SUPPLEMENT NO. 4 DATED MARCH 30, 2017, TO THE KENTUCKY EDUCATIONAL SAVINGS PLAN TRUST DISCLOSURE BOOKLET DATED APRIL 30, 2013

This Supplement No. 4 provides new and additional information beyond that contained in the April 30, 2013 Plan Disclosure Booklet and Participation Agreement, as supplemented (the “Disclosure Booklet”) of the Kentucky Educational Savings Plan Trust (the “Program”). It should be retained and read in conjunction with the Disclosure Booklet and prior supplements.

Changes to CONTRIBUTIONS

On page 6 of the Disclosure Booklet, the following is added as a new paragraph in the left-hand column:

Systematic Exchange. Systematic Exchange is an optional feature offered by the Program that allows an Account Owner to regularly transfer funds from one Investment Option to another. An Account Owner may choose the Systematic Exchange option when making a one-time new contribution, or with funds already invested in the Account Owner’s Account. Similar to the Automatic Contribution Plan, an Account Owner makes recurring contributions to an Investment Option over time, but instead of making regular transfers from a bank account, Systematic Exchange allows an Account Owner to make transfers from one Investment Option to another Investment Option. Using the appropriate Program form, an Account Owner chooses the amount he or she would like to transfer either on a monthly or quarterly recurring basis. If an Account Owner elects, changes or terminates the Systematic Exchange option for assets already in his or her Account, such election, change, or termination will be considered a change in investment strategy for previously contributed funds and will be subject to the twice per calendar year restriction on such changes.

The Board of Directors of the Kentucky Higher Education Assistance Authority, Administrator and Trustee
TIAA-CREF Tuition Financing, Inc., Program Manager
TIAA-CREF Individual & Institutional Services, LLC, Distributor/Underwriter

00191585
This Supplement No. 3 provides new and additional information beyond that contained in the April 30, 2013 Plan Disclosure Booklet and Participation Agreement, as supplemented (the “Disclosure Booklet”) of the Kentucky Educational Savings Plan Trust (the “Program”). It should be retained and read in conjunction with the Disclosure Booklet and prior supplements.

Changes to FREQUENTLY USED TERMS

On page 3 of the Disclosure Booklet, the definition of "Qualified Higher Education Expenses" is revised to read:

Generally, tuition, certain room and board expenses, fees, the cost of computers, hardware, certain software, and internet access and related services, and the cost of books, supplies and equipment required for the enrollment or attendance of a Beneficiary at an Eligible Educational Institution.

Changes to CONTRIBUTIONS

On page 5 of the Disclosure Booklet, the sentence under the sub-heading “Impermissible Methods of Contribution” is revised to read:

The Program cannot accept contributions made by cash, starter check, traveler's check, credit card, convenience check or money order.

Changes to PROGRAM FEES

Beginning on page 7 of the Disclosure Booklet, the section entitled “Program Fees” is deleted in its entirety and replaced with the following:

The following table describes the Program's current fees. KHEAA reserves the right to change the fees or to impose additional fees in the future.

Fee Table

<table>
<thead>
<tr>
<th>Investment Option</th>
<th>Program Manager Fee (1)(2)</th>
<th>State Administrative Fee</th>
<th>Estimated Expenses of an Investment Option’s Underlying Investments (3)</th>
<th>Total Annual Asset-Based Fees (4)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managed Allocation Option</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Age Band 0–4 Years</td>
<td>0.48%</td>
<td>None</td>
<td>0.12%</td>
<td>0.60%</td>
</tr>
<tr>
<td>Age Band 5–8 Years</td>
<td>0.47%</td>
<td>None</td>
<td>0.13%</td>
<td>0.60%</td>
</tr>
<tr>
<td>Age Band 9–10 Years</td>
<td>0.46%</td>
<td>None</td>
<td>0.14%</td>
<td>0.60%</td>
</tr>
<tr>
<td>Age Band 11–12 Years</td>
<td>0.45%</td>
<td>None</td>
<td>0.15%</td>
<td>0.60%</td>
</tr>
<tr>
<td>Age Band 13–14 Years</td>
<td>0.45%</td>
<td>None</td>
<td>0.15%</td>
<td>0.60%</td>
</tr>
<tr>
<td>Age Band 15 Years</td>
<td>0.45%</td>
<td>None</td>
<td>0.15%</td>
<td>0.60%</td>
</tr>
<tr>
<td>Age Band 16 Years</td>
<td>0.47%</td>
<td>None</td>
<td>0.13%</td>
<td>0.60%</td>
</tr>
<tr>
<td>Age Band 17 Years</td>
<td>0.49%</td>
<td>None</td>
<td>0.11%</td>
<td>0.60%</td>
</tr>
<tr>
<td>Age Band 18 Years and over</td>
<td>0.52%</td>
<td>None</td>
<td>0.08%</td>
<td>0.60%</td>
</tr>
<tr>
<td>Active Equity Option</td>
<td>0.41%</td>
<td>None</td>
<td>0.50%</td>
<td>0.91%</td>
</tr>
<tr>
<td>Equity Index Option</td>
<td>0.47%</td>
<td>None</td>
<td>0.07%</td>
<td>0.54%</td>
</tr>
<tr>
<td>Investment Option</td>
<td>Program Manager Fee (1)(2)</td>
<td>State Administrative Fee</td>
<td>Estimated Expenses of an Investment Option’s Underlying Investments (3)</td>
<td>Total Annual Asset-Based Fees (4)</td>
</tr>
<tr>
<td>-------------------------</td>
<td>----------------------------</td>
<td>--------------------------</td>
<td>------------------------------------------------------------------------</td>
<td>----------------------------------</td>
</tr>
<tr>
<td>Balanced Option</td>
<td>0.47%</td>
<td>None</td>
<td>0.26%</td>
<td>0.73%</td>
</tr>
<tr>
<td>Fixed Income Option</td>
<td>0.47%</td>
<td>None</td>
<td>0.16%</td>
<td>0.63%</td>
</tr>
<tr>
<td>Guaranteed Option (5)</td>
<td>None</td>
<td>None</td>
<td>None</td>
<td>None</td>
</tr>
</tbody>
</table>

(1) Although the Program Manager fee is deducted from an Investment Option, not from your Account, each Account in the Investment Option indirectly bears its pro rata share of the Program Manager fee as this fee reduces the Investment Option’s return.

(2) Each Investment Option (with the exception of the Guaranteed Option) pays the Program Manager an annualized fee equal to a stated percentage of the average daily net assets held by that Investment Option. However, for the Managed Allocation Option and the Active Equity Option, the percentages listed in this column may fluctuate because such Investment Options are subject to a fixed Total Annual Asset-Based Fee amount. Thus, generally, if the underlying investment expenses increase, then the Program Manager fee decreases with respect to the Managed Allocation Option and the Active Equity Option.

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

(4) These figures represent the estimated weighted annual expense ratios of the mutual funds in which an Investment Option invests plus the fees paid to the Program Manager.

(5) The Guaranteed Option does not pay a Program Manager fee. TIAA-CREF Life Insurance Company (“TIAA-CREF Life”), the issuer of the funding agreement in which this Investment Option invests and an affiliate of TFI, makes payments to the Program Manager. These payments, among many other factors, is considered by the issuer when determining the interest rate credited under the funding agreement with KHEAA.

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

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

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

<table>
<thead>
<tr>
<th>INVESTMENT OPTION</th>
<th>APPROXIMATE COST OF $10,000 INVESTMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1 Year</td>
</tr>
<tr>
<td>Managed Allocation Option</td>
<td></td>
</tr>
<tr>
<td>Age Band 0–4 Years</td>
<td>$62</td>
</tr>
<tr>
<td>Age Band 5–8 Years</td>
<td>$62</td>
</tr>
</tbody>
</table>
INVESTMENT OPTION | APPROXIMATE COST OF $10,000 INVESTMENT
| 1 Year | 3 Years | 5 Years | 10 Years
---|---|---|---|---
Age Band 9–10 Years | $62 | $193 | $336 | $752
Age Band 11–12 Years | $62 | $193 | $336 | $752
Age Band 13–14 Years | $62 | $193 | $336 | $752
Age Band 15 Years | $62 | $193 | $336 | $752
Age Band 16 Years | $62 | $193 | $336 | $752
Age Band 17 Years | $62 | $193 | $336 | $752
Age Band 18 Years and over | $62 | $193 | $336 | $752
Active Equity Option | $93 | $291 | $506 | $1,123
Equity Index Option | $55 | $174 | $302 | $678
Balanced Option | $75 | $234 | $407 | $909
Fixed Income Option | $65 | $202 | $352 | $788
Guaranteed Option | None | None | None | None

Changes to INVESTMENT OPTIONS

On page 9 of the Disclosure Booklet, the first sentence under the subheading “Investment Strategy” is deleted and replaced with the following:

Depending on the Beneficiary’s age, contributions to this Investment Option will be placed in one of nine age bands, each of which has a different investment objective and investment strategy.

The table at the top of page 10 of the Disclosure Booklet is replaced with the following table:

Allocations for the Managed Allocation Option

<table>
<thead>
<tr>
<th>Age Bands</th>
<th>TIAA-CREF Equity Index Fund</th>
<th>TIAA-CREF International Equity Index Fund</th>
<th>TIAA-CREF Emerging Markets Equity Index Fund</th>
<th>TIAA-CREF Real Estate Securities Fund</th>
<th>TIAA-CREF Bond Index Fund</th>
<th>TIAA-CREF Inflation-Linked Bond Fund</th>
<th>TIAA-CREF Short-Term Bond Fund</th>
<th>TIAA-CREF Life Funding Agreement</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-4 Years</td>
<td>43.70%</td>
<td>21.90%</td>
<td>7.30%</td>
<td>8.10%</td>
<td>13.50%</td>
<td>4.00%</td>
<td>1.50%</td>
<td>0.00%</td>
</tr>
<tr>
<td>5–8 Years</td>
<td>37.80%</td>
<td>18.90%</td>
<td>6.30%</td>
<td>7.00%</td>
<td>18.50%</td>
<td>5.50%</td>
<td>6.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td>9–10 Years</td>
<td>32.40%</td>
<td>16.20%</td>
<td>5.40%</td>
<td>6.00%</td>
<td>21.50%</td>
<td>6.50%</td>
<td>12.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td>11-12 Years</td>
<td>27.00%</td>
<td>13.50%</td>
<td>4.50%</td>
<td>5.00%</td>
<td>27.00%</td>
<td>8.00%</td>
<td>15.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td>13-14 Years</td>
<td>22.70%</td>
<td>11.30%</td>
<td>3.80%</td>
<td>4.20%</td>
<td>29.00%</td>
<td>9.00%</td>
<td>15.00%</td>
<td>5.00%</td>
</tr>
<tr>
<td>15 Years</td>
<td>19.50%</td>
<td>9.70%</td>
<td>3.20%</td>
<td>3.60%</td>
<td>27.50%</td>
<td>8.50%</td>
<td>18.00%</td>
<td>10.00%</td>
</tr>
<tr>
<td>16 Years</td>
<td>16.70%</td>
<td>8.40%</td>
<td>2.80%</td>
<td>3.10%</td>
<td>26.00%</td>
<td>8.00%</td>
<td>15.00%</td>
<td>20.00%</td>
</tr>
<tr>
<td>17 Years</td>
<td>14.10%</td>
<td>7.00%</td>
<td>2.30%</td>
<td>2.60%</td>
<td>24.50%</td>
<td>7.50%</td>
<td>12.00%</td>
<td>30.00%</td>
</tr>
<tr>
<td>18 Years and over</td>
<td>10.80%</td>
<td>5.40%</td>
<td>1.80%</td>
<td>2.00%</td>
<td>15.50%</td>
<td>4.50%</td>
<td>10.00%</td>
<td>50.00%</td>
</tr>
</tbody>
</table>

Explanation of the Investment Risks of the Investment Options

On page 13 of the Disclosure Booklet, the risk explanation entitled “Interest Rate Risk” is replaced with the following:

Interest Rate Risk (a type of Market Risk) — The risk that increases in interest rates can cause the prices of fixed-income investments to decline. This risk is heightened to the extent a mutual fund invests in longer duration fixed-income investments and during periods when prevailing interest rates are low or negative. As of the date of this Supplement, interest rates in the United States and in certain foreign markets are at or near historic lows, which may increase a mutual
fund’s exposure to risks associated with rising interest rates. In general, changing interest rates could have unpredictable
effects on the markets and may expose fixed-income and related markets to heightened volatility.

Changes to PAST PERFORMANCE

Beginning on page 15 of the Disclosure Booklet, the section entitled “Past Performance” is replaced with the following:

The following tables show the returns of each Investment Option over the time period(s) indicated. No performance data
is included for the Managed Allocation Option because the structure of the age bands within this Investment Option has
changed as of the date of this Supplement.

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

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

For monthly performance information, visit the Program’s website or call the Program.

