New York's 529 College Savings Program
Direct Plan Online

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Opening a *Direct Plan* account

NY's 529 College Savings Program

Andrew M. Cuomo, Governor
Thomas P. DiNapoli, State Comptroller

NY's 529
College Savings Program

New York's 529 *Direct Plan*

Highlights Booklet

Andrew M. Cuomo, Governor
Thomas P. DiNapoli, State Comptroller

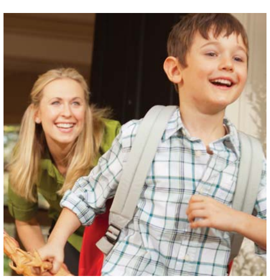
Make a difference in the life of a child

Everyone wants to see their child succeed. That's why preparing for higher education is so important. Whether you're a parent, grandparent, or someone with a special child in your life, New York's 529 College Savings Program *Direct Plan* can make saving for your child's future easier.

You can set up a *Direct Plan* account with as little as $25 ($15 if contributing through payroll deduction) and contribute regularly or whenever it's convenient. Every dollar you save is a chance to help make a difference in the life of a child.

See page 11 for details on setting up your account or visit **www.nysaves.org** and enroll online. It only takes about 10 minutes.

A plan for everyone



Parents
Save for the day your little one is ready for college.

Grandparents
Give your grandchild a gift that could last a lifetime.

Friends and family
Help a loved one get a head start on education.

Out-of-staters
Enjoy the benefits of this low-cost plan wherever you live.

What is a 529 plan?

A 529 college savings plan is a tax-favored investment program that makes it easy and convenient to set aside money for qualified higher-education expenses, such as tuition, room and board, and fees. Typically sponsored by states, these plans are named after Section 529 of the Internal Revenue Code, which governs them.

How New York's 529 *Direct Plan* works

1

Review
your investment choices, and decide on the strategy that best fits your style.

2

Open
a *Direct Plan* account for your child.

3

Contribute
on a regular basis to maximize savings.

4

Monitor
your account's progress. Growth is tax-deferred.*

5

Withdraw
tax-free dollars to help pay college bills.*

* *Earnings on nonqualified withdrawals may be subject to federal income tax and a 10% federal penalty tax, as well as state and local income taxes. Tax and other benefits are contingent on meeting other requirements and certain withdrawals are subject to federal, state, and local taxes.*

Direct Plan at a glance

Flexible use of savings	• Save for a child, grandchild, friend—or even yourself. • Use at an eligible 2- or 4-year college, vocational/technical school, or graduate school anywhere in the U.S. or abroad. • Use for tuition, certain room-and-board expenses, books, and supplies.
Tax benefits	• Earnings grow federally tax-deferred. • Qualified withdrawals are federally tax-free.*
Additional tax benefits for New York taxpayers	• New York taxpayers who are account owners can deduct up to $5,000 ($10,000 for a married couple filing jointly) of contributions to their *Direct Plan* account per year. If you also own another New York's 529 College Savings Program account, your maximum total deduction on *all* contributions is still $5,000 (or $10,000 if married filing jointly) per year.**
Easy to get started	• Open an account with just $25 ($15 if contributing through payroll deduction).
Low costs	• Your only expense charged by the *Direct Plan* is a total annual asset-based fee of 0.17% of account assets. That means for every $1,000 you invest, you'll pay $1.70 in fees per year. The *Direct Plan* charges no advisor fees or sales commissions. These types of fees may be charged by other plans.
Option for other people to open accounts for your child	• Relatives and friends can open an account for the same child. Combined, these accounts can total as much as $375,000.
Convenient ways to contribute	• Contribute by check, automatic investment plan (AIP), electronic bank transfer (EBT), or payroll deduction.
Professional investment management	• Investments are managed by Vanguard, one of the world's largest investment management companies. Vanguard is committed to outstanding performance and low costs. To learn more, visit **www.vanguard.com**.
Range of investment options	Choose from 16 investments: • 3 age-based options that will automatically adjust to more conservative investments as the future student gets closer to college age. • 13 individual portfolios that let you create and manage your own investment strategy.
Gift tax incentive	• You can contribute up to $14,000 a year (or $28,000 if married filing jointly) without incurring gift taxes. • You can contribute up to $70,000 in a single year ($140,000 for a married couple filing jointly) for each beneficiary without incurring federal gift tax as long as you don't make any other gifts to that beneficiary for five years.*** Gifts in excess of these amounts may be subject to federal gift tax. For more information, consult a qualified tax advisor.
Optional programs to help you save more	• Ugift®—Give College Savings. Invite family and friends to contribute to your account through this online service. • Upromise®. Earn money for college through eligible everyday shopping.****

* *Earnings on nonqualified withdrawals may be subject to federal income tax and a 10% federal penalty tax, as well as state and local income taxes. Tax and other benefits are contingent on meeting other requirements and certain withdrawals are subject to federal, state, and local taxes.*

** *May be subject to recapture in certain circumstances such as rollovers to another state's plan or nonqualified withdrawals.*

*** *In the event the donor does not survive the 5-year period, a pro-rated amount will revert back to the donor's taxable estate.*

**** *Upromise is an optional service offered by Upromise, Inc., is separate from New York's 529 Direct Plan, and is not affiliated with the State of New York. Upromise, Inc., is not affiliated with Upromise Investments, Inc., or Upromise Investment Advisors, LLC. Terms and conditions apply to the Upromise service. Participating companies, contribution levels, and terms and conditions are subject to change at any time without notice. Transfers from the Upromise service to a New York's Direct Plan account are subject to a $25 minimum. For complete program details, visit* ***www.upromise.com/nydirect****.*

Your investment options

When you open a *Direct Plan* account, you'll be asked to choose investments. This requires some thought and a review of your options. These steps should help you through the process:

Choose a strategy

Decide if you want a portfolio that adjusts automatically as your child gets closer to college age (age-based options) or if you want to create your own mix of investments (individual portfolios) and manage it yourself over time.

Select your investments

Take a closer look at the options (listed on the following pages) by reviewing the objective, strategy, and risks of each portfolio in the *Direct Plan's Disclosure Booklet and Tuition Savings Agreement*. There are 3 age-based options to choose from and 13 individual portfolios. You can choose up to five investments for your mix.

Set up your new account

Once you choose a strategy and investments, you're ready to enroll. If you need to make a change later, 529 plan rules allow you to move money between investments once a year. However, you can change where your future contributions will be invested at any time.

Important: *Investments in the Direct Plan are subject to risks, including possible loss of principal. Participants assume all investment risks, as well as responsibility for any federal and state tax consequences. Prices of mid- and small-cap stocks often fluctuate more than those of large-company stocks. Foreign investing involves additional risks including currency fluctuations and political uncertainty. Investments in bonds are subject to interest rate, credit, and inflation risk.*

Age-based options

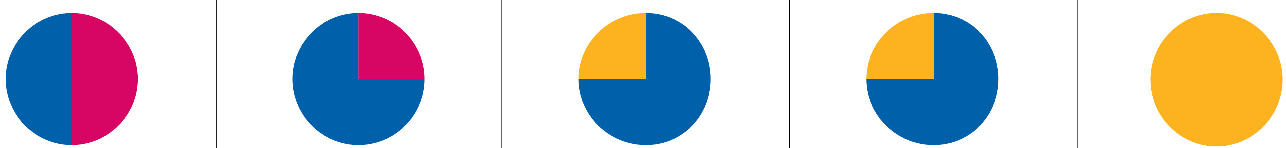
With this approach, you choose the one age-based option (conservative, moderate, or aggressive) that most closely matches your child's age and your comfort level with risk. We'll gradually move your savings through a series of portfolios that become more conservative as your child gets closer to college age.

The following table illustrates the three age-based savings paths. You can see how the paths begin with portfolios that include higher percentages of stocks. As time goes by, the portfolios include higher percentages of bonds and short-term investments.

Note: Each portfolio in the age-based options is also available as an individual portfolio. To learn more about the underlying mutual funds and account that the portfolios invest in, go to **www.vanguard.com**.

Conservative

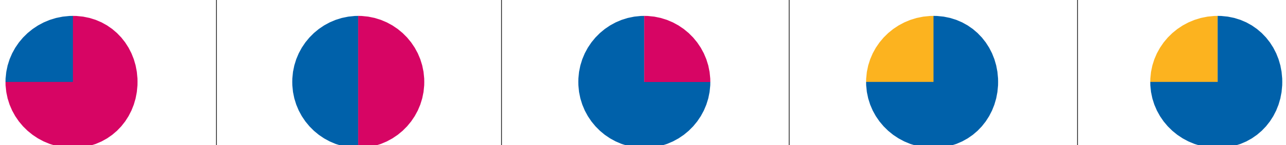
Age 0-5	Age 6-10	Age 11-15	Age 16-18	Age 19 and up
Moderate Growth Portfolio	Conservative Growth Portfolio	Income Portfolio	Income Portfolio	Interest Accumulation Portfolio



MORE AGGRESSIVE (More risk/reward) — MORE CONSERVATIVE (Less risk/reward)

Moderate

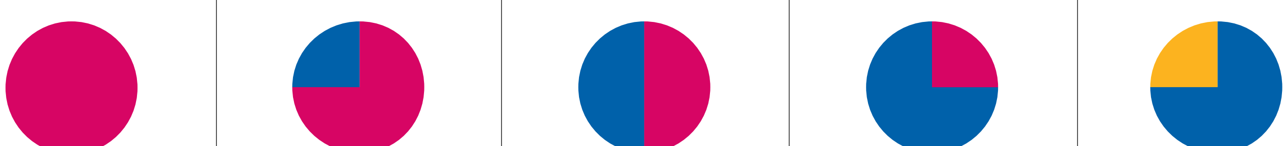
Age 0-5	Age 6-10	Age 11-15	Age 16-18	Age 19 and up
Growth Portfolio	Moderate Growth Portfolio	Conservative Growth Portfolio	Income Portfolio	Income Portfolio



MORE AGGRESSIVE (More risk/reward) — MORE CONSERVATIVE (Less risk/reward)

Aggressive

Age 0-5	Age 6-10	Age 11-15	Age 16-18	Age 19 and up
Aggressive Growth Portfolio	Growth Portfolio	Moderate Growth Portfolio	Conservative Growth Portfolio	Income Portfolio



MORE AGGRESSIVE (More risk/reward) — MORE CONSERVATIVE (Less risk/reward)

● Stock funds ● Bond funds ● Short-term investments

Individual portfolios

This approach lets you design and manage your own investment strategy. You choose from a variety of individual portfolios to create a mix of one or more investments that reflects your time frame and comfort level with risk. As college gets closer, you decide when and how to rebalance your investments to a more conservative mix of portfolios.

The following table outlines your portfolio choices and groups them into investment types: stocks, balanced, bonds, and short-term investments.

Note: To learn more about the underlying mutual funds and account that the portfolios invest in, go to **www.vanguard.com**.

Stocks

Investment option	Investment objective	Underlying Vanguard® investments
Aggressive Growth Portfolio	Seeks to track the performance of a benchmark index that measures the investment return of the overall stock market.	Vanguard Institutional Total Stock Market Index Fund (100%)
Developed Markets Index Portfolio	Seeks to track the performance of a benchmark index that measures the investment return of stocks issued by companies located in the major markets of Europe and the Pacific region.	Vanguard Developed Markets Index Fund (100%)
Growth Stock Index Portfolio	Seeks to track the performance of a benchmark index that measures the investment return of large-capitalization growth stocks.	Vanguard Growth Index Fund (100%)
Mid-Cap Stock Index Portfolio	Seeks to track the performance of a benchmark index that measures the investment return of mid-capitalization stocks.	Vanguard Mid-Cap Index Fund (100%)
Small-Cap Stock Index Portfolio	Seeks to track the performance of a benchmark index that measures the investment return of small-capitalization stocks.	Vanguard Small-Cap Index Fund (100%)
Value Stock Index Portfolio	Seeks to track the performance of a benchmark index that measures the investment return of large-capitalization value stocks.	Vanguard Value Index Fund (100%)

Balanced

Investment option	Investment objective	Underlying Vanguard investments
Conservative Growth Portfolio	Seeks to provide current income and low to moderate capital appreciation.	Vanguard Total Bond Market II Index Fund (75%) Vanguard Institutional Total Stock Market Index Fund (25%)
Growth Portfolio	Seeks to provide capital appreciation and low to moderate current income.	Vanguard Institutional Total Stock Market Index Fund (75%) Vanguard Total Bond Market II Index Fund (25%)
Moderate Growth Portfolio	Seeks to provide capital appreciation and current income.	Vanguard Total Bond Market II Index Fund (50%) Vanguard Institutional Total Stock Market Index Fund (50%)

Bonds

Investment option	Investment objective	Underlying Vanguard investments
Bond Market Index Portfolio	Seeks to track the performance of a broad, market-weighted bond index.	Vanguard Total Bond Market Index Fund (100%)
Income Portfolio	Seeks to provide current income.	Vanguard Total Bond Market II Index Fund (50%) Vanguard Inflation-Protected Securities Fund (25%) Vanguard Short-Term Reserves Account (25%)
Inflation-Protected Securities Portfolio	Seeks to provide inflation protection and income consistent with investment in inflation-indexed securities.	Vanguard Inflation-Protected Securities Fund (100%)

Short-Term Investments

Investment option	Investment objective	Underlying Vanguard investments
Interest Accumulation Portfolio	Seeks income consistent with the preservation of principal.	Vanguard Short-Term Reserves Account (100%)

Investment risk

Stock portfolios | Balanced portfolios | Bond and short-term investment portfolios

How to set up your account

1

Gather

- Your Social Security number.
- The beneficiary's birth date and Social Security number.
- Your bank information.

2

Review and choose

your investment options. Detailed information is available in the enclosed *Disclosure Booklet and Tuition Savings Agreement*.

3

Enroll online

at **www.nysaves.org**. It only takes about 10 minutes. Or, complete the enclosed Enrollment Application and mail it to the address on the form.

Easy ways to contribute to your account

The most convenient way to make contributions to your *Direct Plan* account is to connect it to your bank account. Choose from these two services:

Automatic investment plan (AIP).* Set up a regular schedule of automatic transfers of as little as $25 from your bank account. If your employer offers payroll deduction, you can have money automatically deducted from your paycheck and deposited into your *Direct Plan* account. You must contribute at least $15 from each paycheck.

Electronic bank transfer (EBT). You can use this option to transfer money from your bank directly to your *Direct Plan* account whenever you like.

*Note: To make contributions to your account by check, complete an Additional Purchase Form (available at **www.nysaves.org**) and mail it with your check to the Direct Plan.*

* *A plan of regular investment cannot ensure a profit or protect against a loss in a declining market.*

Ways to boost your savings

Invite family and friends to help you save

Ugift—Give College Savings is a simple way to invite family and friends to contribute to your *Direct Plan* account. Once you open an account, simply log on, click the Ugift link, and follow the instructions to print or e-mail gift invitations. No matter what the occasion or event, Ugift provides a unique opportunity to invite others to make a memorable gift for your child's future.

Ugift®

Save more for college with Upromise

New York's 529 *Direct Plan* makes saving for college even easier with Upromise, a service with 10 million members. Upromise helps you save money for college by giving you back a percentage of your eligible purchases from hundreds of participating companies, products, and services.

Here's how it works: Join Upromise for free and then do what you normally do—buy groceries, fill the gas tank, shop online, book travel, dine at restaurants, and more.

Signing up is fast, easy, and secure. When you enroll online in the *Direct Plan*, you can choose to join Upromise immediately for free and link the two accounts. You can then have the money in your Upromise account automatically transferred to your *Direct Plan* account on a periodic basis (subject to a $25 minimum). For more information on Upromise or to sign up online, visit **www.upromise.com/nydirect**.

upromise®

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www.nysaves.org

facebook.com/ny529direct

twitter.com/ny529direct

youtube.com/ny529direct

The Income Portfolio and Interest Accumulation Portfolio both invest in the Vanguard Short-Term Reserves Account which, in turn, invests in Vanguard Prime Money Market Fund. The Vanguard Short-Term Reserves Account's investment in Vanguard Prime Money Market Fund is not insured or guaranteed by the Federal Deposit Insurance Corporation (FDIC) or any other government agency. Although a money market fund seeks to preserve the value of an investment at $1 per share, it is possible that the Vanguard Short-Term Reserves Account will lose money by investing in such a fund.

Before you invest, consider whether your or the beneficiary's home state offers any state tax or other benefits that are only available for investments in that state's qualified tuition program.

The Comptroller of the State of New York and the New York State Higher Education Services Corporation are the Program Administrators and are responsible for implementing and administering the *Direct Plan*. Upromise Investments, Inc., and Upromise Investment Advisors, LLC, serve as Program Manager and Recordkeeping and Servicing Agent, respectively, and are responsible for day-to-day operations, including effecting transactions. Upromise Investments, Inc., and Upromise Investment Advisors, LLC, are not affiliated with Upromise, Inc. The Vanguard Group, Inc., serves as the Investment Manager. Vanguard Marketing Corporation markets, distributes, and underwrites the *Direct Plan*.

No guarantee: None of the State of New York; its agencies; the Federal Deposit Insurance Corporation (FDIC); The Vanguard Group, Inc.; Upromise Investments, Inc.; nor any of their applicable affiliates insures accounts or guarantees the principal deposited therein or any investment returns on any account or investment portfolio.

New York's 529 College Savings Program currently includes two separate 529 plans. The *Direct Plan* is sold directly by the Program. You may also participate in the *Advisor Plan*, which is sold exclusively through financial advisors and has different investment options and higher fees and expenses as well as financial advisor compensation.

For more information about New York's 529 College Savings Program *Direct Plan*, obtain a Disclosure Booklet and Tuition Savings Agreement at www.nysaves.org or by calling 1-877-NYSAVES. This includes investment objectives, risks, charges, expenses, and other information. You should read and consider them carefully before investing.

NY529CV 012014

SUPPLEMENT DATED OCTOBER 2014 TO NEW YORK'S 529 COLLEGE SAVINGS PROGRAM *DIRECT PLAN* DISCLOSURE BOOKLET AND TUITION SAVINGS AGREEMENT DATED NOVEMBER 8, 2013

This Supplement describes important changes. Please keep this Supplement with your *Direct Plan* documents.

Name change for Upromise Investments, Inc., Upromise Advisors, LLC, and Upromise Investments Recordkeeping Services, LLC.

On December 2, 2013, Ascensus, Inc., acquired Upromise Investments, Inc., and its affiliates Upromise Investment Advisors, LLC, and Upromise Investments Recordkeeping Services, LLC (the "Upromise Entities").

Effective May 14, 2014, the names of the Upromise Entities have changed as follows:

Prior Entity Name	New Entity Name
Upromise Investments, Inc.	Ascensus Broker Dealer Services, Inc.
Upromise Investment Advisors, LLC	Ascensus Investment Advisors, LLC
Upromise Investments Recordkeeping Services, LLC	Ascensus College Savings Recordkeeping Services, LLC

Each reference to a Prior Entity Name in the Disclosure Booklet and all supplements thereto is hereby replaced with its corresponding New Entity Name. Each reference to the term "Upromise" as it is used to describe the Upromise Entities and their affiliates is hereby replaced with the term "Ascensus College Savings." Upromise, Inc., which is not affiliated with the Ascensus College Savings companies, continues to offer the Upromise service under the name "Upromise" as described in the Disclosure Booklet and supplements thereto.

THE TOTAL ANNUAL ASSET-BASED FEE HAS BEEN REDUCED

Effective October 1, 2014, the total annual asset-based fee (the expense ratio) for each Portfolio will decrease from 0.17% to 0.16%. Accordingly, all references in the Disclosure Booklet to the total annual asset-based fee should be changed from 0.17% to 0.16%.

The following replaces the paragraph under the heading "Total Annual Asset-Based Fee" on page 5:

Each Portfolio has a Total Annual Asset-Based Fee, which includes both administrative and investment management costs. This Fee is a percentage of the assets in each Portfolio and is deducted from the assets. The *Direct Plan* currently charges an annual asset-based fee of 0.16%.

The following replaces the table on page 5:

Portfolio	Estimated Underlying Fund Expenses[1]	State Fee[2]	Program Management Fee[3]	Total Annual Asset-Based Fees[4]	Annual Account Maintenance Fee
	Annual Asset-Based Fee				Additional Investor Expenses
Aggressive Growth Portfolio	0.02%	None	0.14%	0.16%	None
Developed Markets Index Portfolio	0.07	None	0.09	0.16	None
Growth Stock Index Portfolio	0.08	None	0.08	0.16	None
Value Stock Index Portfolio	0.08	None	0.08	0.16	None
Mid-Cap Stock Index Portfolio	0.06	None	0.10	0.16	None
Small-Cap Stock Index Portfolio	0.06	None	0.10	0.16	None
Growth Portfolio	0.03	None	0.13	0.16	None
Moderate Growth Portfolio	0.04	None	0.12	0.16	None
Conservative Growth Portfolio	0.04	None	0.12	0.16	None
Income Portfolio	0.06	None	0.10	0.16	None
Bond Market Index Portfolio	0.05	None	0.11	0.16	None
Inflation-Protected Securities Portfolio	0.07	None	0.09	0.16	None
Interest Accumulation Portfolio	0.08	None	0.08	0.16	None

[1] Estimated Underlying Fund Expenses reflect each Underlying Fund's expense ratio disclosed in its most recent prospectus as of June 30, 2014. Expenses for multiple-fund Portfolios represent a weighted average of the expenses of the Portfolio's Underlying Funds. The fees and expenses of the Underlying Funds may change.

[2] No separate fee is charged to Accounts by the Program Administrators. The Program Manager and Investment Manager pay a monthly fee to the Program Administrators to help pay the costs of administering the Program. This payment is not deducted from any Accounts.

[3] Vanguard and Ascensus Broker Dealer Services have agreed to a specific formula for the allocation of the Program Management Fee.

[4] Total Annual Asset-Based Fee as of October 1, 2014.

The following replaces the paragraph entitled "Investment Cost Example" on page 6:

The following example is intended to help you compare the cost of investing in the Portfolios over different time periods. The costs are the same for each Portfolio. It illustrates the hypothetical expenses that you would incur over various periods if you invest $10,000 in a Portfolio. This example assumes that a Portfolio provides a return of 5% a year, and that the Portfolio's expense ratio (currently 0.16%) remains the same. The results apply whether or not the investment is redeemed at the end of the period, but they do not take into account any redemption that is considered a Nonqualified Withdrawal or otherwise subject to state or federal income taxes, or any penalties. See Section 9. *Withdrawing From Your Account—Withdrawals: Qualified and Non-Qualified.*

Approximate Cost of a $10,000 Investment in Each Investment Option (assuming a 5% return)

1 Year	3 Years	5 Years	10 years
$16	$51.58	$90.26	$204.58

These examples do not represent actual expenses or performance from the past or for the future. Actual future expenses and performance may be higher or lower than what is shown or assumed.

The following replaces the section entitled "Ugift-Give College Savings" on page 14:

Ugift—Give College Savings

You may invite family and friends to contribute to your Account through Ugift®—Give College Savings, a *Direct Plan* feature, either in connection with a special event or just to provide a gift to your Beneficiary. The gift givers can either contribute online through an electronic bank transfer or by mailing in a gift contribution coupon with a check made payable to Ugift – New York's 529 College Savings Program *Direct Plan*. The minimum Ugift contribution is $25.

We will hold gift contributions associated with a special event upon receipt and transfer the contribution into your Account approximately three business days after the special event. If the gift contribution is received less than two business days prior to the special event, or if the gift contribution is not associated with a special event, then the gift contribution will be held for approximately five business days before being transferred into your Account. Gift contributions through Ugift are subject to the Maximum Account Balance and daily contribution limit requirements of the *Direct Plan*. Gift contributions will be invested according to the allocation on file for your Account at the time the gift contribution is transferred. There may be potential tax consequences of gift contributions to your Account. You and the gift giver should consult a tax advisor for more information. For more information about Ugift, visit nysaves.org or call the *Direct Plan* at 1-877-NYSAVES (1-877-697-2837).

SUPPLEMENT DATED JANUARY 2014 TO NEW YORK'S 529 COLLEGE SAVINGS PROGRAM *DIRECT PLAN* DISCLOSURE BOOKLET AND TUITION SAVINGS AGREEMENT DATED NOVEMBER 8, 2013

This Supplement describes important changes. Please keep this Supplement with your *Direct Plan* documents.

