



New York's 529
College Savings
Program
Direct Plan

Be ready when
the bell rings for college.

Program Brochure and Tuition Savings Agreement



George E. Pataki
Governor

Alan G. Hevesi
State Comptroller

This Program Brochure, including the Tuition Savings Agreement and any other appendices as well as any supplements distributed from time to time, contains important information about the New York State College Choice Tuition Savings Program *Direct Plan* (the "*Direct Plan*"), including information concerning certain of the risks associated with, and the terms under which you agree to participate in, the *Direct Plan*. See "Section 5. Certain Risks of Investing in the *Direct Plan*." It should be read thoroughly in its entirety and retained for future reference. No one is authorized by the Office of the Comptroller of the State of New York (the "*Comptroller*") or the New York Higher Education Services Corporation ("*HESC*" and, together with the Comptroller, the "*Program Administrators*") to provide information other than as contained in this Program Brochure and, if provided, such other information must not be relied upon as having been authorized by the Program Administrators.

This Program Brochure speaks as of November 14, 2003 and supersedes all previously distributed Program Brochures and any supplements thereto. No person should rely upon any such previously distributed Program Brochure or supplement after the date of this Program Brochure with respect to any Program Account in which they have an interest. Information contained in this Program Brochure 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. Neither the delivery of the Program Brochure nor acceptance of an executed Enrollment Application or of contributions to an Account shall, in any circumstances, create any implication that there has been no change in the *Direct Plan* or in other matters addressed in this Program Brochure since its date.

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.

If you reside in or have taxable income in a state other than New York, you should consider whether that state has established a qualified tuition program offering favorable state income tax benefits or other benefits that are only available to you if you invest in that state's program, and that are not available to you if you invest in the *Direct Plan*. Residents and taxpayers of other states who are concerned with such tax consequences should consult with a qualified tax advisor.

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

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

Program Brochure and Tuition Savings Agreement

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Section 1. Introduction

Before you begin, it is important that you understand several terms used throughout this Program Brochure.

- “*Account*” is a savings account established under the Program and “*account*” may be a savings or a tuition prepayment account established under any qualified tuition program operating pursuant to Section 529 of the Internal Revenue Code of 1986, as amended (“*Section 529*” and the “*Code*”).
- The “*Account Owner*” is the person who opens an Account with the Program or his or her successor. References in this document to “*you*” mean you in your capacity as the Account Owner.
- The “*Beneficiary*” is the person designated by the Account Owner whose qualified higher education expenses may be paid using money from the Account.
- “*Investment Options*” are the three “*Age-Based Options*” and 12 “*Individual Portfolios*” in which your Account may be invested. Each Investment Option invests in one or more mutual funds or accounts managed by Vanguard.
- “*Portfolios*” are the “*Multi-Fund Portfolios*” and “*Individual Portfolios*” of mutual funds in which Investment Options may be invested.
- “*Program*” is the New York State College Choice Tuition Savings Program. As of November 14, 2003, the Program includes the directly offered plan that is described in this Program Brochure (the “*Direct Plan*”) and a separate plan that is offered through financial advisors that is described in a separate Program Brochure (the “*Advisor Plan*”).
- “*Program Brochure*,” at any time, is the most recent Program Brochure, including any appendices, along with any supplements.
- “*State*” is the State of New York and “*state*” may be any state of the United States.

General Information About 529 Plans and the Program

Section 529 of the Code permits states, state agencies and certain other groups to establish qualified tuition programs, which are tax-advantaged programs intended to help individuals and families pay the costs of higher education. Each plan within a qualified tuition program is referred to herein as a “*529 Plan*.” The Program is designed to encourage savings for qualified higher education expenses by enabling Account Owners and Beneficiaries to avail themselves of the federal, New York State and local tax benefits described in this Program Brochure. In addition, the Program was established to attract students to public and private colleges and universities within New York State, although the Program is not limited to funding expenses for New York schools.

As of November 14, 2003, the Program includes the *Direct Plan* described in this Program Brochure, for which The Vanguard Group, Inc. serves as Investment Manager, and an *Advisor Plan*, for which Columbia Management Group, Inc. will serve as Investment Manager. Upromise Investments, Inc. serves as the Program Manager for both Plans. The Program previously included a separate, directly sold 529 Plan. Upromise Investments, Inc. did not act as Program Manager and The Vanguard Group, Inc. did not act as Investment Manager for this separate 529 Plan. As of November 14, 2003, the Program Administrators terminated this separate 529 Plan and transferred all Accounts established under it to the *Direct Plan*. **This Program Brochure addresses only the *Direct Plan*.**

Who’s Who in the Program

The Trust—The New York State College Choice Tuition Savings Program Trust Fund (the “*Trust*”) is a statutory trust created by the New York State Legislature specifically for the purpose of holding and investing Program 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, such investments are held solely for the benefit of Account Owners.

The Program Administrators—The Comptroller of the State of New York (the “*Comptroller*”) and the New York Higher Education Services Corporation (“*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. HESC transmits payments to educational institutions and is responsible for related matters. For more information about the Comptroller and HESC, see “**Section 8. Legal and Administrative Information—The Comptroller and HESC.**”

The Program Manager—The Program Administrators chose Upromise Investments, Inc. to serve as the “*Program Manager*” effective as of November 14, 2003. In this capacity, Upromise Investments, Inc. is responsible for the day-to-day operations of the Program, with overall responsibility for the management, administration, distribution, record-keeping, and transfer agency services provided to the Program pursuant to a Management Agreement among it and The Vanguard Group, Inc., the Program Administrators and certain other parties (the “*Management Agreement*”). The Program Manager’s term under the Management Agreement extends to August 28, 2010, subject to earlier termination in certain circumstances. Upromise Investments, Inc. is a wholly-owned subsidiary of Upromise, Inc. (“*Upromise*”), which operates the Upromise Rewards Service described below. “*Upromise Investments*” is used to refer collectively or individually, as the case requires, to Upromise Investments, Inc. and Upromise Investment Advisors, LLC. See “**Section 5. Certain Risks of Investing in the *Direct Plan*—Management Agreement Term and Successor Managers.**”

Direct Plan Investment Manager—Upromise Investments and the Program Administrators chose The Vanguard Group, Inc. to be the *Direct Plan’s* “*Investment Manager*” effective as of the close of regular trading on the New York Stock Exchange on November 14, 2003. In such capacity, The Vanguard Group, Inc. is responsible for the investment of *Direct Plan* assets, subject to oversight by the Comptroller, for assisting Upromise Investments in marketing and distributing the Program and, in certain circumstances, for other administrative services pursuant to the Management Agreement and to certain related agreements between it and Upromise. The Investment Manager’s term under the Management Agreement and such subcontracts extends to August 28, 2010, 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. See “**Section 5. Certain Risks of Investing in the *Direct Plan*—Management Agreement Term and Successor Program Managers.**”

Throughout this document, New York State, the Comptroller, HESC, all agencies, instrumentalities and funds of New York State, the Trust, Upromise, and Vanguard and their respective officials, officers, directors, employees and representatives are referred to collectively as “*Associated Persons*” of the *Direct Plan*.

Upromise Rewards Service

The Program makes saving for college easier with the Upromise Rewards Service, a free service that gives back a percentage of your spending with thousands of America's leading companies as college savings. Once you enroll in the Program, your Program Account can be linked to a Upromise Rewards Service account so that Rewards savings accumulated in your Upromise Rewards Service account are automatically transferred to your Program Account on a periodic basis. The minimum amount for an automatic transfer from a Upromise Rewards Service account to a Program Account is \$25. Only an Account Owner may make transfers from a Upromise Rewards Service account to his or her Program Account.

The Upromise Rewards Service is offered by Upromise. This Program Brochure is not intended to provide detailed information concerning the Upromise Rewards Service. The Upromise Rewards 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 Web site. If you want more information about the Upromise Rewards Service, please visit www.upromise.com.

Section 2. Getting Started

This section offers a brief overview of the process needed to: (1) open an Account with the Program; (2) choose a Beneficiary; (3) choose your investment options; and (4) contribute money to an Account. *Please see "Section 3. Information About Your Account—Contributions" for additional details on contributing to your Account, setting up an Automatic Investment Plan, and the guidelines relating to rollovers and transfers.*

1. Open an Account

To be an Account Owner, you must be a U.S. citizen or resident alien and have a Social Security number or taxpayer identification number. Fiduciaries or agents for trusts, estates, corporations, companies, partnerships and associations may also be Account Owners. Minors may be Account Owners; however, if an Account is opened in the name of a minor as Account Owner, a parent or guardian must execute the Enrollment Application on behalf of the minor. You must provide the Program with a U.S. mailing address that is not a post office box. You do not have to be a resident of New York, and there are no income restrictions on Account Owners.

You may open an Account:

- Online. Complete the Enrollment Application online at www.nysaves.org.
- By mail. Complete, sign, and mail an Enrollment Application to New York's 529 College Savings Program *Direct Plan*.

Please see "Section 3. Information About Your Account" for a description of the Enrollment Application process and for more details on setting up an Account. The Program Administrators transferred all Accounts established under the Program's prior 529 Plan to the *Direct Plan*, and all funds credited to each transferred Account to the Investment Option, or Investment Options, in the *Direct Plan* most closely resembling the investment option, or investment options, in the Program's prior 529 Plan in which the Account had been invested, as of November 14, 2003. No charge to the Account Owner or Beneficiary of the Account resulted from this transfer. All Account Owners of Accounts established before November 14, 2003 should have received a mailing describing this transfer, which did not require any action on the part of Account Owners. Any Account Owner who did not receive this mailing, who wishes to receive a duplicate copy, or who has questions concerning this transfer can view the transition information online at www.nysaves.org or can call 1-877-NYSAVES (1-877-697-2837) on business days from 8:00 a.m. to 9:00 p.m. Eastern time.

2. Choose a Beneficiary

- Select a Beneficiary for the Account on your Enrollment Application. A Beneficiary must be a U.S. citizen or resident alien and have a Social Security number or taxpayer identification number.
- You may select only one Beneficiary per Account.
- You do not have to be related to the Beneficiary.
- You may select yourself as Beneficiary.

3. Choose Investment Options

You may select from a number of different 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 hold more conservative investments as the Beneficiary approaches college age.
- **Individual Portfolios** (12 options). The asset allocation of money invested in any of the Individual Portfolios is static; *i.e.*, 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.

Please see "Section 4. The Direct Plan Investment Options" for details about the Direct Plan's Investment Options, including investment objectives, strategies, and risks.

4. Designate a Successor Account Owner

You may wish to consider designating who will become the Account Owner if you should die while the Account remains open. See "Section 3. Information About Your Account—Designation of Successor Account Owner."

5. Contribute to an Account

You may contribute money to your *Direct Plan* Account by any of the following methods: check, money order, automatic investment plan, electronic bank transfer, transfer from a Upromise Rewards Service account, rollover from a non-Program 529 Plan, transfer from another Account in either the *Direct Plan* or the Advisor Plan, transfer from a Coverdell Education Savings Account, redemption of a qualified United States Savings Bond, or payroll deduction (if your employer permits payroll deduction). The Program also permits transfers from custodial accounts under the Uniform Gifts to Minors Act or the Uniform Transfers to Minors Act (collectively, "*UGMA/UTMA*"). Only an Account Owner may make contributions to his or her Accounts. Additional information about each method of contributing can be found in "Section 3. Information About Your Account—Contributions."

Section 3. Information About Your Account

Opening an Account

To open an Account, you must complete and submit the Enrollment Application online at www.nysaves.org or by mail to New York's 529 College Savings Program *Direct Plan*. By signing the Enrollment Application online or in the paper format, you irrevocably agree that the Account is subject to the terms and conditions of the then-current Tuition Savings Agreement as well as to the description of the *Direct Plan* in the Program Brochure.

Control Over the Account

Only the Account Owner may contribute to the Account and control how the Account's assets are invested and used. Although contributions to the Program are considered completed gifts for federal gift, generation-skipping and estate taxes purposes, a Beneficiary who is not the Account Owner has no control over the assets in the Account. See "Section 3. Information About Your Account—Designation of Successor Account Owner."

Contributions

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).

Contributions by Check or Money Order

Please make all checks and money orders payable to "New York's 529 College Savings Program *Direct Plan*" and send to the following address: P.O. Box 1086, New York, NY 10021-0036. For established Accounts, please include your Account number on the check or money order. Third party checks must be payable to the Account Owner and properly endorsed by the Account Owner to "New York's 529 College Savings Program *Direct Plan*."

Impermissible Methods of Contributing

The Program will not accept contributions made by cash, third-party checks in excess of \$10,000, traveler's check, foreign check not in U.S. dollars, check dated earlier than 90 days from the date of receipt, post-dated check, or check with unclear instructions. The Program also will not accept contributions made with stocks, securities, or other non-cash 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 contributions you make will be invested in accordance with the standing instructions for your Account unless you specify different allocation instructions for a particular contribution. You may change your standing instructions with respect to future contributions at any time.

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. To initiate an AIP during enrollment, you must complete the appropriate section of the Enrollment Application. Paper-based applications must be accompanied by voided bank check or appropriate savings account information. You also may set up an AIP after an Account has been established, either online at www.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, 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. If no date is indicated, debits will be made on the 10th of the month.