Risk-Based Investment Options

<table>
<thead>
<tr>
<th>Investment Option</th>
<th>1 Year</th>
<th>3 Year</th>
<th>5 Year</th>
<th>10 Year</th>
<th>Since Inception</th>
<th>Inception Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Active Equity Option</td>
<td>-5.86%</td>
<td>6.46%</td>
<td>6.85%</td>
<td>N/A</td>
<td>6.26%</td>
<td>September 5, 2008</td>
</tr>
<tr>
<td>Benchmark</td>
<td>-3.03%</td>
<td>7.15%</td>
<td>7.51%</td>
<td>N/A</td>
<td>6.56%</td>
<td></td>
</tr>
<tr>
<td>Equity Index Option</td>
<td>-3.21%</td>
<td>6.87%</td>
<td>7.17%</td>
<td>5.00%</td>
<td>4.05%</td>
<td>February 23, 2001</td>
</tr>
<tr>
<td>Benchmark</td>
<td>-3.06%</td>
<td>7.14%</td>
<td>7.50%</td>
<td>5.17%</td>
<td>4.51%</td>
<td></td>
</tr>
<tr>
<td>Balanced Option</td>
<td>1.54%</td>
<td>6.00%</td>
<td>5.99%</td>
<td>N/A</td>
<td>7.76%</td>
<td>November 2, 2009</td>
</tr>
<tr>
<td>Benchmark</td>
<td>2.12%</td>
<td>6.27%</td>
<td>6.37%</td>
<td>N/A</td>
<td>8.18%</td>
<td></td>
</tr>
<tr>
<td>Fixed Income Option</td>
<td>4.84%</td>
<td>2.94%</td>
<td>2.79%</td>
<td>N/A</td>
<td>3.63%</td>
<td>September 9, 2008</td>
</tr>
<tr>
<td>Benchmark</td>
<td>5.27%</td>
<td>3.52%</td>
<td>3.43%</td>
<td>N/A</td>
<td>4.32%</td>
<td></td>
</tr>
<tr>
<td>Guaranteed Option</td>
<td>1.25%</td>
<td>1.11%</td>
<td>1.35%</td>
<td>2.27%</td>
<td>2.46%</td>
<td>May 15, 2003</td>
</tr>
</tbody>
</table>

Changes to WITHDRAWALS

On page 16 of the Disclosure Booklet, under the heading “Withdrawals,” the first sentence of the third paragraph is
revised to read:

To request a withdrawal from your Account, complete and mail the appropriate form to the Program, make a
request through the secure portion of the Program’s website or call the Program.

On page 17 of the Disclosure Booklet, the following paragraph is added as the second full paragraph in the left-
hand column:

You may make withdrawals from your Account using the systematic withdrawal option, which allows an Account
Owner to make periodic withdrawals from a selected Investment Option. You can add the systematic withdrawal
option, change the timing and amount of your withdrawal or stop your participation in the option by completing the
appropriate Program form.
On page 17 of the Disclosure Booklet, under the sub-heading “Qualified Withdrawals,” the first sentence of the second paragraph is revised to read:

Qualified Higher Education Expenses are defined generally to include tuition, certain room and board expenses, fees, the cost of computers, hardware, certain software, and internet access and related services, and the cost of books, supplies and equipment required for the enrollment or attendance of a Beneficiary at an Eligible Educational Institution.

On page 17 of the Disclosure Booklet, under the sub-heading “Qualified Withdrawals,” the following sentences are added to the end of the second paragraph:

To be treated as Qualified Higher Education Expenses, computers, hardware, software, and internet access and related services must be used primarily by the Beneficiary while enrolled at an Eligible Educational Institution. Qualified Higher Education Expenses do not include expenses for computer software designed for sports, games, or hobbies unless the software is predominantly educational in nature.

Changes to FEDERAL TAX INFORMATION

On page 19 of the Disclosure Booklet, under the sub-heading “Withdrawals,” the last sentence is revised to read:

The proportion of contributions and earnings for each withdrawal is determined by the Program based on the relative portions of earnings and contributions as of the withdrawal date for the Account from which the withdrawal was made.

On page 19 of the Disclosure Booklet, the paragraph under the sub-heading “Refunds of Payments of Qualified Higher Education Expenses” is revised to read:

If an Eligible Educational Institution refunds any portion of an amount previously withdrawn from an Account and treated as a Qualified Withdrawal, unless you contribute such amount to a qualified tuition program for the same Beneficiary not later than 60 days after the date of the refund, you may be required to treat the amount of the refund as a Nonqualified Withdrawal or Taxable Withdrawal (depending on the reason for the refund) for purposes of federal income tax. Different treatment may apply if the refund is used to pay other Qualified Higher Education Expenses of the Beneficiary.

On pages 19-20 of the Disclosure Booklet, the disclosure under the sub-heading “Federal Gift, Estate and Generation-Skipping Transfer Tax Treatment” is amended by:

• replacing the current individual lifetime exemption amount of “$5,250,000” with “$5,450,000” in the second sentence of the fourth paragraph;
• replacing the current combined lifetime exemption amount of “$10,500,000” with “$10,900,000” in the third sentence of the fourth paragraph;
• replacing the current estate tax exemption amount of “$5,250,000” with “$5,450,000” in the second to last sentence of the fifth paragraph; and
• replacing the current generation-skipping transfer tax exemption amount of “$5,250,000” with “$5,450,000” in the third to last sentence of the sixth paragraph of that section.
SUPPLEMENT NO. 2 DATED DECEMBER 31, 2015, TO THE
KENTUCKY EDUCATIONAL SAVINGS PLAN TRUST
DISCLOSURE BOOKLET DATED APRIL 30, 2013

This Supplement No. 2 provides new and additional information beyond that contained in the April 30, 2013
Plan Disclosure Booklet and Participation Agreement, as supplemented (the “Disclosure Booklet”) of the
Kentucky Educational Savings Plan Trust (the “Program”). It should be retained and read in conjunction with
the Disclosure Booklet and prior supplements.

I. THE PROGRAM MANAGER

On page 18 of the Disclosure Booklet, the first paragraph of the section entitled “The Program Manager” is
deleted in its entirety and replaced with the following:

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

II. OTHER INFORMATION

On page 18 of the Disclosure Booklet, the section entitled “Confirmations, Account Statements and Tax
Reports” is renamed “Other Information”. The following paragraph is added to the end of the section:

Continuing Disclosure. To comply with Rule 15c2-12(b)(5) of the Securities and Exchange Commission
promulgated under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"), the Program Manager
has executed a Continuing Disclosure Certificate (the “Continuing Disclosure Certificate”) for the benefit of the
Account Owners. Under the Continuing Disclosure Certificate, the Program Manager will provide certain
financial information and operating data (the “Annual Information”) relating to the Program and notices of the
occurrence of certain enumerated events set forth in the Continuing Disclosure Certificate, if material. The
Annual Information will be filed on behalf of the Program with the Electronic Municipal Market Access system
(the “EMMA System”) maintained by the Municipal Securities Rulemaking Board (the “MSRB”). Notices of
certain enumerated events will also be filed on behalf of the Program with the MSRB.
This Supplement No. 1 provides new and additional information beyond that contained in the April 30, 2013 Program Disclosure Booklet and Participation Agreement (the “Disclosure Booklet”) of the Kentucky Educational Savings Plan Trust (the “Program”). It should be retained and read in conjunction with the Disclosure Booklet.

SPECIAL NOTICE — TWO TRANSFERS AMONG INVESTMENT OPTIONS PERMITTED

Effective January 1, 2015, the Internal Revenue Service allows the Program to permit Account Owners to transfer funds among Investment Options twice per calendar year, rather than once per calendar year as set forth in the Disclosure Booklet.

Changes to MAXIMUM ACCOUNT BALANCE

The current maximum account balance for all Accounts in the Program, as well as any amounts held in KAPT for the same Beneficiary, has been increased from $235,000 to $350,000. The references to the maximum account balance in the “Overview of the Program” on page 2 and under the sub-heading “Maximum Account Balance” on page 6 of the Disclosure Booklet should be changed from $235,000 to $350,000.

Changes to PROGRAM FEES

Beginning on page 7 of the Disclosure Booklet, the section entitled “Program Fees” is replaced with the following:

The following table describes the Program’s current fees. KHEAA reserves the right to change the fees or to impose additional fees in the future.

<table>
<thead>
<tr>
<th>Investment Option</th>
<th>Program Manager Fee (1)(2)</th>
<th>State Administrative Fee</th>
<th>Estimated Expenses of an Investment Option’s Underlying Investments(3)</th>
<th>Total Annual Asset-Based Fees(4)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managed Allocation Option</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Age Band 0–3 Years</td>
<td>0.48%</td>
<td>None</td>
<td>0.12%</td>
<td>0.60%</td>
</tr>
<tr>
<td>Age Band 4–7 Years</td>
<td>0.46%</td>
<td>None</td>
<td>0.14%</td>
<td>0.60%</td>
</tr>
<tr>
<td>Age Band 8–11 Years</td>
<td>0.45%</td>
<td>None</td>
<td>0.15%</td>
<td>0.60%</td>
</tr>
<tr>
<td>Age Band 12–14 Years</td>
<td>0.43%</td>
<td>None</td>
<td>0.17%</td>
<td>0.60%</td>
</tr>
<tr>
<td>Age Band 15–17 Years</td>
<td>0.47%</td>
<td>None</td>
<td>0.13%</td>
<td>0.60%</td>
</tr>
<tr>
<td>Age Band 18 Years and over</td>
<td>0.50%</td>
<td>None</td>
<td>0.10%</td>
<td>0.60%</td>
</tr>
<tr>
<td>Active Equity Option</td>
<td>0.41%</td>
<td>None</td>
<td>0.50%</td>
<td>0.91%</td>
</tr>
<tr>
<td>Equity Index Option</td>
<td>0.47%</td>
<td>None</td>
<td>0.07%</td>
<td>0.54%</td>
</tr>
<tr>
<td>Balanced Option</td>
<td>0.47%</td>
<td>None</td>
<td>0.26%</td>
<td>0.73%</td>
</tr>
<tr>
<td>Fixed Income Option</td>
<td>0.47%</td>
<td>None</td>
<td>0.16%</td>
<td>0.63%</td>
</tr>
<tr>
<td>Guaranteed Option(5)</td>
<td>None</td>
<td>None</td>
<td>None</td>
<td>None</td>
</tr>
</tbody>
</table>
(1) Although the Program Manager fee is deducted from an Investment Option, not from your Account, each Account in the Investment Option indirectly bears its pro rata share of the Program Manager fee as this fee reduces the Investment Option’s return.

(2) Each Investment Option (with the exception of the Guaranteed Option) pays the Program Manager an annualized fee equal to a stated percentage of the average daily net assets held by that Investment Option. However, for the Managed Allocation Option and the Active Equity Option, the percentages listed in this column may fluctuate because such Investment Options are subject to a fixed Total Annual Asset-Based Fee amount. Thus, generally, if the underlying investment expenses increase, then the Program Manager fee decreases with respect to the Managed Allocation Option and the Active Equity Option.

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

(4) These figures represent the estimated weighted annual expense ratios of the mutual funds in which an Investment Option invests plus the fees paid to the Program Manager.

(5) The Guaranteed Option does not pay a Program Manager fee. TIAA-CREF Life Insurance Company (“TIAA-CREF Life”), the issuer of the funding agreement in which this Investment Option invests and an affiliate of TFI, makes payments to the Program Manager. This payment, among many other factors, is considered by the issuer when determining the interest rate credited under the funding agreement with KHEAA.

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

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

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

<table>
<thead>
<tr>
<th>INVESTMENT OPTION</th>
<th>APPROXIMATE COST OF $10,000 INVESTMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1 Year</td>
</tr>
<tr>
<td>Managed Allocation Option</td>
<td></td>
</tr>
<tr>
<td>Age Band 0–3 Years</td>
<td>$62</td>
</tr>
<tr>
<td>Age Band 4–7 Years</td>
<td>$62</td>
</tr>
<tr>
<td>Age Band 8–11 Years</td>
<td>$62</td>
</tr>
<tr>
<td>Age Band 12–14 Years</td>
<td>$62</td>
</tr>
<tr>
<td>Age Band 15–17 Years</td>
<td>$62</td>
</tr>
<tr>
<td>Age Band 18 Years and over</td>
<td>$62</td>
</tr>
<tr>
<td>Active Equity Option</td>
<td>$93</td>
</tr>
<tr>
<td>Equity Index Option</td>
<td>$55</td>
</tr>
<tr>
<td>Balanced Option</td>
<td>$75</td>
</tr>
<tr>
<td>Fixed Income Option</td>
<td>$64</td>
</tr>
<tr>
<td>Guaranteed Option</td>
<td>$0</td>
</tr>
</tbody>
</table>
Changes to INVESTMENT OPTIONS

On page 8 of the Disclosure Booklet, the first sentence under the subheading “Underlying Investments of the Investment Options” in the left-hand column, is replaced with the following:

Each Investment Option will be invested in two or more mutual funds and/or in a funding agreement.

Age-Based Investment Option

On page 9 of the Disclosure Booklet, the last sentence in the first paragraph under the sub-heading “Investment Strategy” in the left-hand column, is replaced with the following:

As the Beneficiary nears college age, the age bands invest less in mutual funds that invest primarily in equity securities (including real estate securities) and invest more heavily in mutual funds that invest primarily in debt securities and in a funding agreement to attempt to preserve capital.

On page 9 of the Disclosure Booklet, the third paragraph under the sub-heading “Investment Strategy” in the left-hand column is replaced with the following:

Each age band invests in multiple mutual funds to varying degrees. Certain of the age bands for older Beneficiaries will also invest in a funding agreement that is substantially similar to the funding agreement in which the Guaranteed Option invests 100% of its assets. (See Guaranteed Option for a description of the funding agreement.) The percentages of each age band’s assets allocated to each mutual fund and the funding agreement are set forth in the table below.

