

**SUPPLEMENT NO. 1 DATED JANUARY 29, 2010
TO THE VERMONT HIGHER EDUCATION INVESTMENT PLAN
DISCLOSURE BOOKLET AND PARTICIPATION AGREEMENT
DATED SEPTEMBER 30, 2009**

This Supplement No. 1 amends, updates, and supersedes anything to the contrary contained in the September 30, 2009 Disclosure Booklet and Participation Agreement (the "Disclosure Booklet") of the Vermont Higher Education Investment Plan (the "Plan").

I. MAXIMUM ACCOUNT BALANCE LIMIT

The Maximum Account Balance Limit for Accounts under the Plan for the same Beneficiary (regardless of Account Owner) increased from \$240,100 to \$352,800. All references in the Disclosure Booklet to the prior Maximum Account Balance Limit of \$240,100 are replaced hereby with \$352,800.

II. CONTRIBUTION METHODS

In the section of the Disclosure Booklet entitled "Contributing to Your Account – How You Can Contribute to Your Account," method (1) in that section is replaced with the following:

(1) by check (excluding starter checks and cashiers' checks);

In the section of the Disclosure Booklet entitled "Contributing to Your Account – How You Can Contribute to Your Account," the third sentence of the second paragraph in that section is replaced with the following:

Personal checks (excluding starter checks and cashiers' checks), bank drafts, tellers' checks, and checks issued by a financial institution or brokerage firm payable to the Account Owner or the Beneficiary and endorsed over to the Plan by the Account Owner are permitted, as are third-party personal checks up to \$10,000 that are endorsed over to the Plan. For further clarification on acceptable methods of payment (and definitions of "cashier's check," "teller's check," and "bank draft"), please refer to the Plan's website at www.vheip.org or call the Plan toll-free at 1-800-637-5860.

THE VERMONT HIGHER EDUCATION INVESTMENT PLAN



PLAN DISCLOSURE BOOKLET AND PARTICIPATION AGREEMENT

September 30, 2009

**IMPLEMENTED AND ADMINISTERED BY:
THE VERMONT STUDENT ASSISTANCE CORPORATION**

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



**FINANCIAL SERVICES
FOR THE GREATER GOOD®**



No security issued by the Vermont Higher Education Investment Plan has been registered with or approved by the United States Securities and Exchange Commission or any state securities commission.

Please read and retain this Disclosure Booklet as an important document with your other records about the Vermont Higher Education Investment Plan (the “**Plan**”). This Disclosure Booklet is also available on the Plan’s website at www.vheip.org. You should read and understand this Disclosure Booklet before you make contributions to the Plan.

No broker, dealer, salesperson or any other person has been authorized by the Vermont Student Assistance Corporation (“**VSAC**”), the State of Vermont (the “**State**”), Peoples United Bank, Burlington, Vermont, as Trustee (the “**Trustee**”) of the Vermont Higher Education Investment Trust (the “**Trust**”) or TIAA-CREF Tuition Financing, Inc. (“**TFI**” or the “**Plan Manager**”), to give any information or to make any representations other than those contained in this document and, if given or made, such other information or representations must not be relied upon as having been authorized by VSAC, the State, the Trustee, the Trust or the Plan Manager.

The information in this Disclosure Booklet is subject to change without notice, and neither delivery of this Disclosure Booklet nor any sale made hereunder shall, under any circumstances, create any implication that there have been no changes since the date of this Disclosure Booklet.

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 Plan by any person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

Qualified tuition plans developed under Section 529 of the Internal Revenue Code of 1986, as amended (the “IRC”), are intended to be used only to save for qualified higher education expenses. These plans are not intended to be used, nor should they 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 Plan and was neither written nor intended to be used, and cannot be used, by any taxpayer for the purpose of avoiding federal or state taxes or tax penalties. Taxpayers should seek tax advice from an independent tax advisor based on their own particular circumstances.