Authorization to perform automated periodic deposits will remain in effect until the Program has received notification of its termination. Either you or the Program 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 Program at least five business days before the next AIP debit is scheduled to be deducted from your bank account.

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 Program to withdraw money by EBT from your bank checking or savings account. To authorize an EBT, you 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 Program Account online at www.nysaves.org or by phone at 1-877-NYSAVES (1-877-697-2837).

There is no charge for requesting an EBT. EBT purchase requests that are received in good order before 10:00 p.m. Eastern time will be debited from your bank account on the second business day after the date of the request. EBT purchase requests that are received in good order after 10:00 p.m. Eastern time will be debited on the third business day after the date of the request.

Upromise Rewards Service

You may contribute to your Account by participating in the Upromise Rewards Service, a free service that returns a percentage of your spending with thousands of America's leading companies for college. Once you enroll in the Program, your Upromise Rewards Service account and your *Direct Plan* Account can be linked so that your Rewards dollars are automatically transferred to your *Direct Plan* Account on a periodic basis. The minimum amount for an automatic transfer from a Upromise Rewards Service account to an account with the Program is \$25 in accordance with the terms and procedures set forth in the Upromise Member Agreement (as may be amended from time to time) on the Upromise Web site at www.upromise.com.

Incoming Rollover Contributions

You can contribute to your Account with funds transferred from a non-Program 529 Plan. This transaction is known as a "Rollover." You may roll over assets from an account in a non-Program 529 Plan to an Account in the Program for the same Beneficiary without federal income tax consequences or imposition of the 10% additional federal income tax (the "10% Federal Penalty") if such Rollover does not occur within 12 months from the date of a previous transfer to any qualified tuition program for the benefit of the Beneficiary. You may also roll over funds from an account in a non-Program 529 Plan to a Program 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 "Substituting Beneficiaries." A 529 Plan Rollover that does not meet these criteria will be considered a Non-Qualified Withdrawal (defined in "Withdrawals" below) that is subject to federal and applicable state income tax and a 10% Federal Penalty on earnings. See "Section 6. Federal and State Income Tax Treatment."

Incoming Rollovers can be direct or indirect. Direct Rollovers involve the transfer of money from a non-Program 529 Plan directly to the Program. Indirect Rollovers involve the transfer of money from an account in a non-Program 529 Plan to the Account Owner, who then contributes the money to an Account in the Program. To avoid federal income tax consequences, money received by an Account Owner in an indirect Rollover must be contributed to the Program within 60 days of the distribution. You should be aware that not all non-Program 529 Plans permit direct Rollovers of funds. Additionally, 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 funds to the Program, directly (if permitted by your current 529 Plan) or indirectly, either as an initial contribution when you open an Account or as an additional contribution to an existing Account. You will need to provide the Program with an account statement or other documentation from the distributing 529 Plan account indicating the portion of the withdrawal

attributable to earnings. Until the Program receives this documentation, the entire amount of the Rollover will be treated for all Program record-keeping and tax reporting purposes as a distribution of earnings from the distributing 529 Plan. See “Section 6. Federal and State Tax Treatment.”

Transfer Between Program 529 Plan Accounts

Under Section 529 of the Code, you can transfer assets between Accounts in different 529 Plans within the Program once per calendar year for the same Beneficiary and upon a change in Beneficiary. On November 14, 2003, Program Administrators transferred all funds credited to Accounts established under the Program’s prior 529 Plan to the Investment Option or Options in the *Direct Plan* most closely resembling the investment option or options in the Program’s prior 529 Plan in which the Account had been invested as of November 14, 2003. The November 14, 2003 transfer does not count for this purpose as a transfer during calendar year 2003.

Contributions From a Coverdell Education Savings Account or Qualified United States Savings Bond

You can contribute to the Program with proceeds from the sale of assets held in a Coverdell Education Savings Account (formerly known as an Education IRA) (a “*Coverdell Account*”) or a qualified United States Savings Bond (a “*Qualified Savings Bond*”). You will need to provide the Program with the following documentation:

- In the case of a contribution from a Coverdell Account, an account statement or other documentation issued by the financial institution that acted as custodian of the Coverdell Account that shows the total amount contributed to such account and the earnings in the account.
- In the case of a contribution from the redemption of a Qualified Savings Bond, an account statement or Form 1099-INT or other documentation issued by the financial institution that redeemed the Qualified Savings Bond showing interest from the redemption of the Qualified Savings Bond.

Until the Program receives this documentation, the entire amount of the contribution will be treated as earnings for record-keeping and tax reporting purposes. See “Section 6. Federal and State Tax Treatment.”

Transfers From UGMA/UTMA Custodial Accounts

The Program permits a custodian for a minor under UGMA/UTMA to apply funds held in an UGMA/UTMA account to open an Account in the *Direct Plan* and to fund additional contributions to such an Account, subject to the laws of the state under which the UGMA/UTMA account was established, and permits the custodian to act as the Account Owner. An UGMA/UTMA account custodian may incur capital gains (or losses) from the sale of non-cash assets held by an 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. UGMA/UTMA custodians should consider the following:

- A custodian Account Owner 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 the *Direct Plan*;
- A custodian Account Owner may not select a new Beneficiary (directly or by means of a Rollover), except as permitted 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
- Additional contributions of money not previously gifted to the Beneficiary under the UGMA/UTMA account should be made to a separate, non-custodial Account, to allow the Account Owner to retain control of the separate Account after the custodianship terminates.

Neither the Program nor any of its Associated Persons will be liable for any consequences related to an UGMA/UTMA custodian’s improper use, transfer, or characterization of custodial funds.

Contributions From Payroll Deduction

You may be eligible to make automatic contributions to your Account through an employer automated investment plan (“*Payroll Deduction*”) provided your employer has agreed to offer such a service.

Contributions by Payroll Deduction will be permitted only from employers able to meet the Program’s operational and administrative requirements for payroll deductions. Please check with your employer to see whether you are eligible to contribute to the Program through Payroll Deduction.

Maximum Account Balance

Although there is no limit upon the growth of Accounts, Account Owners 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 Program Accounts for the same Beneficiary regardless of Account Owner) would exceed a “*Maximum Account Balance*” limit to be determined periodically by the Program Administrators in compliance with federal requirements. The Maximum Account Balance is currently \$235,000. While not now expected, the Maximum Account Balance might be reduced under certain circumstances. To determine periodically whether the Maximum Account Balance has changed, log on to www.nysaves.org.

Changing Investment Options Within the *Direct Plan*

You may move *assets already in your Account* to a different mix of Investment Options (an “*Investment Exchange*”) **once per calendar year without changing the Beneficiary**. You may also make an Investment Exchange at any time you change the Beneficiary, whether or not you have previously directed an Investment Exchange within the calendar year. The Investment Exchanges described in the immediately preceding two sentences will not be subject to federal or State income tax or to the 10% Federal Penalty. The November 14, 2003 transfer does not count for this purpose as an Investment Exchange during calendar year 2003. See “**Substituting Beneficiaries**” below. In addition, you may change the allocation of *future contributions* among Investment Options at any time. Please note that an Investment Exchange will not change the allocation of future contributions to your Account and that a decision to change the allocation of future contributions will not affect the current allocation of assets already in your Account.

- For example, assume that since you opened your Account your contributions have been allocated 60% to the Growth Portfolio and 40% to the Income Portfolio. You decide to reallocate existing assets as follows: 60% to the Interest Accumulation Portfolio and 40% to the Income Portfolio. At the same time, you decide to allocate future contributions 100% to the Inflation-Protected Securities Portfolio. You may not make any other changes to the allocation of existing assets in your Account during the current calendar year. However, you may continue to change the allocation of future contributions.

Withdrawals

You may withdraw money from your Account at any time, except as noted below. To make a withdrawal, you must submit the appropriate form and provide such other information as the Program may require. If the request is in good order, the Program typically will process the withdrawal and initiate payment of a distribution within one or two business days after the trade date. (The trade date is determined in accordance with the policies described below in “**Pricing of Portfolio Units and Trade Date Policies.**”) During periods of market volatility and at year-end, withdrawal requests may take up to five

business days to process. The Program will pay the proceeds of a Non-Qualified Withdrawal (defined below) and of withdrawals due to the death or qualified disability of, or receipt of a qualified scholarship by a Beneficiary only by check payable to the Account Owner, or, as directed by the Account Owner, to the Beneficiary.

The Program will not allow you to withdraw money contributed to your Account until it has been collected. For example, if you contribute to an Account by check, you may not withdraw that money until the check has cleared and the money is in your Account.

For amounts that are to be sent to an Eligible Educational Institution (other than a foreign Eligible Educational Institution), the Program Manager will transfer withdrawals to HESC after receipt of the properly completed withdrawal form. HESC, in turn, will transfer the withdrawal to the applicable Eligible Educational Institution. For other withdrawals, the Program Manager will pay you directly. (The term "Eligible Educational Institution" is defined below under "Qualified Withdrawals.")

If a Beneficiary or an Account Owner receives a refund from an Eligible Educational Institution, or otherwise, of amounts paid from a Program Account, any such refund will generally be a Non-Qualified Withdrawal unless: (i) it is used for the Beneficiary's Qualified Higher Education Expenses within a reasonable period of time; (ii) it was refunded due to the death or disability of, or receipt of a qualified scholarship by, the Beneficiary; or (iii) the refunded amount is rolled over to another Account, or to an account in a non-Program 529 Plan as described under "Contribution—Incoming Rollover Contributions." The term "Qualified Higher Education Expenses" is defined below under "Qualified Withdrawals."

If an Eligible Educational Institution returns any portion of a withdrawal to HESC, HESC will return it to the Program Manager promptly. The Program Manager will forward the returned amount and initiate a payment to the Account Owner on the next business day following its receipt from HESC if the Program Manager receives the funds by the close of trading on that day, and, if not, on the second business day following receipt.

When making a withdrawal from an Account whose assets are 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 (so that if your Account balance at the time of the withdrawal request were 72% in one Investment Option and 28% in another, the withdrawal would be taken 72% and 28%, respectively, from those two Investment Options). See "Contributions—Allocation of Contributions" above.

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: (i) particular expenses which you claim to be Qualified Higher Education Expenses; and (ii) the death or qualified disability of a Beneficiary, or of receipt by a Beneficiary of a qualified scholarship. The Program has no responsibility to provide, or to assist you in obtaining, such documentation.

Qualified Withdrawals

In a "Qualified Withdrawal," the proceeds are used for the Qualified Higher Education Expenses of your Beneficiary. "Qualified Higher Education Expenses" as defined in Section 529 currently include:

- Tuition, fees, and the cost of books, supplies, and equipment required for the enrollment or attendance of a Beneficiary at an Eligible Educational Institution;
- The cost of room and board incurred while attending an Eligible Educational Institution at least half-time; and

- 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.

Room and board expenses may be treated as Qualified Higher Education Expense only if the Beneficiary is enrolled at least half-time. Half-time is defined as half of a full-time academic workload for the course of study the Beneficiary pursues, based on the standard at the institution where he or she is enrolled, as long as such standard is no less than the federal Department of Education student financial aid requirement. A Beneficiary need not be enrolled at least half-time to use a Qualified Withdrawal to pay for expenses relating to tuition, fees, books, supplies, equipment, and special-needs services.

Room and board expenses that may be treated as Qualified Higher Education Expenses generally will be limited to the room and board allowance calculated by the Eligible Educational Institution in its "cost of attendance" for purposes of determining eligibility for federal education assistance for that year. For students living in housing owned or operated by the Eligible Educational Institution, if the actual amount charged for room and board is higher than the cost of attendance figure, then the actual amount may be treated as qualified room and board costs.

"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, an institution must be eligible to participate in U.S. Department of Education student financial aid and student loan programs.

The earnings portion of a Qualified Withdrawal is not subject to New York State or federal income taxation.

Non-Qualified Withdrawals

A "Non-Qualified Withdrawal" is any withdrawal other than: (i) a Qualified Withdrawal; (ii) a withdrawal due to the death or disability of the Beneficiary or receipt of a qualified scholarship by the Beneficiary (to the extent the amount withdrawn does not exceed the amount of the scholarship); (iii) a Rollover into a non-Program 529 Plan in accordance with Section 529; or (iv) a transfer of assets to the credit of another Beneficiary within the Program, so long as the other Beneficiary is a Member of the Family of the prior Beneficiary.

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 the 10% Federal Penalty. For New York personal income tax purposes, the earnings and the portion of the distribution attributable to contributions for which a New York State tax deduction was previously taken will be subject to New York personal income tax.

Although the Program 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.

Certain Other Withdrawals That are Exempt From the 10% 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 10% Federal Penalty, but earnings will be subject to any applicable federal income tax at the recipient's (the person receiving the

withdrawal) tax rate. If you select a new Beneficiary who is a Member of the Family of the former Beneficiary (see “**Substituting Beneficiaries**”), you will not owe federal or New York State income tax. No withdrawals due to the death of a Beneficiary are includable in computing the New York taxable income of either the Account Owner or the Beneficiary.