Beginning on page 9 of the Disclosure Booklet, the second sentence in the last paragraph in the left-hand column under the sub-heading “Investment Strategy”, is replaced with the following:

As a Beneficiary ages, an age band’s combined investment in these funds, and in the funding agreement described above, will increase.

On page 9 of the Disclosure Booklet, the second bullet in the right-hand column under the sub-heading “Investment Strategy”, is replaced with the following:

- debt securities whose principal value increases or decreases based on changes in the Consumer Price Index for All Urban Consumers over the life of the security (typically U.S. Treasury Inflation-Linked Securities, but also including inflation-linked bonds that are issued or guaranteed by U.S. and non-U.S. public or private sector entities); and

On page 9 of the Disclosure Booklet, the last paragraph under the sub-heading “Investment Strategy” following the bullet points in the right-hand column and directly preceding the sub-heading “Investment Risks” is deleted in its entirety.

On page 9 of the Disclosure Booklet, the two paragraphs under the sub-heading “Investment Risks” are replaced with the following:

Investment Risks. Because the Managed Allocation Option invests in a funding agreement and invests in mutual funds that, taken together, invest in a diversified portfolio of securities, the Managed Allocation Option is subject to the following risks to varying degrees: Active Management Risk; Call Risk; Credit Risk; Derivatives Risk; Downgrade Risk; Emerging Markets Risk; Extension Risk; Fixed-Income Foreign Investment Risk; Foreign Investment Risk; Funding Agreement Risk; Income Volatility Risk; Index Risk; Interest Rate Risk; Issuer Risk; Large-Cap Risk; Market Risk; Market Volatility, Liquidity, and Valuation Risk; Mid-Cap Risk; Non-Investment-Grade Securities Risk; Illiquid Investments Risk; Prepayment Risk; Real Estate Investing Risk; Small-Cap Risk and Special Risks for Inflation-Indexed Bonds.

The age bands for younger Beneficiaries are subject to Emerging Markets Risk; Foreign Investment Risk; Large-Cap Risk; Market Risk; Mid-Cap Risk; Real Estate Investing Risk and Small-Cap Risk to a greater extent than are the age bands for older Beneficiaries. Likewise, the age bands for older Beneficiaries are subject to Call Risk; Credit Risk; Extension Risk; Fixed-Income Foreign Investment Risk; Funding Agreement Risk; Income Volatility Risk; Interest Rate Risk; Market Volatility, Liquidity, and Valuation Risk; Prepayment Risk and Special Risks for Inflation-Indexed Bonds to a greater extent than are the age bands for younger Beneficiaries.

The table on page 10 of the Disclosure Booklet is replaced with the following table:
## Allocations for the Managed Allocation Option

<table>
<thead>
<tr>
<th>Age Bands</th>
<th>TIAA-CREF Equity Index Fund</th>
<th>TIAA-CREF International Equity Index Fund</th>
<th>TIAA-CREF Emerging Markets Equity Index Fund</th>
<th>TIAA-CREF Real Estate Securities Fund</th>
<th>TIAA-CREF Bond Index Fund</th>
<th>TIAA-CREF Inflation-Linked Bond Fund</th>
<th>TIAA-CREF Short-Term Bond Fund</th>
<th>TIAA-CREF Life Funding Agreement</th>
</tr>
</thead>
<tbody>
<tr>
<td>0–3 Years</td>
<td>44.10%</td>
<td>22.05%</td>
<td>7.35%</td>
<td>8.00%</td>
<td>13.00%</td>
<td>4.00%</td>
<td>1.50%</td>
<td>0.00%</td>
</tr>
<tr>
<td>4–7 Years</td>
<td>34.20%</td>
<td>17.10%</td>
<td>5.70%</td>
<td>6.00%</td>
<td>22.75%</td>
<td>7.00%</td>
<td>7.25%</td>
<td>0.00%</td>
</tr>
<tr>
<td>8–11 Years</td>
<td>28.80%</td>
<td>14.40%</td>
<td>4.80%</td>
<td>5.00%</td>
<td>26.00%</td>
<td>8.00%</td>
<td>13.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td>12–14 Years</td>
<td>23.40%</td>
<td>11.70%</td>
<td>3.90%</td>
<td>4.00%</td>
<td>26.00%</td>
<td>8.00%</td>
<td>23.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td>15–17 Years</td>
<td>18.00%</td>
<td>9.00%</td>
<td>3.00%</td>
<td>3.00%</td>
<td>22.75%</td>
<td>7.00%</td>
<td>17.25%</td>
<td>20.00%</td>
</tr>
<tr>
<td>18 Years and over</td>
<td>9.30%</td>
<td>4.65%</td>
<td>1.55%</td>
<td>1.50%</td>
<td>16.25%</td>
<td>5.00%</td>
<td>16.75%</td>
<td>45.00%</td>
</tr>
</tbody>
</table>

### Explanation of the Investment Risks of the Investment Options

**On page 12 of the Disclosure Booklet, the investment risk explanation entitled “Derivatives Risk” is replaced with the following:**

**Derivatives Risk** — The risks associated with investing in derivatives may be different or greater than the risks associated with directly investing in the underlying securities and other instruments. A mutual fund may use futures, options, single name or index credit default swaps, or forwards, and a mutual fund may also use more complex derivatives such as swaps that might present liquidity, credit and counterparty risk. When investing in derivatives, a mutual fund may lose more than the principal amount invested.

**On page 13 of the Disclosure Booklet, the following risk explanation is added after “Foreign Investment Risk”:**

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

**On page 13 of the Disclosure Booklet, the investment risk explanation entitled “Growth Investing Risk (a type of Style Risk)” is replaced with the following:**

**Growth Investing Risk** (a type of Style Risk) — Style Risk is the risk that use of a particular investing style may fall out of favor in the marketplace for various periods of time and result in underperformance relative to the broader market sector or significant declines in the value of a mutual fund’s portfolio investments. Due to their relatively high valuations, growth stocks are typically more volatile than value stocks and may experience a larger decline on a forecast of lower earnings, or a negative event or market development, than would a value stock.

**On page 13 of the Disclosure Booklet, the investment risk explanation entitled “Illiquid Investments Risk” is replaced with the following:**

**Illiquid Investments Risk** — The risk that illiquid investments may be difficult to sell for their fair market value, if at all, or at any price.

**On page 13 of the Disclosure Booklet, the risk explanation entitled “Interest Rate Risk” is replaced with the following:**

**Interest Rate Risk** (a type of market risk) — The risk that increases in interest rates can cause the prices of fixed-income investments to decline. This risk is heightened to the extent a mutual fund invests in longer duration fixed-income investments and during periods when prevailing interest rates are low. Throughout 2014, interest rates in the United States have been at or near historic lows, which may increase a mutual fund’s exposure to risks associated with rising interest rates. Rising interest rates could have unpredictable effects on the markets and may expose fixed-income and related markets to heightened volatility.

**On page 14 of the Disclosure Booklet, the investment risk explanation “Value Investing Risk (a type of Style Risk)” is replaced with the following:**

**Value Investing Risk** (a type of Style Risk) — Style Risk is the risk that use of a particular investing style may fall out of favor in the marketplace for various periods of time and result in underperformance relative to the broader market sector or significant declines in the value of a mutual fund’s portfolio investments. Securities believed to be undervalued are subject to the risks that the issuer’s potential business prospects are not realized, its potential value is never recognized by the market or the securities were appropriately priced when acquired. As a result, value stocks can be overpriced when acquired and may not perform as anticipated.
**Changes to PAST PERFORMANCE**

Beginning on page 15 of the Disclosure Booklet, the section entitled “Past Performance” is replaced with the following:

**Past Performance**

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

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

For monthly performance information, visit the Program’s website or call the Program.

**Managed Allocation Option**

**Average Annual Total Returns for the Period Ended January 31, 2015**

<table>
<thead>
<tr>
<th>Age Bands</th>
<th>1 Year</th>
<th>3 Year</th>
<th>5 Year</th>
<th>10 Year</th>
<th>Since Inception</th>
<th>Inception Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>0–3 Years</td>
<td>9.22%</td>
<td>11.22%</td>
<td>11.01%</td>
<td>6.21%</td>
<td>6.28%</td>
<td>January 16, 2004</td>
</tr>
<tr>
<td>Benchmark</td>
<td>9.49%</td>
<td>11.73%</td>
<td>11.40%</td>
<td>6.76%</td>
<td>6.89%</td>
<td></td>
</tr>
<tr>
<td>4–7 Years</td>
<td>8.02%</td>
<td>8.92%</td>
<td>9.33%</td>
<td>5.78%</td>
<td>5.85%</td>
<td>January 16, 2004</td>
</tr>
<tr>
<td>Benchmark</td>
<td>8.40%</td>
<td>9.48%</td>
<td>9.82%</td>
<td>6.46%</td>
<td>6.54%</td>
<td></td>
</tr>
<tr>
<td>8–11 Years</td>
<td>7.56%</td>
<td>7.77%</td>
<td>8.44%</td>
<td>5.58%</td>
<td>5.65%</td>
<td>January 16, 2004</td>
</tr>
<tr>
<td>Benchmark</td>
<td>7.68%</td>
<td>8.29%</td>
<td>8.97%</td>
<td>6.23%</td>
<td>6.32%</td>
<td></td>
</tr>
<tr>
<td>12–14 Years</td>
<td>6.65%</td>
<td>6.60%</td>
<td>7.57%</td>
<td>5.19%</td>
<td>5.37%</td>
<td>January 16, 2004</td>
</tr>
<tr>
<td>Benchmark</td>
<td>6.75%</td>
<td>7.08%</td>
<td>8.09%</td>
<td>5.91%</td>
<td>6.09%</td>
<td></td>
</tr>
<tr>
<td>15–17 Years</td>
<td>5.52%</td>
<td>5.24%</td>
<td>6.05%</td>
<td>4.47%</td>
<td>4.63%</td>
<td>January 16, 2004</td>
</tr>
<tr>
<td>Benchmark</td>
<td>5.60%</td>
<td>5.58%</td>
<td>6.48%</td>
<td>5.13%</td>
<td>5.28%</td>
<td></td>
</tr>
<tr>
<td>18 Years and over</td>
<td>3.61%</td>
<td>3.07%</td>
<td>3.74%</td>
<td>3.39%</td>
<td>3.45%</td>
<td>January 16, 2004</td>
</tr>
<tr>
<td>Benchmark</td>
<td>3.58%</td>
<td>3.25%</td>
<td>4.04%</td>
<td>3.81%</td>
<td>3.88%</td>
<td></td>
</tr>
</tbody>
</table>
Risk-Based Investment Options

Average Annual Total Returns for the Period Ended January 31, 2015

<table>
<thead>
<tr>
<th>Investment Option</th>
<th>1 Year</th>
<th>3 Year</th>
<th>5 Year</th>
<th>10 Year</th>
<th>Since Inception</th>
<th>Inception Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Active Equity Option</td>
<td>4.78%</td>
<td>13.99%</td>
<td>12.06%</td>
<td>N/A</td>
<td>7.62%</td>
<td>September 5, 2008</td>
</tr>
<tr>
<td>Benchmark</td>
<td>8.17%</td>
<td>13.67%</td>
<td>12.32%</td>
<td>N/A</td>
<td>7.81%</td>
<td></td>
</tr>
<tr>
<td>Equity Index Option</td>
<td>7.91%</td>
<td>13.25%</td>
<td>11.92%</td>
<td>6.25%</td>
<td>4.37%</td>
<td>February 23, 2001</td>
</tr>
<tr>
<td>Benchmark</td>
<td>8.13%</td>
<td>13.67%</td>
<td>12.30%</td>
<td>6.37%</td>
<td>4.86%</td>
<td></td>
</tr>
<tr>
<td>Balanced Option</td>
<td>8.37%</td>
<td>9.27%</td>
<td>9.40%</td>
<td>N/A</td>
<td>9.45%</td>
<td>November 2, 2009</td>
</tr>
<tr>
<td>Benchmark</td>
<td>8.84%</td>
<td>9.37%</td>
<td>9.80%</td>
<td>N/A</td>
<td>9.87%</td>
<td></td>
</tr>
<tr>
<td>Fixed Income Option</td>
<td>5.71%</td>
<td>1.87%</td>
<td>3.93%</td>
<td>N/A</td>
<td>4.14%</td>
<td>September 9, 2008</td>
</tr>
<tr>
<td>Benchmark</td>
<td>6.17%</td>
<td>2.49%</td>
<td>4.54%</td>
<td>N/A</td>
<td>4.84%</td>
<td></td>
</tr>
<tr>
<td>Guaranteed Option</td>
<td>1.05%</td>
<td>1.29%</td>
<td>1.74%</td>
<td>2.55%</td>
<td>2.61%</td>
<td>May 15, 2003</td>
</tr>
</tbody>
</table>

Changes to THE PROGRAM MANAGER

On page 18 of the Disclosure Booklet under the sub-heading "The Program Manager," the term of the Management Agreement between the Board and TFI has been extended to November 2, 2016. This term will be automatically extended for [additional two-year terms], subject to certain rights of KHEAA and TFI to terminate such extension[s].

Changes to FEDERAL TAX INFORMATION

On page 19 of the Disclosure Booklet, under the heading “Federal Tax Information” and the sub-heading “Withholdings”, the following sentence is added at the end of the paragraph:

The proportion of contributions and earnings for each withdrawal is determined by the Plan based on the relative portions of total earnings and contributions as of the withdrawal date for the Account.

