investment denominated in that currency would also decline.

Current Income Risk - The risk that the income a mutual fund receives may fall as a result of a decline in interest rates. In a low interest rate environment, a money market fund may not be able to achieve a positive or zero yield or maintain a stable net asset value of $1.00 per share.

Debt Securities Risk - Debt securities, such as bonds, involve interest rate risk, credit risk, extension risk, and prepayment risk, among other things.

Derivatives Risk - Derivatives are instruments, such as futures, options, swaps, credit default swaps, forwards and foreign exchange forward contracts, whose value is derived from that of other assets, rates or indices. The use of derivatives for non-hedging purposes may be considered more speculative than other types of investments. A mutual fund's use of derivatives may reduce the fund's returns and/or increase volatility and may involve substantial leverage risk. A risk of a fund's use of derivatives is that the fluctuations in their values may not correlate perfectly with the overall securities markets. The possible lack of a liquid secondary market for derivatives and the resulting inability of a fund to sell or otherwise close a derivatives position could expose the fund to losses and could make derivatives more difficult for the fund to value accurately. Valuation may be more difficult in times of market turmoil since many investors and market makers may be reluctant to purchase complex instruments or quote prices for them.

Derivative instruments are subject to a number of risks including counterparty, liquidity, interest rate, market, currency, credit and management risks, and the risk of improper valuation. Changes in the value of a derivative may not correlate perfectly with the underlying asset, rate or index, and a mutual fund investing in derivatives could lose more than the principal amount invested. The risks associated with investing in derivatives may be different and greater than the risks associated with directly investing in the underlying securities and other instruments. In addition, the risks of loss associated with derivatives that provide short investment exposure and short sales of securities are theoretically unlimited.

Furthermore, changes in laws or regulations may make the use of derivatives more costly, may limit the availability of derivatives, or may otherwise adversely affect the use, value or performance of derivatives.

Downgrade Risk - The risk that securities are subsequently downgraded should a mutual fund's investment adviser and/or rating agencies believe the issuer's business outlook or creditworthiness has deteriorated.

Emerging Markets Risk - The risk of foreign investment often increases in countries with emerging markets. For example, these countries may have more unstable governments than developed countries, and their economies may be based on only a few industries. Emerging markets tend to develop unevenly and may never fully develop. Because their financial markets may be very small, share prices of financial instruments in emerging markets countries may be volatile and difficult to determine and the markets may be expensive to trade in. Financial instruments of issuers in these countries may be less liquid than those of issuers in more developed countries. Investments in emerging markets may be considered speculative. Emerging market countries may have additional heightened risks due to a lack of established legal, political, business and social frameworks to support securities markets, including: delays in settling portfolio securities transactions; currency and capital controls; greater sensitivity to interest rate changes; pervasiveness of corruption and crime; currency exchange rate volatility; and inflation, deflation or currency devaluation. Emerging markets are more likely to experience hyperinflation and currency devaluations, which adversely affect returns to U.S. investors. In addition, foreign investors such as U.S. mutual funds are subject to a variety of special restrictions in many emerging markets countries. Frontier market countries generally have smaller economies or less developed capital markets and, as a result, the risks of investing in emerging market countries are magnified in frontier market countries.

Extension Risk - The risk that during periods of rising interest rates, borrowers may pay off their mortgage loans later than expected, preventing a mutual fund from reinvesting principal proceeds at higher interest rates, causing securities considered short or intermediate term to be long-term securities, resulting in less income than potentially available, and causing the value of these obligations to fall.

Fixed-Income Foreign Investment Risk - Investment in fixed-income securities or financial instruments of foreign issuers involves increased risks due to adverse issuer, political, regulatory, currency, market or economic developments. These developments may impact the ability of a foreign debt issuer to make timely and ultimate payments on its debt obligations to a mutual fund or impair the fund's ability to enforce its rights against the foreign debt issuer. These risks are heightened in emerging or developing markets. Foreign investments may also be less liquid and more difficult to value than investments in U.S. issuers.

Fixed-Income Investments Market Risk - The market price of a fixed income investment can decline due to a number of market-related factors, including rising interest rates and widening credit spreads, or decreased liquidity stemming from the market's uncertainty about the value of a fixed income investment (or class of fixed income investments).

Focused Investment Risk - Focusing investments in countries, regions, sectors, companies, or industries with high positive correlations to one another creates more risk than if a mutual fund's investments were less correlated.

Foreign Investment Risk - Foreign markets can be more volatile than U.S. markets due to increased risks of adverse issuer, political, diplomatic, social, regulatory, currency, market or economic developments. Foreign investments may also be less liquid, smaller, less regulated, more difficult to value, and subject to greater price volatility than financial instruments of U.S. issuers. There may also be less publicly-available information about a foreign issuer. Foreign markets may be subject to the risks of nationalization, expropriation or confiscatory taxation, currency blockages, reduced legal protections and political changes or diplomatic developments. To the extent foreign securities are denominated in foreign currencies, their values may be adversely affected by changes in currency exchange rates. Foreign banks and securities depositories may be recently organized or new to the foreign custody business and may be subject to only limited or no regulatory oversight. The governments of certain countries may prohibit or impose substantial restrictions on foreign investments in their capital markets or in certain industries. Foreign markets may have different reporting, accounting and auditing standards than U.S. markets. Further, the cost of trading in foreign markets often is higher than in U.S. markets. Settlement and clearance procedures in certain foreign markets may result in delays in payment for or delivery of securities not typically associated with settlement and clearance of U.S. investments. Non-U.S. securities transactions generally involve higher commission rates, transfer taxes, and custodial costs than similar transactions in the United States.

The economies of certain foreign markets may not compare favorably with the economy of the United States with respect to such issues as growth of gross national product, reinvestment of capital, resources and balance of payments position. Additional risks have arisen over the past few years and may continue because of high levels of debt and other economic distress in various countries, including some in Europe. Attempted solutions also may increase the risk of loss and volatility in securities markets. Foreign investment risk may be heightened in emerging or developing markets. An issuer domiciled in a developed country may be similarly affected by these developing country risks to the extent that the issuer conducts a significant percentage of its business in developing countries.

Funding Agreement Risk - The risk that TIAA-CREF Life could fail to perform its obligations under the funding agreement for financial or other reasons.

Growth Investing Risk (a type of **Style Risk**) **-** Due to their relatively high valuations, growth stocks are typically more volatile than value stocks because they are more sensitive to investor perceptions of the issuing company's growth potential and may experience a larger decline on a forecast of lower earnings, or a negative event or market development, than would a value stock. A stock with growth characteristics may also lack dividends that can help cushion its share price in a declining market. Growth-oriented mutual funds will typically underperform when value investing is in favor.

High Portfolio Turnover Risk - High portfolio turnover (more than 100%) of a mutual fund's securities may result in increased transaction costs to the fund, including brokerage commissions, dealer mark-ups and other transaction costs on the sale of the securities and on reinvestment in other securities.

Income Volatility Risk - The risk that the level of current income from a portfolio of fixed-income investments declines in certain interest rate environments or when a mutual fund experiences defaults on debt securities it holds.

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

Inflation-Indexed Securities Risk - Inflation-indexed securities have a tendency to react to changes in real interest rates. Real interest rates represent nominal (stated) interest rates lowered by the anticipated effect of inflation. In general, the price of an inflation-indexed security decreases when real interest rates increase, and increases when real interest rates decrease. Interest payments on inflation-indexed securities will fluctuate as the principal and/or interest is adjusted for inflation and can be unpredictable. In addition, inflation indices may not reflect the true rate of inflation.

Interest Rate Risk (a type of **Market Risk**) **-** The market value of bonds and other fixed-income securities changes in response to interest rate changes and other factors. Interest rate risk is the risk that prices of bonds and other fixed-income securities will increase as interest rates fall and decrease as interest rates rise. This effect is typically more pronounced for intermediate and longer-term debt obligations. Fixed-income securities may be subject to a greater risk of rising interest rates due to the current period of historically low rates. Rising interest rates could have unpredictable effects on the markets and may expose fixed-income and related markets to heightened volatility. To the extent a mutual fund invests in debt securities that may be prepaid at the option of the obligor (such as mortgage-backed securities), the sensitivity of such securities to changes in interest rates may increase (to the detriment of the fund) when interest rates rise. Decreases in interest rates may result in prepayments of debt obligations a fund acquires, requiring such fund to reinvest at lower interest rates. Moreover, because rates on certain floating rate debt securities typically reset only periodically, changes in prevailing interest rates (and particularly sudden and significant changes) can be expected to cause some fluctuations in the net asset value of a mutual fund to the extent that it invests in floating rate debt securities. When interest rates rise, debt security prices generally fall. The opposite is also generally true: debt security prices rise when interest rates fall. In general, securities with longer maturities are more sensitive to these interest rate changes. Bond prices generally rise when interest rates decline and generally decline when interest rates rise. In recent periods, governmental financial regulators, including the U.S. Federal Reserve, have taken steps to maintain historically low interest rates. It is possible there will be less governmental action in the future to maintain low interest rates or that governmental action will be less effective in maintaining low interest rates. Interest rate changes are influenced by a number of factors including government policy, monetary policy, inflation expectations, perceptions of risk, and supply and demand of bonds. Changes in market conditions and government action may have adverse effects on investments, volatility, and liquidity in debt markets and any negative impact on fixed income securities could be swift and significant, potentially increasing Fund redemptions and negatively impacting the Fund's performance.