Disability of the Beneficiary. If the Beneficiary becomes unable to engage in any substantial gainful activity by reason of a medically determinable physical or mental impediment that can be expected to result in death or to be of long-continued or indefinite duration (a “*Disability*”), 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 Beneficiary. Any such withdrawal will not be subject to the 10% Federal Penalty, but earnings 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 (see “**Substituting Beneficiaries**”), you will not owe federal or New York State income tax. No withdrawals due to Disability of the Beneficiary are includable in computing the New York taxable income of either the Account Owner or the Beneficiary.

Receipt of a Qualified Scholarship. If the Beneficiary receives a qualified scholarship, you may select a new Beneficiary, withdraw from the Account up to the amount of the qualified scholarship, or authorize all or a portion of such amount of the Account balance to be withdrawn and paid to the Beneficiary without imposition of the 10% Federal Penalty, but earnings will be subject to any applicable federal personal 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 (see “**Substituting Beneficiaries**”), you will not owe federal or New York State income tax. A “*Qualified Scholarship*” includes certain educational assistance allowances under federal law as well as certain payments for educational expenses (or attributable to attendance at certain educational institutions) that are exempt from federal income tax. 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 deductible for New York personal income tax purposes).

Rollovers to a Non-Program 529 Plan

You may roll over all or part of the balance of your Program Account to a non-Program 529 Plan without incurring any federal income taxes or penalty if: (i) such Rollover is to an account for the Beneficiary (provided that such Rollover does not occur within 12 months from the date of a previous transfer to any qualified tuition program for the benefit of the Beneficiary) or to an account for a Member of the Family of the Beneficiary; and (ii) the Rollover is completed within 60 days of withdrawal. Such Rollover, however, would be subject to New York State taxes on earnings, as well as the recapture of previous New York tax deductions taken for contributions to the Account.

Transfer of Assets to Another Beneficiary Within the Program

If you transfer assets within the Program from an Account to an Account for another Beneficiary, and if the new Beneficiary is a Member of the Family of the prior Beneficiary, then the transfer will be treated as a nontaxable Rollover of assets for federal and New York income tax purposes. Such a transfer will be permitted only to the extent that the aggregate balance of Accounts for the new Beneficiary, including such transfer, would not exceed the Maximum Account Balance.

Unused Account Assets

If assets remain in an Account after the Beneficiary has determined not to complete or has completed higher education, you as Account Owner may exercise one or more of three options:

1. You can keep all or a portion of the remaining assets in the Account to pay future Qualified Higher Education Expenses, such as graduate or professional school expenses, of the existing Beneficiary.
2. You can change the Beneficiary to a Member of the Family.
3. You can withdraw all or a portion of the remaining assets.

The first two options will not result in federal and New York income tax liability. The third option is a Non-Qualified Withdrawal subject to applicable federal and New York income taxes, including the 10% Federal Penalty.

Substituting Beneficiaries

Section 529 permits an account owner to change beneficiaries without adverse federal income tax consequences if the new beneficiary is a Member of the Family of the former Beneficiary (as defined below). Otherwise, the change is treated as a Non-Qualified Withdrawal subject to federal and applicable state income tax, as well as the 10% 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 a 529 Plan account. You should consult a qualified tax advisor. See “**Section 6. Federal and State Tax Treatment—Federal Gift and Estate Taxes.**”

To change a Beneficiary, you must submit the appropriate form. You also must submit a new Enrollment Application, unless you previously had established an Account for the new Beneficiary. At the time you change Beneficiaries, you may 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 to the extent that the resulting balance of all Accounts for the new Beneficiary would exceed the Maximum Account Balance.

Note: Assets invested in an Age-Based Option, if not reallocated to a different Investment Option, will automatically be moved to a different Portfolio within the same Investment Option corresponding to the age of the new Beneficiary (unless the new Beneficiary is in the same age bracket as the former Beneficiary).

Member of the Family

A “*Member of the Family*” of the Beneficiary is currently defined for purposes of Section 529 as any person related to the Beneficiary as follows:

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

A legally adopted child of an individual is to be treated as the child of such individual by blood and a half-brother or half-sister is treated as a brother or sister.

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 4:00 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 the Program does 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 the Program receives your transaction request (whether to contribute money, withdraw money, or exchange money between Investment Options) in good order on a business day prior to the close of the NYSE your transaction will receive that day’s trade date.
- If the Program receives 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 bullets, AIP and EBT contributions will receive a trade date of the business day before the day the bank debit occurs.

Certain Reserved Rights of the Program Administrators

The Program Administrators reserve the right to:

- Refuse, change, discontinue, or temporarily suspend Account services, including accepting 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 Securities and Exchange Commission (the “SEC”) or any emergency circumstances.
- Delay sending out the proceeds of a withdrawal request for up to seven days.

Confirmations and Statements/Safeguarding Your Account

You will receive confirmations for any activity in the Account, except for AIP and payroll deduction transactions, which will be confirmed on a quarterly basis only. You will receive quarterly account statements indicating, for the applicable time period: (1) contributions made to the Account; (2) withdrawals made from the Account; (3) Investment Exchanges; (4) changes to contribution percentages among selected Investment Options in the Account; and (5) the total value of the Account at the end of that time period.

You can securely access your Account information, including quarterly statements and transaction confirmations, 24 hours a day at www.nysaves.org by obtaining an online user name and password. If you enroll online, the Program requires you to select a user name and password. Those who enroll using other means will be allowed (but not required) to obtain a user name and password through www.nysaves.org.

The Program uses 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 Program, provided the Program reasonably believes the instructions were genuine. To safeguard your Account, please keep your information confidential. Contact the Program 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 the Program of the error. If you do not notify the Program 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.

Designation of Successor Account Owner

You may designate a successor Account Owner to succeed to all of your rights, title, and interest in an Account (including the right to change the Beneficiary) upon your death. This designation can be made on the initial Enrollment Application, which is available on our Web site at www.nysaves.org. If you fail to designate a successor Account Owner on the initial Enrollment Application, and subsequently decide to make a designation, or if you wish to revoke or change a designation, you may make the change online at www.nysaves.org or you may submit the appropriate form in writing to the Program. If you have designated a successor Account Owner, your successor Account Owner will automatically become the Account Owner upon your death. The successor Account Owner will be required to give the Program Manager a certified copy of a death certificate sufficiently identifying you by name and Social Security number or other proof recognized under applicable law and acceptable to the Program Manager before taking any action regarding the Account following 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 thereto 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 the Account Owner upon his or her death to the executor or administrator of his or her estate and, subsequently, to a beneficiary of his or her estate by bequest or by operation of law. Account Owners who are concerned with assuring who would exercise control over their Accounts upon their death should designate a successor Account Owner or consult with a qualified estate planning professional.

You should also consider consulting a qualified tax advisor about the potential tax consequences of a change in Account Owner.

No Assignments or Pledges

Neither an Account nor any portion thereof may be assigned, transferred or pledged as security for a loan (including, but not limited to, a loan used to make contributions to the Account) or otherwise either by the Account Owner or by the Beneficiary, except for: (i) a change of Beneficiary; (ii) a transfer to another 529 Plan account for which the new beneficiary is the Beneficiary or is a Member of the Family of the Beneficiary; or (iii) transfer of Account ownership to a successor Account Owner. Any pledge of an interest in an Account will be of no force and effect.

Creditor’s Claims

New York law provides that Account assets are exempt from money judgments against an Account Owner as follows: (i) fully exempt if the judgment debtor is the Account Owner and the Beneficiary and is a minor; (ii) fully exempt if the Account is established in connection with a scholarship; and (iii) otherwise, up to \$10,000 is exempt if the judgment debtor is the Account Owner.

Section 4. The *Direct Plan* Investment Options

All information contained in this Section 4 has been provided by Vanguard for inclusion herein. Such information has not been independently verified by the Comptroller or HESC and no representation is made by the Comptroller or by HESC as to its accuracy or completeness. No Underlying Fund financial information is included in this Program Brochure. For more information about any Underlying Fund, or for a copy of its current prospectus, statement of additional information or most recent semiannual or annual report, visit Vanguard's Web site at www.vanguard.com or call 1-866-734-4530.

Investment Option Summary

The *Direct Plan* offers a choice of many different Investment Options to fund educational expenses. Each Investment Option corresponds to a Portfolio or series of Portfolios, and each Portfolio currently invests your contributions in one or more mutual funds or accounts managed by Vanguard (the "*Underlying Funds*"). Please keep in mind that as an Account Owner you will not directly own shares of the Underlying Funds.

- You can choose from among three "*Age-Based Options*," in which your money is moved automatically to progressively more conservative Portfolios as your Beneficiary ages. You can select the Age-Based Option—conservative, moderate, or aggressive—that best reflects your own risk tolerance.
- You can choose from among 12 "*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, the Portfolios included in the Age-Based Options, the asset allocation of the Individual Portfolios, or the Underlying Funds in which any of the Age-Based Options or Individual Portfolios invest.

Please note: The expected holding period for your Account is expected to be very short relative to accounts established to save for other purposes such as retirement accounts (i.e., generally 5–20 years versus 30–60 years). Also, the need for liquidity during the withdrawal phase to fund Qualified Higher Education Expenses will generally be much more time-sensitive than accounts established for other purposes as payment of expenses such as tuition may not generally be deferred. You should carefully consider the level of risk you wish to assume and your investment time horizon before you select Investment Options.

The 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

The 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 or an accredited postsecondary educational institution. 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 increase returns. As time passes, Account assets are automatically moved to more conservative Portfolios to preserve capital as the withdrawal phase approaches.

Age-Based Options

With the Age-Based Options, the Program automatically exchanges assets from one Portfolio to another as the Beneficiary ages, on or about the 5th day of the month following the Beneficiary's birthday, according to the following schedule:

Age of Beneficiary	Conservative	Moderate	Aggressive
Newborn through 5	Moderate Growth Portfolio 50% Stock 50% Bond	Growth Portfolio 65% Stock 35% Bond	Aggressive Growth Portfolio 100% Stock
6 through 10	Conservative Growth Portfolio 35% Stock 65% Bond	Moderate Growth Portfolio 50% Stock 50% Bond	Growth Portfolio 65% Stock 35% Bond
11 through 15	Income Portfolio 75% Bond 25% Short-Term Investments	Conservative Growth Portfolio 35% Stock 65% Bond	Moderate Growth Portfolio 50% Stock 50% Bond
16 through 18	Income Portfolio 75% Bond 25% Short-Term Investments	Income Portfolio 75% Bond 25% Short-Term Investments	Conservative Growth Portfolio 35% Stock 65% Bond
19 or older	Interest Accumulation Portfolio 100% Short-Term Investments	Income Portfolio 75% Bond 25% Short-Term Investments	Income Portfolio 75% Bond 25% Short-Term Investments

Portfolios

Underlying Fund	Interest Accumulation	Income	Conservative Growth	Moderate Growth	Growth	Aggressive Growth
Vanguard® Total Stock Market Index Fund	0%	0%	35%	50%	65%	100%
Stock Subtotal	0%	0%	35%	50%	65%	100%
Vanguard® Total Bond Market Index Fund	0%	50%	65%	50%	35%	0%
Vanguard® Inflation-Protected Securities Fund	0%	25%	0%	0%	0%	0%
Bond Subtotal	0%	75%	65%	50%	35%	0%
Vanguard® Short-Term Reserves Account	100%	25%	0%	0%	0%	0%
Short-Term Investment Subtotal	100%	25%	0%	0%	0%	0%
TOTAL	100%	100%	100%	100%	100%	100%

As shown in the table on page 10, for any particular age group, the Conservative Age-Based Option usually has a higher concentration of assets in bonds and/or short-term investments than 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 in bonds and short-term investments tend to be less volatile than those with higher stock allocations. Less volatile Portfolios generally will not decline as far 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 above. Each of these Portfolios is also offered as an Individual Portfolio. See “The Individual Portfolios” for more information.

The Individual Portfolios

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 changing over 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. See “Section 3. Information About Your Account—Changing Investment Options.”

The Individual Portfolios consist of four “Multi-Fund Portfolios,” which invest in multiple Underlying Funds (the percentages of those investments are detailed in the table above), and eight “Single-Fund Portfolios,” each of which invests in a single Underlying Fund.

Multi-Fund Portfolios

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

For more information about the Multi-Fund Portfolios, see “The Aged-Based Options” above.

Single-Fund Portfolios

- Aggressive Growth 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 the Underlying Funds. Instead, you will own interests in the Trust.* Additional information about the investment strategies and risks of each Underlying Fund, except the 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, statement of additional information, or the most recent semiannual or annual report of an Underlying Fund, except the Vanguard Short-Term Reserves Account, by visiting Vanguard’s Web site at www.vanguard.com or by calling 1-866-734-4530.

Share Classes. Each of the Underlying Funds, except the Vanguard Inflation-Protected Securities Fund and the Vanguard Short-Term Reserves Account, issues more than one class of shares. The Portfolios hold institutional-class shares of the Underlying Funds with more than one share class. Unlike the other Underlying Funds, the Vanguard Short-Term Reserves Account is not a mutual fund and does not issue shares. The Portfolios that invest in the Vanguard Short-Term Reserves Account will have a direct ownership interest in the instruments and securities held in that account.

