**AMENDMENT NO. 1 DATED FEBRUARY 1, 2016**
**TO**
**SCHOLARS CHOICE® COLLEGE SAVINGS PROGRAM**
**PROGRAM DISCLOSURE STATEMENT**
**AND PARTICIPATION AGREEMENT**
**DATED SEPTEMBER 10, 2015**
**AND**
**NOTICE OF PROGRAM CHANGES**

Terms not otherwise defined in this Amendment No. 1 and Notice of Program Changes shall have the meanings assigned to such terms in the Program Disclosure Statement.

Any tax information contained in the Program Disclosure Statement is not intended to be used, and cannot be used by any taxpayer, for the purpose of avoiding penalties that may be imposed under the Internal Revenue Code. Any such information was written to support the promotion or marketing of the Program. A taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

The Program Disclosure Statement and the Participation Agreement are hereby supplemented and amended as follows:

## I. Certain Computer Equipment, Software and Services Constitute "Qualified Higher Education Expenses"

Effective starting with the 2015 tax year, the definition of "qualified higher education expenses" set forth in the "SUMMARY OF KEY FEATURES — Federal Tax Matters," "INTRODUCTION — Purpose of the Program" and "WITHDRAWALS — Qualified Higher Education Expenses" sections of the Program Disclosure Statement is expanded to include expenses for the purchase of computer or peripheral equipment (as defined in Section 168(i)(2)(B) of the Code), computer software (as defined in Section 197(e)(3)(B) of the Code), or Internet access and related services, if such equipment, software, or services are to be used primarily by the Beneficiary during any of the years the Beneficiary is enrolled at an Eligible Educational Institution. Expenses for computer software designed for sports, games, or hobbies do not qualify as qualified higher education expenses unless the software is predominantly educational in nature.

## II. Ability to Recontribute Refunded Amounts

The following new paragraph is added to the "SUMMARY OF KEY FEATURES — Withdrawals and Rollovers" section of the Program Disclosure Statement:

"If a withdrawal is made to pay for "qualified higher education expenses" of a beneficiary and the beneficiary receives a refund of such payment, the amount withdrawn will not be subject to taxation if it is recontributed to a Program account within 60 days of the refund, as described in the "TAX MATTERS — Non-Qualified Withdrawals" section of the Program Disclosure Statement."

The following new paragraph is added at the end of the "TAX MATTERS — Non-Qualified Withdrawals" section of the Program Disclosure Statement:

"If a withdrawal is made from an Account to pay the qualified higher education expenses of a Beneficiary and the Beneficiary receives a refund of any qualified higher education expenses from an Eligible Educational Institution, the amount withdrawn will not be includible in income to the extent it is recontributed to an Account for which the Beneficiary is the beneficiary, but only to the extent such recontribution is made not later than 60 days after the date of such refund and does not exceed the refunded amount. The foregoing provision is effective with respect to refunds of the payment of qualified higher education expenses after December 31, 2014. Under a special rule, refunds received after December 31, 2014 but before December 18, 2015 may be recontributed any time before the date that is 60 days after December 18, 2015 (i.e., by February 16, 2016). Amounts that are recontributed to an Account within 60 days after the date of a refund (or before February 16, 2016 in the case of a refund received before December 18, 2015) as described in this paragraph and that are invested in Class A Units of a Portfolio will not be subject to the initial sales charge that would otherwise apply to the purchase of such Class A Units, as described in the "FEES AND EXPENSES — Unit Class A Sales Charges" section of the Program Disclosure Statement. The Account Owner is responsible for identifying to the Manager any contribution to an Account that qualifies for the treatment described in this paragraph and for certifying to the Manager that the conditions for such treatment have been satisfied."

The following new sentence is added at the end of paragraph 4 of the "Withdrawals" section of the Participation Agreement:

"If you request a Qualified Withdrawal to pay the Qualified Higher Education Expenses of the Beneficiary and the Beneficiary receives a refund of any payment of Qualified Higher Education Expenses from an Eligible Educational Institution, the amount withdrawn will not be includible in income to the extent it is recontributed to an Account for which the Beneficiary is the beneficiary, but only to the extent such recontribution is made not later than 60 days after the date of such refund and does not exceed the refunded amount. You are responsible for identifying to the Manager any contribution to an Account that qualifies for the treatment described in this paragraph and for certifying to the Manager that the conditions for such treatment have been satisfied."

### III. Accounts No Longer Required to be Aggregated Across Colorado Section 529 Plans for Withdrawal Purposes

Recent amendments to Section 529 of the Code have impacted the aggregation requirements applicable to Section 529 plan accounts for purposes of calculating the earnings portion of withdrawals made from such accounts after December 31, 2014. Although the proper implementation of these amendments is not entirely certain, starting with the 2015 tax year, CollegeInvest and the Manager intend to implement such amendments by no longer aggregating Scholars Choice Program Accounts with accounts in other Colorado Section 529 plans (including accounts in the Stable Value Plus College Savings Plan, the CollegeInvest Direct Portfolio Savings Plan and the Smart Choice College Savings Plan) and by continuing to aggregate Scholars Choice Program Accounts having the same Account Owner and Beneficiary. CollegeInvest has instructed the Manager to follow such new aggregation requirements in performing recordkeeping and administrative services with respect to Scholars Choice Program Accounts and in preparing and issuing IRS Form 1099-Qs with respect to withdrawals taken from Scholars Choice Program Accounts in the 2015 tax year and in subsequent tax years. The implementation of the new aggregation requirements as described in this Section III is subject to such future guidance as may be issued by the IRS. In the event that future IRS guidance conflicts with CollegeInvest's and the Manager's implementation of the new aggregation requirements as described in this Section III, there may be a need for the Manager to issue amended Form 1099-Qs to recipients of such forms. In addition, Account Owners will be notified of any changes in such implementation by CollegeInvest and the Manager. The amendments set forth below reflect the manner in which CollegeInvest and the Manager intend to implement the new aggregation requirements. Qualified Withdrawals taken in 2015 and in subsequent tax years continue to be excludable from the Account Owner's and Beneficiary's federal taxable income. The last sentence of "WITHDRAWALS — Non-Qualified Withdrawals" section of the Program Disclosure Statement is amended to read as follows: "For this purpose, each withdrawal is treated as including a ratable share of investment earnings on all Program Accounts for the Beneficiary having the same Account Owner."

The first sentence of the "TAX MATTERS — Aggregation of Accounts" section of the Program Disclosure Statement is amended to read as follows: "All Program Accounts with the same Account Owner for the benefit of a single Beneficiary must be treated as a single Account for purposes of calculating the earnings portion of each distribution."

The second sentence of paragraph 4 of the "Withdrawals" section of the Participation Agreement is amended to read as follows:

"For this purpose, each withdrawal is treated as including a ratable share of investment earnings on all Accounts within the Program for the Beneficiary having the same Account Owner."

### IV. Payment of Upfront Commissions to Selling Institutions on Rollovers from Other Section 529 Plans into Class A Units at Net Asset Value

The following new paragraph is added at the end of the "FEES AND EXPENSES — Unit Class A Sales Charges" section of the Program Disclosure Statement:

"The Manager will pay a selling institution that makes the initial sales charge waiver for rollovers to the Program available to its clients an upfront commission of .50% on assets that are rolled over to the Program from other Section 529 programs and used to purchase Class A Units of a Portfolio other than the Cash Reserve Portfolio. Such commissions will be paid with respect to rollovers to the Program made during the period commencing on or about February 15, 2016 and ending September 30, 2016. The Manager will pay such commissions out of its own resources. The Manager, in its discretion, may terminate the payment of such commissions at any time prior to September 30, 2016 or extend the payment of commissions to rollovers made after September 30, 2016. Certain selling institutions may choose to decline receipt of such upfront commissions with respect to rollovers to the Program that qualify for an initial sales charge waiver."

### V. Merger of QS Legg Mason Global Asset Allocation, LLC into QS Investors, LLC and Substitution of QS Legg Mason Global Asset Allocation, LLC as a Manager of the Program on or about April 1, 2016

QS Legg Mason Global Asset Allocation, LLC ("QS LMGAA"), which performs investment advisory services on behalf of the Program, will be merged into its affiliate, QS Investors, LLC ("QS Investors"), effective on or about April 1, 2016 (the "Effective Date"). The merger will complete the integration of QS LMGAA into QS Investors that began in May of 2014 when the two firms became subject to common management and oversight. Subject to the consent of CollegeInvest, which QS LMGAA and QS Investors are in the process of seeking, the Services Agreement as it pertains to investment advisory services will be transferred and assigned to QS Investors in connection with the merger, QS Investors will assume all of QS LMGAA's rights, duties and obligations under the Services Agreement, and QS Investors will be substituted for QS LMGAA for all purposes under the Services Agreement and under the Program Disclosure Statement, effective as of the Effective Date.

## ADDITIONAL INFORMATION

If you have questions concerning this Amendment No. 1 and Notice of Program Changes, please contact your financial professional or contact a Scholars Choice Program representative by calling 1-888-5-SCHOLAR (1-888-572-4652). Please keep a copy of this Amendment No. 1 and Notice of Program Investment Changes with your copy of the Program Disclosure Statement and Participation Agreement.

SEPTEMBER 10, 2015

LEGG MASON
GLOBAL ASSET MANAGEMENT

# Scholars Choice® College Savings Program*

(An Advisor-Sold Plan established under the CollegeInvest Section 529 College Savings Program)

## Program Disclosure Statement and Participation Agreement

CollegeInvest, Trustee and Administrator
QS Legg Mason Global Asset Allocation, LLC and Legg Mason Investor Services, LLC, Manager

SCHOLARS CHOICE®
COLLEGE SAVINGS PROGRAM
BY COLLEGEINVEST®

CollegeInvest is a division of the State of Colorado's Department of Higher Education. QS Legg Mason Global Asset Allocation, LLC and Legg Mason Investor Services, LLC are wholly-owned subsidiaries of Legg Mason, Inc. and together serve as Manager of the Program. QS Legg Mason Global Asset Allocation, LLC performs the investment advisory functions described in this Program Disclosure Statement. Legg Mason Investor Services, LLC performs the administrative and recordkeeping functions described in this Program Disclosure Statement, and is the primary distributor of interests in the Program.



* Scholars Choice® is a registered service mark of CollegeInvest.

# SCHOLARS CHOICE®
# COLLEGE SAVINGS PROGRAM*

## Program Disclosure Statement

## September 10, 2015

Before you make contributions to the Scholars Choice College Savings Program as described herein (the "Program"), you should read and understand this Program Disclosure Statement. It gives you important information about the Program and discusses the risks of investing, through the Program, in the Scholars Choice College Savings Trust (the "Trust"). See "The Portfolios—Risk Factors and Special Considerations," "Underlying Funds—Risk Factors and Special Considerations" and "Other Program Risk Factors and Special Considerations."

Accounts in the Program may only be established, and contributions to accounts may only be made, through financial intermediaries that have entered into a selling, service or similar agreement with Legg Mason Investor Services, LLC, the primary distributor of interests in the Trust ("selling institutions").

The information contained in this Program Disclosure Statement is believed to be accurate as of the date hereof and is subject to change. No one is authorized to provide information that is different from the information contained in this Program Disclosure Statement.

**The Colorado income tax deduction for contributions to the Program, as described herein, is only available to Colorado taxpayers. If you are not a Colorado taxpayer, depending upon the laws of your home state or the home state of your beneficiary, favorable state tax treatment or other benefits offered by such home state for investing in Section 529 plans may be available only if you invest in the home state's Section 529 plan. Any state-based benefit offered with respect to a particular Section 529 plan should be one of many appropriately weighted factors considered in making an investment decision. You should consult with your financial, tax or other advisor to learn more about how state-based benefits (including any limitations) would apply to your specific circumstances. You also may wish to contact your home state or other Section 529 plans to learn more about the features, benefits and limitations of that state's Section 529 plans.**

**Interests in the Trust have not been registered with the U.S. Securities and Exchange Commission or with any state.**

**Interests in the Trust are not deposits or other obligations of any depository institution. None of your account, the principal you invest in the Trust, nor any investment return is insured or guaranteed by the Federal Deposit Insurance Corporation, the State of Colorado, CollegeInvest, any other state or federal governmental agency, or any depository institution. In short, you could lose money (including the principal invested), or not make money, if you invest in the Trust.**

CollegeInvest currently administers three other Section 529 plans, including the CollegeInvest Direct Portfolio College Savings Plan, the Stable Value Plus College Savings Plan and the Smart Choice College Savings Plan, and may develop and offer other Section 529 plans in the future. Such other Colorado Section 529 plans are not described in this Program Disclosure Statement, and (i) offer different investment options with different investment advisors or different benefits from the Program; (ii) may be marketed differently from the Program; and (iii) assess different fees, withdrawal penalties and sales commissions, if any, relative to those assessed by the Program. Offering materials describing such other Colorado Section 529 plans are available from CollegeInvest or the distributors of such plans.

**The Program is intended to be used only to save for qualified higher education expenses. The Program is not intended to be used, nor should it be used, by any taxpayer for the purpose of evading federal or state taxes or tax penalties. A taxpayer should seek tax advice based on the taxpayer's particular circumstances from an independent, qualified tax advisor.**

# SCHOLARS CHOICE COLLEGE SAVINGS PROGRAM

## SUMMARY OF KEY FEATURES

This summary is intended to provide an overview of the key features of the Program and is subject to the more detailed information contained in this Program Disclosure Statement. Before investing, you should read carefully and understand the more complete information contained in this Program Disclosure Statement and Participation Agreement.

### Program Overview

- Designed to be a "qualified tuition program" under Section 529 of the Internal Revenue Code.
- Provides an opportunity to invest on a tax-favored basis towards the "qualified higher education expenses" of a designated beneficiary associated with attending an "eligible educational institution."

*For more complete information, please see:*


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| Introduction | Pages 1-2 |
| Tax Matters | Pages 60-64 |


### State Issuer and Administrator

- CollegeInvest, a division of the Colorado Department of Higher Education.

*For more complete information, please see:*


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| Introduction | Pages 1-2 |


### Program Manager

- QS Legg Mason Global Asset Allocation, LLC and Legg Mason Investor Services, LLC are wholly owned subsidiaries of Legg Mason, Inc. and together serve as Manager of the Program (the "Manager").
- QS Legg Mason Global Asset Allocation, LLC performs investment advisory services with respect to the investment of Program assets.
- Legg Mason Investor Services, LLC provides services related to establishing accounts for account owners, keeping records and marketing the Program. Legg Mason Investor Services, LLC is the primary distributor of interests in the Program.
- The term of the services agreement between CollegeInvest and the Manager ends on December 31, 2022, subject to possible extension.

*For more complete information, please see:*


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| Introduction | Pages 1-2 |
| The Portfolios—Risk Factors and Special Considerations | Pages 21-24 |
| Management and Other Service Providers | Pages 65-66 |


### Account Ownership

- Accounts may be established by Colorado residents and non-Colorado residents of any state in the United States and Puerto Rico, Guam and the U.S. Virgin Islands.
- Individuals or entities can open an account, but they must have social security or taxpayer identification numbers.
- There can be only one account owner and one beneficiary for each account. An account owner can be the beneficiary. Only the account owner can change the beneficiary.
- Custodians of Uniform Transfers to Minors Act or Uniform Gifts to Minors Act ("UTMA/UGMA") accounts can open an account for the benefit of the UTMA/UGMA account beneficiary.
- An account owner can be a minor, but the minor also must be designated as the beneficiary and his or her parent or legal guardian must sign the account application.
- The account owner can designate a successor account owner who becomes the owner of the account in the event of the account owner's death. A minor cannot be designated as a successor account owner.
- If a successor account owner is not designated or is deceased or validly disclaims his or her interest in the account, the beneficiary of the account will become the account owner. If the beneficiary is a minor, his or her parent or legal guardian will need to consent to the minor's participation in the Program as an account owner.
- There are four unit classes available for each available investment portfolio ("Portfolio"), other than Individual Fund Portfolios: A, B, C and O. Class B Units of the Portfolios are no longer available for purchase by new and existing account owners. However, an account owner who is changing the investment option(s) for an account may transfer existing Class B Units to Class B Units of another Portfolio, if available. Class O Units are available only to clients in fee-based advisory programs and to accounts established pursuant to certain corporate and other employer relationships. Individual Fund Portfolios are available in three unit classes: A, C and O.
- Upon opening an account, the account owner must designate a unit class for the selected investment option(s). Fees and expenses vary by unit class. See "Fees and Expenses." The account owner can change the unit class or unit classes for future contributions to the account, but generally cannot change the unit class or unit classes for the account's existing assets.

- Accounts in the Program, including accounts established pursuant to corporate and other employer relationships, are established through financial intermediaries that have entered into a selling, service or similar agreement with the Manager. Please contact a financial professional for more information about establishing an account.

*For more complete information, please see:*


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| Opening and Maintaining an Account | Pages 3-7 |
| Fees and Expenses | Pages 38-58 |


## Omnibus Account Arrangements

- Accounts established through certain selling institutions may be held in a single "omnibus account" in the selling institution's name for the exclusive benefit of its customers.
- Under such an omnibus account arrangement, the selling institution is responsible for performing various recordkeeping and administrative services with respect to Program accounts established by its customers, including the establishment and maintenance of accounts, the processing of contributions, withdrawals, account owner changes, beneficiary changes and investment option changes, the preparation and delivery of periodic account statements, confirmations and tax forms, and the mailing of Program materials to its customers.
- Different conditions, privileges, services and restrictions may be applied by a selling institution with respect to accounts held under an omnibus arrangement than apply with respect to accounts held directly with the Program's transfer agent.
- A selling institution may charge maintenance or other administrative fees for services rendered to accounts held under an omnibus arrangement that are in addition to or in lieu of fees and expenses charged directly by the Program.
- Account owners should contact their financial professional to determine whether such financial professional's firm holds Program accounts on behalf of its customers under an omnibus arrangement and, if so, to understand the details of such arrangements, including fees and expenses charged by such firm that are not described in this Program Disclosure Statement.

*For more complete information, please see:*


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| Omnibus Accounts Maintained by Certain Selling Institutions | Pages 3-4 |


## Beneficiary

- Can be any age; must have a social security number or taxpayer identification number; does not need to be related to the account owner or reside in the United States.
- Can be changed by the account owner to a "member of the family" (as defined on page 5) of the current beneficiary without taking a withdrawal and without income tax consequences.
- Accounts established by not-for-profit and governmental entities to fund scholarship programs need not have a beneficiary at time of account opening.
- The beneficiary of an account owned by a minor or funded with UTMA/UGMA assets cannot be changed.

*For more complete information, please see:*


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| Opening and Maintaining an Account | Pages 3-7 |
| Tax Matters | Pages 60-64 |


## Contributing To An Account

- Minimum contribution: initial - $250; subsequent - $50. Exceptions apply with respect to contributions by electronic transfer to accounts established pursuant to corporate or other employer relationships. The $250 minimum initial contribution is also waived where the account owner establishes periodic automatic funds transfers to an account of $50 or greater.
- Contributions to an account can be made by anyone, but the account owner retains ownership and control of all account assets.
- Contributions can be made by checks and bank transfers drawn on a United States bank. Checks should be made payable to "Scholars Choice."
- Contributions may not be charged to a credit card.
- Contributions can be made through a selling institution that transmits purchase orders and payments to the Program on behalf of its customers.
- Contributions can be made automatically via electronic transfers from a United States bank checking or savings account.
- Contributions can be made from the redemption of certain savings bonds, from distributions from a Coverdell Education Savings Account and with assets from an UTMA/UGMA account.
- Contributions can be made by rollover from an account in another Section 529 plan for the benefit of the same beneficiary (provided it has been at least 12 months since the most recent rollover for that beneficiary and such rollover occurs within 60 days of the withdrawal). A transfer from an account in the Program or in another Colorado Section 529 plan for the same beneficiary is not subject to this rule, but is instead subject to the investment change limitation described under the "Investment Options" heading of this "Summary of Key Features." Contributions by rollover include "direct rollovers" in which withdrawal proceeds are transferred to the Program directly from another Section 529 plan and invested directly in a Program account.
- Contributions may be made by rollover from an account in the Program or another Section 529 Plan for a different

beneficiary (provided that the new beneficiary is a "member of the family" (as defined on page 5) of such other beneficiary and such rollover occurs within 60 days of the withdrawal). Contributions by rollover include "direct rollovers" in which withdrawal proceeds are transferred to the Program directly from another Section 529 plan and invested directly in a Program account.

*For more complete information, please see:*

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| Contributing to an Account | Pages 8-9 |
| Tax Matters | Pages 60-64 |


## Contributing to an Account via Colorado Direct Deposit Tax Refund Program

- A Colorado taxpayer may elect to contribute to an existing account by directing the Colorado Department of Revenue to directly deposit such taxpayer's Colorado income tax refund into the taxpayer's account.

*For more complete information, please see:*

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| Contributing via Colorado Direct Deposit Tax Refund Program | Page 9 |


## Maximum Account Balance Limit

- Aggregate account balance limit currently in place is $350,000.
- No additional contributions (including rollover contributions) may be made to an account for a particular beneficiary if the balance limit is reached, although the account may continue to accrue earnings.
- The balance limit applies to the aggregate amount in all accounts for a particular beneficiary under the Program and all other Colorado Section 529 plans.
- If the account balance falls below the $350,000 balance limit, additional contributions can be made.

*For more complete information, please see:*

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| Contributing to an Account | Page 8 |


## Investment Options

- Thirteen investment options:
  - ▶ Two options with allocations that automatically change over time
    - Age-Based
    - Years to Enrollment
  - ▶ Eleven options with static allocations
    - All Equity
    - Equity 80%
    - Balanced 50/50
    - Fixed Income 80%
    - All Fixed Income
    - Cash Reserve
    - U.S. Aggressive Equity Individual Fund
    - U.S. Core Equity Individual Fund
    - U.S. Small Cap Equity Individual Fund
    - International Equity Individual Fund
    - Global Fixed Income Individual Fund
- Assets are allocated to Portfolios based on the investment options chosen. Each Portfolio holds shares of an underlying mutual fund or mutual funds, which are managed by affiliates and non-affiliates of the Manager.
- Account owners can change investment options two times during each calendar year, and also upon a change in the beneficiary of the account. The limitation on changing investment options during a calendar year applies on an aggregate basis to all accounts under the Program and under other Colorado Section 529 plans having the same account owner and same beneficiary.
- Portfolio asset allocations, investment guidelines and underlying mutual funds may change from time to time.

*For more complete information, please see:*

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| Opening and Maintaining an Account | Pages 3-7 |
| Investment Options and Portfolio Performance | Pages 10-20 |
| The Portfolios—Risk Factors and Special Considerations | Pages 21-24 |
| Description of the Underlying Funds and Fund Performance | Pages 25-31 |
| Underlying Funds—Risk Factors and Special Considerations | Pages 32-35 |


## Investment Performance

- This Program Disclosure Statement contains historical performance information for the Portfolios and the mutual funds in which the Portfolios invest, updated as of June 30, 2015.
- Performance information for the Portfolios is updated each month on the Program's website at **scholars-choice.com.**
- Past performance is not a guarantee of future performance. Investment results may be better or worse than the performance shown.

*For more complete information, please see:*


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| Investment Options and Portfolio Performance | Pages 10-20 |
| Description of the Underlying Funds and Fund Performance | Pages 25-31 |


## Fees and Expenses

- Fees and expenses vary by unit class and Portfolio. This Program Disclosure Statement contains tables and other information detailing the fee and expense structure of each unit class and Portfolio.
- Which unit class is more beneficial depends on several factors, including the amount of investment and intended length of time in each investment option.
- An annual account maintenance fee of $20 applies to accounts with less than $2,500 in assets where neither the account owner nor the beneficiary is a Colorado resident. The annual account maintenance fee of $20 does not apply with respect to accounts established prior to December 1, 2011 where either the account owner or beneficiary was a Wyoming resident as of the date such Account was established. The Manager may waive or vary such fee for one or more accounts in its sole discretion.
- Fees, expenses and charges are subject to change and new fees, expenses and charges may be imposed in the future.

*For more complete information, please see:*


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| Fees and Expenses | Pages 38-58 |


## Withdrawals and Rollovers

- Withdrawals used to pay for "qualified higher education expenses" ("qualified withdrawals") are not taxable income to the account owner or beneficiary.
- The earnings portion of withdrawals that are not qualified withdrawals ("non-qualified withdrawals") generally is subject to federal and state income taxes and may be subject to an additional 10% federal tax.
- A tax-free rollover to an account in another Section 529 plan for the same beneficiary may be made if it has been at least 12 months since the most recent rollover for that beneficiary. Rollovers must occur within 60 days of withdrawal. A transfer to another Program account or to an account in another Colorado Section 529 plan for the same beneficiary is not subject to this rule, but is subject to the investment change limitation described under the "Investment Options" heading of this "Summary of Key Features."
- A tax-free rollover to a Program account for a different beneficiary or to an account for a different beneficiary under another Section 529 plan may be made if the new beneficiary is a "member of the family" (as defined on page 5) of the current beneficiary. Rollovers must occur within 60 days of withdrawal.
- Rollovers to another Section 529 plan include "direct rollovers" in which withdrawal proceeds are transferred directly by the Manager to another Section 529 plan and invested directly in an account under such Section 529 plan.
- The portion of a rollover to a non-Colorado 529 plan attributable to contributions previously deducted for Colorado income tax purposes is includible in taxable income in the year the rollover is made.
- Please read this Program Disclosure Statement for a more complete discussion of the tax considerations associated with transfers to other Colorado Section 529 plans and transfers to non-Colorado Section 529 plans.

*For more complete information, please see:*


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| Opening and Maintaining an Account | Pages 3-7 |
| Withdrawals | Page 59 |
| Tax Matters | Pages 60-64 |


## Federal Tax Matters

- Earnings accrue free from federal income tax while in the account.
- Qualified withdrawals are not taxable income to the account owner or beneficiary.
- Qualified withdrawals are withdrawals used to pay for "qualified higher education expenses," which include tuition, fees, books, supplies and equipment required for the enrollment or attendance of a student at an "eligible educational institution" plus, subject to certain limitations, room and board (including off-campus housing) expenses for a student attending such an institution on at least a half time basis.
- "Eligible educational institutions" include most community colleges, public and private 4-year colleges, universities, graduate and post-graduate programs, certain proprietary and vocational schools, and certain institutions in foreign countries.
- The earnings portion of a non-qualified withdrawal generally is subject to federal and state income taxes.
- Subject to certain exceptions, the earnings portion of a non-qualified withdrawal also will be subject to an additional 10% federal tax.
- Contributions to an account are not deductible for federal income tax purposes.

*For more complete information, please see:*


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| Tax Matters | Pages 60-64 |

## Colorado Tax Matters

- For account owners and contributors to an account who are Colorado income taxpayers, contributions to an account generally are Colorado state tax deductible to the extent of their Colorado taxable income for the year, subject to recapture for certain non-qualified withdrawals or if there is a rollover to a non-Colorado Section 529 plan.
- Rollovers or transfers from another Section 529 plan do not qualify as contributions for purposes of this deduction.
- Qualified withdrawals are not included in Colorado taxable income of the account owner or beneficiary.
- The earnings portion of a non-qualified withdrawal is subject to Colorado income tax.

*For more complete information, please see:*

Tax Matters Pages 60-64

## Federal Estate and Gift Tax Matters

- Contributions to accounts are considered completed gifts.
- Subject to certain limitations, the value of an account will not be included in the account owner's estate if the account owner dies while there is still money in his or her account.
- If an account owner's contributions to an account for a beneficiary in a single year are greater than $14,000 ($28,000 per married couple electing to split), an account owner can elect to treat contributions of up to $70,000 ($140,000 per married couple electing to split) as having been made ratably over a five-year period for federal gift tax purposes. If the account owner dies before the five-year period elapses, a portion of the contributions would be includible in the account owner's estate.

*For more complete information, please see:*

Tax Matters Pages 60-64

## Risk Factors

- An investment in the Portfolios is subject to investment risks. You could lose money, including the principal you invest.
- There is no guarantee or assurance that the investment objective of any Portfolio or underlying mutual fund will be achieved or that you will have sufficient assets in your account to meet your beneficiary's higher education expenses or that your investment goals will be realized.
- Portfolio asset allocations, investment guidelines, underlying mutual funds and fees may change from time to time.
- Contributions to an account may adversely affect the eligibility of the beneficiary or account owner for financial aid or other benefits.
- The manager of the Program may change upon expiration of the services agreement between CollegeInvest and QS Legg Mason Global Asset Allocation, LLC and Legg Mason Investor Services, LLC on December 31, 2022 or earlier if terminated under certain circumstances.
- This Program Disclosure Statement contains a description of various risks associated with an investment in the Program.

*For more complete information, please see:*

The Portfolios—Risk Factors and Special Considerations Pages 21-24
Underlying Funds—Risk Factors and Special Considerations Pages 32-35
Other Program Risk Factors and Special Considerations Pages 36-37

**The Colorado income tax deduction, as described in this Program Disclosure Statement, is available only to Colorado taxpayers investing in Colorado plans under current law, which may be changed through future legislative or judicial action. If you are not a Colorado taxpayer, depending upon the laws of your home state or the home state of your beneficiary, favorable state tax treatment or other benefits offered by such home state for investing in Section 529 plans may be available only if you invest in the home state's Section 529 plan. Any state-based benefit offered with respect to a particular Section 529 plan should be one of many appropriately weighted factors considered in making an investment decision. You should consult with your financial, tax or other advisor to learn more about how state-based benefits (including any limitations) would apply to your specific circumstances. You also may wish to contact your home state or other Section 529 plans to learn more about the features, benefits and limitations of that state's Section 529 plans.**

Applicable tax rules are complex, certain of the rules are uncertain, and their application to any particular person may vary according to facts and circumstances applicable to that person. **You should consult a qualified tax advisor regarding the application of the law to your circumstances.**

Account owners may elect to receive the Program Disclosure Statement, any amendments to the Program Disclosure Statement, quarterly account statements, confirmations and IRS Form 1099-Qs via electronic delivery. Account owners may make such an election on the Program's website at **scholars-choice.com/gopaperless.** Account owners with accounts held through omnibus account arrangements should contact their financial professional regarding electronic delivery availability.

Please call your financial professional or 1-888-5-SCHOLAR (1-888-572-4652) to speak with a representative of the Manager if you have questions about the Program or would like additional information. You also can visit the Scholars Choice College Savings Program web site at **scholars-choice.com** for more information about the Program, to obtain marketing literature, quarterly investment commentary and updated performance information, or to download forms described in this Program Disclosure Statement.

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# SCHOLARS CHOICE COLLEGE SAVINGS PROGRAM

## Program Disclosure Statement and Participation Agreement

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# INTRODUCTION

## Issuer and Administrator

In May 1999, the Colorado General Assembly adopted State of Colorado House Bill 99-1288 (the "Act"), authorizing the establishment of a college savings program. The State of Colorado has established a college savings program that is designed to be a "qualified tuition program" under Section 529 of the Internal Revenue Code of 1986, as amended (the "Code"). CollegeInvest, a division of the Colorado Department of Higher Education (the "Department"), is the issuer and administrator of various plans, including, since 1999, the Scholars Choice® College Savings Program* (the "Program"), as part of that college savings program. It is possible that federal and state laws may change due to legislative or judicial action in a manner that will adversely affect the Program as described in this Program Disclosure Statement, and that such adverse effects may be retroactive. CollegeInvest also may amend the Program at any time if CollegeInvest determines that such an amendment is necessary to maintain the Program's qualification under Code Section 529. CollegeInvest, in consultation with the Manager (as defined under "The Manager" heading, below), may establish such administrative rules as it determines are necessary or desirable to ensure or promote the Program's compliance with Code Section 529, other laws, rules and regulations, the purpose of the Program and the orderly operation and administration of the Program. Some administrative rules may not be described in this Program Disclosure Statement.

## Purpose of the Program

The Program provides an opportunity for Program participants (referred to herein as "Account Owners") to invest on a tax-favored basis toward the "qualified higher education expenses" of a designated beneficiary (the "Beneficiary") associated with attending an Eligible Educational Institution. As used in this Program Disclosure Statement, "Eligible Educational Institutions" refers to institutions of higher education eligible to participate in certain Department of Education student aid programs under the Higher Education Act (as in effect on August 5, 1997). They include most community colleges, public and private 4-year colleges, universities, graduate and post-graduate programs, certain proprietary and vocational schools and certain institutions in foreign countries. "Qualified higher education expenses" include tuition, fees, books, supplies, and equipment required for the enrollment or attendance of a student at an Eligible Educational Institution, plus, subject to certain limitations, room and board (including off-campus housing) expenses for a student attending such an institution on at least a half time basis. To get the full benefits from the Program, the Beneficiary does not have to attend an Eligible Educational Institution located in Colorado.

## About CollegeInvest

CollegeInvest is a division of the Department. The members of CollegeInvest's nine-person Board of Directors (the "Board") are appointed by the Governor of the State of Colorado. CollegeInvest provides certain administrative services in connection with the Program and generally oversees the activities of the Manager (as defined under "The Manager" heading, below) in providing services for the Program. In particular, the Board, with the approval of the Executive Director of the Department, has the responsibility to select one or more financial institutions to manage the Program, including the Portfolios (as defined under the "Scholars Choice College Savings Trust" heading, below). CollegeInvest acts in a fiduciary capacity with respect to the Program. In addition to the Program, CollegeInvest currently administers three other Section 529 plans as part of its college savings program, which are not described in this Program Disclosure Statement.

## The Manager

Pursuant to a College Savings Manager Services Agreement (the "Services Agreement"), CollegeInvest has retained QS Legg Mason Global Asset Allocation, LLC to perform investment advisory services with respect to the investment of Program assets and Legg Mason Investor Services, LLC to provide other services relating to establishing accounts for Account Owners, marketing the Program and keeping records for the Program. Legg Mason Investor Services, LLC is the primary distributor of interests in the Program. The term "Manager," as used in this Program Disclosure Statement, means QS Legg Mason Global Asset Allocation, LLC and/or Legg Mason Investor Services, LLC, as the context so requires. QS Legg Mason Global Asset Allocation, LLC and Legg Mason Investor Services, LLC are wholly-owned subsidiaries of Legg Mason, Inc.

## Scholars Choice College Savings Trust

Amounts contributed to the Program will be invested in the Scholars Choice College Savings Trust (the "Trust"). The Trust has been established to hold the Program's assets, including funds contributed to accounts established by Account Owners (the "Accounts" or the "Program Accounts"). The assets in the Accounts will be allocated to investment portfolios (the "Portfolios") and invested by the Manager. Each Portfolio is a segregated asset account of the Trust. CollegeInvest acts as trustee to the Trust, and the Manager holds the assets of the Trust in one or more custody accounts. Assets of the Trust are held "in trust" for the exclusive benefit of Account Owners and Beneficiaries in the Program. The Trust will not make any loans to either Account Owners or Beneficiaries. Amounts invested in an Account may not be pledged, assigned, or otherwise used as collateral or security for a loan.

* Scholars Choice® is a registered service mark of CollegeInvest.

## Overall Investment Objectives of Program and Portfolios

The overall long-term investment objectives of the Program and the Portfolios are to seek to achieve:

- A long-term competitive rate of return on investments that is equal to or exceeds a blended return equal to the applicable benchmarks set forth in CollegeInvest's Investment Policy Statement for the Program (the "Policy Statement").
- An investment program flexible enough to meet the varying needs of Account Owners and to provide each individual Account Owner with the ability to invest in a diversified portfolio of investments to meet their long-term investment goals.

There can be no assurance that the Program and the Portfolios will achieve such objectives.

# OPENING AND MAINTAINING AN ACCOUNT

## General

The Program is open to both residents and non-residents of the State of Colorado. Regardless of your state of residency, you may participate in and receive benefits (other than Colorado state tax benefits) from the Program. However, if neither the Account Owner nor the Beneficiary is a Colorado resident (either when the Account is opened or because the Account Owner or the Beneficiary moves to a new state), the Account Owner may be required to pay an annual Account maintenance fee. See "Fees and Expenses—Account Fees." **The Colorado income tax deduction for contributions to the Program, as described herein, is available only to Colorado taxpayers investing in Colorado plans under current law, which may be changed through future legislative or judicial action. Section 529 plans offered by states other than the State of Colorado may offer tax or other benefits to taxpayers or residents of those other states that are not available with regard to the Program. Taxpayers and residents of states other than the State of Colorado should consider the tax treatment and other benefits available in their home state, if any, before making an investment decision.**

## Account Application

To participate, an Account Owner opens an individual Account established and maintained as part of the Trust. The Manager will open the Account when it or its designee receives a completed and signed Scholars Choice College Savings Program Account Application, which is available from financial intermediaries that have entered into a selling, service or similar agreement with Legg Mason Investor Services, LLC ("selling institutions"). Each Account, other than Accounts maintained under omnibus account arrangements as described below, will be established with the Manager as a separate account under the Program for a single Beneficiary. The Account Application incorporates the Participation Agreement between the Account Owner and CollegeInvest.

## Omnibus Accounts Maintained by Certain Selling Institutions

Accounts in the Program are established through selling institutions. Certain selling institutions may enter into an omnibus services agreement with Legg Mason Investor Services, LLC pursuant to which the selling institution, rather than the Program's transfer agent, is responsible for performing various recordkeeping services with respect to Accounts established by all or certain of its customers. Such services may include the establishment and maintenance of Accounts, the processing of contributions to and withdrawals from Accounts, the processing of requests for Account Owner, Beneficiary and investment option changes, the preparation and delivery of periodic Account statements, transaction-related confirmations and tax forms, and the mailing of Program materials. Under such arrangements, the selling institution typically maintains one single account in each of the Portfolios in the selling institution's name for the exclusive benefit of its customers. Underlying Account Owner information is held on the selling institution's books and records, and trades typically are aggregated by Portfolio for transmission to the Program's transfer agent. Such accounts are referred to as "omnibus accounts." You should contact your selling institution to determine whether your selling institution will hold and maintain your Account under an omnibus account arrangement with Legg Mason Investor Services, LLC. If you transition your Account from a selling institution that holds and maintains your Account under an omnibus account arrangement with Legg Mason Investor Services, LLC to a selling institution that does not have such an arrangement, your Account will transfer from being maintained under an omnibus account arrangement to being maintained by the Program's transfer agent. See "Management and Other Service Providers—Administrative Services."