Issuer Risk (often called **Financial Risk**) **-** The value of an equity security or debt obligation may decline in response to developments affecting the specific issuer of the security or obligation, even if the overall industry or economy is unaffected. These developments may include a variety of factors, including but not limited to management issues or other corporate disruption, a decline in revenues or profitability, an increase in costs, or an adverse effect on the issuer's competitive position.

Junk Bonds Risk - Issuers of lower-rated or "high-yield" debt securities (also called "junk bonds") are not as strong financially as those issuing higher credit quality debt securities. Such securities can be harder to value and sell and their prices can be more volatile than more highly rated securities. These issuers are generally considered predominantly speculative by the applicable rating agencies as these issuers are more likely to encounter financial difficulties and are more vulnerable to changes in the relevant economy, such as a recession or a sustained period of rising interest rates, that could affect their ability to make interest and principal payments when due. While these securities generally have higher rates of interest, they also involve greater risk of default than do securities of a higher-quality rating.

Large-Cap Risk - The risk that large-capitalization companies are more mature and may grow more slowly than the economy as a whole and tend to go in and out of favor based on market and economic conditions. Larger, more established companies may be unable to respond quickly to new competitive challenges or attain the high growth rate of successful smaller companies.

Large Shareholder Risk - To the extent that a large number of shares of a mutual fund are held by a single shareholder, that mutual fund is subject to the risk that a redemption by that shareholder of all or a large portion of its fund shares will disrupt the fund's operations.

Leverage Risk - Some transactions may give rise to a form of economic leverage. These transactions may include, among others, reverse repurchase agreements and other derivatives and securities lending, and may expose a mutual fund to greater risk and increase its costs. The use of leverage may cause the fund to liquidate portfolio positions when it may not be advantageous to do so to satisfy its obligations or to meet any required asset segregation requirements. Increases and decreases in the value of the fund's portfolio will be magnified when the fund uses leverage. Leverage increases the fund's losses when the value of its investments (including derivatives) declines.

Liquidity Risk - The risk that there may be no willing buyer of the fund's portfolio securities and the fund may have to sell those securities at a lower price or may not be able to sell the securities at all, each of which would have a negative effect on performance. Over recent years, the fixed-income markets have grown more than the ability of dealers to make markets, which can further constrain liquidity and increase the volatility of portfolio valuations. High levels of redemptions in bond funds in response to market conditions could cause greater losses as a result. To the extent that a mutual fund's principal investment strategies involve derivatives or securities with substantial market and/or credit risk, the fund will tend to have the greatest exposure to liquidity risk. Liquid investments may become illiquid after purchase by a fund, particularly during periods of market turmoil. Illiquid investments may be harder to value, especially in changing markets.

Market Risk - The market values of securities owned by a mutual fund will go up or down, sometimes rapidly or unpredictably, due to factors affecting particular companies, a particular industry or sector, or the securities markets generally. Stocks generally fluctuate in value more than bonds and may decline significantly over short time periods. There is a chance that stock prices overall will decline because stock markets tends to move in cycles, with periods of rising prices and falling prices. A security's market value may be reduced by market activity or other results of supply and demand unrelated to the issuer. When there are more buyers than sellers, prices tend to rise. Likewise, when there are more sellers than buyers, prices tend to fall.

Market Volatility, Liquidity and Valuation Risk (types of **Market Risk**) **-** The risk that volatile or dramatic reductions in trading activity make it difficult for a mutual fund to properly value its investments and that the fund may not be able to purchase or sell an investment at an attractive price, if at all.

Market Disruptions and Geopolitical Risk - Geopolitical and other events may disrupt securities markets and adversely affect global economies and markets. Those events, as well as other changes in non-U.S. and U.S. economic and political conditions, could adversely affect the value of a mutual fund's investments.

Merger Arbitrage Risk – If a mutual fund purchases securities in anticipation of a proposed merger, exchange offer, tender offer, or other similar transaction, and that transaction later appears unlikely to be consummated or in fact is not consummated or is delayed, the market price of the security purchased by the fund may decline sharply and result in losses to the fund if such securities are sold, transferred or exchanged for securities or cash, the value of which is less than the purchase price. There is typically asymmetry in the risk/reward payout of merger arbitrage strategies — the losses that can occur in the event of deal break-ups can far exceed the gains to be had if deals close successfully. The consummation of mergers, exchange offers, tender offers, and similar transactions can be prevented or delayed by a variety of factors, including regulatory and antitrust restrictions, political motivations, industry weakness, stock specific events, failed financings, and general market declines. During periods when merger activity is low, it may be difficult or impossible to identify opportunities for profit or to identify a sufficient number of such opportunities to provide diversification among potential merger transactions. Merger arbitrage strategies are also subject to the risk of overall market movements. To the extent that a general increase or decline in equity market values affects the securities involved in a merger arbitrage position differently, the position may be exposed to loss. A fund's hedging strategies and short sales of securities may not perform as expected, which can lead to inadvertent market-related losses. Also, a fund may not be able to hedge against market fluctuations or other risks.

Mid-Cap Risk - The risk that the stocks of mid-capitalization companies often experience greater price volatility, lower trading volume and less liquidity than the stocks of larger, more established companies.

Mortgage- and Asset-Backed Securities Risk - Mortgage- and asset-backed securities represent interests in "pools" of mortgages or other assets, including consumer loans or receivables held in trust. Mortgage- and asset-backed securities are subject to credit, interest rate, prepayment and extension risks. The market price of mortgage- and asset-backed securities, can decline due to a number of factors, including market uncertainty about their credit quality and the reliability of their payment streams. These securities also are subject to risk of default on the underlying mortgage or asset, particularly during periods of economic downturn. Small movements in interest rates (both increases and decreases) may quickly and significantly reduce the value of certain mortgage-backed securities. There is a risk that the impairment of the value of the collateral underlying the security such as non-payment of loans, will result in a reduction in the value of the security.

Municipal Securities Risk – the risks of investing in municipal securities include the ability of the issuer to repay the obligation, the relative lack of information about certain issuers of municipal securities, and the possibility of future legislative changes which could affect the market for and value of municipal securities. These risks include:

- *General Obligation Bonds Risks* — Timely payments depend on the issuer's credit quality, ability to raise tax revenues and ability to maintain an adequate tax base.
- *Revenue Bonds Risks* — These payments depend on the money earned by the particular facility or class of facilities, or the amount of revenues derived from another source.
- *Private Activity Bonds Risks* — Municipalities and other public authorities issue private activity bonds to finance development of industrial facilities for use by a private enterprise. The private enterprise pays the principal and interest on the bond, and the issuer does not pledge its faith, credit and taxing power for repayment.
- *Moral Obligation Bonds Risks* — Moral obligation bonds are generally issued by special purpose public authorities of a state or municipality. If the issuer is unable to meet its obligations, repayment of these bonds becomes a moral commitment, but not a legal obligation, of the state or municipality.
- *Municipal Notes Risks* — Municipal notes are shorter term municipal debt obligations. If there is a shortfall in the anticipated proceeds, the notes may not be fully repaid and a Fund may lose money.
- *Municipal Lease Obligations Risks* — In a municipal lease obligation, the issuer agrees to make payments when due on the lease obligation. Although the issuer does not pledge its unlimited taxing power for payment of the lease obligation, the lease obligation is secured by the leased property.

Natural Resources Risk - To the extent a mutual fund concentrates its assets in the natural resources sector, the value of its portfolio is subject to factors affecting the natural resources industry and may fluctuate more than the value of a portfolio that consists of securities of companies in a broader range of industries.