Risk Information. The profiles that follow identify the risks of investing in each Portfolio. An explanation of these investment risks appears immediately after the profiles.

The Target Indexes of the Underlying Funds May Change. The board of trustees of each Underlying Fund that is an index fund (i.e., all of the Underlying Funds except Vanguard Inflation-Protected Securities Fund and Vanguard Short-Term Reserves Account) reserve the right to substitute a different index for the index it currently tracks. This could happen if the current index were discontinued, if the Underlying Fund's agreement with the sponsor of its target index were terminated, or for any other reason determined in good faith by the Underlying Fund's board of trustees. In any such instance, the substitute index would measure the same general market segment (large-, mid-, or small-cap, growth, or value) as the current index.

Multi-Fund Individual Portfolios

Growth Portfolio

Investment Objective

The Portfolio seeks growth of capital and low to moderate current income.

Investment Strategy

The Portfolio invests in one Vanguard stock index fund and one Vanguard bond index fund according to a formula that results in an allocation of 65% of assets to stocks and 35% of assets to investment-grade U.S. bonds. The percentages of the Portfolio's assets allocated to each Underlying Fund are:

Vanguard Total Stock Market Index Fund	65%
Vanguard Total Bond Market Index Fund	35%

Through its ownership of the stock fund, the Portfolio indirectly owns large-capitalization U.S. stocks and, to a lesser extent, mid- and small-capitalization U.S. stocks. Through its ownership of the bond fund, the Portfolio indirectly holds a mix of bonds—including government, corporate, and international dollar-denominated bonds, as well as mortgage-backed and asset-backed securities—that represents a wide spectrum of public, investment-grade, taxable, fixed income securities in the United States with maturities of more than one year.

Investment Risks

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

Moderate Growth Portfolio

Investment Objective

The Portfolio seeks growth of capital and current income.

Investment Strategy

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

Vanguard Total Stock Market Index Fund	50%
Vanguard Total Bond Market Index Fund	50%

Through its ownership of the stock fund, the Portfolio indirectly owns large-capitalization U.S. stocks, and, to a lesser extent, mid- and small-capitalization U.S. stocks. Through its ownership of the bond fund, the Portfolio indirectly holds a mix of bonds—including government, corporate, and international dollar-denominated bonds, as well as mortgage-backed and asset-backed securities—that represents a wide spectrum of public, investment-grade, taxable, fixed income securities in the United States with maturities of more than one year.

Investment Risks

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

Conservative Growth Portfolio

Investment Objective

The Portfolio seeks current income and low to moderate growth of capital.

Investment Strategy

The Portfolio invests in one Vanguard bond index fund and one Vanguard stock index fund according to a formula that results in an allocation of 65% of assets to investment-grade U.S. bonds and 35% of assets to stocks. The percentages of the Portfolio's assets allocated to each Underlying Fund are:

Vanguard Total Bond Market Index Fund	65%
Vanguard Total Stock Market Index Fund	35%

Through its ownership of the bond fund, the Portfolio indirectly holds a mix of bonds—including government, corporate, and international dollar-denominated bonds, as well as mortgage-backed and asset-backed securities—that represents a wide spectrum of public, investment-grade, taxable, fixed income securities in the United States with maturities of more than one year. Through its ownership of the stock fund, the Portfolio indirectly owns large-capitalization U.S. stocks and, to a lesser extent, mid- and small-capitalization U.S. stocks.

Investment Risks

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

Income Portfolio

Investment Objective

The Portfolio seeks current income.

Investment Strategy

The Portfolio invests in two Vanguard bond funds and one Vanguard stable value portfolio according to a formula that results in an allocation of 75% of assets to investment-grade U.S. bonds and 25% of assets to short-term investments. The percentages of the Portfolio's assets allocated to each Underlying Fund are:

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

Through its ownership of the Vanguard Total Bond Market Index Fund, the Portfolio indirectly owns a mix of bonds—corporate, U.S. government and agency, mortgage-backed, and international dollar-denominated—that represents a wide spectrum of investment-grade, taxable, fixed income securities in the United States with maturities longer than one year. Through its ownership of Vanguard Inflation-Protected Securities Fund, the Portfolio indirectly owns investment-grade inflation-indexed bonds issued by the United States Treasury (and in some cases corporations) having maturities that range from 7 to 20 years. Through its ownership of Vanguard Short-Term Reserves Account, the Portfolio 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. They pay interest at a fixed rate and have fixed maturity dates that normally range from 2–5 years. The 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).

Investment Risks

The Portfolio primarily is subject to interest rate risk, with a low to moderate level of credit risk, income risk, and call/prepayment risk. The Portfolio also has a low level of 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.

Investment Strategy

The Portfolio invests in Vanguard Total Stock Market Index Fund, which seeks to track the performance of the Wilshire 5000 Total Market Index. The Index consists of all the U.S. common stocks regularly traded on the New York and American Stock Exchanges and the Nasdaq over-the-counter market. The Fund typically invests all, or substantially all, of its assets in the 1,300 largest stocks in the Index (covering nearly 95% of the Index's total market capitalization) and in a representative sample of the other stocks in the Index. The Fund holds a range of securities that, in the aggregate, approximate the full Index in terms of key characteristics.

Investment Risks

The Portfolio primarily is subject to stock market risk. The Portfolio has a low level of index sampling risk and 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.

Investment Strategies

The Portfolio invests in Vanguard® Growth Index Fund, which seeks to track the performance of the MSCI® US Prime Market Growth Index, a broadly diversified index of growth stocks of predominantly 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.

Investment Strategies

The Portfolio invests in Vanguard® Value Index Fund, which seeks to track the performance of the MSCI® US Prime Market Value Index, a broadly diversified index of value stocks of predominantly 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.

Investment Strategies

The Portfolio invests in Vanguard® Mid-Cap Index Fund, which seeks to track the performance of the MSCI® US Mid Cap 450 Index, a broadly diversified index of stocks of medium-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.

Investment Strategies

The Portfolio invests in Vanguard® Small-Cap Index Fund, which seeks to track the performance of the MSCI® US Small Cap 1750 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.

Investment Strategy

The Portfolio invests in Vanguard® Total Bond Market Index Fund, which seeks to track the performance of the Lehman Brothers Aggregate Bond Index. This 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 one year.

The Fund invests by sampling the Index, meaning that it holds a range of securities that, in the aggregate, approximate the full Index in terms of key risk factors and other characteristics. All of the Fund's investments 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 may use up to 10% of its assets to overweight nongovernment bonds (and correspondingly underweight government bonds) relative to the Index, but the overall credit quality of the Fund's nongovernment holdings will meet or exceed the overall credit quality of the Index's nongovernment holdings. The Fund maintains a dollar-weighted average maturity consistent with that of the Index, which currently ranges between 5 and 10 years.

Investment Risks

The Portfolio primarily is subject to interest rate risk. The Portfolio has a low to moderate level of income risk, credit risk, and call/prepayment risk, and a low level of 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.

Note: The Inflation-Protected Securities Portfolio seeks to provide protection from inflation 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. There is no guarantee that the Portfolio will protect investors from the rising costs of higher education.

Investment Strategy

The Portfolio invests in Vanguard® Inflation-Protected Securities Fund, which 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 a range of 7 to 20 years. At a minimum, all bonds purchased by the Fund will be rated "investment grade." However, unlike conventional bonds, which make regular fixed interest payments and repay the face value of the bonds at maturity, the principal and interest payments of an inflation-indexed security are adjusted over time to reflect inflation—a rise in the general price level for goods and services. In the event of sustained deflation, or a drop in prices, the U.S. Treasury has guaranteed that it would repay at least the original face value of an inflation-indexed security.

Investment Risks

The Portfolio primarily is subject to income risk. The Portfolio has a low to moderate level of non-diversification risk, 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.

Investment Strategy

The Portfolio directs all of its assets into the Vanguard® Short-Term Reserves Account, through which the Portfolio owns funding agreements issued by one or more insurance companies, and in 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. Funding agreements pay interest at a fixed minimum rate and have fixed maturity dates that normally range from 2–5 years. 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 upon the aggregate amount of Trust assets that may be invested in funding agreements issued by any single life insurance company that constitute a general obligation of the issuer. A portion of the Portfolio—expected to range from 0–25%—is held in Vanguard Prime Money Market Fund to meet normal liquidity needs. The Money Market Fund invests in high-quality, short-term money market instruments, including repurchase agreements, certificates of deposit, banker's acceptances, and commercial paper. The performance of the Interest Accumulation Portfolio will reflect the blended earnings of the funding agreements and Money Market Fund shares held by the Portfolio (minus the Portfolio's expenses). The Portfolio's target average maturity or duration is expected to range between 1.5 and 2.5 years.

For a period of time after its inception on November 18, 2003, the Vanguard Short-Term Reserves Account will hold all of its assets in Vanguard Prime Money Market Fund until sufficient assets are available for investment in a funding agreement. 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 Money Market Fund until there is enough cash to purchase another funding agreement.

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, since only a portion of the Portfolio matures each year, its yield will change more slowly than a money market fund's. As a result, when interest rates are rising, the Portfolio's yield may fall below money market fund yields for an extended time period.

Investment Risks

The Portfolio primarily is subject to credit risk (see next paragraph). To the extent the Portfolio is invested in money market fund instruments, it also has a low level of income risk, manager risk, industry concentration risk, and derivatives risk.

Funding agreements are backed by the financial strength of the insurance companies that issue the contracts. Every effort is made to select very high-quality insurance companies. However, 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 will call, or repay, higher-yielding bonds that are callable before their maturity dates. The Underlying Fund would lose potential price appreciation 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 or funding agreement owned by an Underlying Fund will default by failing to make timely payments of principal and interest, or that negative perceptions of a bond issuer's ability to make such payments will cause bond prices to decline.

Derivatives Risk. Each of the Underlying Funds in which the Portfolios invest may, to a limited extent, invest in derivatives, which may involve risks different from, and possibly greater than, those of traditional investments. To help stay fully invested, and to reduce transaction costs, the funds may invest in stock futures and options contracts, warrants, convertible securities, and swap agreements, which are types of derivatives. The Underlying Funds will not use derivatives for speculative purposes or as leveraged investments that magnify gains or losses.

Income Risk. This is the risk that falling interest rates will cause an Underlying Fund's income to decline. Income risk is generally higher for short-term bonds (and funds that hold short-term bonds) and lower for long-term bonds (and funds that hold long-term bonds).

Index Sampling Risk. This is the risk that the securities owned by an Underlying Fund that uses the sampling method of indexing will not provide investment performance matching that of the Fund's target index.

Industry Concentration Risk. This is the risk that the Vanguard® Prime Money Market Fund's performance will be significantly affected, for better or for worse, by developments in the financial services industry. The Fund invests more than 25% of its assets in securities issued by companies in the financial services industry.

Interest Rate Risk. This is the risk that the value of bonds held by an Underlying Fund will decline because of rising interest rates. Interest rate risk is higher for long-term bonds (and funds that hold long-term bonds) and lower for short-term bonds (and funds that hold short-term bonds).

Investment Style Risk. This is the chance that returns from the stocks in which an Underlying Fund invests will trail returns from the overall stock market. Specific types of stocks (such as value or growth, small- or large-capitalization) 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 will cause an Underlying Fund to underperform other funds with a similar investment objective. There is no guarantee that the investment techniques and risk analyses used by the managers will produce the desired results.

Non-Diversification Risk. This is the risk that underlying fund performance may be hurt disproportionately by the poor performance of relatively few securities.

Stock Market Risk. This is the risk that an Underlying Fund may experience sudden, unpredictable declines in value, as well as periods of poor performance, because of a general decline in the stock market. Because stock prices go up and down, the value of the Fund's shares may go up and down.

Performance

The Portfolios are commencing operation as of the date hereof and no performance information for the Portfolios is yet available. However, certain performance information will be made available periodically on www.nysaves.org.

The following chart shows the average annual total returns for the one-, five-, and ten-year periods, or for the life of an Underlying Fund if shorter than five or ten years, ended on September 30, 2003 of the longest outstanding class for each Fund.

Vanguard Fund*	Net Assets				
	(millions)	Inception	1 year	5 year	10 year
Total Stock Market Index	\$5,884	3.33	26.14	2.15	—
Total Bond Market Index	\$6,075	7.20	5.43	6.32	—
Inflation-Protected Securities	\$4,101	11.28	7.08	—	—
Prime Money Market	\$4,284	4.96	1.27	4.01	4.64
Growth Index	\$708	-1.48	22.33	-0.98	—
Value Index	\$426	-0.42	27.71	2.68	—
Mid-Cap Index	\$880	7.80	25.18	12.11	—
Small-Cap Index	\$875	5.19	34.74	8.03	—

*Short-term Reserves (nonapplicable)

The performance of the Portfolios will differ from the performance of the Underlying Funds, even in circumstances where a Portfolio invests in a single Underlying Fund. This is due primarily to 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, the Underlying Funds do not offer the same tax advantages as the Portfolios.) Performance differences also are caused by differences in the trade dates of portfolio purchases. When you invest money in a Portfolio, you will receive Portfolio Units as of the trade date noted in "Section 3. Information About Your Account—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 Underlying Fund 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.