Effective December 2, 2013, Upromise Investments, Inc., and Upromise Investment Advisors, LLC, have been acquired by Ascensus, Inc., and are no longer affiliated with Upromise, Inc., which offers the Upromise Service. Upromise Investments, Inc., will continue to serve as Program Manager for the Program and Upromise Investment Advisors, LLC, will continue to provide recordkeeping and other administrative services for the Program.

Upromise, Inc., will continue to offer the Upromise Service, and you may continue to participate in the Upromise Service and link your Upromise Service account to your *Direct Plan* Account. If you link your *Direct Plan* Account to your Upromise Service account, savings in your Upromise Service account will automatically transfer to your *Direct Plan* Account as described below in more detail under the heading "Upromise Service."

The following replaces the paragraph under the Frequently Asked Question "Can I Transfer Ownership of My Account to a New Account Owner?" on page 4 of the Disclosure Booklet:

Yes, you can transfer ownership of all of your Account at any time by completing the necessary forms. Keep in mind that there may be tax consequences for transferring your Account and the new Account Owner would be responsible for any recapture (including Non-Qualified Withdrawals, Qualified Scholarships/attendance at a military academy, and Rollovers to a 529 plan outside of the Program) of New York state tax deductions previously taken on amounts contributed to the Account. You should contact a qualified tax advisor regarding the application of federal, state, and local tax law to your circumstances before transferring ownership of an Account.

The following replaces the paragraph under the Frequently Asked Question "What Is the Upromise® Service?" on page 4 of the Disclosure Booklet:

The Upromise Service can help you save money for college. If you join the Upromise Service, a percentage of your eligible purchases from hundreds of participating companies, products, and services go into a separate account. If you choose, your *Direct Plan* Account can be linked to this Upromise Service account so that cash accumulated through your Upromise account is automatically transferred to your *Direct Plan* Account on a periodic basis. The Upromise Service is separate from New York's 529 *Direct Plan*, and is not affiliated with the State of New York. The Upromise Service is offered by Upromise, Inc. Upromise, Inc., is not affiliated with Upromise Investments, Inc., or Upromise Investment Advisors, LLC.[1]

The following replaces footnote 1 at the bottom of page 4 of the Disclosure Booklet:

1 Terms and conditions apply to the Upromise Service. Participating companies, contribution levels, and terms and conditions are subject to change at any time without notice. Transfers from a Upromise Service account to a New York's 529 *Direct Plan* Account are subject to a $25 minimum. The Upromise Service is offered by Upromise, Inc. Upromise, Inc., is not affiliated with Upromise Investments, Inc., or Upromise Investment Advisors, LLC. Go to upromise.com for more information about the Upromise Service.

The following replaces footnote 3 under the table entitled "Fee Structure" on page 5 of the Disclosure Booklet:

3 Vanguard and Upromise Investments have agreed to a specific formula for the allocation of the Program Management Fee.

The following replaces the paragraphs under the heading "Upromise Service" on page 13 of the Disclosure Booklet:

Upromise Service

We make saving for college easier with the Upromise Service, a rewards service that gives back a percentage of your eligible spending with hundreds of America's leading companies as college savings. Once you enroll in the *Direct Plan*, your Account can be linked to your Upromise Service account so that rewards savings accumulated in your Upromise Service account are automatically transferred to your Account on a periodic basis. The minimum amount for an automatic transfer from a Upromise Service account to your Account is $25. You may be eligible to deduct all or a portion of your rewards savings transferred to your Account from your New York adjusted gross income. See *Section 7. Federal and New York State Tax Considerations—New York State Tax Consequences*.

The Upromise Service is offered by Upromise, Inc., and this Disclosure Booklet is not intended to provide detailed information concerning the service. Upromise, Inc., is not affiliated with Upromise Investments, Inc., or Upromise Investment Advisors, LLC. The Upromise Service is administered in accordance with the terms and procedures set forth in the Upromise Member Agreement (as amended from time to time), which is available on the Upromise Service website. If you want more information about the Upromise Service, please visit upromise.com.

The following replaces the third sentence in the second paragraph under the heading "Individual Portfolio Options" on page 19 of the Disclosure Booklet:

You can make changes to your investment options or allocation percentages in your account (an Investment Exchange) only once every calendar year.

The following replaces the first bullet following the second paragraph under the heading "Pricing of Portfolio Units and Trade Date Policies" on page 28 of the Disclosure Booklet:

- If we receive your transaction request in good order on a business day prior to the close of the NYSE, your transaction will receive that day's trade date.

The following replaces the third paragraph under the heading "Change of Account Ownership" on page 35 of the Disclosure Booklet:

If the new Account Owner takes a withdrawal, he or she will be liable for any previous New York State tax deductions you have taken if those deductions are subject to recapture, including in the case of Non-Qualified Withdrawals, withdrawals because of Qualified Scholarships/attendance at a military academy and Rollovers to a non-Program 529 plan account. **The new Account Owner's liability for those deductions applies even if he or she isn't a New York State taxpayer.** Therefore, in order to complete the transfer, you must certify that you have disclosed to the new Account Owner any previous New York State tax deductions taken for contributions made to the Account. A transfer of control of your Account may also have adverse income or gift tax consequences. You should contact a qualified tax advisor regarding the application of federal, state, and local tax law to your circumstances before transferring ownership of an Account.

The last sentence of the second paragraph under the heading "The Program Manager" on page 42 of the Disclosure Booklet is deleted.

NY's 529
College Savings Program

Direct Plan Disclosure Booklet and Tuition Savings Agreement

Please Retain This Disclosure Booklet

This Disclosure Booklet—including the Tuition Savings Agreement and other supplements distributed from time to time—contains information about New York State's 529 College Savings Program *Direct Plan* (*Direct Plan*). It describes the risks associated with, and the terms and conditions of, investing in the *Direct Plan*. It should be read carefully and retained for your future reference. The information contained in this Disclosure Booklet is authorized by the Office of the Comptroller of the State of New York (the Comptroller) and the New York State Higher Education Services Corporation (HESC). The Comptroller and HESC serve together as the Program Administrators. Information other than what is contained in this Booklet must not be relied upon as having been authorized by the Program Administrators.

If you would like to open an Account, request an Enrollment Application or other forms, or have other questions about the *Direct Plan*, visit us at **nysaves.org** or call us toll-free at **1-877-NYSAVES** (1-877-697-2837). You may also address questions and requests in writing to: New York's 529 College Savings Program *Direct Plan*, P.O. Box 55440, Boston, MA 02205-8323.

This Disclosure Booklet Supersedes Any Prior Brochures

This Disclosure Booklet is dated November 8, 2013, and supersedes all previously distributed Disclosure Booklets, including any supplements. No person should rely upon any previously distributed Disclosure Booklet or supplement after the date of this Disclosure Booklet. Information contained in this Disclosure Booklet is believed by the Program Administrators to be accurate as of its date, but is not guaranteed by the Program Administrators and is subject to change without notice.

Investments Are Not Guaranteed or Insured

None of the United States; the State of New York; the Comptroller; HESC; any agency or instrumentality of the federal government or of the State of New York; any fund established by the State of New York or through operation of New York law for the benefit of insurance contracts or policies generally; Upromise Investments, Inc., or any of its affiliates; The Vanguard Group, Inc., or any of its affiliates; any agent, representative, or subcontractor retained in connection with the Program; or any other person makes any guarantee of, insures, or has any legal or moral obligation to insure either the ultimate payout of all or any portion of the amount contributed to an Account or any investment return, or an investment return at any particular level, on an Account.

Investments in the *Direct Plan* are not guaranteed or insured by the *Direct Plan*, the Program Administrators, the Federal Deposit Insurance Corporation (FDIC), or any other entity. The value of your Account will depend on market conditions and the performance of the Investment Options you select. Investments in the *Direct Plan* can go up or down in value, and you could lose money by investing in the *Direct Plan*.

Tax Disclaimer

In order to comply with the United States Department of Treasury (Treasury Department) regulations, we advise you that this Disclosure Booklet is not intended to constitute, nor does it constitute, legal or tax advice. This Disclosure Booklet was developed to support the marketing of New York's 529 College Savings Program *Direct Plan* and cannot be relied upon for purposes of avoiding the payment of federal tax penalties. You should consult your legal or tax advisor about the impact of these rules on your individual situation.

State Tax and Other Benefits

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

Contents

Section 1. Introduction and Frequently Asked Questions

For many families and individuals, paying the cost of higher education seems like a big challenge. New York's 529 College Savings Program *Direct Plan* is designed to help you meet that challenge with a tax-advantaged savings Account.

This booklet contains important information that can help you decide whether to open an Account in the *Direct Plan*. You'll learn about topics that include:

- How to Get Started. You'll find information about establishing an Account, naming a Beneficiary, who is eligible to own and contribute to the Account, as well as the Minimum and Maximum Contributions. See *Section 4. Opening and Funding Your Account.*
- How Much You'll Pay. A discussion of the *Direct Plan*'s fee structure can help you understand what your expected cost will be. Other than the asset-based fee charged to each Portfolio, there are no annual account fees or charges to open an Account. See *Section 2. Your Investment Costs.*
- Your Investment Choices. Detailed profiles of the *Direct Plan*'s 16 Investment Options are included to help you make informed choices for your Beneficiary's future. Among your choices are three Age-Based Options that automatically adjust to more conservative investments as the Beneficiary gets closer to college age. Keep in mind that the Portfolios offer growth potential, but there's also risk, and you could lose money. See *Section 5. Your Investment Options.*
- Federal and State Tax Advantages. 529 plans, named for the section of the Internal Revenue Code (the Code) that authorized them, offer federal and, in some cases, state tax benefits, including tax-free withdrawals if the money is used for Qualified Higher Education Expenses. If you don't use the money on qualified expenses, the earnings will be subject to federal and applicable state and local income taxes as well as a Federal Penalty. See *Section 7. Federal and New York State Tax Considerations* and *Section 9. Withdrawing From Your Account.*

We've also included a Glossary of important terms in *Section 12* to help you better understand the unique benefits and requirements of the *Direct Plan*.

Included below are answers to questions frequently asked by college savers. This format gives you a quick way to get acquainted with some of the most important aspects of the *Direct Plan*. Since the questions and answers on the following pages are not all-inclusive, it is important that you review the rest of the booklet for complete details. Doing so will help prepare you to take full advantage of the *Direct Plan*'s benefits, while also understanding its risks.

Frequently Asked Questions

What is New York's 529 College Savings Program *Direct Plan*?

Offered by New York State, the *Direct Plan* lets you save for college or other postsecondary education by investing in a tax-advantaged way. Through your Account, you select and then contribute to one or more of the 16 Investment Options included in the *Direct Plan*. Any investment earnings will grow tax-deferred and your withdrawals from the Account are federally and New York State tax free, provided that the money is used for Qualified Higher Education Expenses.

Who's Who

The Trust	All monies in the Program are held in the Trust Fund. The Comptroller serves as trustee of the Trust Fund and oversees all of its assets.
The Program	The *Direct Plan* and New York's 529 Advisor-Guided College Savings Program (the *Advisor-Guided Plan*). The Vanguard Group, Inc., serves as Investment Manager for the *Direct Plan* and J.P. Morgan Investment Management Inc. serves as Investment Manager for the *Advisor-Guided Plan*. Upromise Investments, Inc., serves as Program Manager for both plans.
Program Administrators	The Comptroller and HESC together are responsible for administering and establishing the rules that govern the Program.
Program Manager	Upromise Investments, Inc., is responsible for day-to-day operations of the Program, including recordkeeping.
Investment Manager	The Vanguard Group, Inc., is responsible for managing the investments in the *Direct Plan*.
Custodian	The Bank of New York Mellon Corporation is the custodian of account assets for the *Direct Plan*.

How Do I Open an Account?

You can open an Account online at **nysaves.org**. It only takes about 10 minutes. Or complete the Enrollment Application enclosed in the enrollment kit and mail the application to New York's 529 College Savings Program *Direct Plan*, P.O. Box 55440, Boston, MA 02205-8323. Or call **1-877-NYSAVES**.

Is My *Direct Plan* Account Guaranteed?

No, your Account isn't FDIC-insured or otherwise guaranteed. Investment returns will vary depending on your Portfolio and will be subject to market, interest rate, and other financial risks. You could lose a portion or all of your investment. Because there are risks involved, you should think carefully before investing in the *Direct Plan*.

What Fees Are Associated With the *Direct Plan*?

The *Direct Plan* charges no sales commissions or annual fees. The *Direct Plan* does charge an asset-based fee to cover investment management services and program management. This fee is taken as a percentage of the total assets you invest in each Portfolio. As of the date of this Disclosure Booklet, the Annual Asset-Based Fee is 0.17%. This translates into an annual cost of $1.70 for every $1,000 in your Account. The money is automatically deducted from the assets in your Account.

Do I Have to Live In New York to Open an Account?

No, you don't have to live in New York. The *Direct Plan* has no income restrictions and is open to U.S. citizens or resident aliens with:

- A valid Social Security number or other taxpayer identification number, and
- A U.S. address (that isn't a post office box).

The Beneficiary (or student) doesn't have to be a New York resident, but must be a U.S. citizen or resident alien with a valid Social Security number or taxpayer identification number.

May I Use My *Direct Plan* Account to Pay for a College Outside of New York?

Yes, your *Direct Plan* Account may be used to pay for postsecondary education in the United States and abroad. Generally, if a school has been assigned a federal school code by the Department of Education, it's an Eligible Educational Institution under Section 529 of the Code. The list of eligible institutions includes most colleges, universities, graduate schools, and vocational schools. You can get the current list of eligible schools online at **fafsa.ed.gov/FAFSA/app/schoolSearch**.

What Tax Benefits Can I Receive?

- If you are a New York State taxpayer, you may deduct up to $5,000 ($10,000 for married couples filing jointly) in computing your state taxable income each year. Only you, as the Account Owner, can take the tax deduction and only on contributions you or your spouse make to your Account.
- Earnings will grow deferred from federal and New York State income tax.
- Withdrawals from your Account are federal and New York State tax free provided that you use the money for Qualified Higher Education Expenses.
- If you are not a New York State taxpayer, depending on where you live or pay state income tax, your earnings may or may not be subject to state income tax. In these cases, you may want to check with your tax advisor.

Who May Contribute to My *Direct Plan* Account?

Once you open an Account with as little as $25 ($15, if you are investing through payroll deduction), other people may contribute to the Account until the balance of all Accounts in the Program for the same Beneficiary reaches a maximum of $375,000. Friends, family, and other individuals may contribute directly to your Account. However, only you, the Account Owner, can make investment decisions and receive the New York tax deduction (if you are a New York taxpayer) for your contributions to the *Direct Plan*.

Will My *Direct Plan* Account Affect My Beneficiary's Eligibility for Financial Aid?

Being the Account Owner or Beneficiary of a 529 account may adversely affect your eligibility for financial aid. Generally, assets in a 529 account owned by a parent or student are used to calculate the student's expected family contribution toward college costs. However, each educational institution may treat assets held in a 529 plan differently. Under New York State law, assets in an Account are not taken into consideration in determining the eligibility of the Beneficiary or the Account Owner of the Account for financial aid under any New York State-administered financial aid programs, such as the Tuition Assistance Program.

What if My Beneficiary Doesn't Go to College or Use the Funds in the Account?

If your Beneficiary doesn't go to college or use the funds in the Account for college, you may do one of the following:

- Keep the funds in the Account where they can continue to be invested and grow tax deferred. The funds will be available in future years if the Beneficiary decides to go to college or needs the funds for graduate school or other higher education.
- Transfer the balance, without being subject to federal income taxes or penalty, to an eligible family member of the Beneficiary (including a parent, step- or half-sibling, an in-law in some cases, or yourself, if you are an eligible family member). See *Section 8. Maintaining Your Account*.
- Withdraw the money and use it for non-educational purposes. (However, your earnings would be subject to federal income tax and the Federal Penalty, as well as state and local income taxes. New York state taxpayers may also be subject to recapture for state tax deductions for applicable contributions to the Account.)

Can I Transfer Ownership of My Account to a New Account Owner?

Yes, you can transfer ownership of all of your Account at any time by completing the necessary forms. Keep in mind that there may be tax consequences for transferring your Account and the new Account Owner would be responsible for any recapture (for Non-Qualified Withdrawals, Qualified Scholarships, and Rollovers to a 529 plan outside of the Program) of New York state tax deductions previously taken on amounts contributed to the Account. You should contact a qualified tax advisor regarding the application of federal, state, and local tax law to your circumstances before transferring ownership of an Account.

What Is the Upromise® Service?

Upromise can help you save money for college. If you join the Upromise Service, a percentage of your eligible purchases from hundreds of participating companies, products, and services go into a separate account. If you choose, your *Direct Plan* Account can be linked to this Upromise account so that cash accumulated through your Upromise account is automatically transferred to your *Direct Plan* Account on a periodic basis. Upromise is separate from New York's 529 *Direct Plan*, and is not affiliated with the State of New York.[1]

To read more FAQs visit nysaves.org.

1 Terms and conditions apply to the Upromise Service. Participating companies, contribution levels, and terms and conditions are subject to change at any time without notice. Transfers from Upromise to a New York's 529 *Direct Plan* account are subject to a $25 minimum. Go to upromise.com for more information about the Upromise Service.

Section 2. Your Investment Costs

Fees and Charges

We have established fees and other charges relating to the *Direct Plan*. These fees may change from time to time. Any changes will be included in subsequent Disclosure Booklets or supplements. The fees are described and illustrated below.

Total Annual Asset-Based Fee

Each Portfolio has a Total Annual Asset-Based Fee, which includes both administrative and investment management costs. This Fee is a percentage of the assets in each Portfolio and is deducted from the assets. The *Direct Plan* currently charges an annual asset-based fee of 0.17%.

The Total Annual Asset-Based Fee is composed of the following:

- Underlying Fund Fee

This fee includes investment advisory fees, administrative costs, and other expenses of the Underlying Funds in your Portfolio, which are paid to Vanguard.

- Program Management Fee

This fee is paid to the Program Manager and the Investment Manager to cover the expenses of administering and managing the *Direct Plan*.

As an Account Owner, you indirectly bear a pro-rata share of the Program Management Fee and the Underlying Fund Fee. These fees reduce the return you will receive from investing in the *Direct Plan*.

Fee Structure

The following table shows total fees charged to each Portfolio in the *Direct Plan*. The annualized Underlying Fund Fee and Program Management Fee added together equal the Total Annual Asset-Based Fee.

	Annual Asset Based Fee				Additional Investor Expenses
Portfolio	Estimated Underlying Fund Fee[1]	State Fee[2]	Program Management Fee[3]	Total Annual Asset-Based Fee[4]	Annual Account Maintenance Fee
Aggressive Growth Portfolio	0.02%	None	0.15%	0.17%	None
Developed Markets Index Portfolio	0.07	None	0.10	0.17	None
Growth Stock Index Portfolio	0.08	None	0.09	0.17	None
Value Stock Index Portfolio	0.08	None	0.09	0.17	None
Mid-Cap Stock Index Portfolio	0.06	None	0.11	0.17	None
Small-Cap Stock Index Portfolio	0.06	None	0.11	0.17	None
Growth Portfolio	0.03	None	0.14	0.17	None
Moderate Growth Portfolio	0.04	None	0.13	0.17	None
Conservative Growth Portfolio	0.04	None	0.13	0.17	None
Income Portfolio	0.06	None	0.11	0.17	None
Bond Market Index Portfolio	0.05	None	0.12	0.17	None
Inflation-Protected Securities Portfolio	0.07	None	0.10	0.17	None
Interest Accumulation Portfolio	0.08	None	0.09	0.17	None

1 Estimated Underlying Fund Expenses reflect each Underlying Fund's expense ratio disclosed in its most recent prospectus as of August 31, 2013. Expenses for multiple-fund Portfolios represent a weighted average of the expenses of the Portfolio's Underlying Funds. The fees and expenses of the Underlying Funds may change.

2 No separate fee is charged to Accounts by the Program Administrators. The Program Manager and Investment Manager pay a monthly fee to the Program Administrators to help pay the costs of administering the Program. This payment is not deducted from any Accounts.

3 Vanguard and Upromise have agreed to a specific formula for the allocation of the Program Management Fee.

4 Total Annual Asset-Based Fee as of November 8, 2013.

Other Program Charges, Fees, or Penalties

Except for the Program Management Fee, there is currently no charge, fee, or penalty imposed by the Program for opening or maintaining any Account. There are no additional fees for any transactions in any Account, any withdrawals from an Account, or any transfers to or from a 529 plan outside of the Program. However we may impose additional charges, fees, or penalties in the future. Any brokerage fees or expenses for trading assets within an Underlying Fund will be borne by the Underlying Fund.

Investment Cost Example

The following example is intended to help you compare the cost of investing in the *Direct Plan* over different time periods. The costs are the same for each Portfolio. It illustrates the hypothetical expenses that you would incur over various periods if you invest $10,000 in a Portfolio. This example assumes that a Portfolio provides a return of 5% a year, and that the Portfolio's Total Annual Asset-Based Fee (currently 0.17%) remains the same. The results apply whether or not the investment is redeemed at the end of the period, but they do not take into account any redemption that is considered a Non-Qualified Withdrawal or otherwise subject to state or federal income taxes, or any penalties. See *Section 9. Withdrawing From Your Account—Withdrawals: Qualified and Non-Qualified*.

Approximate Cost of a $10,000 Investment in Each Investment Option (assuming a return of 5% per year)

1 year	3 years	5 years	10 years
$17	$55	$96	$217

This example does not represent actual expenses or performance from the past or in the future. Actual future expenses may be higher or lower than those shown.

Section 3. Your Risks

In addition to the investment risks of the Portfolios, there are certain risks relating to the *Direct Plan* you should be aware of before opening an Account or making a contribution. In this section, we will discuss some of these key risks. You should consult a qualified tax or financial advisor before making a contribution. Investment risks are discussed in *Section 5*.

No Guarantee of Principal or Earnings; No Insurance

The value of your Account may increase or decrease over time based on the performance of the Portfolio(s) you select. It is possible that, at any given time, your Account's value may be less than the total amount contributed. Neither the *Direct Plan*, nor any of its Associated Persons makes any guarantee of, insures, or has any legal or moral obligation to insure, either the ultimate payout of all or any portion of the amount contributed to an Account or any investment return, or an investment return at any particular level, on an Account. *Direct Plan* Accounts are not bank deposits and are not insured or guaranteed by the FDIC or any other federal or state government agency.

Inflation

Increases in the cost of living or the cost of higher education may reduce or eliminate the value of the returns of your Account.

Limited Investment Direction

You may not direct how a Portfolio's assets are invested. The ongoing management of *Direct Plan* investments is the responsibility of the Comptroller, Upromise Investments, and Vanguard. In addition, you are limited under federal law in your ability to change the investment allocation for previous contributions and earnings.

Limited Liquidity

Investment in the Program involves the risk of reduced liquidity regarding your investment. Once you open an Account for a Beneficiary, the circumstances under which funds may be withdrawn without federal and state tax liability are limited. The tax liabilities can include the Federal Penalty and, for New York taxpayers, recapture of New York State tax deductions. See *Section 7. Federal and New York State Tax Considerations*.

No Suitability Determination

The *Direct Plan* and its Associated Persons make no representations regarding the suitability of the *Direct Plan*'s investment options for any particular investor. Other types of investments and other types of college savings vehicles may be more appropriate depending upon your personal circumstances. Please consult your tax or investment advisor for more information.

Not a Direct Investment in Mutual Funds or Registered Securities

Money you contribute to your Account will be invested in Portfolios that hold Vanguard mutual funds. However, the Trust, the *Direct Plan*, and the *Direct Plan*'s Portfolios are not mutual funds. An investment in the Program is an investment in municipal fund securities that are issued and offered by the Trust. These securities are not registered with the U.S. Securities and Exchange Commission (SEC) or any state, nor are the Trust, the Program, or the Program's Portfolios registered as investment companies with the SEC or any state.

Potential Changes to the Program, Program Manager, and Investment Manager

The Program Administrators reserve the right, in their sole discretion, to discontinue the Program, or to change any aspect of the Program. For example, the Program Administrators may change the *Direct Plan*'s fees and charges; add, subtract, or merge Portfolios; close a Portfolio to new investors; or change the Underlying Fund(s) of a Portfolio. Depending on the nature of the change, you may be required to participate in, or be prohibited from participating in, the change with respect to an Account you opened before the change. Limitations imposed by New York State law may require the Portfolios to invest assets differently from the manner described in *Section 5. Your Investment Options*. This, in turn, may affect the ability of the Portfolios to achieve their investment objectives.