Options Risk - The market price of options written by a mutual fund will be affected by many factors, including changes in the market price or dividend rates of underlying securities (or in the case of indices, the securities comprising such indices); changes in interest rates or exchange rates; changes in the actual or perceived volatility of the relevant stock market and underlying securities; and the time remaining before an option's expiration.

Participation Notes Risk – Participation notes are designed to replicate the return of a particular underlying equity or debt security, currency or market. Participation notes involve the same risks associated with a direct investment in the underlying security, currency or market. In addition, participation notes involve counterparty risk, because the fund has no rights against the issuer(s) of the underlying security(ies) and must rely on the creditworthiness of the issuer of the participation note.

Preferred Securities Risk - Preferred securities may pay fixed or adjustable rates of return. Preferred securities are subject to issuer-specific and market risks applicable generally to equity securities. In addition, a company's preferred securities generally pay dividends only after the company makes required payments to holders of its bonds and other debt. For this reason, the value of preferred securities will usually react more strongly than bonds and other debt to actual or perceived changes in the company's financial condition or prospects. Preferred securities of smaller companies may be more vulnerable to adverse developments than preferred stock of larger companies.

Prepayment Risk - When interest rates fall, certain obligations will be paid off by the obligor more quickly than originally anticipated, and a mutual may have to invest the proceeds in securities with lower yields.

Quantitative Analysis Risk - The risk that stocks selected using quantitative modeling and analysis could perform differently from the market as a whole.

Real Estate Investing Risk - The main risk of real estate related securities is that the value of the underlying real estate may go down. Many factors may affect real estate values. These factors include both the general and local economies, the amount of new construction in a particular area, cleanup of environmental problems, the laws and regulations (including zoning and tax laws) affecting real estate, decreases in property revenues, property taxes, and the costs of owning, maintaining and improving real estate. The availability of mortgages and changes in interest rates may also affect real estate values. If a mutual fund's real estate related investments are concentrated in one geographic area or in one property type, the fund will be particularly subject to the risks associated with that area or property type.

Regional Risk - Adverse conditions in a certain region or country can adversely affect securities of issuers in other countries whose economies appear to be unrelated. To the extent that a mutual fund invests a significant portion of its assets in a specific geographic region or a particular country, the fund will generally have more exposure to the specific regional or country economic risks. In the event of economic or political turmoil or a deterioration of diplomatic relations in a region or country where a substantial portion of the fund's assets are invested, the fund may experience substantial illiquidity or reduction in the value of the fund's investments.

Repurchase Agreements and Purchase and Sale Contracts Risk - If the other party to a repurchase agreement or purchase and sale contract defaults on its obligation under the agreement, a mutual fund may suffer delays and incur costs or lose money in exercising its rights under the agreement. If the seller fails to repurchase the security in either situation and the market value of the security declines, the fund may lose money.

Reverse Repurchase Agreements Risk - Reverse repurchase agreements involve the risk that the other party may fail to return the securities in a timely manner or at all. A mutual fund could lose money if it is unable to recover the securities and the value of the collateral held by the fund, including the value of the investments made with cash collateral, is less than the value of securities.

Securities Lending Risk - Securities lending involves the risk that the borrower may fail to return the securities in a timely manner or at all. As a result, a mutual fund that lends its securities may lose money and there may be a delay in recovering the loaned securities. The fund could also lose money if it does not recover the securities and/or the value of the collateral falls, including the value of investments made with cash collateral.

Short Sales Risk – A mutual fund may incur a loss as a result of a short sale if the price of the security increases between the date of the short sale and the date on which the fund replaces the security sold short.

Small-Cap Risk - The risk that the stocks of small-capitalization companies often experience greater price volatility than large- or mid-sized companies because small-cap companies are often newer or less established than larger companies and are likely to have more limited resources, product lines and markets. Securities of small-cap companies are often less liquid than securities of larger companies as a result of there being a smaller market for their securities; this could make it difficult to sell a small company security at a desired time or price. In general, smaller capitalization companies are also more vulnerable than larger companies to competition and adverse business or economic developments and they may have more limited resources, may lack the competitive strength of larger companies, may have inexperienced managers or depend on a few key employees.

Social Criteria Risk - The risk that because the fund's social criteria exclude securities of certain issuers for nonfinancial reasons, the fund may forgo some market opportunities available to funds that don't use these criteria.

Sovereign Debt Securities - Sovereign debt securities are subject to various risks in addition to those relating to debt securities and foreign securities generally, including, but not limited to, the risk that a governmental entity may be unwilling or unable to pay interest and repay principal on its sovereign debt, or otherwise meet its obligations when due because of cash flow problems, insufficient foreign reserves, the relative size of the debt service burden to the economy as a whole, the government's policy towards principal international lenders such as the International Monetary Fund, or the political considerations to which the government may be subject. If a sovereign debtor defaults (or threatens to default) on its sovereign debt obligations, the indebtedness may be restructured. Some sovereign debtors have in the past been able to restructure their debt payments without the approval of some or all debt holders or to declare moratoria on payments. In the event of a default on sovereign debt, a mutual fund may also have limited legal recourse against the defaulting government entity.

Special Situations Risk - Stocks of companies involved in reorganizations, mergers and other special situations can involve the risk that such situations may not materialize or may develop in unexpected ways. Consequently, those stocks can involve more risk than ordinary securities.

Subsidiary Risk - By investing in a subsidiary, a mutual fund is indirectly exposed to the risks associated with the subsidiary's investments. There can be no assurance that the investment objective of the subsidiary will be achieved. The subsidiary may not be registered under the Investment Company Act, and, thus, may not subject to all the investor protections of the Investment Company Act. Changes in the laws of the United States or the location of the subsidiary's organization could result in the inability a subsidiary to operate as intended.

Treasury Obligations Risk - Treasury obligations may differ in their interest rates, maturities, times of issuance and other characteristics. Obligations of U.S. Government agencies and authorities are supported by varying degrees of credit but generally are not backed by the full faith and credit of the U.S. Government. No assurance can be given that the U.S. Government will provide financial support to its agencies and authorities if it is not obligated by law to do so.

U.S. Government Mortgage-Related Securities Risk - There are a number of important differences among the agencies and instrumentalities of the U.S. Government that issue mortgage-related securities and among the securities that they issue. Mortgage-related securities guaranteed by the Government National Mortgage Association ("GNMA" or "Ginnie Mae") are guaranteed as to the timely payment of principal and interest by GNMA and such guarantee is backed by the full faith and credit of the United States. GNMA securities also are supported by the right of GNMA to borrow funds from the U.S. Treasury to make payments under its guarantee. Mortgage-related securities issued by Fannie Mae or Freddie Mac are solely the obligations of Fannie Mae or Freddie Mac, as the case may be, and are not backed by or entitled to the full faith and credit of the United States but are supported by the right of the issuer to borrow from the Treasury.

Value Investing Risk - Value stocks may perform differently from the market as a whole and following a value-oriented investment strategy may cause a mutual fund to at times underperform equity funds that use other investment strategies; value-oriented mutual funds will typically underperform when growth investing is in favor. Securities believed to be undervalued are subject to the risks that the issuer's potential business prospects are not realized, its potential value is never recognized by the market or the securities were appropriately priced when acquired. As a result, value stocks can be overpriced when acquired and may not perform as anticipated.

Zero Coupon Securities Risk - While interest payments are not made on such zero coupon securities, holders of such securities are deemed to have received income ("phantom income") annually, notwithstanding that cash may not be received currently. The effect of owning instruments that do not make current interest payments is that a fixed yield is earned not only on the original investment but also, in effect, on all discount accretion during the life of the obligations. This implicit reinvestment of earnings at a fixed rate eliminates the risk of being unable to invest distributions at a rate as high as the implicit yield on the zero coupon bond, but at the same time eliminates the holder's ability to reinvest at higher rates in the future. For this reason, some of these securities may be subject to substantially greater price fluctuations during periods of changing market interest rates than are comparable securities that pay interest currently. Longer term zero coupon bonds are more exposed to interest rate risk than shorter term zero coupon bonds. These investments benefit the issuer by mitigating its need for cash to meet debt service, but also require a higher rate of return to attract investors who are willing to defer receipt of cash.

Risks of Investing in the Direct Plan

Investment Risks. Through its investments, an Investment Option is subject to one or more of the investment risks summarized above. The value of your Account may increase or decrease over time based on the performance of the Investment Options you selected. There is a risk that you could lose part or all of the value of your Account and that your Account may be worth less than the total amount contributed to it.

No Guarantee of Attendance. There is no guarantee that a Beneficiary will be accepted for admission to an Eligible Educational Institution, or, if admitted, will graduate or receive a degree, or otherwise be permitted to continue to be enrolled at an Eligible Educational Institution.