When you invest through a selling institution that maintains an omnibus account in the Portfolios on behalf of its customers, different conditions, privileges, services and restrictions may be applied by such selling institution than would apply if you held units of a Portfolio directly with the Program's transfer agent and that are described in this Program Disclosure Statement. Depending on your selling institution's policies and processes, such differences may include, but are not limited to: (i) eligibility standards to purchase units of a Portfolio; (ii) availability of sales charge and fee waivers; (iii) minimum initial and subsequent investment amounts; (iv) ability to invest in multiple investment options in one Account; and (v) accumulation and letter of intent privileges related to qualifying for reduced sales charges. You should be aware that Accounts maintained under an omnibus account arrangement generally will not be aggregated with Accounts maintained outside of such omnibus account arrangement for purposes of accumulation privileges and letters of intent. You should contact your selling institution to understand any special guidelines, conditions, privileges and restrictions that may apply if you invest in the Program through such firm.

Your selling institution may charge you maintenance or other administrative fees for services rendered with respect to your Account under an omnibus account arrangement. Such fees may be in addition to or in lieu of those that are charged directly by the Program. There may be tax consequences associated with these additional fees. You should consult a qualified tax advisor. In addition, Legg Mason Investor Services, LLC will pay compensation to your selling institution for its performance of services. See "Fees and Expenses—Additional Payments to Selling Institutions (Revenue Sharing)". You should contact your selling institution for details about such additional fees and compensation arrangements. None of these limitations or fees are described in this Program Disclosure Statement.

**In the event that you invest in the Program through a selling institution under an omnibus account arrangement and such firm does not require that you sign a Scholars Choice College Savings Program Account Application, by investing in the Program you will be deemed to have agreed that your Account and the assets therein are subject to the terms and conditions of the Scholars Choice Participation Agreement to the same extent as if you had executed a Scholars Choice College Savings Program Account Application. Therefore, it is important for you to read and understand the terms and conditions of the Scholars Choice Participation Agreement. Your account application with the selling institution will be deemed to be an Account Application for purposes of the Scholars Choice Participation Agreement.**

## Account Owners

Those eligible to open Accounts and act as Account Owners under the Program include:

- parents, grandparents and other relatives of the Beneficiary;
- friends of the Beneficiary;
- local governments, not-for-profit organizations, corporations, trusts and partnerships; and
- the Beneficiary.

An Account Owner must have a social security or taxpayer identification number.

Accounts in the Program may only be established, and contributions to Accounts may only be made, through financial intermediaries, including broker-dealers and investment advisers, that have entered into a selling, service or similar agreement with the Manager. Accounts may only be established by individuals and entities that are resident in or domiciled in the United States, including Puerto Rico, Guam and the U.S. Virgin Islands. A particular selling institution may choose to further limit the jurisdictions in which it will offer and sell interests in the Program.

Only one person or entity may be identified as the Account Owner of an Account. An individual may establish an Account and designate himself/herself as the Beneficiary. There is no limit on the age of the Account Owner to participate in, or benefit from, the Program. If the Account Owner is a minor, his or her parent or legal guardian will need to consent to the minor's participation in the Program by signing the Account Application and the minor must be designated as the Beneficiary of the Account. An Account opened by an entity must designate one or more individuals authorized to act on behalf of the entity. An Account Owner can open multiple Accounts for the same Beneficiary as long as the total of the balances in all Accounts and in all accounts in all other Colorado Section 529 plans for the Beneficiary (including Accounts for different Account Owners) does not exceed the Balance Limit (as defined in "Contributing to an Account—Maximum Account Balance Limit").

As an Account Owner, you may change the Beneficiary of your Account (see "Changing the Beneficiary of Your Account"), transfer assets to another Account or to another Section 529 plan for the same Beneficiary or a different Beneficiary (see "Tax Matters—Transfers between Accounts of Different Designated Beneficiaries or Different Section 529 Plans") or withdraw assets from your Account (see "Withdrawals"), in each case subject to any applicable taxes. For a description of the tax consequences associated with these actions, please see "Tax Matters." For example, you may do any of the foregoing if money remains in your Account after the Beneficiary has completed his or her education or the Beneficiary decides not to go to school. You can also keep your Account open until the Beneficiary goes to school, whenever that may be.

## Changing the Account Owner

You may transfer your Account to another Account Owner without changing the Beneficiary of your Account. Such a transfer will be effective only if it is irrevocable and transfers all rights, title, interest and power over the Account to the new Account Owner. The tax consequences associated with a transfer of ownership are uncertain. You should consult with a qualified tax advisor concerning the potential income, estate and gift tax consequences of a transfer of ownership before effecting such a transfer. To effect a transfer of ownership, please contact your financial professional or visit the Program's web site at **scholars-choice.com** to obtain the necessary forms that must be submitted to the Manager.

If the Account Owner is a minor or the Account was funded with proceeds from or otherwise established as a Uniform Transfers to Minors Act or Uniform Gifts to Minors Act ("UTMA/UGMA") account, the Account cannot be transferred to another Account Owner (other than to another legal guardian or UTMA/UGMA custodian for the benefit of the same Beneficiary).

## Successor Account Owners

If the Account Owner has not validly designated a successor Account Owner on the Account Application or on a specific form which may be obtained from the Account Owner's financial professional or the Manager, upon the Account Owner's death, the Beneficiary designated for the Account will automatically become the Account Owner. A successor Account Owner cannot be a minor at the time of designation. The Beneficiary of the Account also will become the Account Owner if a designated successor Account Owner is deceased at the time of the Account Owner's death or validly disclaims his/her interest in the Account. If the Beneficiary becomes the Account Owner and is a minor, his or her parent or legal guardian will need to consent to the minor's participation in the Program as an Account Owner by signing the Account Application and the minor must be designated as the Beneficiary of the Account.

## Beneficiaries

When establishing an Account, the Account Owner with limited exception must select a designated Beneficiary. Accounts established by governmental entities and not-for-profit organizations to fund scholarship programs need not have a designated Beneficiary at the time of the Account opening. Only one person may be designated as the Beneficiary of each Account, and joint beneficiaries on a single Account are not permitted. There is no limit on the age of the Beneficiary to participate in, or benefit from, the Program. Only the Account Owner may change the person designated as the Beneficiary of an Account.

## Changing the Beneficiary of an Account

With the exception of Accounts owned by minor Account Owners and Accounts funded by proceeds from or otherwise established as an UTMA/UGMA account, Account Owners may change the Beneficiary of an Account. If the new Beneficiary is a "member of the family" (as defined below) of the current Beneficiary, there is no penalty or adverse income tax consequences resulting from such change. If, however, you change the Beneficiary to someone who is not a member of the current Beneficiary's family, such designation will be treated as a Non-Qualified Withdrawal as described in "Withdrawals" (hereafter referred to as "Non-Qualified Withdrawals"), and a transfer of assets to a new Account for the new Beneficiary. Such Non-Qualified Withdrawal will be subject to federal and state income taxation (including possible recapture of state deductions) on the investment earnings withdrawn and may be subject to an additional federal tax of 10% of such earnings. See "Tax Matters."

If there are other Accounts opened for the benefit of the new Beneficiary, there may be limitations on how much of the Account can be used for the new Beneficiary under the Balance Limit, as described under "Contributing to an Account—Maximum Account Balance Limit".

In order to qualify for favorable tax treatment, a new designated Beneficiary must be a "member of the family" of the current Beneficiary as set forth in Code sections 152(d)(2) and 529(e)(2). Thus, the new Beneficiary must have one of the following relationships to the current Beneficiary: (i) son or daughter, or a descendant of either; (ii) stepson or stepdaughter; (iii) brother or sister; (iv) stepbrother or stepsister; (v) father or mother, or an ancestor of either; (vi) stepfather or stepmother; (vii) son or daughter of a brother or sister; (viii) brother or sister of the father or mother; (ix) son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, or sister-in-law; or (x) first cousin. A spouse of a family member described in (i) through (ix) above or the spouse of the Beneficiary also is considered a family member. For purposes of these rules, a legally adopted child is treated as a child by blood and the terms brother and sister include a brother or sister by halfblood.

If a different investment option(s) is not selected at the time of a change in Beneficiary, assets invested in the Age-Based Option or Years to Enrollment Option will be invested in the Portfolio that corresponds to or is based on the age of the new Beneficiary.

## Changing the Beneficiary of Minor or UTMA/UGMA Account

If an Account Owner is a minor or an Account is an UTMA/UGMA account, the minor must be designated as the Beneficiary, the Beneficiary of the Account cannot be changed, the Account cannot be transferred to another Account Owner (other than to another legal guardian or UTMA/UGMA custodian for the benefit of the same Beneficiary), and there can be no Non-Qualified Withdrawals other than for the benefit of the Beneficiary.

## Requesting a Change in Beneficiary

You may request a change of the person designated as Beneficiary only by completing a specific form which you may obtain from your financial professional or the Manager. You will be asked to certify to the relationship between the new Beneficiary and the current Beneficiary. If you change the person designated as Beneficiary of your Account, you may select new investment options for the new Beneficiary based on the circumstances of the new Beneficiary. (Note that under certain circumstances you also may transfer Account assets to another Account for a new Beneficiary or to another Section 529 plan for a new Beneficiary or the same Beneficiary, as described under "Tax Matters—Transfers between Accounts of Different Designated Beneficiaries or Different Section 529 Plans.")

## Selecting an Investment Option

Persons who are considering opening an Account should consider the overall structure of the Program, the differing investment goals and investment strategies of the Portfolio or Portfolios under each investment option, and the risks associated with the Portfolios under each investment option. Account Owners should determine which investment option(s) is most appropriate for them, given the other resources expected to be available to fund the Beneficiary's qualified higher education expenses, the age of the Beneficiary, the target date for withdrawing funds from the Program, the risks associated with each investment option, the limitations on investment control following the selection of an investment option and the ability of the Account Owner and the Beneficiary to bear the investment risks associated with a particular Portfolio. Account Owners should periodically assess and, if appropriate, adjust their choice of investment options. Under federal tax law, you are not permitted to direct the actual investment of your Account assets other than by selecting from among the investment options described in "Investment Options and Portfolio Performance" at the time you make an investment in your Account (both when it is opened and for any subsequent investments), and by changing investment options for assets in your Account no more than two times per calendar year thereafter, or upon any permissible change in the person designated as Beneficiary of the Account.

The Manager will allocate your Account assets to a particular Portfolio or Portfolios based on the investment option(s) you choose in your Account Application or that you subsequently elect. You must verify that the Portfolio in which your assets are allocated correctly corresponds to the investment option(s) you have elected, and, if applicable, the age and/or expected year of enrollment of the Beneficiary.[1] If you believe that (i) the Manager has not invested your assets in accordance with the investment option(s) you have chosen, or (ii) your assets have been invested in the wrong Portfolio, you have 60 days after the date that the first confirmation or statement reflecting the error is mailed to you by the Manager to notify the Manager of the error. After 60 days, your Account assets will remain invested as set forth in the confirmation or statement you received from the Manager with respect to such investment until you withdraw all such assets or subsequently change your investment option(s). The Manager may waive such 60 day notice requirement in its sole discretion.

While the Program is designed to help an individual meet the costs of higher education, investing in the Trust may not be appropriate for every investor. Furthermore, even if you invest in the Trust, a particular investment option may not be appropriate for you. If you do not believe that any of the investment options of the Program will meet your needs, you should consider other investment opportunities.

## Changing Investment Options

Under guidance from the Internal Revenue Service (the "IRS"), pending the issuance of final regulations, you may change the investment option(s) for all or a portion of the assets in your Account for any reason two times during any calendar year, and also upon any permissible change in the person designated as Beneficiary of your Account. Consequently, while you may not choose the particular investments in which a Portfolio invests, you may select among the available investment options and, under the circumstances described above, subsequently change from one investment option to another. The limitation on changing investment options during a calendar year applies on an aggregate basis to all Accounts under the Program and all accounts under other Colorado Section 529 plans, including the Stable Value Plus College Savings Plan, the CollegeInvest Direct Portfolio College Savings Plan and the Smart Choice College Savings Plan, having the same Account Owner and the same Beneficiary. Thus, you will not be permitted to change the investment options for the assets in your Account (assuming you do not change the Beneficiary on the Account) if, within the same calendar year, you have already made two investment option changes in the aggregate in Accounts you maintain under the Program or in accounts you maintain under other Colorado Section 529 plans for the same Beneficiary. In addition, any transfer between an Account in the Program and an account you maintain for the same Beneficiary under another Colorado Section 529 Plan is considered a change of investment options for purposes of the investment change limitation. For purposes of the twice a calendar year investment option change limitation, all investment option changes in more than one Account (and/or accounts under other Colorado Section 529 plans) for the same Beneficiary that are made at the same time are treated as a single change of investment option. To change the investment options for your Account, you must complete the appropriate form and submit it to the Manager. You can obtain the form from the Manager or your financial professional. Certain investors are permitted to change the investment options for their Accounts online through the Account Access section of the Program's website, **scholars-choice.com** or by calling 1-888-5-SCHOLAR (1-888-572-4652). Please check with your financial professional to determine whether this option is available to you.

The Program will accept a contribution of money withdrawn or transferred from an account in the Stable Value Plus College Savings Plan. However, such contribution may not be invested in the Program's Cash Reserve Portfolio within 61 days of the date on which moneys were withdrawn or transferred from the Stable Value Plus College Savings Plan.

## Selecting a Unit Class

At the time an Account Owner completes the application to establish an Account, the Account Owner will select the Unit Class (as described in "Fees and Expenses") applicable to the Account. Each Unit Class has different costs, allowing you to choose the Unit Class(es) that best meets your needs. Which Unit Class(es) is more beneficial to you depends on several factors, including the amount of investment, the intended length of the investment and whether you qualify

[1] Please note that Account assets are first *allocated* to a Portfolio based on your chosen investment option, and that Portfolio's assets (which include the assets of your Account as well as those of other Accounts) are in turn *invested* in underlying mutual funds or other investments pursuant to asset allocation guidelines.

for any reduction or waiver of sales charges. The Account Owner may, at any time, change the Unit Class or Unit Classes applicable to future contributions to the Account by submitting appropriate documentation to the Manager. The Account Owner generally may not change the Unit Class or Unit Classes applicable to the Account's existing assets. See "Fees and Expenses—Choosing a Class of Units to Buy."

Class B Units of the relevant Portfolios are no longer available for purchase by new and existing Account Owners. However, an Account Owner who is changing the investment option(s) for an Account may transfer existing Class B Units to Class B Units of another Portfolio, if available.

## Account Balances and Statements

To find out your Account balance, call your financial professional or call the Manager toll-free at 1-888-5-SCHOLAR (1-888-572-4652). Certain investors can also do so online through the Account Access section of the Program's website, **scholars-choice.com**. The Manager will send to you an Account statement quarterly with a description of your Account activity and the value of your Account.

## E-Delivery of Certain Program Forms and Documents

Account Owners may elect to receive the Program Disclosure Statement, any amendments to the Program Disclosure Statement, quarterly Account statements, confirmations and IRS Form 1099-Qs via electronic delivery on the Program's web site at **scholars-choice.com/gopaperless**. To sign up, an Account Owner needs to:

- Go to **scholars-choice.com/gopaperless**;
- Log into existing online account (or for first-time web site users, create a user ID and password);
- Click on "Electronic Delivery Preferences" under "Account Settings"; and
- Select one or more of the forms and documents the Account Owner wishes to receive via electronic delivery.

If you have questions about or need assistance with signing up for electronic delivery, please call your financial professional or 1-888-5-SCHOLAR (1-888-572-4652) to speak with a representative of the Manager. An Account Owner may not elect electronic delivery of tax forms over the telephone.

Account Owners with Accounts held through omnibus account arrangements should contact their financial professional regarding electronic delivery availability.

## Dormant Accounts

Each state has unclaimed property laws which may require a dormant Account to be turned over to the applicable state. The applicable state for this purpose is usually determined by the most recent address on file of the Account Owner. An Account is considered dormant if over a designated period of time there is no activity on such Account and CollegeInvest or the Manager is unable to make contact with the Account Owner.

## Manager's Right to Freeze, Suspend or Redeem Accounts

In addition to rights expressly stated elsewhere in this Program Disclosure Statement, the Manager reserves the right to (i) freeze an Account and/or suspend Account services when the Manager has received reasonable notice of a dispute regarding the assets in the Account, including notice of a dispute in Account ownership or when the Manager reasonably believes a fraudulent transaction may occur or has occurred; (ii) freeze an Account and/or suspend Account services upon the notification to the Manager of the death of the Account Owner until the Manager receives required documentation in good order and reasonably believes that it is lawful to transfer Account ownership to the successor Account Owner; (iii) redeem an Account, without the Account Owner's permission, in cases of threatening conduct or suspicious, fraudulent or illegal activity; and (iv) reject a contribution for any reason, including contributions that the Manager believes are not in the best interests of the Program, a Portfolio or the Account Owners. The risk of market loss, tax implications, penalties and any other expenses as a result of such an Account freeze or redemption will be solely the Account Owner's responsibility.

# CONTRIBUTING TO AN ACCOUNT

## Who Can Contribute

Anyone may make a contribution to your Account. However, any contribution to an Account may have gift or other tax consequences to the contributor or the Account Owner. Anyone making such a contribution, other than the Account Owner, will forfeit any rights to such contribution—so, for example, only an Account Owner may inquire about an Account and only an Account Owner may give directions regarding withdrawals from an Account, changes in the Beneficiary and any other Account-related instructions. An Account Owner may designate another individual solely to receive duplicate copies of quarterly statements and confirmations relating to the Account (i.e., as an interested party). An interested party cannot elect to receive quarterly Account statements and confirmations via electronic delivery.

## Minimum Contribution

The minimum initial required contribution to an Account is $250 and the minimum amount for each subsequent contribution is $50, except in the case of contributions by electronic transfer to an Account established pursuant to corporate or other employer relationships for which there is no minimum initial or subsequent contribution. The $250 minimum initial contribution requirement is also waived where the Account Owner establishes periodic automatic funds transfers to an Account of $50 or greater. The Manager may waive or vary such minimums for one or more Accounts in its sole discretion.

## Maximum Account Balance Limit

The federal income tax laws require that a limit be placed on the amount that can be contributed to an Account. Currently, the aggregate limit for balances of all Accounts in the Program and all accounts in other Colorado Section 529 plans (including the Stable Value Plus College Savings Plan, the CollegeInvest Direct Portfolio College Savings Plan and the Smart Choice College Savings Plan) for a particular Beneficiary is $350,000 (the "Balance Limit"). This means that no additional contributions (including rollover contributions) may be made to an Account if the Balance Limit is reached. If the Manager determines that a contribution (including rollover contributions) that you wish to make would result in the Account balances for all Accounts and all accounts in all other Colorado Section 529 programs (including the Stable Value Plus College Savings Plan, the CollegeInvest Direct Portfolio College Savings Plan and the Smart Choice College Savings Plan) for a particular Beneficiary exceeding the Balance Limit (an "excess contribution"), the excess contribution either will be rejected or will be returned to you and may be considered a Non-Qualified Withdrawal. However, if the aggregate balance in the Accounts and all other Colorado Section 529 plans for the benefit of the Beneficiary later falls below $350,000, you may resume making contributions. The Balance Limit is inclusive of contributions from all sources. It is possible that CollegeInvest will periodically increase the Balance Limit to reflect future increases in higher education costs, and you will be notified of any changes in the Balance Limit. Such notification may be made pursuant to an updated Program Disclosure Statement.

## How to Contribute

You may make a contribution by mailing a check to the Program, by making a one-time transfer from your bank account, by making periodic automatic funds transfers ("AFTs"), or through your financial professional. You may be able to contribute on the phone or online via the internet. Each contribution must be made in cash, denominated in U.S. dollars. Checks and bank transfers are considered to be cash for this purpose. Checks must be drawn on a U.S. bank and should be made payable to "Scholars Choice." Third party checks will only be accepted at the Manager's discretion. Starter checks for new bank accounts such as those without a preprinted account number or bank account owner name will not be accepted. You may not charge contributions to your credit card, nor may you contribute stocks, bonds or other property that you own to your Account.

## Contributing via Rollovers

Contributions may also be made by rollover from another qualified investment. Please see "Tax Matters" for restrictions and tax treatment.

Tax-free treatment is available for a rollover from an account in another Section 529 plan to an Account under the Program for the benefit of the same Beneficiary, provided that it has been at least 12 months since the most recent rollover for that Beneficiary. Rollovers must occur within 60 days of withdrawal. Contributions by rollover include "direct rollovers" in which withdrawal proceeds are transferred to the Program directly from another Section 529 plan and invested directly in an Account. A transfer from an Account in the Program or an account in another Colorado Section 529 plan for the same Beneficiary is not subject to this rule, but is instead subject to the investment change limitation described under "Opening and Maintaining an Account—Changing Investment Options."

An Account Owner may roll over an amount that has been withdrawn from a Program Account to a Program Account for a different Beneficiary, or may roll over an amount that has been withdrawn from an account under another Section 529 "qualified tuition program" to a Program Account for a different Beneficiary, without the amount so rolled over having to be included in the federal taxable income of the Account Owner or any Beneficiary and without the additional

10% federal tax on Non-Qualified Withdrawals, provided that the new Beneficiary is a "member of the family" (as defined on page 5) of the current Beneficiary. Rollovers must occur within 60 days of withdrawal. Contributions by rollover include "direct rollovers" in which withdrawal proceeds are transferred to the Program directly from another Section 529 plan and invested directly in an Account.

Contributions to an Account may be made with the redemption proceeds of Series EE Savings Bonds issued January 1990 and later, or all Series I Savings Bonds. Interest on such savings bonds may be completely or partially excluded from federal income tax if the redemption proceeds are contributed to an Account in the same calendar year the bonds are redeemed. Provided appropriate documentation is furnished to the Program, the original purchase price of the bonds redeemed and contributed to an Account will be added to the contribution portion of the Account, with the interest added to earnings.

You may make contributions to your Account in the Program and to a Coverdell Education Savings Account ("ESA") in the same year. You may also take a distribution of part or all of your ESA and invest the distribution proceeds in your Account. Such a distribution is considered a qualifying ESA distribution that is not subject to federal income tax.

## Contributing Assets of an UTMA/UGMA Account; Establishing an Account as an UTMA/UGMA Account

If you are the custodian of an UTMA/UGMA account for a Beneficiary, you may elect to place part or all of the UTMA/UGMA account assets into an Account after converting such assets to cash. The conversion of non-cash UTMA/UGMA account assets to cash for contribution to the Account may be a taxable transaction. Please consult a qualified tax advisor. It is also important to note that when opening an Account, the Beneficiary must be the same as the beneficiary of the UTMA/UGMA account. Also, while the Beneficiary is a minor, the Beneficiary of the Account cannot be changed, and there can be no Non-Qualified Withdrawals other than for the benefit of the Beneficiary in accordance with the terms governing the UTMA/UGMA account. Also, when the Beneficiary reaches termination age under UTMA/UGMA, he or she will become the sole Account Owner with complete control over the Account.

An Account may be established as an UTMA/UGMA account with funds that have not previously been part of an UTMA/UGMA account. In such case, while the Beneficiary is a minor, the Beneficiary of the Account cannot be changed, and there can be no Non-Qualified Withdrawals other than for the benefit of the Beneficiary in accordance with the terms governing the UTMA/UGMA account. Also, when the Beneficiary reaches termination age under UTMA/UGMA, he or she will become the sole Account Owner with complete control of the Account.

## Contributing via Colorado Direct Deposit Tax Refund Program

A Colorado taxpayer may elect to make a contribution to an existing Account by directing the Colorado Department of Revenue to directly deposit such taxpayer's Colorado income tax refund into the taxpayer's Account.

## Pricing of Units

Contributions to your Account that are received in good order before the close of regular trading (normally 4:00 p.m., Eastern time) on the New York Stock Exchange ("NYSE") on a business day and accepted by the Manager or its designee will purchase units in a Portfolio at the calculated unit value for that Portfolio no later than on the business day following the day your request is received. Contribution orders that are received in good order after the close of regular trading on the NYSE on a business day, or on a day other than a business day, will purchase units in a Portfolio at the calculated unit value for that Portfolio no earlier than on the next business day and no later than on the second succeeding business day. Payment in respect of a contribution order must be made with the contribution order except in the case of contribution orders placed through certain selling institutions. Payment for such contribution orders must be made in accordance with settlement procedures agreed to by the selling institution and the Manager. The unit value of each Portfolio is calculated as of the close of regular trading on the NYSE each day that the NYSE is open for trading. Each Portfolio will be closed for wire purchases and redemptions on days when the Federal Reserve Wire System is closed. A properly completed and signed application must have been received by the Manager or its designee and accepted by the Manager or its designee at or prior to the time that you submit your initial contribution order. All applications and contribution orders are subject to acceptance or rejection by the Manager or its designee in its sole discretion.

A Portfolio's net asset value ("NAV") per unit or unit price is calculated by dividing the value of its net assets by the total number of units of the Portfolio outstanding. NAV per unit or unit price is based on the value of the Portfolio's investments, including its holdings in underlying mutual funds. The NAV per share of each underlying mutual fund in which the Portfolios are invested normally is determined as of the close of regular trading on the NYSE.

# INVESTMENT OPTIONS AND PORTFOLIO PERFORMANCE

## General

The Program offers thirteen investment options (the "Options"): the Age-Based Option, the Years to Enrollment Option, the All Equity Option, the Equity 80% Option, the Balanced 50/50 Option, the Fixed Income 80% Option, the All Fixed Income Option, the Cash Reserve Option and five Individual Fund Options. If you choose the Age-Based Option, your assets will be allocated initially to one of Portfolios One through Seven based on the age of the Beneficiary. If you choose the Years to Enrollment Option, your assets will be allocated initially to one of Portfolios Three through Seven. If you choose the All Equity Option, your assets will be allocated to a single Portfolio (the "All Equity Portfolio"). Portfolio One also serves as the Portfolio for the Equity 80% Option. Portfolio Four also serves as the Portfolio for the Balanced 50/50 Option. Portfolio Six also serves as the Portfolio for the Fixed Income 80% Option. If you choose the All Fixed Income Option, your assets will be allocated to a single Portfolio (the "All Fixed Income Portfolio"). If you choose the Cash Reserve Option, your assets will be allocated to a single Portfolio (the "Cash Reserve Portfolio"). If you choose an Individual Fund Option, your assets will be allocated to a single Portfolio that invests all of its assets in a single underlying mutual fund (an "Individual Fund Portfolio").

The Manager will invest Portfolio assets in investments in accordance with the Policy Statement, which sets forth the policies, objectives and guidelines that govern the investment of such assets. There is no guarantee that the investment objectives for each Portfolio will be achieved. Portfolio investments as of the date of this Program Disclosure Statement consist of underlying mutual funds (hereinafter referred to as the "Funds"), as described below. CollegeInvest may amend or supplement the Policy Statement from time to time. In allocating Portfolio assets among the Funds or other investments, the Manager will act in accordance with the Policy Statement. The Funds in which Portfolio assets are invested are subject to the approval of CollegeInvest.

## Description of Investment Options

**Age-Based Option.** The investment objective of the Age-Based Option is to seek total return through an asset allocation and designated mix of investments which is consistent with the age of Beneficiaries invested in the Portfolios available under that Option. If you choose this Option, your Account assets will be allocated initially to one of Portfolios One through Seven depending on the age of your Beneficiary. If your Beneficiary's birthday is in the month of Account opening, your Account assets will be allocated to Portfolios One through Seven based on the age that will be attained by your Beneficiary on such birthday.

The allocation of each Portfolio's assets reflects the time horizon of the Portfolio's Beneficiary population (i.e., based on the Beneficiary's age and the likely length of time until the anticipated year of enrollment in an Eligible Educational Institution). The asset allocation strategy for the Age-Based Option thus becomes increasingly conservative with each successive Portfolio. The Manager relies on your representation as to the age of the Beneficiary to allocate your assets to a particular Portfolio at the outset.

Except when assets are initially allocated to Portfolio Seven due to the Beneficiary's age, your assets do not remain in the Portfolio in which they are initially invested. Account assets are redeemed when the Beneficiary attains an age that is greater than the upper limit of the age range that corresponds to a particular Portfolio, including the Portfolio in which assets were invested initially. The Manager then reinvests these assets in the Portfolio that corresponds to the Beneficiary's age. This continues until the Beneficiary is 19 years old, or the assets are withdrawn from your Account, whichever occurs first. These reinvestments occur on the first day of the month in which the Beneficiary has a birthday. When the Beneficiary reaches age 19, Account assets are invested in Portfolio Seven, and remain invested in that Portfolio as long as the Account remains open or until an investment option change occurs. You may not wish to be invested for a lengthy period in Portfolio Seven because that Portfolio invests in securities that are considered safer than, but generally do not achieve as high a return as, more aggressive investments.

**Years to Enrollment Option.** The investment objective of the Years to Enrollment Option is to seek total return through an asset allocation and designated mix of investments which is consistent with the expected years to enrollment of Beneficiaries in that Portfolio. If you choose this Option, your Account assets will be allocated to one of Portfolios Three through Seven.

The Years to Enrollment Option is for the Beneficiary whose anticipated year of enrollment is not based on age, but is based on the Beneficiary's expected year of enrollment. The expected year of enrollment is the year that you identify when you open your Account, provided that it must be a year that is no more than 12 years from the date you submit your Account Application. For example, you may choose to save for the Beneficiary's graduate school education rather than for his or her undergraduate degree, resulting in an anticipated year of enrollment that is later than for the standard Beneficiary. The Manager relies on your representation as to the anticipated year of enrollment of your Beneficiary to allocate your Account assets to a particular Portfolio at the outset.

Except when assets are initially allocated to Portfolio Seven due to the Beneficiary's expected years to enrollment, your assets do not remain in the Portfolio in which they are initially invested. The Manager will redeem Account assets from a Portfolio when the Beneficiary's years to enrollment are fewer than the shortest number of years to enrollment associated with that Portfolio as of the annual reinvestment date. The Manager then reinvests these assets in the Portfolio that corresponds to the Beneficiary's anticipated years to enrollment as of such annual reinvestment date. This continues until the Beneficiary's anticipated years to enrollment are zero, or all of the assets are withdrawn from your Account, whichever occurs first. Reinvestments continue until the Beneficiary's anticipated year of enrollment is zero. At that time, Account assets are invested in Portfolio Seven, and remain invested in that Portfolio as long as the Account remains open. Prior to January 1, 2016, the annual reinvestment date applicable to an Account is the first day of the month in which such Account was opened. Starting in 2016, the annual reinvestment date for all Accounts will be on or about August 15th of each year. You may not wish to be invested for a lengthy period in Portfolio Seven because that Portfolio invests in securities that are considered safer than, but generally do not achieve as high a return as, more aggressive investments.

**All Equity Option.** The investment objective of the All Equity Option is to seek long-term capital appreciation through investments in equity mutual funds. If you choose this Option, your assets will be allocated to the All Equity Portfolio for the life of the Account or until you change your investment option. The All Equity Portfolio's current investments represent a combination of Funds investing primarily in equity securities. The All Equity Option is only appropriate for investors with longer time horizons, who have an ability to tolerate an increased level of risk while seeking higher longer-term returns, or who use this investment option as part of an overall college savings strategy that includes less aggressive investments.

**Equity 80% Option.** The investment objective of the Equity 80% Option is to seek long-term capital appreciation through investments in equity mutual funds while maintaining 20% exposure to the relatively more stable returns of fixed income investments through investments in fixed income mutual funds. If you choose the Equity 80% Option, your Account assets will be allocated to Portfolio One, which has a target asset allocation of 80% equity and 20% fixed income, for the life of the Account or until you change your investment option. Contributions to the Equity 80% Option are not based on age or expected years to enrollment. Portfolio One's assets currently are allocated 80% to Funds investing primarily in equity securities and 20% to Funds investing primarily in fixed income securities. The Equity 80% Option is only appropriate for investors with longer time horizons, who have an ability to tolerate an increased level of risk while seeking long-term capital appreciation through an equity-oriented investment option, or who use this investment option as part of an overall college savings strategy that includes less aggressive investments.

**Balanced 50/50 Option.** The investment objective of the Balanced 50/50 Option is to seek total return with reasonable safety of principal. If you choose the Balanced 50/50 Option, your Account assets will be allocated to Portfolio Four, which has a target asset allocation of 50% equity and 50% fixed income, for the life of the Account or until you change your investment option. Contributions to the Balanced 50/50 Portfolio are not based on age or expected years to enrollment, and asset allocations will only change within a narrow range. Portfolio Four's assets currently are allocated 50% to Funds investing primarily in equity securities and 50% to Funds investing primarily in fixed income securities.

**Fixed Income 80% Option.** The investment objective of the Fixed Income 80% Option is to seek the relatively more stable returns of a fixed income investment through investments in fixed income mutual funds while maintaining 20% exposure to the long-term capital appreciation potential of equity investments through investments in equity mutual funds. If you choose the Fixed Income 80% Option, your Account assets will be allocated to Portfolio Six, which has a target asset allocation of 80% fixed income and 20% equity, for the life of the Account or until you change your investment option. Contributions to the Fixed Income 80% Option are not based on age or expected years to enrollment. Portfolio Six's assets currently are allocated 80% to Funds investing primarily in fixed income securities and 20% to Funds investing primarily in equity securities. The Fixed Income 80% Option may be appropriate for investors who seek a fixed income-oriented investment that has a small equity-oriented component, and who are willing to forego the long-term capital appreciation potential of a more equity-oriented investment. It may also be appropriate as one part of an overall college savings strategy that includes more equity-oriented investments.

**All Fixed Income Option.** The investment objective of the All Fixed Income Option is to seek the relatively more stable returns of a fixed income investment in exchange for giving up the long-term return potential that an equity investment offers. If you choose this Option, your assets will be allocated to the All Fixed Income Portfolio for the life of the Account or until you change your investment option. The All Fixed Income Portfolio's current investments represent a combination of Funds investing primarily in fixed income securities. The All Fixed Income Option may be appropriate for investors who seek the relatively more stable returns of a fixed income investment, and who are willing to forego the long-term capital appreciation potential of equity investments. It may also be appropriate as one part of an overall college savings strategy that includes more equity-oriented investments.

**Cash Reserve Option.** If you choose the Cash Reserve Option, your assets will be allocated to a single Portfolio (the "Cash Reserve Portfolio"). The investment objective of the Cash Reserve Option is to seek high current income and preservation of capital. The Cash Reserve Portfolio will invest solely in Western Asset Institutional Liquid Reserves, a money market fund. While the Cash Reserve Portfolio will invest all of its assets in Western Asset Institutional Liquid Reserves and will value its units based on the underlying money market fund share value (which the fund seeks to preserve at $1 per share), the Cash Reserve Portfolio itself is not a money market mutual fund. Neither an investment in the Cash Reserve Option nor the Cash Reserve Portfolio's investment in Western Asset Institutional Liquid Reserves is a bank deposit or insured or guaranteed by the FDIC or any other governmental agency. There is no assurance that Western Asset Institutional Liquid Reserves will be able to maintain a stable net asset value of $1 per share or that the Cash Reserve Portfolio in turn will be able to value its units at $1 per unit. Additional units in the Cash Reserve Portfolio will be issued to Account Owners as distributions of net investment income are made by such Portfolio. It is anticipated that distributions of net investment income will be made by the Portfolio on a monthly basis as it receives income and other distributions from Western Asset Institutional Liquid Reserves. This option may be appropriate for Account Owners who will be using Account assets to pay qualified higher education expenses in the near future or who otherwise are seeking a low risk investment option.

**Individual Fund Options.** There are five Individual Fund Options: the U.S. Aggressive Equity Individual Fund Option, the U.S. Core Equity Individual Fund Option, the U.S. Small Cap Equity Individual Fund Option, the International Equity Individual Fund Option and the Global Fixed Income Individual Fund Option. The investment objective of each of the U.S. Aggressive Equity Individual Fund Option, the U.S. Core Equity Individual Fund Option, the U.S. Small Cap Equity Individual Fund Option and the International Equity Individual Fund Option is to seek long-term capital appreciation. The investment objective of the Global Fixed Income Individual Fund Option is to seek to maximize total return consisting of income and capital appreciation through investments in global fixed income securities.

If you choose an Individual Fund Option, your assets will be allocated to the Individual Fund Portfolio associated with the selected Individual Fund Option. Each of the Individual Fund Portfolios will invest all of its assets in a single Fund, as specified in the "Current Underlying Funds For Individual Fund Portfolios" table under the "Target Fund Allocations" heading, below. While each of the Individual Fund Portfolios will invest all of its assets in a single specified Fund, the Individual Fund Portfolios themselves are not mutual funds. The Fund in which an Individual Fund Portfolio invests all of its assets is subject to change. For more information about the Fund in which an Individual Fund Portfolio invests, including a copy of its prospectus, call your financial professional or 1-888-5-SCHOLAR (1-888-572-4652). No offer is made in this Program Disclosure Statement of the Fund in which an Individual Fund Portfolio invests.

The Individual Fund Options may be appropriate for investors who wish to work with their financial advisors to develop and implement a customized higher education savings strategy based on their particular needs and goals. The Individual Fund Options may be used to create a fully customized portfolio, in conjunction with other Options available under the Program to make desired adjustments to an Account's asset allocation, or in conjunction with investments outside of the Program as part of an overall college savings strategy. The Individual Fund Options also may be appropriate for investors who seek to obtain more targeted exposure to particular asset classes and who are able to tolerate an increased level of risk associated with such more targeted exposure. Investors considering an Individual Fund Option should be particularly sensitive to the fact that there are limitations on the frequency with which an Account Owner may change an Account's Options.

## Target Asset Allocations

The following table summarizes the target asset allocations of the Portfolios. The Manager will allocate Portfolio assets to a particular asset category by investing them in an appropriate investment that is consistent with that asset category. The Manager may deviate, as permitted by the Policy Statement, within prescribed ranges from the target allocations in order to seek to meet a Portfolio's investment goal and comply with Portfolio investment limitations and restrictions set forth in the Policy Statement. The guidelines under the Policy Statement, including the target asset allocations, may be changed from time to time by CollegeInvest. The Manager will have a commercially reasonable time to implement asset allocation changes once a decision to change asset allocations has been made.