TABLE OF CONTENTS

Introduction to the Plan.....	1
Key Features of the Plan	2
Important Defined Terms.....	5
Getting Started	7
Contributing to Your Account	9
Transferring Funds	10
Unit Value.....	11
Use of Your Account.....	12
Fees and Expenses.....	12
Investment Cost Example	14
Investment Options.....	15
Past Performance.....	19
Risks of Investing in the Plan	21
Withdrawals	22
Oversight of the Plan	24
The Plan Manager	25
Reporting	25
Tax Information	26
Summaries of the Underlying Investments	I-1
Participation Agreement.....	II-1
TIAA-CREF Tuition Financing, Inc.'s Privacy Policy	III-1
VSAC NOTICE OF PRIVACY POLICY	III-3

Introduction to the Plan

The State created the Plan to encourage people to invest for college or other post-high school programs. The VSAC Board of Directors (the “**Board**”) implements and administers the Plan. Currently, federal and Vermont tax benefits enhance the value of investing in the Plan. The Plan is intended to meet the requirements of a qualified tuition plan under IRC Section 529 (“**Section 529**”).

The Plan is authorized by Subchapter 7 of Chapter 87, Title 16 of the Vermont Statutes Annotated (as the same may be amended from time to time, the “**Statute**”). VSAC has the authority to appoint a Plan manager, adopt rules and regulations to implement and administer the Plan, and establish investment policies for the Plan. For additional information, see “Oversight of the Plan.” VSAC implemented the Plan in part by creating the Trust through a resolution adopted by the Board on June 18, 1999, as amended by resolutions adopted by the Board on August 22, 2001 and August 18, 2009 (collectively, the “**Trust Resolution**”).

TFI manages the Plan under the direction of VSAC. TFI and VSAC have entered into a contract (the “**Management Agreement**”) under which TFI, or its affiliates and subcontractors acting on behalf of TFI, provide services to the Plan. For additional information, see “The Plan Manager.”

Please note that once you open your Account, you may access information about your Account through the toll-free, automated telephone number for the Plan at 1-800-637-5860. If you open your Account as an individual Account Owner in the Plan, you may also access information, process transactions and perform Account maintenance on a password-protected section of the Plan’s website. You can change your physical address, bank information, and your e-mail address in the password-protected section of the Plan website, or you can download and print appropriate forms from the website for the same purpose (“**Account Forms**”).

To obtain Account Forms or additional information, you can (1) visit the Plan’s website at www.vheip.org; (2) call the Plan toll-free at 1-800-637-5860; or (3) write to the Vermont Higher Education Investment Plan, P.O. Box 8101, Boston, MA 02266-8101.

Key Features of the Plan

This section provides summary information about certain key features of the Plan, but it is important that you read the entire Disclosure Booklet and Participation Agreement for more detailed information about the Plan. Capitalized terms used in this section are defined in “Important Defined Terms” or elsewhere in the Disclosure Booklet.