No Guarantee of Costs. Increases in Qualified Higher Education Expenses could exceed the rate of return of the Investment Options over the same time period. Even if the combination of the value of all Accounts in the Direct Plan and the Advisor Plan for a Beneficiary reaches the maximum account balance limit, those funds may not be sufficient to pay all Qualified Higher Education Expenses of the Beneficiary.

Changes in Law. Changes to federal or Connecticut laws, including Section 529, may adversely impact the Direct Plan. For example, Congress could amend Section 529 or other federal law in a manner that would materially change or eliminate the federal tax treatment described in this Disclosure Booklet. The State of Connecticut could also make changes to Connecticut tax law that could materially affect the Connecticut tax treatment of the Direct Plan. In addition, the U.S. Department of the Treasury has issued proposed regulations addressing certain aspects of Section 529, but has not issued final regulations. Final regulations, if issued, may differ from the proposed regulations and may apply retroactively. Other administrative guidance or court decisions may be issued that could affect the tax treatment described in this Disclosure Booklet.

Not an Investment in Mutual Funds or Registered Securities. Although certain Investment Options invest in mutual funds, neither the Direct Plan nor any of the Direct Plan's Investment Options is a mutual fund. An investment in the Direct Plan is considered an investment in municipal fund securities that are issued and offered by the State of Connecticut. These securities are not registered with the U.S. Securities and Exchange Commission ("**SEC**") or any state, nor are the Direct Plan or any of the Direct Plan's Investment Options registered as investment companies with the SEC or any state.

Potential Direct Plan Changes, including Change of the Direct Plan Manager. The Trustee may change or terminate the Direct Plan. For example, the Trustee could change the Direct Plan's fees, add or close an Investment Option, change the investments of the

Investment Options, or change the Direct Plan Manager. In certain circumstances, the Trustee may terminate your participation in the Direct Plan and close your Account. Depending on the change, you may be required to participate, or be prohibited from participating, in the change if your Account was established prior to the change. If the Trustee changes the Direct Plan Manager, your Account may automatically be invested in new investment options or you may need to open a new Account in the Direct Plan to make future contributions on behalf of your Beneficiary. There is no guarantee that such a change would be without tax implications or that Direct Plan investment options in the future will be similar to those described in this Disclosure Booklet. Certain Direct Plan transactions, such as those that relate to changing the Direct Plan Manager, could result in the assets of the Direct Plan being temporarily held in cash. Certain Direct Plan transactions could also result in additional expenses or could negatively impact the performance of the Investment Options.

Potential Impact on Financial Aid. The eligibility of your Beneficiary for financial aid will depend upon the circumstances of the Beneficiary's family at the time the Beneficiary enrolls in school, as well as on the policies of the governmental agencies, school or private organizations to which the Beneficiary or the Beneficiary's family applies for financial assistance. Because saving for college will increase the financial resources available to the Beneficiary, there will most likely be some effect on the Beneficiary's eligibility. However, because these policies vary at different institutions and can change over time, it is not possible to predict how the federal financial aid program, state or local government, private organizations or the school to which your Beneficiary applies, will treat your Account.

Medicaid Eligibility. The eligibility of an Account Owner for Medicaid assistance could be impacted by the Account Owner's ownership of a college savings account in a 529 Plan. Medicaid laws and regulations may change and you should consult with a qualified advisor regarding your particular situation.

Suitability; Investment Alternatives. None of the State of Connecticut, the Trust, the Direct Plan, the Trustee, nor the Direct Plan Manager makes any representations regarding the suitability of any Investment Options for any particular investor or the appropriateness of the Direct Plan as a college savings investment vehicle. Other types of investments may be more appropriate depending upon your residence, financial condition, tax situation, risk tolerance or the age of the Beneficiary. Various 529 Plans other than the Direct Plan, including programs designed to provide prepaid tuition, are currently available, as are other investment alternatives. The investments, fees, expenses, eligibility requirements, tax and other consequences and features of these alternatives may differ from those of the Direct Plan. Before investing in the Direct Plan, you may wish to consider alternative college savings vehicles and you should consult with a qualified advisor to discuss your options.

No Insurance or Guarantee. None of the State of Connecticut, the Trustee, the Direct Plan, the Federal Deposit Insurance Corporation, any other government agency or entity, nor any of the service providers to the Direct Plan insure any Account or guarantee any rate of return or any interest on any contribution to the Direct Plan.

Past Performance

The following tables show the returns of each Investment Option over the time period(s) indicated. No performance data is included for the Global Tactical Asset Allocation Option, International Equity Index Option, or U.S. Equity Index Option because these Investment Options are new and have no performance history. For purposes of this discussion, each age band in the Moderate Managed Allocation Option, Conservative Managed Allocation Option and Aggressive Managed Allocation Option is considered a separate Investment Option.

The tables below compare the average annual total return of an Investment Option (after deducting fees and expenses) to the returns of a benchmark. The benchmark included in the tables combines the benchmark(s) for the underlying investment(s) in which an Investment Option invests weighted according to the allocations to those underlying investments(s) and adjusted to reflect any changes in the allocations and/or the benchmark(s) during the relevant time period. Benchmarks are not available for investment, are not managed and do not reflect the fees or expenses of investing.

Past performance is not a guarantee of future results. Performance may be substantially affected over time by changes in the allocations and/or changes in the investments in which each Investment Option invests. Investment returns and the principal value will fluctuate, so that your Account, when redeemed, may be worth more or less than the amounts contributed to your Account.

For monthly performance information, visit the Direct Plan's website or call the Direct Plan.

Conservative Managed Allocation Option

Average Annual Total Returns for the Period Ended February 28, 2015

Age Bands	1 Year	3 Year	5 Year	10 Year	Since Inception	Inception Date
0–3 years	7.18%	8.85%	----	----	8.26%	November 22, 2010
Benchmark	6.66%	8.49%	----	----	8.22%	
4–7 years	6.42%	7.24%	----	----	7.15%	November 22, 2010
Benchmark	5.80%	6.78%	----	----	6.99%	
8–11 years	5.67%	5.63%	----	----	6.09%	November 22, 2010
Benchmark	4.93%	5.06%	----	----	5.73%	
12–14 years	4.66%	4.27%	----	----	4.65%	November 22, 2010
Benchmark	3.82%	3.72%	----	----	4.39%	
15–17 years	3.23%	2.82%	----	----	3.37%	December 2, 2010
Benchmark	2.72%	2.38%	----	----	3.18%	
18 years and over	1.88%	1.33%	----	----	1.87%	November 26, 2010
Benchmark	1.62%	1.04%	----	----	1.75%	

Moderate Managed Allocation Option

Average Annual Total Returns for the Period Ended February 28, 2015

Age Bands	1 Year	3 Year	5 Year	10 Year	Since Inception	Inception Date
0–3 years	8.28%	11.14%	10.81%	----	5.92%	March 10, 2005
Benchmark	7.80%	10.78%	10.67%	----	6.23%	
4–7 years	7.11%	9.35%	9.39%	----	5.70%	March 10, 2005
Benchmark	6.95%	9.07%	9.49%	----	6.10%	
8–11 years	6.58%	7.85%	8.29%	----	5.54%	March 10, 2005
Benchmark	6.09%	7.35%	8.27%	----	5.86%	
12–14 years	6.24%	6.70%	7.48%	----	5.27%	March 10, 2005
Benchmark	5.51%	6.21%	7.43%	----	5.67%	
15–17 years	5.13%	5.42%	6.03%	----	4.63%	March 10, 2005
Benchmark	4.40%	4.86%	5.90%	----	4.86%	
18 years and over	3.65%	3.93%	4.33%	----	3.79%	March 10, 2005
Benchmark	3.16%	3.46%	4.19%	----	3.88%	

Aggressive Managed Allocation Option

Average Annual Total Returns for the Period Ended February 28, 2015

Age Bands	1 Year	3 Year	5 Year	10 Year	Since Inception	Inception Date
0–3 years	8.79%	13.25%	12.31%	----	5.09%	November 20, 2007
Benchmark	8.92%	13.07%	12.18%	----	4.98%	
4–7 years	8.28%	11.62%	11.17%	----	4.87%	November 19, 2007
Benchmark	8.08%	11.35%	11.06%	----	5.17%	
8–11 years	7.65%	10.03%	9.97%	----	5.10%	November 20, 2007
Benchmark	7.23%	9.64%	9.89%	----	5.20%	
12–14 years	7.28%	8.93%	9.19%	----	5.19%	November 19, 2007
Benchmark	6.66%	8.49%	9.09%	----	5.23%	
15–17 years	6.82%	7.75%	8.33%	----	5.00%	November 21, 2007
Benchmark	6.09%	7.35%	8.27%	----	5.26%	
18 years and over	4.97%	5.30%	5.91%	----	4.00%	November 20, 2007
Benchmark	4.27%	4.81%	5.73%	----	4.09%	