Section 5. Certain Risks of Investing in the Direct Plan

Investing in the *Direct Plan* involves certain risks, including the possibility that you may lose money over short or even long periods of time. In addition to the investment risks of the Portfolios described above, there are certain risks relating to the *Direct Plan* generally, as described more fully below. This list does not constitute an exhaustive summary of the factors you should consider before making a contribution to the *Direct Plan*. You should consult your tax or financial advisor before making a contribution or determining what portion of your savings for the Beneficiary's higher education costs should be invested in the *Direct Plan*.

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 Underlying Funds and Portfolio(s) that make up the Investment Option(s) you select. It is possible that, at any given time, your Account's value may be less than the total amount contributed. 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 or any of its affiliates, Vanguard 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. *Direct Plan* Accounts are not bank deposits and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other federal or state government agency.

Limited Investment Direction

An Account Owner may not direct how a Portfolio's assets are invested. The ongoing management of *Direct Plan* investments is the responsibility of the Comptroller, Upromise and Vanguard. In addition, an Account Owner is limited under federal law in his or her 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 from the Account without federal and state tax liability, including the 10% Federal Penalty and, in certain instances, recapture of New York State tax deductions, are limited. See also "**Section 3. Information About Your Account—No Assignments or Pledges.**"

No Suitability Determination

The relative risks and potential rewards of investing under any of the *Direct Plan's* Investment Options vary considerably. Neither the Program Administrators nor any other person described in this Program Brochure has determined, or assumed any obligation to determine, whether any investment by any Account Owner under any Investment Option or combination of the Investment Options is suitable or appropriate in light of the needs, financial circumstances and investment horizon of the Account Owner or the Beneficiary. This Program Brochure does not constitute a recommendation, and no person described herein, by its participation in the *Direct Plan* or otherwise, recommends or intends to recommend any investment by any Account Owner in the *Direct Plan* or in any Investment Option or combination of Investment Options. Other types of investments and other types of college savings vehicles may be more appropriate depending upon your personal circumstances.

Limited Operating History

The Program commenced operations on July 31, 1998. However, the *Direct Plan* Investment Options described in this document, with Upromise Investments as Program Manager and Vanguard as Investment Manager, commenced operations on the date of this Program Brochure. Therefore, performance information for the Portfolios described in this document is not available. However, Portfolio performance information will be made available on www.nysaves.org. Past performance information for the Portfolios (when available) and for the Underlying Funds should not be viewed as an indication of the future performance of any particular Portfolio.

No Direct Investment in Mutual Funds or Registered Securities

Although money contributed to the Accounts will be invested in Portfolios that hold Vanguard® mutual funds, none of the Trust, the *Direct Plan*, or any of the *Direct Plan's* Investment Portfolios is a mutual fund. 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

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, Account Owners may be required to, or prohibited from, participating in the change with respect to Accounts established before the change.

Limitations imposed by New York State law may require the Portfolios to invest assets differently from the manner described in "**Section 4. The *Direct Plan* Investment Options.**" This, in turn, may affect the ability of the Portfolios to achieve their investment objectives.

Management Agreement Term and Successor Managers

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 on August 28, 2010. In certain circumstances Upromise may cease to be the Program Manager, or Vanguard may cease to be the Investment Manager, before the scheduled termination date. 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 8. Legal and Administrative Information—Certain Contractual Matters.**"

If a new Program Manager were selected, Account Owners 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 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.

Expiration of 2001 Tax Legislation

If Congress does not extend the provisions of the Economic Growth and Tax Relief Reconciliation Act of 2001 (the "*2001 Tax Act*") affecting 529 Plans beyond December 31, 2010, or otherwise modify the law, the Section 529 provisions governing federal tax treatment of the Program will revert on January 1, 2011 to those that existed prior to January 1, 2002. When considering an investment, you should be aware that laws affecting your Account may change or expire while your Account is open. The effects of a reversion to the provisions that applied until December 31, 2001 would be complex, would include many changes to federal income and estate and gift tax law and might materially affect your expectations with respect to your Account and the potential application of Account funds. See "**Section 6. Federal and State Tax Treatment—Potential Federal Tax Effects of the Expiration of the 2001 Tax Act.**"

Uncertainty of Tax Consequences

Federal and New York State law and regulations governing the administration of 529 Plans could change in the future. The United States Department of the Treasury (the "*Treasury Department*") has issued proposed regulations under Section 529 (the "*Proposed Regulations*") and, in conjunction with the IRS, has published certain notices with respect to the anticipated modification of the Proposed Regulations (the "*Notices*"). As of the date of this Program

Brochure, taxpayers may rely upon the Proposed Regulations and the Notices until final regulations are issued or other further action is taken by the Treasury. The Proposed Regulations and the Notices do not, however, provide guidance on certain aspects of the Program.

It is uncertain when the Treasury 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 which would adversely affect the federal tax consequences with respect to the Program or to contributions to, or withdrawals from, Accounts. 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. 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 the Account Owners and Beneficiaries are uncertain and it is possible that Account Owners could be subject to taxes currently on undistributed earnings in their respective Accounts as well as to other adverse tax consequences. You may wish to consider consulting a tax advisor.

In addition, changes in the law governing any of the federal and state and local tax consequences described herein might require material changes to the Program's operations in order for the anticipated federal and New York State and local tax consequences to apply.

The discussions herein of New York State and local tax matters are based on opinions of the New York State Department of Taxation and Finance ("DTF") that DTF has based on the conclusion that the Program 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 which would adversely affect the New York State or local tax consequences for Account Owners and Beneficiaries or that the federal law or the New York statutes governing aspects of the Program may not be amended in a way which would materially alter or eliminate such consequences. See "Section 6. Federal and State Tax Treatment New York State and Local Tax Consequences."

No Indemnification

Neither the Program nor any of its Associated Persons will indemnify any Account Owner or Beneficiary against losses or other claims arising from the official or unofficial acts, negligent or otherwise, of Program Administrators or State employees.

Eligibility for Financial Aid

The ownership of assets in a 529 Plan may have an adverse effect on a Beneficiary's eligibility to receive aid under various financial aid programs. The treatment of 529 Plan assets may vary at different educational institutions, and may change over time. 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. However, other aid programs, including federal programs as well as programs funded by other states and educational institutions, may count such assets when determining eligibility.

Amount of and Inflation in Qualified Higher Education Expenses

Even if you have made the maximum permitted contributions for a Beneficiary or an Account has reached the Maximum Account Balance for a Beneficiary, the balance in the Account for that Beneficiary may not be sufficient to cover his or her Qualified Higher Education Expenses. In addition, the level of future

inflation in Qualified Higher Education Expenses is uncertain. In the recent past, Qualified Higher Education Expenses have grown more rapidly than increases in the general cost of living. The rate of future increases in Qualified Higher Education Expenses could exceed the rate of investment return earned by any or all the Investment Options over the corresponding periods.

Education Savings and Investment Alternatives

In addition to the *Direct Plan*, the Program Administrators have selected Upromise Investments to serve as the Program Manager for the Advisor Plan within the Trust. Columbia Management Group, Inc., a subsidiary of FleetBoston Financial Corporation, has been selected as the Investment Manager for the Advisor Plan, which will be sold exclusively through financial advisors and offer investment options that are not available under the *Direct Plan*. However, the fees and expenses of the Advisor Plan will be higher and include financial advisor compensation. Consult your financial advisor.

There are many non-Program 529 Plans, including 529 Plans designed to provide prepaid tuition and certain other educational expenses, as well as education savings and investment alternatives that differ from the *Direct Plan*. Other 529 Plans, and other alternatives, may offer state tax benefits and other benefits unavailable under the Program. These alternative programs may offer different investment vehicles, may entail different tax and other consequences and may have different eligibility requirements and other features, as well as fees and expenses that may be more or less than those charged by the *Direct Plan*. You should consider other investment alternatives before establishing an Account in the *Direct Plan*.

No Guarantee of Admission to Any Institution and Related Matters

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

If the Beneficiary does not apply for admission to attend any Eligible Educational Institution, is not accepted for admission to an Eligible Educational Institution, does not achieve satisfactory academic performance, or is otherwise not permitted to continue to attend an Eligible Educational Institution, then earnings withdrawn from the Account by the Account Owner would, unless the withdrawal is due to the Beneficiary's death or Disability, constitute Non-Qualified Withdrawals subject to federal and applicable state income tax as well as the 10% Federal Penalty. For New York State and local income tax purposes, the portion of such a Non-Qualified Withdrawal attributable to earnings and to previously deducted contributions would be includable in computing taxable income. See "Section 6. Federal and State Tax Treatment."

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 with the Program 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 a 529 Plan account may affect eligibility for Medicaid or other state and federal noneducational benefits.

Other Considerations

Prospective Account Owners should consider many factors before deciding to invest in a 529 Plan such as the *Direct Plan*, including the plan's investment options and its performance history, the plan's flexibility and features, the reputation and expertise of the plan's investment manager(s), the plan's contribution limits, fees and expenses, and any federal and state tax benefits associated with an investment in the plan. You should evaluate the *Direct Plan* and the Investment Options you select in the context of your overall financial situation, your investment goals, other resources and needs (such as liquidity) and other investments. In addition, federal and New York and other state laws affecting matters relevant to an investment decision, including but not limited to those addressing the funding of higher education expenses, treatment of financial aid and tax matters are subject to frequent change. The effect of such changes over the duration of your Account may not be predicted with any certainty. An investment in the *Direct Plan* or the Program may not be an appropriate choice for you. You should evaluate or consider other investment alternatives and should consult with your financial or tax advisor before establishing an Account in the *Direct Plan*.

Section 6. Federal and State Tax Treatment

The following discussion summarizes certain aspects of federal, New York State and local income, gift, estate and generation-skipping transfer tax consequences relating to the Trust and to contributions to, earnings of, and withdrawals from the Accounts.

The summary is not exhaustive and is not intended as individual tax advice. In addition, there can be no assurance that the IRS or the DTF will accept the conclusions reached herein or, if challenged by the IRS or the DTF, that such conclusions would be sustained in court. The applicable federal, State and local tax rules are complex, certain of the rules are at present uncertain and their application to any particular person may vary according to facts and circumstances specific to that person. You should consult a qualified tax advisor regarding the application of federal, state and local tax law to your circumstances.

The summary is based on the relevant provisions of the Code and New York State and local tax law, Proposed Regulations, Notices, IRS rulings, opinions of the DTF regarding New York tax matters, and legislative history and interpretations of applicable federal and New York law existing on the date of this Program Brochure. 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. However, it is possible that Congress, the New York State Legislature, the Treasury Department, the IRS, the DTF and other taxing authorities or the courts may take actions that will adversely affect the tax law consequences described and such adverse effects may be retroactive. The Treasury Department has issued no final tax regulations concerning qualified tuition programs and, when issued, such regulations may alter the tax consequences summarized herein, may condition realization by Account Owners of the tax benefits described herein upon compliance by Account Owners with requirements prescribed by such regulations or may require Program changes to permit Account Owners to realize such tax benefits. See "Section 5. Certain Risks of Investing in the *Direct Plan*—Uncertainty of Tax Consequences." This Program Brochure does not address the potential effects on Account Owners or Beneficiaries of the tax laws of any country other than the United States or any state other than New York.

The summary reflects the provisions of the 2001 Tax Act specifically applicable to qualified tuition programs as well as certain administrative interpretations of Section 529. These provisions of the 2001 Tax Act took effect January 1, 2002 and expire on December 31, 2010. If Congress does

not extend these provisions beyond December 31, 2010, or otherwise change the law, the Code provisions governing the federal tax treatment of qualified tuition programs, including the Program, on January 1, 2011 will revert to the rules that existed until December 31, 2001. There can be no assurance that federal legislation will be enacted to delay or eliminate such expiration date or otherwise to prevent such reversion or, if such legislation is enacted, that the resulting provisions of the Code relating to qualified tuition programs will not be materially different from those described in this Program Brochure.

Therefore, when considering an investment, you should be aware that the provisions of the Code affecting your Account may change or expire while your Account is open. The effects of a reversion to the Code provisions that were applicable until December 31, 2001 would be complex and would include numerous changes to federal income and estate and gift tax law. Account Owners should consult a qualified tax advisor about the applicability of such changes to their Account. See "—Potential Federal Tax Effects of the Expiration of the 2001 Tax Act" below.

Under current federal and New York State tax law you should retain records, invoices or other documents and information adequate to substantiate: (i) particular expenses which you claim to be Qualified Higher Education Expenses; (ii) withdrawals due to death or Disability of, or receipt of a Qualified Scholarship by, a Beneficiary; (iii) the earnings component of and compliance with the timing requirements applicable to qualified Rollovers; and (iv) the earnings component of contributions funded from Qualified Savings Bonds or Coverdell Accounts because it is your responsibility to substantiate contributions to, and withdrawals and transfers from, the Program if the IRS or any state taxing authority requires you to do so. You should consult a qualified tax advisor as to what documentation may be required.