The section of the Disclosure Booklet under the heading “Federal Tax Information” and the sub-heading “Federal Gift, Estate and Generation-Skipping Transfer Tax Treatment” beginning on page 19 is amended by:

- replacing the third to last sentence of the fifth paragraph of that section with the following: Each taxpayer has an estate tax exemption that is reduced by lifetime taxable gifts.
- replacing the estate tax exemption amount of “$5,250,000” with “$5,430,000” in the second to last sentence of the fifth paragraph of that section;
- replacing the third sentence of the sixth paragraph of that section with the following: Each taxpayer has a generation-skipping transfer tax exemption that may be allocated during life or at death; and
- replacing the generation-skipping transfer tax exemption amount of “$5,250,000” with “$5,430,000” in the third to last sentence of the sixth paragraph of that section.
THE KENTUCKY EDUCATIONAL SAVINGS PLAN TRUST

PROGRAM DISCLOSURE BOOKLET
AND
PARTICIPATION AGREEMENT

APRIL 30, 2013

ADMINISTRATOR AND TRUSTEE:
THE BOARD OF DIRECTORS OF THE
KENTUCKY HIGHER EDUCATION ASSISTANCE AUTHORITY
Please keep this Disclosure Booklet and the Participation Agreement with your other records about the Kentucky Educational Savings Plan Trust (the “Program”). You should read and understand this Disclosure Booklet before you make contributions to the Program.

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

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

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

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

The Program was created by the Commonwealth of Kentucky ("Kentucky") to help people save for the costs of post-secondary education. The Program is administered by the Board of Directors (the "Board") of the Kentucky Higher Education Assistance Authority ("KHEAA"), which is the trustee of the Kentucky Educational Savings Plan Trust. The Program is intended to meet the requirements of a qualified tuition program under Internal Revenue Code ("IRC") Section 529 ("Section 529").

Kentucky established the Program in the Kentucky Educational Savings Plan Trust Act codified at sections 164A.300 to 164A.380 of Title XIII of the Kentucky Revised Statutes Annotated, as amended (the "Act"). No other qualified tuition programs have been established under the Act.

KHEAA also offers a pre-paid tuition plan option, Kentucky’s Affordable Prepaid Tuition Plan ("KAPT"). KAPT has been closed for new enrollment since 2004 although KHEAA may decide to allow for new enrollment in the future.

To contact the Program:

Visit the Program’s website at www.kysaves.com;
Call the Program toll-free at 1-877-KY-TRUST (1-877-598-7878); or
Write to the Program at P.O. Box 8100, Boston, MA 02266-8100.
## Overview of the Program

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

<table>
<thead>
<tr>
<th>Feature</th>
<th>Description</th>
<th>Additional Information</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Kentucky Administrator and Trustee</strong></td>
<td>The Board of Directors of the Kentucky Higher Education Assistance Authority.</td>
<td>Oversight of the Program, page 18.</td>
</tr>
<tr>
<td><strong>Program Manager</strong></td>
<td>TIAA-CREF Tuition Financing, Inc. (the “Program Manager” or “TFI”)</td>
<td>The Program Manager, page 18.</td>
</tr>
<tr>
<td><strong>Eligible Account Owner</strong></td>
<td>Any U.S. citizen or resident alien with a valid Social Security number or taxpayer identification number. Certain types of entities with a valid taxpayer identification number may also open an Account (additional restrictions may apply to such Accounts).</td>
<td>Opening an Account, page 4.</td>
</tr>
<tr>
<td><strong>Eligible Beneficiary</strong></td>
<td>Any U.S. citizen or resident alien with a valid Social Security number or taxpayer identification number.</td>
<td>Opening an Account, page 4.</td>
</tr>
<tr>
<td><strong>Minimum Contribution</strong></td>
<td>The minimum initial and subsequent contribution amount is $25 per Investment Option ($15 per Investment Option via payroll deduction).</td>
<td>Contributions, page 5.</td>
</tr>
<tr>
<td><strong>Current Maximum Account Balance</strong></td>
<td>$235,000 for all accounts in the Program or KAPT for a Beneficiary.</td>
<td>Contributions, page 5.</td>
</tr>
<tr>
<td><strong>Qualified Withdrawals</strong></td>
<td>Withdrawals from an Account used to pay for the Qualified Higher Education Expenses of the Beneficiary at an Eligible Educational Institution. These withdrawals are tax free.</td>
<td>Withdrawals, page 16.</td>
</tr>
<tr>
<td><strong>Investment Options</strong></td>
<td>• One age-based option that invests in multiple mutual funds.</td>
<td>Investment Options, page 8. For information about performance, see Past Performance, page 15.</td>
</tr>
<tr>
<td></td>
<td>• Four risk-based options that invest in multiple mutual funds.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• One principal plus interest option.</td>
<td></td>
</tr>
<tr>
<td><strong>Changing Investment Strategy for Amounts Previously Contributed</strong></td>
<td>Once you have contributed to your Account and selected Investment Option(s) in which to invest your contribution, you may move these amounts to a different Investment Option only once per calendar year, or if you change the Beneficiary on your Account to a Member of the Family of the previous Beneficiary.</td>
<td>Making Changes to Your Account page 5.</td>
</tr>
<tr>
<td><strong>Federal Tax Benefits</strong></td>
<td>• Earnings accrue free of federal income tax.</td>
<td>Federal Tax Information, page 19.</td>
</tr>
<tr>
<td></td>
<td>• Qualified Withdrawals are not subject to federal income tax or the Additional Tax.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• No federal gift tax on contributions of up to $70,000 (single filer) and $140,000 (married couple) if prorated over 5 years.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Contributions are generally considered completed gifts to the Beneficiary for federal gift and estate tax purposes.</td>
<td></td>
</tr>
<tr>
<td><strong>Kentucky Tax Treatment</strong></td>
<td>• Contributions are not deductible for Kentucky income tax purposes.</td>
<td>Kentucky Tax Information, page 20.</td>
</tr>
<tr>
<td></td>
<td>• Qualified Withdrawals, certain outgoing rollovers, and certain Taxable Withdrawals are not subject to Kentucky income tax.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Kentucky tax benefits related to the Program are available only to Kentucky taxpayers.</td>
<td></td>
</tr>
<tr>
<td>Feature</td>
<td>Description</td>
<td>Additional Information</td>
</tr>
<tr>
<td>-------------------------</td>
<td>-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td>--------------------------------------------------------</td>
</tr>
<tr>
<td>Fees</td>
<td>For the services provided to it, each Investment Option (excluding the Guaranteed Option) pays a Program management fee, currently at the annual rate of 0.37% to 0.47%, depending upon the Investment Option.</td>
<td>Program Fees, page 7.</td>
</tr>
</tbody>
</table>
| Risks of Investing in the Program | • Assets in an Account are not guaranteed or insured.  
• The value of your Account may decrease. You could lose money, including amounts you contributed.  
• Federal or Kentucky tax law changes could negatively affect the Program.  
• Fees could increase.  
• KHEAA may terminate, add or merge Investment Options, change the investments in which an Investment Option invests, or change allocations to those investments.  
• Contributions to an Account may adversely affect the Beneficiary’s eligibility for financial aid or other benefits. | Risks of Investing in the Program, page 14. |
| Vesting of Participation Agreements | Beneficiaries who reside in Kentucky for eight continuous years and are designated on a continuously open Account for that eight-year period will qualify for Kentucky resident tuition rates at certain Eligible Educational Institutions in the Commonwealth of Kentucky. Net contributions of at least $2,400 must be in the Account at the end of the eight-year period. Additional restrictions apply. | Other Information About Your Account, page 20. |
| Frequently Used Terms   |                                                                                                                                             |                                                        |
| **Account**             | An account in the Program.                                                                                                                  |                                                        |
| **Account Owner/You**   | The individual or entity participant that enters into a Participation Agreement to open an Account in the Program.                              |                                                        |
| **Additional Tax**      | A 10% additional federal tax imposed on the earnings portion of a Non-Qualified Withdrawal.                                                   |                                                        |
| **Beneficiary**         | The beneficiary for an Account as designated by you, the Account Owner.                                                                      |                                                        |
| **Eligible Educational Institutions** | Any college, university, vocational school, or other postsecondary educational institution eligible to participate in a student aid program administered by the U.S. Department of Education. This includes virtually all accredited public, nonprofit, and proprietary (privately owned profit-making) postsecondary institutions. The educational institution should be able to tell you if it is an eligible educational institution. Certain educational institutions located outside the United States also participate in the U.S. Department of Education's Federal Student Aid (FSA) programs. |                                                        |
| **Investment Options**  | The Program investment options in which you may invest your contributions.                                                                  |                                                        |
| **Member of the Family** | A person related to the Beneficiary as follows: (1) a child or a descendant of a child; (2) a brother, sister, stepbrother or stepsister; (3) the father or mother, or an ancestor of either; (4) a stepfather or stepmother; (5) a son or daughter of a brother or sister; (6) a brother or sister of the father or mother; (7) a son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law or sister-in-law; (8) the spouse of any of the foregoing individuals or the spouse of the Beneficiary; or (9) a first cousin of the Beneficiary. For this purpose, a child includes a legally adopted child and a stepson or stepdaughter, and a brother or sister includes a half-brother or half-sister. |                                                        |
| **Non-Qualified Withdrawal** | Any withdrawal that does not meet the requirements of being: (1) a Qualified Withdrawal; (2) a Taxable Withdrawal; or (3) an outgoing rollover to another 529 Plan or to an Account within the Program for a different Beneficiary. |                                                        |
| **Program**             | The Kentucky Educational Savings Plan Trust.                                                                                                  |                                                        |
| **Qualified Higher Education Expenses** | Generally, tuition, certain room and board expenses, fees, books, supplies and equipment required for the enrollment or attendance of a Beneficiary at an Eligible Educational Institution. |                                                        |
**Qualified Withdrawal**

Any withdrawal from your Account that is used to pay the Qualified Higher Education Expenses of the Beneficiary at an Eligible Educational Institution.

**Taxable Withdrawal**

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

**Unit**

An ownership interest in an Investment Option that is purchased by making a contribution to an Account.

---

**Opening an Account**

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

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

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

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

- A U.S. citizen or resident alien with a valid Social Security number or taxpayer identification number.
- A trust, estate, corporation (including an IRC Section 501(c)(3) organization) or other type of entity with a valid taxpayer identification number.
- A state or local government organization.

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

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

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

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


**Making Changes to Your Account**

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

**Changing Investment Strategy for Future Contributions.** You may select different Investment Options each time you submit a new contribution by submitting instructions with that contribution.

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

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

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

**Contributions**

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

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

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

- By check drawn on a banking institution located in the U.S.
- By recurring automatic fund transfers from a checking or savings account.
- With a one-time electronic funds transfer.
- Through payroll deduction.
- With an incoming rollover from another state’s 529 Plan or from within the Program from an Account for a different Beneficiary.
- With redemption proceeds from a Coverdell Education Savings Account (“Coverdell ESA”) or a qualified U.S. savings bond.

**Impermissible Methods of Contribution.** The Program cannot accept contributions made by cash, starter check, traveler’s check, credit card, convenience check, cashier’s check or money order.

**Checks.** Checks should be made payable to the “Kentucky Educational Savings Plan Trust.” Personal checks, bank drafts, teller’s checks and checks issued by a financial institution or brokerage firm payable to the Account Owner and endorsed over to the Program by the Account Owner are permitted, as are third-party personal checks up to $10,000 that are endorsed over to the Program. If you make a contribution by check, you will need to instruct the Program regarding in which Investment Option(s) your contribution should be invested (and how much should be invested in each Investment Option).

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

**One-time Electronic Funds Transfer.** You may authorize the Program to debit your checking or savings account on your Application or, after your Account is opened, by completing the appropriate Program form or by contacting the Program by mail, telephone, or online.

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

**Incoming Rollovers.** You may roll over funds from an account in one state’s 529 Plan to an Account for the same Beneficiary without adverse federal tax consequences, provided that it has been at least twelve months from the date of a previous transfer to a 529 Plan for that Beneficiary. You may also roll over funds from an account in one state’s 529 Plan to an Account (or from an Account in the Program or from KAPT) to an Account for a new Beneficiary, without adverse federal tax consequences, provided that the new Beneficiary is a Member of the Family of the previous Beneficiary. If you roll over funds more than once in twelve months without a change in Beneficiary, every rollover after the first will be considered a Taxable Withdrawal or a Non-Qualified Withdrawal, depending on the circumstances. If you roll over funds to a new Beneficiary that is not a Member of the Family of the previous Beneficiary, that will be considered a Taxable Withdrawal or a Non-Qualified Withdrawal, depending on the circumstances.

Incoming rollovers may be direct or indirect. Direct rollovers involve the transfer of funds directly from an account in another state’s 529 Plan (or from an Account in the Program or from KAPT for a different Beneficiary) to your Account. Indirect rollovers involve the transfer of funds from an account in another state’s 529 Plan (or from an Account in the Program for a different Beneficiary) to the Account Owner, who then contributes the funds to an Account. To avoid adverse federal tax consequences, the funds received by the Account Owner from the rollover must be contributed to an Account within 60 days of the withdrawal from the previous account. If the contribution to the Account occurs after the 60-day time frame, the rollover will be considered a Taxable Withdrawal or a Non-Qualified Withdrawal, depending on the circumstances.