Risk-Based Investment Options

Average Annual Total Returns for the Period Ended February 28, 2015

Investment Option	1 Year	3 Year	5 Year	10 Year	Since Inception	Inception Date
Global Equity Index Option	6.54%	12.10%	11.14%	----	5.53%	June 20, 2006
Benchmark	6.63%	12.03%	11.11%	----	5.89%	
Active Global Equity Option	6.81%	12.46%	----	----	10.05%	November 22, 2010
Benchmark	7.20%	13.12%	----	----	11.13%	
High Equity Balanced Option	6.74%	10.91%	10.37%	5.81%	4.84%	March 22, 2001
Benchmark	6.72%	10.54%	10.22%	5.98%	5.65%	
Active Fixed-Income Option	4.01%	3.26%	4.91%	----	5.23%	June 20, 2006
Benchmark	3.08%	2.10%	4.28%	----	5.34%	
Social Choice Option	11.87%	16.77%	14.82%	----	7.87%	November 23, 2007
Benchmark	14.12%	18.02%	16.36%	----	7.99%	
Index Fixed-Income Option	4.74%	2.41%	----	----	3.29%	November 22, 2010
Benchmark	5.05%	2.76%	----	----	3.67%	
Money Market Option	0.00%	0.00%	-0.06%	----	0.18%	February 19, 2008
Benchmark	0.01%	0.02%	0.02%	----	0.28%	
Principal Plus Interest Option	1.40%	1.59%	1.97%	2.68%	3.05%	March 23, 2001

Withdrawals

Only you, the Account Owner, may request withdrawals from your Account. There are two components of a withdrawal – principal (the amount contributed to the Account) and earnings, if any (the amount of market return or interest earned on amounts contributed). Whether the earnings portion is subject to tax depends on the purpose for which you use the withdrawal proceeds, as summarized below.

You will receive the Unit value next calculated for the Investment Option(s) you choose after the Direct Plan receives your completed withdrawal request in good order. If your Account is invested in more than one Investment Option, you must select the Investment Option(s) from which your funds are to be withdrawn. You will not be able to withdraw a contribution until 10 days after receipt of that contribution by the Direct Plan. Generally, if you make a change to your mailing address or to your banking information on file, or if you transfer the Account to a new Account Owner, no withdrawals may be made from the Account for 30 days after the Direct Plan has received the request form. Additional requirements may apply to withdrawals requests of $100,000 or more.

To request a withdrawal from your Account, complete and mail the appropriate Direct Plan form to the Direct Plan, make a request through the secure portion of the Direct Plan website or call the Direct Plan. Withdrawal proceeds may generally be paid to you, the Beneficiary, an Eligible Educational Institution or another 529 Plan. There are certain limitations as to whom the proceeds may be paid depending on the method of withdrawal request. Potential tax consequences associated with withdrawals are set forth below.

You and your Beneficiary are responsible, under federal and Connecticut tax law, to substantiate your treatment of contributions to, withdrawals from, and other transactions involving your Account. You should retain receipts, invoices and other documents and information adequate to substantiate your treatment of such transactions, including the treatment of expenses as Qualified Higher Education Expenses.

Types of Withdrawals. Each withdrawal you make from your Account will fall into one of the following categories:

- a Qualified Withdrawal;
- an outgoing rollover;
- a Taxable Withdrawal; or
- a Non-Qualified Withdrawal.

Qualified Withdrawals. To be a Qualified Withdrawal, the withdrawal must be used to pay for Qualified Higher Education Expenses of the Beneficiary at an Eligible Educational Institution. No portion of a Qualified Withdrawal will be taxed.

Qualified Higher Education Expenses are defined generally to include tuition, certain room and board expenses, fees, books, supplies and equipment required for the enrollment or attendance of a Beneficiary at an Eligible Educational Institution. Qualified Higher Education Expenses include certain additional enrollment and attendance costs of special needs beneficiaries. Unlike other expenses, the cost of room and board may be treated as Qualified Higher Education Expenses only if it is incurred during an academic period during which the Beneficiary is enrolled or accepted for enrollment in a degree, certificate or other program that leads to a recognized educational credential awarded by an Eligible Educational Institution, and during which the Beneficiary is enrolled at least half-time. (Half-time is defined as half of a full-time academic workload for the course of study the Beneficiary is pursuing based on the standard at the Beneficiary's Eligible Educational Institution.) The amount of room and board expenses that may be treated as a Qualified Higher Education Expense is generally limited to the room and board allowance applicable to a student that is included by the Eligible Educational Institution in its "cost of attendance" for purposes of determining eligibility for federal education assistance for that year. For students living in housing owned or operated by the Eligible Educational Institution, if the actual invoice amount charged by the Eligible Educational Institution for room and board is higher than the "cost of attendance" figure, then the actual invoice amount may be treated as qualified room and board costs.

Outgoing Rollovers. You may roll over funds from your Account to another state's 529 Plan for the same Beneficiary without adverse federal tax consequences if the rollover occurs at least 12 months from the date of a previous rollover for that Beneficiary. You may also roll over funds from an Account in the Direct Plan to another state's 529 Plan (or an account in the Advisor Plan) for a new Beneficiary without adverse federal tax consequences if the new Beneficiary is a Member of the Family of the previous Beneficiary.

An exchange from Investment Options between the Direct Plan and the Advisor Plan for the same Beneficiary is not treated as a rollover. See "Making Changes to Your Account."

Rollovers may be direct or indirect. A direct rollover is when the Direct Plan transfer funds from your Account directly to another state's 529 Plan. An indirect rollover is when the Direct Plan transfers the funds from your Account to you, the Account Owner, and you contribute those funds to another 529 Plan within 60 days of the withdrawal. If the rollover funds received by you are not contributed to another 529 Plan within 60 days of the withdrawal from your Account in the Direct Plan, then the earnings portion of the rollover may be subject to taxes.

The 529 Plan of another state (or the Advisor Plan) may impose restrictions on or prohibit certain types of incoming rollovers. Be sure to check with the other 529 Plan before requesting an outgoing rollover from your Account in the Direct Plan.

Taxable Withdrawals. A Taxable Withdrawal is a withdrawal from your Account that is: (1) paid to a beneficiary of, or the estate of, the Beneficiary on or after the Beneficiary's death or attributable to the permanent disability of the Beneficiary; (2) made on account of the receipt by the Beneficiary of a scholarship award or veterans' or other nontaxable educational assistance (other than gifts or inheritances), but only to the extent of such scholarship or assistance; or (3) made on account of the Beneficiary's attendance at a military academy, but only to the extent of the costs of education attributable to such attendance. In addition, the amount of the Beneficiary's relevant Qualified Higher Education Expenses that is taken into account in determining the Beneficiary's Hope Scholarship/American Opportunity Credit or Lifetime Learning Credit is treated as a Taxable Withdrawal.

The earnings portion of a Taxable Withdrawal is subject to federal income tax, but not to the Additional Tax.

Non-Qualified Withdrawals. A Non-Qualified Withdrawal is any withdrawal that does not meet the requirements of being: (1) a Qualified Withdrawal; (2) a Taxable Withdrawal; or (3) an outgoing rollover to another state's 529 Plan, or to an Account within the Direct Plan (or an account in the Advisor Plan) for a different Beneficiary who is a Member of the Family of the previous Beneficiary.

The earnings portion of a Non-Qualified Withdrawal is subject to federal income tax and the Additional Tax.

Information regarding Connecticut tax treatment of withdrawals from an Account may be found in "Connecticut Tax Information" below. You should consult with a qualified advisor regarding how both Connecticut and federal tax laws may apply to your particular circumstances.

Administration of the Direct Plan

The Direct Plan is a tax-advantaged way to save for college tuition and certain related expenses. The Direct Plan was established by the State of Connecticut under Section 529 and the Statute. Pursuant to the Statute, the Trustee administers the Direct Plan, and all purposes, powers and duties of the Direct Plan are vested in and exercised by the Trustee. The Statute permits the Trustee to contract for services necessary for the administration of the Direct Plan.