Under New York law, the Comptroller and HESC must solicit competitive bids for a new Program Manager whose appointment would be effective at the scheduled termination of the current Management Agreement with Upromise Investments in May, 2019. In certain circumstances, Upromise Investments may cease to be the Program Manager, or Vanguard may cease to be the Investment Manager, before the scheduled termination date—e.g., due to a material breach of the Management

Agreement by Upromise Investments. Under the Management Agreement and certain related agreements, the Program Administrators may hire new or additional entities in the future to manage all or part of the *Direct Plan*'s assets. See *Section 11. Plan Governance and Administration*.

If a new Program Manager is selected, you might have to establish new Accounts in order to make additional contributions to the Program. The fee and compensation structure applicable to a new Program Manager, or that applicable to Upromise Investments under a new Management Agreement, might be different from the Management Fee currently charged. Additionally, a successor Investment Manager may achieve different investment results than would have been achieved by Vanguard, even if managing similar Investment Options.

Uncertainty of Tax Consequences

Federal and New York State law and regulations governing the administration of 529 plans could change in the future. The Treasury Department has issued proposed regulations under Section 529 of the Code (Proposed Regulations), an advance notice of proposed rulemaking describing new proposed regulations that will be issued under Section 529 and, in conjunction with the Internal Revenue Service (IRS), has published certain notices with respect to the anticipated modification of the Proposed Regulations (Notices). As of the date of this Disclosure Booklet, taxpayers may rely upon the Proposed Regulations and the Notices until final regulations are issued or other further action is taken by the Treasury Department. The Proposed Regulations and the Notices do not, however, provide guidance on certain aspects of the Program.

It is uncertain when the Treasury Department may issue final regulations or, if it does, to what extent such final regulations will differ from the Proposed Regulations and Notices. Other administrative guidance or court decisions might be issued that could adversely affect the federal tax consequences with respect to the Program or to contributions to, or withdrawals from, your Account. Congress could also amend Section 529 or other federal law in a way that would materially change or eliminate the federal tax treatment described above. If necessary, the Comptroller, HESC, and the Program Manager intend to modify the Program according to applicable law for the Program to meet the requirements of Section 529. If the Program, as currently structured or as subsequently modified, does not meet the requirements of Section 529 for any reason, the tax consequences to Account Owners and Beneficiaries are uncertain. Therefore it is possible that you could be subject to taxes on undistributed earnings in your Account, as well as to other adverse tax consequences. You may wish to consider consulting a qualified tax advisor.

The Program received a ruling from the IRS on May 30, 2001, providing that the Program, as then operated, satisfied the requirements for exemption from federal income tax as a qualified tuition program described in Section 529. There can be no assurance that this ruling is applicable to the Program as currently operated. In addition, changes in the law governing any of the federal and state tax consequences described in this Disclosure Booklet might require material changes to the Program's operations in order for the anticipated federal and New York State tax consequences to apply.

The New York State tax matters discussed in this booklet are based on opinions of the New York State Department of Taxation and Finance (DTF). DTF's opinions are based on the conclusion that the *Direct Plan* is a Qualified Tuition Program within the meaning of Section 529. There can be no assurance that there will not be subsequent official interpretations or court decisions that could adversely affect the New York State tax consequences for you and your Beneficiary or that the federal law or the New York statutes governing aspects of the Program may not be amended in a way that could materially alter or eliminate those consequences. See *Section 7. Federal and New York State Tax Considerations*.

No Indemnification

The Program, Upromise Investments, and Vanguard will not indemnify any Account Owner or Beneficiary against losses or other claims arising from the official or unofficial acts, negligent or otherwise, of the Program Administrators or State employees.

Eligibility for Financial Aid

Being the Account Owner or Beneficiary of an Account may adversely affect your eligibility for financial aid:

- In making decisions about eligibility for financial aid programs offered by the U.S. government and the amount of aid required, the U.S. Department of Education takes into consideration a variety of factors, including the assets owned by the student (i.e., the Beneficiary) and the assets owned by the student's parents. The U.S. Department of Education generally expects the student to spend a substantially larger portion of his or her own assets on educational expenses than the parents. For purposes of these federal programs, available balances in a 529 plan account are treated as an asset of (a) the student if the student is an independent student; or (b) the parent if the student is a dependent student, regardless of whether the owner of the 529 plan account is the student or the parent.
- With respect to financial aid programs offered by educational institutions and other non-federal sources, the effect of being the Account Owner or Beneficiary of an Account varies from institution

to institution. Accordingly, no generalizations can be made about the effect of being the Account Owner or Beneficiary of an Account on the student's eligibility for financial aid, or the amount of aid the student may qualify for, from these sources.

- Under New York State law, assets in an Account are not taken into consideration in determining the eligibility of the Beneficiary or the Account Owner of the Account for financial aid under any New York State-administered financial aid programs, such as the Tuition Assistance Program.

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

No Guarantee That Investments Will Cover Education-Related Expenses

There is no guarantee that the money in your Account will be sufficient to cover all of your Beneficiary's higher education expenses, even if contributions are made in the maximum allowable amount for the Beneficiary. The future rate of increase in higher education expenses is uncertain and could exceed the rate of investment return earned by any or all of the Portfolios over any relevant period.

Education Savings and Investment Alternatives

There are many 529 plans other than the *Direct Plan*, including the *Advisor-Guided Plan*, other college savings plans, and prepaid tuition plans. These 529 plans offer education savings and investment alternatives that differ from those available in the *Direct Plan*. Other 529 plans, and other investment alternatives, may offer state tax and other benefits not available under the Program. These 529 plans and other investment alternatives may have different tax and other consequences, may have different eligibility and other requirements, and may charge fees and expenses that may be more or less than those charged by the *Direct Plan*. You should consider other investment alternatives before opening an Account in the *Direct Plan*.

No Guarantee of Admission to Any Institution and Related Matters

There is no guarantee or commitment from the State of New York, the Comptroller, HESC, Upromise Investments, Vanguard, or any other person that: (1) a Beneficiary will be admitted to any institution (including any Eligible Educational Institution); (2) upon admission to an institution, the institution will permit a Beneficiary to continue to attend; or (3) a Beneficiary will graduate or receive a degree from any institution. New York State residency for a Beneficiary will not be established for tax status, financial aid eligibility, or any other purpose merely because of his or her designation as a Beneficiary for a Program Account.

Medicaid and Other Federal and State Noneducational Benefits

The effect of an Account on eligibility for Medicaid or other state and federal benefits is uncertain. It is possible that an Account will be viewed as a "countable resource" in determining an individual's financial eligibility for Medicaid. Withdrawals from an Account during certain periods also may have the effect of delaying the disbursement of Medicaid payments. You should consult a qualified advisor to determine how your Account may affect eligibility for Medicaid or other state and federal noneducational benefits.

Section 4. Opening and Funding Your Account

This section explains how to open an Account with the Program, choose a Beneficiary, choose your Investment Options, designate a Successor Account Owner, and contribute money to an Account. See *Section 8. Maintaining Your Account* for details on making changes to your Account after you set it up.

Who Can Participate

To become an Account Owner in the *Direct Plan* you must be:

- A U.S. citizen or resident alien; or
- A fiduciary or agent for trusts, estates, corporation companies, partnerships, and associations.

We require each Account Owner to have a Social Security number or taxpayer identification number and provide a U.S. permanent street address that is not a post office box.

Minors may become Account Owners; however, a parent or guardian must complete the Enrollment Application on their behalf. An emancipated minor must submit a court order as well as any other documentation that we request, establishing that he or she is empowered to enter into a contract without the ability to revoke that contract based on age.

You do not have to be a New York resident, and there are no income restrictions on Account Owners.

No Residency Restriction

You and your Beneficiary don't need to be New York State residents to open a *Direct Plan* Account.

How to Open an Account

To open an Account, you must complete and submit an Enrollment Application. You can do this in one of three ways:

- Online: Complete the Enrollment Application at nysaves.org.
- By mail: Complete, sign, and mail an Enrollment Application to New York's 529 College Savings Program *Direct Plan*, P.O. Box 55440, Boston, MA 02205-8323.
- By telephone: Call 1-877-NYSAVES.

By signing the Enrollment Application online or in the paper format, you agree that your Account is subject to the terms and conditions of the then-current Tuition Savings Agreement (contained in this document) as well as to the description of the *Direct Plan* in this Disclosure Booklet. We reserve the right to hold you liable in the event that you intentionally provide inaccurate information in connection with your Account.

Questions?

If you have any questions about setting up your Account, you can get additional information online at nysaves.org or by calling 1-877-NYSAVES (1-877-697-2837).

Once you set up your Account, only you control how that Account's assets are invested and used. Although contributions to the Program are considered completed gifts for federal gift, generation-skipping, and estate tax purposes, a Beneficiary who is not the Account Owner has no control over the assets in the Account. See *Designate a Successor Account Owner* later in this section.

Choose a Beneficiary

You will need to select a Beneficiary for the Account on your Enrollment Application. The Beneficiary is the future student. The Beneficiary does not have to be a New York State resident; however, he or she must be a U.S. citizen or resident alien with a valid Social Security number or taxpayer identification number.

Other considerations when selecting a Beneficiary:

- Your Beneficiary can be of any age—newborn to adult.
- You may select only one Beneficiary per Account.
- You do not have to be related to the Beneficiary.
- You may select yourself as Beneficiary.

Choose Investment Options

You may select from a number of Investment Options, which fall into two categories:

- Age-Based Options (3 options). The asset allocation of money invested in any of the Age-Based Options is automatically adjusted over time to become more conservative as the Beneficiary approaches college age.
- Individual Portfolios (13 options). The asset allocation of money invested in any of the Individual Portfolios is static; it does not change over time.

You may choose up to five Investment Options per contribution and you must allocate a minimum of 5% of the contribution to each Investment Option you choose. For details about the *Direct Plan*'s Investment Options, including investment objectives, strategies, risks, and performance, see *Section 5. Your Investment Options*.

Designate a Successor Account Owner

You should consider designating who will become the Account Owner if you die. This is optional but recommended by the Program.

Your Successor Account Owner would take over all of your rights, title, and interest in an Account (including the right to change the Beneficiary) upon your death. If you do not initially designate a Successor Account Owner but later decide to do so, or if you wish to revoke or change a designation, you may make the change online at nysaves.org, by phone at 1-877-NYSAVES (1-877-697-2837), or by mailing the appropriate form. The change will become effective after your instructions have been received and processed.

Choose a Successor

Designating a successor *now* will help you make an easy and automatic ownership transfer to your named successor.

The Successor Account Owner will be required to submit to the *Direct Plan* (1) a certified copy of a death certificate sufficiently identifying you by name and Social Security number, or (2) other proof recognized under applicable law and acceptable to the Program Administrators, before taking any action regarding the Account following your death. To complete the transfer, your Successor Account Owner must also complete a new Enrollment Application after your death.

The assets of an Account for which you have designated a Successor Account Owner will not be considered assets of your testamentary estate and will not be subject to probate upon your death. If you have not designated a Successor Account Owner, ownership of your Account and all rights related to your Account will be determined upon your death as provided in applicable laws for wills, estates, and intestate succession. Generally, ownership of the Account will pass from you upon your death to the executor or administrator of your estate and, subsequently, to a beneficiary of your estate by bequest or by operation of law. If you are concerned with assuring who would exercise control over your Account upon your death, you should designate a Successor Account Owner or consult a qualified estate planning professional.

You should consult with a qualified advisor about the potential tax and legal consequences of a change in Account Owner. See *Section 7. Federal and New York State Tax Considerations—Federal Gift and Estate Taxes* for additional information.

Contribute to Your Account

You may contribute to your *Direct Plan* Account by any of the following methods: automatic investment plan, electronic bank transfer, check, payroll deduction (if your employer permits payroll deduction), transfer from a Upromise Service account, rollover from

Nine Ways to Contribute to Your *Direct Plan* Account	Automatic Investment Plan (AIP)	Electronic Bank Transfer (EBT)	Check	Payroll Deduction
	Link your bank account and the *Direct Plan* and schedule automatic transfers of a set amount.	Link your bank account and the *Direct Plan*. You control how much and how often to invest.	Send a check payable to New York's 529 College Savings Program *Direct Plan* to P.O. Box 55440, Boston, MA 02205-8323.	Link your *Direct Plan* Account to your employer so a set amount is taken out of your paycheck each pay period.
Upromise Service	Ugift®—Give College Savings	Incoming Rollover	Contribution From ESA or Qualified U.S. Savings Bond	Transfer From UGMA/UTMA
Link your *Direct Plan* Account to the Upromise rewards program to earn a percentage of what you spend on eligible everyday purchases.	Give coupons to your family and friends and allow them to contribute to your *Direct Plan* Account.	Transfer assets from a 529 plan outside the Program into your *Direct Plan* Account.	Contribute to the *Direct Plan* from an Education Savings Account or by selling a qualified U.S. Savings Bond.	Transfer assets from an UGMA/UTMA account to your *Direct Plan* Account.

a non-Program 529 plan, transfer from another Account in the *Direct Plan* or the *Advisor-Guided Plan*, transfer from an education savings account, or redemption of a qualified U.S. Savings Bond. We also accept transfers from custodial accounts under the Uniform Gifts to Minors Act or the Uniform Transfers to Minors Act (UGMA/UTMA). You may also receive a minimum gift contribution of $25 through Ugift®—Give College Savings. Some of these methods are discussed in detail later in this section.

Others can make contributions to your Account as well. However, only you, as the Account Owner, can control how the Account's assets are invested and used.

Spousal Contribution

Your spouse can contribute to your Account and those contributions may be eligible for the New York State tax deduction if you file a joint New York State income tax return. If a contribution check is from your spouse's individual account, your spouse has to write a letter stating that the two of you are married, that you file taxes jointly, and that he or she wants to contribute to your Account.

Minimum Contributions

The minimum contribution, whether to open an Account or add to an existing Account, is $25 ($15 when investing through a payroll deduction plan). You may also receive a minimum gift contribution of $25 through Ugift—Give College Savings.

Low Minimum Contribution

The minimum required to open a *Direct Plan* Account is $25 ($15 if you have payroll deduction).

Maximum Account Balance

There is no limit on the growth of Accounts. However, you will not be permitted to make contributions to any Account for a Beneficiary if the aggregate Account balance, including the proposed contributions, for that Beneficiary (including all *Direct Plan* and *Advisor-Guided Plan* Accounts for the same Beneficiary regardless of Account Owner) would exceed a "Maximum Account Balance." This limit is to be determined periodically by the Program Administrators in compliance with federal requirements. The Maximum Account Balance is currently $375,000. Accounts that have reached the Maximum Account Balance may continue to accrue earnings, but additional contributions will not be accepted and will be returned. The Maximum Account Balance is based on the aggregate market value of the Account(s) for a Beneficiary and not solely on the aggregate contributions made to the Account(s). If, however, the market value of such Account(s) falls below the Maximum Account Balance due to market fluctuations and not as a result of withdrawals from such Account(s), additional contributions will be accepted. We may, in our discretion, refuse to accept a proposed contribution if we determine that accepting the contribution would not comply with federal or New York State requirements. None of the Associated Persons will be responsible for any loss, damage, or expense incurred in connection with a rejected or returned contribution. In the future the Maximum Account Balance might be reduced under certain circumstances. To determine periodically whether the Maximum Account Balance has changed, log on to **nysaves.org**.

Impermissible Methods of Contributing

We will not accept contributions made by cash, money order, credit card, traveler's check, starter check, foreign check not in U.S. dollars, third-party personal check in an amount greater than $10,000, check dated earlier than 180 days before the date of receipt, postdated check, check with unclear instructions, or any other check the *Direct Plan* deems unacceptable. We also will not accept contributions made with stocks, securities, or other noncash assets.

Allocation of Contributions

You will be asked to designate on your Enrollment Application how you want your contributions allocated. You may invest all of your assets in one Investment Option or allocate your contributions among up to five different Investment Options. You must allocate a minimum of 5% of a contribution to each Investment Option you choose. Any contribution will be invested in accordance with the standing instructions you have provided for your Account unless you specify different allocation instructions for a particular contribution. You may change your instructions with respect to future contributions at any time, online at **nysaves.org**, by phone at **1-877-NYSAVES** (1-877-697-2837), or by submitting the appropriate form.

Automatic Investment Plan (AIP)

You may contribute to your Account through periodic automated debits from a checking or savings account if your bank is a member of the Automated Clearing House, subject to certain processing restrictions. To initiate an AIP during enrollment, you must complete the appropriate section of the Enrollment Application. Paper-based Enrollment Applications must be accompanied by a voided bank check or appropriate savings account information. You also may set up an AIP after an Account has been established, either online at **nysaves.org** or by submitting the appropriate form.

There is no charge for establishing or maintaining an AIP. Your bank account will be debited on the day you designate, or the 10th of each month if no designation is made, provided the day is a regular business day. If the day you designate falls on a weekend or a holiday, the AIP debit will occur on the next business day. Your trade date (or the date your purchase is effective) will be the business day prior to your designated date. See *Section 5. Your Investment Options—Pricing of Portfolio Units and Trade Date Policies*. If you indicate a start date that is within the first four days of the month, there is a chance that your investment will be credited on the last business day of the previous month. Please note that AIPs with a debit date of January 1st, 2nd, 3rd, or 4th will be credited in the same year as the debit date.

Authorization to perform automated periodic deposits will remain in effect until we have received notification of its termination. Either you or the *Direct Plan* may terminate your enrollment in an AIP at any time. To be effective, a change to, or termination of, an AIP must be received by the *Direct Plan* at least five business days before the next AIP debit is scheduled to be deducted from your bank account and is not effective until received and processed by the *Direct Plan*. If your AIP contribution cannot be processed because the bank account on which it is drawn contains insufficient funds or because of incomplete or inaccurate information, or if the transaction would violate processing restrictions, the *Direct Plan* reserves the right to suspend processing of future AIP contributions.

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

Electronic Bank Transfer (EBT)

You may contribute to your Account by authorizing the *Direct Plan* to withdraw money by EBT from your bank checking or savings account, subject to certain processing restrictions. To authorize an EBT, you must be the account owner and must provide certain information about the bank account from which funds will be withdrawn (the same information required to establish an AIP). Once you have provided that information, you may request an EBT from the designated bank account to your Account, online at nysaves.org or by phone at 1-877-NYSAVES (1-877-697-2837).

There is no charge for requesting an EBT. If your EBT cannot be processed because the bank account on which it is drawn contains insufficient funds or because of incomplete or inaccurate information, or if the transaction would violate processing restrictions, we reserve the right to suspend processing of future EBT contributions.

We may place a limit on the total dollar amount per day you may contribute to an Account by EBT. Contributions in excess of such limit will be rejected or returned. If you plan to contribute a large dollar amount to your Account by EBT, you may want to contact the *Direct Plan* to inquire about the current limit prior to making your contribution.

Contributions by Check

Please make all checks payable to New York's 529 College Savings Program *Direct Plan* and send them to the following address: P.O. Box 55440, Boston, MA 02205-8323. For established Accounts, please include your Account number on the check. Family and friends are permitted to contribute directly to your existing Account by making checks payable to New York's 529 College Savings Program *Direct Plan*. Family and friends may also contribute by check through Ugift—Give College Savings as described in this section. Any check that is made payable to you or the Beneficiary that you or the Beneficiary then endorse to the *Direct Plan* cannot exceed $10,000.

Contributions From Payroll Deduction

You may be eligible to make automatic contributions to your Account through payroll deduction, provided your employer has agreed to offer this service. The minimum initial and subsequent employer automatic investment plan contribution is $15.

Contributions by payroll deduction will be permitted only from employers able to meet the *Direct Plan*'s operational and administrative requirements for payroll deductions. Please check with your employer to see whether you are eligible to contribute to the *Direct Plan* through payroll deduction.

Upromise Service

We make saving for college easier with Upromise, a rewards service that gives back a percentage of your eligible spending with hundreds of America's leading companies as college savings. Once you enroll in the *Direct Plan*, your Account can be linked to your Upromise account so that rewards savings accumulated in your Upromise account are automatically transferred to your Account on a periodic basis. The minimum amount for an automatic transfer from a Upromise account to your Account is $25. You may be eligible to deduct all or a portion of your rewards savings transferred to your Account from your New York adjusted gross income. See *Section 7. Federal and New York State Tax Considerations—New York State Tax Consequences*.

The Upromise Service is offered by Upromise, Inc., and this Disclosure Booklet is not intended to provide detailed information concerning the service. The Upromise Service is administered in accordance with the terms and procedures set forth in the Upromise Member Agreement (as amended from time to time), which is available on the Upromise website. If you want more information about the Upromise Service, please visit upromise.com.

Ugift—Give College Savings

You may invite family and friends to contribute to your Account through Ugift—Give College Savings, a *Direct Plan* feature, by either sending an e-mail invitation or providing a gift contribution coupon to family and friends. Gifts may be contributed either in connection with a special event or just to provide a gift to your Beneficiary. The gift givers fill in their name and gift contribution amount on the contribution coupon provided and mail a check for that amount along with the contribution coupon to the address provided. The minimum Ugift contribution is $25 by check made payable to Ugift—New York's 529 College Savings Program *Direct Plan*. An optional gift certificate can be completed and presented by the gift giver to acknowledge that a gift contribution has been made to your Account.

We will hold gift contributions associated with a special event upon receipt and transfer the contribution into your Account approximately five business days after the special event. If the gift contribution is received less than two business days prior to the special event, or if the gift contribution is not associated with a special event, then the gift contribution will be held for approximately seven business days before being transferred into your Account. Gift contributions through Ugift are subject to the Maximum Account Balance and daily contribution limit requirements of the *Direct Plan*. Gift contributions will be invested according to the allocation on file for your Account at the time the gift contribution is transferred. There may be potential tax consequences of gift contributions to your Account. You and the gift giver should consult a tax advisor for more information.

Incoming Rollover Contributions

You can contribute to your Account with money transferred from a 529 plan outside of the Program. This transaction is known as a "Rollover." You may roll over assets from an account in a non-Program 529 plan to your Account for the same Beneficiary without federal income tax consequences or imposition of the Federal Penalty if the Rollover does not occur within 12 months from the date of a previous transfer to any Qualified Tuition Program for the benefit of the same Beneficiary. You may also roll over money from an account in a 529 plan outside of the Program to your Account without federal income tax consequences at any time when you change Beneficiaries, provided that the new Beneficiary is a "Member of the Family" of the old Beneficiary as described in *Section 8. Maintaining Your Account—Substituting Beneficiaries*. A 529 plan Rollover that does not meet these criteria will be considered a Non-Qualified Withdrawal that is subject to federal and applicable state income tax and the Federal Penalty. See *Section 9. Withdrawing From Your Account—Withdrawals: Qualified and Non-Qualified,* and *Section 7. Federal and New York State Tax Considerations*.

Incoming Rollovers can be direct or indirect. Direct Rollovers involve the transfer of money from a 529 plan outside of the Program directly to the Program. Indirect Rollovers involve the transfer of money from an account in a 529 plan outside of the Program to the Account Owner, who then contributes the money to an Account in the Program. To avoid federal income tax consequences, money you receive in an Indirect Rollover must be contributed to your Account within 60 days of the distribution. You may be eligible to deduct all or a portion of the Rollover from your New York adjusted gross income. See *Section 7. Federal and New York State Tax Considerations*. You should be aware that not all 529 plans outside of the Program permit Direct Rollovers. In addition, there may be state income tax consequences (and in some cases penalties) resulting from a Rollover out of a state's 529 plan.

You can roll over assets to the Program, directly (if permitted by your current 529 plan outside of the Program) or indirectly, either as an initial contribution when you open an Account or as an additional contribution to an existing Account. When making a Rollover, you will need to provide us with documentation from the distributing 529 plan account indicating the portion of the withdrawal attributable to earnings.

Until we receive this documentation, the entire amount of the Rollover will be treated as earnings, which would be subject to taxation in the case of a Non-Qualified Withdrawal. *Section 7. Federal and New York State Tax Considerations*.

Contributions From an Education Savings Account or Qualified U.S. Savings Bond

You can contribute to your Account with proceeds from the sale of assets held in an education savings account or a qualified U.S. Savings Bond (Qualified Savings Bond). You will need to provide the Program with the following documentation:

- For assets from an education savings account, an account statement or other documentation from the custodial financial institution showing the total amount contributed and the proportion of the assets that represents earnings.
- For assets obtained by redeeming a Qualified Savings Bond, an account statement, Form 1099-INT, or other documentation from the financial institution that redeemed the bond showing the proportion of the assets that represents earnings.