Feature	Description	Additional Information
State Administrator	The Vermont Student Assistance Corporation.	<i>Oversight of the Plan</i> , page 24.
Plan Manager	TIAA-CREF Tuition Financing, Inc.	<i>The Plan Manager</i> , page 25.
Eligible Account Owner	<p>Any U.S. citizen or resident alien with a Social Security Number or federal Taxpayer Identification Number.</p> <p>Accounts may also be opened by the following, although additional restrictions may apply:</p> <ul style="list-style-type: none"> • Custodians for minors under the Uniform Gifts to Minors Act or the Uniform Transfers to Minors Act (collectively, “UGMA/UTMA”) with a Social Security Number or Taxpayer Identification Number; • Corporations, trusts and certain other types of entities with a Taxpayer Identification Number; and • State or local governments (or agencies or instrumentalities thereof) and certain non-profit organizations with a Taxpayer Identification Number. 	<i>Getting Started</i> , page 7.
Eligible Beneficiary	Any U.S. citizen or resident alien with a Social Security Number or Taxpayer Identification Number, including the Account Owner. (No Beneficiary is required to be designated for Accounts established by government agencies or non-profit organizations to fund scholarships.)	<i>Getting Started</i> , page 7.
Minimum Contribution	The minimum initial and subsequent contribution is \$25 per Investment Option (\$15 per Investment Option if made via payroll deduction).	<i>Contributing to Your Account</i> , page 9.
Current Maximum Account Balance Limit	Maximum Account Balance Limit of \$240,100 per Beneficiary — no new contributions may be made to any Account if, at the time of a proposed contribution, the aggregate account balance of the Account and all other Accounts in the Plan for the same Beneficiary has a market value equal to or in excess of this limit. Accounts that have reached the Maximum Account Balance Limit may continue to accrue earnings.	<i>Contributing to Your Account</i> , page 9.
Withdrawals	<ul style="list-style-type: none"> • Qualified Withdrawals must be used to pay for tuition, certain room and board expenses, fees, and the costs of books, supplies and equipment required for the enrollment or attendance of the Beneficiary at an Eligible Educational Institution. • Taxable Withdrawals are also permitted if due to the Beneficiary’s death, permanent disability of the Beneficiary, the Beneficiary’s receipt of scholarship award or certain other tax-free amounts, or attendance at a Military Academy. The earnings portion of these types of withdrawals will be subject to applicable federal and state 	<i>Withdrawals</i> , page 22; <i>Tax Information</i> , page 26.

Feature	Description	Additional Information
Investment Options	<p>income tax, if any, but will not be subject to a 10% additional federal tax (the “Additional Tax”).</p> <ul style="list-style-type: none"> • A tax-free Rollover to another qualified tuition program for the same Beneficiary or a tax-free Rollover to another Account or another qualified tuition program for a person who is a Member of the Family of the Beneficiary may occur under certain circumstances. • Non-Qualified Withdrawals are withdrawals that do not fall into any of the categories above. Non-Qualified Withdrawals will be subject to applicable federal and state income tax on earnings, if any, and the Additional Tax. • No withdrawal may be taken within 30 days of receipt of the Account Owner’s request to change Account ownership or mailing address unless a medallion signature guarantee is affixed to the applicable Account Form. • One age-based option: Contributions invested in the Managed Allocation Option are invested in Institutional Class shares of certain of the TIAA-CREF Funds in a manner that varies according to the Beneficiary’s placement in an age-based grouping (“Age Band”). • Four static options: Contributions invested in the Diversified Equity Option (called the 100% Equity Option until November 30, 2009), Equity Index Option, Balanced Option and Fixed Income Option are invested in Institutional Class shares of certain of the TIAA-CREF Funds. • One principal plus interest option: Contributions invested in the Principal Plus Interest Option (called the Interest Income Option until November 30, 2009) are allocated to a Funding Agreement, which guarantees to VSAC a return of principal plus a minimum rate of interest per annum. 	<i>Investment Options</i> , page 15.
Transfers Between Investment Options	<p>The Account Owner generally may move funds from one Investment Option to another once per calendar year or at any time upon a change in Beneficiary to a Member of the Family of the Beneficiary. A special rule applies for the 2009 calendar year.</p>	<i>Transferring Funds</i> , page 10.
Federal Tax Benefits	<ul style="list-style-type: none"> • Qualified Withdrawals are not subject to federal income tax (including the Additional Tax) upon distribution. • Taxable Withdrawals are subject to federal income tax but not the Additional Tax. • No federal gift tax on contributions of up to \$65,000 (single filer) and \$130,000 (married couple) if prorated over 5 years. • Contributions are generally considered completed gifts to the Beneficiary for federal gift and estate tax purposes. 	<i>Tax Information</i> , page 26.
Vermont Tax Benefits	<ul style="list-style-type: none"> • Qualified Withdrawals and Rollovers are not subject to Vermont income tax. • An income tax credit is available for 10% of the first \$2500 contributed to an Account by an Account Owner (or spouse or civil union partner) for contributions on and after January 1, 2007. A repayment of this credit may be required if a Non-Qualified Withdrawal or Taxable Withdrawal is made. • State tax benefits are available only to Vermont 	<i>Withdrawals</i> , page 22; <i>Tax Information</i> , page 26.