We strongly encourage Account Owners and Beneficiaries to consult with their tax advisors regarding the tax consequences of contributing money to, or withdrawing money from, a 529 Plan account.

529 Plans Generally

529 Plans allow individuals and certain other entities to provide for the education-related expenses of a beneficiary in a tax-advantaged manner. To be eligible for these tax benefits, the funds from a 529 Plan account must be used to pay the Qualified Higher Education Expenses of the beneficiary at an Eligible Educational Institution. The terms "Qualified Higher Education Expenses" and "Eligible Educational Institutions" are generally defined in "Section 3. Information About Your Account—Withdrawals."

Contributions and Withdrawals

Contributions to an Account do not constitute income to the Beneficiary. In addition, while contributions to an Account may be deductible by the Account Owner in an amount up to \$5,000 for individuals and \$10,000 for spouses filing jointly for New York personal income tax purposes, they are not similarly deductible for federal income tax purposes. However, the income earned on any such contributions may generally grow free from federal income tax until distributed. The earnings portion of distributions that are Qualified Withdrawals or qualified Rollovers is not subject to federal income taxation. The earnings portion of other distributions, including Non-Qualified Withdrawals, withdrawals made on account of the death or Disability of the Beneficiary, or withdrawals made on account of receipt by the Beneficiary of a Qualified Scholarship, as described below, is includable in computing the distributee's taxable income for the year in which the withdrawals are paid.

In addition, the earnings portion of Non-Qualified Withdrawals is subject to a 10% Federal Penalty. The 10% Federal Penalty does not apply to Qualified Withdrawals or to withdrawals made on account of: (i) the death (when paid to the Beneficiary's estate) or Disability of the Beneficiary; (ii) a qualified Rollover, as described below; or (iii) receipt by the Beneficiary of a Qualified

Scholarship to the extent of the scholarship amount. For this purpose, a Qualified Scholarship also includes certain educational assistance allowances under federal law and certain payments for educational expenses or attributable to attendance at certain educational institutions that are exempt from federal income tax.

Any withdrawal will be treated as consisting in part of contributions to an Account and in part of earnings. All 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 date of such withdrawal. Thus if an Account Owner has established more than one Account for the same Beneficiary, an amount withdrawn from assets invested under one Account or Investment Option may carry with it a greater or lesser amount of earnings than the earnings attributable to the Account or Investment Option from which the distribution is made. All Accounts having the same Beneficiary will be aggregated for purposes of determining compliance with the Program's Maximum Account Balance limits.

Qualified Rollovers

An account owner may transfer all or part of the funds in a 529 Plan account to an account in another 529 Plan without adverse federal income tax consequences if the transfer occurs within 60 days and the recipient account is established for the benefit of: (i) the same beneficiary, but only if such Rollover does not occur within 12 months from the date of a previous transfer to any qualified tuition program for the benefit of the beneficiary; or (ii) an individual who is a Member of the Family of the original beneficiary.

Other Contributions and Transfers

An individual may generally transfer into a 529 Plan account, without adverse federal income tax consequences, all or part of: (i) funds held in another account in the same 529 Plan for a Member of the Family of the beneficiary of the receiving account, if the funds are transferred within 60 days of the withdrawal from the distributing account; (ii) the funds from a Coverdell Account described by Section 530 of the Code; or (iii) the proceeds from the redemption of a Qualified Savings Bond described in Section 135 of the Code.

Other Higher Education Expense Benefit Programs

The tax benefits afforded to 529 Plans must be coordinated with other programs designed to provide tax benefits for meeting higher education expenses in order to avoid the duplication of such benefits. The coordinated programs include the Coverdell Accounts under Section 530 of the Code and the Hope Scholarship and Lifetime Learning Credits under Section 25A of the Code.

Coverdell Accounts

An individual may contribute money to, or withdraw money from, both a 529 Plan account and a Coverdell Account in the same year. The same expenses, however, cannot count both as "qualified education expenses" for Coverdell Account purposes and Qualified Higher Education Expenses 529 Plan purposes. Accordingly, to the extent the total withdrawals from both programs exceed the amount of the Qualified Higher Education Expenses incurred that qualifies for tax-free treatment under Section 529, the recipient must allocate his or her Qualified Higher Education Expenses between both such withdrawals in order to determine how much may be treated as tax-free under each program.

Hope Scholarship and Lifetime Learning Tax Credits

The use of a Hope Scholarship tax credit or Lifetime Learning tax credit by a qualifying Account Owner and Beneficiary will not affect participation in or receipt of benefits from an Account, so long as any withdrawal from the Account is not used for the same expenses for which the credit was claimed.

Coordination with United States Savings Bonds Provisions

A 529 Plan account owner who meets certain age and income limitations and who makes contributions to an account, the beneficiary of which is the account owner, the account owner's spouse or an eligible dependent of the account owner, may be allowed to exclude all or a portion of income from certain Qualified Savings Bonds issued after 1989 in computing the account owner's federal taxable income for the year in which a contribution to the account is made. In those circumstances, some or all of the income on the Qualified Savings Bond may be recognized at the time of a subsequent distribution from the account.

Federal Gift and Estate Taxes

Contributions (including certain Rollover contributions) to a 529 Plan account generally are considered completed gifts to the beneficiary for federal gift, estate and generation-skipping transfer tax purposes and are potentially subject to federal gift tax. Generally, if your contributions to an Account for a Beneficiary together with all other gifts by you to the Beneficiary, including contributions to all non-Program 529 Plans for such Beneficiary, do not exceed the federal annual exclusion amount of \$11,000 per year (\$22,000 if you are married and elect to split gifts with your spouse), such contributions will not be subject to the federal gift tax or generation-skipping transfer tax. (The annual exclusion amount is periodically adjusted for inflation.) Except in the situations described below, if the account owner were to die while assets remain in a 529 Plan account, the value of the account would not be included in the account owner's estate.

In cases where contributions to a 529 Plan account exceed the applicable annual exclusion amount for a single beneficiary, the contributions may be subject to federal gift tax and possibly generation-skipping transfer tax in the year of contribution. However, in these cases, a contributor may elect to apply the contribution against the annual exclusion equally over a five-year period while filing a gift tax return for the year in which the gift was made. This option is applicable only for contributions up to five times the available annual exclusion amount in the year of the contribution. For example, for 2003, the maximum contribution that may be made using this rule would be \$55,000 (or \$110,000 for spouses electing to split gifts). Once this election is made, if the contributor makes any additional gifts to the same beneficiary in the same or the next four years, such additional gifts may be subject to gift or generation-skipping transfer tax in the calendar year of each such additional gift. If the contributor chooses to use the five-year forward election and dies 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 the contributor's death) would be included in the contributor's estate for federal estate tax purposes.

Each contributor currently has a \$1,000,000 lifetime exclusion that may be applied to gifts greater than the annual exclusion amounts referred to above. A married couple may elect to split gifts and apply their combined exemptions of \$2,000,000 to gifts made by either of them. The \$2,000,000 lifetime gift tax exclusion also would apply to gifts of community property. Although the IRS requires gift tax returns to be filed for gifts greater than the annual exclusion amount, no gift tax will be due until the lifetime exemptions have been used. An Account Owner or potential Account Owner should consult a qualified tax advisor regarding the applicability of gift, estate and generation-skipping transfer taxes to their Program Account transactions.

The Code provides that amounts distributed on account of the death of a 529 Plan beneficiary are included in the gross estate of that beneficiary for federal estate tax purposes. However, under the Proposed Regulations, all amounts in a 529 Plan account at the time of a beneficiary's death are included in that beneficiary's gross estate, regardless of whether distributions are made on account of that beneficiary's death.

A change of the beneficiary of a 529 Plan account or a transfer to an account for another beneficiary will potentially be subject to gift tax only 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. In addition, if the new beneficiary is two or more generations below the beneficiary being replaced, the transfer may be subject to the generation-skipping transfer tax (discussed below). Under the Proposed Regulations, these taxes are imposed on the prior beneficiary. You should consult a qualified tax advisor for guidance when considering a change of Beneficiary or a transfer to another Account or to an account in a non-Program 529 Plan and should evaluate the potential gift tax implications to an existing Beneficiary when considering such a change. Furthermore, Account Owners who transfer Account assets to the Account of another Account Owner, as well as the recipient Account Owner, should consult their tax advisors regarding the potential applicability of gift tax or generation-skipping transfer tax as a result of such transfer.

Because contributions to a 529 Plan account are treated as completed gifts for federal transfer tax purposes, contributors may also need to be concerned about the generation-skipping transfer tax with respect to their contributions. This tax may apply to contributions greater than the amount that may be elected to be ratably spread over the above-referenced five-year period where the beneficiary of the account is deemed to be a member of a generation that is more than one generation younger than the generation of the contributor. Each taxpayer in 2003 has a \$1,120,000 generation-skipping transfer tax exemption that will be allocated to transfers that are subject to generation-skipping transfer tax unless the taxpayer elects otherwise. The current \$1,120,000 exemption from generation-skipping transfer tax will increase gradually to \$3,500,000 by 2009. The size of the current and future exemptions makes it unlikely that this will apply to many Account Owners or Beneficiaries. Account Owners concerned about application of the generation-skipping transfer tax should consult their tax advisors.

You should consult a qualified tax advisor with respect to the federal gift and estate tax consequences of transfers from your Upromise Rewards Service account.

New York State and Local Tax Consequences

This Program Brochure describes certain New York tax benefits, which 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. No representation is made as to the consequences to Account Owners or Beneficiaries of contributions to, earnings upon, transfers of or withdrawals from accounts under the laws of any other state. Moreover, if you reside in another state or have taxable income in another state, it is important for you to note that if that state has established a 529 Plan, that state's plan may offer favorable state tax benefits or other benefits that are only available to you if you invest in that state's plan, and that are not available to you if you invest in the Program. Residents and taxpayers of other states who are concerned with such tax consequences should consult with a qualified tax advisor.

Contributions by an Account Owner are deductible in computing the Account Owner's New York taxable income for New York personal income tax purposes in an amount not to exceed \$5,000 taken together for all contributions to all accounts of the Account Owner in any taxable year (and only to the extent not deductible or eligible for credit for federal income tax purposes). For contributions to be deductible for a given calendar year, the Account Owner must make them before the end of that year. The Program will treat contributions sent by U.S. mail as having been made the year sent if the United States Postal Service has postmarked the envelopes in which they are sent on or before December 31 of that year. Regardless of the calendar year

for which a 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 the Program receives the contribution, and with respect to AIP and EBT contributions on the business day before the bank debit occurs. See "Section 3. Information About Your Account—Pricing of Portfolio Units and Trade Date Policies."

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. Thus, for example, a married couple who files a joint New York State income tax return could deduct \$10,000 in determining their New York adjusted gross income if one spouse made contributions of \$10,000 to an account or if only one spouse had New York adjusted gross income.

Contributions are not includable in computing the New York taxable income of Beneficiaries for New York personal income tax purposes.

The Trust will not pay a New York franchise tax or other tax based on income. The earnings of the Trust credited to an Account will not be includable in computing the New York taxable income of either the Account Owner or the Beneficiary of the Account if the earnings remain in the Account.

The Program has received a letter from DTF advising that all transfers from an Account in the Program to an account in another qualified tuition program that occur on or after January 1, 2003, will be treated as Non-Qualified Withdrawals for New York tax purposes. New York State's Tax Law treats such transfers as a Non-Qualified Withdrawal whether the transfer is to an account of the same designated beneficiary or to an account of a qualified family member and without regard to whether such transfer results in income for federal tax purposes. Accordingly, any portion of the transferred amount attributable to earnings or to contributions for which previous deductions were taken will be included in the distributee's New York gross income.

The DTF further advised the Program that, effective January 1, 2003, all withdrawals from an Account resulting in actual disbursement of funds that are subsequently redeposited by the Account Owner into a Program Account will be treated as Non-Qualified Withdrawals without regard to whether such withdrawal and redeposit will result in income for federal tax purposes. Accordingly, the portion of the withdrawn amount attributable to earnings or to contributions for which previous deductions were taken will be included in the Account Owner's New York gross income. Such a redeposit may result in the availability to the Account Owner of a New York tax deduction for contributions to the Program.

No portion of any Qualified Withdrawal or any withdrawal due to the death or Disability of the Beneficiary of the Account will be includable in computing the New York taxable income of either the Account Owner or the Beneficiary of the Account for New York personal income tax purposes.

The entire amount of Non-Qualified Withdrawals and withdrawals due to a Qualified Scholarship received by the Beneficiary from an Account will be includable in computing your New York taxable income for the year in which you make the withdrawal, other than any portion attributable to contributions to the account which were not previously deductible for New York State personal income tax purposes.

New York repealed its gift tax on January 1, 2000. The federal estate tax characterization of Account balances, contributions, withdrawals from Accounts and changes in the Beneficiary of an Account governs the characterization of these items for New York estate tax purposes. For Account Owners who are New York City or City of Yonkers taxpayers, the discussion of New York State tax consequences described above governs the computation of 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 non-Program 529 Plan may be subject to a tax imposed on the Rollover amount by that other state. You should consult with your tax advisor regarding the state tax consequences of participating in the Program.