Until we receive this documentation, the entire amount of the contribution will be treated as earnings, which would be subject to taxation in the case of a Non-Qualified Withdrawal. See *Section 7. Federal and New York State Tax Considerations.*

Transfers From UGMA/UTMA Custodial Accounts

If you are the custodian of an UGMA/UTMA account, you may be able to open an Account using custodial assets previously held in the UGMA/UTMA account, subject to the laws of the state where you opened the UGMA/UTMA account. As custodian, you will act as the Account Owner. As custodian, you may incur capital gains (or losses) from the sale of noncash assets held in the UGMA/UTMA account. You should consult a qualified tax advisor with respect to the transfer of UGMA/UTMA custodial assets and the implications of such a transfer. As an UGMA/UTMA custodian, you should consider the following:

- You may make withdrawals from the Account only as permitted under UGMA/UTMA as in effect in the state under which the UGMA/UTMA account was established, and under the policies and rules of the *Direct Plan*;
- You may not select a new Beneficiary (directly or by means of a Rollover), except as permitted under UGMA/UTMA;
- You should not change the Account Owner to anyone other than a successor custodian during the term of the custodial account under UGMA/UTMA;
- When the custodianship terminates, the Beneficiary is legally entitled to take control of the Account and may become the Account Owner; and
- The Associated Persons are not liable for any consequences related to an UGMA/UTMA custodian's improper use, transfer, or characterization of custodial funds.

Section 5. Your Investment Options

In this section, you will find information about your Investment Options, including a discussion of the Age-Based Options and the Individual Portfolios. You should consider the information carefully before choosing to invest in one or more of these Investment Options. **Information related to each Portfolio's strategy and risks has been provided by Vanguard and has not been independently verified by the Program Administrators, who make no representation as to the information's accuracy or completeness.**

Summary of Investment Options

The *Direct Plan* offers multiple Investment Options intended to help you save for Qualified Higher Education Expenses. Each Investment Option corresponds to a Portfolio or series of Portfolios, and each Portfolio invests your contributions in one or more Underlying Funds managed by Vanguard. Please keep in mind that as an Account Owner, you will not directly own shares of or interests in the Underlying Funds.

Investments—at a Glance

Currently, you can select from:

- 3 Age-Based Options that become more conservative as your Beneficiary nears college age.
- 13 Individual Portfolios that invest in stock funds, bond funds, insurance company funding agreements, and combinations of those funds.

Age-Based Options

You can choose from among three Age-Based Options, which automatically move your assets to progressively more conservative Portfolios as your Beneficiary approaches college age. You can select the option—conservative, moderate, or aggressive—that best reflects your risk tolerance.

Individual Portfolio Options

You can choose from among various Individual Portfolios, which invest in stock funds, bond funds, insurance company funding agreements, and combinations thereof. If you choose an Individual Portfolio, your money will remain in that Portfolio until you instruct the Program to move it.

Whenever you contribute money to your Account, you may allocate the contribution among a maximum of five investment options. For example, you may choose five Individual Portfolios, or one Age-Based Option and four Individual Portfolios.

Regardless of how many investment options you select, you must allocate a minimum of 5% of your contributions to each. For example, you could choose three Investment Options and allocate your contributions 60%/35%/5%.

The Comptroller reserves the right to change, at any time and without prior notice, the Investment Options, the Portfolios included in the Age-Based Options, the asset allocation of the Individual Portfolios, or the Underlying Funds in which the Portfolios invest. In accordance with the Management Agreement and certain related agreements, the Program Administrators reserve the right to change the Program Manager and the *Direct Plan* Investment Manager. See *Section 3. Your Risks—Potential Changes to the Program, Program Manager, and Investment Manager*.

Note: The investment time horizon for college investing is expected to be very short relative to that for retirement investing (i.e., 5 to 20 years versus 30 to 60 years). Also, the need for liquidity during the withdrawal phase (to pay for certain educational expenses) generally is very important. You should seriously consider the level of risk you wish to assume, your investment time horizon, and other factors important to you, before you select investment options. You should periodically assess and, if appropriate, adjust your investment choices with the same factors in mind.

Note also that none of the Age-Based Options, the Multi-Fund Individual Portfolios, the Program, the State, the Program Administrators, Upromise Investments, or Vanguard can offer any assurance that the recommended asset allocations will maximize returns, minimize risk, or be the appropriate allocation in all circumstances for every investor who has a particular time horizon or risk tolerance.

Age-Based Options

You may choose from the following three Age-Based Options:

- Conservative Age-Based Option
- Moderate Age-Based Option
- Aggressive Age-Based Option

These Age-Based Options are designed to take into account a Beneficiary's age and your investing time horizon—i.e., the number of years before the Beneficiary is expected to attend college. Within the Age-Based Options, you may invest according to your risk tolerance, in a conservative, moderate, or aggressive asset allocation. In general, for younger Beneficiaries, the Age-Based Options will be invested in Portfolios that are more heavily weighted in stocks, to take advantage of the relatively long period of investment in order to try to maximize returns. As time passes, Account assets are automatically moved to more conservative Portfolios in an attempt to preserve capital as your Beneficiary approaches college age. We have designed the *Direct Plan* for you to closely match the Age-Based Options within your Beneficiary's age range. However, you may choose different Age-Based Options depending on your individual circumstances.

As shown in the table on the following page, for any particular age group, the Conservative Age-Based Option usually has a higher concentration of assets in bond funds and/or short-term reserves than does the Moderate Age-Based Option. The same is true for the Moderate Age-Based Option in comparison with the Aggressive Age-Based Option. Portfolios with higher allocations to bond funds and short-term reserves tend to be less volatile than those with higher stock allocations. Less-volatile Portfolios generally will not decline as much when stock markets go down, but also will not appreciate in value as much when stock markets go up. Each of the Portfolios included in the Age-Based Options invests in a combination of Underlying Funds in the percentages shown in the table. Each of these Portfolios is also offered as an Individual Portfolio. For a description of each of these Portfolios, see *Individual Portfolio Options* later in this section.

With the Age-Based Options, we automatically exchange assets from one Portfolio to another as the Beneficiary ages. The exchange takes place annually during the month following the month of the Beneficiary's birth date, according to the following schedule:

Conservative

Moderate Growth Portfolio	Conservative Growth Portfolio	Income Portfolio	Income Portfolio	Interest Accumulation Portfolio
50% Stock 50% Bond	25% Stock 75% Bond	75% Bond 25% Short-Term Investments	75% Bond 25% Short-Term Investments	100% Short-Term Investments
Age 0-5	Age 6-10	Age 11-15	Age 16-18	Age 19 and up
More Aggressive				More Conservative

Moderate

Growth Portfolio	Moderate Growth Portfolio	Conservative Growth Portfolio	Income Portfolio	Income Portfolio
75% Stock 25% Bond	50% Stock 50% Bond	25% Stock 75% Bond	75% Bond 25% Short-Term Investments	75% Bond 25% Short-Term Investments
Age 0-5	Age 6-10	Age 11-15	Age 16-18	Age 19 and up
More Aggressive				More Conservative

Aggressive

Aggressive Growth Portfolio	Growth Portfolio	Moderate Growth Portfolio	Conservative Growth Portfolio	Income Portfolio
100% Stock	75% Stock 25% Bond	50% Stock 50% Bond	25% Stock 75% Bond	75% Bond 25% Short-Term Investments
Age 0-5	Age 6-10	Age 11-15	Age 16-18	Age 19 and up
More Aggressive				More Conservative

■ Stock funds ■ Bond funds ■ Short-term investments

Note: A Portfolio's investment in short-term investments generally includes, but is not limited to, very short-term debt securities such as interest-bearing bank deposits, money market instruments, U.S. Treasury bills, short-term bonds, and funding agreements issued by one or more insurance companies.

Individual Portfolio Options

Unlike the Age-Based Options, the Individual Portfolios do not change asset allocations as the Beneficiary ages. Instead, the asset allocation of each Portfolio remains fixed over time.

If you choose to invest in Individual Portfolios that have a significant weighting in stocks, you should consider moving your assets to more conservative Portfolios as your Beneficiary approaches college age. Please note that there are limitations on your ability to move assets from one Portfolio to another. You can make changes to your investment options or allocation percentages only once every 12 months per Beneficiary. Additional changes or a transfer of assets within a calendar year may be subject to federal, state, and other taxes.

The Individual Portfolios consist of four Multi-Fund Individual Portfolios, which invest in multiple Underlying Funds, and nine Single-Fund Individual Portfolios, each of which invests in a single Underlying Fund.

Multi-Fund Individual Portfolios

- Growth Portfolio
- Moderate Growth Portfolio
- Conservative Growth Portfolio
- Income Portfolio

Single-Fund Individual Portfolios

- Aggressive Growth Portfolio
- Developed Markets Index Portfolio
- Growth Stock Index Portfolio
- Value Stock Index Portfolio
- Mid-Cap Stock Index Portfolio
- Small-Cap Stock Index Portfolio
- Bond Market Index Portfolio
- Inflation-Protected Securities Portfolio
- Interest Accumulation Portfolio

Additional Information About the Underlying Funds and the Portfolios

Requesting Additional Information About the Underlying Funds

Your contributions to a Portfolio will be invested in one or more of the Underlying Funds. Please keep in mind that you will not own shares of or interests in the Underlying Funds. Instead, you will own interests in the Trust. Additional information about the investment strategies and risks of each Underlying Fund, except for Vanguard Short-Term Reserves Account, is available in its current prospectus and statement of additional information. You can request a copy of the current prospectus, the statement of additional information, or the most recent semiannual or annual report of an Underlying Fund, by visiting Vanguard's website at **vanguard.com** or by calling **1-877-697-2837**. Information about Vanguard Total Bond Market II Index Fund can be found on Vanguard's Institutional Investors website. Information about Vanguard Short-Term Reserves Account can be found later in this section under *Single-Fund Individual Portfolios—Interest Accumulation Portfolio*.

The Target Indexes of the Underlying Funds May Change

All of the Underlying Funds, except Vanguard Inflation-Protected Securities Fund and Vanguard Short-Term Reserves Account, are index funds. Each index fund reserves the right to substitute a different index for the index it currently tracks if the current index is discontinued, if the Underlying Fund's agreement with the sponsor of its target index is terminated, or for any other reason determined in good faith by the Underlying Fund's board of trustees. In any such instance, a substitute index would measure the same market segment as the current index.

Multi-Fund Individual Portfolios

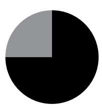
Growth Portfolio

Investment Objective

The Portfolio seeks to provide capital appreciation and low to moderate current income.

Investment Strategy

The Portfolio invests in one Vanguard stock index fund and one Vanguard bond index fund, resulting in an allocation of 75% of its assets to U.S. stocks and 25% of its assets to investment-grade U.S. bonds. The percentages of the Portfolio's assets allocated to each Underlying Fund are:



- 75% Vanguard Institutional Total Stock Market Index Fund
- 25% Vanguard Total Bond Market II Index Fund

Through its investment in Vanguard Institutional Total Stock Market Index Fund, the Portfolio indirectly invests in primarily large-capitalization U.S. stocks and, to a lesser extent, mid-, small-, and micro-capitalization U.S. stocks. The Fund's target index represents approximately 100% of the investable U.S. stock market. Through its investment in Vanguard Total Bond Market II Index Fund, the Portfolio indirectly invests in a broadly diversified collection of securities that, in the aggregate, approximates the Barclays U.S. Aggregate Float Adjusted Index in terms of key risk factors and other characteristics. The Index measures a wide spectrum of public, investment-grade, taxable fixed income securities in the United States—including government, corporate, and international dollar-denominated bonds, as well as mortgage-backed and asset-backed securities—all with maturities of more than 1 year. The bond fund maintains a dollar-weighted average maturity consistent with that of the Index, which generally ranges between 5 and 10 years.

Investment Risks

Because it invests mainly in a stock fund, the Portfolio primarily is subject to stock market risk. Through its bond fund holding, the Portfolio has moderate levels of interest rate risk, income risk, and call/prepayment risk. The Portfolio also has low levels of credit risk, index sampling risk, and derivatives risk.

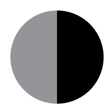
Moderate Growth Portfolio

Investment Objective

The Portfolio seeks to provide capital appreciation and current income.

Investment Strategy

The Portfolio invests in one Vanguard stock index fund and one Vanguard bond index fund, resulting in an allocation of 50% of its assets to U.S. stocks and 50% of its assets to investment-grade U.S. bonds. The percentages of the Portfolio's assets allocated to each Underlying Fund are:



- 50% Vanguard Institutional Total Stock Market Index Fund
- 50% Vanguard Total Bond Market II Index Fund

Through its investment in Vanguard Institutional Total Stock Market Index Fund, the Portfolio indirectly invests in primarily large-capitalization U.S. stocks and, to a lesser extent, mid-, small-, and micro-capitalization U.S. stocks. The Fund's target index represents approximately 100% of the investable U.S. stock market. Through its investment in Vanguard Total Bond Market II Index Fund, the Portfolio indirectly invests in a broadly diversified collection of securities that, in the aggregate, approximates the Barclays U.S. Aggregate Float Adjusted Index in terms of key risk factors and other characteristics. The Index measures a wide spectrum of public, investment-grade, taxable fixed income securities in the United States—including government, corporate, and international dollar-denominated bonds, as well as mortgage-backed and asset-backed securities—all with maturities of more than 1 year. The bond fund maintains a dollar-weighted average maturity consistent with that of the Index, which generally ranges between 5 and 10 years.

Investment Risks

Through its stock fund holding, the Portfolio is subject to stock market risk. Through its bond fund holding, the Portfolio has moderate levels of interest rate risk, income risk, and call/prepayment risk. The Portfolio also has low levels of credit risk, index sampling risk, and derivatives risk.

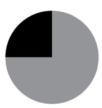
Conservative Growth Portfolio

Investment Objective

The Portfolio seeks to provide current income and low to moderate capital appreciation.

Investment Strategy

The Portfolio invests in one Vanguard bond index fund and one Vanguard stock index fund, resulting in an allocation of 75% of its assets to investment-grade U.S. bonds and 25% of its assets to U.S. stocks. The percentages of the Portfolio's assets allocated to each Underlying Fund are:



75%	Vanguard Total Bond Market II Index Fund
25%	Vanguard Institutional Total Stock Market Index Fund

Through its investment in Vanguard Total Bond Market II Index Fund, the Portfolio indirectly invests in a broadly diversified collection of securities that, in the aggregate, approximates the Barclays U.S. Aggregate Float Adjusted Index in terms of key risk factors and other characteristics. The Index measures a wide spectrum of public, investment-grade, taxable fixed income securities in the United States—including government, corporate, and international dollar-denominated bonds, as well as mortgage-backed and asset-backed securities—all with maturities of more than 1 year. The bond fund maintains a dollar-weighted average maturity consistent with that of the Index, which generally ranges between 5 and 10 years. Through its investment in Vanguard Institutional Total Stock Market Index Fund, the Portfolio indirectly invests primarily in large-capitalization U.S. stocks and, to a lesser extent, mid-, small-, and micro-capitalization U.S. stocks. The Fund's target index represents approximately 100% of the investable U.S. stock market.

Investment Risks

Because it invests mainly in a bond fund, the Portfolio primarily is subject to moderate levels of interest rate risk, income risk, and call/prepayment risk. Through its stock fund holding, the Portfolio is subject to stock market risk. The Portfolio also has low levels of credit risk, index sampling risk, and derivatives risk.

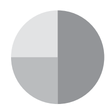
Income Portfolio

Investment Objective

The Portfolio seeks to provide current income.

Investment Strategy

The Portfolio invests in two Vanguard bond funds and one Vanguard short-term reserves account, resulting in an allocation of 75% of its assets to investment-grade U.S. bonds and 25% of its assets to short-term investments. The percentages of the Portfolio's assets allocated to each Underlying Fund are:



50%	Vanguard Total Bond Market II Index Fund
25%	Vanguard Inflation-Protected Securities Fund
25%	Vanguard Short-Term Reserves Account

Through its investment in Vanguard Total Bond Market II Index Fund, the Portfolio indirectly invests in a broadly diversified collection of securities that, in the aggregate, approximates the Barclays U.S. Aggregate Float Adjusted Index in terms of key risk factors and other characteristics. The Index measures a wide spectrum of public, investment-grade, taxable fixed income securities in the United States—including government, corporate, and international dollar-denominated bonds, as well as mortgage-backed and asset-backed securities—all with maturities of more than 1 year. The bond fund maintains a dollar-weighted average maturity consistent with that of the Index, which generally ranges between 5 and 10 years.

Through its investment in Vanguard Inflation-Protected Securities Fund, the Portfolio indirectly invests in inflation-indexed bonds issued by the U.S. government, its agencies and instrumentalities, and corporations. The Fund may invest in bonds of any maturity; however, its dollar-weighted average maturity is expected to be in the range of 7 to 20 years. All bonds purchased by the Fund will be rated investment-grade.

Through its investment in Vanguard Short-Term Reserves Account, the Portfolio indirectly invests in funding agreements issued by one or more insurance companies, synthetic investment contracts, as well as shares of Vanguard Prime Money Market Fund. Funding agreements are interest-bearing contracts that are structured to preserve principal and accumulate interest earnings over the life of the investment. The agreements pay interest at a fixed minimum rate and have fixed maturity dates that normally range from 2 to 5 years. Vanguard Prime Money Market Fund invests in high-quality, short-term money market instruments, including certificates of deposit, banker's acceptances, commercial paper, and other money market securities.

For more information about Vanguard Short-Term Reserves Account, please see the *Interest Accumulation Portfolio* profile later in this section

Investment Risks

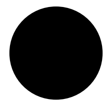
Because it invests mainly in bond funds, the Portfolio primarily is subject to low to moderate levels of interest rate risk, income risk, call/prepayment risk, and income fluctuation risk. The Portfolio also has low levels of credit risk, manager risk, index sampling risk, industry concentration risk, and derivatives risk.

Single-Fund Individual Portfolios

Aggressive Growth Portfolio

Investment Objective

The Portfolio seeks to track the performance of a benchmark index that measures the investment return of the overall stock market.



■ 100% Vanguard Institutional Total Stock Market Index Fund

Investment Strategy

The Portfolio invests 100% of its assets in Vanguard Institutional Total Stock Market Index Fund, which employs an indexing investment approach designed to track the performance of the CRSP US Total Market Index. The Index represents approximately 100% of the investable U.S. stock market and includes large-, mid-, small-, and micro-capitalization stocks regularly traded on the New York Stock Exchange and Nasdaq. The Fund invests by sampling the Index, meaning that it holds a broadly diversified collection of securities that, in the aggregate, approximates the full Index in terms of key characteristics. These key characteristics include industry weightings and market capitalization, as well as certain financial measures such as price/earnings ratio and dividend yield.

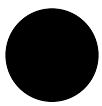
Investment Risks

The Portfolio primarily is subject to stock market risk. The Portfolio also has low levels of index sampling risk and derivatives risk.

Developed Markets Index Portfolio

Investment Objective

The Portfolio seeks to track the performance of a benchmark index that measures the investment return of stocks issued by companies located in the major markets of Europe and the Pacific region.



■ 100% Vanguard Developed Markets Index Fund

Investment Strategy

The Portfolio invests 100% of its assets in Vanguard Developed Markets Index Fund, which employs an indexing investment approach designed to track the performance of the FTSE Developed ex North America Index. The Index includes approximately 1,383 common stocks of companies located in developed countries of Europe, Australia, Asia, and the Far East. The Fund attempts to replicate the target index by investing all, or substantially all, of its assets in the stocks that make up the Index, holding each stock in approximately the same proportion as its weighting in the Index.

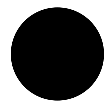
Investment Risks

The Portfolio primarily is subject to stock market risk, country/regional risk, and currency risk. The Portfolio also has a low level of derivatives risk.

Growth Stock Index Portfolio

Investment Objective

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



■ 100% Vanguard Growth Index Fund

Investment Strategy

The Portfolio invests 100% of its assets in Vanguard Growth Index Fund, which employs an indexing investment approach designed to track the performance of the CRSP US Large Cap Growth Index, a broadly diversified index predominantly made up of growth stocks of large U.S. companies. The Fund attempts to replicate the target index by investing all, or substantially all, of its assets in the stocks that make up the Index, holding each stock in approximately the same proportion as its weighting in the Index.

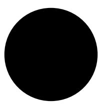
Investment Risks

The Portfolio primarily is subject to stock market risk and investment style risk. The Portfolio also has a low level of derivatives risk.

Value Stock Index Portfolio

Investment Objective

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



■ 100% Vanguard Value Index Fund

Investment Strategy

The Portfolio invests 100% of its assets in Vanguard Value Index Fund, which employs an indexing investment approach designed to track the performance of the CRSP US Large Cap Value Index, a broadly diversified index predominantly made up of value stocks of large U.S. companies. The Fund attempts to replicate the target index by investing all, or substantially all, of its assets in the stocks that make up the Index, holding each stock in approximately the same proportion as its weighting in the Index.

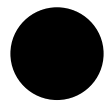
Investment Risks

The Portfolio primarily is subject to stock market risk and investment style risk. The Portfolio also has a low level of derivatives risk.

Mid-Cap Stock Index Portfolio

Investment Objective

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



■ 100% Vanguard Mid-Cap Index Fund

Investment Strategy

The Portfolio invests 100% of its assets in Vanguard Mid-Cap Index Fund, which employs an indexing investment approach designed to track the performance of the CRSP US Mid Cap Index, a broadly diversified index of stocks of mid-size U.S. companies. The Fund attempts to replicate the target index by investing all, or substantially all, of its assets in the stocks that make up the Index, holding each stock in approximately the same proportion as its weighting in the Index.

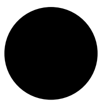
Investment Risks

The Portfolio primarily is subject to stock market risk and investment style risk. The Portfolio also has a low level of derivatives risk.

Small-Cap Stock Index Portfolio

Investment Objective

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



■ 100% Vanguard Small-Cap Index Fund

Investment Strategy

The Portfolio invests 100% of its assets in Vanguard Small-Cap Index Fund, which employs an indexing investment approach designed to track the performance of the CRSP US Small Cap Index, a broadly diversified index of stocks of smaller U.S. companies. The Fund attempts to replicate the target index by investing all, or substantially all, of its assets in the stocks that make up the Index, holding each stock in approximately the same proportion as its weighting in the Index.

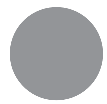
Investment Risks

The Portfolio primarily is subject to stock market risk and investment style risk. The Portfolio also has a low level of derivatives risk.

Bond Market Index Portfolio

Investment Objective

The Portfolio seeks to track the performance of a broad, market-weighted bond index.



■ 100% Vanguard Total Bond Market Index Fund

Investment Strategy

The Portfolio invests 100% of its assets in Vanguard Total Bond Market Index Fund, which employs an indexing investment approach designed to track the performance of the Barclays U.S. Aggregate Float Adjusted Index. This Index represents a wide spectrum of public, investment-grade, taxable, fixed income securities in the United States—including government, corporate, and international dollar-denominated bonds, as well as mortgage-backed and asset-backed securities—all with maturities of more than 1 year. The Fund invests by sampling the Index, meaning that it holds a broadly diversified collection of securities that, in the aggregate, approximates the full Index in terms of key risk factors and other characteristics. All of the Fund's assets will be selected through the sampling process, and at least 80% of the Fund's assets will be invested in bonds held in the Index. The Fund maintains a dollar-weighted average maturity consistent with that of the Index, which generally ranges between 5 and 10 years.

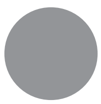
Investment Risks

The Portfolio primarily is subject to moderate levels of interest rate risk, income risk, and call/prepayment risk. The Portfolio also has low levels of credit risk, index sampling risk, and derivatives risk.

Inflation-Protected Securities Portfolio

Investment Objective

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



■ 100% Vanguard Inflation-Protected Securities Fund

Investment Strategy

The Portfolio invests 100% of its assets in Vanguard Inflation-Protected Securities Fund. The Fund invests at least 80% of its assets in inflation-indexed bonds issued by the U.S. government, its agencies and instrumentalities, and corporations. The Fund may invest in bonds of any maturity; however, its dollar-weighted average maturity is expected to be in the range of 7 to 20 years. At a minimum, all bonds purchased by the Fund will be rated investment-grade or, if unrated, will be considered by the advisor to be investment-grade. Unlike a conventional bond, whose issuer makes regular fixed interest payments and repays the face value of the bond at maturity, an inflation-indexed security (IIS) provides principal and interest payments that are adjusted over time to reflect a rise (inflation) or a drop (deflation) in the general price level of goods and services. In the event of deflation, the U.S. Treasury has guaranteed that it will repay at least the face value of an IIS issued by the U.S. government.