### Target Asset Allocations

| Portfolios | Age-Based | Years to Enrollment | Target Asset Allocation U.S. Equity | Non-U.S. Equity | Fixed Income | Money Market |
|---|---|---|---|---|---|---|
| **Portfolio One*** | Age 0-3 | Not Applicable | 64% | 16% | 20% | 0% |
| **Portfolio Two** | Age 4-6 | Not Applicable | 56% | 14% | 30% | 0% |
| **Portfolio Three** | Age 7-9 | 10-12 years | 48% | 12% | 40% | 0% |
| **Portfolio Four**** | Age 10-12 | 7-9 years | 40% | 10% | 50% | 0% |
| **Portfolio Five** | Age 13-15 | 4-6 years | 36% | 4% | 50% | 10% |
| **Portfolio Six***** | Age 16-18 | 1-3 years | 20% | 0% | 55% | 25% |
| **Portfolio Seven** | Age 19 and up | Less than 1 year | 0% | 0% | 50% | 50% |
| **All Equity** | Not Applicable | Not Applicable | 80% | 20% | 0% | 0% |
| **All Fixed Income** | Not Applicable | Not Applicable | 0% | 0% | 100% | 0% |
| **Cash Reserve** | Not Applicable | Not Applicable | 0% | 0% | 0% | 100% |
| **U.S. Aggressive Equity Individual Fund** | Not Applicable | Not Applicable | 100% | 0% | 0% | 0% |
| **U.S. Core Equity Individual Fund** | Not Applicable | Not Applicable | 100% | 0% | 0% | 0% |
| **U.S. Small Cap Equity Individual Fund** | Not Applicable | Not Applicable | 100% | 0% | 0% | 0% |
| **International Equity Individual Fund** | Not Applicable | Not Applicable | 0% | 100% | 0% | 0% |
| **Global Fixed Income Individual Fund** | Not Applicable | Not Applicable | 0% | 0% | 100% | 0% |

* Portfolio One also serves as the Equity 80% Option.
** Portfolio Four also serves as the Balanced 50/50 Option.
*** Portfolio Six also serves as the Fixed Income 80% Option.

## Target Fund Allocations

The Manager will invest Portfolio assets in one or more Funds that have investment objectives consistent with each particular asset category. The Manager will satisfy target asset allocation guidelines if it invests in the appropriate Funds, even if the assets of a Fund are not entirely invested in the asset class in which such Fund has been categorized. The Manager will, however, confirm that the investments of each Fund will be substantially consistent with the Policy Statement. The "Current Target Fund Allocations" table below shows the current Fund target allocations of each Portfolio's assets, other than assets in the Individual Fund Portfolios, for investment in the particular Funds, as indicated. The Manager may deviate from the target Fund allocations, within prescribed ranges (up to +/-5%) set forth in the Policy Statement, in order to seek to meet a Portfolio's investment goal and comply with Portfolio investment limitations and restrictions set forth in the Policy Statement. Each of the Individual Fund Portfolios invests 100% of its assets in a single Fund as specified in the "Current Underlying Funds for Individual Fund Portfolios" table below. The assets of the Portfolios will be invested in the Fund or Funds, as indicated below, as of the date of this Program Disclosure Statement. You will be notified of any significant changes in the investments to which Portfolio assets are allocated. The Manager will have a commercially reasonable time to implement changes in the investments to which Portfolio assets are allocated once a decision to change investments has been made. For a brief description of each Fund, see "Description of the Underlying Funds and Fund Performance" and "Underlying Funds—Risk Factors and Special Considerations."

## Current Target Fund Allocations

### For Portfolios One through Seven, All Equity Portfolio, All Fixed Income Portfolio and Cash Reserve Portfolio

| | | Portfolio | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Asset Class** | **Fund** | **One*** | **Two** | **Three** | **Four**** | **Five** | **Six***** | **Seven** | **All Equity** | **All Fixed Income** | **Cash Reserve** |
| **U.S. Equity** | QS Batterymarch U.S. Large Cap Equity | 18.67% | 16.32% | 11.23% | 7.15% | 6.66% | 0% | 0% | 23.33% | 0% | 0% |
| | Legg Mason BW Diversified Large Cap Value | 18.67% | 16.33% | 14% | 11.67% | 11.33% | 6.67% | 0% | 23.33% | 0% | 0% |
| | ClearBridge Appreciation | 7.25% | 3.96% | 3.31% | 4.59% | 6.52% | 6.67% | 0% | 11.74% | 0% | 0% |
| | ClearBridge Aggressive Growth | 11.42% | 12.39% | 13.46% | 11.59% | 9.48% | 6.67% | 0% | 11.60% | 0% | 0% |
| | Royce Pennsylvania Mutual | 5.11% | 4.73% | 4% | 3% | 1% | 0% | 0% | 4.85% | 0% | 0% |
| | ClearBridge Small Cap Growth | 2.89% | 2.27% | 2% | 2% | 1% | 0% | 0% | 5.15% | 0% | 0% |
| **Non-U.S. Equity** | Templeton Foreign | 8% | 7% | 6% | 5% | 2% | 0% | 0% | 10% | 0% | 0% |
| | Thornburg International Value | 8% | 7% | 6% | 5% | 2% | 0% | 0% | 10% | 0% | 0% |
| **Fixed Income** | Western Asset Global High Yield Bond | 5% | 5% | 5% | 5% | 5% | 0% | 0% | 0% | 10% | 0% |
| | Western Asset Core Plus Bond | 15% | 25% | 35% | 30% | 20% | 15% | 0% | 0% | 75% | 0% |
| | Western Asset Short-Term Bond | 0% | 0% | 0% | 10% | 15% | 25% | 30% | 0% | 0% | 0% |
| | Western Asset Inflation Indexed Plus Bond | 0% | 0% | 0% | 5% | 10% | 15% | 20% | 0% | 15% | 0% |
| **Money Market** | Western Asset Institutional Liquid Reserves | 0% | 0% | 0% | 0% | 10% | 25% | 50% | 0% | 0% | 100% |
| **Total Equity** | | 80% | 70% | 60% | 50% | 40% | 20% | 0% | 100% | 0% | 0% |
| **Total Fixed Income/Money Market** | | 20% | 30% | 40% | 50% | 60% | 80% | 100% | 0% | 100% | 100% |

* Portfolio One also serves as the Equity 80% Option.
** Portfolio Four also serves as the Balanced 50/50 Option.
*** Portfolio Six also serves as the Fixed Income 80% Option.
Target Fund allocations may not total to 100% due to rounding.

## Current Underlying Funds
### for Individual Fund Portfolios

| Individual Fund Portfolio | Underlying Fund |
|---|---|
| **U.S. Aggressive Equity** | **ClearBridge Aggressive Growth Fund** |
| **U.S. Core Equity** | **ClearBridge Appreciation Fund** |
| **U.S. Small Cap Equity** | **Royce Pennsylvania Mutual Fund** |
| **International Equity** | **Thornburg International Value Fund** |
| **Global Fixed Income** | **Legg Mason BW Global Opportunities Bond Fund** |

## Asset Category and Portfolio Benchmarks

The performance of Funds in each asset category and each Individual Fund Portfolio will be compared to the applicable asset category benchmark or Individual Fund Portfolio benchmark established in the Policy Statement and shown in the tables below. The benchmark for each of Portfolios One through Seven, the All Equity Portfolio, the All Fixed Income Portfolio and the Cash Reserve Portfolio is a blend of the asset category benchmarks for its underlying Funds based on the target allocations to such Funds. See "Investment Options and Portfolio Performance—Target Fund Allocations." Each of Portfolios One through Seven, the All Equity Portfolio, the All Fixed Income Portfolio, the Cash Reserve Portfolio and each Individual Fund Portfolio will seek to equal or exceed the return of its applicable benchmark. There can be no assurance that a Portfolio or Fund will achieve its objective. Benchmark performance does not reflect the deduction of fees and expenses.

A Portfolio's benchmark may change over time to reflect changes in an asset category benchmark, the Portfolio's underlying Funds and target allocations to such Funds, as applicable. Benchmark returns are based on the performance of benchmarks in effect from time to time. When a Portfolio's benchmark changes, the benchmark's new composition is utilized to calculate benchmark performance for periods from and after such change. Benchmark performance for periods prior to the change is not recalculated or restated based on the benchmark's new composition.

## Asset Category Benchmarks
### for Funds in Portfolios One through Seven, All Equity Portfolio, All Fixed Income Portfolio and Cash Reserve Portfolio

| Asset Category | Benchmark |
|---|---|
| **U.S. Equity Large Cap (Value and Growth)*** | **Russell 1000 Index** |
| **U.S. Equity Small Cap Value**** | **Russell 2000 Value Index** |
| **U.S. Equity Small Cap Growth***** | **Russell 2000 Growth Index** |
| **Non-U.S. Equity** | **Morgan Stanley Capital International—All Country World Index Ex-U.S. ("MSCI ACWI ex-U.S. Index")** |
| **Core Fixed Income** | **Barclays U.S. Aggregate Bond Index** |
| **Short-Term Fixed Income** | **Citigroup Government/Credit 1-5 Year Index** |
| **High Yield Corporate Bonds** | **Barclays Global High-Yield Bond Index (Hedged)** |
| **Inflation Indexed Fixed Income** | **Barclays U.S. TIPS Index** |
| **Money Market** | **3-Month Treasury Bill** |

* Includes QS Batterymarch U.S. Large Cap Equity Fund, Legg Mason BW Diversified Large Cap Value Fund, ClearBridge Appreciation Fund and ClearBridge Aggressive Growth Fund.
** Includes Royce Pennsylvania Mutual Fund.
*** Includes ClearBridge Small Cap Growth Fund.

## Individual Fund Portfolio Benchmarks

| Individual Fund Portfolio | Benchmark |
|---|---|
| **U.S. Aggressive Equity** | **Russell 1000 Growth Index** |
| **U.S. Core Equity** | **Russell 1000 Index** |
| **U.S. Small Cap Equity** | **Russell 2000 Index** |
| **International Equity** | **MSCI ACWI ex U.S. Index** |
| **Global Fixed Income** | **Citigroup World Government Bond Index** |

## Portfolio Performance

The following chart shows the average annual total returns (unaudited) for each Unit Class (see "Fees and Expenses—Costs Borne by Account Owners") under each of the Portfolios for the periods indicated. *The information concerning Portfolio performance has been provided by the Manager for inclusion herein and has not been independently verified by CollegeInvest.* The chart assumes imposition of the maximum sales charge currently applicable to the class, redemption of units at the end of the period and reinvestment of any income or other distributions. The performance data is net of all fees and expenses applicable to the Program during the reporting periods with the exception of the annual $20 Account maintenance fee applicable to certain Accounts. See "Fees and Expenses—Account Fees." The average annual total returns for the reporting periods shown reflect the performance of Portfolio investments, which have changed over time. Benchmark returns do not reflect the deduction of fees and expenses. Benchmark returns are based on the performance of benchmarks in effect from time to time. When a Portfolio's benchmark changes, the benchmark's new composition is utilized to calculate benchmark performance for periods from and after such change. Benchmark performance for periods prior to the change is not recalculated or restated based on the benchmark's new composition. See "Investment Options and Portfolio Performance—Asset Category and Portfolio Benchmarks." **Past performance is no guarantee of future performance. Your investment results may be better or worse than the Portfolio performance shown.** Performance information for the Portfolios is updated each month on the Program's website at **scholars-choice.com.**

## Average Annual Total Returns (Unaudited) for Period Ended June 30, 2015

| Portfolios | 1 Year | 3 Year | 5 Year | 10 Year | Since Portfolio Inception | Portfolio Inception Date |
|---|---|---|---|---|---|---|
| ***Portfolio One***** | | | | | | |
| **Class A** | 0.88% | 12.18% | 12.66% | 5.53% | 5.23% | 7/17/01 |
| **Benchmark Return*** | 4.13% | 13.49% | 13.41% | 7.17% | 6.22% | |
| **Class B** | 1.34% | 12.35% | 12.61% | 5.31% | 5.11% | 7/18/01 |
| **Benchmark Return*** | 4.13% | 13.49% | 13.41% | 7.17% | 6.24% | |
| **Class C** | 4.04% | 12.98% | 12.91% | 5.38% | 5.00% | 7/17/01 |
| **Benchmark Return*** | 4.13% | 13.49% | 13.41% | 7.17% | 6.22% | |
| **Class O** | 4.63% | 13.60% | 13.51% | 5.96% | 5.13% | 10/26/99 |
| **Benchmark Return*** | 4.13% | 13.49% | 13.41% | 7.17% | 5.42% | |

Source: Legg Mason Investor Services, LLC

* See "Investment Options and Portfolio Performance—Asset Category and Portfolio Benchmarks." The benchmark returns do not reflect deductions for fees or expenses.

** Portfolio One also serves as the Equity 80% Option.

The Portfolio performance information shown above is net of all applicable fees and expenses except that it does not reflect the annual $20 Account maintenance fee applicable to certain Accounts. See "Fees and Expenses—Account Fees." It also does not reflect any maintenance or other administrative fees charged by a selling institution under an omnibus account arrangement. See "Opening and Maintaining an Account—Omnibus Accounts Maintained by Certain Selling Institutions."

Class B Units of the relevant Portfolios are no longer available for purchase by new and existing Account Owners. However, an Account Owner who is changing the investment option(s) for an Account may transfer existing Class B Units to Class B Units of another Portfolio, if available.

## Average Annual Total Returns (Unaudited) for Period Ended June 30, 2015 (Continued)

| Portfolios | 1 Year | 3 Year | 5 Year | 10 Year | Since Portfolio Inception | Portfolio Inception Date |
|---|---|---|---|---|---|---|
| ***Portfolio Two*** | | | | | | |
| **Class A** | 0.54% | 10.97% | 11.67% | 5.35% | 5.11% | 7/17/01 |
| **Benchmark Return*** | 3.86% | 12.04% | 12.21% | 6.87% | 6.08% | |
| **Class B** | 0.90% | 11.10% | 11.61% | 5.14% | 4.96% | 7/17/01 |
| **Benchmark Return*** | 3.86% | 12.04% | 12.21% | 6.87% | 6.08% | |
| **Class C** | 3.60% | 11.73% | 11.92% | 5.19% | 4.88% | 7/18/01 |
| **Benchmark Return*** | 3.86% | 12.04% | 12.21% | 6.87% | 6.09% | |
| **Class O** | 4.13% | 12.29% | 12.48% | 5.73% | 5.22% | 10/25/99 |
| **Benchmark Return*** | 3.86% | 12.04% | 12.21% | 6.87% | 5.46% | |
| ***Portfolio Three*** | | | | | | |
| **Class A** | 0.14% | 9.68% | 10.67% | 5.46% | 5.26% | 7/17/01 |
| **Benchmark Return*** | 3.58% | 10.60% | 11.01% | 6.66% | 6.10% | |
| **Class B** | 0.49% | 9.80% | 10.61% | 5.23% | 5.11% | 7/17/01 |
| **Benchmark Return*** | 3.58% | 10.60% | 11.01% | 6.66% | 6.10% | |
| **Class C** | 3.21% | 10.44% | 10.90% | 5.29% | 5.02% | 7/17/01 |
| **Benchmark Return*** | 3.58% | 10.60% | 11.01% | 6.66% | 6.10% | |
| **Class O** | 3.73% | 10.96% | 11.43% | 5.79% | 5.16% | 11/3/99 |
| **Benchmark Return*** | 3.58% | 10.60% | 11.01% | 6.66% | 5.41% | |
| ***Portfolio Four**** | | | | | | |
| **Class A** | (0.55%) | 8.01% | 9.17% | 4.85% | 4.73% | 7/17/01 |
| **Benchmark Return*** | 3.06% | 8.96% | 9.56% | 6.23% | 5.77% | |
| **Class B** | (0.16%) | 8.11% | 9.12% | 4.64% | 4.59% | 7/18/01 |
| **Benchmark Return*** | 3.06% | 8.96% | 9.56% | 6.23% | 5.77% | |
| **Class C** | 2.58% | 8.76% | 9.42% | 4.70% | 4.51% | 7/18/01 |
| **Benchmark Return*** | 3.06% | 8.96% | 9.56% | 6.23% | 5.77% | |
| **Class O** | 2.97% | 9.21% | 9.87% | 5.15% | 5.00% | 10/26/99 |
| **Benchmark Return*** | 3.06% | 8.96% | 9.56% | 6.23% | 5.55% | |
| ***Portfolio Five*** | | | | | | |
| **Class A** | (1.35%) | 6.43% | 7.72% | 4.50% | 4.43% | 7/23/01 |
| **Benchmark Return*** | 2.88% | 7.48% | 8.23% | 5.73% | 5.37% | |
| **Class B** | (0.97%) | 6.51% | 7.66% | 4.29% | 4.26% | 7/18/01 |
| **Benchmark Return*** | 2.88% | 7.48% | 8.23% | 5.73% | 5.33% | |
| **Class C** | 1.71% | 7.16% | 7.94% | 4.34% | 4.15% | 7/19/01 |
| **Benchmark Return*** | 2.88% | 7.48% | 8.23% | 5.73% | 5.31% | |
| **Class O** | 2.05% | 7.49% | 8.30% | 4.73% | 4.33% | 11/8/99 |
| **Benchmark Return*** | 2.88% | 7.48% | 8.23% | 5.73% | 5.01% | |

Source: Legg Mason Investor Services, LLC
* See "Investment Options and Portfolio Performance—Asset Category and Portfolio Benchmarks." The benchmark returns do not reflect deductions for fees or expenses.
*** Portfolio Four also serves as the Balanced 50/50 Option.
( ) indicates a negative return.
The Portfolio performance information shown above is net of all applicable fees and expenses except that it does not reflect the annual $20 Account maintenance fee applicable to certain Accounts. See "Fees and Expenses—Account Fees." It also does not reflect any maintenance or other administrative fees charged by a selling institution under an omnibus account arrangement. See "Opening and Maintaining an Account—Omnibus Accounts Maintained by Certain Selling Institutions."
Class B Units of the relevant Portfolios are no longer available for purchase by new and existing Account Owners. However, an Account Owner who is changing the investment option(s) for an Account may transfer existing Class B Units to Class B Units of another Portfolio, if available.

## Average Annual Total Returns (Unaudited) for Period Ended June 30, 2015 (Continued)

| Portfolios | 1 Year | 3 Year | 5 Year | 10 Year | Since Portfolio Inception | Portfolio Inception Date |
|---|---|---|---|---|---|---|
| ***Portfolio Six******* | | | | | | |
| **Class A** | (2.34%) | 2.85% | 4.22% | 3.05% | 3.09% | 7/23/01 |
| **Benchmark Return*** | 1.86% | 3.91% | 4.72% | 4.24% | 4.11% | |
| **Class B** | (1.98%) | 2.88% | 4.16% | 2.83% | 2.92% | 8/9/01 |
| **Benchmark Return*** | 1.86% | 3.91% | 4.72% | 4.24% | 4.10% | |
| **Class C** | 0.69% | 3.56% | 4.46% | 2.90% | 2.83% | 7/19/01 |
| **Benchmark Return*** | 1.86% | 3.91% | 4.72% | 4.24% | 4.08% | |
| **Class O** | 0.85% | 3.75% | 4.66% | 3.17% | 3.32% | 11/14/99 |
| **Benchmark Return*** | 1.86% | 3.91% | 4.72% | 4.24% | 4.20% | |
| ***Portfolio Seven*** | | | | | | |
| **Class A** | (3.88%) | (1.15%) | 0.20% | 0.95% | 1.44% | 7/19/01 |
| **Benchmark Return*** | 0.06% | 0.27% | 0.90% | 2.40% | 2.78% | |
| **Class B** | (3.57%) | (1.18%) | 0.11% | 0.75% | 1.30% | 7/27/01 |
| **Benchmark Return*** | 0.06% | 0.27% | 0.90% | 2.40% | 2.78% | |
| **Class C** | (0.84%) | (0.46%) | 0.42% | 0.81% | 1.23% | 7/18/01 |
| **Benchmark Return*** | 0.06% | 0.27% | 0.90% | 2.40% | 2.78% | |
| **Class O** | (0.82%) | (0.42%) | 0.49% | 0.98% | 1.85% | 12/27/99 |
| **Benchmark Return*** | 0.06% | 0.27% | 0.90% | 2.40% | 3.21% | |
| ***All Equity*** | | | | | | |
| **Class A** | 1.86% | 14.67% | 14.59% | 5.06% | 4.17% | 7/17/01 |
| **Benchmark Return*** | 4.75% | 16.12% | 15.50% | 7.33% | 5.93% | |
| **Class B** | 2.32% | 14.86% | 14.55% | 4.85% | 4.02% | 7/17/01 |
| **Benchmark Return*** | 4.75% | 16.12% | 15.50% | 7.33% | 5.93% | |
| **Class C** | 4.95% | 15.45% | 14.83% | 4.91% | 3.94% | 7/17/01 |
| **Benchmark Return*** | 4.75% | 16.12% | 15.50% | 7.33% | 5.93% | |
| **Class O** | 5.60% | 16.19% | 15.55% | 5.54% | 3.73% | 10/6/00 |
| **Benchmark Return*** | 4.75% | 16.12% | 15.50% | 7.33% | 4.60% | |
| ***Fixed Income*** | | | | | | |
| **Class A** | (2.96%) | 1.57% | 3.91% | 4.43% | 4.67% | 7/26/01 |
| **Benchmark Return*** | 1.14% | 2.01% | 3.71% | 4.67% | 5.08% | |
| **Class B** | (2.65%) | 1.58% | 3.83% | 4.23% | 4.49% | 7/30/01 |
| **Benchmark Return*** | 1.14% | 2.01% | 3.71% | 4.67% | 5.05% | |
| **Class C** | 0.00% | 2.26% | 4.13% | 4.29% | 4.40% | 7/30/01 |
| **Benchmark Return*** | 1.14% | 2.01% | 3.71% | 4.67% | 5.05% | |
| **Class O** | 0.24% | 2.47% | 4.36% | 4.57% | 5.02% | 11/1/00 |
| **Benchmark Return*** | 1.14% | 2.01% | 3.71% | 4.67% | 5.43% | |

Source: Legg Mason Investor Services, LLC
* See "Investment Options and Portfolio Performance—Asset Category and Portfolio Benchmarks." The benchmark returns do not reflect deductions for fees or expenses.
**** Portfolio Six also serves as the Fixed Income 80% Option.
( ) indicates a negative return.
The Portfolio performance information shown above is net of all applicable fees and expenses except that it does not reflect the annual $20 Account maintenance fee applicable to certain Accounts. See "Fees and Expenses—Account Fees." It also does not reflect any maintenance or other administrative fees charged by a selling institution under an omnibus account arrangement. See "Opening and Maintaining an Account—Omnibus Accounts Maintained by Certain Selling Institutions."
Class B Units of the relevant Portfolios are no longer available for purchase by new and existing Account Owners. However, an Account Owner who is changing the investment option(s) for an Account may transfer existing Class B Units to Class B Units of another Portfolio, if available.

## Average Annual Total Returns (Unaudited) for Period Ended June 30, 2015 (Continued)

| Portfolios | 1 Year | 3 Year | 5 Year | 10 Year | Since Portfolio Inception | Portfolio Inception Date |
|---|---|---|---|---|---|---|
| ***Cash Reserve*** | | | | | | |
| **Class A** | 0.01% | 0.01% | 0.01% | NA | 1.26% | 8/11/05 |
| **Benchmark Return*** | 0.02% | 0.05% | 0.06% | NA | 1.32% | |
| **Class B** | 0.01% | 0.02% | 0.02% | NA | 1.25% | 9/19/05 |
| **Benchmark Return*** | 0.02% | 0.05% | 0.06% | NA | 1.30% | |
| **Class C** | 0.01% | 0.01% | 0.02% | NA | 1.27% | 8/8/05 |
| **Benchmark Return*** | 0.02% | 0.05% | 0.06% | NA | 1.32% | |
| **Class O** | 0.01% | 0.01% | 0.02% | NA | 1.26% | 7/29/05 |
| **Benchmark Return*** | 0.02% | 0.05% | 0.06% | NA | 1.32% | |
| ***U.S. Aggressive Equity Individual Fund*** | | | | | | |
| **Class A** | 1.33% | NA | NA | NA | 20.26% | 8/31/12 |
| **Benchmark Return*** | 10.56% | NA | NA | NA | 17.48% | |
| **Class C** | 4.36% | NA | NA | NA | 21.15% | 8/31/12 |
| **Benchmark Return*** | 10.56% | NA | NA | NA | 17.48% | |
| **Class O** | 4.92% | NA | NA | NA | 21.77% | 8/31/12 |
| **Benchmark Return*** | 10.56% | NA | NA | NA | 17.48% | |
| ***U.S. Core Equity Individual Fund*** | | | | | | |
| **Class A** | 2.72% | NA | NA | NA | 13.20% | 8/31/12 |
| **Benchmark Return*** | 7.37% | NA | NA | NA | 17.37% | |
| **Class C** | 5.91% | NA | NA | NA | 14.04% | 8/31/12 |
| **Benchmark Return*** | 7.37% | NA | NA | NA | 17.37% | |
| **Class O** | 6.30% | NA | NA | NA | 14.49% | 8/31/12 |
| **Benchmark Return*** | 7.37% | NA | NA | NA | 17.37% | |
| ***U.S. Small Cap Equity Individual Fund*** | | | | | | |
| **Class A** | (6.11%) | NA | NA | NA | 12.02% | 8/31/12 |
| **Benchmark Return*** | 6.49% | NA | NA | NA | 18.17% | |
| **Class C** | (3.22%) | NA | NA | NA | 12.92% | 8/31/12 |
| **Benchmark Return*** | 6.49% | NA | NA | NA | 18.17% | |
| **Class O** | (2.65%) | NA | NA | NA | 13.54% | 8/31/12 |
| **Benchmark Return*** | 6.49% | NA | NA | NA | 18.17% | |
| ***International Equity Individual Fund*** | | | | | | |
| **Class A** | 4.87% | NA | NA | NA | 8.72% | 8/31/12 |
| **Benchmark Return*** | (5.26%) | NA | NA | NA | 8.68% | |
| **Class C** | 8.27% | NA | NA | NA | 9.58% | 8/31/12 |
| **Benchmark Return*** | (5.26%) | NA | NA | NA | 8.68% | |
| **Class O** | 9.26% | NA | NA | NA | 10.68% | 8/31/12 |
| **Benchmark Return*** | (5.26%) | NA | NA | NA | 8.68% | |

Source: Legg Mason Investor Services, LLC
* See "Investment Options and Portfolio Performance—Asset Category and Portfolio Benchmarks." The benchmark returns do not reflect deductions for fees or expenses.
( ) indicates a negative return.
The Portfolio performance information shown above is net of all applicable fees and expenses except that it does not reflect the annual $20 Account maintenance fee applicable to certain Accounts. See "Fees and Expenses—Account Fees." It also does not reflect any maintenance or other administrative fees charged by a selling institution under an omnibus account arrangement. See "Opening and Maintaining an Account—Omnibus Accounts Maintained by Certain Selling Institutions."
Class B Units of the relevant Portfolios are no longer available for purchase by new and existing Account Owners. However, an Account Owner who is changing the investment option(s) for an Account may transfer existing Class B Units to Class B Units of another Portfolio, if available.

## Average Annual Total Returns (Unaudited) for Period Ended June 30, 2015 (Continued)

| Portfolios | 1 Year | 3 Year | 5 Year | 10 Year | Since Portfolio Inception | Portfolio Inception Date |
|---|---|---|---|---|---|---|
| ***Global Fixed Income Individual Fund*** | | | | | | |
| **Class A** | (9.32%) | NA | NA | NA | (0.48%) | 8/31/12 |
| **Benchmark Return*** | (9.02%) | NA | NA | NA | (3.17%) | |
| **Class C** | (6.59%) | NA | NA | NA | 0.25% | 8/31/12 |
| **Benchmark Return*** | (9.02%) | NA | NA | NA | (3.17%) | |
| **Class O** | (6.22%) | NA | NA | NA | 0.39% | 8/31/12 |
| **Benchmark Return*** | (9.02%) | NA | NA | NA | (3.17%) | |

Source: Legg Mason Investor Services, LLC
* See "Investment Options and Portfolio Performance—Asset Category and Portfolio Benchmarks." The benchmark returns do not reflect deductions for fees or expenses.
( ) indicates a negative return.
The Portfolio performance information shown above is net of all applicable fees and expenses except that it does not reflect the annual $20 Account maintenance fee applicable to certain Accounts. See "Fees and Expenses—Account Fees." It also does not reflect any maintenance or other administrative fees charged by a selling institution under an omnibus account arrangement. See "Opening and Maintaining an Account—Omnibus Accounts Maintained by Certain Selling Institutions."
Class B Units of the relevant Portfolios are no longer available for purchase by new and existing Account Owners. However, an Account Owner who is changing the investment option(s) for an Account may transfer existing Class B Units to Class B Units of another Portfolio, if available.

# THE PORTFOLIOS—RISK FACTORS AND SPECIAL CONSIDERATIONS

## No Guarantees

Neither the principal contributed to, nor the investment return on, the Accounts is guaranteed by the Federal Deposit Insurance Corporation, the State of Colorado, the federal government, CollegeInvest, the Manager or any affiliate of the Manager, or any federal or state governmental agency. Investments in the Program are not deposits or other obligations of any depository institution and are not guaranteed by any depository institution.

## Investment Risks in General

The Portfolios are currently or will be invested in the Funds. Accordingly, your investment in the Program is subject to the risks associated with investing in these Funds, including (but not limited to) market risk and issuer risk. For example, investing in equity securities is subject to the risk that the stock market as a whole may decline, deflating such securities' prices, and the risk that the price of a particular issuer's stock may decline. Debt securities are subject to the risk that the issuer may not be able to pay interest or principal when due. The value of debt instruments generally rises and falls inversely with prevailing current interest rates. Consequently, the Portfolios' unit prices and yields will fluctuate in response to various market and economic factors related to both the stock and bond markets. You could lose money, including your original contribution, or not make money, by investing in the Program. See "Underlying Funds—Risk Factors and Special Considerations."

## Investment Objectives May Not Be Met

There is no guarantee or assurance that the investment objectives of any Portfolio or Fund will be achieved. In addition, there is no guarantee or assurance that the investment strategies of a particular Portfolio, including assumptions made about the time horizons of the Portfolio's Beneficiary population, if applicable, will prove accurate or be successful. There is also no guarantee or assurance that you will have sufficient assets in your Account to meet the Beneficiary's qualified higher education expenses in the future, or that your investment goals will be realized.

## Active Management Risk

Each of the Funds in which the Portfolios invest is actively managed, and is not designed to simply mirror the composition and performance of its applicable asset category benchmark set forth in "Investment Options and Portfolio Performance—Asset Category and Portfolio Benchmarks" or the composition and performance of its comparison index set forth in its prospectus. The success of each Fund's investment strategy depends significantly on the skill and judgment of the Fund's portfolio managers in investing the Fund's assets. There may be significant variations between the performance of the Funds and the Portfolios and their respective benchmarks.

## Affiliated Fund Risk

As described in "Description of the Underlying Funds and Fund Performance," each Fund in which the Portfolios currently invest, with the exception of Templeton Foreign Fund and Thornburg International Value Fund, is managed or advised by one or more affiliates of the Manager. In light of the differing fee arrangements applicable to affiliated and unaffiliated Funds, the Manager may be viewed as having a conflict of interest in making recommendations with respect to the Portfolios' target asset allocations and the selection of Funds in which to invest the Portfolios' assets. However, the Manager is subject to standards of fiduciary duty when making recommendations with respect to the Portfolios' target asset allocations and the selection of Funds in which to invest are subject to the approval of CollegeInvest in accordance with the provisions of the Services Agreement.

## Risk of Increases in Fees, Expenses and Charges

The fees, expenses and charges under the Program are subject to change, and new fees, expenses and charges may be imposed in the future.

A Portfolio's actual underlying Fund expenses may be higher than the Portfolio's estimated underlying Fund expenses shown in the tables in "Fees and Expenses" if the actual expense ratio for one or more Funds is higher than the expense ratio used in calculating such estimated underlying Fund expenses. Actual Fund fees and expenses borne by Class A, B and C Units of a Portfolio will depend on the actual allocation of the Portfolio's assets to the Funds and the actual expenses of the Funds.

## Special Risks of All Equity Option and Equity 80% Option

Equity funds are characterized by greater growth potential over longer time periods than fixed income funds, but also involve increased risk in terms of share price volatility. The All Equity Option is only appropriate for investors with longer time horizons who are comfortable with an increased level of risk while seeking higher longer-term returns, or who use this option as part of an overall college savings strategy that includes less aggressive investments. The All Equity Option will not provide for capital preservation at any particular time. Investors considering the All Equity Option should be particularly sensitive to the fact that there will be limitations on their ability to move their investment out of the All Equity Option into another investment option as the time horizon before college shortens. The All Equity Option may underperform other investment options and Portfolios, particularly if equity securities generally underperform other asset classes for any particular period of time. The risks associated with an investment in the Equity 80% Option are generally similar to those described with respect to the All Equity Option. Account owners electing the All Equity Option should carefully review the investment risks applicable to Funds investing in equity securities. Account owners electing the Equity 80% Option should carefully review the investment risks applicable to Funds investing in equity securities and to Funds investing in fixed income securities. See "Underlying Funds—Risk Factors and Special Considerations."

## Special Risks of All Fixed Income Option and Fixed Income 80% Option

Fixed income funds generally are characterized by more price stability than equity funds, but offer less potential for long-term growth of capital. The All Fixed Income Option and the Fixed Income 80% Option may be appropriate for investors who are seeking the more stable returns of a fixed income investment, and who are willing to forego the long-term capital appreciation potential of equity investments. It may also be appropriate as one part of an overall college savings strategy that includes more equity-oriented investments. While fixed income funds generally are characterized by relatively more price stability than equity funds, fixed income securities will fluctuate in value based on various market and economic factors. You could lose money, including your original contribution, or not make money by investing in the All Fixed Income Option or the Fixed Income 80% Option. The All Fixed Income Option will not seek capital appreciation and may underperform other investment options and Portfolios, particularly if debt securities generally underperform other asset classes for any particular period of time. The risks described in the paragraph under "Other Program Risk Factors and Special Considerations—Impact of Inflation on Qualified Higher Education Expenses" may be increased with respect to an investment in the All Fixed Income Option. The risks associated with an investment in the Fixed Income 80% Option are generally similar to those described with respect to the All Fixed Income Option. Account Owners electing the All Fixed Income Option should carefully review the investment risks applicable to Funds investing in fixed income securities. Account Owners electing the Fixed Income 80% Option should carefully review the investment risks applicable to Funds investing in fixed income securities and to Funds investing in equity securities. See "Underlying Funds—Risk Factors and Special Considerations."

## Special Risks of Cash Reserve Option

The Cash Reserve Option will not seek capital appreciation and may underperform other investment options and Portfolios. The risks described in the paragraph under "Other Program Risk Factors and Special Considerations—Impact of Inflation on Qualified Higher Education Expenses" may be increased with respect to an investment in the Cash Reserve Option for an extended period of time. Before investing in the Cash Reserve Option, you should consider the annual fee structure applicable to the Cash Reserve Portfolio, as described in the section of this Program Disclosure Statement captioned "Fees and Expenses" in relation to prevailing money market yields. See "Description of the Underlying Funds and Fund Performance—Performance of the Underlying Funds" for information concerning the performance of Western Asset Institutional Liquid Reserves, which is the Fund in which the Cash Reserve Portfolio invests all of its assets.

## Special Risks of Individual Fund Options

Each Individual Fund Option invests in an Individual Fund Portfolio, which in turn invests in a single equity or fixed income Fund. Investors considering an Individual Fund Option should carefully review the description of the Fund in which the relevant Individual Fund Portfolio invests in "Description of the Underlying Funds and Fund Performance" as well as the description of the investment risks applicable to Funds investing in equity or fixed income securities, as applicable, in "Underlying Funds—Risk Factors and Special Considerations." For more information about the Fund in which an Individual Fund Portfolio invests, including a copy of its prospectus, call your financial professional or 1-888-5-SCHOLAR (1-888-572-4652). No offer is made in this Program Disclosure Statement of the Fund in which an Individual Fund Portfolio invests. Individual Fund Options involve greater volatility risk relative to more diversified Options and Portfolios that invest in multiple Funds. Such increased volatility risk is especially important for an investor considering an investment in an Individual Fund Option on a stand-alone basis rather than in conjunction with other Individual Fund Options or other Options available under the Program or as part of a broader college savings strategy. Investors considering an Individual Fund Option should be particularly sensitive to the fact that there are limitations on the frequency with which an Account Owner may change an Account's Options.

## Varying Investment Results

As with any investment, the return you can expect on your investment in a particular Portfolio will vary depending on applicable conditions and circumstances, and past Account, Portfolio, or Fund performance is no guarantee or indication of future results. In addition, if you choose the Age-Based or Years to Enrollment Option, you can expect the performance of your investment in the Program to change because the mix of assets in which you invest will change over time to correspond to the age, or years to enrollment, respectively, of the Beneficiary.

## Changes in Investments or Policy Statement

The Policy Statement sets forth the policies, objectives and guidelines that govern the asset allocation and investment of Program assets. From time to time CollegeInvest may change the asset allocation and investment guidelines for the Program. If a change in the Policy Statement requires, the Manager will cause a Portfolio to divest itself of ownership of shares of one or more Funds. Even if the Policy Statement does not change, the Manager may change a Portfolio's allocation among Funds, may add or substitute new funds or investments, or may cause a Portfolio to divest itself of its investment in the Funds or a particular Fund.