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

Potential Federal Tax Effects of the Expiration of the 2001 Tax Act

The provisions of the 2001 Tax Act specifically applicable to qualified tuition programs became effective on January 1, 2002 and expire on December 31, 2010. If Congress does not extend these provisions beyond December 31, 2010, or otherwise change the law, the Code provisions governing the federal tax treatment of qualified tuition programs, including the Program, on January 1, 2011 will revert to the rules that existed until December 31, 2001. Following is a summary of some of the more significant effects of such a reversion:

- The earnings portion of a Qualified Withdrawal would be recognized as taxable income of the beneficiary of the account. This could require the beneficiary to file a federal income tax return.
- The 10% Federal Penalty would not apply. However, qualified tuition programs, including the Program, would be required to impose a similar penalty on the earnings portion of any Non-Qualified Withdrawal.
- An account owner would no longer be permitted to transfer funds from an account in one qualified tuition program to an account in another qualified tuition program for the same beneficiary without incurring federal income tax and the penalty applicable to Non-Qualified Withdrawals. Only those transfers made for the benefit of a different beneficiary who is a Member of the Family of the prior beneficiary would be tax-free distributions not subject to a penalty.
- The definition of Member of the Family would no longer include first cousins.
- The amount of room and board expenses that constitute Qualified Higher Education Expenses could not exceed the minimum allowance applicable to the beneficiary included for room and board for the period in which the withdrawal is made, for purposes of determining eligibility for certain federal financial aid programs as in effect on August 5, 1997, and would generally be limited to the amount normally charged most residents for students living in housing owned or operated by the school, \$2,500 per year for students living off-campus and not at home, or \$1,500 for students living at home with a parent or guardian.
- Certain additional costs of special-needs beneficiaries in connection with attendance at an Eligible Educational Institution would not constitute Qualified Higher Education Expenses.

- Contributions to a Coverdell Account on behalf of a beneficiary in the same year as a contribution to a qualified tuition program account for the same beneficiary would be subject to an annual 6% excise tax until withdrawal of the funds.
- Subject to various restrictions and limitations, some of the amounts withdrawn from an Account and used to pay Qualified Higher Education Expenses of a Beneficiary could be available as a credit against the federal income tax liability of that Beneficiary (or a person who can claim that Beneficiary as a dependent) under the federal income tax provisions governing the Hope Scholarship Credit or Lifetime Learning Credit.
- The gift, estate and generation-skipping transfer tax rules in effect before January 1, 2002 would be reinstated (e.g., exemption limits would be reduced and the estate tax would be reinstated).
- Qualified tuition programs would be limited to programs established by states and transfers between such qualified tuition programs and programs established by educational institutions pursuant to the 2001 Tax Act would not be allowed.

This list is not intended as individual tax advice. Certain of the changes in law described above may affect particular Account Owners and Beneficiaries differently, depending on their specific circumstances. Account Owners who expect a balance in their Account to remain beyond December 31, 2010 should consult with their tax advisors regarding the potential effects of expiration of the provisions of the 2001 Tax Act upon their Account.

Section 7. Fees and Charges

Management Fee

The Program Administrators, in their sole discretion, will establish fees and charges as they deem appropriate. In the future, the Program's fees and charges could be higher or lower than those discussed in this Section. The Program currently charges an asset-based fee (the "Management Fee"), applicable to all Program Accounts, which covers administration and management services and which decreases as assets in the Program increase as follows:

Total Program Assets	Applicable Management Fee
Up to \$2 billion	0.60%
\$2 billion–\$4 billion	0.58%
\$4 billion–\$5 billion	0.56%
Over \$5 billion	0.55%

The Management Fee is calculated by determining the daily net assets of the Program and applying the appropriate fee. For example, if the net assets of the Program were equal to \$3 billion, a fee of 0.58% would be applied. The Management Fee accrues on a daily basis and is paid to the Program Manager on a monthly basis. The Management Fee includes the expense ratios of the Underlying Funds.

Vanguard and Upromise have agreed to a specific formula for the allocation of the Management Fee. The Management Fee is the sole source of compensation for Upromise and Vanguard for performing services for the Program.

Costs and Expenses of the Program Administrators

The Program Manager has agreed to provide an annual payment to the Program Administrators for oversight of the Program. The annual payments received by the Program Administrators, together with any penalties, charges or fees which may be charged to Accounts in the future (excluding the Management Fee and any penalties payable to the federal government), will be segregated in the Trust and may, together with income earned thereon, be withdrawn and applied by the Comptroller for the payment of the direct and indirect costs and expenses of the Comptroller and HESC incidental to the performance of their respective duties and obligations in connection with the Program. All fees, compensation, payments and other economic benefits, if any, received by the Comptroller and HESC, respectively, from or relating to the Program will represent reimbursement of such costs. Neither the Comptroller nor HESC is permitted to earn any profit at any time or in any way from the Program.

Other Fees and Penalties

Except for the Management Fee, there is currently no fee, charge or penalty imposed by the Program in connection with the opening or maintenance of any Account, any transaction in any Account, any withdrawal from any Account, any transfer to an Account from a non-Program 529 Plan or any transfer from an Account to a non-Program 529 Plan. The Comptroller and HESC may impose additional penalties, charges or fees in the future. Any brokerage fees or expenses for trading assets within a Vanguard Underlying Fund will be borne by the Underlying Fund.

Section 8. Legal and Administrative Information

The Comptroller and HESC

The Comptroller and HESC are jointly responsible for implementing and administering the Program.

The New York State Constitution established the position of Comptroller as an independent, statewide elected position. 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 \$100 billion of assets. 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 by statute to improve the postsecondary educational opportunities of eligible students through the centralized administration of New York State financial aid and loan programs. HESC coordinates the State of New York's administrative efforts in student financial aid and loan programs with those of the federal government.

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. It is possible that Account Owners will allocate their assets among the various Portfolios and among investment options available under the Advisor Plan 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 www.nysaves.org) would be made to affected Account Owners.

Securities Laws

The staff of the 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 the New York State securities law. 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, and, 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, and notices of the occurrence of certain enumerated events, will be filed by or on behalf of the Trust with each Nationally Recognized Municipal Securities Information Repository ("*NRMSIR*") and with a New York State information depository, if one then exists in accordance with a Continuing Disclosure Certificate relative to the Program, delivered pursuant to Rule 15c2-12 as promulgated by the SEC under the Securities Exchange Act of 1934. Notices of certain enumerated events will be filed by or on behalf of the Trust with each NRMSIR or the Municipal Securities Rulemaking Board and with a New York State depository, if one then exists.

The Program Manager is responsible for preparing annual financial statements for the Trust, which shall be audited by a nationally recognized firm of independent certified public accountants. The Program Manager will distribute annually summary financial information for the Trust to each Account Owner. The Annual Information is hereby incorporated by reference herein.

Tax Withholding and Reports

Under the Proposed Regulations, distributions from Accounts are not subject to backup withholding. The Program Manager will report withdrawals and other matters to the IRS, the DTF, Account Owners and other persons, if any, to the extent required pursuant to federal, state or local law, regulation or ruling. Under federal law, the Program Manager will file a separate return with the IRS reporting distributions from an Account to each distributee reflecting, among other information, the earnings portion of Account withdrawals during the calendar year to which the report pertains. Under current federal and state tax law, you should retain records, invoices or other documents and information sufficient to establish the source of Account contributions, particular expenses which you claim to be Qualified Higher Education Expenses, and, if applicable, the death or Disability of, or receipt of a Qualified Scholarship by, the Beneficiary.

Conflicts With Applicable Law

This Program Brochure is for information purposes only. In the event of any conflicts between the description of the Program contained herein and any requirement of federal or New York law applicable to the matters addressed herein such legal requirement shall prevail over this Program Brochure.

Applicable federal or New York State law will govern all matters pertaining to the Program that are not discussed in this Program Brochure.

Certain Contractual Matters

As Program Manager pursuant to the Management Agreement, Upromise will be initially responsible for the performance of investment management, administrative, record-keeping, 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 pursuant to the Management Agreement and certain related agreements, Vanguard will be initially directly responsible for the distribution and investment management of the *Direct Plan* in conformance with certain standards established in such agreements.

Upromise has delegated certain services which it is obligated to perform pursuant to the Management Agreement, with respect to the *Direct Plan*, with the consent of the Comptroller and HESC as follows: Upromise may hereafter delegate the performance of other services required of them only with the prior written consent of the Comptroller and HESC.

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

Termination of Upromise's 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 and Vanguard are required to treat all Account Owner and Beneficiary information confidentially. Upromise and Vanguard are prohibited from using or disclosing such information, except as may be necessary to perform their obligations under the terms of the Management Agreement and such agreements.

Miscellaneous

Please keep the Program Brochure that you have most recently received, all supplements to such Program Brochure and the Tuition Savings Agreement applicable when you opened your Account for future reference. These documents give you important information about the Program, including information about the investment risks associated with, and the terms under which you agree to participate in the *Direct Plan*.

References made herein to certain documents and reports are summaries thereof which are not complete or definitive, and reference is made to those documents and reports for complete information as to the content thereof.

If you have questions about the Program, including the opening of an Account, or requests for an Enrollment Application or other forms, you should visit us at www.nysaves.org or call the Program 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 1086, New York, NY 10021-0036.

New York's 529 College Savings Program

Direct Plan

Tuition Savings Agreement



Tuition Savings Agreement

for New York State College Choice Tuition Savings Program *Direct Plan*

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 has the meaning that term has in the Program Brochure:

- A. 1. I have accepted, read and understand the Program Brochure, 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 Program Brochure and this Agreement.
 2. I am opening this Account to provide funds for Qualified Higher Education Expenses of the Beneficiary of this Account.
 3. I recognize that investment in the *Direct Plan* involves certain risks, including, but not limited to, those referred to in Section 4 and Section 5 of the Program Brochure, 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 Program Brochure will be realized and that none of the United States, 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 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, 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.
 4. 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.
 5. I understand and agree that the Program does not involve any guarantee or commitment whatsoever of or from the State of New York, the Comptroller, HESC, the Program Manager 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, financial aid eligibility or any other purpose for the Beneficiary because the individual is a Beneficiary; 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).
 6. I understand and agree that Upromise 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 Program Brochure under the caption "Section 5. Certain Risks of Investing in the *Direct Plan*—Management Agreement Term and Successor Managers."
 7. *(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 above 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 the establishment of such Account.
 8. I understand and acknowledge that I have not been advised by the State of New York, the Comptroller, HESC or any agency or instrumentality of the State of New York, Upromise or any of its affiliates, Vanguard or any of its affiliates, any agent, representative, or subcontractor retained in connection with the Program, 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 a 10% federal tax upon the earnings portion of such withdrawal that will be payable in addition to, and along with, my federal income tax for the year of such 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 Program Brochure.
- C. Necessity of Qualification.** I understand that the Program is intended to be a "qualified tuition program" under Section 529 and to achieve favorable New York State and local tax treatment under New York State law. I agree that the Comptroller and HESC may make changes to the Program, this Agreement and the Program Brochure 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 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 Program Manager, the Investment Manager, the Comptroller or HESC as my tax consultant or financial planner.
- D. Effectiveness of this Agreement.** This Agreement shall become effective upon the opening of the Account on the records of the Program Manager.
- 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 such 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 Comptroller, HESC and the Program Manager in connection with the operation of the Program shall be final and binding on each Account Owner, Beneficiary and any other person affected thereby.
- 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 Comptroller, HESC, Upromise and its affiliates, Vanguard and its affiliates, any successor Program Manager or Investment Manager, and any agents, representatives or subcontractors of any of the foregoing, from and against any and all loss, damage, liability or expense, including reasonable attorney's fees, that any of them may incur by reason of, or in connection with, any misstatement or misrepresentation made by me herein 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 HESC, the Program Manager, the Investment Manager and any other agent, representative or subcontractor retained in connection with the Program 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.** At any time, and from time to time, the Comptroller may amend this Agreement, or the Program may be suspended or terminated, but except as permissible under applicable law, my Account may not thereby be diverted from the benefit of the Beneficiary that I select except by me or by a successor Account Owner.
- J. Governing Law.** This Agreement is governed by New York law. The Account Owner 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.



George E. Pataki Governor Alan G. Hevesi State Comptroller

New York's 529 College Savings Program *Direct Plan*
Post Office Box 1086
New York, NY 10021-0036

New York's 529 College Savings Program *Direct Plan* is described in the current applicable Program Brochure and Tuition Savings Agreement. Accounts are opened by completing an Enrollment Form. All of these should be read carefully before opening an account. None of the State of New York, its agencies, the Federal Deposit Insurance Corporation (FDIC), The Vanguard Group, nor Upromise insures accounts or guarantees the principal deposited therein or any investment returns on any account or investment portfolio. The value of your account will vary based on market conditions and the performance of the investment options you select, and may be more or less than the amount you deposit. Tax benefits are subject to certain limitations and certain withdrawals are subject to federal, state and local taxes. If you are a resident or taxpayer of another state, you should consider whether that state offers a 529 Plan with tax or other benefits that are not available through this Program. You should consult your tax advisor. Investments may be made through Upromise Investments, Inc. and Vanguard Marketing Corporation, as distributors.