Note: The Inflation-Protected Securities Portfolio seeks to provide protection from inflation (i.e., a rise in the general price level of goods and services) as measured by the Consumer Price Index. It is possible that the costs of higher education may increase at a rate that exceeds the rate of increase of the Consumer Price Index.

Investment Risks

The Portfolio is subject to a high level of income fluctuation risk. The Portfolio also has low to moderate levels of interest rate risk and manager risk, and a low level of derivatives risk.

Interest Accumulation Portfolio

Investment Objective

The Portfolio seeks income consistent with the preservation of principal.

■ 100% Vanguard Short-Term Reserves Account

Investment Strategy

The Portfolio invests 100% of its assets in Vanguard Short-Term Reserves Account, through which the Portfolio indirectly owns funding agreements issued by one or more insurance companies, as well as shares of Vanguard Prime Money Market Fund.

Funding agreements are interest-bearing contracts that are structured to preserve principal and accumulate interest earnings over the life of the investment. These agreements generally pay interest at a fixed rate and have fixed maturity dates that normally range from 2 to 5 years. Investments in new funding agreements are based upon available liquidity in the Portfolio and the competitiveness of the interest rates offered by eligible high-quality issuers and depend on market conditions and trends.

Under New York law, the Trust may invest only in those funding agreements issued by life insurance companies whose general obligations are assigned the highest or second-highest rating by two nationally recognized rating services, or by one such rating service in the event that only one such rating service assigns a rating to such obligations, subject to a $350 million limit per issuer. The minimum amount of a funding agreement is usually about $15 million.

After a funding agreement is purchased, additional cash contributions will be used to purchase shares of the Prime Money Market Fund until there is enough cash to purchase another funding agreement. There is a limited universe of high-quality insurance companies and other issuers that issue investments eligible for purchase by the Short-Term Reserves Account. Within this constraint, Vanguard seeks to diversify among eligible issuers and investments.

If necessary, the Short-Term Reserves Account may invest all, or a large portion, of its assets in Vanguard Prime Money Market Fund to limit its exposure to any single issuer or to meet normal liquidity needs. The Prime Money Market Fund invests in high-quality, short-term money market instruments, including certificates of deposit, banker's acceptances, commercial paper, and other money market securities. To be considered high-quality, a security generally must be rated in one of the two highest credit-quality categories for short-term securities by at least two nationally recognized rating services (or by one, if only one rating service has rated the security). If unrated, the security must be determined by Vanguard to be of quality equivalent to those in the two highest credit-quality categories (i.e., Aaa, Aa1, Aa2, or Aa3). The Prime Money Market Fund invests more than 25% of its assets in securities issued by companies in the financial services industry and maintains a dollar-weighted average maturity of 60 days or less and a dollar-weighted average life of 120 days or less.

The Portfolio has a longer average maturity than money market funds, which should result in higher yields when interest rates are stable or declining. However, because only a portion of the Portfolio's investment matures each year, its yield will change more slowly than that of a money market fund. As a result, when interest rates are rising, the Portfolio's yield may fall below money market funds' yields for an extended period.

Investment Risks

The Portfolio primarily is subject to two risks: income risk and industry concentration risk. In addition, the Portfolio has low levels of exposure to credit risk, manager risk, and derivatives risk.

The Income Portfolio and the Interest Accumulation Portfolio both invest in Vanguard Short-Term Reserves Account, which in turn invests in Vanguard Prime Money Market Fund. Vanguard Short-Term Reserves Account's investment in the Prime Money Market Fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the Prime Money Market Fund seeks to preserve the value of the investment at $1 per share, it is possible that Vanguard Short-Term Reserves Account may lose money by investing in the Fund.

Although Vanguard selects only highly rated investments for the Vanguard Prime Money Market Fund, the contracts held by the fund are not guaranteed by the U.S. government, Vanguard, the Program, the State of New York, or the Program Administrator. Funding agreements are backed by the financial strength of the insurance companies that issue the contracts. The Portfolio may lose value if an insurance company is unable to make interest or principal payments when due.

Explanation of the Risk Factors of the Portfolios

Call/Prepayment Risk. This is the risk that during periods of falling interest rates, issuers of callable bonds may call (redeem) securities with higher coupons or interest rates before their maturity dates. The Underlying Fund would then lose any price appreciation above the bond's call price and would be forced to reinvest the unanticipated proceeds at lower interest rates, resulting in a decline in the Underlying Fund's income. For mortgage-backed securities, this risk is known as prepayment risk.

Credit Risk. This is the risk that an issuer of a bond owned by an Underlying Fund or a funding agreement issued to an Underlying Fund will fail to pay interest and principal in a timely manner, or that negative perceptions of the issuer's ability to make such payments will cause the price of that bond or funding agreement to decline.

Country/Regional Risk. This is the risk that world events— such as political upheaval, financial troubles, or natural disasters—will adversely affect the value of securities issued by companies in foreign countries or regions. In addition, investments in foreign stocks can be riskier than U.S. stock investments. The prices of foreign stocks and the prices of U.S. stocks have, at times, moved in opposite directions.

Currency Risk. This is the risk that the value of a foreign investment, measured in U.S. dollars, will decrease because of unfavorable changes in currency exchange rates.

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

Income Fluctuation Risk. This is the risk that an Underlying Fund's quarterly income distributions will fluctuate considerably more than the income distributions of a typical bond fund. For Vanguard Inflation-Protected Securities Fund, income fluctuations associated with changes in interest rates are expected to be low; however, income fluctuations associated with changes in inflation are expected to be high.

Income Risk. This is the risk that falling interest rates will cause an Underlying Fund's income to decline. Income risk is generally high for short-term bond funds, moderate for intermediate-term bond funds, and low for long-term bond funds.

Index Sampling Risk. This is the risk that the securities selected for an Underlying Fund using the sampling method of indexing, in the aggregate, will not provide investment performance matching that of the Underlying Fund's target index.

Industry Concentration Risk. This is the risk that there will be overall problems affecting a particular industry in which an Underlying Fund invests more than 25% of its assets. Because Vanguard Income and Vanguard Interest Accumulation Portfolios indirectly invest in Vanguard Prime Money Market Fund, which invests more than 25% of its assets in securities of companies in the financial services industry, each Portfolio's performance will depend to a greater extent on the overall condition of that industry.

Interest Rate Risk. This is the risk that bond prices overall will decline because of rising interest rates. Interest rate risk should be high for long-term bond funds, moderate for intermediate-term bond funds, and low for short-term bond funds.

Investment Style Risk. This is the risk that returns from the types of stocks in which an Underlying Fund invests will trail returns from the overall stock market. Specific types of stocks (for instance, small-, mid-, or large-capitalization stocks) tend to go through cycles of doing better—or worse—than the stock market in general. These periods have, in the past, lasted for as long as several years.

Manager Risk. This is the risk that poor security selection or focus on securities in a particular sector, category, or group of companies will cause an Underlying Fund to underperform relevant benchmarks or other funds with a similar investment objective.

Statutory Limit Risk. This is the risk that the Trust, in the aggregate, would exceed the statutory limit for stocks set forth by the New York State Retirement and Social Security Law (Article 4-A), as modified by Article 6 of the New York State Finance Law.

Stock Market Risk. This is the risk that stock prices overall will decline. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices. An Underlying Fund's target index may, at times, become focused in stocks of a particular sector, category, or group of companies. Because the Underlying Fund seeks to track its target index, the Underlying Fund may underperform the overall stock market.

Pricing of Portfolio Units and Trade Date Policies

Assets in your Account are invested in one or more Portfolios, depending on the Investment Option(s) you select. The price of a Portfolio Unit is calculated once each business day after the close of trading on the New York Stock Exchange (NYSE), which is normally 4 p.m., Eastern Time. The price is determined by dividing the dollar value of the Portfolio's net assets (i.e., total Portfolio assets minus total Portfolio liabilities) by the number of Portfolio Units outstanding. On holidays or other days when the NYSE is closed, the Portfolio's unit price is not calculated, and we do not transact purchase or redemption requests.

When you purchase or redeem Units of a Portfolio, you will do so at the price of the Portfolio's Units on the trade date. Your trade date will be determined as follows:

- If we receive your transaction request to contribute money, in good order, prior to 10 p.m., Eastern Time, you will receive the next business day's trade date. Note if a transaction occurs on a non-business day you will receive the trade date of the second business day.
- If we receive your transaction request in good order on a business day after the close of the NYSE or at any time on a non-business day, your transaction will receive the next business day's trade date.
- Notwithstanding the preceding two bullet points, AIP contributions will receive a trade date of the business day before the day the bank debit occurs. See *Section 4. Opening and Funding Your Account—Contribute to Your Account—Automatic Investment Plan (AIP).*

Section 6. A Note on Past Performance

In this section, we show the performance of the Portfolios in the *Direct Plan* over various periods. The data used to create the performance table on the following page includes each Portfolio's asset-based fee. See *Section 2. Your Investment Costs—Fees and Charges*. The performance data shown represent past performance, which is not a guarantee of future results. Investment returns and principal value will fluctuate, so investors' Portfolio Units, when sold, may be worth more or less than their original cost. For performance data current to the most recent month-end, which may be higher or lower than that cited, visit nysaves.org or call 1-877-NYSAVES (1-877-697-2837).

The performance of an index is not an exact representation of any particular investment, as you cannot invest directly in an index. Benchmark comparative indexes represent unmanaged or average returns on various financial assets, which can be compared with Portfolios' total returns for the purpose of measuring relative performance. Benchmark index returns reflect no deduction for fees or expenses, which are applicable to Portfolio investments.

Keep in mind that the performance of the Portfolios will differ from the performance of the Underlying Funds, even when a Portfolio invests in only one Underlying Fund. This is primarily because of differences in expense ratios and differences in the trade dates of Portfolio purchases. Because the Portfolios have higher expense ratios than the Underlying Funds, over comparable periods of time, all other things being equal, a Portfolio would have lower performance than its comparable Underlying Fund. (Of course, investing in the Underlying Funds does not offer the same tax advantages as investing in the Portfolios.) Performance differences also are caused by differences in the trade dates of Portfolio purchases. When you invest in a Portfolio, you will receive Portfolio Units as of the trade date noted in *Section 5. Your Investment Options—Pricing of Portfolio Units and Trade Date Policies*. The Portfolio will use your money to purchase shares of an Underlying Fund. However, the trade date for the Portfolio's purchase of the Underlying Fund's shares typically will be one business day after the trade date for your purchase of Portfolio Units. Depending on the amount of cash flow into or out of the Portfolio and whether the Underlying Fund is going up or down in value, this timing difference will cause the Portfolio's performance either to trail or exceed the Underlying Fund's performance.

If you are invested in an Age-Based Option, the assets in the Portfolio in which you are currently invested (Current Portfolio) will automatically transfer to other Portfolios as the Beneficiary ages and depending upon the Age-Based Option you chose. Accordingly, the assets in your Current Portfolio may have been invested in the Current Portfolio for all or only a portion of the period reported in the Performance table shown below. Thus, your personal performance may differ from the performance for a Portfolio as shown on the next page based on timing and amount of your investments.

Average Annual Total Returns

For the period ended August 31, 2013

Individual Portfolio/Benchmark	One Year	Three Year	Five Year	Since Portfolio Inception Date[1]	Inception Date
Aggressive Growth	20.11%	18.77%	7.55%	7.04%	11/14/2003
Benchmark: Spliced Institutional Total Stock Market Index[2]	20.30	19.00	7.83	7.45	
Bond Market Index	–2.74	2.31	4.63	4.18	11/20/2003
Benchmark: Spliced Barclays U.S. Aggregate Float Adjusted Index[3]	–2.41	2.64	4.98	4.64	
Conservative Growth	2.57	6.41	4.87	4.88	11/14/2003
Benchmark: Conservative Growth Composite Index[4]	2.95	6.74	5.03	5.22	
Developed Markets Index	18.59	9.39	—	14.44	3/26/2009
Benchmark: Spliced Developed Markets Index[5]	18.81	9.32	—	13.63	
Growth	14.03	14.73	8.29	7.01	11/14/2003
Benchmark: Growth Composite Index[6]	14.30	14.93	8.61	7.43	
Growth Stock Index	15.50	19.08	7.81	6.74	11/20/2003
Benchmark: Spliced Growth Index[7]	15.67	19.33	8.12	7.27	
Income	–3.25	2.12	3.42	3.70	11/14/2003
Benchmark: Income Composite Index[8]	–2.95	2.28	3.72	4.16	
Inflation-Protected Securities	–7.37	3.44	3.65	4.56	11/20/2003
Benchmark: Barclays U.S. Treasury Inflation Protected Securities Index	–6.97	3.73	4.19	5.08	
Interest Accumulation	0.25	0.47	0.87	1.92	11/14/2003
Benchmark: Institutional Money Market Funds Average	0.01	0.04	0.22	1.68	
Mid-Cap Stock Index	24.85	19.21	8.87	9.06	11/20/2003
Benchmark: Spliced Mid Cap Index[9]	24.98	19.41	9.16	9.67	
Moderate Growth	8.24	10.56	6.68	6.02	11/14/2003
Benchmark: Moderate Growth Composite Index[10]	8.52	10.84	6.90	6.38	
Small-Cap Stock Index	26.42	21.18	9.59	9.31	11/19/2003
Benchmark: Spliced Small Cap Index[11]	26.45	21.23	9.71	9.61	
Value Stock Index	22.80	17.59	6.69	6.85	11/20/2003
Benchmark: Spliced Value Index[12]	22.97	17.82	6.92	7.42	

1 Performance for the Portfolio and its benchmark is calculated since the Portfolio inception date. "Since Inception" returns for less than one year are not annualized.

2 Consists of the Dow Jones U.S. Total Stock Market Index through April 9, 2005; the MSCI U.S. Broad Market Index through January 14, 2013; and the CRSP US Total Market Index thereafter.

3 Consists of the Barclays U.S. Aggregate Bond Index through December 31, 2009, and the Barclays U.S. Aggregate Float Adjusted Index thereafter.

4 Weighted 25% Spliced Institutional Total Stock Market Index and 75% Spliced Barclays U.S. Aggregate Float Adjusted Index.

5 Consists of the MSCI EAFE Index through April 16, 2013; and the FTSE Developed ex North America Index thereafter.

6 Weighted 75% Spliced Institutional Total Stock Market Index and 25% Spliced Barclays U.S. Aggregate Float Adjusted Index.

7 Consists of the MSCI U.S. Prime Market Growth Index through April 16, 2013; and the CRSP US Large Cap Growth Index thereafter.

8 Weighted 50% Spliced Barclays U.S. Aggregate Float Adjusted Index, 25% Barclays U.S. Treasury Inflation Protected Securities Index, and 25% Institutional Money Market Funds Average.

9 Consists of the MSCI U.S. Mid Cap 450 Index through January 30, 2013; and the CRSP US Mid Cap Index thereafter.

10 Weighted 50% Spliced Institutional Total Stock Market Index and 50% Spliced Barclays U.S. Aggregate Float Adjusted Index.

11 Consists of the MSCI U.S. Small Cap 1750 Index through January 30, 2013; and the CRSP US Small Cap Index thereafter.

12 Consists of the MSCI U.S. Prime Market Value Index through April 16, 2013; and the CRSP US Large Cap Value Index thereafter.

Section 7. Federal and New York State Tax Considerations

This section summarizes some of the federal and New York state tax consequences of investing in the *Direct Plan*. **However, this is not an exhaustive discussion and is not intended as individual tax advice.**

There is no way to assure that the IRS or the New York State Department of Taxation and Finance (DTF) will accept the conclusions presented in this section or if those conclusions would be upheld in court. The federal and New York State tax rules that apply to your Account are complex. Some rules are uncertain and their application may vary depending on your particular facts and circumstances.

We have based the following information on the relevant provisions of the Code, New York State tax law, Proposed Regulations, Notices, IRS rulings, opinions of DTF regarding New York tax matters, and legislative history and interpretations of applicable federal and New York law existing on the date of this Disclosure Booklet. However, it is possible that Congress, the New York State Legislature, the Treasury Department, the IRS, DTF, other taxing authorities, or the courts may take actions that would adversely affect the tax law consequences described. Those adverse effects may be retroactive. In addition, if the Treasury Department adopts final regulations, those regulations, when issued, may alter the tax consequences discussed in this section or may require us to make changes to the *Direct Plan* so that you can take advantage of federal tax benefits. See *Section 3. Your Risks—Uncertainty of Tax Consequences*.

Because it is your responsibility to verify contributions, withdrawals, and transfers, it is important for you to keep all records, invoices, and other documents regarding your Account to support:

- Expenses that you claim to be Qualified Higher Education Expenses;
- Withdrawals because of the death or Disability of, or receipt of a Qualified Scholarship by, your Beneficiary;
- The earnings component of and compliance with the timing requirements applicable to Qualified Rollovers; and
- The earnings component of contributions funded from Qualified Savings Bonds or education savings accounts.

We strongly encourage you and your Beneficiary to consult a qualified tax advisor regarding the federal and state tax consequences of:

- Opening an Account.
- Contributing money to, or withdrawing money from, your Account.
- Changing Beneficiaries of your Account.
- Transferring money in your Account to another Account or to an account in a 529 plan outside of the Program.
- Transferring money in your Account to the Account of another Account Owner.
- Transfers from your Upromise Service account.

A qualified tax advisor can also help you consider:

- The potential impact of income taxes imposed by jurisdictions other than New York State, the City of New York, and the City of Yonkers.
- The applicability, if any, of state or local taxes in other jurisdictions and the applicability of New York State and local income, estate, and gift taxes if you and/or your Beneficiary are not New York residents.

In this section, we do not discuss the effects of the tax laws of any country other than the United States or any state other than New York.

If you are not a New York taxpayer, consider before investing whether your or the Beneficiary's home state offers a 529 plan that provides its taxpayers with favorable state tax or other benefits that may only be available through investing in your home state's 529 plan.

Federal Tax Considerations

Contributions

Under federal law, contributions to your Account are not considered taxable income to your Beneficiary. Contributions to your Account are not deductible for federal income tax purposes, but the income earned on your contributions may generally grow free from federal income tax until you make a withdrawal from your Account.

Withdrawals

Withdrawals from your Account consist of contributions and (if any) earnings. All of your Accounts having the same Account Owner and Beneficiary will be aggregated for purposes of calculating the earnings portion of a particular withdrawal. This calculation will be made as of the withdrawal date. If you have more than one Account for the same Beneficiary, an amount withdrawn from assets invested in one Account may carry with it a greater or lesser amount of earnings than the earnings attributable to your other Account(s). The same is true when you withdraw from different Investment Options. One Investment Option may represent greater or lesser earnings than another.

The earnings portion of withdrawals that are Qualified Withdrawals or Qualified Rollovers is not subject to federal income taxation. The earnings portion of other withdrawals, including Non-Qualified Withdrawals made because of the death or Disability of a Beneficiary or the receipt by the Beneficiary of a Qualified Scholarship, are includable in computing the federal taxable income of the person taking the distribution for the year in which the withdrawals are made.

In addition, the earnings portion of Non-Qualified Withdrawals is subject to the Federal Penalty. However, the Federal Penalty does not apply to Qualified Withdrawals or to withdrawals:

- Because of the death (when paid to the Beneficiary's estate) or Disability of the Beneficiary;
- That are Qualified Rollovers (described below);
- Because the Beneficiary received a scholarship (as long as the withdrawal does not exceed the amount of the scholarship); or
- Up to the amount of the estimated cost of attendance of the Beneficiary at a military academy.

For additional information about Qualified Withdrawals and federal taxes, see IRS Publication 970. You may also want to consult a tax advisor.

Qualified Rollovers

You may transfer all or part of the money in your Account to an account in a 529 plan outside of the Program without adverse federal income tax consequences if the transfer occurs within 60 days of the withdrawal from your Account and the recipient account is established for the benefit of:

- A person who is a Member of the Family of the original Beneficiary (See *Section 8. Maintaining Your Account—Substituting Beneficiaries*); or
- The same Beneficiary, but only if the Rollover does not occur within 12 months from the date of a previous Rollover to any Qualified Tuition Program for the benefit of that Beneficiary. See *Section 4. Opening and Funding Your Account—Contribute to Your Account—Incoming Rollover Contributions*.

Transfers between the *Direct Plan* and the *Advisor-Guided Plan* are not considered a Qualified Rollover; rather, these types of transfers are considered Investment Exchanges. You can only perform an Investment Exchange once per calendar year. See *Section 8. Maintaining Your Account—Changing Your Investment Options*.

Other Contributions and Transfers

You can generally transfer money into your Account without adverse federal income tax consequences if the money is:

- From another Account in the Program for a Member of the Family of the Beneficiary of the receiving Account, if transferred within 60 days of the withdrawal from the distributing Account;
- From an education savings account described by Section 530 of the Code; or
- Proceeds from the redemption of a Qualified Savings Bond described in Section 135 of the Code.

Other Higher-Education Expense Benefit Programs

If you have an education savings account under Section 520 of the Code or Hope Scholarship and Lifetime Learning Credits under Section 25A of the Code, as discussed below, you must coordinate the tax benefits of those accounts with your *Direct Plan* Account.

Education Savings Accounts

You may contribute money to, or withdraw money from your Account and an education savings account in the same year. You cannot, however, count the same expenses as "qualified education expenses" for education savings account purposes and Qualified Higher Education Expenses for 529 plan purposes. If the total withdrawals from both accounts exceed the amount of Qualified Higher Education Expenses of your Beneficiary, the recipient of the withdrawal must allocate the higher education expenses between both withdrawals to determine how much may be treated as tax-free under each of the education savings account and your Account.

Hope Scholarship and Lifetime Learning Tax Credits

Your participation in or the receipt of benefits from your Account will not be affected by the use of a Hope Scholarship tax credit or Lifetime Learning tax credit (if you qualify for these credits) as long as any withdrawal from your Account is not used for the same expenses for which the tax credit was claimed.

Coordination with U.S. Savings Bonds Provisions

If you redeem a Qualified Savings Bond and use those funds to make contributions to your Account, you may be allowed to exclude all or a portion of the income from that Qualified Savings Bond in computing your federal taxable income for the year in which you make the contribution. To qualify:

- You must meet certain age, ownership, and income limitations;
- The Qualified Savings Bond must be issued after 1989; and
- You, your spouse, or your eligible dependent must be the Beneficiary of the Account.

Federal Gift Tax Exemption

As of 2013, you can contribute up to $14,000 a year ($28,000, if married/filing jointly) into the *Direct Plan* without incurring federal gift taxes. This amount is periodically adjusted for inflation.

Federal Gift and Estate Taxes

Contributions (including certain Rollover contributions) to your Account generally are considered completed gifts to your Beneficiary for federal gift, estate, and generation-skipping transfer tax purposes and are potentially subject to the federal gift tax. Generally, contributions to your Account will not be subject to the federal gift tax or generation-skipping tax if the contribution and all other gifts to your Beneficiary (including all 529 plan accounts) together don't exceed the federal exclusion amount in 2013 of $14,000 a year ($28,000 if you are married and split gifts with your spouse). (The annual exclusion amount is periodically adjusted for inflation.) Except in the situations described below, if you were to die while assets remained in your Account, the value of your Account would not be included in your estate.

Where contributions to your Account and any other 529 plan accounts exceed the applicable annual exclusion amount for a single Beneficiary, the contributions may be subject to federal gift tax and possibly generation-skipping tax in the year of contribution. However, you may elect to apply your contributions against the annual exclusion proportionately over a five-year period. In this case, you must file a gift tax return for the year in which the gift was made. For 2013, the maximum contribution that may be made using this rule is $70,000 (or $140,000 for a married couple electing to split gifts). Once you make this election, if you make any additional gifts to the same Beneficiary in the same year or the next four years, the additional gifts may be subject to gift tax or generation-skipping tax in the calendar year of each additional gift. If you choose to use the five-year forward election but you die before the end of the five-year period, the portion of the contribution allocable to the years remaining in the five-year period (beginning with the year after your death) would be included in your estate for federal estate tax purposes.