During the transition from investment in one Fund to investment in another Fund, a Portfolio may be temporarily uninvested and lack market exposure with respect to a particular asset class or in its entirety in the case of an Individual Fund Portfolio. During such transition period, a Portfolio may temporarily hold a basket of securities to the extent that the Fund from which it redeems chooses to satisfy the Portfolio's redemption out of such Fund on an in kind basis. In such event, the Manager will seek to liquidate the securities received from the Fund as promptly as practicable so that the proceeds can be promptly invested in the replacement Fund or Funds. The transaction costs associated with such liquidation, as well as any market impact on the value of the securities being liquidated, will be borne by the Portfolio or Portfolios and Accounts invested in such Portfolio or Portfolios. A Fund from which a Portfolio or Portfolios redeems may impose redemption fees with respect to shares in such Fund that were held by the Portfolio or Portfolios for a short period of time (typically 60 days or less). In such event, the Portfolio or Portfolios, and Accounts invested in such Portfolio or Portfolios, will bear such redemption fees. See "Fees and Expenses—Fees and Costs Associated with Fund Changes."

## Changes in Manager

The term of the Services Agreement ends on December 31, 2022. The Services Agreement may be extended by mutual agreement of CollegeInvest and the Manager for an additional five-year period ("extension term"). CollegeInvest has the right to terminate the Services Agreement earlier under certain circumstances, such as a material breach of the Services Agreement or failure to meet specific performance standards under the Services Agreement.

If the initial or an extension term expires and is not extended, or if the Services Agreement is terminated for certain reasons specified in the Agreement, the Manager will in many instances continue to provide services under the Agreement with respect to Accounts in existence as of the last day of the term. In other instances discussed in the Services Agreement, upon expiration or termination of the Agreement, CollegeInvest may appoint another program manager with respect to existing as well as new Accounts. In either case, the Manager may continue to hold existing Accounts but will not accept additional contributions to those Accounts, the fee and compensation structure may be higher than the fees existing Account Owners currently pay, and, in the case of a successor program manager, that manager may invest Portfolio assets in mutual funds and investments other than the Funds, or achieve performance results that are different from those that may have been achieved by the Manager. If you do not wish to continue to invest in the Trust after a change in managers, your options are to make a tax-free rollover to another Section 529 plan or to make a Non-Qualified Withdrawal of your Account assets, subject to applicable income and additional taxes.

## The Manager's Right to Terminate its Relationship with the Program

The Manager may terminate the Services Agreement during the initial or an extension term under certain circumstances, such as CollegeInvest's material breach of the Services Agreement or CollegeInvest's inability to continue to be involved in the Trust as specified in the Act.

## Cybersecurity Risk

With the increased use of technologies such as the Internet to conduct business, the Program, the Portfolios and the Funds are susceptible to operational, information security and related risks. In general, cyber incidents can result from deliberate attacks or unintentional events. Cyber attacks include, but are not limited to, gaining unauthorized access to digital systems (e.g., through "hacking" or malicious software coding) for purposes of misappropriating assets or sensitive information, corrupting data, or causing operational disruption. Cyber attacks may also be carried out in a manner that does not require gaining unauthorized access, such as causing denial-of-service attacks on websites (i.e., efforts to make network services unavailable to intended users). Cyber incidents affecting the Program's or a Fund's manager, sub-adviser(s) and other service providers (including, but not limited to, accountants, custodians, transfer agents and financial intermediaries) have the ability to cause disruptions and impact business operations, potentially resulting in financial losses, interference with a Portfolio's or Fund's ability to calculate its NAV, impediments to trading, the inability of Account Owners or Fund shareholders (including the Trust) to transact business, violations of applicable privacy and other laws, regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs. Similar adverse consequences could result from cyber incidents affecting issuers of securities in which a Fund invests, counterparties with which a Fund engages in transactions, governmental and other regulatory authorities, exchange and other financial market operators, banks, brokers, dealers, insurance companies and other financial institutions. In addition, substantial costs may be incurred in order to prevent any cyber incidents in the future. While the Program's and the Funds' service providers have established business continuity plans in the event of, and risk management systems to prevent, such cyber incidents, there are inherent limitations in such plans and systems including the possibility that certain risks have not been identified. Furthermore, the Program, the Portfolios and the Funds cannot control the cybersecurity plans and systems put in place by their service providers or any other third parties whose operations may affect them. The Program, the Portfolios and the Funds could be negatively impacted as a result.

## Other Considerations

An investment in the Program will not be the appropriate investment for all investors. You should evaluate the Program, the Option(s) you select, the Portfolios and the Funds in the context of your overall financial situation, investment goals, other resources and needs (such as liquidity) and other investments. If you consider yourself an especially aggressive or conservative investor, you may want to save for higher education by making investments in addition to or other than through the Program to seek to achieve the investment result that is right for you.

Please see "Underlying Funds—Risk Factors and Special Considerations" for a discussion of risk factors relating to the Funds in which the Portfolios invest and "Other Program Risk Factors and Special Considerations" for a discussion of risk factors relating to the Program generally.

# DESCRIPTION OF THE UNDERLYING FUNDS AND FUND PERFORMANCE

*The following information concerning the Underlying Funds and Fund performance has been provided by the Manager for inclusion herein and has not been independently verified by CollegeInvest. The information is not guaranteed as to accuracy or completeness by CollegeInvest or the State of Colorado and is not to be construed as a representation by CollegeInvest or the State of Colorado.*

## Description of Underlying Funds

As of the date of this Program Disclosure Statement, the assets of the Portfolios are being invested by the Manager in the Funds. The Manager has chosen the particular Funds according to the target asset allocations for each Portfolio discussed under "Investment Options and Portfolio Performance." In accordance with the Policy Statement and the Services Agreement, the Manager may add or substitute new Funds or other investments in the future as approved by CollegeInvest. See "The Portfolios—Risk Factors and Special Considerations—Changes in Investments or Policy Statement."

Each of the Funds is an open-end management investment company, or a series of such a company. Each Fund, with the exception of the Templeton Foreign Fund and the Thornburg International Value Fund, is managed or advised by one or more affiliates of the Manager. The following are the investment advisers or managers to each Fund:

- Legg Mason Partners Fund Advisor, LLC, an affiliate of the Manager, serves as investment manager to QS Batterymarch U.S. Large Cap Equity Fund, Legg Mason BW Diversified Large Cap Value Fund, Legg Mason BW Global Opportunities Bond Fund, ClearBridge Appreciation Fund, ClearBridge Aggressive Growth Fund, ClearBridge Small Cap Growth Fund, Western Asset Global High Yield Bond Fund, Western Asset Core Plus Bond Fund, Western Asset Short-Term Bond Fund, Western Asset Inflation Indexed Plus Bond Fund and Western Asset Institutional Liquid Reserves.
- ClearBridge Investments, LLC, an affiliate of the Manager, serves as sub-adviser to ClearBridge Appreciation Fund, ClearBridge Aggressive Growth Fund and ClearBridge Small Cap Growth Fund.
- Royce & Associates, LLC, an affiliate of the Manager, serves as investment adviser to Royce Pennsylvania Mutual Fund.
- Brandywine Global Investment Management, LLC, an affiliate of the Manager, serves as sub-adviser to Legg Mason BW Diversified Large Cap Value Fund and Legg Mason BW Global Opportunities Bond Fund.
- QS Batterymarch Financial Management, Inc., an affiliate of the Manager, serves as sub-adviser to QS Batterymarch U.S. Large Cap Equity Fund.
- Western Asset Management Company, an affiliate of the Manager, serves as sub-adviser to Western Asset Global High Yield Bond Fund, Western Asset Core Plus Bond Fund, Western Asset Short-Term Bond Fund, Western Asset Inflation Indexed Plus Bond Fund and Western Asset Institutional Liquid Reserves. Western Asset Management Company also manages the portion of the cash and short-term instruments allocated to it for ClearBridge Appreciation Fund, ClearBridge Aggressive Growth Fund, ClearBridge Small Cap Growth Fund and QS Batterymarch U.S. Large Cap Equity Fund.
- Western Asset Management Company Limited in London and Western Asset Management Company Pte. Ltd. in Singapore, affiliates of the Manager, serve as additional investment advisers or sub-advisers to Western Asset Global High Yield Bond Fund, Western Asset Core Plus Bond Fund and Western Asset Inflation Indexed Plus Bond Fund. Western Asset Management Company Limited in London serves as an additional investment sub-adviser to Western Asset Short-Term Bond Fund. Western Asset Management Company Ltd. in Japan, an affiliate of the Manager, serves as an additional sub-adviser to Western Asset Core Plus Bond Fund and Western Asset Inflation Indexed Plus Bond Fund.
- Templeton Global Advisors Limited serves as investment manager to Templeton Foreign Fund. Templeton Global Advisors Limited is not an affiliate of the Manager.
- Thornburg Investment Management, Inc. serves as investment adviser to Thornburg International Value Fund. Thornburg Investment Management, Inc. is not an affiliate of the Manager.

In the case of trust assets invested in a Fund managed by an affiliate of the Manager, such affiliate will be paid fees by the Fund. Such fees are reflected in the Fund's operating expenses, and the Portfolios generally will indirectly bear a proportional share of such fees. See "Fees and Expenses—Fund Fees and Expenses." The rate of fees earned by an affiliate advising a particular Fund may be greater than the rate of fees earned by an affiliate advising another Fund and the rate of fees received and retained by the Manager with respect to a Fund managed or advised by an entity unaffiliated with the Manager, as described below. When investing in a Fund managed or advised by an affiliate of the Manager, the Portfolios generally will invest in the share class of the Fund with the lowest expense ratio for which they are eligible.

In the case of Trust assets invested in a Fund managed or advised by an entity unaffiliated with the Manager, the Manager may receive and retain fees with respect to such assets from such Fund or the adviser or distributor of such

Fund at a per annum rate of up to 0.40% of such invested assets. Currently, the Manager receives and retains fees from the Templeton Foreign Fund and the Thornburg International Value Fund or the adviser or distributor of such Funds at a per annum rate of 0.40% of the Program's assets invested in such Fund. Such fee arrangements are designed to help offset the Manager's expenses associated with maintaining an investment in the Fund on behalf of the Trust, and are a factor considered by the Manager in selecting Funds managed or advised by entities unaffiliated with the Manager and the share class of such Funds in which to invest the assets of the Portfolios. The rate of fees received and retained by the Manager with respect to a particular unaffiliated Fund may be greater than the rate of fees received and retained by the Manager with respect to another unaffiliated Fund.

In light of the varying fee arrangements applicable to affiliated and unaffiliated Funds, the Manager may be viewed as having a conflict of interest in making recommendations with respect to the Portfolios' target asset allocations and the selection of Funds in which to invest the Portfolios' assets. However, the Manager is subject to standards of fiduciary duty when making recommendations with respect to the investment of the Trust's assets. In addition, the Manager's recommendations with respect to the Portfolios' target asset allocations and the selection of Funds in which to invest the Portfolios' assets are subject to the approval of CollegeInvest in accordance with the provisions of the Services Agreement. Subject to the Manager's determination as to the availability of appropriate affiliated Funds and CollegeInvest's approval of such determination, it is anticipated that a substantial portion of the Portfolios' assets will be invested in Funds managed or advised by affiliates of the Manager.

The following describes the investment objectives and practices of each of the Funds. There can be no assurance that the investment objectives of any Fund will be met. In the future, the Portfolios' assets may be invested in other funds managed by the investment advisers to the Funds, other mutual funds or other investments in addition to or in substitution for the Funds discussed below.

## Equity Funds

***QS Batterymarch U.S. Large Cap Equity Fund*** seeks long-term capital appreciation. Under normal circumstances, the Fund invests at least 80% of the value of its net assets, plus borrowings for investment purposes, if any, in U.S. equity securities or other investments with similar economic characteristics of large capitalization companies. Large capitalization companies are those companies with market capitalizations similar to companies in the Russell 1000® Index. Securities of companies whose market capitalizations no longer meet this definition after purchase by the Fund still will be considered to be securities of large capitalization companies for purposes of the Fund's 80% investment policy. The Fund has exposure to growth and value equities of large capitalization companies. The Fund's portfolio managers use a quantitative process that assesses stocks by relative attractiveness based on a variety of measures including value, cash flow, earnings growth and sentiment. The Fund seeks to produce returns that exceed those of the Russell 1000 Index over a full market cycle (typically three to five years).

***Legg Mason BW Diversified Large Cap Value Fund*** seeks long-term capital appreciation. The Fund normally invests at least 80% of its net assets in equity securities of large capitalization companies. Large capitalization companies are those companies with market capitalizations similar to companies in the Russell 1000® Index. The Fund invests primarily in equity securities that, in the opinion of the Fund's investment adviser, are undervalued or out of favor. The Fund's investment adviser invests in securities that meet its value criteria, primarily, price-to-earnings, price-to-book, price momentum and share change and quality, based on both quantitative and fundamental analysis. The Fund expects to hold approximately 150-250 stocks under normal market conditions. The Fund may invest in foreign equity securities, either directly or through depositary receipts.

***ClearBridge Appreciation Fund*** seeks to provide long-term appreciation of shareholders' capital. The Fund invests primarily in equity securities of U.S. companies. The Fund typically invests in medium and large capitalization companies, but may also invest in small capitalization companies. The Fund may invest up to 20% of its net assets in the equity securities of foreign issuers, either directly or in the form of depositary receipts. The Fund may invest up to 10% of its assets in securities of other investment companies, including shares in a portfolio of securities that seeks to track the performance of an underlying equity index or a portion of an equity index. The Fund's portfolio managers' investment strategy consists of individual company selection and management of cash reserves. The portfolio managers look for investments among a strong core of growth and value stocks, consisting primarily of blue chip companies dominant in their industries. The Fund also may invest in companies with prospects for sustained earnings growth and/or a cyclical earnings record. The portfolio managers adjust the amount held in cash reserves depending on their outlook for the stock market. The portfolio managers will increase the Fund's allocation to cash when, in the portfolio managers' opinion, market valuation levels become excessive. The portfolio managers may sometimes hold a significant portion of the Fund's assets in cash while waiting for buying opportunities or to provide a hedge against stock market declines. If the Fund holds a significant portion of its assets in cash during periods of stock market increases, that could prevent the Fund from achieving its investment objective.

***ClearBridge Aggressive Growth Fund*** seeks capital appreciation. The Fund invests primarily in common stocks of companies that the Fund's portfolio managers believe are experiencing, or will experience, growth in earnings exceeding the average rate of earnings growth of the companies which comprise the S&P 500 Index. The Fund may invest in the securities of large, well-known companies offering prospects of long-term earnings growth. However, because higher earnings growth rates are often achieved by small to medium capitalization companies, a significant portion of the Fund's assets may be invested in the securities of such companies. The Fund may invest up to 25% of its net assets in foreign securities. The Fund may invest directly in foreign issuers or invest in depositary receipts. The Fund's portfolio managers emphasize individual security selection while diversifying the Fund's investments across industries, which may help to reduce risk. The Fund's portfolio managers focus primarily, but not exclusively, on emerging growth companies that have passed their "start-up" phase and show positive earnings and the prospect of achieving significant profit gains beginning in the two to three years after the Fund acquires their stocks.

***Royce Pennsylvania Mutual Fund*** seeks long-term growth of capital. The Fund's assets are invested primarily in the equity securities of small-cap companies with stock market capitalizations up to $3.0 billion that the Fund's adviser believes are trading below its estimate of their current worth. The Fund's adviser looks at several factors in making this determination, including strong balance sheets and/or the ability to generate and effectively allocate excess cash flow. The Fund's adviser also considers companies with strong business prospects and the potential for improvement in internal rates of return. In addition, it seeks companies that have what it believes are attractively undervalued assets and turnaround potential following business difficulties. Normally, the Fund invests at least 65% of its net assets in the equity securities of such small-cap companies. Although the Fund normally focuses on the securities of U.S. companies, it may invest up to 25% of its net assets in securities of companies headquartered in foreign countries. The Fund may invest in other investment companies that invest in equity securities.

***ClearBridge Small Cap Growth Fund*** seeks long-term growth of capital. Under normal circumstances, the Fund invests at least 80% of its assets in equity securities of companies with small market capitalizations and related investments. The portfolio managers use a growth-oriented investment style that emphasizes small U.S. companies. The Fund expects that, under normal market conditions, the equity securities in which it invests will typically be common stocks. For purposes of this 80% policy, small capitalization companies are companies with market capitalizations not exceeding (i) $3 billion or (ii) the highest month-end market capitalization value of any stock in the Russell 2000® Index for the previous 12 months, whichever is greater. Securities of companies whose market capitalizations no longer meet this definition after purchase by the Fund are still considered to be securities of small capitalization companies for purposes of the Fund's 80% investment policy. The Fund may invest up to 20% of the value of its net assets in equity securities of companies that are not considered to be small capitalization companies. The Fund may also invest up to 20% of its assets in non-convertible bonds, notes and debt. In addition, the Fund may invest in companies the portfolio managers believe to be emerging companies relative to potential markets.

***Templeton Foreign Fund*** seeks long-term capital growth. Under normal market conditions, the Fund invests at least 80% of its net assets in foreign securities. These securities are predominantly equity securities of companies located outside the U.S., including in developing markets. The equity securities in which the Fund invests are predominantly common stock, and may include smaller and midsize companies. Although the Fund's investment manager will search for investments across a large number of countries and sectors, from time to time, based on economic conditions, the Fund may have significant positions in particular countries or sectors. When choosing equity investments for the Fund, the Fund's investment manager applies a "bottom-up," value-oriented, long-term approach, focusing on the market price of a company's securities relative to the investment manager's evaluation of the company's long-term earnings, asset value and cash flow potential.

***Thornburg International Value Fund*** seeks long-term capital appreciation by investing in equity and debt securities of all types. The secondary, non-fundamental goal of the Fund is to seek some current income. The Fund invests primarily in foreign securities or depository receipts of foreign securities. The Fund may invest in developing countries, but under normal conditions those investments are expected to comprise a smaller proportion of the Fund than investments in developed countries. The Fund's investment adviser intends to invest on an opportunistic basis, where the Fund's portfolio managers believe intrinsic value is not recognized by the marketplace. The Fund seeks to identify value in a broad or different context by investing in a diversified portfolio of stocks classified as basic values, consistent earners, and emerging franchises, when the portfolio managers believe these issues are value priced. The relative proportions of securities invested in each of those categories will vary over time. The Fund seeks to invest in promising companies, and may invest in stocks that reflect unfavorable market perceptions of the company or industry fundamentals. The Fund may invest in companies of any size, but invests primarily in the large and middle capitalization range of publicly traded companies. The Fund's investment adviser primarily uses individual issuer and industry analysis to make investment decisions. Value, for purposes of the Fund's selection criteria, may consider both current and projected measures. Debt obligations may be considered for investment when the Fund's investment adviser believes them to be more attractive than equity alternatives, or to manage risk. The Fund may purchase debt obligations of any maturity and of any credit quality. There is no minimum credit quality or rating of debt obligation the Fund may purchase.

## Fixed Income Funds

***Western Asset Global High Yield Bond Fund*** seeks to maximize total return. The Fund invests primarily in high yield fixed income securities issued by U.S. and foreign companies and foreign governments and their agencies and instrumentalities. Under normal market conditions, the Fund invests at least 80% of its assets in high yield bonds. High yield bonds are rated below investment grade (that is, securities rated below the Baa/BBB categories, or, if unrated, determined to be comparable credit quality by the Fund's sub-adviser) and are commonly known as "high yield" or "junk bonds." Under normal circumstances, the Fund will be invested in at least three countries (one of which may be the U.S.). The Fund may invest without limit in foreign securities and invest up to 35% of its total assets in sovereign debt issued by emerging market governmental issuers. The Fund's investments may be of any maturity or duration. Instead of, and/or in addition to, investing directly in particular securities, the Fund may use instruments such as derivatives, including options, swaps, interest rate swaps, credit default swaps (including buying and selling credit default swaps and options on credit default swaps), foreign currency futures, forwards and options, and futures contracts, and other synthetic instruments that are intended to provide economic exposure to the securities or the issuer or to be used as a hedging technique. The Fund may use one or more types of such instruments without limit. These instruments are taken into account when determining compliance with the Fund's 80% policy. The Fund may also engage in a variety of transactions using derivatives in order to change the investment characteristics of its portfolio (such as shortening or lengthening duration) and for other purposes. Individual security selection is driven by the portfolio managers' economic view, industry outlook and credit analysis. The Fund's portfolio managers then select those individual securities that appear to be most undervalued and offer the highest potential returns relative to the amount of credit, interest rate, liquidity and other risks presented by these securities. The portfolio managers expect to allocate the Fund's investments across a broad range of issuers and industries, which can help to reduce risk.

***Western Asset Core Plus Bond Fund*** seeks to maximize total return, consistent with prudent investment management and liquidity needs, by investing to obtain the average duration set forth below. The Fund invests in a portfolio of fixed income securities of various maturities and, under normal market conditions, will invest at least 80% of its net assets in debt and fixed income securities. Although the Fund may invest in securities of any maturity, the Fund will normally maintain a dollar-weighted average effective duration within 30% of the average duration of the domestic bond market as a whole as estimated by the Fund's sub-advisers (generally, this range is 2.5-7 years). The Fund may invest up to 20% of its total assets in non-U.S. dollar-denominated securities. Up to 20% of the Fund's net assets may be invested in debt securities that are not rated in the Baa or BBB categories or above at the time of purchase by one or more Nationally Recognized Statistical Rating Organizations ("NRSROs") or, if unrated, securities of comparable quality at the time of purchase (as determined by the Fund's sub-advisers). Securities rated below investment grade are commonly known as "junk bonds" or "high yield securities." The Fund may invest up to 25% of its total assets in the securities of non-U.S. issuers. The Fund intends to invest a substantial portion of its assets in mortgage-backed and asset-backed securities. The Fund may also enter into various exchange-traded and over-the-counter derivatives transactions for both hedging and non-hedging purposes, including for purposes of enhancing returns. These derivatives transactions include, but are not limited to, futures, options, swaps, foreign currency futures and forwards. In particular, the Fund may use interest rate swaps, credit default swaps (including buying and selling credit default swaps on individual securities and/or baskets of securities), options (including options on credit default swaps), and futures contracts to a significant extent, although the amounts invested in these instruments may change from time to time. Other instruments may also be used to a significant extent from time to time.

***Western Asset Short-Term Bond Fund*** seeks current income, preservation of capital and liquidity. Under normal market conditions, the Fund invests at least 80% of its assets in "investment grade" fixed income securities. Securities in which the Fund invests include corporate debt securities, bank obligations, mortgage- and asset-backed securities and securities issued by the U.S. government and its agencies and instrumentalities. Investment grade securities are those rated by a rating agency at the time of purchase in one of the top four ratings categories or, if unrated, are judged by the Fund's sub-adviser to be of comparable quality. The Fund may invest up to 25% of its assets in U.S. dollar-denominated securities of non-U.S. issuers. The Fund may invest in securities of any maturity. The Fund normally maintains an average effective maturity of not more than three years. Instead of, and/or in addition to, investing directly in particular securities, the Fund may use instruments such as derivatives, including options, swaps, interest rate swaps, credit default swaps (including buying and selling credit default swaps and options on credit default swaps), futures contracts, and other synthetic instruments that are intended to provide economic exposure to the securities or the issuer or to be used as a hedging technique. The Fund may use one more types of these instruments without limit. These instruments are taken into account when determining compliance with the Fund's 80% policy. The Fund is not a money market fund and does not seek to maintain a stable net asset value of $1.00 per share. The

Fund may also engage in a variety of transactions using derivatives in order to change the investment characteristics of its portfolio (such as shortening or lengthening duration) and for other purposes.

***Western Asset Inflation Indexed Plus Bond Fund*** seeks to maximize total return, consistent with preservation of capital. Under normal market conditions, the Fund invests at least 80% of its net assets in inflation-indexed fixed income securities and at least 70% of its net assets in U.S. Treasury Inflation Protected Securities (TIPS). Although the Fund may invest in securities of any maturity, the Fund will normally maintain a dollar-weighted average effective duration, as estimated by the Fund's sub-advisers, within 3 years of that of its benchmark, the Barclays Capital U.S. TIPS Index. Therefore, the range within which the dollar-weighted average effective duration of the Fund is expected to fluctuate is 6-12 years, although this may vary. The Fund intends to sell protection in connection with credit default swaps relating to corporate debt securities. It is currently expected that the notional amount of the credit default swaps will not exceed 40% of the Fund's net assets, although such exposure may exceed 40% from time to time.

The Fund is expected to maintain a dollar-weighted average credit quality of at least A/A. In addition, under normal market conditions, at the time of purchase: no more than 20% of the Fund's net assets may be invested in non-U.S. dollar-denominated inflation-indexed securities; no more than 10% of the Fund's net assets may be invested in un-hedged non-U.S. dollar-denominated securities; no more than 20% of the Fund's net assets may be invested in a combination of securities rated below investment grade, emerging market securities and loan participations and assignments; no more than 10% of the Fund's net assets may be invested in securities rated below investment grade; no more than 10% of the Fund's net assets may be invested in emerging market securities; and no more than 10% of the Fund's assets may be invested in loan participations and assignments. The Fund considers a security to be rated below investment grade if it is not rated in the Baa/BBB categories or above by at least one NRSRO or is unrated and of comparable quality as determined by the Fund's sub-advisers. Securities rated below investment grade are commonly known as "junk bonds" or "high yield securities."

The Fund may also enter into various exchange-traded and over-the-counter derivative transactions for both hedging and non-hedging purposes, including for purposes of enhancing returns. These derivative transactions include, but are not limited to, futures, options, swaps, foreign currency futures and forwards. In particular, the Fund may use interest rate swaps, credit default swaps (including buying and selling credit default swaps on individual securities and/or baskets of securities), options (including options on credit default swaps), and futures contracts to a significant extent, although the amounts invested in these instruments may change from time to time. Other instruments may also be used to a significant extent from time to time.

***Legg Mason BW Global Opportunities Bond Fund*** seeks to maximize total return consisting of income and capital appreciation. Under normal market conditions, the Fund will invest at least 80% of its net assets in fixed income securities of issuers located in developed market countries. Any country that, at the time of purchase, has a sovereign debt rating of A- or better from at least one NRSRO will be considered a developed country. An issuer is considered by the portfolio managers to be located in a developed country if such issuer meets one or more of the following criteria: has a class of its securities listed in a developed country; is organized (i.e., is incorporated or otherwise formed) under the laws of, or has a principal office (i.e., is headquartered) in, a developed country; derives 50% or more of its total revenue from goods produced, sales made or services provided in one or more developed countries; or maintains 50% or more of its assets in one or more developed countries. The Fund will invest in both investment grade and below investment grade fixed income securities (commonly known as "junk bonds" or "high yield debt"), and intends to invest less than 35% of its net assets in below investment grade fixed income securities. The Fund's investments may include securities of sovereign governments. The Fund may invest up to 25% of its net assets in convertible debt securities.

The Fund invests in currency forwards in order to hedge its currency exposure in bond positions or to gain currency exposure. In addition, the Fund may invest in bond futures, interest rate futures, swaps (including interest rate and total return swaps), and credit default swaps (including buying and selling credit default swaps). The Fund may use derivatives to enhance total return, to hedge against fluctuations in securities prices, interest rates or currency exchange rates, to change the effective duration of its portfolio, to manage certain investment risks and/ or as a substitute for the purchase or sale of securities or currencies. These investments may be significant at times. Although the Fund's portfolio managers have the flexibility to use these instruments for hedging purposes, they may choose not to for a variety of reasons, even under very volatile market conditions.

The Fund will normally hold a portfolio of fixed income securities of issuers located in a minimum of six countries. The Fund's portfolio managers intend to maintain an average weighted portfolio quality of A- or better, whether composed of rated securities or unrated securities deemed by the portfolio managers to be of comparable quality. The weighted average effective duration of the Fund's portfolio, including derivatives, is expected to range from 1 to 10 years but for individual markets may be greater or lesser depending on the portfolio managers' view of the prospects for lower interest rates and the potential for capital gains. The Fund is classified as "non-diversified," which means it may invest a larger percentage of its assets in a smaller number of issuers than a diversified fund.

***Western Asset Institutional Liquid Reserves*** is a money market fund that seeks to provide shareholders with liquidity and as high a level of current income as is consistent with preservation of capital. The Fund invests in high quality, U.S. dollar-denominated short-term debt securities that, at the time of purchase, are rated by one or more rating agencies in the highest short-term rating category or, if not rated, are determined by the Fund's sub-adviser to be of equivalent quality. The Fund may invest in all types of money market instruments, including bank obligations, commercial paper and asset-backed securities, structured investments, repurchase agreements and other short-term debt securities. These instruments may be issued or guaranteed by all types of issuers, including U.S. and foreign banks and other private issuers, the U.S. government or any of its agencies or instrumentalities, U.S. states and municipalities, or foreign governments. These securities may pay interest at fixed, floating or adjustable rates, or may be issued at a discount. The Fund may invest without limit in bank obligations, such as certificates of deposit, fixed time deposits and bankers' acceptances. The Fund generally limits its investments in foreign securities to U.S. dollar-denominated obligations of issuers, including banks and foreign governments, located in the major industrialized countries, although with respect to bank obligations, the branches of the banks issuing the obligations may be located in The Bahamas or the Cayman Islands.

An investment in the Fund is not a bank deposit and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other governmental agency. Although the Fund seeks to maintain a stable net asset value of $1.00 per share, it is possible for a Portfolio to lose money by investing in the Fund. As a money market fund, the Fund tries to maintain a share price of $1.00, and must follow strict rules as to the credit quality, liquidity, diversification and maturity of its investments. Where required by these rules, the Fund's sub-adviser or Board will decide whether a security should be held or sold in the event of credit downgrades or certain other events occurring after purchase. A very small number of money market funds in non-Legg Mason fund complexes have, in the past, "broken the buck," which means that investors did not receive $1.00 per share for their investment in those funds, and any money market fund may do so in the future. The Fund's manager and its affiliates are under no obligation to provide financial support to the Fund or take other measures to maintain a share price of $1.00.

## Investment Practices of the Underlying Funds

In addition to their principal investments, certain Funds may invest in foreign securities; enter into forward currency transactions; lend portfolio securities; enter into stock index, interest rate, and currency futures contracts, and options on such contracts; engage in options transactions; make short sales; purchase zero coupons and payment-in-kind bonds; purchase restricted and illiquid securities; enter into forward roll transactions; purchase securities on a when-issued or delayed delivery basis; enter into repurchase or reverse repurchase agreements; borrow money; and engage in various other investment practices. Note that a Fund's investment in any such securities will be substantially consistent with the Policy Statement.

## Temporary Defensive Investments

Each of the Funds may depart from its principal investment strategies in response to adverse market, economic or political conditions by taking temporary defensive positions in cash, money market and similar instruments. If a Fund takes a temporary defensive position, it may be unable to achieve its investment objectives.

## Performance of the Underlying Funds

The following chart shows the average annual total returns (unaudited) for the one-, three-, five- and ten-year periods ended June 30, 2015 of the longest outstanding class for each Fund, or for the life of a Fund if shorter than three, five or ten years. A Portfolio may invest in a share class of a Fund that is different than the share class of such Fund for which performance is shown in the following chart. Each share class of a Fund has different fees and expenses that affect performance. However, the performance of the share class in which a Portfolio invests is comparable to the performance of the share class for which performance is shown over the same time periods.

The historical performance data relating to the Funds set forth below is net of all Fund fees and expenses, but does not reflect the impact of an Account maintenance fee and any sales charges since they will not apply to the purchase of shares of the Funds by the Portfolios. **The historical performance of the Funds is not necessarily indicative of the future performance of either the Funds or the Portfolios.**

## Fund Performance (Unaudited)

| Fund | Net Assets ($000's) 6/30/15 | Inception Date | Average Annual Return (%) 1 Year | 3 Year | 5 Year | 10 Year | Since Inception |
|---|---|---|---|---|---|---|---|
| **QS Batterymarch U.S. Large Cap Equity** | $ 816,330 | 4/30/08 | 7.52 | 18.05 | 17.58 | N/A | 7.86 |
| **Legg Mason BW Diversified Large Cap Value** | $ 923,386 | 9/7/10 | 5.52 | 16.10 | N/A | N/A | 16.14 |
| **ClearBridge Appreciation** | $ 5,527,734 | 3/10/70 | 6.32 | 14.93 | 15.27 | 7.97 | 10.36 |
| **ClearBridge Aggressive Growth** | $15,028,911 | 10/24/83 | 4.90 | 21.92 | 22.29 | 9.30 | 12.40 |
| **Royce Pennsylvania Mutual** | $ 4,484,404 | 10/31/1972* | (2.61) | 13.98 | 13.40 | 7.71 | N/A |
| **ClearBridge Small Cap Growth** | $ 3,760,851 | 7/1/98 | 6.40 | 16.87 | 18.86 | 9.51 | 10.68 |
| **Templeton Foreign** | $ 7,389,500 | 5/10/82 | (10.15) | 12.16 | 8.92 | 5.38 | 10.70 |
| **Thornburg International Value** | $11,110,000 | 5/28/98 | 9.02 | 10.93 | 8.54 | 7.06 | 8.23 |
| **Western Asset Global High Yield Bond** | $ 400,304 | 2/22/95 | (5.07) | 5.68 | 7.22 | 6.19 | 7.64 |
| **Western Asset Core Plus Bond** | $14,766,936 | 7/8/98 | 2.22 | 3.51 | 5.10 | 5.58 | 6.36 |
| **Western Asset Short-Term Bond** | $ 683,070 | 11/11/91 | 0.46 | 1.22 | 2.02 | 1.94 | 3.67 |
| **Western Asset Inflation Indexed Plus Bond** | $ 590,758 | 3/1/01 | (1.86) | (1.03) | 2.86 | 3.87 | 5.37 |
| **Legg Mason BW Global Opportunities Bond** | $ 3,751,505 | 11/1/06 | (5.79) | 1.93 | 5.50 | N/A | 5.92 |
| **Western Asset Institutional Liquid Reserves** | $ 5,850,790 | 10/2/92 | 0.08 | 0.10 | 0.14 | 1.66 | 3.03 |

Source: Legg Mason Investor Services, LLC (except for Templeton Foreign Fund and Thornburg International Value Fund). The Fund performance for Templeton Foreign Fund and Thornburg International Value Fund was supplied by such Funds or their respective investment advisers.

* Charles M. Royce assumed management of Royce Pennsylvania Mutual Fund on October 31, 1972. The Fund's inception dates back to 1962.

( ) indicates a negative return.

For the seven-day period ended June 30, 2015, the yield for Western Asset Institutional Liquid Reserves was 0.11% and the effective yield was 0.11%. The performance of the Cash Reserve Portfolio will be lower than the performance of Western Asset Institutional Liquid Reserves because of the fee structure applicable to the Cash Reserve Portfolio, as described in "Fees and Expenses—Costs Borne by Account Owners."

# UNDERLYING FUNDS—RISK FACTORS AND SPECIAL CONSIDERATIONS

## Fund Objectives May Not Be Met

The ability of a Portfolio to meet its investment objectives is directly related to the ability of each of the Funds to meet its objectives as well as the allocation of Portfolio assets among those Funds. The performance of the Funds, in turn, depends on the performance of the stock, bond, and money markets in the U.S. and abroad. There can be no assurance that the investment objectives of any Fund will be achieved.

## Equity Securities Risk

Certain Funds may invest in equity securities. Equity securities are subject to market risk, which is the risk that the prices of such securities may decline generally due to overall market and economic conditions. Equity securities are also subject to issuer risk, which is the risk that the value of a particular stock can go down more than the market as a whole due to an issuer-specific event, such as the issuance of an unfavorable earnings report. If a Fund invests in a small number of issuers or significantly overweights certain companies, industries or market sectors, the Fund's performance may be more sensitive to developments affecting those companies, industries or sectors.

## Fixed Income Securities Risk

Certain Funds may invest in fixed income securities. Fixed income securities are subject to market risk, issuer risk, interest rate risk, credit risk, prepayment risk and extension risk.

Market risk is the risk that the prices of fixed income securities may decline generally due to overall market and economic conditions. Issuer risk is the risk that the value of a particular fixed income security can go down more than the market as a whole due to an issuer-specific event. If a Fund invests in a small number of issuers or significantly overweights certain issuers, industries or market sectors, the Fund's performance may be more sensitive to developments affecting those issuers, industries or sectors.

Interest rate risk is the risk that the value of fixed income securities generally fall when interest rates go up. Generally, the longer the maturity or duration of a fixed income security, the greater the impact of a rise in interest rates on the security's value.

Credit risk is the risk that the value of a fixed income security will decline if the issuer or guarantor of such security defaults on its obligation to pay principal and/or interest or has its credit rating downgraded.

Prepayment risk is the risk that an issuer of fixed income securities exercises a right to prepay the securities as interest rates fall, which would force a Fund to reinvest in lower yielding securities. Extension risk is the risk that repayments of fixed income securities may occur more slowly than expected as interest rates rise. This may reduce the value of such securities because their interest rates are lower than current interest rates and they remain outstanding longer.

## Recent Market Events Risk

The global financial crisis that began in 2008 has caused a significant decline in the value and liquidity of many securities of issuers and unprecedented volatility on the markets. Governmental and non-governmental issuers (notably in Europe) have defaulted on, or been forced to restructure their debts; and many other issuers have faced difficulties obtaining credit or refinancing existing obligations. These market conditions may continue, worsen or spread, including in the United States, Europe and elsewhere. Further defaults or restructurings by governments and others of their debt could have additional adverse effects on economies, financial markets and asset valuations around the world. In response to the crisis, the U.S. government and the Federal Reserve, as well as certain foreign governments and their central banks have taken steps to support financial markets, including by keeping interest rates at historically low levels. More recently, the Federal Reserve has reduced its market support activities. Further reduction or withdrawal of this support, failure of efforts in response to the crisis, or investor perception that such efforts are not succeeding could negatively affect financial markets generally as well as result in higher interest rates, increase market volatility and reduce the value and liquidity of certain securities.

This environment could make identifying investment risks and opportunities especially difficult for the subadvisers, and whether or not the fund invests in securities of issuers located in or with significant exposure to countries experiencing economic and financial difficulties, the value and liquidity of the fund's investments may be negatively affected. In addition, policy and legislative changes in the United States and in other countries are affecting many aspects of financial regulation. The impact of these changes on the markets, and the practical implication for market participants, may not be fully known for some time.