Please note that incoming rollover contributions to the Program must be accompanied by a basis and earnings statement from the distributing plan that shows the earnings portion of the contribution. If the Program does not receive this documentation, the entire amount of your contribution will be treated as earnings.

**Redemption Proceeds from Coverdell ESA or Qualified U.S. Savings Bond.** You may contribute amounts from the redemption of a Coverdell ESA or qualified U.S. savings bond to an Account without adverse federal tax consequences. If you are contributing amounts from a Coverdell ESA, you must submit an account statement issued by the financial institution that acted as trustee or custodian of the Coverdell ESA that shows the principal and earnings portions of the redemption proceeds. If you are contributing amounts from a savings bond, you must submit an account statement or IRS Form 1099-INT issued by the financial institution that redeemed the bonds showing the interest portion of the redemption proceeds.

**Maximum Account Balance.** Currently, the maximum account balance for all Accounts in the Program, as well as any amounts held in KAPT for the same Beneficiary, is $235,000. Any contribution or transfer that would cause the Account balance(s) for a Beneficiary to exceed the maximum account balance will be rejected by the Program and returned. It is possible that increases in market value could cause amounts in an Account(s) to exceed the maximum account balance limit. In this case, the amount in excess of the maximum could remain in the Account(s), but no new contributions or transfers would be accepted.

### Unit Value

The Program will credit contributions to, or deduct withdrawals from, your Account at the Unit value of the applicable Investment Option determined on the day the Account transaction request is received in good order before the close of regular trading on the New York Stock Exchange ("NYSE") (usually 4:00 p.m., Eastern time). Contribution or withdrawal requests received after the close of regular trading or on a day when the NYSE is not open will be credited to your Account at the Unit value next determined.

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

Investments in the Guaranteed Option earn a rate of interest at the declared rate then in effect (the funding agreement underlying this Investment Option earns a minimum effective annual interest rate that will not be less than 1% nor greater than 3% at any time), which will be compounded daily and will be credited to Accounts on a daily basis.
The following table describes the Program’s current fees. KHEAA reserves the right to change the fees and/or to impose additional fees in the future.

**Fee Table**

<table>
<thead>
<tr>
<th>Investment Option</th>
<th>Program Manager Fee (1)(%)</th>
<th>State Administrative Fee</th>
<th>Estimated Expenses of an Investment Option’s Underlying Investments (3)</th>
<th>Total Annual Asset-Based Fees (4)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managed Allocation Option</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Age Band 0 - 3 Years</td>
<td>0.46%</td>
<td>None</td>
<td>0.14%</td>
<td>0.60%</td>
</tr>
<tr>
<td>Age Band 4 - 7 Years</td>
<td>0.44%</td>
<td>None</td>
<td>0.16%</td>
<td>0.60%</td>
</tr>
<tr>
<td>Age Band 8 - 11 Years</td>
<td>0.43%</td>
<td>None</td>
<td>0.17%</td>
<td>0.60%</td>
</tr>
<tr>
<td>Age Band 12 - 14 Years</td>
<td>0.42%</td>
<td>None</td>
<td>0.18%</td>
<td>0.60%</td>
</tr>
<tr>
<td>Age Band 15 - 17 Years</td>
<td>0.40%</td>
<td>None</td>
<td>0.20%</td>
<td>0.60%</td>
</tr>
<tr>
<td>Age Band 18 Years and over</td>
<td>0.37%</td>
<td>None</td>
<td>0.23%</td>
<td>0.60%</td>
</tr>
<tr>
<td><strong>Active Equity Option</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>0.38%</td>
<td>None</td>
<td>0.53%</td>
<td>0.91%</td>
</tr>
<tr>
<td><strong>Equity Index Option</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>0.47%</td>
<td>None</td>
<td>0.09%</td>
<td>0.56%</td>
</tr>
<tr>
<td><strong>Balanced Option</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>0.47%</td>
<td>None</td>
<td>0.28%</td>
<td>0.75%</td>
</tr>
<tr>
<td><strong>Fixed Income Option</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>0.47%</td>
<td>None</td>
<td>0.17%</td>
<td>0.64%</td>
</tr>
<tr>
<td><strong>Guaranteed Option</strong>(5)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>None</td>
<td>None</td>
<td>None</td>
<td>None</td>
</tr>
</tbody>
</table>

1. Although the Program Manager fee is deducted from an Investment Option, not from your Account, each Account in the Investment Option indirectly bears its pro rata share of the Program Manager fee as this fee reduces the Investment Option’s return.

2. Each Investment Option (with the exception of the Guaranteed Option) pays the Program Manager an annualized fee equal to a stated percentage of the average daily net assets held by that Investment Option. However, for the Managed Allocation Option and the Active Equity Option, the percentages listed in this column may fluctuate because such Investment Options are subject to a fixed Total Annual Asset-Based Fee amount. Thus, generally, if the underlying investment expenses increase, then the Program Manager fee decreases with respect to the Managed Allocation Option and the Active Equity Option.

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

4. These figures represent the estimated annual expense ratios of the mutual funds in which the Investment Options invest plus the fees paid to the Program Manager.

5. The Guaranteed Option does not pay a fee to the Program Manager. TIAA-CREF Life Insurance Company ("TIAA-CREF Life"), the issuer of the funding agreement in which this Investment Option invests and an affiliate of TFI, makes payments to TFI. This payment, along with many other factors, is considered by the issuer when determining the interest rate(s) credited under the funding agreement with KHEAA.

**Investment Cost Example.** The example in the following table is intended to help you compare the cost of investing in the different Investment Options over various periods of time. This example assumes that:
- You invest $10,000 in an Investment Option for the time periods shown below.
- Your investment has a 5% compounded return each year.
- You withdraw the assets from the Investment Option at the end of the specified periods for Qualified Higher Education Expenses.
- Total Annual Asset-Based Fees remain the same as those shown in the Fee Table above.

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

<table>
<thead>
<tr>
<th>INVESTMENT OPTIONS</th>
<th>APPROXIMATE COST OF $10,000 INVESTMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1 Year</td>
</tr>
<tr>
<td>Managed Allocation Option</td>
<td></td>
</tr>
<tr>
<td>Age Band 0 - 3 Years</td>
<td>$62</td>
</tr>
<tr>
<td>Age Band 4 - 7 Years</td>
<td>$62</td>
</tr>
<tr>
<td>Age Band 8 - 11 Years</td>
<td>$62</td>
</tr>
<tr>
<td>Age Band 12 - 14 Years</td>
<td>$62</td>
</tr>
<tr>
<td>Age Band 15 - 17 Years</td>
<td>$62</td>
</tr>
<tr>
<td>Age Band 18 Years and over</td>
<td>$62</td>
</tr>
<tr>
<td>Active Equity Option</td>
<td>$93</td>
</tr>
<tr>
<td>Equity Index Option</td>
<td>$57</td>
</tr>
<tr>
<td>Balanced Option</td>
<td>$77</td>
</tr>
<tr>
<td>Fixed Income Option</td>
<td>$66</td>
</tr>
<tr>
<td>Guaranteed Option</td>
<td>$0</td>
</tr>
</tbody>
</table>

### Investment Options

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

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

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

**Underlying Investments of the Investment Options.** Each Investment Option will be invested in two or more mutual funds or in a funding agreement. **Please keep in mind that you will not own shares of any of these mutual funds nor will you own any interest in a funding agreement.** Instead, you will own interests in the Program.

**Risk Information.** The risks of investing in each Investment Option are identified below. An explanation of these risks immediately follows the last Investment Option description.

### Conversion of the Program

The Program’s investment strategies were significantly restructured as of October 1, 1999 in connection with the engagement of the Program Manager. Contributions made to the Program prior to October 1, 1999 were provided with a minimum rate of return of 4% guaranteed by KHEAA. For contributions made to the Program on or after October 1, 1999, none of the Commonwealth of Kentucky, the Board, KHEAA, the Program, the Federal Deposit Insurance Corporation, nor any other government agency or entity, nor any of the service providers to the Program insure any Account or guarantee any rate of return or any interest on any contribution to the Program.

### Age-Based Investment Option

**Managed Allocation Option**

(Risk level shifts from aggressive to conservative as the Beneficiary ages)

**Investment Objective.** The Managed Allocation Option seeks to match the investment objective and level of risk to the investment horizon by taking into account the Beneficiary’s current age and the number of years before the Beneficiary turns 18.
Investment Strategy. Depending on the Beneficiary’s age, contributions to this Investment Option will be placed in one of six age bands, each of which has a different investment objective and investment strategy. As discussed in more detail below, the age bands for younger Beneficiaries seek a favorable long-term return by primarily investing in mutual funds that primarily invest in equity securities (including real estate securities), which may have greater potential for returns than debt securities, but which also have greater risk than debt securities. As a Beneficiary nears college age, the age bands invest less in mutual funds that invest in equity securities (including real estate securities) and more in mutual funds that invest in debt securities.

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

Each age band invests in multiple mutual funds to varying degrees. The percentage of each age band’s assets allocated to each mutual fund is set forth in the table below.

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

- domestic securities (across all capitalization ranges);
- equity securities of foreign issuers, including both foreign issuers located in developed countries and issuers located in emerging markets countries; and
- equity securities of issuers that are principally engaged in or related to the real estate industry, including those that own significant real estate assets, such as real estate investment trusts (“REITs”).

Also to varying degrees, the age bands invest in certain mutual funds that invest primarily in debt securities. As a Beneficiary ages, an age band’s investment in these funds will generally increase. Through these mutual funds, an age band indirectly allocates varying percentages of its assets to:

- a wide spectrum of public, investment-grade, taxable debt securities denominated in U.S. dollars including government securities, as well as mortgage-backed, commercial mortgage-backed and asset-backed securities;
- debt securities whose principal value increases or decreases based on changes in the Consumer Price Index for All Urban Consumers over the life of the security (typically U.S. Treasury Inflation-Indexed Securities but also including inflation-linked bonds of foreign issuers); and
- investment-grade debt securities (including debt securities of foreign issuers) with an average maturity or average lives of less than 5 years.

In addition to the investments described above, the age band for Beneficiaries aged 18 years and over also invests in a money market mutual fund.

Investment Risks. Because the Managed Allocation Option invests in mutual funds that, taken together, invest in a diversified portfolio of securities, the Managed Allocation Option is subject to the following risks to varying degrees: Active Management Risk, Call Risk, Credit Risk, Current Income Risk, Derivatives Risk, Emerging Markets Risk, Extension Risk, Fixed-Income Foreign Investment Risk, Foreign Investment Risk, Income Volatility Risk, Index Risk, Interest Rate Risk, Issuer Risk, Large-Cap Risk, Market Risk, Market Volatility, Liquidity and Valuation Risk, Mid-Cap Risk, Prepayment Risk, Real Estate Investing Risk, Small-Cap Risk and Special Risks for Inflation-Indexed Bonds.

The age bands for younger Beneficiaries are subject to Emerging Markets Risk, Foreign Investment Risk, Large-Cap Risk, Market Risk, Mid-Cap Risk, Real Estate Investing Risk and Small-Cap Risk to a greater extent than are the age bands for older Beneficiaries. Likewise, the age bands for older Beneficiaries are subject to Call Risk, Credit Risk, Current Income Risk, Extension Risk, Fixed-Income Foreign Investment Risk, Income Volatility Risk, Interest Rate Risk, Market Volatility, Liquidity, and Valuation Risk, Prepayment Risk, and Special Risks for Inflation-Indexed Bonds to a greater extent than are the age bands for younger Beneficiaries.
### Allocations for the Managed Allocation Option

<table>
<thead>
<tr>
<th>Age Bands</th>
<th>TIAA-CREF Equity Index Fund</th>
<th>TIAA-CREF International Equity Index Fund</th>
<th>TIAA-CREF Emerging Markets Equity Index Fund</th>
<th>TIAA-CREF Real Estate Equity Index Fund</th>
<th>TIAA-CREF Bond Index Fund</th>
<th>TIAA-CREF Inflation-Linked Bond Fund</th>
<th>TIAA-CREF Short-Term Bond Fund</th>
<th>TIAA-CREF Money Market Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-3 Years</td>
<td>44.10%</td>
<td>22.05%</td>
<td>7.35%</td>
<td>8.00%</td>
<td>13.00%</td>
<td>4.00%</td>
<td>1.50%</td>
<td>0.00%</td>
</tr>
<tr>
<td>4–7 Years</td>
<td>34.20%</td>
<td>17.10%</td>
<td>5.70%</td>
<td>6.00%</td>
<td>22.75%</td>
<td>7.00%</td>
<td>7.25%</td>
<td>0.00%</td>
</tr>
<tr>
<td>8–11 Years</td>
<td>28.80%</td>
<td>14.40%</td>
<td>4.80%</td>
<td>5.00%</td>
<td>26.00%</td>
<td>8.00%</td>
<td>13.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td>12-14 Years</td>
<td>23.40%</td>
<td>11.70%</td>
<td>3.90%</td>
<td>4.00%</td>
<td>26.00%</td>
<td>8.00%</td>
<td>23.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td>15-17 Years</td>
<td>18.00%</td>
<td>9.00%</td>
<td>3.00%</td>
<td>3.00%</td>
<td>22.75%</td>
<td>7.00%</td>
<td>37.25%</td>
<td>0.00%</td>
</tr>
<tr>
<td>18 Years and over</td>
<td>9.30%</td>
<td>4.65%</td>
<td>1.55%</td>
<td>1.50%</td>
<td>16.25%</td>
<td>5.00%</td>
<td>51.75%</td>
<td>10.00%</td>
</tr>
</tbody>
</table>

### Risk-Based Investment Options

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

#### Active Equity Option (Risk level – Aggressive)

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

**Investment Strategy.** This Investment Option invests in multiple mutual funds that are actively managed. The percentage of the Investment Option’s assets allocated to each mutual fund is:

| TIAA-CREF Large-Cap Growth Fund | 27.60% |
| TIAA-CREF Large-Cap Value Fund  | 27.60% |
| TIAA-CREF Small-Cap Equity Fund | 4.80%  |
| TIAA-CREF International Equity Fund | 30.00% |
| TIAA-CREF Emerging Markets Equity Fund | 10.00% |

Each of the mutual funds above invests primarily in equity securities. Through its investments in these mutual funds, the Investment Option indirectly allocates:

- approximately 60% of its assets to equity securities of mostly domestic issuers as follows:
  - approximately 27.60% to large-cap growth equity securities;
  - approximately 27.60% to large-cap value equity securities;
  - approximately 4.80% to small-cap equity securities;
- approximately 40% of its assets to equity securities of mostly foreign issuers as follows:
  - approximately 30% to equity securities of foreign issuers located in developed countries; and
  - approximately 10% to equity securities of issuers located in emerging markets countries.