The Code provides that amounts distributed upon the death of a Beneficiary are included in the gross estate of that Beneficiary for federal estate tax purposes. However, under the Proposed Regulations, all amounts in your Account at the time of a Beneficiary's death are included in that Beneficiary's gross estate, regardless of whether distributions are made because of that Beneficiary's death.

If you change your Beneficiary or transfer money to an Account for another Beneficiary, you may be subject to gift tax if the new Beneficiary is:

- Of a younger generation than the Beneficiary being replaced; or
- Not a Member of the Family of the current Beneficiary.
- If the new Beneficiary is two or more generations below the Beneficiary being replaced, the transfer may be subject to the generation-skipping tax.

Under the Proposed Regulations, these taxes are imposed on the Beneficiary being replaced.

New York State Tax Consequences

The following New York state tax benefits are available only to New York taxpayers. If you are not a resident of New York but are a New York taxpayer, the deduction used in computing New York taxable income will not be as beneficial to you as it is to New York residents. We make no representation as to the consequences to you or your Beneficiary of contributions to, earnings upon, transfers of, or withdrawals from your Account under the laws of any other state.

Your contributions are deductible in computing your New York taxable income for New York personal income tax purposes up to $5,000 ($10,000 if filing jointly) taken together for all contributions to all of your *Direct Plan* and *Advisor-Guided Plan* accounts in any taxable year (and only to the extent not deductible or eligible for credit for federal income tax purposes). Spouses who file a joint New York State income tax return may deduct up to $10,000 in contributions made by either spouse even if only one spouse has New York adjusted gross income. See *Section 4. Opening and Funding Your Account—Contribute to Your Account*.

State Income Tax Benefits

New York State taxpayers: You can apply up to $5,000 ($10,000 if married/filing jointly) toward calculating a state tax deduction on contributions to the *Direct Plan*.

You must make a contribution before the end of a given calendar year for it to be deductible for that calendar year. We will treat your contribution sent by U.S. mail as having been made the year sent if the U.S. Postal Service has postmarked the envelope on or before December 31 of that year. Regardless of the calendar year for which your contribution is deductible, the trade date of the contribution (and thus the price of the Portfolio Units purchased with the contribution) will be determined based on the day we receive the contribution and, with respect to AIP and EBT contributions on the business day before the bank debit occurs. If your AIP designation date is January 1, 2, 3, or 4, that AIP contribution will be treated as having been made in the new calendar year. See *Section 5. Your Investment Options—Pricing of Portfolio Units and Trade Date Policies*.

The income earned on your contributions may generally grow free from state income tax until you make a withdrawal from your Account.

Contributions to your Account by a third party are not deductible from New York taxable income by you or the third party. Also, contributions are not includable in computing the New York taxable income of your Beneficiary for New York personal income tax purposes.

The Program has received a letter from DTF advising that all Rollover Distributions from an Account to an account in a 529 plan outside of the Program that occur on or after January 1, 2003, will be treated as Non-Qualified Withdrawals for New York tax purposes. This tax treatment applies without regard to whether the Rollover Distribution results in income for federal tax purposes. This means that any portion of the Rollover Distribution that is earnings or for which a previous income deduction was taken will be included in your New York gross income for that tax year.

If you withdraw funds and then later re-contribute those funds into an Account, the withdrawal will also be treated as a Non-Qualified Withdrawal without regard to whether the withdrawal and re-contribution result in income for federal tax purposes. This means that the amount withdrawn will be included in your New York gross income, and is subject to recapture for amounts previously deducted from your New York State personal income tax. However, you may be eligible for a New York tax deduction for the re-contribution to your Account.

Qualified Withdrawals and withdrawals because of the death or Disability of your Beneficiary are not includable in computing your or your Beneficiary's New York taxable income. However, all Non-Qualified Withdrawals and withdrawals because of a Qualified Scholarship received by your Beneficiary will be includable in computing your New York taxable income for the year in which you make the withdrawal. This does not include any portion of that withdrawal attributable to contributions to your Account that were not previously deducted from your New York State personal income taxes.

The DTF has also advised us that incoming rollover contributions from an account in a 529 plan outside of the Program to an Account that occur within 60 days of the distribution, for the benefit of your Beneficiary or a Member of the Family of your Beneficiary, may be deductible up to $5,000 ($10,000 if filing jointly) in computing your New York taxable income. DTF further advised that Upromise Service savings transferred to your Account may be deductible in computing your New York taxable income.

New York repealed its gift tax on January 1, 2000. The federal estate tax treatment of Account balances, contributions, withdrawals from Accounts, and changes in the Beneficiary of an Account governs the treatment of these items for New York estate tax purposes. If you are a New York City or City of Yonkers taxpayer, the discussion of gift tax consequences described above also applies when calculating taxable income for New York City personal income tax and the City of Yonkers resident income tax surcharge.

Prospective Account Owners should consider the potential impact of income taxes imposed by jurisdictions other than New York State, the City of New York, and the City of Yonkers. Other state or local taxes may apply, including gift and estate taxes imposed by other states, depending on the residency or domicile of the Account Owner or the Beneficiary. Account Owners and Beneficiaries should consult a qualified tax advisor about the applicability, if any, of state or local taxes in other jurisdictions and the applicability of New York State and local income, estate, and gift taxes on Account Owners and Beneficiaries who are not New York residents.

It is possible that a recipient of money withdrawn from the Program may be subject to income tax on those withdrawals by the state where he or she lives or pays taxes. It is also possible that amounts rolled over into the Program from a 529 plan outside of the Program may be subject to a tax imposed on the Rollover amount by that other state. You should consult a qualified tax advisor regarding the state tax consequences of participating in the Program.

You should also consult a qualified tax advisor with respect to the New York State and local tax consequences of transfers from your Upromise Service account.

Section 8. Maintaining Your Account

Once you set up your *Direct Plan* Account, you may access it 24-hours a day by logging onto **nysaves.org**. You'll be able to view your Account statements, transaction confirmations, and other personal correspondence. You may also make changes to your Account, including substituting your Beneficiary and changing your Investment Options. If you have additional questions or need assistance you can call **1-877-NYSAVES** (1-877-697-2837).

Switching Beneficiaries

To avoid a taxable event, the new Beneficiary must be a Member of the Family of the former Beneficiary.

Substituting Beneficiaries

You can change your Beneficiary at any time. To avoid adverse tax consequences, the new Beneficiary must be a Member of the Family of the original Beneficiary. (For definition of Member of Family, see *Section 12. Glossary*.)

Any change of the Beneficiary to a person who is not a Member of the Family of the current Beneficiary is treated as a Non-Qualified Withdrawal subject to applicable federal and state income taxes as well as the Federal Penalty. There may also be federal and state gift tax, estate tax, or generation-skipping tax consequences in connection with changing the Beneficiary of your Account. You should consult a qualified tax advisor. For more detail see *Section 7. Federal and New York State Tax Considerations—Federal Gift and Estate Taxes*.

You can substitute your Beneficiary by going online at **nysaves.org** or by mailing the appropriate form. If you've already established an Account for the new Beneficiary, you may process a Beneficiary change by phone at **1-877-NYSAVES** (1-877-697-2837) or online. At the time you change the Beneficiary, you may also reallocate assets in the Account to a different mix of Investment Options.

You may not change the Beneficiary of an Account or transfer funds between Accounts if the resulting total balance of all Accounts for the new Beneficiary, including the newly designated Account or newly transferred assets, would exceed the Maximum Account Balance. See *Section 4. Opening and Funding Your Account—Maximum Account Balance*.

Note: If you're invested in an Age-Based Option, and you choose not to reallocate your assets, your new Beneficiary will automatically be moved to a Portfolio within the Age-Based Option that corresponds with his or her age. If your new Beneficiary is in a different age range, the Portfolio will change to reflect his or her age; however, the overall risk level of the Portfolio will remain consistent with the Investment Option you have selected—Conservative, Moderate, or Aggressive.

Change of Account Ownership

You can transfer ownership of all of your Account balance to a new Account Owner at any time. After the transfer is complete, the new Account Owner will have sole control of the assets you have chosen to transfer. Once you transfer all the assets in your Account to a new Account Owner, your Account will be closed.

To make the change, you need to submit the *Direct Plan*'s Change of Ownership Form. If you are transferring ownership for more than one Account, you'll need to submit a separate form for each Account. In addition, if the new Account Owner doesn't already have an account for the Beneficiary, he or she must submit an Enrollment Application. Forms can be downloaded online at **nysaves.org**. For questions about the forms, you can also call us at **1-877-NYSAVES** (1-877-697-2837) on business days from 8 a.m. to 9 p.m., Eastern Time.

If the new Account Owner takes a withdrawal, he or she will be liable for any previous New York State tax deductions you have taken if those deductions are subject to recapture in the case of Non-Qualified Withdrawals, withdrawals because of Qualified Scholarships, and Rollovers to a 529 plan account outside of the Program. **The new Account Owner's liability for those deductions applies even if he or she isn't a New York State taxpayer**. Therefore, in order to complete the transfer, you must certify that you have disclosed to the new Account Owner any previous New York State tax deductions taken for contributions made to the Account. A transfer of control of your Account may also have adverse income or gift tax consequences. You should contact a qualified tax advisor regarding the application of federal, state, and local tax law to your circumstances before transferring ownership of an Account.

Making Changes to Your Account

You can change your investment options online, by phone, or by mailing the appropriate form. You can make these changes once per calendar year even if you don't change your Beneficiary.

Changing Your Investment Options

Should your investment goals or needs change, you have the flexibility to move the assets in your existing Account to a different mix of Investment Options within the *Direct Plan*. You can change your Investment Options once per calendar year. This reallocation of assets in your Account is considered an Investment Exchange and is not subject to federal and state taxes or to the Federal Penalty. You can initiate this transaction online at **nysaves.org**, by mailing the appropriate form, or by calling **1-877-NYSAVES**

(1-877-697-2837). In addition, a transfer of assets between the *Direct Plan* and the *Advisor-Guided Plan* is considered an Investment Exchange.

For accounts invested in Age-Based Options, the automatic reallocation of assets based on the age of the Beneficiary is not considered your annual Investment Exchange.

In addition, changing the asset allocation of your existing Account through an Investment Exchange will not automatically change the allocation of future contributions into that Account. You must change that allocation separately. You can reallocate future contributions among Investment Options at any time.

For example, if you want to change your Investment Option from the Aggressive Growth Portfolio to the Moderate Growth Portfolio, you can only do so once per calendar year. However, you could change the amount of future allocations to the Moderate Growth Portfolio, or any other Portfolio you hold, as often as you would like.

What if my Beneficiary Doesn't go to College or Use the Account Assets?

If your Beneficiary doesn't go to college or use the Account assets for college, you may do one of the following:

- Keep the funds in the Account where they can continue to be invested and grow tax deferred. The funds will be available in future years if the Beneficiary decides to go to college or needs the funds for graduate school or other higher education.
- Transfer the balance, without being subject to federal income taxes or penalty, to an eligible family member of the Beneficiary (including a parent, step- or half-sibling, an in-law in some cases, or yourself, if you are an eligible family member).
- Withdraw the money and use it for non-educational purposes. (However, your earnings would be subject to federal income tax and the Federal Penalty, as well as state and local income taxes. New York State taxpayers may also be subject to recapture for state tax deductions for applicable contributions to the Account.)

Unused Account Assets

If assets remain in your Account after your Beneficiary has completed (or decided not to complete) higher education, you may exercise one or more of the following options:

1. Keep all or a portion of the remaining assets in the Account to pay possible future Qualified Higher Education Expenses, such as graduate or professional school expenses, for the existing Beneficiary;
2. Change the Beneficiary to a Member of the Family of the existing Beneficiary;
3. Withdraw all or a portion of the remaining assets.

The first two options should not result in federal and New York State income tax liabilities. The third option is a Non-Qualified Withdrawal subject to applicable New York State and federal income tax, including the Federal Penalty.

Confirmations and Statements/Safeguarding Your Account

You will receive confirmations for any activity in your Account, except for Automatic Investment Plan transactions, payroll deduction transactions, the automatic movement of Account assets to a more conservative Age-Based Option as your Beneficiary ages, and transfers from a Upromise Service account to your Account, all of which will be confirmed on a quarterly basis.

You will receive quarterly account statements showing for that quarter:

1. Contributions made to your Account;
2. Withdrawals made from your Account;
3. Investment Exchanges;
4. Changes to contribution percentages among selected Investment Options in your Account;
5. Automatic transfers of Account assets to more conservative Age-Based Options; and
6. The total value of the Account at the end of that time period.

We periodically match and update the addresses of record for each Account against a change-of-address database maintained by the U.S. Postal Service to reduce the possibility that items sent by first-class mail, such as account statements, will be undeliverable.

You can securely access your Account information, including quarterly statements and transaction confirmations, 24 hours a day at nysaves.org by obtaining an online user name, password, and security image. If you enroll online, you will be required to select a user name and password. If you enroll using other means, you will be allowed (but not required) to obtain a user name and password through nysaves.org. We use reasonable procedures to confirm that transaction requests are genuine. However, you may be responsible for losses resulting from fraudulent or unauthorized instructions received by the *Direct Plan*, provided we reasonably believed the instructions were genuine. To safeguard your Account, please keep your information confidential. *Contact us immediately if you believe there is a discrepancy between a transaction you requested and your confirmation statement, or if you believe someone has obtained unauthorized access to your Account.*

If you receive a confirmation that you believe does not accurately reflect your instructions—e.g., the amount invested differs from the amount contributed or the contribution was not invested in the particular Investment Option(s) you selected—you have 60 days from the date of the confirmation to notify us of the error. If you do not notify us within 60 days, you will be considered to have approved the information in the confirmation and to have released the Program and its Associated Persons from all responsibility for matters covered by the confirmation.

Section 9. Withdrawing From Your Account

You may request a withdrawal from your Account at any time online at nysaves.org, by mailing the appropriate form, or by calling 1-877-NYSAVES (1-877-697-2837).

If your request is in good order, please allow seven to ten business days for the distributions to reach you, the Beneficiary, or the Eligible Educational Institution.

We will pay the proceeds of a Non-Qualified Withdrawal (defined below) and of withdrawals because of a Beneficiary's death, Disability, or receipt of a qualified scholarship, only by check payable to the Account Owner or the Beneficiary. If you have made a distribution request for funds recently contributed to your Account, we will not withdraw those funds until they have been collected. It may take up to seven business days for us to collect contributions by check, Automatic Investment Plan (AIP), or Electronic Bank Transfer (EBT).

Estimated Time to Process Withdrawals

Request	Delivery time
Qualified or Non-Qualified Withdrawal received in good order	7 to 10 business days
Distribution to HESC for transfer to an Eligible Educational Institution	2 to 3 weeks
Withdrawals after a change of address	9 business days plus the delivery time noted above
Withdrawals by EBT after a change in bank information	15 calendar days

Paying Educational Institutions

If you would like to withdraw money from your Account to pay for your Beneficiary's Qualified Education Expenses (other than for a foreign Eligible Educational Institution), we will send the withdrawal directly to the Eligible Educational Institution unless you request that HESC transfer the withdrawal. In keeping with HESC's mission to help students pay for college, HESC can facilitate payments from your Account to an Eligible Educational Institution.

If you request that HESC transfer the withdrawal, we will transfer funds to HESC, and HESC, in turn, will transfer the withdrawal to the applicable Eligible Educational Institution. Please allow two to three weeks for this process.

Account with Multiple Investment Options

When making a withdrawal from an Account invested in more than one Investment Option, you may select the Investment Option or Options from which your funds are to be withdrawn. If you do not designate a particular Investment Option or Options, the withdrawal will be taken proportionately from each of your existing Investment Options. For example, if your Account balance at the time of the withdrawal request was 72% in the Aggressive Growth Portfolio and 28% in the Conservative Growth Portfolio, the total withdrawal would be taken 72% and 28%, respectively, from those two Investment Options. See *Section 4. Opening and Funding Your Account—Contribute to Your Account—Allocation of Contributions*.

Change of Address

We will hold withdrawal requests for nine business days following a mailing address change if the distribution is made by check to the Account Owner. We will also hold withdrawal requests for nine business days following a Beneficiary mailing address change if the distribution is made by check payable to the Beneficiary.

In addition, you may not make withdrawals by EBT for 15 calendar days after bank information has been added or edited. However, the 15-calendar-day hold does not apply to checks sent directly to an Eligible Educational Institution.

Paying for School

Proceeds from your Account may be used to pay for Qualified Higher Education Expenses including tuition, fees, and books.

Withdrawals: Qualified and Non-Qualified

The IRS classifies withdrawals as either Qualified or Non-Qualified.

A Qualified Withdrawal is a distribution that is used to pay for your Beneficiary's Qualified Higher Education Expenses. The earnings portion of a Qualified Withdrawal is not subject to New York State or federal income taxation.

A Non-Qualified Withdrawal is any withdrawal other than:

1. A Qualified Withdrawal.
2. A withdrawal because of the death or Disability of the Beneficiary.
3. A withdrawal because of the receipt of a qualified scholarship by the Beneficiary (to the extent the amount withdrawn does not exceed the amount of the scholarship).
4. A Rollover into a 529 plan outside of the Program in accordance with Section 529 of the Code.

5. A transfer of assets to the credit of another Beneficiary within the Program, as long as the other Beneficiary is a Member of the Family of the prior Beneficiary. See *Section 8. Maintaining Your Account—Substituting Beneficiaries*.

Each of these exceptions is discussed in more detail in *Withdrawals Exempt From the Federal Penalty* later in this section.

The earnings portion of a Non-Qualified Withdrawal is treated as income to the recipient and thus subject to applicable federal and state income taxes, including, in most cases, the Federal Penalty.

The earnings portion of a Non-Qualified Withdrawal will be subject to New York personal income tax. The portion of the distribution for which you took a New York State tax deduction also will be subject to New York personal income tax. Although we will report the earnings portion of all withdrawals as required by applicable federal and state tax law, it is solely the responsibility of the person receiving the withdrawal to calculate and report any resulting tax liability.

Qualified Higher Education Expenses

You may withdraw from your Account without incurring additional taxes or penalties as long as the proceeds are considered Qualified Higher Education Expenses of your Beneficiary including:

- Tuition, fees, and the cost of books, supplies, and equipment required for the enrollment or attendance of your Beneficiary at an Eligible Educational Institution.
- In the case of a special needs Beneficiary, expenses for special needs services incurred in connection with enrollment or attendance at an Eligible Educational Institution.
- Certain costs of room and board incurred while attending an Eligible Educational Institution at least half-time.

Room and board expenses may be treated as a Qualified Higher Education Expense only if the Beneficiary is enrolled at least half-time. Half-time is generally defined as half of a full-time academic workload based on the standard used by the institution where your Beneficiary is enrolled; the institution's standard must be no less than that required by the Department of Education's federal student financial aid standard. Room and board expenses submitted to the Program must be consistent with the room and board allowance calculated by the Eligible Educational Institution. The allowance is the "cost of attendance" estimated by the school for purposes of determining federal education assistance eligibility for that year.

If your Beneficiary lives in housing owned or operated by the school, and the amount charged for room and board is higher than the "cost of attendance" figure, then the actual amount may be treated as Qualified Higher Education Expenses. A Beneficiary does not have to be enrolled at least half-time to use a Qualified Withdrawal to pay for expenses relating to tuition, fees, books, supplies, equipment, and special needs services.

Eligible Educational Institutions

Eligible Educational Institutions include accredited postsecondary educational institutions in the United States, and certain foreign institutions, offering credit toward an associate's degree, a bachelor's degree, a graduate level or professional degree, or another recognized postsecondary credential, and certain postsecondary vocational and proprietary institutions. To be an Eligible Educational Institution for purposes of Section 529 of the Code, an institution must be eligible to participate in U.S. Department of Education federal student financial aid and student loan programs. Go to **fafsa.ed.gov** to see a list of all Eligible Educational Institutions.

Refunds

If you receive a refund from an Eligible Educational Institution with assets that were withdrawn from your Account, you can use the refunded amount in one of the following ways:

1. Pay for Qualified Higher Education Expenses incurred by your Beneficiary in the same calendar year.
2. Roll over the refunded money to another 529 account for the same Beneficiary within 60 days. However, this option is not allowed if a rollover was performed in the past 12 months for the same Beneficiary.
3. Treat the refund as a Non-Qualified Withdrawal and either keep the funds or return them to your Account as a new contribution. The earnings portion of Non-Qualified Withdrawals is subject to applicable federal, state, and local income taxes, including the Federal Penalty on the earnings and possible recapture of state deductions.
4. Roll the money over to another Beneficiary within 60 days. If you select this option, you will also need to provide a signed letter of instruction letting us know that this is an indirect rollover.

Note that only one Rollover can be completed per Beneficiary every 12 months. For additional information about Rollovers, see *Section 4. Opening and Funding Your Account—Contribute to Your Account—Incoming Rollover Contributions.* You may also want to discuss the tax implications with a tax advisor.

Withdrawals Exempt From the Federal Penalty

Death of the Beneficiary

If the Beneficiary dies, you may select a new Beneficiary, withdraw all or a portion of the Account balance, or authorize all or a portion of the Account balance to be withdrawn and paid to the estate of the Beneficiary. Withdrawals that are paid to the estate of the Beneficiary will not be subject to the Federal Penalty, but the earnings portions will be subject to any applicable federal income tax at the recipient's tax rate.

If you select a new Beneficiary who is a Member of the Family of the former Beneficiary, you will not owe any additional federal or New York State income tax or the Federal Penalty. See *Section 8. Maintaining Your Account—Substituting Beneficiaries*.

Withdrawals because of the death of a Beneficiary are not included in computing the New York taxable income of either the Account Owner or the Beneficiary.

Disability of the Beneficiary

If your Beneficiary becomes disabled you can do the following:

1. Select a new Beneficiary.
2. Withdraw all or a portion of the Account balance.
3. Authorize all or a portion of the Account balance to be withdrawn and paid to the Beneficiary.

Disability is defined as the inability to engage in any substantial gainful activity because of a medically determinable physical or mental impairment that can be expected to result in death or to be of long-continued and indefinite duration.

Withdrawals because of Disability of the Beneficiary will not be subject to the Federal Penalty, but the earnings portions will be subject to any applicable federal income tax at the recipient's tax rate. However, these withdrawals will not be subject to New York State income tax for either the Account Owner or the Beneficiary.

If you select a new Beneficiary who is a Member of the Family of the former Beneficiary, you will not owe any additional federal or New York State income tax, or the Federal Penalty. See *Section 8. Maintaining Your Account—Substituting Beneficiaries*.

Receipt of a Qualified Scholarship/Attendance at a Military Academy

If the Beneficiary receives a Qualified Scholarship, you may choose one of the following actions:

1. Select a new Beneficiary.
2. Withdraw from the Account up to the amount of the Qualified Scholarship or, in the case of attendance at a military academy, up to the costs of advanced education attributable to that attendance.
3. Authorize all or a portion of the Account balance to be withdrawn and paid to the Beneficiary without imposition of the Federal Penalty. However, the earnings portions will be subject to any applicable federal income tax at the recipient's tax rate, and recapture of New York State tax deductions previously taken.

If you select a new Beneficiary who is a Member of the Family of the former Beneficiary, you will not owe any additional federal or New York State income tax. See *Section 8. Maintaining Your Account—Substituting Beneficiaries*.

A Qualified Scholarship is an educational allowance or payment given to a student to pay for Qualified Educational Expenses. You should consult a qualified educational or tax advisor to determine whether a particular payment or benefit constitutes a Qualified Scholarship. The entire amount of a withdrawal on account of a Qualified Scholarship is includable in computing the New York taxable income of the Account Owner (other than the portion of any such withdrawal that was not previously deducted from New York personal income tax). These withdrawals to the Beneficiary will not be subject to the Federal Penalty, but the earnings portions will be subject to any applicable federal and New York State income tax at the recipient's tax rate.

Rollovers to Other 529 Plans

You may rollover all or part of the balance of your *Direct Plan* Account to a 529 plan outside of the Program within 60 days of withdrawal without incurring any federal income tax or penalty if:

1. The Rollover is to an account for the same Beneficiary if a Rollover for the same Beneficiary did not occur with the past 12 months.
2. The Rollover is for a new Beneficiary who is a Member of the Family of the prior Beneficiary.

For New York State taxpayers, such Rollovers would be subject to New York State income taxes on the earnings portion, as well as the recapture of any previous New York tax deductions taken for contributions to the Account. See *Section 7. Federal and New York State Tax Considerations—New York State Tax Consequences*.