## Active Management Risk

Each of the Funds is actively managed, and is not designed to simply mirror the composition and performance of its applicable asset category benchmark set forth in "Investment Options and Portfolio Performance—Asset Category and Portfolio Benchmarks" or the composition and performance of its comparison index set forth in its prospectus. The success of each Fund's investment strategy depends significantly on the skill and judgment of the Fund's portfolio managers in investing the Fund's assets. There may be significant variations between the performance of the Funds and the Portfolios and their respective benchmarks.

## Value Style Risk

Legg Mason BW Diversified Large Cap Value Fund and Thornburg International Value Fund follow a value approach to investing which involves the risk that value stocks may remain undervalued. Value stocks as a group may be out of favor and underperform the overall equity market for a long period of time, while the market concentrates on "growth" stocks.

Value funds often concentrate much of their investments in certain industries, and thus will be more susceptible to factors adversely affecting issuers within that industry than would a more diversified portfolio of securities.

## Growth Style Risk

ClearBridge Aggressive Growth Fund and ClearBridge Small Cap Growth Fund follow a growth-oriented investment style. Growth stocks typically are very sensitive to market movements because their market prices tend to reflect future expectations. When it appears those expectations will not be met, the price of growth securities typically fall. Growth stocks as a group may be out of favor and underperform the overall equity market while the market concentrates on value stocks.

Growth-oriented funds often weight their investments toward certain industries, thus increasing their exposure to factors adversely affecting issuers within these industries.

## High Yield Securities Risk

Western Asset Global High Yield Bond Fund invests primarily in below investment grade, high yield securities. Other Funds also may invest a portion of their assets in below investment grade, high yield securities. Securities rated below investment grade (and comparable unrated securities) are commonly referred to as "junk bonds." High yield securities involve a substantial risk of loss. These securities are considered speculative with respect to the issuer's ability to pay interest and principal and are susceptible to default or decline in market value because of adverse economic and business developments. The market values for high yield securities tend to be very volatile, and high yield securities are less liquid than investment grade debt securities.

The Funds that hold high yield securities are subject to the following specific risks: (i) such securities are more volatile than higher rated fixed income securities; (ii) greater risk of loss because of default or declining credit quality; (iii) adverse company specific events are more likely to render the issuer unable to make interest and/or principal payments; and (iv) a negative perception of the high yield market may develop, depressing the price and liquidity of high yield securities (the negative perception could last for a significant period of time).

## Inflation-Indexed Securities Risk

Western Asset Inflation Indexed Plus Bond Fund invests primarily in inflation-indexed fixed income securities. Other Funds also may invest a portion of their assets in inflation-indexed fixed income securities. The value of inflation-indexed fixed income securities generally fluctuates in response to changes in real interest rates, which are in turn tied to the relationship between nominal interest rates and the rate of inflation. If nominal interest rates increase at a faster rate than inflation, real interest rates might rise, leading to a decrease in value of inflation-indexed securities. A Fund may also experience a loss on an inflation-indexed security if there is deflation. If inflation is lower than expected during the period a Fund holds an inflation-indexed security, such Fund may earn less on the security than on a conventional bond.

## Mortgage-Backed and Asset-Backed Securities Risk

Certain of the Funds may invest a portion of their assets in mortgage-backed and asset-backed securities. Mortgage-backed securities represent an interest in a pool of mortgages. Asset-backed securities represent an interest in a pool of installment sales or loan contracts, leases, credit card receivables or other types of receivables. The rate of mortgage prepayments may lengthen the effective maturity of these securities at a time when their value has declined or shorten the effective maturity of these securities at a time their value has increased. Mortgage-backed securities are also subject to the risk that underlying borrowers will be unable to meet their obligations. Investments in asset-backed securities are subject to similar risks.

## Foreign Securities Risk

Each of the Templeton Foreign Fund and the Thornburg International Value Fund invests primarily in, and other Funds may invest a portion of their assets in, securities of non-U.S. issuers. Securities of non-U.S. issuers include non-dollar-denominated securities traded outside the U.S. and dollar-denominated securities traded in the U.S. (such as American Depository Receipts).

Investments in the securities of non-U.S. issuers are subject to the same risks affecting investments in the securities of U.S. issuers. Foreign investments are also subject to additional risks. For example, foreign investments are subject to greater political risk, including expropriation or nationalization of assets, confiscatory taxation, currency exchange controls, excessive or discriminatory regulations, trade protections, and restrictions on repatriation of assets and earnings to the United States. In some countries there may be political instability or insufficient governmental supervision of markets, and the legal protections for a Fund's investments could be subject to unfavorable judicial or administrative decisions or changes. Accounting and investing disclosure standards may be different or less reliable. Markets in some countries may be more volatile and subject to less stringent investor protection and disclosure requirements, and it may be difficult to sell securities in those markets. The economies in many countries may be relatively unstable because of dependence on a few industries or economic sectors. In addition, foreign equity and debt markets may move in different directions from each other and from U.S. markets. Each of the foregoing risks may be more pronounced for investments in issuers domiciled in, or tied economically to, emerging market economies.

## Currency Risk

Currency risk is the risk that fluctuations in exchange rates may adversely affect the U.S. dollar value of a Fund's investments. Currency risk includes both the risk that currencies in which a Fund's investments are traded, or currencies in which Fund has taken an active investment position, will decline in value relative to the U.S. dollar and, in the case of hedging positions, that the U.S. dollar will decline in value relative to the currency being hedged. Currency rates in foreign countries may fluctuate significantly for a number of reasons, including the forces of supply and demand in the foreign exchange markets, the general economic conditions of a country, actual or perceived changes in interest rates, intervention (or the failure to intervene) by U.S. or foreign governments or central banks, the imposition of currency controls, and political developments in the U.S. or abroad.

## Smaller-Capitalization Issuer Risk

Royce Pennsylvania Mutual Fund and ClearBridge Small Cap Growth Fund focus on, and other Funds may invest a portion of their assets in, smaller-capitalization companies. Investing in smaller companies involves special risks. Compared to large companies, small-cap companies (including micro-cap companies), and the market for their common stocks, are likely to be more sensitive to changes in the economy, earnings results and investor expectations. Smaller-capitalization companies have more limited product lines and capital resources than larger issuers, and tend to experience sharper swings in market values. The securities of such companies may be harder to sell at the times and prices the Fund thinks appropriate. Smaller companies offer greater potential for gain and loss.

## Derivatives Risk

Some of the Funds may, but need not, use derivative contracts (which may include, but are not limited to, futures and options on securities, securities indices or currencies; options on these futures; forward currency contracts; interest rate or currency swaps and credit default swaps) to hedge against the economic impact of adverse changes in the market value of its securities, or because of changes in stock market prices, currency exchange rates or interest rates. Derivatives may also be used as a substitute for buying or selling securities and in an attempt to enhance returns.

A derivative contract will obligate or entitle a Fund to deliver or receive an asset or cash payment based on the change in value of one or more securities, currencies or indices. Even a small investment in derivative contracts can have a big impact on a Fund's stock market, currency and interest rate exposure. Therefore, using derivatives can disproportionately increase losses and reduce opportunities for gains when stock prices, currency rates or interest rates are changing. A Fund may not fully benefit from or may lose money on derivatives if changes in their value do not correspond accurately to changes in the value of the Fund's holdings. The other parties to certain derivative contracts present the same types of issuer risk as issuers of fixed income securities. Derivatives can also make the Fund less liquid and harder to value, especially in declining markets. Recent legislation calls for new regulation of the derivatives markets. The extent and impact of the regulation are not yet fully known and may not be for some time. New regulation of derivatives may make them more costly, may limit their availability, or may otherwise adversely affect their value or performance.

Credit default swap contracts, a type of derivative instrument, involve special risks and may result in losses to a Fund that invests in such instruments. Credit default swaps may be illiquid and difficult to value. The swap market could be disrupted or limited as a result of recent regulation, and these changes could adversely affect a Fund that invests in such instruments.

If a Fund sells a credit default swap contract, the Fund generally would be required to pay the par (or other agreed upon) value of a referenced debt obligation to the counterparty in the event of a default by a third party on the debt obligation. In return, the Fund would receive from the counterparty a periodic stream of payments over the term of the contract provided that no event of default has occurred. If no default occurs, the Fund would keep the stream of payments and would have no payment obligations. As the seller, the Fund would be subject to investment exposure on the notional amount of the swap, which may be significantly larger than the Fund's cost to enter into the credit default swap.

A Fund may purchase credit default swap contracts in order to hedge against the risk of default of debt securities held in its portfolio, in which case the Fund would function as the counterparty referenced in the preceding paragraph. This would involve the risk that the investment may expire worthless and would only generate income in the event of an actual default by the issuer of the underlying obligation (or, as applicable, a credit downgrade or other indication of financial instability). It would also involve credit risk—that the seller may fail to satisfy its payment obligations to the Fund in the event of a default.

## Liquidity Risk

Some securities held by a Fund may be difficult to sell, or illiquid, particularly during times of market turmoil. Illiquid securities may also be difficult to value. If a Fund is forced to sell an illiquid asset to meet redemption requests or other cash needs, the Fund may be forced to sell at a loss.

## Valuation Risk

The sales price that a Fund could receive for any particular investment may differ from the Fund's valuation of the investment, particularly for securities that trade in thin or volatile markets or that are valued using a fair value methodology.

## Risks of Investing in Fewer Issuers

Certain of the Funds may invest in a small number of issuers. If a Fund invests in a small number of issuers, the Fund will be more susceptible to negative events affecting those issuers.

## Fund of Funds Investment Risk

A Fund may experience relatively large redemptions or investments due to a rebalancing of a Portfolio's investments or due to a rebalancing of another "fund of funds" portfolio that invests in such Fund. In such event, the Fund could be required to sell securities or to invest cash at a time when it is not advantageous to do so.

## Defensive Investing Risk

A Fund that invests a significant portion of its assets in cash for defensive purposes may not achieve its investment objective, particularly during periods of favorable market performance.

## Risk of Increases in Fund Expenses

A Fund's actual expense ratio may be higher than the expense ratio used in calculating estimated underlying Fund expenses for the Portfolios shown in the tables in "Fees and Expenses." A Fund's actual expense ratio may be higher if a fee limitation is charged or terminated or if the Fund's average net assets decrease.

## Turnover of Fund Investments

Each Fund may engage in active and frequent trading to achieve its principal investment strategies. Frequent trading increases transaction costs, which could detract from a Fund's performance.

## More Information about the Underlying Funds

This Program Disclosure Statement discusses the principal investment strategies of the Funds and certain risks associated with those strategies. Additional information regarding the investment practices of the Funds and the related risks is located in the prospectus and statement of additional information for each of the Funds. For more information about the Funds, including copies of their prospectuses, call your financial professional or 1-888-5-SCHOLAR (1-888-572-4652). No offer is made in this Program Disclosure Statement of any of the Funds.

## Other Considerations

Please see "The Portfolios—Risk Factors and Special Considerations" for a discussion of risk factors relating to the Portfolios and "Other Program Risk Factors and Special Considerations" for a discussion of risk factors relating to the Program generally.

# OTHER PROGRAM RISK FACTORS AND SPECIAL CONSIDERATIONS

## Changes in Fees, Expenses and Charges

The fees, expenses and charges under the Program, as described below in "Fees and Expenses," are subject to change, and new fees, expenses and charges may be imposed in the future.

## Impact of Inflation on Qualified Higher Education Expenses

Even if your Account balance (including contributions and earnings) reaches the Balance Limit under the Program—currently a combined $350,000 for all Colorado Section 529 plans for a particular Beneficiary from all sources—the balance in your Account may be insufficient to meet the Beneficiary's qualified higher education expenses. The impact of inflation on qualified higher education expenses is uncertain, and the rate of inflation could exceed the rate of return on your investment in an Account.

## Changing Legal Regulations

It is possible that Congress, the Treasury Department, the Internal Revenue Service, the State of Colorado or other taxing authorities or the courts may take actions that will adversely affect the Program as described in this Program Disclosure Statement and that such adverse effects may be retroactive. In addition, the IRS has proposed regulations under Section 529 of the Code (the "Proposed Regulations") and has issued a notice describing additional proposed regulations expected to be issued under Section 529 of the Code. See "Tax Matters." The IRS has not issued final tax regulations concerning qualified tuition programs. When issued, such regulations may alter the tax consequences summarized in this Program Disclosure Statement, necessitate changes in the Program to achieve the tax benefits described or have a significant impact on the Program and your investment in your Account. Neither CollegeInvest nor the Manager is under any obligation to continue the Program in the event that a change in the tax or other federal or state law makes continued operation not in the best interests of Account Owners or Beneficiaries. There can be no assurance that a change will not adversely affect the Program or the value, either to you or to the Beneficiary, of your investment in an Account.

## Financial Aid Eligibility

The Beneficiary may wish to participate in federal, state or institutional loan, grant or other programs that assist students and their parents in paying for educational costs. Being the Account Owner or Beneficiary of an Account in the Program may adversely affect the ability to receive financial aid or other benefits. The manner in which Account assets will be treated under such programs, particularly in connection with calculating the "expected family contribution" for purposes of determining eligibility for federal financial aid, is subject to interpretation and may change from time to time. In addition, individual schools are not required to use the federal financial aid methodology in awarding their institutional financial aid. Thus, the treatment of an Account by an individual school for institutional financial aid purposes may differ from the treatment of an Account under the federal financial aid methodology. There can be no assurance as to how your Account assets would be treated under such federal, state or institutional loan, grant or other financial assistance program. Account Owners should consult a qualified advisor to determine how an Account may affect financial aid eligibility.

## Medicaid Eligibility

The effect of an Account on an Account Owner's Medicaid eligibility is unclear, and there can be no assurance that an Account will not be viewed as a "countable resource" in determining an individual's financial eligibility for Medicaid. Withdrawals from an Account during certain periods may also have the effect of delaying the disbursement of Medicaid payments. Account Owners should consult a qualified advisor to determine how an Account may affect Medicaid eligibility.

## Status of Claims Against Accounts

Colorado law is intended to exempt Accounts and Account assets from all claims by creditors of the Account Owner or Beneficiary. However, Colorado law does not exempt Accounts and Account assets from tax levy, garnishment, attachment or similar orders from the IRS. Neither an Account Owner nor a Beneficiary may use an interest in an Account as security for a loan, and any pledge of an interest in an account is of no force and effect. As of the date of this Program Disclosure Statement, courts have yet to interpret, apply or rule on matters involving this Colorado law. It is unclear whether a court located in Colorado or in another state would apply this Colorado law in the case of an Account Owner who is a resident of a state other than Colorado. Further, this Colorado exemption may not be enforceable or available to exempt an Account Owner's interest in an Account in such Account Owner's bankruptcy proceedings commenced under Title 11 of the United States Code. However, the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005 provides protection in federal bankruptcy proceedings for many Section 529 plan accounts. Under such Act, Accounts should be protected in federal bankruptcy proceedings if the designated beneficiary is your child, stepchild, grandchild, or stepgrandchild (including a child, stepchild, grand-child, or stepgrandchild through adoption or foster care) subject to the following limits:

- Contributions made to all Section 529 plan accounts for the same designated beneficiary at least 720 days before a federal bankruptcy filing are completely protected;

- Contributions made to all Section 529 plan accounts for the same designated beneficiary more than 365 days but less than 720 days before a federal bankruptcy filing are protected up to $5,850; and
- Contributions made to all Section 529 plan accounts for the same designated beneficiary less than 365 days before a federal bankruptcy filing are not protected against creditor claims in federal bankruptcy proceedings.

Neither CollegeInvest, the Trust nor the Manager makes any representations or warranties regarding protection from creditors. You should consult a legal advisor regarding Colorado law, federal bankruptcy law and your particular circumstances.

## No Guarantees with Respect to Eligible Educational Institutions

There is no guarantee that, as a result of being the Beneficiary of an Account in the Program, a Beneficiary will be accepted at any Eligible Educational Institution. Even after he or she begins to attend an Eligible Educational Institution, there is no guarantee that the Beneficiary will be able to continue to attend, that he or she will graduate, or that he or she will be considered a resident of any particular state for tuition purposes.

## Amendment or Termination of Participation Agreement

CollegeInvest may, at any time, and from time to time, amend the Participation Agreement, or suspend or terminate the Program and the Trust, by giving written notice of such action to Account Owners.

## Tax, Investment Option and Cost Differences Among Section 529 Plans

There are a variety of Section 529 plans available to investors. State tax features vary by plan; the Manager does not render tax advice and you should consult your own tax advisor to determine the effect of state and federal tax benefits related to each plan. The nature and composition of available investment options and costs (including sales charges, fees and expenses) vary from plan to plan. You should consider the wide variety of plans and related costs available to you.

## Other Considerations

Please see "The Portfolios—Risk Factors and Special Considerations" for a discussion of risk factors relating to the Portfolios and "Underlying Funds—Risk Factors and Special Considerations" for a discussion of risk factors relating to the Funds in which the Portfolios invest.

# FEES AND EXPENSES

## Costs Borne by Account Owners

The Program has established four unit classes under each Portfolio other than the Individual Fund Portfolios (each, a "Unit Class")—Unit Class A, Unit Class B, Unit Class C and Unit Class O. The Individual Fund Portfolios are available in three Unit Classes: Unit Class A, Unit Class C and Unit Class O. Class B Units of the relevant Portfolios are no longer available for purchase by new and existing Account Owners. However, an Account Owner who is changing the investment option(s) for an Account may transfer existing Class B Units to Class B Units of another Portfolio, if available. Each Account Owner bears certain direct ongoing fees that will vary with the Unit Class the Account Owner chooses. These direct fees, charged against the assets of the Portfolio, provide for the costs associated with distribution, servicing, and administration of your Account. Such direct fees will reduce the value of an Account as they are incurred. Additionally, with the exception of the Cash Reserve Portfolio, Portfolios and Accounts established under Unit Class A, Unit Class B and Unit Class C will indirectly bear fees and expenses of the Funds in which the Portfolios invest. For Accounts established under all Unit Classes of the Cash Reserve Portfolio and Unit Class O of all other Portfolios, fees and expenses of the Funds are included in the Service Fee, as described in "Service Fee" below. For a discussion of the fees and expenses of the Funds, see "Fees and Expenses—Fund Fees and Expenses." In addition to such fees and expenses, certain Account Owners will bear sales charges, as described below. A Portfolio, and Accounts invested in such Portfolio, may bear certain fees and costs associated with the redemption of shares of a Fund by such Portfolio, as described below in "Fees and Expenses—Fees and Costs Associated with Fund Changes." If you invest through a selling institution that maintains an omnibus account in the Portfolios on behalf of its customers, your selling institution may charge you maintenance or other administrative fees for services rendered with respect to your Account under such arrangement. Such fees may be in addition to or in lieu of those that are charged directly by the Program.

Specific fees, expenses and sales charges applicable to each Unit Class are outlined in the charts below. Important notes relating to the information in the charts below can be found on pages 48-49.

## Overview of Account Owner Costs

### Unit Class A

| | Annual Asset-Based Fees | | | | |
|---|---|---|---|---|---|
| Portfolios | Estimated Underlying Fund Expenses[1] | Program Manager Service Fee | CollegeInvest Administration Fee* | Annual Distribution Fee | Total Estimated Annual Asset-Based Fees*,[2] |
| ***Portfolio One*** **Age Based (Age 0-3) Equity 80% Option** | 0.78% | None | 0.10% | 0.25% | 1.13% |
| ***Portfolio Two*** **Age Based (Age 4-6)** | 0.75% | None | 0.10% | 0.25% | 1.10% |
| ***Portfolio Three*** **Age Based (Age 7-9) Years to Enrollment (10-12 Years)** | 0.70% | None | 0.10% | 0.25% | 1.05% |
| ***Portfolio Four*** **Age Based (Age 10-12) Years to Enrollment (7-9 Years) Balanced 50/50 Option** | 0.65% | None | 0.10% | 0.25% | 1.00% |
| ***Portfolio Five*** **Age Based (Age 13-15) Years to Enrollment (4-6 Years)** | 0.55% | None | 0.10% | 0.25% | 0.90% |
| ***Portfolio Six*** **Age Based (Age 16-18) Years to Enrollment (1-3 Years) Fixed Income 80% Option** | 0.41% | None | 0.10% | 0.25% | 0.76% |
| ***Portfolio Seven*** **Age Based (Age 19 and up) Years to Enrollment (less than 1 Year)** | 0.29% | None | 0.10% | 0.25% | 0.64% |
| **All Equity** | 0.85% | None | 0.10% | 0.25% | 1.20% |
| **All Fixed Income** | 0.44% | None | 0.10% | 0.25% | 0.79% |
| **Cash Reserve** | None | 0.99% | 0.10% | None | 1.09% |
| **U.S. Aggressive Equity Individual Fund** | 0.72% | None | 0.10% | 0.25% | 1.07% |
| **U.S. Core Equity Individual Fund** | 0.59% | None | 0.10% | 0.25% | 0.94% |
| **U.S. Small Cap Equity Individual Fund** | 0.80% | None | 0.10% | 0.25% | 1.15% |
| **International Equity Individual Fund** | 1.26% | None | 0.10% | 0.25% | 1.61% |
| **Global Fixed Income Individual Fund** | 0.58% | None | 0.10% | 0.25% | 0.93% |

Source: Legg Mason Investor Services, LLC
* CollegeInvest currently is electing to waive 0.04% (4 basis points) of its 0.10% administration fee. While such waiver continues in effect, CollegeInvest will receive an administration fee at an annual rate of 0.06% (6 basis points) of the average daily net assets of each Portfolio.

Please see notes on pages 48-49.

## Unit Class A

| Portfolios | Additional Investor Expenses: Initial Sales Charge[3] | Deferred Sales Charge | Annual Account Maintenance Fee[4] |
|---|---|---|---|
| ***Portfolio One***<br>**Age Based (Age 0-3)**<br>**Equity 80% Option** | See Unit Class A—Initial Sales Charge Schedule below | None | $20 |
| ***Portfolio Two***<br>**Age Based (Age 4-6)** | See Unit Class A—Initial Sales Charge Schedule below | None | $20 |
| ***Portfolio Three***<br>**Age Based (Age 7-9)**<br>**Years to Enrollment (10-12 Years)** | See Unit Class A—Initial Sales Charge Schedule below | None | $20 |
| ***Portfolio Four***<br>**Age Based (Age 10-12)**<br>**Years to Enrollment (7-9 Years)**<br>**Balanced 50/50 Option** | See Unit Class A—Initial Sales Charge Schedule below | None | $20 |
| ***Portfolio Five***<br>**Age Based (Age 13-15)**<br>**Years to Enrollment (4-6 Years)** | See Unit Class A—Initial Sales Charge Schedule below | None | $20 |
| ***Portfolio Six***<br>**Age Based (Age 16-18)**<br>**Years to Enrollment (1-3 Years)**<br>**Fixed Income 80% Option** | See Unit Class A—Initial Sales Charge Schedule below | None | $20 |
| ***Portfolio Seven***<br>**Age Based (Age 19 and up)**<br>**Years to Enrollment (less than 1 year)** | See Unit Class A—Initial Sales Charge Schedule below | None | $20 |
| **All Equity** | See Unit Class A—Initial Sales Charge Schedule below | None | $20 |
| **All Fixed Income** | See Unit Class A—Initial Sales Charge Schedule below | None | $20 |
| **Cash Reserve** | None | None | $20 |
| **U.S. Aggressive Equity Individual Fund** | See Unit Class A—Initial Sales Charge Schedule below | None | $20 |
| **U.S. Core Equity Individual Fund** | See Unit Class A—Initial Sales Charge Schedule below | None | $20 |
| **U.S. Small Cap Equity Individual Fund** | See Unit Class A—Initial Sales Charge Schedule below | None | $20 |
| **International Equity Individual Fund** | See Unit Class A—Initial Sales Charge Schedule below | None | $20 |
| **Global Fixed Income Individual Fund** | See Unit Class A—Initial Sales Charge Schedule below | None | $20 |

Source: Legg Mason Investor Services, LLC

Please see notes on pages 48-49.

| Unit Class A<br>Initial Sales Charge Schedule | |
|---|---|
| **Aggregate Amount Invested** | **Initial Sales Charge as a % of Amount Invested** |
| **<$50,000** | 3.50% |
| **$ 50,000 - $ 99,999** | 2.50% |
| **$100,000 - $249,999** | 1.50% |
| **$250,000 - $499,999** | 1.25% |
| **$500,000 and above** | 0.00% |

Source: Legg Mason Investor Services, LLC

For purposes of the above schedule, the aggregate amount invested will be determined by adding the new investment amount to the value of the Account at the time the new investment is made. Please see "Fees and Expenses—Unit Class A Sales Charges" for a description of the circumstances in which an Account Owner is able to combine the value of all Units of the Portfolios (including Class A, Class B, Class C and Class O Units) held in Accounts owned by the Account Owner, the Account Owner's spouse and the Account Owner's children under the age of 21 for purposes of determining the aggregate amount invested. Also, please see "Fees and Expenses—Unit Class A Sales Charges" for a description of the circumstances in which an Account Owner may qualify for a waiver of Class A sales charges.

## Unit Class B

| Portfolios | Estimated Underlying Fund Expenses[1] | Program Manager Service Fee | CollegeInvest Administration Fee* | Annual Distribution Fee[5] | Total Estimated Annual Asset-Based Fees*,[2] |
|---|---|---|---|---|---|
| | Annual Asset-Based Fees | | | | |
| ***Portfolio One***<br>**Age Based (Age 0-3)**<br>**Equity 80% Option** | 0.78% | None | 0.10% | 0.95% | 1.83% |
| ***Portfolio Two***<br>**Age Based (Age 4-6)** | 0.75% | None | 0.10% | 0.95% | 1.80% |
| ***Portfolio Three***<br>**Age Based (Age 7-9)**<br>**Years to Enrollment (10-12 Years)** | 0.70% | None | 0.10% | 0.95% | 1.75% |
| ***Portfolio Four***<br>**Age Based (Age 10-12)**<br>**Years to Enrollment (7-9 Years)**<br>**Balanced 50/50 Option** | 0.65% | None | 0.10% | 0.95% | 1.70% |
| ***Portfolio Five***<br>**Age Based (Age 13-15)**<br>**Years to Enrollment (4-6 Years)** | 0.55% | None | 0.10% | 0.95% | 1.60% |
| ***Portfolio Six***<br>**Age Based (Age 16-18)**<br>**Years to Enrollment (1-3 Years)**<br>**Fixed Income 80% Option** | 0.41% | None | 0.10% | 0.95% | 1.46% |
| ***Portfolio Seven***<br>**Age Based (Age 19 and up)**<br>**Years to Enrollment (less than 1 year)** | 0.29% | None | 0.10% | 0.95% | 1.34% |
| **All Equity** | 0.85% | None | 0.10% | 0.95% | 1.90% |
| **All Fixed Income** | 0.44% | None | 0.10% | 0.95% | 1.49% |
| **Cash Reserve** | None | 0.99% | 0.10% | None | 1.09% |

Source: Legg Mason Investor Services, LLC
* CollegeInvest currently is electing to waive 0.04% (4 basis points) of its 0.10% administration fee. While such waiver continues in effect, CollegeInvest will receive an administration fee at an annual rate of 0.06% (6 basis points) of the average daily net assets of each Portfolio.
Please note: Class B Units of the relevant Portfolios are no longer available for purchase by new and existing Account Owners. However, an Account Owner who is changing the investment option(s) for an Account may transfer existing Class B Units to Class B Units of another Portfolio, if available.

Please see notes on pages 48-49.

## Unit Class B

| Portfolios | Additional Investor Expenses: Initial Sales Charge | Deferred Sales Charge | Annual Account Maintenance Fee[4] |
|---|---|---|---|
| ***Portfolio One***<br>**Age Based (Age 0-3)**<br>**Equity 80% Option** | None | See Unit Class B—Deferred Sales Charge Schedule below | $20 |
| ***Portfolio Two***<br>**Age Based (Age 4-6)** | None | See Unit Class B—Deferred Sales Charge Schedule below | $20 |
| ***Portfolio Three***<br>**Age Based (Age 7-9)**<br>**Years to Enrollment (10-12 Years)** | None | See Unit Class B—Deferred Sales Charge Schedule below | $20 |
| ***Portfolio Four***<br>**Age Based (Age 10-12)**<br>**Years to Enrollment (7-9 Years)**<br>**Balanced 50/50 Option** | None | See Unit Class B—Deferred Sales Charge Schedule below | $20 |
| ***Portfolio Five***<br>**Age Based (Age 13-15)**<br>**Years to Enrollment (4-6 Years)** | None | See Unit Class B—Deferred Sales Charge Schedule below | $20 |
| ***Portfolio Six***<br>**Age Based (Age 16-18)**<br>**Years to Enrollment (1-3 Years)**<br>**Fixed Income 80% Option** | None | See Unit Class B—Deferred Sales Charge Schedule below | $20 |
| ***Portfolio Seven***<br>**Age Based (Age 19 and up)**<br>**Years to Enrollment (less than 1 year)** | None | See Unit Class B—Deferred Sales Charge Schedule below | $20 |
| **All Equity** | None | See Unit Class B—Deferred Sales Charge Schedule below | $20 |
| **All Fixed Income** | None | See Unit Class B—Deferred Sales Charge Schedule below | $20 |
| **Cash Reserve** | None | See Note 6 below | $20 |

Source: Legg Mason Investor Services, LLC
Please note: Class B Units of the relevant Portfolios are no longer available for purchase by new and existing Account Owners. However, an Account Owner who is changing the investment option(s) for an Account may transfer existing Class B Units to Class B Units of another Portfolio, if available.

Please see notes on pages 48-49.

## Unit Class B
## Deferred Sales Charge Schedule

| Time Following Purchase | Deferred Sales Charge |
|---|---|
| **Up to 1 Year:** | 2.50% |
| **1 Year and up to 2 Years:** | 2.00% |
| **2 Years and up to 3 Years:** | 1.50% |
| **3 Years and up to 4 Years:** | 1.00% |
| **4 Years and up to 5 Years:** | 0.50% |
| **5 Years and Greater:** | None |

Source: Legg Mason Investor Services, LLC

## Unit Class C

| Portfolios | Annual Asset-Based Fees: Estimated Underlying Fund Expenses[1] | Program Manager Service Fee | CollegeInvest Administration Fee* | Annual Distribution Fee | Total Estimated Annual Asset-Based Fees*, [2] |
|---|---|---|---|---|---|
| ***Portfolio One*** **Age Based (Age 0-3) Equity 80% Option** | 0.78% | None | 0.10% | 0.75% | 1.63% |
| ***Portfolio Two*** **Age Based (Age 4-6)** | 0.75% | None | 0.10% | 0.75% | 1.60% |
| ***Portfolio Three*** **Age Based (Age 7-9) Years to Enrollment (10-12 Years)** | 0.70% | None | 0.10% | 0.75% | 1.55% |
| ***Portfolio Four*** **Age Based (Age 10-12) Years to Enrollment (7-9 Years) Balanced 50/50 Option** | 0.65% | None | 0.10% | 0.75% | 1.50% |
| ***Portfolio Five*** **Age Based (Age 13-15) Years to Enrollment (4-6 Years)** | 0.55% | None | 0.10% | 0.75% | 1.40% |
| ***Portfolio Six*** **Age Based (Age 16-18) Years to Enrollment (1-3 Years) Fixed Income 80% Option** | 0.41% | None | 0.10% | 0.75% | 1.26% |
| ***Portfolio Seven*** **Age Based (Age 19 and up) Years to Enrollment (less than 1 year)** | 0.29% | None | 0.10% | 0.75% | 1.14% |
| **All Equity** | 0.85% | None | 0.10% | 0.75% | 1.70% |
| **All Fixed Income** | 0.44% | None | 0.10% | 0.75% | 1.29% |
| **Cash Reserve** | None | 0.99% | 0.10% | None | 1.09% |
| **U.S. Aggressive Equity Individual Fund** | 0.72% | None | 0.10% | 0.75% | 1.57% |
| **U.S. Core Equity Individual Fund** | 0.59% | None | 0.10% | 0.75% | 1.44% |
| **U.S. Small Cap Equity Individual Fund** | 0.80% | None | 0.10% | 0.75% | 1.65% |
| **International Equity Individual Fund** | 1.26% | None | 0.10% | 0.75% | 2.11% |
| **Global Fixed Income Individual Fund** | 0.58% | None | 0.10% | 0.75% | 1.43% |

Source: Legg Mason Investor Services, LLC
* CollegeInvest currently is electing to waive 0.04% (4 basis points) of its 0.10% administration fee. While such waiver continues in effect, CollegeInvest will receive an administration fee at an annual rate of 0.06% (6 basis points) of the average daily net assets of each Portfolio.

Please see notes on pages 48-49.

## Unit Class C

| Portfolios | Additional Investor Expenses: Initial Sales Charge | Deferred Sales Charge | Annual Account Maintenance Fee[4] |
|---|---|---|---|
| ***Portfolio One***<br>**Age Based (Age 0-3)**<br>**Equity 80% Option** | None | None | $20 |
| ***Portfolio Two***<br>**Age Based (Age 4-6)** | None | None | $20 |
| ***Portfolio Three***<br>**Age Based (Age 7-9)**<br>**Years to Enrollment (10-12 Years)** | None | None | $20 |
| ***Portfolio Four***<br>**Age Based (Age 10-12)**<br>**Years to Enrollment (7-9 Years)**<br>**Balanced 50/50 Option** | None | None | $20 |
| ***Portfolio Five***<br>**Age Based (Age 13-15)**<br>**Years to Enrollment (4-6 Years)** | None | None | $20 |
| ***Portfolio Six***<br>**Age Based (Age 16-18)**<br>**Years to Enrollment (1-3 Years)**<br>**Fixed Income 80% Option** | None | None | $20 |
| ***Portfolio Seven***<br>**Age Based (Age 19 and up)**<br>**Years to Enrollment (less than 1 year)** | None | None | $20 |
| **All Equity** | None | None | $20 |
| **All Fixed Income** | None | None | $20 |
| **Cash Reserve** | None | None | $20 |
| **U.S. Aggressive Equity Individual Fund** | None | None | $20 |
| **U.S. Core Equity Individual Fund** | None | None | $20 |
| **U.S. Small Cap Equity Individual Fund** | None | None | $20 |
| **International Equity Individual Fund** | None | None | $20 |
| **Global Fixed Income Individual Fund** | None | None | $20 |

Source: Legg Mason Investor Services, LLC

Please see notes on pages 48-49.

## Unit Class O[7]

| Portfolios | Annual Asset-Based Fees: Estimated Underlying Fund Expenses[1] | Program Manager Service Fee | CollegeInvest Administration Fee* | Annual Distribution Fee | Total Estimated Annual Asset-Based Fees*, [2] |
|---|---|---|---|---|---|
| ***Portfolio One*** **Age Based (Age 0-3)** **Equity 80% Option** | None | 0.99% | 0.10% | None | 1.09% |
| ***Portfolio Two*** **Age Based (Age 4-6)** | None | 0.99% | 0.10% | None | 1.09% |
| ***Portfolio Three*** **Age Based (Age 7-9)** **Years to Enrollment (10-12 Years)** | None | 0.99% | 0.10% | None | 1.09% |
| ***Portfolio Four*** **Age Based (Age 10-12)** **Years to Enrollment (7-9 Years)** **Balanced 50/50 Option** | None | 0.99% | 0.10% | None | 1.09% |
| ***Portfolio Five*** **Age Based (Age 13-15)** **Years to Enrollment (4-6 Years)** | None | 0.99% | 0.10% | None | 1.09% |
| ***Portfolio Six*** **Age Based (Age 16-18)** **Years to Enrollment (1-3 Years)** **Fixed Income 80% Option** | None | 0.99% | 0.10% | None | 1.09% |
| ***Portfolio Seven*** **Age Based (Age 19 and up)** **Years to Enrollment (less than 1 year)** | None | 0.99% | 0.10% | None | 1.09% |
| **All Equity** | None | 0.99% | 0.10% | None | 1.09% |
| **All Fixed Income** | None | 0.99% | 0.10% | None | 1.09% |
| **Cash Reserve** | None | 0.99% | 0.10% | None | 1.09% |
| **U.S. Aggressive Equity Individual Fund** | None | 0.99% | 0.10% | None | 1.09% |
| **U.S. Core Equity Individual Fund** | None | 0.99% | 0.10% | None | 1.09% |
| **U.S. Small Cap Equity Individual Fund** | None | 0.99% | 0.10% | None | 1.09% |
| **International Equity Individual Fund** | None | 0.99% | 0.10% | None | 1.09% |
| **Global Fixed Income Individual Fund** | None | 0.99% | 0.10% | None | 1.09% |

Source: Legg Mason Investor Services, LLC
* CollegeInvest currently is electing to waive 0.04% (4 basis points) of its 0.10% administration fee. While such waiver continues in effect, CollegeInvest will receive an administration fee at an annual rate of 0.06% (6 basis points) of the average daily net assets of each Portfolio.

Please see notes on pages 48-49.