The Direct Plan Manager

The Trustee selected TFI as the Direct Plan Manager. TFI is a wholly owned subsidiary of Teachers Insurance and Annuity Association of America ("**TIAA**"). TIAA, together with its companion organization, the College Retirement Equities Fund ("**CREF**"), forms one of America's leading financial services organizations and one of the world's largest pension systems, based on assets under management.

Management Agreement. TFI and the Trustee entered into an agreement (the "**Management Agreement**") under which TFI provides certain services to the Direct Plan, including investment recommendations, recordkeeping, reporting and marketing. The Management Agreement is set to terminate at the close of business on March 12, 2020.

Confirmations, Account Statements and Tax Reports

Confirmations and Account Statements. You will receive confirmations of Account activity, as well as quarterly and annual Account statements indicating for the applicable time period: (1) contributions to your Account; (2) withdrawals from your Account; (3) the market value of your Account at the beginning and at the end of the period; and (4) earnings, if any, on your Account.

If you receive a confirmation that you believe does not accurately reflect your instructions or, an Account statement that does not accurately reflect information about your Account, you have 60 days from the date of the confirmation or Account statement to notify the Direct Plan of the error. If you do not notify the Direct Plan within that time, you will be deemed to have approved the information in the confirmation or Account statement and to have released the Direct Plan and its service providers from all responsibility for matters covered in the confirmation or Account statement.

You can securely access your Account information any time through the Direct Plan website by obtaining an online user name and password through the website. (Certain entity Accounts and UTMA/UGMA Accounts are not eligible for online access.)

Tax Reports. Annually, the Direct Plan will issue a Form 1099-Q to each distributee for any withdrawal(s) made from an Account in the previous calendar year as required by the IRC. The Direct Plan will also report withdrawals to the IRS and to the State of Connecticut as may be required. Form 1099-Q shows the basis (contributions) and earnings, if any, portion for all withdrawals made from your Account. The Form 1099-Q recipient (which is deemed to be the Account Owner unless the withdrawal is paid to the Beneficiary or an Eligible Educational Institution on behalf of the Beneficiary, in which case the Beneficiary is the recipient) is responsible for determining whether the earnings portion of the withdrawal is taxable, for retaining appropriate documentation to support this determination and for appropriately reporting earnings on his/her federal and Connecticut income tax forms.

Financial Statements. Each year, audited financial statements will be prepared for the Direct Plan. You may request a copy by contacting the Direct Plan.

Federal Tax Information

The federal tax rules applicable to the Direct Plan are complex and some of the rules have not yet been finalized. Their application to any particular person may vary according to facts and circumstances specific to that person. You should consult with a qualified advisor regarding how the rules apply to your circumstances. Any references to specific dollar amounts or percentages in this section are current only as of the date of this Disclosure Booklet; you should consult with a qualified advisor to learn if the amounts or percentages have been updated.

Contributions. Contributions to an Account generally will not result in taxable income to the Beneficiary. A contributor may not deduct the contribution from income for purposes of determining federal income taxes.

Withdrawals. The federal tax treatment of withdrawals from an Account is described in the "Withdrawals" section above. A withdrawal may be subject to federal income tax and the Additional Tax. Only the earnings portion of a withdrawal is ever subject to federal income tax. All withdrawals are considered as attributable partially to contributions made to the Account and partially to earnings, if any. The proportion of contributions and earnings for each withdrawal is determined by the Direct Plan based on the relative portions of total earnings and contributions as of the withdrawal date for all accounts with the same Beneficiary and the same Account Owner in the Direct Plan and the Advisor Plan.

Refunds of Payments of Qualified Higher Education Expenses. If an Eligible Educational Institution refunds any portion of an amount previously withdrawn from an Account and treated as a Qualified Withdrawal, you may be required to treat the amount of the refund as a Non-Qualified Withdrawal or Taxable Withdrawal (depending on the reason for the refund) for purposes of federal income tax. Different treatment may apply if the refund is used to pay other Qualified Higher Education Expenses of the Beneficiary or to make a qualifying outgoing rollover. The treatment of refunds for federal income tax purposes is uncertain, and you should consult with a qualified advisor regarding such tax treatment.

Coordination with Other Income Tax Incentives for Education. In addition to the income tax benefits provided to Account Owners and Beneficiaries under Section 529, benefits are provided by several other provisions of the IRC for education-related investments or expenditures. These include Coverdell ESAs, Hope Scholarship/ American Opportunity Credits, Lifetime Learning Credits and qualified U.S. savings bonds. The available tax benefits for paying Qualified Higher Education Expenses through these programs must be coordinated in order to avoid the duplication of such benefits. Account Owners should consult a qualified advisor regarding the interaction under the IRC of the federal income tax education-incentive provisions addressing Account withdrawals.

Federal Gift, Estate and Generation-Skipping Transfer Tax Treatment. The tax treatment summarized in this section is complicated and will vary depending on your individual circumstances. You should consult with a qualified advisor regarding the application of these tax provisions to your particular circumstances.

Contributions to the Direct Plan are generally considered completed gifts for federal tax purposes and, therefore, are potentially subject to federal gift tax. Generally, if a contributor's contributions to an Account for a Beneficiary, together with all other gifts by the contributor to the Beneficiary during the year, are less than the current annual exclusion of $14,000 per year ($28,000 for married contributors electing to split gifts), no federal gift tax will be imposed on the contributor for gifts to the Beneficiary during that year. This annual exclusion amount is indexed for inflation in $1,000 increments and may therefore increase in future years.

If a contributor's contributions to an Account for a Beneficiary in a single year exceed $14,000 ($28,000 for married contributors electing to split gifts), the contributor may elect to treat up to $70,000 of the contribution ($140,000 in the case of a consenting married couple or a community property gift) as having been made ratably over a five-year period. (For purposes of determining the amount of gifts made by the contributor to that Beneficiary in the four-year period following the year of contribution, the contributor will need to take into account the ratable portion of the Account contribution allocated to that year.)

In addition, to the extent not previously used, each contributor has a lifetime exemption that will be applied to gifts in excess of the annual exclusion amounts referred to above. This lifetime exemption is adjusted for inflation and is currently $5,430,000 for each contributor. A married couple may elect to split gifts and apply their combined exemption of $10,860,000 to gifts by either of them. Accordingly, while federal gift tax returns are required for gifts in excess of the annual exclusion amounts referred to above (including gifts that the contributor elects to treat as having been made ratably over a five-year period), no federal gift tax will be due until the lifetime exemption has been used. The top gift tax rate is currently 40 percent.

Amounts in an Account that are considered completed gifts by the contributor generally will not be included in the contributor's gross estate for federal estate tax purposes. However, if the contributor elects to treat the gifts as having been made over a five-year period and dies before the end of the five-year period, the portion of the contribution allocable to the remaining years in the five-year period (not including the year in which the contributor died) would be includible in computing the contributor's gross estate for federal estate tax purposes. Amounts in an Account at the death of a Beneficiary will be included in the Beneficiary's gross estate for federal estate tax purposes to the extent such amounts are distributed to a beneficiary of, or the estate of, the Beneficiary. Each taxpayer has an estate tax exemption reduced by lifetime taxable gifts. This estate tax exemption is adjusted for inflation and is currently $5,430,000 for each contributor. The top estate tax rate is currently 40 percent.

A change of the Beneficiary of an Account or a transfer of funds from an Account to an account for another Beneficiary will potentially be subject to federal gift tax if the new Beneficiary is in a younger generation than the generation of the Beneficiary being replaced or is not a Member of the Family of that Beneficiary. In addition, if the new Beneficiary is in a generation two or more generations younger than the generation of the prior Beneficiary, the transfer may be subject to the generation-skipping transfer tax. Each taxpayer has a generation-skipping transfer tax exemption that may be allocated during life or at death. This generation-skipping transfer tax exemption is adjusted for inflation and is currently $5,430,000 for each contributor. The generation-skipping transfer tax rate is 40 percent. Under the proposed regulations under Section 529, these taxes would be imposed on the prior Beneficiary.

Connecticut Tax Information

The following discussion applies only with respect to Connecticut taxes. Connecticut tax treatment in connection with the Direct Plan applies only to Connecticut taxpayers. You should consult with a qualified advisor regarding the application of Connecticut tax provisions to your particular circumstances. Any references to specific dollar amounts in this section are current only as of the date of this Disclosure Booklet; you should consult with a qualified advisor to learn if the amounts or percentages have been updated.