Transfer Assets to Another Beneficiary Within the Program

If you transfer assets within the Program from one Beneficiary's account to another, as long as the Beneficiaries are members of the same family, the transfer will be treated as a nontaxable transfer of assets for federal and New York State income tax purposes. Such a transfer will be permitted only to the extent that the total balance of all Accounts for the benefit of the new Beneficiary, including the transfer, would not exceed the Maximum Account Balance. See *Section 8. Maintaining Your Account—Substituting Beneficiaries*.

Records Retention

Under current federal and state tax law, you are responsible for obtaining and retaining records, invoices, or other documents and information that are adequate to substantiate:

1. Particular expenses that you claim to be Qualified Higher Education Expenses; and
2. The death or Disability of a Beneficiary, or receipt of a Qualified Scholarship by a Beneficiary.

The Program has no responsibility to provide, or to assist you in obtaining, such documentation.

Section 10. Protections and Limitations

Creditor Protection Under U.S. and New York Law

Bankruptcy legislation protects certain assets in federal bankruptcy proceedings that have been contributed to a 529 plan account. However, bankruptcy protection for 529 plan assets is limited and has certain conditions. To be protected, the Beneficiary must be a child, stepchild, grandchild, or step-grandchild of the individual who files for bankruptcy protection. In addition, contributions made to all 529 plan accounts for the same Beneficiary are protected subject to the following limits:

- Contributions made less than 365 days before the bankruptcy filing are not protected.
- Contributions made between 365 and 720 days before the bankruptcy filing are protected up to $6,225.
- Contributions made more than 720 days before the bankruptcy filing are fully protected.

Under New York law, an Account Owner's assets are exempt from money judgments as follows:

- Fully exempt if the judgment debtor is the Account Owner, who is also the Beneficiary of the Account, and is a minor.
- Fully exempt if the Account is established in connection with a Qualified Scholarship.
- Otherwise, contributions up to $10,000 are exempt if the judgment debtor is the Account Owner.

This information is not meant to constitute individual tax or bankruptcy advice. Please consult your own advisors concerning your individual circumstances.

No Assignments or Pledges

Neither you nor your Beneficiary can use your *Direct Plan* Account or a portion of the Account as collateral for a loan. The Account cannot be assigned, transferred, or pledged as security for a loan (including, but not limited to, a loan used to make contributions to the Account) either by you or your Beneficiary. However, you can transfer your Account because of the following:

- A change of Beneficiary.
- A transfer within the Program to an Account with the same Beneficiary or a new Beneficiary who is a Member of the Family of the original Beneficiary.
- A Rollover to a 529 plan outside of the Program for an Account with the same Beneficiary or a new Beneficiary who is a Member of the Family of the original Beneficiary.
- A transfer of Account ownership to a new Account Owner.
- A transfer of Account ownership to a Successor Account Owner.

Any pledge of an interest in an Account will be of no force and effect.

Certain Rights of the Program Administrators

The Program Administrators reserve the right to:

- Refuse, change, discontinue, or temporarily suspend Account services, accept contributions and processing withdrawal requests for any reason, including, but not limited to, a closure of the NYSE for any reason other than its usual weekend or holiday closings, any period when trading is restricted by the SEC, or any emergency circumstances.
- Delay sending out the proceeds of a withdrawal request for up to seven days.

Account Restrictions

In addition to rights expressly stated elsewhere in this Disclosure Booklet, we reserve the right to:

- Freeze an Account and/or suspend Account services when the Program has received reasonable notice of a dispute regarding the assets in an Account, including notice of a dispute in Account ownership, or when the Program reasonably believes a fraudulent transaction may occur or has occurred.
- Freeze an Account and/or suspend Account services upon the notification to the Program of the death of an Account Owner until the Program receives required documentation in good order and reasonably believes that it is lawful to transfer Account ownership to the Successor Account Owner.
- Redeem an Account, without the Account Owner's permission, in cases of threatening conduct or suspicious, fraudulent, or illegal activity.
- Reject a contribution for any reason, including contributions for the *Direct Plan* that the Program Manager or the Program Administrators believe are not in the best interest of the *Direct Plan*, 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.

Section 11. Plan Governance and Administration

Who's Who in the Program

The Trust

The New York State College Choice Tuition Savings Program Trust Fund (Trust) is a statutory trust created by the New York State Legislature specifically for the purpose of holding and investing the Program's assets. Trust assets are segregated from, and not commingled with, other assets. Although the Comptroller, as trustee of the Trust, is the legal owner of all Trust investments, these investments are held solely for the benefit of Account Owners. An investment in the Program is an investment in municipal fund securities. These securities are issued and offered by the Trust. Although money contributed to an Account will be invested in Portfolios that hold mutual funds (among other types of investments), keep in mind that neither the Trust, the *Direct Plan*, nor any of the *Direct Plan*'s Portfolios are mutual funds. An investment in the Program is not an investment in shares of any mutual fund.

The Program

The New York State College Choice Tuition Savings Program includes a directly offered plan and an advisor-sold plan. The directly offered plan is New York's 529 College Savings Program *Direct Plan*, for which The Vanguard Group, Inc., serves as the Investment Manager. The advisor-sold plan is New York's 529 Advisor-Guided College Savings Program, for which J.P. Morgan Investment Management Inc. serves as the Investment Manager. Upromise Investments, Inc., serves as the Program Manager for both plans.

The Program Administrators

The Comptroller and HESC together are the Program Administrators and are responsible for implementing the Program and establishing rules to govern the Program. Generally, the Comptroller and HESC act jointly with respect to the Program. The Comptroller oversees the investment of all assets of the Program, which the Comptroller holds as trustee of the Trust. If requested by an Account Owner, HESC transmits payments to educational institutions and is responsible for related matters. For more information about the Comptroller and HESC, see *The Comptroller and HESC* later in this section.

The Program Manager

Upromise Investments, Inc., serves as the Program Manager. Upromise Investments is responsible for the day-to-day operations of the Program. Pursuant to the Management Agreement, Upromise Investments has overall responsibility for the management, administration, distribution, recordkeeping, and transfer-agency services provided to the Program. In certain circumstances, Upromise Investments will also assist Vanguard Marketing Corporation, an affiliate of The Vanguard Group, Inc., with marketing and distribution of the *Direct Plan*.

The Program Manager's term under the Management Agreement extends to May 6, 2019, subject to earlier termination in certain circumstances. Upromise Investments, Inc., is an affiliate of Upromise, Inc.

Direct Plan Investment Manager

The Vanguard Group, Inc., is the *Direct Plan*'s Investment Manager. Vanguard is responsible for the following:

- Investing the *Direct Plan*'s assets, subject to oversight by the Comptroller.
- Marketing and distributing the Program.
- In certain circumstances, administering services pursuant to the Management Agreement and to certain related agreements between it and Upromise Investments.

The Investment Manager's term under the Management Agreement and related subcontracts extends to May 6, 2019, subject to earlier termination in certain circumstances. "Vanguard" is used to refer collectively or individually, as the case requires, to The Vanguard Group, Inc., Vanguard Marketing Corporation, and their affiliates.

The Comptroller and HESC

The Comptroller and HESC are jointly responsible for implementing and administering the Program. The Comptroller is the administrative head of the Department of Audit and Control, commonly known as the Office of the State Comptroller. The Comptroller is New York State's chief fiscal officer and auditor and is responsible, as sole trustee of the New York State and Local Retirement System and the New York State and Local Police and Fire Retirement System, for more than $158.7 billion in assets as of June 30, 2013. In addition to administering the *Direct Plan*, the Office of the State Comptroller performs the State of New York's pre- and post-audit functions, monitors and reports on other public entities, and works to ensure that New York State and its local governments are discharging their responsibilities in an efficient, effective, and timely manner.

HESC is an agency of the State of New York created to improve the postsecondary educational opportunities for eligible students of New York State through financial aid and loan programs. In addition to its administration of the *Direct Plan*, HESC coordinates the State of New York's administrative efforts in student financial aid and loan programs with those of the federal government.

Legal and Other Contractual Matters

Compliance With New York Retirement and Social Security Law

The Trust is subject, on an aggregate basis, to the investment limitations set forth in Article 4-A of the New York State Retirement and Social Security Law (Article 4-A), as modified by Article 6 of the New York State Finance Law. Among other things, Article 4-A restricts the amount that the Trust can invest in stocks, either directly or through the Underlying Funds. However, it is possible that Account Owners will allocate their assets among the various Portfolios and among investment options available under the Program in such a way that the Trust, in the aggregate, would exceed the statutory limit for stocks.

If this occurs, the Program Administrators will direct that certain Portfolios that invest all or partly in stocks reduce their investment in stocks (and increase their investment in bonds or other securities) to the extent necessary for the Trust to comply in the aggregate with the limitation imposed by Article 4-A on stock investments. If this were to happen, appropriate notice (in account statements and on nysaves.org) would be made to affected Account Owners.

Securities Laws

The staff of the U.S. Securities and Exchange Commission (SEC) has advised the Comptroller and HESC that it will not recommend any enforcement action to the SEC if, among other things, the Program distributes the interests in the Trust and the Tuition Savings Agreements in reliance upon the exemption from registration provided in Section 3(a)(2) under the Securities Act of 1933, as amended, in reliance on an opinion of counsel to the staff of the SEC to that effect. In addition, the Comptroller and HESC have received a "no action" letter from the New York State Attorney General confirming that the Program may conduct the offering of the Trust interests and the Tuition Savings Agreements in New York without registration under New York State securities laws. The Trust interests and the Tuition Savings Agreements are not required to be registered under the securities or "blue sky" laws of any other state or other jurisdiction; therefore, under current law, interests in the Trust and Tuition Savings Agreements may be offered to individuals in all 50 states and the District of Columbia.

Continuing Disclosure and Financial Audits

Certain financial information and operating data (the Annual Information) relating to the Trust will be filed by or on behalf of the Trust in electronic form with the Electronic Municipal Market Access system (the EMMA System). The Municipal Securities Rulemaking Board (MSRB), as the sole repository for the central filing of electronic municipal securities disclosure, maintains the EMMA System. The MSRB functions in accordance with a Continuing Disclosure Certificate relative to the Program pursuant to Rule 15c2-12 of the Securities Exchange Act of 1934. Notices of certain enumerated events will be filed by or on behalf of the Trust with the MSRB.

The Program Manager is responsible for preparing annual financial statements for the Trust, which are audited by a nationally recognized firm of independent certified public accountants. The financial statements for 2012 have been audited by PricewaterhouseCoopers. The Annual Information is hereby incorporated by reference herein.

Conflicts With Applicable Law

This Disclosure Booklet is for informational purposes only. In the event of any conflicts between the description of the Program contained here and any requirement of federal or New York law applicable to the matters addressed here, that legal requirement will prevail over this Disclosure Booklet. Applicable federal or New York State law will govern all matters pertaining to the Program that are not discussed in this Booklet.

Information Subject to Change

Statements contained in this Disclosure Booklet that involve estimates, forecasts, or matters of opinion, whether or not so expressly described, are intended solely as such and are not to be construed as representations of fact.

Not an Offer to Sell

This Disclosure Booklet does not constitute an offer to sell or the solicitation of an offer to buy. There will not be any sale of a security described in this Booklet by any person in any jurisdiction in which it is unlawful to make an offer, solicitation, or sale.

Certain Contractual Matters

As Program Manager, Upromise Investments is responsible for the performance of investment management, administrative, recordkeeping, reporting, regulatory, tax-reporting, marketing, and other services in connection with the operation of the *Direct Plan* in conformance with certain standards established in the Management Agreement. As Investment Manager, Vanguard is directly responsible for the distribution and investment management of the *Direct Plan* in conformance with certain standards established in the Management Agreement and certain related agreements.

Upromise Investments has delegated certain services that it is obligated to perform pursuant to the Management Agreement, with respect to the *Direct Plan*, with the consent of the Comptroller and HESC.

The Management Agreement and related agreements provide that no delegation by Upromise Investments and Vanguard will relieve them of any of their respective responsibilities as Program Manager and Investment Manager, as applicable. Upromise Investments and Vanguard will be responsible for the performance of the services by their respective delegates. References to Upromise Investments or Vanguard in this Disclosure Booklet include, as relevant, any entity to which Upromise or Vanguard delegates its duties to perform services.

Termination of Upromise Investments' participation in the *Direct Plan* as Program Manager or of Vanguard's participation in the *Direct Plan* as Investment Manager may not lead to termination of the other's participation in the *Direct Plan*.

Under the terms of the Management Agreement and certain related agreements, Upromise Investments and Vanguard are required to treat all Account Owner and Beneficiary information confidentially. Upromise Investments and Vanguard are prohibited from using or disclosing this information, except as may be necessary to perform their obligations under the terms of the agreements.

Custodian Arrangements

The Bank of New York Mellon Corporation is the custodian of account assets for the *Direct Plan*.

Section 12. Glossary

The following terms are used throughout this Disclosure Booklet.

Account: An account in the *Direct Plan* established by an Account Owner for a Beneficiary.

Account Owner or You: An individual 18 years or older, an emancipated minor (as determined by New York law), a trust, an estate, a partnership, an association, a company, a corporation, or a qualified custodian under the Uniform Gifts to Minors Act/Uniform Transfers to Minors Act, who signs an Enrollment Application establishing an Account. In certain cases, the Account Owner and Beneficiary may be the same person.

***Advisor-Guided Plan*:** New York's 529 Advisor-Guided College Savings Plan. The *Advisor-Guided Plan* is sold exclusively through financial advisors and offers investment options that are not available under the *Direct Plan*. The fees and expenses of the *Advisor-Guided Plan* are higher and include financial advisor compensation. Please see **ny529advisor.com** for more information.

Age-Based Option: An Investment Option in which the asset allocation is based on the Beneficiary's age and becomes more conservative as the Beneficiary gets closer to college age.

AIP or Automatic Investment Plan: A service in which an Account Owner authorizes the *Direct Plan* to transfer money, on a regular and predetermined basis, from a bank or other financial institution to an Account in the *Direct Plan*.

Associated Persons: A collective way to refer to New York State, the Comptroller, HESC, all agencies, instrumentalities and funds of New York State, the Trust, Upromise Investments, Vanguard, and their respective affiliates, officials, officers, directors, employees, and representatives of the *Direct Plan*.

Beneficiary: The individual designated by an Account Owner to receive the benefit of an Account.

The Code: Internal Revenue Code of 1986, as amended.

The Comptroller: The Office of the State Comptroller of New York State.

Custodian: An individual who opens an Account on behalf of a minor Beneficiary with assets from an UGMA/UTMA account.

Disabled or Disability: Condition of a Beneficiary who is unable to perform any substantial gainful activity because of any medically determinable physical or mental impairment that can be expected to result in death or to be of long-continued and indefinite duration. Medical documentation will be required to verify this condition. See *IRS Publication 970*, available at **irs.gov/publications/p970/**.

DTF: The New York State Department of Taxation and Finance.

EBT or Electronic Bank Transfer: A service in which an Account Owner authorizes the *Direct Plan* to transfer money from a bank or other financial institution to an Account in the *Direct Plan*.

Eligible Educational Institution: An institution as defined in Section 529(e) of the Code. Generally, the term includes accredited postsecondary educational institutions or vocational schools in the United States and some accredited postsecondary educational institutions or vocational schools abroad that offer credit toward a bachelor's degree, an associate's degree, a graduate-level or professional degree, or another recognized postsecondary credential. The institution must be eligible to participate in a student financial aid program under Title IV of the Higher Education Act of 1965 (20 U.S.C. §1088). You can generally determine whether a school is an Eligible Education Institution by searching for its Federal School Code (identification number for schools eligible for Title IV financial aid programs) at **fafsa.ed.gov**.

Enrollment Application: A participation agreement between an Account Owner and the Trust, establishing the obligations of each and prepared in accordance with the provisions of the *Direct Plan*.

Expense Ratio: The percentage of a Portfolio's average net assets used to pay its annual administrative and advisory expenses. These expenses directly reduce returns to investors. The expense ratio includes a Portfolio's proportionate share of operating, administrative, and advisory expenses of the Underlying Funds.

Federal Penalty: A federal surtax required by the Code that is equal to 10% of the earnings portion of a Non-Qualified Withdrawal.

Fees: The cost you incur when investing in the *Direct Plan*. The fees are:

- **Total Annual Asset-Based Fee:** The total fee you pay for investing in the *Direct Plan*. This fee consists of the Underlying Fund Fee and the Program Management Fee. The Total Annual Asset-Based Fee is deducted from the returns of each Portfolio.
  - — **Underlying Fund Fee:** This fee includes investment advisory fees, as well as administrative and other expenses, which are paid to Vanguard as applicable.
  - — **Program Management Fee:** The Program Manager and Investment Manager receive this fee for administration and management of the *Direct Plan*. This fee is intended to provide all income to the Program Manager necessary to cover the expenses of administering and managing the *Direct Plan*.

Financial Aid: Any grant or scholarship, loan, or paid employment offered to help a student pay for college expenses.

HESC: The New York State Higher Education Services Corporation.

Incoming Rollover Contribution: Money transferred from a 529 plan outside of the Program to your Account in the Program. Incoming Rollovers can be Direct Rollovers or Indirect Rollovers.

Indirect Rollover: The transfer of money from an account in a 529 plan outside of the Program to the Account Owner, who then contributes the money to an Account in the Program. To avoid federal income tax consequences, money received in an Indirect Rollover must be contributed to your Account within 60 days of the distribution.

Individual Portfolio: Investment Options that are multi-fund or single-fund Portfolios that do not change as the Beneficiary ages.

Investment Exchange: A reallocation of assets in your Account from one Investment Option to another. You can change your Investment Options once per calendar year.

Investment Manager: The Vanguard Group, Inc.

Investment Option: The Age-Based Options and Individual Portfolios available for investment in the *Direct Plan*.

IRS: The Internal Revenue Service.

Management Agreement: An agreement among the Comptroller, HESC, Upromise Investments, Vanguard, and certain other entities to provide the *Direct Plan* with administrative, Account servicing, marketing and promotion, and investment management services. The Management Agreement is now effective and will terminate in 2019, or earlier as provided by its terms.

Maximum Account Balance: The maximum aggregate balance of all accounts for the same Beneficiary in Qualified Tuition Programs sponsored by the State of New York, as established by the Program Administrators from time to time, which will limit the amount of contributions that may be made to Accounts for any one Beneficiary, as required by Section 529 of the Code. The current Maximum Account Balance is $375,000.

Member of the Family: An individual as defined in Section 529(e)(2) of the Code. Generally, this definition includes a Beneficiary's immediate family members. A Member of the Family means an individual who is related to the Beneficiary as follows:

- A son, daughter, stepson or stepdaughter, or a descendant of any such person;
- A brother, sister, stepbrother, or stepsister;
- The father or mother, or an ancestor of either;
- A stepfather or stepmother;
- A son or daughter of a brother or sister;
- A brother or sister of the father or mother;
- A son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, or sister-in-law;
- The spouse of the Beneficiary or the spouse of any individual described above; or
- A first cousin of the Beneficiary.

For purposes of determining who is a Member of the Family, a legally adopted child or a foster child of an individual is treated as the child of that individual by blood. The terms "brother" and "sister" include half-brothers and half-sisters.

Minimum Contribution: The minimum amount you can deposit into your account. The minimum amount is $25 ($15 when investing through payroll deduction).

Non-Qualified Withdrawals: A distribution from an Account that is not one of the following:

- A Qualified Withdrawal;
- A distribution paid to a beneficiary of the Beneficiary (or the estate of the Beneficiary) on or after the death of the Beneficiary;
- A distribution by reason of the Disability of the Beneficiary;
- A distribution by reason of the receipt of a Qualified Scholarship or Tuition Assistance by the Beneficiary (to the extent the amount withdrawn does not exceed the amount of the scholarship);
- A distribution by reason of the Beneficiary's attendance at certain specified military academies;
- A distribution resulting from the use of Education Credits as allowed under federal income tax law; or
- A Rollover Distribution to another Qualified Tuition Program that is not sponsored by the State of New York in accordance with the Code, with appropriate documentation.

NYSE: New York Stock Exchange.

Plan: New York's 529 College Savings Program *Direct Plan*.

Portfolio: An investment vehicle which invests in one or more mutual funds or accounts managed by Vanguard. There are two types of Portfolios: "Multi-Fund Individual Portfolios" and "Single-Fund Individual Portfolios."

Portfolio Unit or Unit: An interest in a Portfolio.

Program: The New York State College Choice Tuition Savings Program. The Program includes the directly offered plan that is described in this Disclosure Booklet (the *Direct Plan*) and a separate plan that is offered through financial advisors that is described in a separate Disclosure Booklet (the *Advisor-Guided Plan*).

Program Administrators: The Comptroller and HESC.

Program Management Services: The services provided to the Accounts, the Trust, and the *Direct Plan* by the Program Manager and its affiliate, Upromise Investment Advisors, LLC, pursuant to the terms of the Management Agreement. These services include recordkeeping and other administrative services.

Program Manager: Upromise Investments, Inc.

Qualified Withdrawal: A distribution from an Account that is used to pay Qualified Higher Education Expenses of a Beneficiary at an Eligible Educational Institution.

Qualified Higher Education Expenses: Qualified higher education expenses as defined in the Code and as may be further limited by the *Direct Plan*. Generally, these include the following:

- Tuition, fees, and the costs of textbooks, supplies, and equipment required for the enrollment or attendance of a student at an Eligible Educational Institution;
- Certain costs of room and board of a student for any academic period during which the student is enrolled at least half-time at an Eligible Educational Institution; and
- Expenses for "special needs" students that are necessary in connection with their enrollment or attendance at an Eligible Educational Institution.

Qualified Rollovers: A transfer of funds from one 529 plan account to another 529 plan account. There will not be any adverse federal tax consequences if certain conditions are met.

Qualified Scholarship: An educational allowance or payment given to a student to pay for Qualified Higher Educational Expenses.

Qualified Tuition Program: A program designed to allow you to either prepay or contribute to an account established for paying a student's expenses at an Eligible Educational Institution. Qualified Tuition Programs, also known as 529 plans, are sponsored by states, state agencies, or educational institutions and are authorized by Section 529 of the Code.

Qualified U.S. Savings Bond: A qualified U.S. Savings Bond is a series EE bond issued after 1989 or a series I bond. The bond must be issued either in your name (as the sole owner) or in the names of both you and your spouse (as co-owners). The owner must be at least 24 years old before the bond's issue date. The issue date is printed on the front of the savings bond.

Return: A percentage change, over a specified time period, in Unit price.

Rollover Distribution: A distribution to a 529 plan account outside of the Program for the benefit of the same Beneficiary or for the benefit of a Member of the Family of the Beneficiary. Only one Rollover Distribution is allowed in a 12-month period for the same Beneficiary. A distribution to a 529 plan outside of the Program may result in adverse tax consequences.

Successor Account Owner: The person named in the Enrollment Application, or otherwise to the *Direct Plan*, by the Account Owner to take control of the Account if the Account Owner dies. The Successor Account Owner may be the Beneficiary if the Beneficiary has reached the Age of Majority.

Treasury Department: United States Department of the Treasury.

Trustee: The Comptroller of the State of New York is the trustee of the Trust and is the legal owner of all Trust investments.

Trust: The New York State College Choice Tuition Savings Program Trust Fund, as established by the New York State Legislature. When you invest in the *Direct Plan*, you are purchasing Portfolio Units issued by the Trust.

Tuition Assistance Program: Financial aid and other types of programs designed to help students pay their tuition and fees at Eligible Educational Institutions.

Tuition Savings Agreement: The document that spells out the terms under which you agree to participate in the *Direct Plan*.

Underlying Funds or Funds: Underlying mutual funds or other investments that make up the Portfolios.

UGMA/UTMA: Uniform Gifts to Minors Act/Uniform Transfers to Minors Act.

Ugift: A program in which you may invite family and friends to contribute to your *Direct Plan* Account by using specifically coded coupons.

Upromise Investments: This term refers collectively or individually, as the case requires, to Upromise Investments, Inc., Upromise Investment Advisors, LLC, and their affiliates.

Upromise Service: A rewards account where you earn a percentage of what you spend on eligible everyday purchases.

Vanguard: The Vanguard Group, Inc., Vanguard Marketing Corporation, and their affiliates.

We, Our, or Us: The New York 529 College Savings Program *Direct Plan*.

Section 13. The *Direct Plan*'s Privacy Policy

New York State Personal Privacy Protection Law Notice

Personal information is being requested from you by the employees, agents, or representatives of the following entities: the Comptroller; HESC; Upromise Investments, Inc.; and The Vanguard Group, Inc.