Feature	Description	Additional Information
<p>Current Fees and Expenses</p>	<p>taxpayers.</p> <ul style="list-style-type: none"> If you or your Beneficiary reside in, or have taxable income in, a state other than Vermont, see page 29 for important information about potential consequences of investing in an out-of-state Section 529 plan. Consult a qualified advisor or contact your home state's Section 529 plan for more information about that plan. <p>The total annual asset-based fee for the Managed Allocation Option is 0.53%. This fee will be reduced when total assets in the Plan reach certain breakpoint levels. Of that amount, 0.28% to 0.36%, depending on the Age Band within the Managed Allocation Option, is paid to the Plan Manager ("Plan Manager Fee").</p> <p>The total annual asset-based fee for the four static Investment Options varies from 0.53% to 0.89%, depending on the Investment Option. Of that amount, 0.45% is the Plan Manager Fee.</p> <p>The total annual asset-based fee does not apply to the Principal Plus Interest Option.</p>	<p><i>Fees and Expenses, page 12.</i></p>
<p>Performance</p>	<p>Performance data for the Investment Options (updated monthly) can be obtained by visiting the Plan's website or by calling the Plan's toll-free number. Past performance is not necessarily indicative of future results. Your investment results may be better or worse than the performance shown.</p>	<p><i>Past Performance, page 19.</i></p>
<p>Risks of Investing in the Plan</p>	<ul style="list-style-type: none"> The value of your Account may decrease. You could lose money, including the principal you invest. Federal or state tax law changes could negatively affect participation in the Plan. Certain changes could be made to the Plan which could make it less favorable to investors, including an increase in existing fees and expenses and/or the addition of new fees and expenses. VSAC may change the plan manager, change underlying investment vehicles or modify Investment Options and/ or asset allocations. Contributions to an Account may adversely affect the Account Owner or Beneficiary's eligibility for financial aid or other benefits. Neither the Federal Deposit Insurance Corporation nor any other government agency or entity provides any insurance or guarantee to Account Owners. Investment returns, if any, may be less than the rate of increase in the costs of higher education. 	<p><i>Risks of Investing in the Plan, page 21.</i></p>
<p>Contact Information</p>	<p>Call toll-free at 1-800-637-5860, visit the Plan website at www.vheip.org or write to the Vermont Higher Education Investment Plan, P.O. Box 8101, Boston, MA 02266-8101.</p>	<p><i>Introduction to the Plan, page 1; Back Cover.</i></p>

Important Defined Terms

The Disclosure Booklet and Participation Agreement are intended to be as clear and understandable as possible. However, certain words and terms used throughout the Disclosure Booklet do carry special meanings in connection with the Plan. This Glossary of certain terms is included here for your convenient reference. Refer to the text throughout the Disclosure Booklet for a more complete discussion of these terms.