Contributions. Contributions to an Account are not includible in the income of the designated Beneficiary for Connecticut income tax purposes. In computing Connecticut adjusted gross income, an individual taxpayer may deduct contributions made to all accounts in the Trust during the tax year up to certain maximum amounts whether or not the contributor is the Account Owner. The maximum amount of total contributions to all Accounts in the Direct Plan and accounts in the Advisor Plan that may be deducted in any tax year is $5,000 for those whose filing status under the Connecticut income tax is single, head of household, married filing separately, or civil union filing separately, or $10,000 for those taxpayers whose filing status is married filing jointly, civil union filing jointly, or widow(er) with dependent child. Individuals whose contributions during a tax year exceed these maximum amounts may carry over and deduct the excess amount for the five taxable years following the year the contribution was made as long as the amount deducted does not exceed the maximum allowed in each subsequent year. The annual contribution deduction limit is not a per designated Beneficiary limit but rather is an overall limit on how much of the taxpayer's contributions to all accounts in the Trust are deductible for the year. A rollover of funds from another qualified tuition program maintained by another state does not qualify as a contribution eligible for the Connecticut income tax deduction. Deductions may be subject to other conditions or restrictions in accordance with guidance issued by the Connecticut Department of Revenue Services.

Withdrawals. Earnings from the investment of contributions to an Account will not be subject to Connecticut income tax, if at all, until funds are withdrawn in whole or in part from the Account. A Qualified Withdrawal will not be subject to Connecticut income tax. A designated Beneficiary may claim a deduction (in computing Connecticut adjusted gross income) for the amount of a Taxable Withdrawal or Non-Qualified Withdrawal to the extent the withdrawal is included in the designated Beneficiary's federal gross income. If a Taxable Withdrawal or Non-Qualified Withdrawal is included in the federal gross income of a person other than the designated Beneficiary, that person may not claim a deduction for any portion of that amount when computing Connecticut adjusted gross income. A Rollover is not taxable for Connecticut income tax purposes.

Taxes Imposed by Other Jurisdictions. Prospective Account Owners should consider the potential impact of income taxes imposed by jurisdictions other than Connecticut. It is possible that other state or local taxes apply to withdrawals from or accumulated earnings within the Direct Plan, depending on the residency, domicile or sources of taxable income of the Account Owner or the Beneficiary. Account Owners and Beneficiaries should consult with a qualified advisor regarding the applicability of state or local taxes imposed by other jurisdictions.

Other Information About Your Account

No Pledging of Account Assets. Neither you nor your Beneficiary may use your Account or any portion of your Account as security for a loan.

Protection of your Account in the Event of a Bankruptcy. The Bankruptcy Abuse Prevention and Consumer Protection Act of 2005 expressly excludes from an individual debtor's bankruptcy estate (and, therefore, will not be available for distribution to such individual's creditors), certain assets that have been contributed to a 529 Plan account. However, bankruptcy protection for 529 Plan assets is limited and has certain conditions. To be protected, the Account Beneficiary must be (or have been during the taxable year of the contribution) a child, stepchild, grandchild or step-grandchild of the individual who files for bankruptcy protection. In addition, contributions made to all 529 Plan accounts for the same beneficiary (meaning that your Account for a Beneficiary would be aggregated with any other account you have for the same Beneficiary in the Advisor Plan or in a 529 Plan in another state) are protected as follows: (1) there is no protection for any assets that are contributed less than 365 days before the bankruptcy filing; (2) assets are protected in an amount up to $5,850 if they have been contributed between 365 and 720 days before the bankruptcy filing; and (3) assets are fully protected if they have been contributed more than 720 days before the bankruptcy filing. This information is not meant to be individual advice, and you should consult with a qualified advisor concerning your individual circumstances and the applicability of Connecticut law.

APPENDIX I
to the Disclosure Booklet for the Connecticut Higher Education Trust – Direct Plan

Participation Agreement for the Direct Plan
Each term used but not defined in this Participation Agreement has the meaning given to it in the Disclosure Booklet. By signing the Application, you agree to all the terms and conditions in the Disclosure Booklet and in this Participation Agreement. Together, the Application and this Participation Agreement are referred to as the "Agreement".

This Agreement is entered into between you, the Account Owner and the Trust, on behalf of the Direct Plan. The terms and conditions under which your Account in the Direct Plan is offered are contained in this Agreement and the Disclosure Booklet. This Agreement becomes effective when the Direct Plan opens an Account for you.

I hereby acknowledge and agree with and represent and warrant to the Trust as follows:

1. Disclosure Booklet. I read and understand the Disclosure Booklet, this Agreement and the Application. When making a decision to open an Account, I did not rely on any representations or other information, whether oral or written, other than those in the Disclosure Booklet and this Agreement.

2. Purpose for Account. I am opening this Account to provide funds for the Qualified Higher Education Expenses of the Beneficiary.

3. Accurate Information. I represent and warrant that I accurately and truthfully completed the Application and that any other documentation or information I provide or forms I fill out, including withdrawal requests, related to my Account(s) will be true and correct.

4. Account Owner Authority. As the Account Owner, I understand that only I may (i) provide instructions on how to invest contributions to my Account(s), (ii) direct transfers, (iii) request a rollover, (iv) change the investment strategy of my Account(s) (as permitted by applicable law), (v) change the Beneficiary or (vi) request withdrawals.

5. Maximum Account Balance. I understand that the amount of any contribution to an Account that would cause the market value of such Account and all other accounts in the Trust (including accounts in the Advisor Plan) for the same Beneficiary to exceed the maximum account balance will be rejected and returned to me. I understand that the Trustee may change the maximum account balance at any time without notice.

6. One Beneficiary per Account. I understand that there may be only one Beneficiary per Account.

7. Incoming Rollovers. If I contribute to my Account using funds from (i) an incoming rollover from another 529 Plan, (ii) a Coverdell ESA, or (iii) the redemption of a qualified U.S. savings bond, I understand that I must so inform the Direct Plan and I must provide acceptable documentation showing the earnings portion of the contribution. If such documentation is not provided, the Direct Plan must treat the entire amount of the contribution as earnings.

8. Allocation Instructions. I understand that on my Application, I must select one or more of the Investment Options in which I want my initial contribution invested. I also must designate what percentage of the contribution made to the Account should be invested in each Investment Option that I select. I understand that effective December 8, 2014, all future contributions to my Account by any method (excluding payroll deduction) will be invested in the Investment Option(s) selected by me on my Application according to the percentages indicated on my Application until I change such Allocation Instructions.

9. No Investment Direction. I understand that all investment decisions for the Direct Plan will be made by the Trustee. Although I must select the Investment Option(s) in which I want contributions to my Account invested, I cannot directly or indirectly select the investments for an Investment Option and an Investment Option's investments may be changed at any time by the Trustee. I also understand that once invested in a particular Investment Option, contributions (and earnings, if any) may be moved to another Investment Option only twice per calendar year or if I change the Beneficiary for that Account

10. Withdrawals. I understand that once a contribution is made to an Account, my ability to withdraw funds without adverse tax consequences is limited. I understand these restrictions and potential tax liabilities and penalties are described in the Disclosure Booklet.

11. Investment Risks. I represent that I reviewed and understand the risks related to investing in the Direct Plan discussed in the Disclosure Booklet. I understand that investment returns are not guaranteed by the State of Connecticut, the Trustee, the Trust, the Direct Plan, the Direct Plan Manager and its subcontractors and affiliates, any vendors, contractors, investment advisors, or investment managers selected by the Trustee or any agents, representatives or successors of the foregoing, and that I assume all investment risk of an investment in the Direct Plan, including the potential liability for taxes and penalties that may be assessable in connection with a withdrawal from my Account(s). I understand that I can lose money by investing in the Direct Plan.

12. No Guarantees. I understand that participation in the Direct Plan does not guarantee that contributions and the investment return, if any, on contributions will be adequate to cover the higher education expenses of a Beneficiary or that a Beneficiary will be admitted to or permitted to continue to attend an institution of higher education.

13. Loans. I understand that my Account(s) or any portion of my Account(s) cannot be used as collateral for any loan and that any attempt to do so shall be void.

14. Tax Records. I understand that for tax reporting purposes, I must retain adequate records relating to withdrawals from my Account(s).

15. Transfer of Account Ownership. I understand that if I transfer an Account to any other person, I will cease to have any right, title, claim or interest in the Account and that the transfer is irrevocable.

16. Not an Investor in Underlying Investments. I understand that I am not, by virtue of my investment in an Investment Option of the Direct Plan, a shareholder in or owner of interests in such Investment Option's investments.