Personal information you submit will be maintained in the records of New York's 529 College Savings Program *Direct Plan*. Upromise Investments and Vanguard are responsible for maintaining those records. They may be contacted by mail at P.O. Box 55440, Boston, MA 02205-8323 or by telephone at 1-877-NYSAVES.

Personal information is collected from you under the authority of the New York State College Choice Tuition Savings Program Act (Article 14-A of the New York Education Law) and Section 529 of the Code. The personal information you submit will be used to maintain records of your contributions to the Program and the earnings on those contributions. It will also be used to process transactions you request. If you decline to submit the requested information it may be impossible for you to be enrolled in the Program or for the Program to process transactions you request.

Section 14. New York's College Savings Program *Direct Plan* Tuition Savings Agreement

I hereby agree with, and represent and warrant to, the Comptroller of the State of New York, as Trustee of the Trust, on behalf of myself and my Beneficiary, as follows. Each capitalized term used but not defined in this Tuition Savings Agreement (Agreement) has the meaning that term has in the Disclosure Booklet:

A. 1. I have accepted, read, and understand the Disclosure Booklet, this Agreement, and the Enrollment Application as currently in effect. I have been given the opportunity to obtain answers to all of my questions concerning the Program, the Trust, the Account, and this Agreement. In making a decision to open an Account and enter into this Agreement, I have not relied upon any representations or other information, whether oral or written, other than as set forth in the Disclosure Booklet and this Agreement.

2. I certify that I am at least 18 years of age, and a citizen or a resident of the United States of America. The Beneficiary of the Account also is a citizen or a resident of the United States of America.

3. I am opening this Account solely to provide funds for Qualified Higher Education Expenses.

4. I understand that I am solely responsible for determining which Qualified Tuition Program is best suited to my needs and objectives. I understand that the Investment Options within the *Direct Plan* may not be suitable, and that the *Direct Plan* may not be suitable, for all investors as a means of saving and investing for higher education costs. I have determined that an investment in the *Direct Plan* is a suitable investment for me as a means of saving for the Qualified Expenses of the Beneficiary.

5. I recognize that investment in the *Direct Plan* involves certain risks, including, but not limited to, those referred to in *Section 3* and *Section 5* of the Disclosure Booklet, and I understand these risks and have taken them into consideration in making my investment decisions. I understand and agree that there is no guarantee that any investment objectives described in the Disclosure Booklet will be realized and that none of the State of New York; the Comptroller; HESC; any agency or instrumentality of the federal government or the State of New York; any fund established by the State of New York or through operation of New York law for the benefit of holders of insurance contracts or policies generally; Upromise Investments or any of its affiliates; Vanguard or any of its affiliates; any successor Program Manager or Investment Manager; any agent, representative, or subcontractor retained in connection with the Program (together, the *Direct Plan* Officials); or any other person makes any guarantee of, insures, or has any legal or moral obligation to insure either the ultimate payout of all or any portion of the amount contributed to my Account or any investment return, or an investment return at any particular level, on my Account.

6. I understand that contributions to a Portfolio will be invested in one or more of the Underlying Funds. I will not own shares of or interests in the Underlying Funds. Instead, I will own interests in the Trust.

7. I cannot use my Account as collateral for any loan. I understand that any attempt to use my Account as collateral for a loan would be void. I also understand that the Trust will not lend any assets to my Beneficiary or to me.

8. I understand that the Program Manager has the right to provide a Financial Advisor identified by me to the *Direct Plan* with access to financial and other information regarding my Account.

9. The *Direct Plan* Officials, individually and collectively, are not: (i) liable for a failure of the Program to qualify or to remain a Qualified Tuition Program under the Code including any subsequent loss of favorable tax treatment under state or federal law; (ii) liable for any loss of funds contributed to my Account or for the denial to me or my Beneficiary of a perceived tax or other benefit under the *Direct Plan*, the Trust or the Enrollment Application; or (iii) liable for loss caused directly or indirectly by government restrictions, exchange or market rulings, suspension of trading, war, acts of terrorism, strikes, or other conditions beyond their control.

10. I understand and agree that there is no guarantee or commitment whatsoever of or from the *Direct Plan* Officials, or any other person that (i) the Beneficiary of my Account will be admitted to any institution (including any Eligible Educational Institution); (ii) upon admission to an institution, the Beneficiary will be permitted to continue to attend; (iii) the Beneficiary will receive a degree from any institution; (iv) New York State residency will be created for tax status, financial aid eligibility, or any other purpose for the Beneficiary because the individual is a Beneficiary of an Account; or (v) contributions to my Account plus the earnings thereon will be sufficient to pay the Qualified Higher Education Expenses of the Beneficiary. I acknowledge that the Beneficiary of my Account has no rights or legal interest with respect to the Account (unless the Account is an UGMA/UTMA account or I am both the Account Owner and the Beneficiary).

11. I understand and agree that neither I nor my Beneficiary will be permitted to have any role in the selection or retention of the Program Manager or Investment Manager or to direct the investment of my Account other than through my selection of Investment Options, and that, once invested in a particular Investment Option, contributions and earnings thereon may only be transferred to another Investment Option once per calendar year, or otherwise when I select a new Beneficiary of my Account.

12. I understand and agree that Upromise Investments may not necessarily continue as Program Manager, and Vanguard may not necessarily continue as Investment Manager, for the entire period that my Account is open, and even if they do, that there is no assurance that the terms and conditions of the current Management Agreement will continue without material change, and that there are, accordingly, various potential consequences I should take into consideration as discussed in the Disclosure Booklet under *Section 3. Your Risks—Potential Changes to the Program, Program Manager, and Investment Manager*.

13. The following sentence is applicable for individuals executing this Agreement in a representative or fiduciary capacity: I have full power and authority to enter into and perform this Agreement on behalf of the individual named as Account Owner. If I am establishing an Account as a custodian for a minor under UGMA/UTMA, I understand and agree that I assume responsibility for any adverse consequences resulting from establishing this Account.

14. I understand and acknowledge that I have not been advised by the *Direct Plan* Officials or any other person to invest, or to refrain from investing, in a particular Investment Option.

B. Penalties and Fees. I understand and agree that if I make a Non-Qualified Withdrawal, I will be subject to the Federal Penalty on the earnings portion of that withdrawal and that the Federal Penalty will be payable in addition to, and along with, my federal income tax for the year of the Non-Qualified Withdrawal. In addition, I understand and agree that I may be subject to other fees, charges, or penalties in the future, as described in the Disclosure Booklet.

C. Necessity of Qualification. I understand that the Program is intended to be a Qualified Tuition Program under Section 529 of the Code and to achieve favorable New York State tax treatment under New York State law. I agree that the Comptroller and HESC may make changes to the Program, this Agreement, and the Disclosure Booklet at any time if the Comptroller and HESC determine that such changes are necessary for the continuation of the federal income tax treatment provided by Section 529 of the Code or the favorable New York State treatment provided by New York State law, or any similar successor legislation. I acknowledge that I am not relying on the *Direct Plan* Officials as my tax consultant or financial planner.

D. Effectiveness of This Agreement. This Agreement shall become effective upon the opening of my Account on the records of the Program.

E. Contributions and Account Balance. I understand and agree that I will not make contributions to my Account in excess of the amount that I believe may be necessary to pay the Qualified Higher Education Expenses of the Beneficiary and that I may not make a contribution to my Account if the aggregate balance, including the proposed contribution, of all Accounts for the same Beneficiary would exceed the Maximum Account Balance limit to be determined periodically by the Program Administrators in conformance with federal requirements. I also understand and agree that any portion of an attempted contribution to my Account that, along with existing balances of all Accounts for the Beneficiary, would exceed the then-current Maximum Account Balance will be returned to me.

F. Applicability of Rules and Regulations of the Comptroller and Finality of Decisions and Interpretations. I understand and agree that my Account and this Agreement are subject to those rules and regulations as the Comptroller may promulgate in accordance with New York State law. I also understand and agree that all decisions and interpretations by the *Direct Plan* Officials in connection with the operation of the Program shall be final and binding on each Account Owner, Beneficiary, and any other person affected by those decisions and interpretations.

G. Indemnity. I understand that the establishment of my Account will be based upon my agreements, representations, and warranties set forth in this Agreement. I agree to indemnify and hold harmless the *Direct Plan* Officials from and against any and all loss, damage, liability, or expense, including reasonable attorney's fees, that any of them may incur by reason of, or in connection with, any misstatement or misrepresentation made by me in this Agreement or otherwise with respect to my Account and any breach by me of any of the agreements, representations, or warranties contained in this Agreement. All of my agreements, representations, and warranties shall survive the termination of this Agreement.

H. Binding Nature; Third-Party Beneficiaries. This Agreement shall survive my death and shall be binding upon my personal representatives, heirs, successors, and assigns. Each of the *Direct Plan* Officials is a third-party Beneficiary of, and can rely upon and enforce, any of my agreements, representations, and warranties in this Agreement.

I. Amendment and Termination. The Comptroller may amend this Agreement, or the Program may be suspended or terminated, at any time. But unless it is permitted by law, my Account will continue to benefit my Beneficiary or the Beneficiary selected by my Successor Account Owner.

J. Governing Law. This Agreement is governed by New York law. I and the Comptroller, as Trustee of the Trust, submit to exclusive jurisdiction of courts in New York for all legal proceedings arising out of or relating to this Agreement.

K. Survival. I understand and agree that my statements, representations, warranties and covenants will survive the termination of my Account.

New York's 529 College Savings Program *Direct Plan*

P.O. Box 55440
Boston, MA 02205-8323

E-mail: ny529@nysaves.org

Telephone: 1-877-NYSAVES (1-877-697-2837)

Website: nysaves.org

The Comptroller of the State of New York and the New York State Higher Education Services Corporation are the Program Administrators and are responsible for implementing and administering the *Direct Plan*. Upromise Investments, Inc., and Upromise Investment Advisors, LLC serve as Program Manager and Recordkeeping and Servicing Agent, respectively, and are responsible for day-to-day operations, including effecting transactions. The Vanguard Group, Inc., serves as the Investment Manager. Vanguard Marketing Corporation markets, distributes, and underwrites the *Direct Plan*.

No guarantee: None of the State of New York, its agencies, the Federal Deposit Insurance Corporation (FDIC), The Vanguard Group, Inc., Upromise Investments, Inc., nor any of their applicable affiliates insures accounts or guarantees the principal deposited therein or any investment returns on any Account or Portfolio.

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NY529BW

New York's 529 College Savings Program *Direct Plan*

Enrollment Application

NY's 529 College Savings Program

IMPORTANT INFORMATION ABOUT OPENING A NEW ACCOUNT. We are required by federal law to obtain from each person who opens an account certain personal information—including name, street address, and date of birth among other information—that will be used to verify identity. If you do not provide us with this information, we will not be able to open the account. If we are unable to verify your identity, we reserve the right to close your account or take other steps we deem reasonable.

- Complete this form to establish an account, or open an account at **www.nysaves.org**.
- Your initial investment, including contributions by check, transfer, or rollover, must total at least $25.
- Print clearly, preferably in capital letters and black ink.

To order any form—or get assistance in filling out this one—call us toll-free at **1-877-NYSAVES** (1-877-697-2837) on business days from 8 a.m. to 9 p.m., Eastern time. Return this form and any other required documents in the enclosed postage-paid envelope, or mail to: **New York's 529 College Savings Program *Direct Plan*, P.O. Box 55440, Boston, MA 02205-8323**. For overnight delivery or registered mail, send to: **New York's 529 College Savings Program *Direct Plan*, 95 Wells Avenue, Suite 155, Newton, MA 02459-3204**.

1. Account Type

- Select one of the account types below. If you do not select an account type, we will open an individual account for you.

☐ **Individual account.**

☐ **UGMA/UTMA account.** I am opening this account with assets liquidated from an UGMA/UTMA custodial account. *I understand that this may be a taxable event.*

Indicate the state (please abbreviate) under the laws of which the UGMA/UTMA custodial account was opened.

☐ **Trust account.** I am opening this account under an existing trust. *(With this Enrollment Application, you must include copies of the first and last pages of the trust agreement—sometimes called the "execution pages"—containing the name of the trust, the date of the trust, and the names and signatures of the original and current trustees.)*

☐ **Business entity/Other entity.** I am opening this account as a corporation, partnership, association, nonprofit, or state/local government scholarship. *(With this Enrollment Application, you must include documents proving the entity was legally formed, and that you are authorized to sign for the entity. We may request additional information from you if the documents you include are incomplete.)*

REMEMBER TO SIGN IN SECTION 10.

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2. Account Owner Information *(This person owns and controls the account.)*

- Only an account owner who is a New York State taxpayer can claim the New York State income tax deduction for his or her contributions.
- If the account owner is a minor, also complete **Section 5**.

Legal Name of Individual or Custodian *(first, middle initial, last)*, **Trust, or Business/Entity**

Social Security Number or Other Taxpayer ID Number

Birth Date/Trust Date *(month, day, year)*

Citizenship *(If not a U.S. citizen, please indicate country of citizenship.)*:

Permanent Street Address or APO/FPO *(A P.O. box or rural route number is **not** acceptable.)*

City

State

Zip

Account Mailing Address if Different From Above *(This address will be used as the account's address of record and for all account mailings.)*

City

State

Zip

Daytime Telephone Number

Evening Telephone Number

E-mail Address

3. Beneficiary Information *(This individual is the future student.)*

- You may designate only one beneficiary per account.

Note: You can change your beneficiary at any time to another beneficiary who is an eligible "member of the family" of the original beneficiary that you designate below. Refer to the Disclosure Booklet and Tuition Savings Agreement for more information.

Legal Name of Beneficiary *(first, middle initial, last)*

Social Security Number or Individual Taxpayer ID Number

Birth Date *(month, day, year)*

Citizenship *(If not a U.S. citizen, please indicate country of citizenship.)*:

4. Successor Account Owner Information *(optional)*

- The successor account owner will take control of your account in the event of your death.
- You may revoke or change the successor account owner at any time. Refer to the Disclosure Booklet and Tuition Savings Agreement for more information.
- You can have only one successor account owner per account, and he or she must be a U.S. citizen or resident alien.

Name *(first, middle initial, last)*

Birth Date *(month, day, year)*

5. Designated Parent/Guardian Information

- Complete this section only if the person listed in **Section 2** is a minor.

Name of Parent or Guardian *(first, middle initial, last)*

– –
Social Security Number or Individual Taxpayer ID Number

/ /
Birth Date *(month, day, year)*

6. Investment Options

- You can invest your contributions in the age-based options, individual portfolios, or a combination of these. Refer to the Disclosure Booklet and Tuition Savings Agreement for more information.
- You may **choose up to five** of the investments listed below.
- You must **allocate at least 5%** of your contributions to each investment you choose, using whole percentages only.
- Your investment percentages **must total 100%**.

Please remember to:

- Choose no more than five investments.
- Use whole numbers—no fractions or decimals.
- Allocate at least 5% to each investment you choose.

Age-Based Options *(Your investment mix automatically becomes more conservative as the beneficiary nears college age.)*

Conservative Age-Based Option	%
Moderate Age-Based Option	%
Aggressive Age-Based Option	%

Individual Portfolios *(Your investment mix changes only on your instructions.)*

Stock Portfolios:

Aggressive Growth Portfolio	%
Developed Markets Index Portfolio	%
Growth Stock Index Portfolio	%
Mid-Cap Stock Index Portfolio	%
Small-Cap Stock Index Portfolio	%
Value Stock Index Portfolio	%

Balanced Portfolios:

Conservative Growth Portfolio	%
Growth Portfolio	%
Moderate Growth Portfolio	%

Bond Portfolios:

Bond Market Index Portfolio	%
Income Portfolio	%
Inflation-Protected Securities Portfolio	%

Short-Term Investments Portfolio:

Interest Accumulation Portfolio	%

TOTAL **100** %

7. Initial Contribution

- The minimum initial contribution is $25 ($15 if contributing by payroll deduction).
- If you send one check that combines contributions from more than one source (for example, a $5,000 check that includes $2,500 from your bank account and $2,500 from an education savings account), mark each contribution source in the appropriate box below and indicate the amount to be attributed to each.
- Contributions and rollovers by check, automatic investment plan (AIP), or electronic bank transfer (EBT) will not be available for withdrawal for seven business days.

Source of Funds *(Check all that apply.)*

A. ☐ **Personal check.** Make each check payable to *New York's 529 College Savings Program Direct Plan.*

$ ____________
Amount

B. ☐ **Electronic bank transfer (EBT).** To set this up, you must provide bank information in **Section 9**.

$ ____________ This amount will be your initial EBT contribution to open your account.
Amount

C. ☐ **Automatic investment plan (AIP).** You can have a set amount automatically transferred from your bank account to your *Direct Plan* account on a schedule you choose. To set this up, you must complete **Section 8A** and **Section 9**.

D. ☐ **Direct rollover from another qualified 529 plan or education savings account (ESA).** Complete and attach an Incoming Rollover Form, which is available online at **www.nysaves.org** or by calling **1-877-NYSAVES** (1-877-697-2837). Rollovers between 529 plans for the benefit of the same beneficiary can be made only once every 12 months.

$ ____________
Amount

E. ☐ **Indirect rollover from an education savings account (ESA), qualified U.S. savings bond, or another qualified 529 plan.**

- **Indirect rollover from another qualified 529 plan or an ESA.** Enclose documentation from the distributing financial institution detailing a breakdown of contributions and earnings.
- **Indirect rollover from a qualified U.S. savings bond.** Attach a statement or IRS Form 1099-INT issued by the distributing financial institution that shows the interest paid upon redemption.

Important: If you do not provide this documentation and you make a nonqualified withdrawal in the future, the entire amount will be considered taxable earnings.

$ ____________ $ ____________
Contributions Earnings

F. ☐ **Payroll deduction.** Before selecting this option, be sure to contact your employer's payroll office to verify that you can participate. Payroll deduction contributions cannot be made to your *Direct Plan* account until you have received a payroll deduction confirmation form from the *Direct Plan*, provided your signature and Social Security number (or individual taxpayer identification number) on the form, and submitted the form to your payroll office. The amount you indicate below will be in addition to payroll deductions that you may have previously established for other *Direct Plan* accounts.

$ ____________
Amount of Deduction Each Pay Period *($15 minimum)*

☐ **Check here if you are an employee of the State of New York and would like to make contributions to your account by payroll deduction.**

8. Subsequent Contributions *(optional)*

Important: These options can be established only on accounts held by a U.S. bank, savings and loan association, or credit union that is a member of the Automated Clearing House (ACH) network. Money market mutual funds and cash management accounts offered through nonbank financial companies may not be used. If you don't check the box in **Section 9** to confirm that your bank is a U.S.-based bank, your request may not be processed.

Contributions by automatic investment plan (AIP) or electronic bank transfer (EBT) will not be available for withdrawal for seven business days.

A. ☐ **Automatic investment plan (AIP).** Funds will be transferred electronically at regular intervals from a bank, savings and loan, or credit union account to your *Direct Plan* account. You may change the investment amount and frequency at any time by logging on to **www.nysaves.org** or by calling **1-877-NYSAVES** (1-877-697-2837). You can start an automatic investment plan at any time. **Important:** To set up this option, you must provide bank information in **Section 9**.

Amount of Bank Debit *($25 minimum)*: $ ______ . **00**

Frequency *(Check one.)*: ☐ Monthly ☐ Quarterly

Start Date: ____ / ____ / ______
Date *(month, day, year)*

Your bank account will be debited on the 10th of any month, unless you pick a different date. Your bank account will be debited (money will be withdrawn) on the date you select and your investment will be credited (money will be added) to your account in New York's 529 College Savings Program *Direct Plan* on the *previous business day*. **Note:** AIPs with a debit date of January 1st, 2nd, 3rd, or 4th will be credited in the same year as the debit date.

Annual increase. You may increase your AIP contribution automatically on an annual basis. Your contribution will be adjusted each year according to the information below.

Note: A plan of regular investment cannot ensure a profit or protect against a loss in a declining market.

Amount of Increase: $ ______ . **00**

Month*: ______

*The month in which your AIP contribution will be increased. The first increase will occur at the first instance of the month selected.

B. ☐ **Electronic bank transfer (EBT).** Transfer $25 or more from your bank account to your *Direct Plan* account at any time online at **www.nysaves.org** or by calling **1-877-NYSAVES** (1-877-697-2837). Your bank information will be kept on file for future EBT contributions.

Important: To set up this option, you must provide bank information in **Section 9**.

C. ☐ **Payroll deduction.** Before selecting this option, be sure to contact your employer's payroll office to verify that you can participate. Payroll direct deposit contributions cannot be made to your account until you've received a payroll direct deposit confirmation from the plan, provided your signature and Social Security number or individual taxpayer ID number on the form, and submitted the form to your employer's payroll office. The amount you indicate below will be in addition to any payroll deductions that you may have previously established on other *Direct Plan* accounts.

$ ______ . **00**
Amount of Deduction Each Pay Period *($15 minimum)*

9. Bank Information *(required to fund an initial contribution by EBT and to establish the AIP or EBT option)*

☐ Please check this box to confirm that your electronic transfers won't involve a bank or other financial services company, including any branch or office, located outside the territorial jurisdiction of the United States. If you're unable to confirm this, your request may not be processed.

Bank Name

Bank Routing Number

Bank Account Number

Account Type: *(Check one.)* ☐ Checking ☐ Savings

Note: The routing number is usually located in the bottom left corner of your checks. You can also ask your bank for the routing number.

10. Authorization—YOU MUST SIGN BELOW

By signing below, I hereby apply for an account in New York's 529 College Savings Program *Direct Plan*. I certify that:

- I have full authority and legal capacity to purchase portfolio units and to open an account in New York's 529 College Savings Program *Direct Plan*.
- I have received and agree to the terms set forth in the Disclosure Booklet and Tuition Savings Agreement, and will retain a copy of these documents for my records. I understand that the Program, from time to time, may amend the Disclosure Booklet and Tuition Savings Agreement, and I understand and agree that I will be subject to the terms of those amendments.
- If I have chosen an electronic money-transfer option (for example, the automatic investment plan), I authorize the *Direct Plan* and Ascensus Broker Dealer Services, Inc., acting upon my instructions, to pay amounts representing redemptions made by me or to secure payment of amounts invested by me by initiating credit or debit entries to my account at the designated bank. I authorize the bank to accept any such credits or debits to my account without responsibility for their correctness. I acknowledge that the origination of ACH transactions to my account must comply with provisions of U.S. law. I understand that this authorization may be terminated by me at any time by notifying the *Direct Plan;* Ascensus Broker Dealer Services, Inc.; and the bank, and that the termination request will be effective as soon as the *Direct Plan* and Ascensus Broker Dealer Services, Inc., have had a reasonable amount of time to act upon it. I understand and agree that all transaction requests placed for my account are my sole responsibility and are at my sole risk. I agree that the *Direct Plan;* Ascensus Broker Dealer Services, Inc.; and their respective affiliates will not be liable for any loss, cost, or expense to me when they act upon instructions reasonably believed to be genuine. I certify that I have authority to transact on the bank account identified by me in **Section 9**.
- The information I have provided on this form—and all future information I will provide with respect to my account—is true, complete, and correct.

➤ **Signature of Account Owner** *(**Important:** If the account owner is a minor, the designated parent or guardian must sign.)*

Date *(month, day, year)* / /

Two ways to supplement your college savings—free!

Ugift®—Give College Savings is a way to invite family and friends to celebrate a child's milestones with the gift of college savings. This easy-to-use service lets the special people in your life make gift contributions to your *Direct Plan* account.

Upromise® lets you add to your college savings simply by spending money on products you use every day—from gasoline to laundry detergent. By participating in this free service, a percentage of every dollar you spend on thousands of products is returned to you in an account that you establish with Upromise. You then have the option to roll these funds into your *Direct Plan* account. (If you're already a member of Upromise, you can arrange to have contributions transferred from your existing Upromise account to your *Direct Plan* account.) To learn more about these free services, visit **www.nysaves.org** and follow the online instructions to join Upromise or use Ugift.

Additional Information *(optional)*

How did you hear about the Program? *(Check one.)*

- ☐ Direct mail
- ☐ Newspaper/magazine article
- ☐ Print ad
- ☐ Online ad
- ☐ E-mail
- ☐ Upromise web site
- ☐ Events
- ☐ TV
- ☐ Friend or relative
- ☐ Advisor
- ☐ Employer
- ☐ Radio
- ☐ Vanguard® web site

Print Form