## Unit Class O7

| Portfolios | Additional Investor Expenses: Initial Sales Charge | Additional Investor Expenses: Deferred Sales Charge | Additional Investor Expenses: Annual Account Maintenance Fee[4] |
|---|---|---|---|
| ***Portfolio One*** **Age Based (Age 0-3) Equity 80% Option** | None | None | $20 |
| ***Portfolio Two*** **Age Based (Age 4-6)** | None | None | $20 |
| ***Portfolio Three*** **Age Based (Age 7-9) Years to Enrollment (10-12 Years)** | None | None | $20 |
| ***Portfolio Four*** **Age Based (Age 10-12) Years to Enrollment (7-9 Years) Balanced 50/50 Option** | None | None | $20 |
| ***Portfolio Five*** **Age Based (Age 13-15) Years to Enrollment (4-6 Years)** | None | None | $20 |
| ***Portfolio Six*** **Age Based (Age 16-18) Years to Enrollment (1-3 Years) Fixed Income 80% Option** | None | None | $20 |
| ***Portfolio Seven*** **Age Based (Age 19 and up) Years to Enrollment (less than 1 year)** | None | None | $20 |
| **All Equity** | None | None | $20 |
| **All Fixed Income** | None | None | $20 |
| **Cash Reserve** | None | None | $20 |
| **U.S. Aggressive Equity Individual Fund** | None | None | $20 |
| **U.S. Core Equity Individual Fund** | None | None | $20 |
| **U.S. Small Cap Equity Individual Fund** | None | None | $20 |
| **International Equity Individual Fund** | None | None | $20 |
| **Global Fixed Income Individual Fund** | None | None | $20 |

Source: Legg Mason Investor Services, LLC

The following notes relate to the information contained in the above charts outlining the fees, expenses and sales charges applicable to each Unit Class:

1 Estimated underlying fund expenses are based on a weighted average of each Fund's net expense ratio in accordance with the Portfolio's target allocation among the applicable Funds. A Fund's net expense ratio used for such estimate is based on information for the most recent full fiscal year of such Fund or an estimate of such expenses for the current fiscal year, in each case as reported in such Fund's most recent prospectus preceding the date of this Program Disclosure Statement. Please see "Fees and Expenses—Fund Fees and Expenses." Actual Fund fees and expenses borne by a Portfolio may be higher or lower depending on the actual allocation of the Portfolio's assets to the Funds and the actual expenses of the Funds. In the case of Class O Units of each Portfolio and in the case of all Unit Classes of the Cash Reserve Portfolio, the Service Fee includes all fees and expenses of the Funds in which such Portfolios invest, as described in "Service Fee" below.

[2] This total is assessed against assets over the course of the year and does not include sales charges or an annual Account maintenance fee. Asset-based fees typically are accrued daily and deducted from Portfolios on a monthly basis. Please see "Fees and Expenses—Fee Examples" that show the total assumed investment cost over 1-, 3-, 5-, and 10-year periods.

[3] See "Fees and Expenses—Unit Class A Sales Charges" for a discussion of the circumstances in which initial sales charges may be waived or reduced. While there will be no initial sales charge applied to the purchase of Class A Units in the Cash Reserve Portfolio, an initial sales charge, as described in this Program Disclosure Statement, will apply upon a transfer to another Program investment option to the extent that the purchaser of such Class A Units in the Cash Reserve Portfolio has not previously paid an initial sales charge under the Program with respect to such transferred assets. Any applicable initial sales charge will be deducted from the transferred assets and will be based on the contribution (but not earnings) portion of the transferred assets. In the case of transferred assets on which the purchaser has previously paid an initial sales charge under the Program, an initial sales charge will not apply upon transfer to another Program investment option from the Cash Reserve Portfolio.

[4] The annual Account maintenance fee is currently not charged to Accounts that have $2,500 or more in assets as of the fee assessment date. The annual Account maintenance fee also is currently not charged to Accounts where either the Account Owner or the Beneficiary is a Colorado resident. The annual Account maintenance fee also does not apply with respect to Accounts established prior to December 1, 2011 where either the Account Owner or the Beneficiary was a Wyoming resident as of the date the Account was established. In addition, the annual Account maintenance fee may be waived by the Manager for a particular Account in its sole discretion.

[5] Eight years after purchase, Class B Units of all relevant Portfolios automatically convert to Class A Units which have a lower annual distribution fee (0.25%). Class A, B and C Units of the Cash Reserve Portfolio do not have an annual distribution fee.

[6] A deferred sales charge will not be applied to withdrawals or transfers out of the Program by Account Owners of Class B Units in the Cash Reserve Portfolio relating to contributions to the Program that were invested in such Portfolio initially and on an ongoing basis. A deferred sales charge will be applied to withdrawals or transfers out of the Program by Account Owners of Class B Units in the Cash Reserve Portfolio relating to contributions to the Program that were transferred to such Portfolio from another Program investment option. In such a circumstance, the deferred sales charge will be calculated by applying the Deferred Sales Charge Schedule set forth in this Program Disclosure Statement based on the date that the Account Owner's contribution was first invested in the other Program investment option. In the event that an Account Owner of Class B Units in the Cash Reserve Portfolio transfers assets from such Portfolio to another Program investment option, a deferred sales charge will be applied to withdrawals or transfers out of the Program by the Account Owner subsequent to such transfer. In such a circumstance, the deferred sales charge will be calculated by applying the Deferred Sales Charge Schedule based on the date that the Account Owner's contribution was first invested in the Cash Reserve Portfolio. See "Fees and Expenses—Unit Class B Deferred Sales Charges."

[7] Please see "Fees and Expenses—Unit Class O Eligibility" for a description of grandfathered Accounts and other Accounts that are eligible to purchase Class O Units.

## Fee Examples

The "Estimated Investment Costs" chart helps you compare the costs of investing in the various Unit Classes under the Program. Your actual costs may be higher or lower. The examples assume:

- A $10,000 investment invested for the time periods shown.
- A 5% annually compounded rate of return on the net amount invested throughout the period.
- Except to the extent indicated, all Units are redeemed at the end of the period shown for qualified higher education expenses (the table does not consider the impact of any potential state or federal taxes on the redemption).
- Total estimated annual asset-based fees remain the same as those shown in the tables under "Overview of Account Owner Costs."
- The Account is not subject to the annual Account maintenance fee of $20 because of the amount invested.
- The investor pays the applicable maximum initial sales charge for Class A Units and any contingent deferred sales charges applicable to units invested for the applicable periods for Class B Units.
- The underlying Fund expenses are based on information for the most recent full fiscal year of the applicable Fund or an estimate of such expenses for the current fiscal year, in each case as reported in such Fund's most recent prospectus preceding the date of this Program Disclosure Statement.
- In the case of the ten-year investment period, the annual costs shown for Class B Units assume Units are converted to the Class A Units after 8 years.
- CollegeInvest is receiving a 0.10% administration fee over the course of the time periods shown. Any waivers of such fee by CollegeInvest (including the waiver of 0.04% of its 0.10% administrative fee CollegeInvest currently is electing) are not taken into account.

The examples do not consider the impact of any potential state or federal taxes upon redemption.

The examples also do not reflect any maintenance or other administrative fees charged by a selling institution under an omnibus account arrangement. See "Fees and Expenses—Fees under Omnibus Account Arrangements."

Class B Units of the relevant Portfolios are no longer available for purchase by new and existing Account Owners. However, an Account Owner who is changing the investment option(s) for an Account may transfer existing Class B Units to Class B Units of another Portfolio, if available.

## Estimated Investment Costs

| Portfolio | Unit Class | Number of Years You Own Your Units ($) 1 Year | 3 Years | 5 Years | 10 Years |
|---|---|---|---|---|---|
| ***Portfolio One*** **Age Based (Age 0-3) Equity 80% Option** | Class A (with or without redemption) | 461 | 697 | 950 | 1,677 |
| | Class B (redemption at end of period) | 436 | 726 | 1,040 | 1,965 |
| | Class B (no redemption) | 186 | 576 | 990 | 1,965 |
| | Class C (with or without redemption) | 167 | 517 | 892 | 1,944 |
| | Class O (with or without redemption) | 111 | 347 | 601 | 1,329 |
| ***Portfolio Two*** **Age Based (Age 4-6)** | Class A (with or without redemption) | 458 | 687 | 935 | 1,643 |
| | Class B (redemption at end of period) | 433 | 716 | 1,025 | 1,932 |
| | Class B (no redemption) | 183 | 566 | 975 | 1,932 |
| | Class C (with or without redemption) | 163 | 505 | 871 | 1,900 |
| | Class O (with or without redemption) | 111 | 347 | 601 | 1,329 |
| ***Portfolio Three*** **Age Based (Age 7-9) Years to Enrollment (10-12 Years)** | Class A (with or without redemption) | 453 | 672 | 909 | 1,588 |
| | Class B (redemption at end of period) | 428 | 701 | 999 | 1,878 |
| | Class B (no redemption) | 178 | 551 | 949 | 1,878 |
| | Class C (with or without redemption) | 158 | 490 | 845 | 1,845 |
| | Class O (with or without redemption) | 111 | 347 | 601 | 1,329 |
| ***Portfolio Four*** **Age Based (Age 10-12) Years to Enrollment (7-9 Years) Balanced 50/50 Option** | Class A (with or without redemption) | 448 | 657 | 883 | 1,532 |
| | Class B (redemption at end of period) | 423 | 686 | 973 | 1,823 |
| | Class B (no redemption) | 173 | 536 | 923 | 1,823 |
| | Class C (with or without redemption) | 153 | 474 | 818 | 1,791 |
| | Class O (with or without redemption) | 111 | 347 | 601 | 1,329 |
| ***Portfolio Five*** **Age Based (Age 13-15) Years to Enrollment (4-6 Years)** | Class A (with or without redemption) | 439 | 627 | 831 | 1,419 |
| | Class B (redemption at end of period) | 413 | 655 | 921 | 1,713 |
| | Class B (no redemption) | 163 | 505 | 871 | 1,713 |
| | Class C (with or without redemption) | 143 | 443 | 766 | 1,680 |
| | Class O (with or without redemption) | 111 | 347 | 601 | 1,329 |
| ***Portfolio Six*** **Age Based (Age 16-18) Years to Enrollment (1-3 Years) Fixed Income 80% Option** | Class A (with or without redemption) | 425 | 584 | 758 | 1,259 |
| | Class B (redemption at end of period) | 399 | 612 | 847 | 1,556 |
| | Class B (no redemption) | 149 | 462 | 797 | 1,556 |
| | Class C (with or without redemption) | 128 | 400 | 692 | 1,523 |
| | Class O (with or without redemption) | 111 | 347 | 601 | 1,329 |
| ***Portfolio Seven*** **Age Based (Age 19 and up) Years to Enrollment (less than 1 year)** | Class A (with or without redemption) | 413 | 548 | 694 | 1,120 |
| | Class B (redemption at end of period) | 386 | 575 | 784 | 1,420 |
| | Class B (no redemption) | 136 | 425 | 734 | 1,420 |
| | Class C (with or without redemption) | 116 | 362 | 628 | 1,386 |
| | Class O (with or without redemption) | 111 | 347 | 601 | 1,329 |
| ***All Equity*** | Class A (with or without redemption) | 468 | 718 | 987 | 1,754 |
| | Class B (redemption at end of period) | 443 | 747 | 1,076 | 2,040 |
| | Class B (no redemption) | 193 | 597 | 1,026 | 2,040 |
| | Class C (with or without redemption) | 173 | 536 | 923 | 2,009 |
| | Class O (with or without redemption) | 111 | 347 | 601 | 1,329 |
| ***All Fixed Income*** | Class A (with or without redemption) | 428 | 593 | 773 | 1,294 |
| | Class B (redemption at end of period) | 402 | 621 | 863 | 1,590 |
| | Class B (no redemption) | 152 | 471 | 813 | 1,590 |
| | Class C (with or without redemption) | 131 | 409 | 708 | 1,556 |
| | Class O (with or without redemption) | 111 | 347 | 601 | 1,329 |

Source: Legg Mason Investor Services, LLC

## Estimated Investment Costs (Continued)

| Portfolio | Unit Class | Number of Years You Own Your Units ($) 1 Year | 3 Years | 5 Years | 10 Years |
|---|---|---|---|---|---|
| ***Cash Reserve*** | Class A (with or without redemption) | 111 | 347 | 601 | 1,329 |
| | Class B (redemption at end of period) | 111 | 347 | 601 | 1,329 |
| | Class B (no redemption) | 111 | 347 | 601 | 1,329 |
| | Class C (with or without redemption) | 111 | 347 | 601 | 1,329 |
| | Class O (with or without redemption) | 111 | 347 | 601 | 1,329 |
| ***U.S. Aggressive Equity Individual Fund*** | Class A (with or without redemption) | 455 | 678 | 919 | 1,610 |
| | Class C (with or without redemption) | 160 | 496 | 855 | 1,867 |
| | Class O (with or without redemption) | 111 | 347 | 601 | 1,329 |
| ***U.S. Core Equity Individual Fund*** | Class A (with or without redemption) | 443 | 639 | 852 | 1,464 |
| | Class C (with or without redemption) | 147 | 456 | 787 | 1,724 |
| | Class O (with or without redemption) | 111 | 347 | 601 | 1,329 |
| ***U.S. Small Cap Equity Individual Fund*** | Class A (with or without redemption) | 463 | 703 | 961 | 1,699 |
| | Class C (with or without redemption) | 168 | 520 | 897 | 1,955 |
| | Class O (with or without redemption) | 111 | 347 | 601 | 1,329 |
| ***International Equity Individual Fund*** | Class A (with or without redemption) | 508 | 840 | 1,195 | 2,194 |
| | Class C (with or without redemption) | 214 | 661 | 1,134 | 2,441 |
| | Class O (with or without redemption) | 111 | 347 | 601 | 1,329 |
| ***Global Fixed Income Individual Fund*** | Class A (with or without redemption) | 442 | 636 | 847 | 1,453 |
| | Class C (with or without redemption) | 146 | 452 | 782 | 1,713 |
| | Class O (with or without redemption) | 111 | 347 | 601 | 1,329 |

Source: Legg Mason Investor Services, LLC

## Possible Additional Fees*

| Type | Fee |
|---|---|
| **Annual Account Maintenance Fee** | $20 |

* See "Fees and Expenses—Account Fees." These fees and charges are subject to change without notice. If you invest in the Program through an omnibus account arrangement maintained by your selling institution, your selling institution may charge you a maintenance or other administrative fees for services rendered with respect to your Account. Please contact your selling institution for information about additional fees and charges that it may impose with respect to your Account. There may be tax consequences associated with these additional fees and charges. You should consult a qualified tax advisor.

## Unit Class A Sales Charges

**General.** Account Owners in Unit Class A will bear an initial sales charge with respect to each contribution (including rollovers except as described below), which will be deducted from the contribution. An Account Owner pays a lower rate as the size of the Account Owner's aggregate investment increases to certain levels called "breakpoints." The following schedule shows the rate of initial sales charge that will apply based on the aggregate amount invested (for all Portfolios except the Cash Reserve Portfolio):

### Unit Class A Sales Charge Schedule

| Aggregate Amount Invested | Initial Sales Charge as a % of Amount Invested |
|---|---|
| <$50,000 | 3.50% |
| $ 50,000 - $ 99,999 | 2.50% |
| $100,000 - $249,999 | 1.50% |
| $250,000 - $499,999 | 1.25% |
| $500,000 and above | 0.00% |

Source: Legg Mason Investor Services, LLC

For purposes of the above schedule, the aggregate amount invested will be determined by adding the new investment amount to the value of the Account at the time the new investment is made. Please see below for a description of the circumstances in which an Account Owner is able to combine the value of multiple Accounts for purposes of determining the aggregate amount invested.

**Qualifying for a reduced Unit Class A sales charge.** An Account Owner may be able to combine multiple purchases of Units of the Portfolios to take advantage of the breakpoints in the above sales charge schedule, as described below. In order to take advantage of the sales charge reductions that may be available, an Account Owner must contact the Account Owner's selling institution and complete any forms required by the Manager. Each selling institution is responsible for working with its clients to identify situations in which sales charge reductions may be available and to take the necessary steps to qualify for such reductions, including the completion of required forms. Neither the Manager nor CollegeInvest is responsible for identifying situations in which sales charge reductions may be available to an Account Owner or for verifying that a selling institution has alerted its clients to the availability of sales charge reductions in certain situations.

An "accumulation privilege" allows an Account Owner to combine the current value of all Units of the Portfolios (including Class A, Class B, Class C and Class O Units) held in Accounts owned by the Account Owner, the Account Owner's spouse and the Account Owner's children under the age of 21 with the dollar amount of the Account Owner's next purchase of Class A Units for purposes of determining the aggregate amount invested and calculating the initial sales charge applicable to such next purchase.

An Account Owner also may enter into a "letter of intent" with the Manager. At the same time a letter of intent is entered into, the Account Owner selects an asset goal amount. A letter of intent allows an Account Owner to purchase Class A Units of the Portfolios over a 13-month period and pay the same initial sales charge, if any, calculated as if all such Class A Units had been purchased at the same time and by counting purchases and holdings of all Units of the Portfolios, as described below, towards the asset goal amount. Generally, purchases of all Units of the Portfolios (including Class A, Class C and Class O Units) that are to be purchased during the 13-month period by the Account Owner, the Account Owner's spouse and the Account Owner's children under the age of 21 are eligible for inclusion in the letter of intent and to be applied towards the asset goal amount selected by the Account Owner, based on the amount paid (including initial sales charges) for such Units, plus any appreciation in the value of such Units as of the date of calculation. In addition, the current value of all Units of the Portfolios held in Accounts owned by such parties may be applied toward the asset goal amount. If an Account Owner does not meet the asset goal amount established in a letter of intent, Class A Units in the amount of any sales charges due, based on the difference between the initial sales charges actually paid and the initial sales charges that would have applied if the Account Owner had not entered into the letter of intent, will be redeemed from the Account Owner's Account(s).

For purposes of the accumulation privilege and a letter of intent, Accounts may be aggregated only if they are maintained on the same recordkeeping platform. See "Management and Other Service Providers—Administrative Services."

**Waiver of Unit Class A sales charges for certain investors.** The initial sales charges on Class A Units may be waived for certain employees of the Manager and its affiliates and their immediate families (i.e., spouse, children, mother or father) and employees of selling institutions that have entered into selling agreements to sell interests in the Program and their immediate families (i.e., spouse, children, mother or father). The selling institution is responsible for making the initial sales charge waiver available to its employees and their immediate families and for verifying that any individual to whom such waiver is granted in fact qualifies for such waiver. Neither the Manager nor CollegeInvest is responsible for a selling institution's decision as to whether to make the initial sales charge waiver available to its employees and their immediate families or for verifying that an individual to whom such a waiver has been granted by a selling institution in fact qualifies for such waiver.

Purchases of Class A Units with assets rolled over or transferred to the Program from other Section 529 programs may be made without initial sales charges to the extent that the purchase is made through a financial professional associated with a selling institution choosing to make the sales charge waiver available to some or all of its clients. While the initial sales charge waiver is intended primarily for investors rolling over or transferring assets with respect to which initial sales charges have previously been paid, a particular selling institution may choose to not make the initial sales charge waiver available for any rollovers or transfers, or to extend the initial sales charge waiver to all rollovers or transfers to the Program by such selling institution's clients regardless of whether initial sales charges previously have or have not been paid with respect to the assets being rolled over or transferred.

Each selling institution is responsible for determining whether:

- to not make the initial sales charge waiver for rollovers and transfers to the Program available to its clients under any circumstances, or
- to limit the initial sales charge waiver to rollovers and transfers by its clients where initial sales charges previously have been paid with respect to the assets being rolled over or transferred, or
- to extend the initial sales charge waiver to all rollovers and transfers to the Program by its clients regardless of whether initial sales charges previously have or have not been paid with respect to the assets being rolled over or transferred.

Each selling institution also is responsible for: (i) making the initial sales charge waiver available to its clients who qualify for such waiver based on the criteria established by such selling institution; and (ii) verifying that any client to whom the initial sales charge waiver is granted in fact qualifies for such waiver based on such criteria.

You should check with your financial professional as to whether the selling institution with which the financial professional is associated makes the initial sales charge waiver for rollovers and transfers available to its clients and, if so, under what circumstances, before initiating a rollover or transfer. Eligibility for any initial sales charge waiver is limited to the purchase of Class A Units with assets rolled over or transferred directly from another Section 529 plan. All other fees and expenses applicable to Class A Units will apply. Neither the Manager nor CollegeInvest is responsible for a selling institution's decision as to whether to make the initial sales charge waiver available to its clients and, if so, under what circumstances. In addition, neither the Manager nor CollegeInvest is responsible for: (i) verifying that a selling institution has made the initial sales charge waiver available to qualifying clients based on the criteria established by such selling institution; or (ii) verifying that an investor to whom the initial sales charge waiver is granted in fact qualifies for such waiver based on such criteria.

**Cash Reserve Portfolio.** There will be no initial sales charge applied to the purchase of Class A Units in the Cash Reserve Portfolio. However, an initial sales charge, as described in this Program Disclosure Statement, will apply upon a transfer to another Program investment option to the extent that the purchaser of Class A Units in the Cash Reserve Portfolio has not previously paid an initial sales charge with respect to such transferred assets. In the case of transferred assets on which the purchaser has previously paid an initial sales charge under the Program, an initial sales charge will not apply upon a transfer to another Program investment option from the Cash Reserve Portfolio. Any applicable initial sales charge will be deducted from the transferred assets and will be based on the contribution (but not the earnings) portion of the transferred assets.

## Unit Class B Deferred Sales Charges

A deferred sales charge will be applied to certain withdrawals by Account Owners of Unit Class B made within five years of the corresponding contribution. The following schedule shows the rate of deferred sales charge that will apply to withdrawals of Class B Units.

### Class B Deferred Sales Charge Schedule

| Time Following Purchase | Deferred Sales Charge |
|---|---|
| Up to 1 Year | 2.50% |
| 1 Year and up to 2 Years | 2.00% |
| 2 Years and up to 3 Years | 1.50% |
| 3 Years and up to 4 Years | 1.00% |
| 4 Years and up to 5 Years | 0.50% |
| 5 Years and Greater | None |

Source: Legg Mason Investor Services, LLC

For Account Owners in Unit Class B, the deferred sales charge will be deducted from withdrawals made within five years of the date of contribution. Transfers to a "member of the family" (as defined on Page 5) will not be subject to the deferred sales charge. For each withdrawal, the deferred sales charge will apply to the lesser of the original value of the contribution and the then current market value. The deferred sales charge will not apply to appreciation in value of a contribution above its original value. The Manager will track each contribution separately for purposes of correctly applying the deferred sales charge.

A deferred sales charge will not be applied to withdrawals or transfers out of the Program by Account Owners of Class B Units in the Cash Reserve Portfolio relating to contributions to the Program that were invested directly in such Portfolio initially and on an ongoing basis. A deferred sales charge will be applied to withdrawals or transfers out of the Program by Account Owners of Class B Units in the Cash Reserve Portfolio relating to contributions to the Program that were transferred to such Portfolio from another Program investment option. In such a circumstance, the deferred sales charge will be calculated by applying the Deferred Sales Charge Schedule set forth in this Program Disclosure Statement based on the date that the Account Owner's contribution was first invested in the other Program investment option. In the event that an Account Owner of Class B Units in the Cash Reserve Portfolio transfers assets from such Portfolio to another Program investment option, a deferred sales charge will be applied to withdrawals or transfers out of the Program by the Account Owner subsequent to such transfer. In such a circumstance, the deferred sales charge will be calculated by applying the Deferred Sales Charge Schedule based on the date that the Account Owner's contribution was first invested in Class B Units of the Cash Reserve Portfolio.

## Distribution Fees

The Distribution Fees charged against Accounts are used to cover expenses related to the distribution, servicing and administration of Accounts. These Fees are accrued daily as a percentage of average daily net assets of each Portfolio and are deducted monthly from each Portfolio.

## Service Fee

Under Unit Class O, the value of an Account will be reduced by a Service Fee, equal to the sum of a fee paid to the Manager plus the fees and expenses incurred by the Funds in the Portfolios. The fee paid to the Manager is calculated at the annual rate of 0.99% of the average daily net assets of each Portfolio, less the fees and expenses incurred by the respective Funds. The level of Fund fees and expenses used by the Manager for purposes of this calculation will be updated monthly based on the most recent information available and in accordance with procedures established by the Manager and approved by CollegeInvest. During periods of low prevailing interest rates, the 0.99% Service Fee may exceed the return earned by a Portfolio with respect to such Portfolio's assets allocated to Western Asset Institutional Liquid Reserves. With respect to the Cash Reserve Portfolio, the annual Service Fee calculated as described in this paragraph applies to Unit Classes A, B and C in addition to Unit Class O, and will be calculated in the same manner as described above. The actual fees and expenses incurred by the Funds may be higher or lower than the amounts used for purposes of these calculations in accordance with the approved procedures. As a result, the actual Service Fee deducted from a Unit Class O Account (and from a Unit Class A, B and C Account in the case of the Cash Reserve Portfolio) may be in excess of or less than 0.99%.

## CollegeInvest Administration Fee

Subject to any fee waiver in effect from time to time, CollegeInvest will receive an administration fee at an annual rate of up to 0.10% of the average daily net assets in each Portfolio. CollegeInvest currently is electing to waive 0.04% (4 basis points) of its 0.10% administration fee. While such waiver continues in effect, CollegeInvest will receive an administration fee at an annual rate of 0.06% (6 basis points) of the average daily net assets in each Portfolio. CollegeInvest will periodically re-evaluate such 0.06% administration fee level and, at any time, may determine to either lower such fee level or increase it to an amount that is no greater than 0.10%. CollegeInvest will notify Account Owners of any decision to change the 0.06% administration fee level. This fee will be deducted monthly from each Portfolio and will be used by CollegeInvest for the payment of expenses incurred by CollegeInvest in connection with the operation of its college savings program, which may or may not relate to the Program, in accordance with and as permitted by applicable law. This fee will reduce the value of Accounts in each Portfolio as they are incurred. Other Colorado Section 529 plans in the college savings program administered by CollegeInvest include the Stable Value Plus College Savings Plan, the CollegeInvest Direct Portfolio College Savings Plan and the Smart Choice College Savings Plan. CollegeInvest will not earn a profit from the Program.

## Fund Fees and Expenses

Class A, B and C Units in each Portfolio (excluding the Cash Reserve Portfolio) indirectly bear a proportional share of the fees and expenses incurred by the Funds in the respective Portfolios. Accordingly, the investment returns of Accounts invested in those Units will be net of the fees and expenses of the Funds. In the case of Unit Class O and Unit Class A, B and C in the case of the Cash Reserve Portfolio, a proportional share of Fund fees and expenses is included in the Service Fee, calculated as described above under "Fees and Expenses—Service Fee." Individual Fund Portfolios do not have Class B Units.

The following chart provides the annual operating expenses (i.e., fees and expenses that are deducted from Fund assets) for the most recent full fiscal year of the applicable Fund or an estimate of such expenses for the current fiscal year, in each case as reported in the most recent prospectus of the applicable Fund preceding the date of this Program Disclosure Statement based on the share class of the Fund in which Portfolio assets are invested. Fund fees and expenses may increase or decrease in the future. Actual Fund fees and expenses borne by Class A, B and C Units in a Portfolio will depend on the actual allocation of the Portfolio's assets to the Funds and the actual expenses of the Funds.

### Fund Operating Expenses

| Fund | Annual Fund Operating Expenses* |
|---|---|
| **QS Batterymarch U.S. Large Cap Equity** | 0.79% |
| **Legg Mason BW Diversified Large Cap Value** | 0.81% |
| **ClearBridge Appreciation** | 0.59% |
| **ClearBridge Aggressive Growth** | 0.72% |
| **Royce Pennsylvania Mutual** | 0.80% |
| **ClearBridge Small Cap Growth** | 0.78% |
| **Templeton Foreign Fund** | 1.16% |
| **Thornburg International Value** | 1.26% |
| **Western Asset Global High Yield Bond** | 0.78% |
| **Western Asset Core Plus Bond** | 0.43% |
| **Western Asset Short-Term Bond** | 0.45% |
| **Western Asset Inflation Indexed Plus Bond** | 0.26% |
| **Legg Mason BW Global Opportunities Bond** | 0.58% |
| **Western Asset Institutional Liquid Reserves** | 0.20% |

Source: Legg Mason Investor Services, LLC
* Expense ratio after giving effect to voluntary fee waivers and/or expense reimbursements by Fund's manager.

## Fee Arrangements with Certain Funds

As noted in "Description of the Underlying Funds and Fund Performance," the Manager may receive and retain fees with respect to Trust assets invested in a Fund managed by an entity unaffiliated with the Manager from such Fund or the adviser or distributor of such Fund in an amount up to 0.40% of such invested assets. The portion of such fees that are paid by the Fund, and indirectly by the Portfolios, are included in the "Fund Operating Expenses" table above. Such fee arrangements are designed to help offset the Manager's expenses associated with maintaining an investment in the Fund on behalf of the Trust and are a factor considered by the Manager in selecting Funds managed or advised by entities unaffiliated with the Manager and the share class of such Funds in which to invest the assets of the Portfolios.

See "Description of the Underlying Funds and Fund Performance—Description of Underlying Funds" for a further discussion of these fee arrangements.

## Fees and Costs Associated with Fund Changes

During the transition from investment in one Fund to investment in another Fund, a Portfolio may temporarily hold a basket of securities to the extent that the Fund from which it redeems chooses to satisfy the Portfolio's redemption out of such Fund on an in kind basis. In such event, the Manager will seek to liquidate the securities received from the Fund as promptly as practicable so that the proceeds can be promptly invested in the replacement Fund. The transaction costs associated with such liquidation, as well as any market impact on the value of the securities being liquidated, will be borne by the Portfolio and Accounts invested in such Portfolio. A Fund from which a Portfolio redeems may impose redemption fees with respect to shares in such Fund that were held by the Portfolio for a short period of time (typically 60 days or less). In such event, the Portfolio, and Accounts invested in such Portfolio, will bear such redemption fees.

## Account Fees

Certain Account Owners may be subject to additional annual and one-time fees and charges. **An annual Account maintenance fee of $20 will be charged to an Account (including Accounts established pursuant to corporate and other employer relationships) with respect to which neither the Account Owner nor the Beneficiary is a Colorado resident as of the fee assessment date if the Account has less than $2,500 in assets as of such date. The annual Account maintenance fee will not be charged to an Account with less than $2,500 in assets established prior to December 1, 2011 where either the Account Owner or the Beneficiary was a Wyoming resident as of the date such Account was established. The Manager will redeem units in an Account to satisfy such annual Account maintenance fee.** The fee assessment date shall be a date in the second quarter of each calendar year that is established each year by the Manager in its sole discretion. Account fees will not impact the portion of an Account that constitutes contributions to such Account for tax reporting purposes.

## Fees under Omnibus Account Arrangements

If you invest in the Program through a selling institution that maintains an omnibus account arrangement with Legg Mason Investor Services, LLC, such firm may charge a maintenance or other administrative fees for services rendered with respect to your Account under such arrangement. Such fees may be in addition to or in lieu of those charged directly by the Program. See "Opening and Maintaining an Account—Omnibus Accounts Maintained by Certain Selling Institutions."

## Unit Class O Eligibility

Except for certain grandfathered Accounts, Class O Units generally may only be purchased in Accounts that are owned by clients in fee-based advisory programs whose investment advisors have entered into a selling, service or similar agreement with the Manager and in Accounts established pursuant to corporate and other employer relationships that involve the limited services of a financial professional. No new contributions may be made into Class O Units in an Account established pursuant to a corporate or other employer relationship once the employee Account Owner ceases to be employed by such employer or ceases to contribute to the Account via the contribution method established for the Account on the employer authorization form. An Account Owner of an Account established pursuant to a corporate or other employer relationship is obligated to notify the Manager in the event that the Account Owner ceases to be employed by such employer or has otherwise decided to cease contributing to the Account via the contribution method established for the Account on the employer authorization form. Such Account Owner may continue to contribute to an Account by selecting a Unit Class other than Unit Class O for future contributions.

## Fees, Expenses and Charges May Change

Note that the fees, expenses and charges under the Program are subject to change, and new fees, expenses and charges may be imposed in the future.

## Selling Institution Compensation

Unit Classes A, B, C and O are sold to investors through selling institutions. Except as described below, selling institutions through which Account Owners invest in the Program will be compensated by the Manager as follows.

### Selling Institution Compensation

(For All Portfolios Except the Cash Reserve Portfolio)

| Unit Class | Selling Commission* | Ongoing Fees** |
|---|---|---|
| A*** | | |
| <$50,000 | 3.00% | 0.25% |
| $ 50,000 - $ 99,999 | 2.00% | 0.25% |
| $100,000 - $249,999 | 1.25% | 0.25% |
| $250,000 - $499,999 | 1.00% | 0.25% |
| $500,000 and above | 0.25% | 0.25% |
| B**** | 2.50% | 0.25% |
| C**** | 1.00% | 0.75%***** |

Source: Legg Mason Investor Services, LLC
* Assumes no waiver of initial sales charge.
** Based upon the average daily net assets; rate is a per annum rate.
*** Selling commission for Class A Units is based upon the aggregate amount invested. The aggregate amount invested will be determined in the same manner that the aggregate amount invested is determined for purposes of calculating the initial sales charge applicable to the purchase of such Class A Units, as described in "Fees and Expenses—Unit Class A Sales Charges." The 0.25% selling commission applicable to aggregate amounts invested of $500,000 and above is paid by Legg Mason Investor Services, LLC out of its general resources.
**** Selling commission for Class B Units and Class C Units is based upon the amount contributed.
***** Commences in thirteenth (13th) month following purchase.
Please note: Class B Units of the relevant Portfolios are no longer available for purchase by new and existing Account Owners. However, an Account Owner who is changing the investment option(s) for an Account may transfer existing Class B Units to Class B Units of another Portfolio, if available.

Selling institutions through which Account Owners invest in Units in the Cash Reserve Portfolio do not receive the selling commissions and ongoing fees set forth in the "Selling Institution Compensation" table, but instead receive ongoing fees payable by the Manager of 0.10% per annum, calculated based on average daily net assets invested in such Portfolio, while the Account Owner's Units are invested in such Portfolio. If an investor transfers from the Cash Reserve Portfolio to another investment option, the selling institution will receive the upfront selling commission applicable to the Units in the new investment option (to the extent it has not received an upfront selling commission with respect to such transferred assets) and the ongoing fees applicable to such Units in the new investment option. The Manager reserves the right to revise these fee arrangements at its discretion. Pursuant to the Services Agreement, any revision that increases the fees payable by an Account Owner must be approved by CollegeInvest.

In addition, the Manager will pay selling institutions an upfront commission of 0.75% on the amount contributed and ongoing fees of 0.25% per annum with respect to Class O Units purchased through such selling institutions for Accounts established on or before July 15, 2001 and on Class O Units purchased after that date for Accounts established pursuant to corporate and other employer relationships that involve the limited services of a financial professional. "Fee only" investment advisers do not receive any compensation for the sale of Class O Units from the Program or the Manager, but instead are compensated directly by their clients.

In addition to the selling commissions and ongoing fees paid to selling institutions as described above, the Manager also may make additional payments to selling institutions for distribution, investor servicing, marketing and promotional activities and related expenses. These payments are described below under "Additional Payments to Selling Institutions (Revenue Sharing)."

## Additional Payments to Selling Institutions (Revenue Sharing)

The Manager and its affiliates may make additional payments to selling institutions through which Account Owners invest in the Program, including your selling institution, for distribution, investor servicing, marketing and promotional activities and related expenses. The total amount of these payments is substantial, may be substantial to any given recipient and may exceed the costs and expenses incurred by the recipient for any Program-related marketing and investor servicing activities. The payments described in this paragraph are often referred to as "revenue sharing payments."

In addition to revenue sharing payments, the Manager and its affiliates will pay a selling institution that maintains one or more omnibus accounts in the Portfolios for its performance of recordkeeping, administrative and sub-accounting services. Such services include the maintenance of Accounts by the selling institution on behalf of Account Owners and related processing services that would otherwise be performed by the Manager or its agent. Such payments are generally based on a percentage of the average daily net assets in Accounts serviced by the selling institution or a fixed dollar amount for each Account serviced by the selling institution.

Revenue sharing payments, as well as other types of compensation arrangements described in this section, are separately negotiated between the Manager and its affiliates and the recipients of such payments. Revenue sharing and other types of payments create an incentive for a selling institution or its employees or associated persons to recommend or sell interests in the Program to you. Contact your selling institution for details about revenue sharing and other types of payments it receives or may receive. Revenue sharing and other types of payments also benefit the Manager and its affiliates to the extent the payments result in more assets being invested in the Portfolios available under the Program for which it receives fees as described above.

Revenue sharing and other types of payments are paid by the Manager and its affiliates out of their own resources and are not paid out of Program assets. Accordingly, such payments are not reflected as additional fees and expenses paid by Account Owners in the fees and expenses tables in the "Fees and Expenses" section of this Program Disclosure Statement.

## Choosing a Class of Units to Buy

At the time an Account Owner completes the application to establish an Account, the Account Owner will select the Unit Class applicable to the Account. Each Unit Class has different costs, allowing you to choose the Unit Class that best meets your needs. Which Unit Class is more beneficial to you depends on several factors, including how much you plan to invest, how long you expect to own the Units and whether you qualify for any reduction or waiver of sales charges.

If you plan to invest a large amount and/or your investment horizon is six years or more, Class C Units might not be as advantageous as Class A Units. The higher annual distribution fees applicable to Class C Units may cost you more over the longer term than the initial sales charge you would have paid for your purchase of Class A Units, particularly in the case of larger purchases of Class A Units that qualify for reduced initial sales charges. For Class C Units, all of your purchase amount will be immediately invested. This may help offset the higher ongoing expenses of Class C Units relative to those of Class A Units, but only if the particular Portfolio performs well.

The Account Owner may at any time change the Unit Class applicable to future contributions to the Account by submitting appropriate documentation to the Manager. The Account Owner generally may not change the Unit Class applicable to the Account's existing assets. However, Class A Units may be converted to Class O Units where the Account Owner transfers an Account's existing assets to a fee-based advisory program sponsored by the Account Owner's financial intermediary. Following such conversion, the Account Owner's fee-based investment advisor will not be entitled to any ongoing fees or other compensation from the Manager. In addition, the Account Owner's fee-based investment advisor will charge an investment advisory, service or similar fee directly to the Account Owner with respect to such Class O Units. Class B Units and Class C Units are not eligible to be transferred to a fee-based investment advisory program and converted to Class O Units. However, an Account Owner may designate a fee-based investment advisor as the financial intermediary of record with respect to an Account that holds existing Class B Units and Class C Units. In such event, the Account Owner's fee-based investment advisor will not be entitled to any ongoing fees or other compensation from the Manager. In addition, the Account Owner's fee-based investment advisor must agree that it will not charge the Account Owner any investment advisory, service or similar fee with respect to such Class B Units and Class C Units .

Assuming they meet applicable eligibility requirements, Account Owners may choose to invest under more than one Unit Class. If an Account is invested in this manner, the Manager will track separately the assets in the Account according to their allocations among the Unit Classes.