17. Changes to Laws. I understand that the Direct Plan is established and maintained by the State of Connecticut pursuant to the Statute and is intended to qualify for certain federal income tax benefits under Section 529. I further understand that qualification under Section 529 is vital and that the Direct Plan may be changed by the State of Connecticut, or the Trustee at any time if it is determined that such change is required to maintain qualification under Section 529. I also understand that Connecticut and federal laws are subject to change for any reason, sometimes with retroactive effect, and that none of the State of Connecticut, the Trust, the Direct Plan, the Trustee, or any of the service providers to the Direct Plan (including the Direct Plan Manager) makes any representation that such Connecticut or federal laws will not be changed or repealed or that the terms and conditions of the Direct Plan will remain as currently described in the Disclosure Booklet and this Agreement.

18. UGMA/UTMA and Trust Accounts. I understand that if I established the Account in my capacity as custodian for a minor under the Uniform Gifts to Minors Act or Uniform Transfers to Minors Act (UGMA/UTMA) or as the trustee for a trust established for a minor, the Account will be subject to certain specific requirements pursuant to UGMA/UTMA or the trust, as applicable, that I am solely responsible for compliance with such requirements, and I will:

- be required to provide the Direct Plan with an original, signed certificate, a certified copy of material portions of the trust instrument, or a certified copy of a court order, that confirms the creation of a trust naming a minor as the trust beneficiary, identifies the trustee and authorizes the trustee to act on behalf of the trust beneficiary;
- not be permitted to change the Beneficiary of the Account either directly or by means of a rollover, except as permitted under UGMA/UTMA or the trust document, as applicable;
- not be permitted to name a successor account owner, or to change ownership of the Account except as permitted under UGMA/UTMA or the trust document, as applicable; and
- be required to notify the Direct Plan when the Beneficiary reaches the age of majority or is otherwise legally authorized to assume ownership of the Account so that the Beneficiary can be registered as the Account Owner and take control of the Account.

19. Legal Entity Account Owner. If I am a person establishing the Account on behalf of a legal entity and I sign the Application and enter into this Agreement for such entity, I represent and warrant that (i) the entity may legally become, and thereafter be, the Account Owner, (ii) I am duly authorized to act on behalf of/for the entity, (iii) the Disclosure Booklet may not discuss tax consequences and other aspects of the Direct Plan that are relevant to the entity, and (iv) the entity has consulted with and relied on a professional advisor, as deemed appropriate by the entity, before becoming an Account Owner.

20. Indemnification by Me. I recognize that the establishment of any Account will be based on the statements, agreements, representations, and warranties made by me in this Agreement, on Direct Plan forms and in any other communications related to my Account(s). I agree to indemnify the State of Connecticut, the Trust, the Direct Plan, the Trustee, and each of the service providers to the Direct Plan (including the Direct Plan Manager) and any of their affiliates or representatives from and against any and all loss, damage, liability or expense (including the costs of reasonable attorney's fees), to which said entities may be put or which they may incur by reason of, or in connection with, any misstatement or misrepresentation made by me or a Beneficiary in the above mentioned documents or otherwise, any breach by me of the acknowledgments, representations or warranties contained in the Agreement, or any failure by me to fulfill any covenants or obligations in this Agreement. All of my statements, representations or warranties shall survive the termination of this Agreement and this indemnification shall remain enforceable against me, notwithstanding my permitted transfer of ownership of the Account to another person.

21. Termination. I understand that the Trustee may at any time terminate the Direct Plan and/or this Agreement, either of which may cause a distribution to be made from my Account. I further understand that I may be liable for taxes and may need to pay a penalty on the earnings, if any, of such a distribution. I understand that I may cancel this Agreement at any time by written notice to the Direct Plan requesting a 100% distribution from my Account.

22. Controlling Law. This Agreement is governed by Connecticut law without regard to principles of conflicts of law.

23. Additional Documentation. I understand that in connection with opening an Account for me, and prior to processing any Account transactions or changes requested by me after an Account is opened, the Direct Plan may ask me to provide additional documentation and I agree to promptly comply with any such requests.

24. Duties and Rights of the Connecticut Entities and the Service Providers. None of the State of Connecticut, the Trust, the Direct Plan, the Trustee, nor any of the service providers to the Direct Plan (Including the Direct Plan Manager) has a duty to perform any action other than those specified in the Agreement or the Disclosure Booklet. The State of Connecticut, the Trust, the Direct Plan, the Trustee, and the service providers to the Direct Plan (including the Direct Plan Manager) may accept and conclusively rely on any instructions or other communications reasonably believed to be from me or a person authorized by me and may assume that the authority of any authorized person continues to be in effect until they receive written notice to the contrary from me. None of the State of Connecticut, the Trust, the Direct Plan, the Trustee, nor any of the service providers to the Direct Plan (including the Direct Plan Manager) has any duty to determine or advise me of the investment, tax, or other consequences of my actions, of their actions in following my directions, or of their failing to act in the absence of my directions. Each of the State of Connecticut, the Trust, the Direct Plan, the Trustee, and each of the service providers to the Direct Plan (including the Direct Plan Manager) is a third-party beneficiary of, and can rely upon and enforce, any of my agreements, representations, and warranties in this Agreement

APPENDIX II
to the Disclosure Booklet for the Connecticut Higher Education Trust– Direct Plan

Privacy Policy

***Please read this notice carefully.* It gives you important information about how the Direct Plan handles nonpublic personal information it may receive about you in connection with the Direct Plan.**

Information the Direct Plan Collects

Nonpublic personal information about you (which may include your Social Security number or taxpayer identification number) may be obtained in any of the following ways:

- you provide it on the Direct Plan application;
- you provide it on other Direct Plan forms;
- you provide it on the secure portion of the Direct Plan's website; or
- you provide it to complete your requested transactions.

How Your Information Is Used

The Direct Plan does not disclose your personal information to anyone for marketing purposes. The Direct Plan discloses your personal information only to those service providers who need the information to respond to your inquiries and/or to service and maintain your Account. In addition, the Direct Plan or its service providers may be required to disclose your personal information to government agencies and other regulatory bodies (for example, for tax reporting purposes or to report suspicious transactions).

The service providers who receive your personal information may use it to:

- process your Direct Plan transactions;
- provide you with Direct Plan materials; and
- mail you Direct Plan Account statements.

These service providers provide services at the Direct Plan's direction and include fulfillment companies, printing and mailing facilities.

- These service providers are required to keep your personal information confidential and to use it only for providing contractually required services to the Direct Plan.

Security of Your Information

The Direct Plan protects the personal information you provide against unauthorized access, disclosure, alteration, destruction, loss or misuse. Your personal information is protected by physical, electronic and procedural safeguards in accordance with federal and state standards. These safeguards include appropriate procedures for access and use of electronic data, provisions for the secure transmission of sensitive personal information on the Direct Plan's website, and telephone system authentication procedures.

Changes to this Privacy Policy

The Direct Plan will periodically review this Privacy Policy and its related practices and procedures. You will be notified of any material amendments to this Privacy Policy.

Notice About Online Privacy

The personal information that you provide through the Direct Plan's website is handld in the same way as the personal information that you provide by any other means, as described above. This section of the notice gives you additional information about the way in which personal information that is obtained online is handled.

Online Enrollment, Account Information Access and Online Transactions

When you visit the Direct Plan's website, you can go to pages that are open to the general public or log on to protected pages to enroll in the Direct Plan, access information about your Account, or conduct certain transactions related to your Account. Once you have opened an Account in the Direct Plan, access to the secure pages of the Direct Plan's website is permitted only after you have created a user ID and password by supplying your Social Security number or taxpayer identification number and Account number. The user ID and password must be supplied each time you want to access your Account information online. This information serves to verify your identity.

When you enter personal data into the Direct Plan's website (including your Social Security number or taxpayer identification number and your password) to enroll or access your Account information online, you will log onto secure pages where Secure Sockets Layer (SSL) protocol is used to protect information.

To use this section of the Direct Plan's website, you need a browser that supports encryption and dynamic web page construction.

If you provide personal information to effect transactions on the Direct Plan's website, a record of the transactions that you have performed while on the site is retained by the Direct Plan.

Other Personal Information Provided by You on the Direct Plan's Website

If you decide not to enroll online and you want to request that Direct Plan materials be mailed to you, you can click on another section of the Direct Plan's website to provide your name, mailing address and e-mail address. The personal information that you provide on that page of the site will be stored and used to market the Direct Plan more effectively. When you provide this information, Secure Sockets Layer (SSL) protocol is used to protect information.

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To contact the Direct Plan and to obtain Direct Plan forms:

Visit the Direct Plan’s **website** at www.aboutchet.com;
Call the Direct Plan toll-free at **1-888-799-CHET (2438)**; or
Write to the Direct Plan at P.O. Box 150499, Hartford, CT 06155-0499.