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 offers investment options that are not available under the *Direct Plan*. However, the fees and expenses of the Advisor Plan are higher and include financial advisor compensation. Be sure to understand the options available before making an investment decision.

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



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.

- Print clearly, preferably in capital letters and black ink.
- Complete this form to establish an account in New York's 529 College Savings Program *Direct Plan*.

Forms can be downloaded from our Web site at www.nysaves.org. Or you can call us toll-free to order any form 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 1085, New York, NY 10021-0036**. For overnight delivery, mail to **New York's 529 College Savings Program *Direct Plan*, c/o Upromise Investments, Inc., 117 Kendrick Street, Suite 200, Needham, MA 02494**.

1. Account Owner Information

Are you transferring funds from a Uniform Gifts/Transfers to Minors Act (UGMA/UTMA) account to your 529 account? *(Check one.)*

Yes. *(Provide the custodian's information in **Section 1** and the minor's information in **Section 3**. Then check the UGMA/UTMA option in **Section 6**.)* No.

Is the account owner a minor (under age 18)? *(Check one.)*

Yes. *(The minor completes **Section 1**, and the designated parent or guardian completes **Section 2** and provides a signature in **Section 8**.)* No.

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

Citizenship U.S. Citizen Resident Alien Country of Citizenship *(for resident alien)*

Social Security Number or Individual Tax Identification Number

Birth Date *(month, day, year)* E-Mail Address

Daytime Telephone Number Evening Telephone Number

Permanent Address or APO/FPO *(a P.O. box is not acceptable)*

City State Zip

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

City State Zip



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2. Designated Parent/Guardian Information *(if applicable)*

Provide the following information only if the account owner is a minor.

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

-- --

Social Security Number

Birth Date *(month, day, year)*

Check here if the phone numbers and permanent address are the same as those indicated in Section 1. Otherwise, provide the information below.

-- --

Daytime Telephone Number

Evening Telephone Number

Permanent Address or APO/FPO *(a P.O. box is not acceptable)*

-

City

State

Zip

3. Designated Beneficiary Information

Name *(first, middle initial, last)*

Citizenship U.S. Citizen Resident Alien Country of Citizenship *(for resident alien)*

--

Social Security Number or Individual Tax Identification Number

--

Birth Date *(month, day, year)*

Relationship to Account Owner

Check here if the phone numbers and permanent address are the same as those indicated in Section 1. Otherwise, provide the information below.

-- --

Daytime Telephone Number

Evening Telephone Number

Permanent Address or APO/FPO *(a P.O. box is not acceptable)*

-

City

State

Zip

4. Successor Account Owner Information *(optional)*

You may designate a successor account owner to automatically assume control of the account when you die. You may revoke or change the successor account owner at any time. Refer to the *Program Brochure and Tuition Savings Agreement* for more information. **Note:** 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)*

Relationship to Account Owner

Daytime Telephone Number

Evening Telephone Number

5. Investment Selection

- You can invest your contributions in age-based options, individual portfolios, or a combination of these. Refer to the *Program Brochure* for more information.
- You may **allocate your contributions to a maximum of five investment options.**
- You must **allocate at least 5%** of your contributions to each investment you choose.

Age-Based Options:

Conservative	<input type="text"/> <input type="text"/> <input type="text"/> %
Moderate	<input type="text"/> <input type="text"/> <input type="text"/> %
Aggressive	<input type="text"/> <input type="text"/> <input type="text"/> %

Stock Portfolios:

Aggressive Growth Portfolio	<input type="text"/> <input type="text"/> <input type="text"/> %
Growth Stock Index Portfolio	<input type="text"/> <input type="text"/> <input type="text"/> %
Mid-Cap Stock Index Portfolio	<input type="text"/> <input type="text"/> <input type="text"/> %
Small-Cap Stock Index Portfolio	<input type="text"/> <input type="text"/> <input type="text"/> %
Value Stock Index Portfolio	<input type="text"/> <input type="text"/> <input type="text"/> %

Balanced Portfolios:

Conservative Growth Portfolio	<input type="text"/> <input type="text"/> <input type="text"/> %
Growth Portfolio	<input type="text"/> <input type="text"/> <input type="text"/> %
Income Portfolio	<input type="text"/> <input type="text"/> <input type="text"/> %
Moderate Growth Portfolio	<input type="text"/> <input type="text"/> <input type="text"/> %

Bond Portfolios:

Bond Market Index Portfolio	<input type="text"/> <input type="text"/> <input type="text"/> %
Inflation-Protected Securities Portfolio	<input type="text"/> <input type="text"/> <input type="text"/> %

Short-Term Investments Portfolio:

Interest Accumulation Portfolio	<input type="text"/> <input type="text"/> <input type="text"/> %
---------------------------------	--

TOTAL %



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6. Initial Contribution Method

By Check or Money Order. Make your check(s) or money order payable to New York's 529 College Savings Program Direct Plan.

Source of Funds (Check all that apply.)

Personal Check or Money Order. \$, .

Third-Party Check. \$, .

The amount of the check cannot exceed \$10,000, and it must be made payable to the account owner and properly endorsed to New York's 529 College Savings Program Direct Plan.

UGMA/UTMA Account. \$, .

You must first withdraw the funds from your UGMA/UTMA custodial account. (Consult your tax advisor to determine if this transaction is taxable.) Enclose a check for the amount of the withdrawal. Also see the instructions in **Section 1**.

Important: You cannot mix UGMA/UTMA contributions with contributions from other sources. If this box is checked, your account will be established exclusively for transfers from the UGMA/UTMA account.

In which state was the UGMA/UTMA account opened?

Another 529 Plan (Indirect Rollover Only). You must have withdrawn the assets from your previous 529 plan within the past 60 days. Enclose a check and provide a statement from the distributing 529 plan that shows the principal and earnings portions of the distribution.

Principal	\$	<input type="text"/>	<input type="text"/>	<input type="text"/>	,	<input type="text"/>	<input type="text"/>	<input type="text"/>	.	<input type="text"/>	<input type="text"/>	
Earnings (if applicable)	+	\$	<input type="text"/>	<input type="text"/>	<input type="text"/>	,	<input type="text"/>	<input type="text"/>	<input type="text"/>	.	<input type="text"/>	<input type="text"/>
Loss (if applicable)	-	\$	<input type="text"/>	<input type="text"/>	<input type="text"/>	,	<input type="text"/>	<input type="text"/>	<input type="text"/>	.	<input type="text"/>	<input type="text"/>
Total	\$	<input type="text"/>	<input type="text"/>	<input type="text"/>	,	<input type="text"/>	<input type="text"/>	<input type="text"/>	.	<input type="text"/>	<input type="text"/>	

Education Savings Account (ESA). You must first withdraw the funds from your ESA. Enclose a check and provide a statement from the distributing financial institution that shows the principal and earnings portions of the distribution.

Principal	\$	<input type="text"/>	<input type="text"/>	<input type="text"/>	,	<input type="text"/>	<input type="text"/>	<input type="text"/>	.	<input type="text"/>	<input type="text"/>	
Earnings (if applicable)	+	\$	<input type="text"/>	<input type="text"/>	<input type="text"/>	,	<input type="text"/>	<input type="text"/>	<input type="text"/>	.	<input type="text"/>	<input type="text"/>
Loss (if applicable)	-	\$	<input type="text"/>	<input type="text"/>	<input type="text"/>	,	<input type="text"/>	<input type="text"/>	<input type="text"/>	.	<input type="text"/>	<input type="text"/>
Total	\$	<input type="text"/>	<input type="text"/>	<input type="text"/>	,	<input type="text"/>	<input type="text"/>	<input type="text"/>	.	<input type="text"/>	<input type="text"/>	

U.S. Savings Bond(s). You must first liquidate the bond(s). Enclose a check and provide a statement or IRS Form 1099-INT issued by the distributing financial institution that shows the interest paid upon redemption.

Principal	\$	<input type="text"/>	<input type="text"/>	<input type="text"/>	,	<input type="text"/>	<input type="text"/>	<input type="text"/>	.	<input type="text"/>	<input type="text"/>	
Earnings (if applicable)	+	\$	<input type="text"/>	<input type="text"/>	<input type="text"/>	,	<input type="text"/>	<input type="text"/>	<input type="text"/>	.	<input type="text"/>	<input type="text"/>
Loss (if applicable)	-	\$	<input type="text"/>	<input type="text"/>	<input type="text"/>	,	<input type="text"/>	<input type="text"/>	<input type="text"/>	.	<input type="text"/>	<input type="text"/>
Total	\$	<input type="text"/>	<input type="text"/>	<input type="text"/>	,	<input type="text"/>	<input type="text"/>	<input type="text"/>	.	<input type="text"/>	<input type="text"/>	

By Direct Rollover From Another 529 Plan. 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). Note: Rollovers between 529 plans for the benefit of the same beneficiary are limited to once every 12 months.

By Transfer From My Bank Account. You must complete **Section 7**. Note: Your bank, savings and loan, or credit union must be a member of the Automated Clearing House (ACH) Network.

Type of Transfer (Check one or both.)

Electronic Bank Transfer (EBT). I want to make my initial contribution directly from my bank account. I understand that I will be able to make future contributions by this method at any time by logging on to **www.nysaves.org** or by calling **1-877-NYSAVES** (1-877-697-2837).

\$, .
 Amount of Initial Contribution (\$25 minimum)

Automatic Investment Plan (AIP). I want to have a set amount automatically transferred from my bank account on the schedule I specify below. I understand that I may change the debit amount and frequency at any time by logging on to **www.nysaves.org** or by calling **1-877-NYSAVES** (1-877-697-2837).

Frequency (Check one.) Monthly Quarterly

Amount of Debit (\$25 minimum) \$, .

Start Date - - (Allow three days from the date we receive this form. If the start date you choose occurs within this three-day period, your initial automatic investment will be made in the following month or quarter. If you do not indicate a start date, your investments will be made on the 10th of each month.)
 Date (month, day, year)

By Payroll Deduction. I want to make contributions to my Program account directly as a payroll deduction. I have contacted my employer's payroll office to verify that I can participate in this program. I understand that payroll deduction contributions will not be made to this account until I have received a payroll deduction confirmation form from the Program, provided my signature and Social Security number on the form, and submitted the form to my payroll office. I also understand that the amount I indicate below will be in addition to payroll deductions that I may have previously established on my other Program accounts.

Check here if you are an employee of the State of New York.

Amount of deduction each pay period (\$15 minimum) \$, .



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7. Bank Information

Complete this section only if you checked "By transfer from my bank account" in **Section 6**. Tape a voided check—not a deposit slip—for a checking account in the space provided. If you do not have a check or prefer to use your savings account, provide the account information below. (Contact your bank for its routing number.)

<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Bank Name	Bank Telephone Number										
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Bank Account Number	Bank Routing Number (located in the bottom left corner of your checks)							Account Type (Check one.)		<input type="checkbox"/> Checking	<input type="checkbox"/> Savings

J. A. Sample 101
 123 Street
 Anywhere, USA 12345

DATE: _____

PAY TO THE ORDER OF _____ \$

_____ DOLLARS

MEMO _____ SIGNED *VOID*

⑆ 123456789⑆ 12⑆3456789⑆

Tape your voided check here.
Please do not use staples to attach it.

A valuable opportunity to supplement your college savings—free!



Add to your college savings with the voluntary Upromise Rewards Service. You can save for college 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 Program account. (If you're already a member of Upromise, you can arrange to have contributions transferred from your existing account to your account in New York's 529 College Savings Program *Direct Plan*.)

Here's how to apply for membership in the Upromise Rewards Service. After we've received your completed New York's 529 College Savings Program *Direct Plan* Enrollment Application, we'll send you a welcome letter that includes your account number. Using this information, simply visit www.nysaves.org to register for Web access to your account, then follow the online instructions to join Upromise. It's that easy.

8. 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 *Program Brochure 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 *Program Brochure 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, AIP), I authorize the Program and its service providers, 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 understand that this authorization may be terminated by me at any time by notifying the Program, and that the termination request will be effective as soon as the Program has 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 Program and its service providers will not be liable for any loss, cost, or expense to me when they act upon instructions reasonably believed to be genuine.
- 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**

Signature of Account Owner (If the Account Owner is a minor, the designated parent or guardian must sign.)

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Date (month, day, year)

New York’s 529 College Savings Program *Direct Plan* is described in the current applicable *Program Brochure and Tuition Savings Agreement*. Accounts are opened by completing an Enrollment Application. All of these should be read carefully before opening an account. None of the State of New York, its agencies, the Federal Deposit Insurance Corporation (FDIC), The Vanguard Group, nor Upromise insures accounts or guarantees the principal deposited therein or any investment returns on any account or investment portfolio. The value of your account will vary based on market conditions and the performance of the investment options you select, and may be more or less than the amount you deposit. Tax benefits are subject to certain limitations and certain withdrawals are subject to federal, state, and local taxes. If you are a resident or taxpayer of another state, you should consider whether that state offers a 529 Plan with tax or other benefits that are not available through this Program. You should consult your tax advisor. Investments may be made through Upromise Investments, Inc., and Vanguard Marketing Corporation as distributors.

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