#### Equity Index Option (Risk level – Aggressive)

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

**Investment Strategy.** Each of the mutual funds in which this Investment Option invests is considered an "index fund," meaning that it attempts to track a benchmark index. The percentage of the Investment Option’s assets allocated to each mutual fund is:

| TIAA-CREF Equity Index Fund | 60.00% |
| TIAA-CREF International Equity Index Fund | 30.00% |
| TIAA-CREF Emerging Markets Equity Index Fund | 10.00% |

Each of the three mutual funds above invests primarily in equity securities. As a result of its investments in these mutual funds, the Investment Option indirectly allocates:

- approximately 60% of its assets to domestic equity securities across all capitalization ranges; and:
- approximately 40% of its assets to equity securities of foreign issuers as follows:
This Investment Option attempts to diversify its investment performance of the financial markets and provide a favorable return that reflects the broad Investment Objective.

**Investment Strategy.** This Investment Option invests in multiple mutual funds. The percentage of the Investment Option’s assets allocated to each mutual fund is:

<table>
<thead>
<tr>
<th>Mutual Fund</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>TIAA-CREF S&amp;P 500 Index Fund</td>
<td>25.27%</td>
</tr>
<tr>
<td>TIAA-CREF Mid-Cap Growth Fund</td>
<td>2.27%</td>
</tr>
<tr>
<td>TIAA-CREF Mid-Cap Value Fund</td>
<td>2.27%</td>
</tr>
<tr>
<td>TIAA-CREF Small-Cap Equity Fund</td>
<td>2.59%</td>
</tr>
<tr>
<td>TIAA-CREF International Equity Index Fund</td>
<td>16.20%</td>
</tr>
<tr>
<td>TIAA-CREF Emerging Markets Equity Fund</td>
<td>5.40%</td>
</tr>
<tr>
<td>TIAA-CREF Real Estate Securities Fund</td>
<td>6.00%</td>
</tr>
<tr>
<td>TIAA-CREF Bond Fund</td>
<td>30.00%</td>
</tr>
<tr>
<td>TIAA-CREF Inflation-Linked Bond Fund</td>
<td>10.00%</td>
</tr>
</tbody>
</table>

This Investment Option attempts to diversify its investments by investing in both mutual funds that invest primarily in equity securities, including real estate securities and mutual funds that invest primarily in debt securities.

Through its investments in mutual funds, the Investment Option indirectly allocates approximately 60% of its assets to equity securities as follows:

- approximately 32.40% to equity securities of mostly domestic issuers as follows:
  - approximately 25.27% to large-cap equity securities;
  - approximately 2.27% to mid-cap growth equity securities;
  - approximately 2.27% to mid-cap value equity securities;
  - approximately 2.59% to small-cap equity securities;
- approximately 21.60% to equity securities of mostly foreign issuers as follows:
  - approximately 16.20% to equity securities of foreign issuers located in developed countries; and
  - approximately 5.40% to equity securities of issuers located in emerging markets countries;
- approximately 6.00% to equity securities of issuers that are principally engaged in or related to the real estate industry, including those that own significant real estate assets, such as real estate investment trusts ("REITs").

The other 40% of the Investment Option’s assets are indirectly allocated to debt securities as follows:

- approximately 30% to a wide spectrum of public, investment-grade, taxable debt securities denominated in U.S. dollars including government securities, as well as mortgage-backed, commercial mortgage-backed and asset-backed securities; and
- approximately 10% to debt securities whose principal value increases or decreases based on changes in the Consumer Price Index for All Urban Consumers over the life of the security (typically U.S. Treasury Inflation-Indexed Securities but also including inflation-linked bonds of foreign issuers).

**Investment Risks.** Through its investments in mutual funds, this Investment Option is subject to Emerging Markets Risk, Foreign Investment Risk, Index Risk, Issuer Risk, Large-Cap Risk, Market Risk, Mid-Cap Risk and Small-Cap Risk.

**Balanced Option (Risk level – Moderate)**

**Investment Objective.** This Investment Option seeks to provide a favorable return that reflects the broad investment performance of the financial markets.

**Investment Strategy.** This Investment Option indirectly allocates approximately 60% of its assets to debt securities as follows:

- approximately 30% to a wide spectrum of public, investment-grade, taxable debt securities denominated in U.S. dollars including government securities, as well as mortgage-backed, commercial mortgage-backed and asset-backed securities; and
- approximately 30% to a wide spectrum of public, investment-grade, taxable debt securities denominated in U.S. dollars including government securities, as well as mortgage-backed, commercial mortgage-backed and asset-backed securities; and
- approximately 10% to debt securities whose principal value increases or decreases based on changes in the Consumer Price Index for All Urban Consumers over the life of the security (typically U.S. Treasury Inflation-Indexed Securities but also including inflation-linked bonds of foreign issuers).

**Fixed Income Option (Risk level – Moderate)**

**Investment Objective.** This Investment Option seeks to provide a moderate long-term rate of return primarily through current income.

**Investment Strategy.** This investment Option invests 100% of its assets in mutual funds that invest primarily in debt securities. The percentage of the Investment Option’s assets allocated to each mutual fund is:

<table>
<thead>
<tr>
<th>Mutual Fund</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>TIAA-CREF Bond Index Fund</td>
<td>75%</td>
</tr>
<tr>
<td>TIAA-CREF Inflation-Linked Bond Fund</td>
<td>25%</td>
</tr>
</tbody>
</table>

As a result of its investments in these mutual funds, the Investment Option indirectly allocates its assets as follows:

- approximately 75% of its assets to a wide spectrum of public, investment-grade, taxable debt securities denominated in U.S. dollars including government securities, as well as mortgage-backed, commercial mortgage-backed and asset-backed securities; and
- approximately 25% of its assets to debt securities whose principal value increases or decreases
based on changes in the Consumer Price Index for All Urban Consumers over the life of the security (typically U.S. Treasury Inflation-Indexed Securities but also including inflation-linked bonds of foreign issuers).

**Investment Risks.** Through its investments in mutual funds, this Investment Option is subject to Active Management Risk, Call Risk, Credit Risk, Derivatives Risk, Extension Risk, Fixed-Income Foreign Investment Risk, Income Volatility Risk, Index Risk, Interest Rate Risk, Market Volatility, Liquidity and Valuation Risk, Prepayment Risk and Special Risks for Inflation-Indexed Bonds.

**Guaranteed Option (Risk level – Conservative)**

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

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

**TIAA-CREF Life Ins. Co. Funding Agreement 100%**

**Investment Risks.** There is a risk that TIAA-CREF Life could fail to perform its obligations under the funding agreement for financial or other reasons.

**Explanation of Investment Risks of the Investment Options.**

**Active Management Risk** — The risk that the strategy, investment selection or trading execution of securities by a mutual fund’s investment adviser could cause the mutual fund to underperform relative to the benchmark index or mutual funds with similar investment objectives.

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

**Credit Risk** (a type of **Issuer Risk**) — The risk that the issuer of bonds may not be able or willing to meet interest or principal payments when the bonds become due.

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

**Derivatives Risk** — The risks associated with investing in derivatives may be different and greater than the risks associated with directly investing in the underlying securities and other instruments. A mutual fund may use futures and options, and a mutual fund may also use more complex derivatives such as swaps that might present liquidity, credit and counterparty risk. When investing in derivatives, a mutual fund may lose more than the principal amount invested.

**Downgrade Risk** — The risk that securities subsequently downgraded should a mutual fund’s investment advisers and/or rating agencies believe the issuer’s business outlook or creditworthiness has deteriorated.

**Emerging Markets Risk** — The risk of foreign investment often increases in countries with emerging markets. For example, these countries may have more unstable governments than developed countries, and their economies may be based on only a few industries. Because their financial markets may be very small, share prices of financial instruments in emerging market countries may be volatile and difficult to determine. Financial instruments of issuers in these countries may be less liquid than those of issuers in more developed countries. In addition, foreign investors (including a mutual fund) are subject to a variety of special restrictions in many such countries.

**Extension Risk** — The risk that during periods of rising interest rates, borrowers may pay off their mortgage loans later than expected, preventing a mutual fund from reinvesting principal proceeds at higher interest rates and resulting in less income than potentially available.

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

Growth Investing Risk (a type of Style Risk) — Style Risk is the risk that use of a particular investing style may fall out of favor in the marketplace for various periods of time and result in underperformance relative to the broader market sector or significant declines in the value of a mutual fund’s portfolio investment. Growth stocks may perform differently from the market as a whole and other types of stocks. Growth stocks can also be more volatile, and experience sharper price fluctuations, than other stock.

Illiquid Investments Risk — The risk that illiquid investments may be difficult to sell for their fair market value.

Income Volatility Risk — The risk that the level of current income from a portfolio of debt investments declines in certain interest rate environments.

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

Interest Rate Risk (a type of Market Risk) — The risk that increases in interest rates can cause the prices of fixed-income securities (or other debt securities) to decline. This risk is heightened to the extent that a mutual fund invests in longer duration fixed-income investments.

Issuer Risk (often called Financial Risk) — The risk that an issuer’s earnings prospects and overall financial position will deteriorate, causing a decline in the value of the issuer’s financial instruments over short or extended periods of time.

Large-Cap Risk — The risk that large-capitalization companies are more mature and may grow more slowly than the economy as a whole and tend to go in and out of favor based on market and economic conditions.

Market Risk — The risk that market prices of portfolio investments held by a mutual fund may fall rapidly or unpredictably due to a variety of factors, including changing economic, political or market conditions.

Market risk may affect a single issuer, industry or sector of the economy, or it may affect the market as a whole.

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

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

Mortgage Roll Risk — The risk that a mutual fund’s investment adviser will not correctly predict mortgage prepayments and interest rates, which will diminish a mutual fund’s performance.

Non-Investment Grade Securities Risk — Issuers of non-investment-grade securities, which are usually called “high-yield” or “junk bonds,” are typically in weaker financial health and such securities can be harder to value and sell and their prices can be more volatile. While these securities generally have higher rates of interest, they also involve greater risk of default than do securities of a higher quality rating.

Prepayment Risk — The risk that during periods of falling interest rates, borrowers may pay off their mortgage loans sooner than expected, forcing a mutual fund to reinvest the unanticipated proceeds at lower interest rates and resulting in a decline in income.

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

Real Estate Investing Risk — A mutual fund that invests in securities related to the real estate industry is subject to all of the risks associated with the ownership of real estate. These risks include, among others, declines in the value of real estate, negative changes in the climate for real estate, risks related to general and local economic conditions, decreases in property revenues, increases in prevailing interest rates, property taxes and operating expenses, changes in zoning laws and costs resulting from the clean-up of environmental problems.

Small-Cap Risk — The risk that the stocks of small-capitalization companies often experience greater price volatility than large- or mid-sized companies because small-cap companies are often newer or less established than larger companies and are likely to have more limited resources, products and markets. Securities of small-cap companies are often less liquid than securities of larger companies as a result of there being a smaller market for their securities.
Special Situation Risk – Stocks of companies involved in reorganizations, mergers and other special situations can involve the risk that such situations may not materialize or may develop in unexpected ways. Consequently, those stocks can involve more risk than ordinary securities.

Special Risks for Inflation-Indexed Bonds – The risk that interest payments on, or market values of, inflation-indexed investments decline because of a decline in inflation (or deflation) or changes in investors' and/or the market's inflation expectations. In addition, inflation indices may not reflect the true rate of inflation.

Value Investing Risk (a type of Style Risk) — Style Risk is the risk that use of a particular investing style may fall out of favor in the marketplace for various periods of time and result in underperformance relative to the broader market sector or significant declines in the value of a mutual fund's portfolio investment. Securities believed to be undervalued are subject to the risks that the issuer's potential business prospects are not realized and its potential value is never recognized by the market. As a result, value stocks can be overpriced when acquired and may not perform as anticipated.