# WITHDRAWALS

## General

You can take a withdrawal from your Account at any time, subject to any applicable taxes and deferred sales charges, by completing a withdrawal form. Certain Account Owners may request a withdrawal through the Account Access section of the Program's website, **scholars-choice.com**, or by calling 1-888-5-SCHOLAR (1-888-572-4652). See "Tax Matters." There is no specific length of time that contributions must remain in an Account before you can request a withdrawal. If you submit a withdrawal form that does not indicate a withdrawal amount and the form is accompanied by a tuition bill, you will be deemed to have requested a withdrawal of the amount indicated on the tuition bill. You may make a one-time withdrawal or establish a systematic withdrawal plan pursuant to which you request withdrawals of a fixed dollar amount from your Account in accordance with a systematic (e.g., monthly, quarterly or semi-annual) schedule established by you on the withdrawal form.

## Qualified Withdrawals

A qualified withdrawal ("Qualified Withdrawal") is a withdrawal made to pay qualified higher education expenses of the Beneficiary, as described in "Tax Matters." The amounts withdrawn may be (i) sent directly to the Eligible Educational Institution, or (ii) sent to the Account Owner or the Beneficiary for payment of qualified higher education expenses.

## Qualified Higher Education Expenses

Section 529 of the Code defines "qualified higher education expenses" as tuition, fees, books, supplies, and equipment required for the enrollment or attendance of a student at an Eligible Educational Institution (see "Introduction"). The term also includes amounts for room and board (including off-campus housing) expenses for students attending school at least half time in a degree or certificate program. The amount of a student's room and board expenses that can be counted as a qualified higher education expense generally may not exceed the amount applicable to the student included in the "cost of attendance" (as defined under the federal law as of June 7, 2001) at the Eligible Educational Institution. In the case of a student living in housing owned or operated by an Eligible Educational Institution, however, the amount of room and board expenses that can be counted as qualified higher education expenses is the greater of (i) the amount described in preceding sentence, or (ii) the actual amount charged the student by the Eligible Educational Institution for room and board for such period. "Qualified higher education expenses" also includes certain additional enrollment and attendance costs of special needs students. "Qualified higher education expenses" does not include expenses associated with repaying loans obtained to pay for qualified higher education expenses or any other loans, or expenses associated with admissions or pre-enrollment testing or test preparation. It also does not include travel or commuting expenses.

## Non-Qualified Withdrawals

All withdrawals other than Qualified Withdrawals are considered non-qualified withdrawals ("Non-Qualified Withdrawals"). Federal and state income taxes plus an additional 10% federal tax payable by you to the Internal Revenue Service will be imposed on investment earnings withdrawn as a Non-Qualified Withdrawal unless the withdrawal qualifies for an exception to the additional 10% federal tax, as discussed under "Tax Matters—Non-Qualified Withdrawals." For this purpose, each withdrawal is treated as including a ratable share of investment earnings on all Accounts for the Beneficiary having the same Account Owner (and all such accounts in other Colorado Section 529 plans).

## Pricing of Withdrawal Requests

Withdrawals result in the redemption of Units of the Portfolios in which your Account assets are invested. The number of Units to be redeemed will be based on the NAV next determined following the Manager's or its designee's receipt of a withdrawal request in good order. A withdrawal request that is made pursuant to a properly established systematic withdrawal plan will be treated as having been received in good order on the date of the scheduled withdrawal.

## Other Matters Relating to Withdrawals

The Manager reserves the right to delay remittance of redemption proceeds for units purchased by check or via direct deposit or AFT for up to ten days. The Manager also reserves the right to require that an Account Owner's withdrawal request be signature guaranteed by an eligible guarantor institution such as a domestic bank, savings and loan institution, domestic credit union, member bank of the Federal Reserve System or member firm of a national securities exchange if the Account Owner has effected a change of address or has received the Account from another Account Owner within thirty days of such withdrawal request. Your selling institution may charge you a fee for receiving withdrawal proceeds via a wire transfer.

Your right to take withdrawals may be suspended or the date of payment of withdrawal proceeds may be postponed (i) for any period during which the NYSE is closed (other than for customary weekend or holiday closings), (ii) if the Manager, in consultation with CollegeInvest, determines that an emergency exists, or (iii) for such other period as permitted by applicable law or regulation for the protection of Account Owners.

# TAX MATTERS

The following discussion summarizes certain aspects of the federal income, gift, estate and generation-skipping transfer tax and Colorado income tax consequences relating to the Program and your investment in, and withdrawals from, your Account. This discussion does not address other taxes, including taxes imposed by a state other than Colorado or taxes imposed by any U.S. possession or foreign jurisdiction.

## Caveats with Respect to Tax Discussion

This summary is not exhaustive, and you should not construe it as providing advice on your particular situation. In addition, there can be no assurance that the Internal Revenue Service ("IRS") will accept the conclusions in this Program Disclosure Statement, or, if challenged by the IRS, that these conclusions would be sustained in court. The applicable tax rules are complex, certain of the rules are uncertain, and their application to any particular person may vary according to facts and circumstances specific to that person. **You should consult a qualified tax advisor regarding the application of the law to your circumstances.**

The Colorado income tax deduction for contributions to the Program, as described herein, is available only to Colorado taxpayers investing in Colorado plans under current law, which may be changed through future legislative or judicial action. If you are not a Colorado taxpayer, depending upon the laws of your home state or the home state of your beneficiary, favorable state tax treatment or other benefits offered by such home state for investing in Section 529 plans may be available only if you invest in the home state's Section 529 plan. Any state-based benefit offered with respect to a particular Section 529 plan should be one of many appropriately weighted factors considered in making an investment decision. You should consult with your financial, tax or other advisor to learn more about how state-based benefits (including any limitations) would apply to your specific circumstances. You also may wish to contact your home state or other states to learn more about the features, benefits and limitations of those states' Section 529 plans.

Tax information contained in this Program Disclosure Statement is not intended to be used, and cannot be used by any taxpayer, for the purpose of avoiding penalties under the Code. This information was prepared to support the promotion and marketing of the Program.

## Changing Tax Laws and Regulations

The summary is based on the relevant provisions of the Code and Colorado tax laws, the Proposed Regulations, and legislative history and interpretations of applicable federal and Colorado law existing on the date of this Program Disclosure Statement. Changes to federal or state tax laws could occur in the future that could have a significant impact on the Program and your investment in the Portfolios or result in termination of the Program.

On January 17, 2008, the IRS issued an Advance Notice of Proposed Rulemaking (the "Notice"), which details issues on which the IRS intends to issue new proposed regulations under IRC Section 529 (the "New Proposed Regulations"). As described in the Notice, a principal component of the New Proposed Regulations will be an anti-abuse rule intended to deny the favorable federal tax treatment provided by Section 529 to the extent that transactions involving an Account are inconsistent with the education-savings purpose of Section 529 (for example, use of an Account to avoid gift or generation-skipping transfer taxes, as a retirement plan, or for other purposes inconsistent with the intent of Section 529). The Notice also indicates that the New Proposed Regulations will include other provisions that will change certain of the tax consequences described in this Program Disclosure Statement. Although the Notice provides that the New Proposed Regulations generally will be proposed to be prospective in effect, the Notice also states that the anti-abuse rule may be applied retroactively. It is uncertain whether any or all of the provisions described in the Notice will become effective, or, if so, when they will become effective, and it is uncertain whether provisions will become applicable to Accounts established prior to the general effective date of the provisions. The following discussion under this caption "Tax Matters" relates to current law and does not further discuss the Notice or the New Proposed Regulations.

## Maximum Account Balance Limit

The federal income tax laws require that a limit be placed on the amount that can be invested in an Account. Currently, the aggregate Balance Limit under the Program for the benefit of a particular Beneficiary is $350,000. Accounts for the same Beneficiary funded from all Account Owners are aggregated for purposes of applying this limitation, together with any investments for the same Beneficiary in other Colorado Section 529 plans, including the Stable Value Plus College Savings Plan, the CollegeInvest Direct Portfolio College Savings Plan and the Smart Choice College Savings Plan. Additional contributions to an Account (including rollover contributions) will not be accepted, or if accepted, will be returned together with any earnings thereon, to the extent that the contribution would cause the aggregate balance for the Beneficiary to exceed the Balance Limit. However, if the aggregate balance in the Accounts and all other Colorado Section 529 plans for the benefit of the Beneficiary later falls below the Balance Limit, additional contributions to Accounts may be made. It is possible that CollegeInvest will periodically increase the Balance Limit in the future to reflect increases in higher education costs. You will be notified of any changes in the Balance Limit.

## Federal Income Tax Treatment of Contributions and Distributions

The Program is designed to constitute a "qualified tuition program" under Section 529 of the Code. Contributions to an Account will not result in taxable income to the Beneficiary. A contributor may not deduct the contribution from income for federal income tax purposes. Please see "Contributing to an Account" for further information regarding contributions. Generally, earnings in the Trust will not be includible in computing the federal taxable income of the Account Owner or the Beneficiary while held in the Account. As described in greater detail below, whether the earnings are taxed upon withdrawal depends upon how the withdrawal is used.

## Qualified Withdrawals

Qualified Withdrawals will be excludable from the Beneficiary's and the Account Owner's federal taxable income. Please see "Withdrawals—Qualified Higher Education Expenses" for a discussion of what constitute "qualified higher education expenses." Account Owners should retain documentation such as invoices and receipts adequate to substantiate to the IRS the qualifying use of such withdrawals. There are two components to such a Qualified Withdrawal: one component is return of principal; the other is a distribution of earnings. Although neither component is taxable for a Qualified Withdrawal, separately accounting for such components is necessary in order to determine how much of the remaining investment in the Account consists of earnings and how much consists of principal invested. The earnings portion of a particular withdrawal will generally be determined as of the date of the withdrawal, rather than in the aggregate for all distributions as of the end of the year.

Pending guidance from the IRS, it is unclear whether a withdrawal used to pay for qualified higher education expenses incurred or paid prior to the establishment of the Account will be treated as a Qualified Withdrawal. Pending guidance from the IRS, it is also unclear whether a withdrawal taken before January 1st or after December 31st of the year in which the qualified higher education expenses were incurred and paid will be treated as a Qualified Withdrawal. Please consult with a qualified tax advisor.

Although the IRS has not yet provided guidance on this issue, if amounts from a Qualified Withdrawal that were used to pay qualified higher education expenses are subsequently refunded in whole or in part to the Account Owner or the Beneficiary by the Eligible Educational Institution, the Account Owner or Beneficiary may be required to include the earnings portion of such refund in taxable income for federal income tax purposes and pay the additional 10% federal tax on such earnings, even if such amount is reinvested in the Account. Such inclusion may not be required if the refunded amount is used to pay other qualified higher education expenses of the Beneficiary. Please consult with a qualified tax advisor.

## Non-Qualified Withdrawals

Under Section 529, the earnings portion of Non-Qualified Withdrawals from an Account is includible in computing the income of the Account Owner (or of the Beneficiary if the Non-Qualified Withdrawal is paid to the Beneficiary) for federal income tax purposes in the year in which the Non-Qualified Withdrawals are made, except for certain non-taxable transfers to an Account or another Section 529 plan as outlined in "Tax Matters—Transfers between Accounts of Different Designated Beneficiaries or Different Section 529 Plans." The computation of the portion of a Non-Qualified Withdrawal that is includible in taxable income is made under a pro-rata allocation between a nontaxable return of principal and a taxable distribution of earnings.

The earnings portion of any Non-Qualified Withdrawal generally will be subject to an additional 10% federal tax, in addition to applicable income tax. The additional 10% federal tax will not apply, however, to (i) withdrawals made to make payments to a beneficiary of a Beneficiary (or to the Beneficiary's estate) upon the death of the Beneficiary; (ii) withdrawals made on account of the disability of the Beneficiary; (iii) withdrawals made on account of a scholarship received by the Beneficiary (or similar education-related receipts), to the extent that the withdrawals do not exceed the amount of the scholarship (or such receipts); (iv) non-taxable transfers to another Account or another Section 529 plan as outlined in "Tax Matters—Transfers Between Accounts of Different Designated Beneficiaries or Different Section 529 Plans"; and (v) withdrawals made on account of the attendance of the Beneficiary at a United States military academy (subject to limitations). Non-Qualified Withdrawals that qualify for an exception to the additional 10% federal tax, other than non-taxable transfers to an Account or other Section 529 plan, are still subject to applicable federal and state income tax.

A "financial" emergency would not entitle you to any special treatment under federal or Colorado tax laws, or with respect to the additional 10% federal tax. As noted above, you would be entitled to an exception to the additional 10% federal tax (but not to the imposition of applicable income tax) if you make a permissible Non-Qualified Withdrawal in the case of a Beneficiary who dies, becomes disabled, receives a scholarship, or attends a U.S. military academy.

## Tax Reporting

The Manager will issue an IRS Form 1099-Q in the event of a withdrawal from or trustee-to-trustee rollover from an Account. It is the responsibility of the recipient of the 1099-Q (which will be the Account Owner unless the withdrawal is paid directly to the Beneficiary or to an Eligible Educational Institution for the benefit of the Beneficiary) to determine whether a withdrawal is a Qualified Withdrawal or a Non-Qualified Withdrawal and whether any income tax or the additional 10% federal tax may apply.

CollegeInvest may also release information about contributions to and withdrawals from an Account and as otherwise requested to the Colorado Department of Revenue as permitted by law.

## Losses Upon Withdrawal

If an Account Owner has an investment loss in an Account, the Account Owner can take the loss as a deduction on the Account Owner's tax return but only when all amounts from that Account have been withdrawn and the total withdrawals are less than the total contributions to the Account. The loss can be claimed as a miscellaneous itemized deduction, subject to the 2% of adjusted gross income limit.

## Aggregation of Accounts

All CollegeInvest 529 Plan accounts with the same Account Owner for the benefit of a single Beneficiary must be treated as a single account for purposes of calculating the earnings portion of each distribution (including, in addition to Accounts in the Program, any such accounts in the Stable Value Plus College Savings Plan, the CollegeInvest Direct Portfolio College Savings Plan, the Smart Choice College Savings Plan and other plans in the CollegeInvest Program). Thus, if more than one Account is created by an Account Owner for a Beneficiary, and a Non-Qualified Withdrawal is made from one or more of such Accounts, the amount includible in income must be calculated based upon the ratio of total earnings in all such Accounts to the total amount in such Accounts. Consequently, the amount withdrawn from an Account may carry with it a greater or lesser amount of income than the earnings in that Account alone would justify, depending on the earnings in the other relevant Account or Accounts.

## Rollovers

An Account Owner may change the person designated as Beneficiary of an Account without taking a withdrawal and without income tax consequences (provided that certain requirements are satisfied). In addition, an Account Owner may roll over an amount that has been withdrawn from an Account to an Account for a different Beneficiary, may roll over an amount that has been withdrawn from an account under another Section 529 "qualified tuition program" to an Account for a different Beneficiary, or may roll over an amount that has been withdrawn from an Account to an account for a different Beneficiary under another Section 529 "qualified tuition program," in each case without the amount transferred having to be included at that time in the federal taxable income of the Account Owner or any Beneficiary and without the tax on Non-Qualified Withdrawals (provided that certain requirements are satisfied). Rollovers must occur within 60 days of withdrawal. Rollovers to another Section 529 plan include "direct rollovers" in which withdrawal proceeds are transferred directly by the Manager to another Section 529 plan and invested directly in an account under such Section 529 plan.

In order to qualify for favorable tax treatment, a new designated Beneficiary must be a "member of the family" of the current Beneficiary as set forth in Code Sections 152(d)(2) and 529(e)(2). Thus, the new Beneficiary must have one of the following relationships to the current Beneficiary: (i) son or daughter, or a descendant of either; (ii) stepson or stepdaughter; (iii) brother or sister; (iv) stepbrother or stepsister; (v) father or mother, or an ancestor of either; (vi) stepfather or stepmother; (vii) son or daughter of a brother or sister; (viii) brother or sister of the father or mother; (ix) son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, or sister-in-law; or (x) first cousin. A spouse of a family member described in (i) through (ix) above or the spouse of the Beneficiary also is considered a family member. For purposes of these rules, a legally adopted child is treated as a child by blood and the terms brother and sister include a brother or sister by halfblood.

If there are other Accounts open for the benefit of the new Beneficiary, you may be limited in how much of your Account can be used for the new Beneficiary under the aggregate Balance Limit.

If the new Beneficiary is a member of a younger generation than that of the current Beneficiary, a federal gift tax may apply and if the new Beneficiary is two or more generations younger than the current Beneficiary, a federal generation-skipping transfer tax may apply. Under the existing Section 529 proposed regulations, these taxes are imposed on the prior Beneficiary and not the Account Owner, but the treatment of such transactions under the current provisions of Section 529 is unclear. If applicable, this tax applies in the year in which the money is withdrawn from an Account or in which the Beneficiary is changed. Please consult with a qualified tax advisor regarding the possible application of these taxes.

Tax-free treatment is also available for a rollover to an account in another Section 529 plan for the benefit of the same Beneficiary, provided that it has been at least 12 months since the most recent rollover for that Beneficiary. Such a rollover must occur within 60 days of withdrawal. Rollovers to another Section 529 plan include "direct rollovers" in which withdrawal proceeds are transferred directly by the Manager to another Section 529 plan and invested directly in an account under such Section 529 plan. A transfer to another Colorado Section 529 plan for the same Beneficiary is not subject to this rule, but is instead subject to the investment change limitation described in "Opening and Maintaining an Account—Changing Investment Options." A withdrawal and subsequent reinvestment to a Colorado Section 529 plan for the same Beneficiary is not a tax-free rollover and thus may be treated as a Non-Qualified Withdrawal.

Rollover amounts from another Section 529 plan generally retain their character as earnings and invested principal. Until the program receiving the rollover receives documentation from the distributing program showing the earnings portion, however, the receiving program must treat the entire amount of the rollover as earnings.

## Federal Estate and Gift Taxes

Contributions to Accounts are generally considered completed gifts for federal estate and gift tax purposes. Generally, if the Account Owner dies while there is still money in his or her Account, the value of the Account would not be included in the Account Owner's estate (except in the situation described below relating to the federal gift tax election for investments exceeding $14,000 in any one year). However, amounts distributed to a beneficiary of the Beneficiary (or the estate of the Beneficiary) on account of the death of a Beneficiary may be included in the gross estate of that Beneficiary for federal estate tax purposes.

Account contributions are potentially subject to federal gift tax payable by the contributing Account Owner, and are potentially subject to the generation-skipping transfer tax if the Beneficiary is a member of a generation that is two or more generations younger than the generation of the Account Owner. Generally, if an Account Owner's contributions to an Account or Accounts for a Beneficiary, together with all other gifts by the Account Owner to the Beneficiary, are less than $14,000 per year ($28,000 per married couple), no federal gift tax or generation-skipping transfer tax will be imposed on the Account Owner for gifts to the Beneficiary during that year.

If an Account Owner's contributions to an Account for a Beneficiary in a single year is greater than $14,000 ($28,000 per married couple electing to gift split), the Account Owner may elect for federal gift tax purposes to treat contributions up to $70,000 ($140,000 per married couple electing to gift split) as having been made ratably over a five-year period to such Beneficiary. Once this election is made, if the Account Owner makes any additional gifts for the same Beneficiary in the same or next four years, such gifts may be subject to federal gift or generation-skipping transfer taxes in the calendar year of the gift. However, if the Account Owner dies before the 5-year period has elapsed, the portion of the contributions allocable to years remaining in the 5-year period (except for earnings on such investment) would be includible in the Account Owner's estate for federal estate tax purposes.

A withdrawal from an Account, a permissible change of the Beneficiary designated as beneficiary or a permissible transfer to an Account for another Beneficiary will not be subject to federal gift or transfer tax, except that such a change or transfer will potentially be subject to federal gift tax payable by the old Beneficiary if the new Beneficiary is of a younger generation than the Beneficiary being replaced and will potentially be subject to the generation-skipping transfer tax payable by the old Beneficiary if the new Beneficiary is two or more generations younger than the Beneficiary being replaced. Please consult with a qualified tax advisor.

Generally, taxpayers are eligible for a limited generation-skipping transfer tax exemption that can be allocated to transfers that are subject to generation-skipping transfer tax. Therefore, such tax may not apply to many Account Owners and Beneficiaries. However, where it applies, it is imposed at a flat rate.

The American Taxpayer Relief Act of 2012 (the "2012 Act") was signed into law on January 2, 2013. The 2012 Act made substantial changes to the federal estate, generation-skipping, and gift tax rules for taxable years beginning after December 31, 2012. In general, the 2012 Act extended the $5 million exemption (indexed for inflation) for federal estate, gift and generation-skipping taxes while raising the maximum federal estate, gift and generation-skipping transfer tax rates for amounts in excess of each respective exemption. Account Owners and Beneficiaries should consult a qualified tax adviser regarding the specific application of the provisions of the 2012 Act to their particular circumstances.

## Coverdell Education Savings Accounts (ESAs)

ESAs permit deferral of federal income tax liability, and possible exclusion from gross income, for earnings in such ESAs. If withdrawals are made from an Account and an ESA in the same year for the same Beneficiary in excess of qualified higher education expenses, however, you will need to allocate qualified higher education expenses between the two programs.

You may make contributions to your Account in the Program and to an ESA in the same year. You may also take a distribution of part or all of your ESA and invest the distribution proceeds in your Account. Such a distribution is considered a qualifying ESA distribution that is not subject to federal income tax. Amounts that are so invested retain their character as earnings and invested principal provided appropriate documentation is received from the ESA.

## Series EE and I Savings Bonds

Interest on Series EE Savings Bonds issued January 1990 and later, as well as interest on all Series I Savings Bonds, may be completely or partially excluded from federal income tax if bond proceeds are used to pay certain higher education expenses at an Eligible Educational Institution or are contributed to an Account in the same calendar year the bonds are redeemed. For this purpose, qualifying expenses do not include the cost of books, room and board. The amount of higher education expenses taken into account in calculating the interest excludable from income is reduced by scholarships, fellowships, and certain other forms of tuition assistance. Certain income limitations apply and the Beneficiary must have a specified relationship with the Account Owner. Provided appropriate documentation is furnished to the Program, the original purchase price of the bonds redeemed and contributed to an Account will be added to the contribution portion of the Account, with the interest added to earnings.

## Hope Scholarship and Lifetime Learning Credits

A taxpayer may not claim a Hope Scholarship Credit or Lifetime Learning Credit for amounts withdrawn tax free from an Account and used for qualified higher educational expenses, but may be eligible for these credits for educational expenses paid from other sources during the year.

## Tax Deduction for Education Expenses

The Code provides for a deduction for the payment of tuition and related expenses by taxpayers who fall within certain income limits. The deduction may not be claimed, however, for expenses that were paid from the earnings portion of a tax-free withdrawal from an Account.

## Effect on Other Federal Tax Benefits

Under certain circumstances, the interest paid with respect to a loan used to fund qualified higher education expenses is deductible for federal income tax purposes. The Code provides that, to the extent that withdrawals are made from a Section 529 plan to pay eligible higher education expenses, the amount of such expenses is not eligible for a loan, the interest on which is otherwise deductible for federal income tax purposes. Under certain circumstances, the interest on United States savings bonds used to pay higher education expenses may be excluded from taxable income for federal income tax purposes. The Code also provides that, to the extent withdrawals are made from a Section 529 plan for higher education expenses, such expenses cannot also be treated as paid with United States savings bonds for purposes of this exclusion.

## State of Colorado Income Tax

**The following information applies only to Colorado taxes. Any Colorado tax benefits offered in connection with the Program are only available to certain Colorado taxpayers. You should consult with a qualified tax advisor regarding the application of Colorado tax rules to your particular circumstances.**

**Contributions.** Individuals, estates and trusts subject to Colorado income tax will generally be entitled to a Colorado income tax deduction for contributions to the Program. This deduction can be taken to the extent of their Colorado taxable income for the year for contributions made to an Account in such year. The Colorado Department of Revenue does not treat a transfer or rollover from another Section 529 plan to the Program as a contribution eligible for the Colorado income tax deduction.

**Withdrawals.** Qualified Withdrawals are not included in Colorado taxable income of the Account Owner or Beneficiary. The earnings portion of any withdrawal other than a Qualified Withdrawal is subject to Colorado income tax.

**Recapture.** For withdrawals other than (i) to pay qualified higher education expenses, (ii) as a result of the Beneficiary's death or disability, or (iii) as a result of receiving a scholarship (to the extent the withdrawal does not exceed the amount of the scholarship), the portion of the withdrawal attributable to contributions previously deducted for Colorado income tax purposes is subject to recapture and must be added to taxable income of the taxpayer who took the deductions, in the year in which the withdrawal is made. The recapture provision applies to a rollover to a non-Colorado Section 529 plan. While the State will recapture amounts attributable to a State tax deduction taken for the non-qualified withdrawal amounts, CollegeInvest has not imposed any other penalty that it deducts on such withdrawals.

# MANAGEMENT AND OTHER SERVICE PROVIDERS

## Portfolio Investment

QS Legg Mason Global Asset Allocation, LLC provides investment advisory services with respect to the investment of Portfolio assets. As of the date of this Program Disclosure Statement, it is anticipated that the Manager will concentrate investments of the Portfolios in shares of the Funds, subject to the overall supervision of CollegeInvest (including the Policy Statement). QS Legg Mason Global Asset Allocation, LLC is located at 880 Third Avenue, New York, NY 10022 and is a wholly-owned subsidiary of Legg Mason, Inc.

## Investment Advisers

The investment manager of each Legg Mason Fund and each Western Asset Fund is Legg Mason Partners Fund Advisor, LLC ("LMPFA"), an affiliate of the Manager. LMPFA's address is 620 8th Avenue, New York, NY 10018. LMPFA is a wholly-owned subsidiary of Legg Mason, Inc.

The sub-adviser to ClearBridge Appreciation Fund, ClearBridge Aggressive Growth Fund and ClearBridge Small Cap Growth Fund is ClearBridge Investments, LLC, an affiliate of the Manager. Its address is 620 8th Avenue, New York, NY 10018. As of June 30, 2015, ClearBridge Investments, LLC had approximately $116.8 billion in assets under management.

The investment adviser to Royce Pennsylvania Mutual Fund is Royce & Associates, LLC, an affiliate of the Manager. Its address is 745 Fifth Avenue, New York, NY 10151. As of June 30, 2015, Royce & Associates, LLC had approximately $27 billion in assets under management.

The investment adviser to Legg Mason BW Diversified Large Cap Value Fund and Legg Mason BW Global Opportunities Bond Fund is Brandywine Global Investment Management, LLC, an affiliate of the Manager. Its address is 2929 Arch Street, Philadelphia, PA 19104. As of June 30, 2015, Brandywine Global Investment Management, LLC had approximately $67.2 billion in assets under management.

The sub-adviser to QS Batterymarch U.S. Large Cap Equity Fund is QS Batterymarch Financial Management, Inc., an affiliate of the Manager. Its address is John Hancock Tower, 200 Clarendon Street, Boston, MA 02116. As of June 30, 2015, QS Batterymarch Financial Management, Inc. had approximately $8.8 billion in assets under management.

The investment adviser or sub-adviser to Western Asset Global High Yield Bond Fund, Western Asset Core Plus Bond Fund, Western Asset Short-Term Bond Fund, Western Asset Inflation Indexed Plus Bond Fund and Western Asset Institutional Liquid Reserves is Western Asset Management Company, an affiliate of the Manager. Western Asset Management Company Limited in London and Western Asset Management Company Pte. Ltd. in Singapore serve as additional investment advisers or sub-advisers to Western Asset Global High Yield Bond Fund, Western Asset Core Plus Bond Fund and Western Asset Inflation Indexed Plus Bond Fund. Western Asset Management Company Limited in London serves as an additional investment sub-adviser to Western Asset Short-Term Bond Fund. Western Asset Management Company Ltd. in Japan serves as an additional sub-adviser to Western Asset Core Plus Bond Fund and Western Asset Inflation Indexed Plus Bond Fund. Western Asset Management Company Limited in London, Western Asset Management Company Pte. Ltd. in Singapore and Western Asset Management Company Ltd. in Japan are affiliates of the Manager. Western Asset Management Company also manages cash and short-term instruments for the ClearBridge Appreciation Fund, the ClearBridge Aggressive Growth Fund, the ClearBridge Small Cap Growth Fund and the QS Batterymarch U.S. Large Cap Equity Fund. The address of Western Asset Management Company is 385 East Colorado Boulevard, Pasadena, CA 91101. As of June 30, 2015, Western Asset Management Company and Western Asset Management Company Limited, together with certain Western Asset affiliates, had approximately $452.5 billion in assets under management.

The investment manager of Templeton Foreign Fund is Templeton Global Advisors Limited. Its address is Box N-7759, Lyford Cay, Nassau, Bahamas. Templeton Global Advisors Limited is not an affiliate of the Manager. As of June 30, 2015, Templeton Global Advisors Limited had approximately $33.5 billion in assets under management.

The investment adviser to Thornburg International Value Fund is Thornburg Investment Management, Inc. Its address is 2300 North Ridgetop Road, Santa Fe, NM 87506. Thornburg Investment Management, Inc. is not an affiliate of the Manager. As of June 30, 2015, Thornburg Investment Management, Inc. had approximately $60.1 billion in assets under management.

Each investment adviser or sub-adviser selects each respective Fund's investments and oversees its operations.

## Sales of Units

Legg Mason Investor Services, LLC is the primary distributor of interests in the Trust. Legg Mason Investor Services, LLC is a registered broker-dealer and a member of the Financial Industry Regulatory Authority ("FINRA"). Interests in the Trust are sold to investors through financial intermediaries, including broker-dealers and "fee only" investment advisors, that have entered into a selling, service or similar agreement with Legg Mason Investor Services, LLC.

## Administrative Services

Under the Services Agreement, Legg Mason Investor Services, LLC performs certain administrative services for the Program including, but not limited to: (i) accepting and processing initial and subsequent contributions to Accounts; (ii) maintaining adequate records of Account balances; (iii) compiling, preparing and delivering to CollegeInvest and Account Owners financial information, reports and statements; (iv) accepting and processing requests for distributions and withdrawal requests; (v) responding to client inquiries and maintaining a customer service call center for such purposes; (vi) tax reporting; and (vii) maintaining certain records and data bases. Under the Services Agreement, Legg Mason Investor Services, LLC may subcontract for the performance of services required to be performed by Legg Mason Investor Services, LLC with the prior written consent of CollegeInvest. Legg Mason Investor Services, LLC has subcontracted with BNY Mellon Investment Servicing (US) Inc., as a transfer agent, to perform certain of the foregoing administrative services with respect to certain Accounts established under the Program. Certain selling institutions have entered into or may enter into an omnibus services agreement with Legg Mason Investor Services, LLC pursuant to which the selling institution, rather than BNY Mellon Investment Servicing (US) Inc., as transfer agent, is responsible for performing recordkeeping and administrative services with respect to Account established by all or certain of its customers. Under such arrangements, the selling institution typically maintains one single account in each of the Portfolios in the selling institution's name for the exclusive benefit of its customers. See "Opening and Maintaining an Account—Omnibus Accounts Maintained by Certain Selling Institutions." As a member of FINRA, Legg Mason Investor Services, LLC is required to maintain a business continuity plan that provides a course of action for the assessment of a significant disruption to firm business and for the continuation of firm business following such an event. Legg Mason Investor Services, LLC is also required to provide certain disclosures to its customers concerning such business continuity plan. Please see the "LEGG MASON BUSINESS CONTINUITY PLAN – Notice to Clients" following the "SCHOLARS CHOICE PRIVACY POLICY STATEMENT" at the end of this booklet.

## Custody Accounts

The Manager maintains segregated custody accounts at State Street Bank and Trust Company to hold the Trust's assets, including Fund shares and funds contributed to Accounts by Account Owners. The Manager is not affiliated with State Street Bank and Trust Company.

## Auditors for the Trust

Each year, an independent public accountant will audit the Trust. The auditor will examine financial statements for the Trust and provide other audit and related services. The fiscal year of CollegeInvest ends on June 30th of each year. A copy of the Trust's audited financial statements will be made available to Account Owners by CollegeInvest upon request. The Trust's current auditor is BKD, LLP.

# MORE ABOUT THE PROGRAM

## Continuing Disclosure

Under Rule 15c2-12(b)(5) of the Securities Exchange Act of 1934, as amended, certain information must be provided to Account Owners on a periodic basis. To comply with this Rule, CollegeInvest has executed a Continuing Disclosure Certificate for the benefit of Account Owners. Under the Continuing Disclosure Certificate, certain financial information and operating data (the "Annual Information") relating to the Trust will be provided to appropriate parties, as will notices of the occurrence of certain events identified in the Continuing Disclosure Certificate, if material. The Annual Information and notice of material events will be filed on behalf of the Trust on the Electronic Municipal Market Access (also known as EMMA) website of the Municipal Securities Rulemaking Board (www.emma.msrb.org).

## Exemptions from Registration

Interests in the Trust, which take the form of Units of the Portfolios, have not been registered as securities under the Securities Act of 1933, as amended, pursuant to an exemption from registration available for obligations issued by a state. Similarly, Units of the Portfolios have not been registered with the securities commissions of any state where applicable exemptions from registration are available. Neither the Trust nor the Portfolios have been registered as investment companies under the Investment Company Act of 1940, as amended, since the provisions of that Act exclude from registration any instrumentality of a state.

## Other Investment Plans

There are options other than the Program for saving for the expenses of attending an Eligible Educational Institution, including the Stable Value Plus College Savings Plan, the CollegeInvest Direct Portfolio College Savings Plan and the Smart Choice College Savings Plan, each of which is administered by CollegeInvest. You may call 1-800-448-2424 or see CollegeInvest's Web site at **www.collegeinvest.org** for more information.

If you are a resident of a state other than Colorado, you may have the opportunity to invest in a Section 529 plan sponsored by your home state that may provide state tax benefits not available to you by investing in the Program.

Each Section 529 plan has its own eligibility requirements and tax benefits. You should determine the interaction between these plans if you intend to use more than one, since there may be limitations. Generally, you are not permitted to use the same educational expense for computing benefits from more than one such plan.

## Right to Employ Other Legg Mason Companies

The Manager may use the services of other companies in the Legg Mason group of companies, subject to the limitations set forth in the Services Agreement.

## Arbitration

All controversies that may arise between an Account Owner or the Beneficiary and the Manager involving any Account(s) will be determined by arbitration in lieu of court proceedings. Any controversies that may arise between an Account Owner or the Beneficiary and CollegeInvest involving any transaction in any Account(s), or the construction, performance or breach of the Participation Agreement may be determined by arbitration or court proceedings, as determined by CollegeInvest in its sole discretion.

## How to Contact Us

Please call your financial professional or 1-888-5-SCHOLAR (1-888-572-4652) to speak with a representative of the Manager if you have questions about the Program or would like additional information. You also can visit the Scholars Choice College Savings Program web site at **scholars-choice.com** for more information about the Program, to obtain marketing literature, quarterly investment commentary and updated performance information, or to download forms described in this Program Disclosure Statement.

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# SCHOLARS CHOICE PARTICIPATION AGREEMENT

## September 10, 2015

## General Information

This Participation Agreement contains the terms governing the Account that you will establish pursuant to the Scholars Choice College Savings Program (the "Program"). CollegeInvest, a division of the Colorado Department of Higher Education ("CollegeInvest"), administers the Program, which is designed to qualify for treatment as a qualified tuition program within the meaning of Code Section 529 (a "Section 529 Program"). ***By signing the Scholars Choice College Savings Program Account Application and becoming the Account Owner of your Account, you agree to be bound by the terms of this Participation Agreement, which Agreement is deemed effective as of the date you execute the Account Application.***

***In the event that you invest in the Program through a selling institution under an omnibus account arrangement and such firm does not require that you sign an Account Application, by investing in the Program you will be deemed to have agreed that your Account and the assets therein are subject to the terms and conditions of this Participation Agreement to the same extent as if you had executed an Account Application. Therefore, it is important for you to read and understand the terms and conditions of this Participation Agreement. Your account application with the selling institution will be deemed to be an Account Application for purposes of this Participation Agreement.***

The Program is designed to help you save for the Qualified Higher Education Expenses of the person you designate as Beneficiary in the Account Application. Your investment in the Program will be used to purchase units of beneficial interest in a separate Account that is part of the Scholars Choice College Savings Trust (the "Trust"). QS Legg Mason Global Asset Allocation, LLC will provide investment advisory services with respect to the Program, and Legg Mason Investor Services, LLC will provide marketing, distribution, administrative and recordkeeping services with respect to the Program. The foregoing services are referred to collectively herein as the "Services." The term "Manager," as used herein, shall mean QS Legg Mason Global Asset Allocation, LLC or Legg Mason Investor Services, LLC as the context so requires, or any new entity which may be appointed as manager by CollegeInvest in the future. The Services include establishing your Account with the Trust; investing your assets according to the guidelines established by CollegeInvest and based on the investment option you select; accepting and processing contributions to and withdrawals from your Account; and providing certain recordkeeping services with respect to your investment in the Trust.

The Program Disclosure Statement sets forth in greater detail the terms of the Program. The Program Disclosure Statement is incorporated in its entirety by reference into this Participation Agreement. ***Before making any investment under the Program, you must read the Program Disclosure Statement in its entirety. Call your financial professional or a representative of the Manager at 1-888-5-SCHOLAR (1-888-572-4652) with any questions.***

Any Account that you open pursuant to this Participation Agreement is not insured by the State of Colorado or CollegeInvest and neither the principal invested in nor the investment return on the Account is guaranteed by the State, CollegeInvest or the Manager, or any affiliate of any of the foregoing, or the federal government or any of its agencies or instrumentalities.

## Definitions

Terms used in this Participation Agreement shall have the meanings set forth below. Any terms not defined in this Participation Agreement shall have the meanings given them in the Program Disclosure Statement.

**"Account"** means your individual account established and maintained as part of the Trust. The money you contribute under the Program will be allocated to your Account. You may open more than one Account for the same Beneficiary.

**"Account Application"** refers to the Scholars Choice College Savings Program Account Application.

**"Account Owner," "you" or "your"** refers to the individual or entity signing the Account Application and opening an Account.