Information about the Funding Agreement and the Mutual Funds in Which the Investment Options Invest. Information about the funding agreement is contained in this Disclosure Booklet. Additional information about the investment strategies and risks of each mutual fund in which an Investment Option invests is available in the mutual fund's current prospectus and statement of additional information. You can request a copy of the current prospectus, the statement of additional information or the most recent semiannual or annual report of each such mutual fund by calling 1-800-897-9059 or visiting www.tiaa-cref.org/prospectuses/index.html. The investment adviser to the mutual funds is Teachers Advisors, Inc., an affiliate of the Program Manager.

Risks of Investing in the Program

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

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

No Guarantee of Costs. Increases in Qualified Higher Education Expenses could exceed the rate of return of the Investment Options over the same time period. Even if the combination of an Account in the Program and the value of any KAPT contracts for a Beneficiary reach the maximum account balance limit, those funds may not be sufficient to pay all Qualified Higher Education Expenses of the Beneficiary.

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

Not an Investment in Mutual Funds or Registered Securities. Although certain Investment Options invest in mutual funds, neither the Program nor any of the Program’s Investment Options is a mutual fund. An investment in the Program is considered an investment in municipal fund securities that are issued and offered by the Commonwealth of Kentucky. These securities are not registered with the U.S. Securities and Exchange Commission (“SEC”) or any state, nor is the Program or any of the Program’s Investment Options registered as investment companies with the SEC or any state.

Potential Change of the Program Manager and Other Potential Program Changes. KHEAA may change the Program Manager in the future or add program managers and/or investment managers. If this happens (or even if it does not), there is no assurance that you would not experience a material change to certain terms and conditions of your Participation Agreement, including the fees charged under the Program. If KHEAA changes the Program Manager, you may have to open a new Account in the Program in order to make future contributions on behalf of your Beneficiary. If such a change were to occur, your assets in the Program would be transferred to the new Account and your Account may automatically be invested in new investment options. There is no guarantee that such a change would be without tax implications. There is also no guarantee that the investment options offered under the successor program manager would correspond exactly with those described in the Disclosure Booklet and offered under the Program. Certain Program transactions, such as a change in program manager, could result in the assets of the Program being held temporarily in cash and could also result in additional
expenses or could negatively impact the performance of the Investment Options.

**Potential Impact on Financial Aid.** The eligibility of your Beneficiary for financial aid will depend upon the circumstances of the Beneficiary’s family at the time the Beneficiary enrolls in school, as well as on the policies of the governmental agencies, school or private organizations to which the Beneficiary or the Beneficiary’s family applies for financial assistance. Because saving for college will increase the financial resources available to the Beneficiary, there will most likely be some effect on the Beneficiary’s eligibility. However, because these policies vary at different institutions and can change over time, it is not possible to predict how the federal financial aid program, state or local government, private organizations or the school to which your Beneficiary applies, will treat your Account. Currently, no student loan program, student grant program, or any program administered by Kentucky, except as provided by federal law, shall consider amounts available for the payment of higher education costs under the Program in determining need and eligibility for student aid.

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

**Suitability; Investment Alternatives.** None of the Commonwealth of Kentucky, KHEAA, the Program, or the Program Manager make any representations regarding the suitability of any Investment Options for any particular investor or the appropriateness of the Program as a college savings investment vehicle. Other types of investments may be more appropriate depending upon your residence, financial condition, tax situation, risk tolerance or the age of the Beneficiary. Various 529 Plans other than the Program, including programs designed to provide prepaid tuition, are currently available, as are other investment alternatives. The investments, fees, expenses, eligibility requirements, tax and other consequences and features of these alternatives may differ from those of the Program. Before investing in the Program, you may wish to consider alternative college savings vehicles and you should consult with a qualified advisor to discuss your options.

**No Insurance or Guarantee.** Neither investments in the Program nor earnings, if any, from investments in the Program are insured or guaranteed by the Commonwealth of Kentucky, any agency or instrumentality of the Commonwealth of Kentucky, the Program, the Board, KHEAA, the Federal Deposit Insurance Corporation, any federal government agency or any service provider to the Program except for the guarantee provided by KHEAA to Accounts in the Program prior to October 1, 1999.

## Past Performance

The following tables show the returns of each Investment Option over the time period(s) indicated. (For purposes of this discussion, each Age Band in the Managed Allocation Option is considered a separate Investment Option.)

The table below compares the average annual total return of an Investment Option (after deducting fees and expenses) to the returns of a customized index benchmark (“Blended Index”). A Blended Index combines the benchmark indices for each of the mutual funds in which an Investment Option invests weighted according to the allocations to those mutual funds and adjusted to reflect any changes in the allocations and the benchmarks during the relevant time period. There are no fees or expenses deducted from an index.

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

For monthly performance information, visit the Program’s website or call the Program.
Managed Allocation Option

Average Annual Total Returns for the Period Ended March 31, 2013

<table>
<thead>
<tr>
<th>Age Bands</th>
<th>1 Year</th>
<th>3 Year</th>
<th>5 Year</th>
<th>10 Year</th>
<th>Since Inception</th>
<th>Inception Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-3 Years</td>
<td>10.77%</td>
<td>9.60%</td>
<td>4.60%</td>
<td>N/A</td>
<td>5.63%</td>
<td>January 16, 2004</td>
</tr>
<tr>
<td>Blended Index</td>
<td>11.68%</td>
<td>10.27%</td>
<td>5.23%</td>
<td>N/A</td>
<td>6.33%</td>
<td></td>
</tr>
<tr>
<td>4-7 Years</td>
<td>9.02%</td>
<td>8.82%</td>
<td>4.77%</td>
<td>N/A</td>
<td>5.48%</td>
<td>January 16, 2004</td>
</tr>
<tr>
<td>Blended Index</td>
<td>9.88%</td>
<td>9.46%</td>
<td>5.62%</td>
<td>N/A</td>
<td>6.27%</td>
<td></td>
</tr>
<tr>
<td>8-11 Years</td>
<td>8.02%</td>
<td>8.20%</td>
<td>4.96%</td>
<td>N/A</td>
<td>5.43%</td>
<td>January 16, 2004</td>
</tr>
<tr>
<td>Blended Index</td>
<td>8.97%</td>
<td>9.00%</td>
<td>5.74%</td>
<td>N/A</td>
<td>6.21%</td>
<td></td>
</tr>
<tr>
<td>12-14 Years</td>
<td>7.13%</td>
<td>7.77%</td>
<td>4.93%</td>
<td>N/A</td>
<td>5.29%</td>
<td>January 16, 2004</td>
</tr>
<tr>
<td>Blended Index</td>
<td>8.04%</td>
<td>8.52%</td>
<td>5.81%</td>
<td>N/A</td>
<td>6.14%</td>
<td></td>
</tr>
<tr>
<td>15-17 Years</td>
<td>5.79%</td>
<td>6.34%</td>
<td>4.13%</td>
<td>N/A</td>
<td>4.64%</td>
<td>January 16, 2004</td>
</tr>
<tr>
<td>Blended Index</td>
<td>6.37%</td>
<td>6.92%</td>
<td>4.97%</td>
<td>N/A</td>
<td>5.40%</td>
<td></td>
</tr>
<tr>
<td>18 Years and over</td>
<td>3.54%</td>
<td>4.07%</td>
<td>3.01%</td>
<td>N/A</td>
<td>3.59%</td>
<td>January 16, 2004</td>
</tr>
<tr>
<td>Blended Index</td>
<td>3.92%</td>
<td>4.54%</td>
<td>3.52%</td>
<td>N/A</td>
<td>4.11%</td>
<td></td>
</tr>
</tbody>
</table>

Risk-Based Investment Options

Average Annual Total Returns for the Period Ended March 31, 2013

<table>
<thead>
<tr>
<th>Investment Option</th>
<th>1 Year</th>
<th>3 Year</th>
<th>5 Year</th>
<th>10 Year</th>
<th>Since Inception</th>
<th>Inception Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Active Equity Option</td>
<td>13.23%</td>
<td>9.82%</td>
<td>N/A</td>
<td>N/A</td>
<td>6.23%</td>
<td>September 5, 2008</td>
</tr>
<tr>
<td>Blended Index</td>
<td>13.15%</td>
<td>10.51%</td>
<td>N/A</td>
<td>N/A</td>
<td>6.54%</td>
<td></td>
</tr>
<tr>
<td>Equity Index Option</td>
<td>12.69%</td>
<td>10.09%</td>
<td>3.46%</td>
<td>8.27%</td>
<td>3.41%</td>
<td>February 23, 2001</td>
</tr>
<tr>
<td>Blended Index</td>
<td>13.17%</td>
<td>10.50%</td>
<td>4.45%</td>
<td>8.66%</td>
<td>3.94%</td>
<td></td>
</tr>
<tr>
<td>Balanced Option</td>
<td>9.55%</td>
<td>8.91%</td>
<td>N/A</td>
<td>N/A</td>
<td>10.34%</td>
<td>November 2, 2009</td>
</tr>
<tr>
<td>Blended Index</td>
<td>9.90%</td>
<td>9.49%</td>
<td>N/A</td>
<td>N/A</td>
<td>10.93%</td>
<td></td>
</tr>
<tr>
<td>Fixed Income Option</td>
<td>3.45%</td>
<td>5.61%</td>
<td>N/A</td>
<td>N/A</td>
<td>5.16%</td>
<td>September 9, 2008</td>
</tr>
<tr>
<td>Blended Index</td>
<td>4.25%</td>
<td>6.29%</td>
<td>N/A</td>
<td>N/A</td>
<td>5.92%</td>
<td></td>
</tr>
<tr>
<td>Guaranteed Option</td>
<td>1.45%</td>
<td>2.07%</td>
<td>2.53%</td>
<td>N/A</td>
<td>2.90%</td>
<td>May 15, 2003</td>
</tr>
</tbody>
</table>

Withdrawals

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

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

To request a withdrawal from your Account, complete and mail the appropriate form to the Program or make a request through the secure portion of the Program.
website. Withdrawal proceeds may generally be paid to you, an Eligible Educational Institution, or another 529 Plan. There are certain limitations as to whom the proceeds may be paid depending on the method of withdrawal request.

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

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

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

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

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

Outgoing Rollovers. You may roll over funds from an Account to an account in another 529 Plan for the same Beneficiary without adverse federal tax consequences, provided that it has been at least twelve months from the date of a previous transfer to a 529 Plan for that Beneficiary. You may also roll over funds from an Account in the Program to an account in another 529 Plan or an Account in the Program or an account in KAPT for a new Beneficiary without adverse federal tax consequences, provided that the new Beneficiary is a Member of the Family of the previous Beneficiary. If you roll over funds more than once in twelve months without a change in Beneficiary, every rollover after the first will be considered a Taxable Withdrawal or a Non-Qualified Withdrawal, depending on the circumstances. If you roll over funds to a new Beneficiary that is not a Member of the Family of the previous Beneficiary, that will be considered a Taxable Withdrawal or a Non-Qualified Withdrawal, depending on the circumstances.

Outgoing rollovers may be direct or indirect. Direct rollovers involve the transfer of funds directly from an Account to an account in another 529 Plan (or an Account in the Program or an account in KAPT for a different Beneficiary). Indirect rollovers involve the transfer of funds from an Account to the Account Owner, who then contributes the funds to an account in another 529 Plan (or an Account in the Program or an account in KAPT for a different Beneficiary). To avoid adverse federal tax consequences, the funds received by the Account Owner from the rollover must be contributed to the new account (or an Account in the Program) within 60 days of withdrawal from the Account. If the contribution to the new account (or an Account in the Program) occurs after the 60-day time frame, the rollover will be considered a Taxable Withdrawal or a Non-Qualified Withdrawal, depending on the circumstances.

The 529 Plan of another state may impose restrictions on or prohibit certain types of incoming rollovers. Be sure to check with the other 529 Plan before requesting an outgoing rollover from the Program.

Taxable Withdrawals. A Taxable Withdrawal is a withdrawal from your Account that is: (1) paid to a beneficiary of, or the estate of, the Beneficiary on or after the Beneficiary’s death or attributable to the permanent disability of the Beneficiary; (2) made on account of the receipt by the Beneficiary of a scholarship award or veterans’ or other nontaxable educational assistance (other than gifts or inheritances), but only to the extent of such scholarship or assistance; or (3) made on account of the Beneficiary’s attendance at a military academy, but only to the extent of the costs of education attributable to such attendance. In addition, the amount of the Beneficiary’s relevant Qualified Higher Education Expenses that is taken into account in determining the Beneficiary’s Hope/American Opportunity Credit or Lifetime Learning Credit is treated as a Taxable Withdrawal.
The earnings portion of a Taxable Withdrawal is subject to federal income tax, but not to the Additional Tax.

Non-Qualified Withdrawals. A Non-Qualified Withdrawal is any withdrawal that does not meet the requirements of being: (1) a Qualified Withdrawal; (2) a Taxable Withdrawal; or (3) an outgoing rollover to another 529 Plan or to an Account within the Program or an account in KAPT for a different Beneficiary.

The earnings portion of a Non-Qualified Withdrawal is subject to income tax and the Additional Tax. In addition, the Board is authorized to assess a penalty on the earnings portion of a Non-Qualified Withdrawal. Although the penalty is not currently imposed by the Program, it may be imposed in the future.

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

Oversight of the Program

The purpose of the Program is to encourage and make possible the attainment of higher education by the greatest number of persons by encouraging the investment of funds for future educational use. The Statute provides that the Board, as trustee of the Kentucky Educational Savings Plan Trust (the “Trust”), shall have the power and authority to carry out the duties and obligations of the Trust and shall have all powers necessary to carry out and effectuate the purposes, objectives, and provisions of the Statute, including the power to administer the funds of the Trust. The Statute further provides that the Board may make and enter into contracts necessary for the administration of the Trust, enter into agreements as required for the effectuation of its rights and duties under the Statute, enter into participation agreements with participants, appoint a program administrator and engage investment advisors to assist in the investment of Trust assets.

Pursuant to these powers, the Board has engaged TFI to serve as Program Manager under the management agreement as discussed below.

The Program Manager

KHEAA selected TFI as the Program Manager. TFI is a wholly owned, indirect subsidiary of Teachers Insurance and Annuity Association of America (“TIAA”). TIAA, together with its companion organization, the College Retirement Equities Fund (“CREF”), forms one of America’s leading financial services organizations and one of the world’s largest pension systems, based on assets under management.

Management Agreement. TFI and the Board, on behalf of the Kentucky Educational Savings Plan Trust, entered into an agreement (the “Management Agreement”) under which TFI provides certain services to the Program including investment recommendations, recordkeeping, reporting and marketing. The Management Agreement is set to terminate on November 2, 2014 unless earlier terminated or extended, by mutual consent. This term will be automatically extended for additional two-year terms following the first extension, subject to certain rights of KHEAA to terminate any such extensions.

Confirmations, Account Statements and Tax Reports

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

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

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

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

Financial Statements. Each year, audited financial statements will be prepared for the Program. You may request a copy by contacting the Program.
Federal Tax Information

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

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

Withdrawals. The federal tax treatment of withdrawals from an Account is described in “Withdrawals” above. A withdrawal may be subject to federal income tax and the Additional Tax. Only the earnings portion of a withdrawal is ever subject to federal tax. All withdrawals are considered as attributable partially to contributions made to the Account and partially to earnings, if any.

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

Coordination with Other Income Tax Incentives for Education. In addition to the income tax benefits provided to Account Owners and Beneficiaries under Section 529, benefits are provided by several other provisions of the IRC for education-related investments or expenditures. These include Coverdell ESAs, Hope/ American Opportunity Credits, Lifetime Learning Credits and “qualified United States savings bonds” described in IRC Section 135 (“qualified U.S. savings bonds”). The available tax benefits for paying Qualified Higher Education Expenses available through these programs must be coordinated in order to avoid the duplication of such benefits. Account Owners should consult a qualified tax advisor regarding the interaction under the IRC of the federal income tax education-incentive provisions addressing Account withdrawals.

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

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

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

In addition, to the extent not previously used, each contributor has a $5,000,000 lifetime exemption that will be applied to gifts in excess of the annual exclusion amounts referred to above. This lifetime exemption is adjusted for inflation and is currently $5,250,000 for each contributor. A married couple may elect to split gifts and apply their combined exemption of $10,500,000 to gifts by either of them. Accordingly, while federal gift tax returns are required for gifts in excess of the annual exclusion amounts referred to above (including gifts that the contributor elects to treat as having been made ratably over a five-year period), no federal gift tax will be due until the lifetime exemption has been used. The top gift tax rate is currently 40 percent.

Amounts in an Account that are considered completed gifts by the contributor generally will not be included in the contributor’s gross estate for federal estate tax purposes. However, if the contributor elects to treat the gifts as having been made over a five-year period and dies before the end of the five-year period, the portion of the contribution allocable to the remaining years in the five-year period (not including the year in which the contributor died) would be includible in computing the contributor’s gross estate for federal estate tax purposes. Amounts in an Account at the death of a Beneficiary will be included in the Beneficiary’s gross estate.
estate for federal estate tax purposes to the extent such amounts are distributed to a beneficiary of, or the estate of, the Beneficiary. Each taxpayer has an estate tax exemption of $5,000,000 reduced by lifetime taxable gifts. This estate tax exemption is adjusted for inflation and is currently $5,250,000 for each contributor. The top estate tax rate is currently 40 percent.

A change of the Beneficiary of an Account or a transfer of funds from an Account to an Account for another Beneficiary will potentially be subject to federal gift tax if the new Beneficiary is in a younger generation than the generation of the Beneficiary being replaced or is not a Member of the Family of that Beneficiary. In addition, if the new Beneficiary is in a generation two or more generations younger than the generation of the prior Beneficiary, the transfer may be subject to the generation-skipping transfer tax. Each taxpayer has a $5,000,000 generation-skipping transfer tax exemption which may be allocated during life or at death. This generation-skipping transfer tax exemption is adjusted for inflation and is currently $5,250,000 for each contributor. The generation-skipping transfer tax rate is currently 40 percent. Under the proposed regulations under Section 529, these taxes would be imposed on the prior Beneficiary.

Kentucky Tax Information

The following discussion applies only with respect to Kentucky taxes. Kentucky tax treatment in connection with the Program applies only to Kentucky taxpayers. You should consult with a qualified advisor regarding the application of Kentucky tax provisions to your particular circumstances.

Contributions. Contributions to an Account by an Account Owner do not result in Kentucky taxable income to the Beneficiary. Contributions to an Account are not deductible for Kentucky income tax purposes.

Withdrawals. Kentucky’s income taxation of Qualified Withdrawals, outgoing rollovers, and Non-Qualified Withdrawals generally follows the federal income tax treatment described above. Earnings from the investment of contributions to an Account will not be subject to Kentucky income tax, if at all, until funds are withdrawn in whole or in part from the Account.

The earnings portion of a Non-Qualified Withdrawal will be included in net income and subject to Kentucky income tax. A Qualified Withdrawal will not be subject to Kentucky income tax. You may also roll over funds from an Account without adverse Kentucky tax consequences, provided the rollover is not subject to federal income tax as described above.

The earnings portion of certain Taxable Withdrawals will be subject to Kentucky income tax. The earnings portion of a Taxable Withdrawal made on account of the Beneficiary’s attendance at one of the Military Academies will be included in net income and subject to Kentucky income tax. However, a Taxable Withdrawal will not be subject to Kentucky income tax if it is a refund made due to the death, permanent disability, or mental incapacity of the Beneficiary, or due to the Beneficiary’s receipt of a scholarship award or veterans' or other nontaxable educational assistance (other than gifts or inheritances), but only to the extent of such scholarship or assistance.

The Board is also authorized to assess a penalty on the earnings portion of a Non-Qualified Withdrawal or a Taxable Withdrawal that is subject to Kentucky income tax. Although this penalty is not currently enforced by the Program, it may be imposed in the future.

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

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

Protection of your Account in the Event of a Bankruptcy. The Bankruptcy Abuse Prevention and Consumer Protection Act of 2005 expressly excludes from an individual debtor’s bankruptcy estate (and, therefore, will not be available for distribution to such individual’s creditors), certain assets that have been contributed to a 529 Plan account. However, bankruptcy protection for 529 Plan assets is limited and has certain conditions. To be protected, the Account Beneficiary must be a child, stepchild, grandchild, or step-grandchild of the individual who files for bankruptcy protection. In addition, contributions made to all 529 Plan accounts for the same beneficiary (meaning that your Account for a Beneficiary would be aggregated with any other account you have for the same Beneficiary in a 529 Plan in another state) are protected as follows: (1) there is no protection for any assets that are contributed less than 365 days before the bankruptcy filing; (2) assets are protected in an amount up to $5,850 if they have been contributed between 365 and 720 days before the bankruptcy filing; and (3) assets are fully protected if they have been contributed more than 720 days before the bankruptcy filing. This information is not meant to be individual advice, and you should consult with a qualified advisor concerning your individual circumstances and the applicability of Kentucky law.
Pursuant to Kentucky law, contributions and earnings that are invested in an Account will be exempt from execution, attachment, garnishment, distress for rent, or fee bill by a creditor seeking payment of a debt owed by the Account Owner or the Beneficiary of the Account, provided that such Account Owner or Beneficiary resides in Kentucky. This exemption, however, may not be enforceable or available to exempt an individual’s interest in the Account in such individual’s bankruptcy proceedings in other states where other laws may apply. In any event, this provision does not apply in other states.

**Vesting of Participation Agreements.** If a Beneficiary is a resident of Kentucky for eight continuous years and is designated as the beneficiary of your Participation Agreement that is in “full force and effect” for that entire eight-year period, then your Participation Agreement will become a vested Participation Agreement. A Beneficiary of a vested Participation Agreement who enrolls in an Eligible Educational Institution in Kentucky will qualify for Kentucky resident tuition rates, if available. The naming of a Beneficiary does not guarantee that the Beneficiary will be a resident of Kentucky for tuition purposes.

A Participation Agreement will be considered to be in “full force and effect” at the end of the eight-year period, if the total net contributions remaining in the Account total at least $2,400 and the Participation Agreement has not been cancelled at the time the Beneficiary first enrolls in an Eligible Educational Institution. Once a Participation Agreement is vested, it will remain vested even if the Beneficiary leaves the Commonwealth of Kentucky prior to enrollment at an Eligible Educational Institution.

In order to establish a vested Participation Agreement, you will be required to submit to KHEAA evidence of the Beneficiary’s residence in Kentucky during the eight-year vesting period. For more information on submitting evidence of residence, including a list of documentation that will be accepted, contact KHEAA. Although you may change the Beneficiary under your Participation Agreement, the residency status acquired by a Beneficiary of a vested Participation Agreement, cannot be used to confer residency status on a substituted Beneficiary. Any Account Owner interested in vesting his or her Participation Agreement for the purpose of obtaining residential tuition rates for his or her Beneficiary should contact KHEAA directly at (502) 696-7383.
Participation Agreement for the Kentucky Educational Savings Plan Trust

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

This Agreement is entered into between you, the Account Owner and the Board of Directors (the “Board”) of the Kentucky Higher Education Assistance Authority (“KHEAA”), as administrator and trustee of the Program. The terms and conditions under which your Account in the Program is offered are contained in this Agreement and the Disclosure Booklet. This Agreement becomes effective when the Program opens an Account for you.

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

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

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

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

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

5. Maximum Account Balance. I understand that the amount of any contribution to an Account that would cause the market value of such Account and all other Accounts in the Program including the value of any KAPT contracts for the same Beneficiary to exceed the maximum account balance, will be rejected and returned to me. I understand that KHEAA may change the maximum account balance at any time without notice.

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

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

8. Investment Instructions. I understand that on my Application, I must select one or more of the Investment Options and, if I select more than one Investment Option, I must designate what portion of the contribution made to the Account should be invested in each Investment Option. I understand that after the Account is opened, I must provide such instructions for each contribution.

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

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

11. Investment Risks. I represent that I reviewed and understand the risks related to investing in the Program discussed in the Disclosure Booklet. I understand that investment returns are not guaranteed by the Commonwealth of Kentucky. KHEAA, the Board, the Program, or any of the service providers to the Program (including the Program Manager), and that I assume all investment risk of an investment in the Program, including the potential liability for taxes and penalties that may be assessable in connection with a withdrawal from my Account(s). I understand that I can lose money by investing in the Program.

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

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

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

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

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

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

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

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

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

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

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

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

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

24. Duties and Rights of the Kentucky Entities and the Service Providers. None of the Commonwealth of Kentucky, KHEAA, the Program, the Board nor any of the service providers to the Program (including the Program Manager) has a duty to perform any action other than those specified in the Agreement or the Disclosure Booklet. The Commonwealth of Kentucky, the Board, the Kentucky Educational Savings Plan Trust, the Program, and the service providers to the Program (including the Program Manager) may accept and conclusively rely on any instructions or other communications reasonably believed to be from me or a person authorized by me and may assume that the authority of any authorized person continues to be in effect until they receive written notice to the contrary from me. None of the Commonwealth of Kentucky, KHEAA, the Program, the Board nor any of the service providers to the Program (including the Program Manager) has any duty to determine or advise me of the
investment, tax, or other consequences of my actions, of
their actions in following my directions, or of their failing to
act in the absence of my directions. Each of the
Commonwealth of Kentucky, KHEAA, the Program, the
Board and each of the service providers to the Program
(including the Program Manager) is a third-party beneficiary
of, and can rely upon and enforce, any of my agreements,
representations, and warranties in this Agreement.
Please read this notice carefully. It gives you important information about how the Program handles nonpublic personal information it may receive about you in connection with the Program.

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

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

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

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

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

Service providers, at the program’s direction, provide services and include fulfillment companies, printing and mailing facilities.

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

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

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

Notice About Online Privacy
The personal information that you provide through the Program’s website is handled in the same way as the personal information that you provide by any other means, as described in this document. This section of the notice gives you additional information about the way in which personal information that is obtained online is handled.

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

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

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

If you provide personal information to effect transactions on the Program’s website (including your Social Security number or taxpayer identification number and your password) to enroll or access your Account information online, you will log into secure pages where Secure Sockets Layer (SSL) protocol is used to protect information.

Other Personal Information Provided by You on the Program’s Website
If you decide not to enroll online and you want to request that Program materials be mailed to you, or you want to subscribe to the Program e-mail newsletter, you can click on another section of the Program’s website to provide your name, mailing address and e-mail address. The personal information that you provide on that page of the site will be stored and used to market the Program more effectively. Although that page of the Program’s website does not use SSL encryption protocol, your information will be safeguarded in accordance with federal and state privacy laws and industry norms.
To contact the Program:

Visit the Program’s website at www.kysaves.com;
Call the Program toll-free at 1-877-KY-TRUST (1-877-598-7878); or
Write to the Program at P.O. Box 8100, Boston, MA 02266-8100.