**"Act"** refers to Title 23, Article 3.1, Part 3, Colorado Revised Statutes, as amended, which requires and authorizes the establishment of a college savings program to be developed and implemented by CollegeInvest as a Section 529 Program and which may include various plans, including the Program.

**"Beneficiary"** means the person you identify on the Account Application as the beneficiary of the Account whose Qualified Higher Education Expenses will be paid from the Account.

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

**"CollegeInvest"** refers to CollegeInvest, a division of the Department of Higher Education of the State of Colorado. CollegeInvest is the administrator of the Program.

**"Eligible Educational Institutions"** are institutions of higher education that are described in Section 481 of the Higher

Education Act of 1965 (20 U.S.C. 1988), as in effect on August 5, 1997, and are eligible to participate in a program under Title IV of such Act.

**"Family Member"** means a member of the family, as defined in Code Section 529(e)(2).

**"Funds"** are mutual funds in which the Portfolio assets may be invested from time to time and which are managed by the Manager's affiliates or other entities not affiliated with the Manager. The Manager recommends to CollegeInvest for its approval the particular Funds, if any, in accordance with the Policy Statement.

**"Manager"** refers to QS Legg Mason Global Asset Allocation, LLC with respect to the provision of investment advisory services for the Program and Legg Mason Investor Services, LLC with respect to the provision of marketing, distribution, administrative and recordkeeping services for the Program, or such other financial institution selected by CollegeInvest to provide Services in connection with the Program.

**"Non-Qualified Withdrawal"** means a withdrawal from an Account other than a Qualified Withdrawal.

**"Policy Statement"** refers to the Investment Policy Statement established by CollegeInvest. The Policy Statement sets forth the policies, objectives and guidelines that govern the investment of Trust assets.

**"Portfolio"** means one of the investment portfolios of the Trust.

**"Program Disclosure Statement"** means the Scholars Choice College Savings Program Disclosure Statement, as amended and supplemented from time to time.

**"Qualified Higher Education Expenses"** include tuition, room and board (subject to certain limits), fees, books, supplies and equipment required for enrollment or attendance of the Beneficiary at an Eligible Educational Institution, all within the meaning of Code Section 529(e)(3).

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

**"State"** refers to the State of Colorado.

**"Trust"** means the Scholars Choice College Savings Trust. The Accounts are part of the Trust, which is administered by CollegeInvest and held in the name of CollegeInvest on behalf and for the benefit of Beneficiaries.

**"Units"** are units of interest in one or more of the Portfolios to which the assets in your Account are allocated.

**"Unit Class"** refers to the fee structure under which your Account is established. Each Portfolio, other than an Individual Fund Portfolio, consists of four Unit Classes, including Unit Class A, Unit Class B, Unit Class C and Unit Class O, as more fully described in the Program Disclosure Statement. Individual Fund Portfolios consist of Unit Class A, Unit Class C and Unit Class O. Class B Units of the Portfolios are no longer available for purchase by new and existing Account Owners. However, an Account Owner who is changing the investment option(s) for an Account may transfer existing Class B Units to Class B Units of another Portfolio, if available.

## Contributions to Your Account

1. You may purchase Units in your Account or Accounts in cash only. For these purposes, making purchases in cash means putting money in your Account(s) by check or electronic funds transfer acceptable to the Manager and CollegeInvest or through your financial professional's firm. Checks must be drawn on a U.S. bank, and should be made payable to "Scholars Choice." Third party checks will only be accepted at the Manager's discretion. Starter checks will not be accepted. Contributions may also be made by rollover from another qualified investment as described in the "Contributing to an Account" section of the Program Disclosure Statement.

2. The minimum initial required contribution to an Account is $250 and the minimum subsequent contribution is $50, except that in the case of contributions by electronic transfer to an Account pursuant to corporate and other employer relationships, there shall be no minimum initial or subsequent contribution. The $250 minimum initial contribution requirement is also waived where the Account Owner establishes periodic automatic funds transfers to an Account of $50 or greater. The Manager may waive such minimums for one or more Accounts in its sole discretion.

3. For each Beneficiary, there is a maximum aggregate balance limit ("Balance Limit") of $350,000 for all Accounts established under the Program and all accounts in any other Colorado Section 529 plans (including the Stable Value Plus College Savings Plan, the CollegeInvest Direct Portfolio College Savings Plan and the Smart Choice College Savings Plan) which have that Beneficiary as the beneficiary of such Accounts. You may not make a contribution that results in an aggregate balance in such Accounts and other accounts under any other Colorado Section 529 plans for a Beneficiary that exceeds the Balance Limit. This Balance Limit, which includes aggregate contributions and investment earnings, is subject to change, and the Manager will notify you of any such changes.

4. Your investment will be directed to one or more Accounts established for the purpose of funding the Qualified

Higher Education Expenses of the Beneficiary (each Account can be for only one Beneficiary) that you designated when you made your initial contribution. If you establish more than one Account for the same Beneficiary, you may choose a different investment option for each Account. You may change the investment option selected for all or a portion of the assets in your Account for any reason two times during any calendar year, and also upon a change in the person designated as Beneficiary of such Account, subject to the limitations described in the "Investment of Account Assets" section of this Participation Agreement.

## Investment of Account Assets

1. At the time you establish an Account or Accounts, you choose the investment option(s) that will form the basis for the allocation of that Account's assets among asset classes. After this initial election, you may not direct the investment of contributions to your Account(s); however, you may change the investment option(s) for an Account for any reason two times during any calendar year, and also upon a change in the person designated as Beneficiary of your Account. You may request such a change in investment option(s) only by completing the designated form, which can be obtained from the Manager or your financial representative. Subject to applicable limitations, you may change the investment option(s) for all or a portion of the assets in your Account. The limitation on changing investment options during a calendar year applies on an aggregate basis to all Accounts under the Program and all accounts under other Colorado Section 529 plans, including the Stable Value Plus College Savings Plan, the CollegeInvest Direct Portfolio College Savings Plan and the Smart Choice College Savings Plan, having the same Account Owner and the same Beneficiary. Thus, you will not be permitted to change the investment options for your Account (assuming you do not change the Beneficiary on the Account) if, within the same calendar year, you have already made two investment option changes in the aggregate in Accounts you maintain under the Program or in accounts you maintain under other Colorado Section 529 plans for the same Beneficiary. In addition, any transfer between an Account in the Program and an account you maintain for the same Beneficiary under another Colorado Section 529 plan is considered a change of investment option for purposes of the investment change limitation. For purposes of the twice a calendar year investment option change limitation, all investment option changes in more than one Account (and/or accounts under other Colorado Section 529 plans) for the same Beneficiary that are made at the same time are treated as a single change of investment option.

2. At the time you establish an Account, you designate a Unit Class for your Account. You may at any time change the Unit Class or Unit Classes applicable to future contributions to your Account by submitting appropriate documentation to the Manager. Class B Units of the relevant Portfolios are no longer available for purchase by new and existing Account Owners. However, an Account Owner who is changing the investment options for an Account may transfer existing Class B Units to Class B Units of another Portfolio, if available. Generally, you may not change the Unit Class or Unit Classes applicable to your Account's existing assets. However, you may convert Class A Units to Class O Units when you transfer your Account's existing assets to a fee-based advisory program sponsored by your financial intermediary. Following such conversion, your fee-based investment advisor will not be entitled to any ongoing fees or other compensation from the Manager. In addition, your fee-based investment advisor will charge an investment advisory, service or similar fee directly to you with respect to such Class O Units. Class B Units and Class C Units are not eligible to be transferred to a fee-based investment advisory program and converted to Class O Units. However, you may designate a fee-based investment advisor as the financial intermediary of record of an Account that holds existing Class B Units and Class C Units. In such event, your fee-based investment advisor will not be entitled to any ongoing fees or other compensation from the Manager. In addition, your fee-based investment advisor must agree that it will not charge you any investment advisory, service or similar fee with respect to such Class B Units and Class C Units. If your Account is established pursuant to a corporate or other employer relationship, (i) you acknowledge and agree that no new contributions may be made to your Account once you cease to be employed by such employer or if you otherwise cease to contribute to your Account via the contribution method established for the Account on the employer authorization form, and (ii) you agree to notify the Manager in the event that you cease to be employed by such employer or otherwise decide to cease contributing to your Account via the contribution method established for the Account on the employer authorization form.

3. After establishing your Account or changing the investment option for your Account, it is your responsibility to verify that the Portfolio to which your assets have been allocated correctly corresponds to the investment option you have elected, and, if applicable, the age and/or expected year of enrollment of the Beneficiary. If you believe that (i) the Manager has not invested your assets in accordance with the investment option you have chosen, or (ii) your assets have been invested in the wrong Portfolio, you have 60 days after the date that the first confirmation or statement reflecting the error is mailed to you by the Manager to notify the Manager of the error. After 60 days, your Account assets will remain invested pursuant to the investment option set forth in the confirmation or statement you received

from the Manager with respect to such investment until you withdraw all such assets or subsequently change your investment option. The Manager may waive such 60 day notice requirement in its sole discretion. It also is your responsibility to review the investment goals and time horizons for the investment options and Portfolios described in the Program Disclosure Statement and to determine whether participation in the Program is appropriate for you and whether the investment option you have chosen meets your needs and risk tolerance.

4. The Manager will separately maintain your Account in the Trust, and CollegeInvest will be the trustee of your Account. The assets of your Account will be commingled with amounts credited to the Accounts of other Account Owners for investment purposes.

5. You (not the Beneficiary) are the sole owner of all contributions, and all earnings on such contributions, although there are special federal and state tax rules applicable to such contributions and earnings.

## Designation of Beneficiary

1. You shall designate one person as Beneficiary for each Account on the Account Application.

2. You may from time to time designate a new Beneficiary in place of the person then designated as the Beneficiary of your Account, except as discussed in paragraph 4 of this section.

3. If the new Beneficiary is a Family Member of the currently designated Beneficiary, there is no penalty or adverse income tax consequences resulting from such designation (you will receive a new account number). If, however, you designate a Beneficiary who is not a Family Member of the current Beneficiary, that designation will be treated as a Non-Qualified Withdrawal of Account assets and a transfer of such assets to a new Account for the new Beneficiary. Such Non-Qualified Withdrawal is subject to federal and state income taxation and may be subject to an additional 10% federal tax on the earnings portion of such withdrawal.

4. In the case of a minor Account Owner, the minor must be designated as the Beneficiary and the parent or guardian for such minor Account Owner may not change the original Beneficiary designation. If an Account is funded with assets from or otherwise established as a Uniform Transfers to Minors Act or Uniform Gifts to Minors Act ("UTMA/UGMA") account, the Account Owner (who is the UTMA/UGMA custodian) will not be able to change the person designated as Beneficiary on the Account.

5. You may request a substitution of the person named as Beneficiary of your Account only by completing the designated form, which can be obtained from your financial professional or the Manager. The substitution shall become effective when the Manager has approved the form. The form will ask you to certify the family relationship between the new Beneficiary and the current Beneficiary. If you change the person designated as Beneficiary of your Account, you may select new investment options for the new Beneficiary based on the circumstances of the new Beneficiary.

## Withdrawals

1. Withdrawals of all or a portion of your Account will be processed only if you submit a properly completed and executed withdrawal form, which can be obtained from the Manager, and any additional required documentation. If you submit a withdrawal form that does not indicate a withdrawal amount and the form is accompanied by a tuition bill, you will be deemed to have requested a withdrawal of the amount indicated on the tuition bill. Certain Account Owners may request a withdrawal online through the Program's website, **scholars-choice.com**, or by calling 1-888-5-SCHOLAR (1-888-572-4652).

2. If you request a Qualified Withdrawal, the amounts withdrawn may be (i) sent directly to the Eligible Educational Institution, or (ii) sent to the Account Owner or the Beneficiary for payment of Qualified Higher Education Expenses.

3. In the case of a minor Account Owner, the parent or guardian for such minor Account Owner is not permitted to make withdrawals other than for the benefit of the Beneficiary. If an Account is funded with UTMA/UGMA account assets or otherwise established as a UTMA/UGMA account, the Account Owner (who is the UTMA/UGMA custodian) is not permitted to make withdrawals other than for the benefit of the Beneficiary.

4. If you request a Non-Qualified Withdrawal, the withdrawal will be subject to an additional 10% federal tax payable to the Internal Revenue Service on the portion of such withdrawal that is attributable to investment earnings in the Account, unless the withdrawal qualifies for an exception to the additional 10% federal tax. For this purpose, each withdrawal is treated as including a ratable share of investment earnings on all Accounts for the Beneficiary having the same Account Owner (and all such accounts in other Colorado Section 529 plans). A Non-Qualified Withdrawal is not subject to the additional 10% federal tax only if the withdrawal is: (i) made to make payments to a beneficiary of the Beneficiary (or to the Beneficiary's estate) upon the death of the Beneficiary; (ii) made on account of the disability of the Beneficiary; (iii) made on account of a scholarship received by the Beneficiary (or similar education-related receipts), to the extent that the withdrawal does not exceed the amount of the scholarship (or such receipts); (iv) a non-taxable transfer to another Account or another Section 529 plan

as outlined in the "Tax Matters—Transfers Between Accounts of Different Designated Beneficiaries or Different Section 529 Plans" section of the Program Disclosure Statement; or (v) made on account of the attendance of the Beneficiary at a United States military academy (subject to limitations).

5. Non-Qualified Withdrawals likely will also result in income taxation except for (i) a non-taxable transfer to another Account or to another Section 529 plan for a different Beneficiary who is a Family Member of the designated Beneficiary; or (ii) a qualifying non-taxable transfer to another Section 529 plan for the designated Beneficiary.

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

7. Your right to take withdrawals may be suspended or the date of payment of withdrawal proceeds may be postponed (i) for any period during which the New York Stock Exchange is closed (other than for customary weekend or holiday closings), (ii) if the Manager, in consultation with CollegeInvest, determines that an emergency exists, or (iii) for such other period as permitted by applicable law or regulation for the protection of Account Owners.

## Accounts Held under Omnibus Account Arrangements

1. Accounts in the Program are established through selling institutions. Certain selling institutions may enter into an omnibus services agreement with Legg Mason Investor Services, LLC pursuant to which the selling institution, rather than the Program's transfer agent, is responsible for performing various recordkeeping services with respect to Accounts established by all or certain of its customers. Such services may include the establishment and maintenance of Accounts, the processing of contributions to and withdrawals from Accounts, the processing of requests for Account Owner, Beneficiary and investment option changes, the preparation and delivery of periodic Account statements, transaction-related confirmations and tax forms, and the mailing of Program materials.

2. Under an omnibus account arrangement, the selling institution typically maintains one single account in each of the Portfolios in the selling institution's name for the exclusive benefit of its customers. Underlying Account Owner information is held on the selling institution's books and records, and trades typically are aggregated by Portfolio for transmission to the Program's transfer agent. You should contact your selling institution to determine whether your selling institution will hold and maintain your Account under an omnibus account arrangement and the terms and conditions under which your Account will be maintained, including any applicable fees and charges.

3. If you transition your Account from a selling institution that holds and maintains your Account under an omnibus account arrangement to a selling institution that does not have such an arrangement, your Account will transfer from being maintained under an omnibus account arrangement to being maintained by the Program's transfer agent. See "Management and Other Service Providers—Administrative Services."

4. When you invest in the Program through a selling institution that holds and maintains your Account under an omnibus account arrangement, different conditions, privileges, services and restrictions may apply from those that would apply if you held units of a Portfolio directly with the Program's transfer agent. Depending on your selling institution's policies and processes, such differences may include, but are not limited to: (i) eligibility standards to purchase units of a Portfolio; (ii) availability of sales charge and fee waivers; (iii) minimum initial and subsequent investment amounts; (iv) ability to invest in multiple investment options in one Account; and (v) accumulation and letter of intent privileges related to qualifying for reduced sales charges. Accounts held and maintained by a selling institution under an omnibus account arrangement generally will not be aggregated with Accounts maintained outside of such omnibus account arrangement for purposes of accumulation privileges and letters of intent. You should contact your selling institution to understand any special guidelines, conditions, privileges and restrictions that may apply if you invest in the Program through such firm.

5. Your selling institution may charge you Account maintenance or other administrative fees for services rendered with respect to your Account under an omnibus account arrangement. Such fees may be in addition to or in lieu of those that are charged directly by the Program and that are described in the Program Disclosure Statement. There may be tax consequences associated with these additional fees. You should consult a qualified tax advisor. In addition, Legg Mason Investor Services, LLC will pay compensation to your selling institution for its performance of services. You should contact your selling institution for details about such additional fees and compensation arrangements.

6. **In the event that you invest in the Program through a selling institution under an omnibus account arrangement and such firm does not require that you sign an Account Application, by investing in the Program you will be deemed to have agreed that your Account and the assets therein are subject to the terms and conditions of this Participation Agreement to the same extent as if you had executed an Account**

**Application. Therefore, it is important for you to read and understand the terms and conditions of this Participation Agreement. Your account application with the selling institution will be deemed to be an Account Application for purposes of this Participation Agreement.**

## Account Owner's Representations and Acknowledgments

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

1. You are a resident of or domiciled in the United States of America (including Puerto Rico, Guam and the U.S. Virgin Islands).

2. You have received and read the Program Disclosure Statement, have carefully reviewed the information contained therein, including information provided by or with respect to CollegeInvest and the Manager, and agree that its terms are incorporated into this Participation Agreement as if they were set forth herein.

3. The investment of assets held in your Account will be governed by the provisions of the Program Disclosure Statement and this Participation Agreement, each as amended from time to time, and all such assets will be held exclusively for your benefit and the benefit of the person named as Beneficiary of that Account.

4. State tax features vary by program; the Manager does not render tax advice and you should consult your own tax advisor to determine the effect of state and federal tax benefits related to each plan. The nature and composition of available investment options and costs (including sales charges, fees and expenses) vary from plan to plan. You should consider the wide variety of plans available to you and their costs.

5. The Colorado income tax deduction for contributions to the Program, as described in the Program Disclosure Statement, is available only to Colorado taxpayers. Section 529 plans offered by states other than Colorado may offer tax or other benefits to taxpayers or residents of those states that are not available with regard to the Program. If you are a taxpayer or resident of a state other than Colorado, you have considered such state tax treatment and other benefits, if any, before making a decision to invest in the Program.

6. You have been given an opportunity, within a reasonable time prior to the effective date of this Participation Agreement, to ask questions of representatives of CollegeInvest and the Manager and receive satisfactory answers concerning (i) an investment in the Program; (ii) the terms and the conditions of the Program and the Trust; (iii) the particular investment options that may be selected; (iv) the Unit Classes available to you and the fees, expenses and charges applicable to each; (v) the Program Disclosure Statement, this Participation Agreement and the Account Application; (vi) other Section 529 plans, if any, offered by the Manager and the investment options and costs (including sales charges, fees and expenses) associated with such plans; and (vii) your ability to obtain such additional information necessary to verify the accuracy of any information furnished.

7. Your Account is subject to the fees, expenses and charges as set forth in the Program Disclosure Statement for the Unit Class you have designated on your Account Application. Such fees, expenses and charges may be changed in the future. New fees, expenses and charges may also be charged in the future. You hereby authorize the Manager to redeem Units in your Account to satisfy the $20 annual Account maintenance fee, if applicable.

8. The Program is established and maintained with the intent that it meet the requirements for favorable federal tax treatment under Code Section 529. Qualification under Code Section 529 is vital, and CollegeInvest may amend this Participation Agreement at any time if CollegeInvest determines that such an amendment is necessary to maintain qualification of the Program under Code Section 529.

9. CollegeInvest, in consultation with the Manager, may establish such administrative rules as it determines are necessary or desirable to ensure or promote the Program's compliance with Code Section 529, other laws, rules and regulations, the purpose of the Program and the orderly operation and administration of the Program. Some administrative rules may not be described in the Program Disclosure Statement.

10. Federal and State laws are subject to change, sometimes with retroactive effect, and none of the State, CollegeInvest or the Manager, or any affiliate of the foregoing, or any other person makes any representation that such federal or State laws will not be changed or repealed.

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

12. You have not relied on any representations or other information, whether oral or written, and whether made by any agent or representative of CollegeInvest, the Manager, or otherwise, other than as set forth in the Program Disclosure Statement (including any applicable supplement to the Program Disclosure Statement) and in this Participation Agreement.

13. The value of your Account will increase or decrease each day that the New York Stock Exchange is open for trading, based on the investment performance of the Portfolio in which your Account is then invested, and each Portfolio will invest in Funds or other investments selected by the Manager and approved by CollegeInvest. **YOU UNDERSTAND THAT THE VALUE OF ANY ACCOUNT TO WHICH YOU MAKE CONTRIBUTIONS MAY BE MORE OR LESS THAN THE AMOUNTS YOU CONTRIBUTED TO SUCH ACCOUNT.**

14. All investment decisions will be made by the Manager in accordance with the Policy Statement and the services agreement between CollegeInvest and the Manager ("Services Agreement"), and you cannot direct the investment of any contributions invested in the Trust, either directly or indirectly, other than by selecting from among available investment options at the time you contribute to your Account. You will, however, have the ability to change the investment option(s) selected for assets in your Account for any reason two times during any calendar year, and also upon a change in the person designated as Beneficiary of your Account, as described in the "Contributions to Your Account" and "Investment of Account Assets" sections of this Participation Agreement.

15. **None of the State, CollegeInvest, the Manager, or any affiliate of the foregoing, or any other person makes any guarantee that you will not suffer a loss of the amount invested in any Account or that you will receive a particular return on any amount contributed to an Account.**

16. You have accurately and truthfully completed the Account Application and any other documentation that you have furnished or subsequently furnish in connection with the opening or maintenance of, or any withdrawals from, your Account is or will be accurate, truthful and complete, including the age and/or anticipated years to enrollment indicated for the Beneficiary.

17. If you make false statements in connection with opening an Account or otherwise, CollegeInvest and/or the Manager may take such action as permitted by the Act, including, without limitation, terminating your Account or requiring that you indemnify the State, the Manager and/or CollegeInvest as discussed under the "Limitation of Liability; Indemnification" section of this Participation Agreement.

18. Your participation in the Program does not guarantee that the Beneficiary: (i) will be accepted as a student by any Eligible Educational Institution; (ii) if accepted, will be permitted to continue as a student; (iii) will be treated as a state resident of any state for tuition purposes; (iv) will graduate from any Eligible Educational Institution; or (v) will achieve any particular treatment under applicable state or federal financial aid programs. You further acknowledge and agree that none of the State, CollegeInvest, the Manager, or any affiliate of the foregoing, or any other person, makes any such representation or guarantee.

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

20. You will not assign or transfer any interest in any Account, except as otherwise contemplated in the Program Disclosure Statement or this Participation Agreement. Any attempted assignment or transfer of such an interest shall be void.

21. Although you own Units through your Account, you do not have a direct beneficial interest in the Funds, or any other investments or funds in which the Portfolios are invested, and therefore you do not have the rights of an owner or shareholder of such funds or other investments.

22. You may transfer your Account to another Account Owner without changing the person identified as Beneficiary of your Account. If the Account Owner is a minor or the Account was funded with the proceeds from or otherwise established as a UTMA/UGMA account, the Account cannot be transferred to another Account Owner (other than to another legal guardian or UTMA/UGMA custodian for the benefit of the same Beneficiary). Such a transfer will be effective only if it is irrevocable and transfers all rights, title, interest and power over the Account to the new Account Owner. The tax consequences associated with a transfer of ownership are uncertain. You should consult with a qualified tax advisor concerning the potential income, gift and estate tax consequences of a transfer of ownership before effecting a transfer. To effect a transfer of ownership, you should contact your financial professional or the Manager.

23. If you do not validly designate a successor Account Owner on your Account Application or on a specific form which you may obtain from your financial professional or the Manager, the Beneficiary will become the Account Owner in the event of your death. A successor Account Owner cannot be a minor at the time of designation. The Beneficiary also will become the Account Owner if a designated successor is deceased or validly disclaims his/her interest in the Account. If the Beneficiary becomes the Account Owner and is a minor, his or her parent or legal guardian will need to consent to the minor's participation in the Program as an Account Owner by signing the Account Application and the minor must be designated as the Beneficiary of the Account.

24. CollegeInvest or the Manager may ask you to provide additional documentation that may be required by applicable law or in connection with your investment in the Program, and you agree to promptly comply with any such requests for additional documentation.

25. None of the Program Disclosure Statement, this Participation Agreement, or the Account Application addresses taxes imposed by a state other than Colorado or the applicability of local taxes to the Program, the Trust or your investment in the Trust, or your Account. You should consult with a qualified tax advisor regarding the application of all taxes (including those summarized in the Program Disclosure Statement) to your particular situation.

26. Your Account may be considered dormant if for a designated period of time there is no activity on the Account and CollegeInvest or the Manager is not able to make contact with you. Dormant Accounts are subject to state unclaimed property laws. The applicable state for this purpose is usually determined by the most recent address on file of the Account Owner.

27. In addition to rights expressly stated elsewhere in this Participation Agreement or in the Program Disclosure Statement, the Manager reserves the right to (i) freeze an Account and/or suspend Account services when the Manager has received reasonable notice of a dispute regarding the assets in an Account, including notice of a dispute in Account ownership or when the Manager reasonably believes a fraudulent transaction may occur or has occurred; (ii) freeze an Account and/or suspend Account services upon the notification to the Manager of the death of an Account Owner until the Manager receives required documentation in good order and reasonably believes that it is lawful to transfer Account ownership to the successor Account Owner; (iii) redeem an Account, without the Account Owner's permission, in cases of threatening conduct or suspicious, fraudulent or illegal activity; and (iv) reject a contribution for any reason, including contributions that the Manager believes are not in the best interests of the Program, a Portfolio or the Account Owners. The risk of market loss, tax implications, penalties and any other expenses as a result of such an Account freeze or redemption will be solely the Account Owner's responsibility.

## Limitation of Liability; Indemnification

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

2. **Extraordinary Events.** CollegeInvest and the Manager each will not be liable for any loss caused directly or indirectly by government restrictions, exchange or market rulings, suspension of trading, war, strikes, changes in federal or State law (including tax law) or other conditions beyond their control.

## Lawsuits; Disputes

1. **Lawsuits Involving your Account.** Except as to controversies arising between you or the Beneficiary and CollegeInvest or the Manager, CollegeInvest or the Manager may apply to a court at any time for judicial settlement of any matter involving your Account. CollegeInvest represents that if CollegeInvest or the Manager so applies for a judicial settlement, CollegeInvest will give you or the Beneficiary the opportunity to participate in the court proceeding, but each of them also can involve other persons. Any expense that CollegeInvest or the Manager incurs in legal proceedings involving your Account, including attorney's fees and expenses, are chargeable to your Account and payable by you or the Beneficiary if not paid from your Account.

2. **Disputes.** Any controversies that may arise between you or the Beneficiary and CollegeInvest involving any transaction in your Account, or the construction, performance or breach of this Participation Agreement, may be determined by arbitration or court proceedings, as determined by CollegeInvest in its sole discretion. If there is a dispute between you or the Beneficiary and CollegeInvest that is adjudicated in the courts, you hereby submit (on behalf of yourself and the Beneficiary) to exclusive jurisdiction in the courts of Colorado for all legal proceedings arising out of or relating to this Participation Agreement. In any such proceeding, you (on behalf of yourself and the Beneficiary) and CollegeInvest each agree to waive your rights to trial by jury. If there is a dispute between you or the Beneficiary and CollegeInvest that CollegeInvest determines, in its sole discretion, has to be arbitrated, you agree (on behalf of yourself and the

Beneficiary) that the arbitration will be conducted in Colorado pursuant to the then current rules for such proceedings as provided by the American Arbitration Association.

## Arbitration

1. **This Participation Agreement contains a pre-dispute arbitration clause. By signing this Participation Agreement, the parties agree as follows:**

   - **You (on behalf of yourself and the Beneficiary) and the Manager are giving up the right to sue each other in court, including the right to a trial by jury, except as provided by the rules of the arbitration forum in which a claim is filed.**
   - **Arbitration awards are generally final and binding; a party's ability to have a court reverse or modify an arbitration award is very limited.**
   - **The ability of parties to obtain documents, witness statements and other discovery is generally more limited in arbitration than in court proceedings.**
   - **The arbitrators do not have to explain the reason(s) for their award.**
   - **The panel of arbitrators will typically include a minority of arbitrators who were or are affiliated with the securities industry.**
   - **The rules of some arbitration forums may impose time limits for bringing a claim in arbitration. In some cases, a claim that is ineligible for arbitration may be brought in court.**
   - **The rules of the arbitration forum in which the claim is filed, and any amendments thereto, shall be incorporated into this Participation Agreement.**

   **By signing this Participation Agreement, you agree (on behalf of yourself and the Beneficiary) that all controversies that may arise between you or the Beneficiary and the Manager involving your Account, or the construction, performance or breach of this Participation Agreement, shall be determined by arbitration before any self-regulatory organization or exchange of which the Manager is a member. You may elect which of these arbitration forums shall hear the matter by sending a registered letter or telegram addressed to Legg Mason Investor Services, LLC/ Scholars Choice at 100 International Drive, Baltimore, MD 21202, Attention: General Counsel. If you fail to make such election before the expiration of five (5) days after receipt of a written request from the Manager to make such election, the Manager shall have the right to choose the forum.**

2. **Nothing contained herein shall limit the ability of the arbitrators to make an award under the rules of the arbitration forum and applicable law.**

3. **No person shall bring a putative or certified class action to arbitration, nor seek to enforce any pre-dispute arbitration agreement against any person who has initiated in court a putative class action; or who is a member of a putative class who has not opted out of the class with respect to any claims encompassed by the putative class action until:**

   **(a) the class certification is denied;**

   **(b) the class is decertified; or**

   **(c) the person is excluded from the class by the court.**

4. **Such forbearance to enforce an agreement to arbitrate shall not constitute a waiver of any rights under this Participation Agreement except to the extent stated herein.**

## Miscellaneous Provisions

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

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

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

4. **Change in Manager.** CollegeInvest may appoint a new entity to act as manager of the Program in the future. In such event, your assets may (i) continue to be managed by the Manager, (ii) be managed in part by the Manager and in part by the new manager, such that assets in your Account before the change in managers, and earnings on such assets, are managed by the Manager, and assets contributed after the change or earnings on such assets are managed by the new manager, or (iii) be managed entirely by the new manager. In each such event, you will not able to direct investment of your Account assets, except as described in the "Investment of Account Assets" section of this Participation Agreement.

5. **Effectiveness of this Participation Agreement.** This Participation Agreement shall become effective upon the execution of your Account Application, subject to CollegeInvest's or the Manager's right to reject your Account Application if, in processing the Account Application, it is determined that the Account Application has not been completed in accordance with guidelines under the Program.

6. **Amendment and Termination.** CollegeInvest may, at any time, and from time to time, amend this Participation Agreement or the Program Disclosure Statement, or suspend or terminate the Program and the Trust, by giving written notice of such action to you, but your Account assets may not thereby be diverted from the exclusive benefit of you and/or the Beneficiary. Nothing contained in this Participation Agreement or the Program Disclosure Statement shall constitute an agreement or representation by CollegeInvest, on its own behalf or on behalf of the Manager, or any contracting party, that it will continue to maintain the Program or the Trust indefinitely.

7. **Successors and Assigns.** This Participation Agreement shall be binding upon the parties and their respective heirs, successors (including substitute and transferee Account Owners) and permitted assigns. You agree that all of your representations and obligations under this Participation Agreement shall inure to the benefit of the Manager as well as to CollegeInvest.

8. **Communications.** For purposes of this Participation Agreement, communications will be sent to you at the address that you specify in your Account Application or at such other address that you give to the Manager in writing. All communications so sent will be deemed to be given to you personally upon such sending, whether or not you actually receive them.

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

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

11. **Governing Law.** This Participation Agreement shall be construed in accordance with and shall be governed by the laws of the State, without regard to community property laws or choice of law rules of any state. Your execution of the Account Application shall constitute execution of this Participation Agreement.

# SCHOLARS CHOICE PRIVACY POLICY STATEMENT

## Your Privacy at CollegeInvest

State Administrator for Scholars Choice Program, Stable Value Plus Plan, Direct Portfolio Plan, and Smart Choice Plan.

The Scholars Choice Program is Managed by QS Legg Mason Global Asset Allocation, LLC and Legg Mason Investor Services, LLC.

The Stable Value Plus Plan is Managed by MetLife Insurance Company USA.

The Direct Portfolio Plan is Managed by The Vanguard Group and Upromise Investments, Inc.

The Smart Choice Plan is Managed by FirstBank Holding Company.

At CollegeInvest, privacy and confidentiality of your personal information is important and we want to ensure your trust in us. The following statement describes our practices and policies for protecting your nonpublic personal information. Collegeinvest reserves the right to revise this policy at any time with notice.

## General

CollegeInvest does not disclose, sell, rent, trade, or otherwise provide nonpublic personal information that we have about you or your account(s) to third parties, whether affiliated or unaffiliated with CollegeInvest, except as permitted by law.

CollegeInvest only collects nonpublic personal information provided by you either through the secure online information requests or application, through general and toll-free telephone numbers, through the application process or through your transactions with our plan manager or us. Examples of nonpublic personal information collected include:

- Name, address, phone number, email address and social security number of account owner, account successor and beneficiary.
- Account information, such as dollars contributed, units purchased and value of account.
- Optional demographic information such as gender, household income, ethnicity, age and level of education.
- Voluntary information collected by our service providers to conduct market research on our behalf.

CollegeInvest restricts access to your non-public personal and account information to those employees who need to know that information to service your account(s). We also maintain physical, electronic and procedural safeguards to protect your nonpublic personal information.

## Service Providers

CollegeInvest will disclose non-public personal information to third parties as is necessary to process and service your account(s). In addition, CollegeInvest will disclose non-public personal information to third parties providing services on CollegeInvest's behalf, such as delivery of information about CollegeInvest products and services through means including, but not limited to, mail, email, and telephone. We also provide names, addresses and telephone numbers to a firm that conducts market research on our behalf.

All third party servicers are governed by confidentiality agreements requiring the third party to keep all personal information provided to them by CollegeInvest confidential except as permitted by law.

## Your Privacy at Legg Mason

Keeping client information secure is a top priority of Legg Mason. QS Legg Mason Global Asset Allocation, LLC, which manages investments in the Scholars Choice Program, and Legg Mason Investor Services, LLC, which is the primary distributor of interests in the Scholars Choice Program and which provides various administrative services with respect to the Scholars Choice Program (QS Legg Mason Global Asset Allocation, LLC and Legg Mason Investor Services, LLC are affiliated entities and together are referred to as "we"), are providing you with this privacy notice to help you understand how we handle the personal information about you that we collect in order to service your college savings account. This notice applies to clients of the college savings programs for which we serve as manager, including the Scholars Choice Program.

The provisions of this notice apply to former clients as well as current clients unless we state otherwise.

We protect personal information we collect about you by maintaining physical, electronic and procedural safeguards that meet or exceed applicable law. Third parties who have access to such personal information must agree to follow appropriate standards of security and confidentiality. We train people who work for us in how to properly handle such personal information, and we restrict access to it.

The personal information we collect about you comes from the following sources:

- Information received from you, such as on applications or other forms;

- Information about your transactions with us, our affiliates and non-affiliated third parties; and
- Information we may receive about you from other sources such as state administrators.

We will share information about you for administrative purposes with CollegeInvest, as the Administrator of the Scholars Choice Program. Beyond this, our agreements with CollegeInvest prohibit us from disclosing nonpublic personal information to any party other than our affiliates and non-affiliated third parties that perform various services on behalf of the Scholars Choice program and that have agreed to maintain the confidentiality of such information.

You may obtain a current copy of this Privacy Policy Statement at any time by visiting the Scholars Choice College Savings Program web site at **scholars-choice.com.**

# LEGG MASON BUSINESS CONTINUITY PLAN

## Notice to Clients

Legg Mason, Inc., the parent company of QS Legg Mason Global Asset Allocation, LLC, which serves as the investment manager of the Scholars Choice College Savings Program and Legg Mason Investor Services, LLC, which serves as the primary distributor of the Scholars Choice College Savings Program and performs or arranges for the performance of various administrative services for the Program, maintains a Business Continuity Plan ("BCP") that provides a course of action for the assessment of a significant disruption to firm business and for the continuation of firm business following such an event. The BCP consists of firm-wide and departmental disaster recovery plans and includes the formation of the Legg Mason Incident Management Team ("IMT"). The IMT would serve as the central source of coordination and communication in the event of a significant disruption to our business. During such an event, the IMT would first ensure the health and safety of our employees, and would then oversee the re-establishment and continuation of business processes pursuant to the BCP. The IMT is responsible for evaluating the disruption, instituting the appropriate plan of action, and coordinating recovery efforts.

The BCP is designed to address significant business disruptions of varying scope including, but not limited to:

- Legg Mason-only business disruption
- Disruption to a single building in which Legg Mason business is conducted
- Disruption to a business district in which Legg Mason business is conducted
- City-wide business disruption
- Regional disruption
- National disruption

In each of these scenarios, Legg Mason's BCP provides for an evaluation of the scope of the business disruption, and sets forth various plans of action and recovery facilities for the continuation of the firm's business, as well as alternative means for the dissemination of information to employees and clients. The BCP serves as a guide that addresses how Legg Mason will continue to conduct business during each of the above scenarios, to the extent that is possible pursuant to the IMT's evaluation.

It is Legg Mason's intention to minimize the recovery time necessary to resume operations. Legg Mason conducts regular testing of the recovery of its back-up facilities and systems. Where Legg Mason subcontracts with third parties for the performance of various administrative services for the Program, Legg Mason seeks to confirm that such third parties maintain appropriate business continuity plans that will allow clients to be able to access their funds and accounts within a reasonable time following a significant business disruption.

The BCP is subject to modification based on changing circumstances and assessment of need. You may obtain a current copy of this notice at any time by visiting the Scholars Choice College Savings Program web site at **scholars-choice.com**. If your account was opened through a financial intermediary, and you want to obtain that firm's Notice of Business Continuity Preparedness, contact your Financial Advisor or access that firm's website.

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SCHOLARS CHOICE®

COLLEGE SAVINGS PROGRAM
BY COLLEGE**INVEST**®

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