Account	An account in the Plan opened by an Account Owner to receive contributions and to provide funds for the Qualified Higher Education Expenses of the Beneficiary.
Account Owner/You	The owner of an Account in the Plan.
Additional Tax	A 10% additional federal tax imposed on the earnings portion of Non-Qualified Withdrawals.
Beneficiary	The person designated by the Account Owner as the intended beneficiary of amounts contributed to an Account in the Plan and earnings thereon, if any.
Board	The Board of Directors of the Vermont Student Assistance Corporation.
Eligible Educational Institutions	Accredited, postsecondary educational institutions offering credit toward a bachelor's degree, an associate's degree, a graduate level or professional degree or another recognized postsecondary credential, including certain proprietary institutions and postsecondary technical and vocational schools and certain institutions in foreign countries, which are eligible to participate in a financial aid program under Title IV of the Higher Education Act of 1965.
Funding Agreement	The current funding agreement issued by TIAA-CREF Life to VSAC guarantees a return of principal plus a minimum rate of interest per annum with respect to the Principal Plus Interest Option.
Investment Options	The investment options in the Plan to which you may allocate contributions to your Account.
IRC	The Internal Revenue Code of 1986, as amended.
Management Agreement	Agreement pursuant to which VSAC has engaged TFI to serve as the Plan Manager.
Maximum Account Balance Limit	The aggregate balance of your Account and all other Accounts for the same Beneficiary, beyond which you are prohibited from making additional contributions (currently \$240,100).
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.
Military Academy	The United States Military Academy, the United States Naval Academy, the United States Air Force Academy, the United States Coast Guard Academy or the United States Merchant Marine Academy.
Mutual Funds/ Funds	Currently, the Institutional Class of certain of the TIAA-CREF Funds.
Non-Qualified Withdrawal	Any withdrawal from your Account other than: (1) a Qualified Withdrawal; (2) a Taxable Withdrawal; or (3) a Rollover.
Participation Agreement	An agreement by and between an Account Owner and VSAC. A description of your rights and obligations as an Account Owner is in your Participation Agreement.
Plan	The Vermont Higher Education Investment Plan.
Plan Manager	TIAA-CREF Tuition Financing, Inc. (“TFI”).
Qualified Higher Education Expenses	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.
State	The State of Vermont.
Statute	Subchapter 7 of Chapter 87, Title 16 of the Vermont Statutes Annotated (as the same may be amended from time to time).
Taxable Withdrawal	Any withdrawal from your Account: (1) paid to a beneficiary of, or the estate of, the Beneficiary on or after the Beneficiary’s death or attributable to the permanent disability of the Beneficiary; (2) made on account of the receipt by the Beneficiary of a scholarship award or veterans’ or other nontaxable educational assistance (other than gifts or inheritances), but only to the extent of such scholarship or assistance; (3) made on account of the Beneficiary’s attendance at a Military Academy, but only to the extent of the costs of education attributable to such attendance; or (4) equal to the amount of the Beneficiary’s relevant Qualified Higher Education Expenses taken into account in determining the Beneficiary’s Hope Scholarship Credit or Lifetime Learning Credit.
Trust	The Higher Education Investment Plan Trust.
Trustee	Peoples United Bank, successor by merger to Chittenden Trust Company, Burlington, Vermont .
Unit	A unit of measure used in calculating the value of the assets in your Account.
VSAC	The Vermont Student Assistance Corporation.

Getting Started

This section offers you an overview of the processes involved with opening your Account in the Plan.

Opening Your Account. To open an Account, you must first complete and sign an application (the “**Application**”). The Application incorporates by reference the Participation Agreement and this Disclosure Booklet, and, among other things, will ask you to designate an owner of the Account (the “**Account Owner**”) and (if you are an individual Account Owner) a contingent Account Owner, select a Beneficiary, and select Investment Options.

You may obtain an Application and enrollment kit by contacting the Plan or by accessing the Plan’s website. You may complete and submit the Application online on the Plan’s website, or you may mail your completed Application to the following address: Vermont Higher Education Investment Plan, P.O. Box 8101, Boston, Massachusetts 02266-8101. Once the Plan receives your completed Application in good order with a check or other authorization for your initial contribution, an Account will be opened for you.

The Participation Agreement is in Appendix II to this Disclosure Booklet. Your rights as the Account Owner and the rights of your Beneficiary are established under provisions of the Statute, any regulations adopted by the Board, and are in your Participation Agreement. However, any amendments to the Statute, to federal and/or Vermont tax law, or any amendments to the operating procedures and policies of the Plan will amend the Participation Agreement when such amendments become effective.

To help the federal government fight the funding of terrorism and money laundering activities, federal law requires all financial institutions to obtain, verify and record information that identifies each person who opens an Account. When you open an Account, you will be asked for your name, address, date of birth, Social Security Number and other information that will allow the Plan to identify you, such as your home telephone number. Until you provide the information needed, the Plan will not be able to open your Account or effect any transactions for you.

Account Ownership. Those eligible to open Accounts and to act as Account Owners in the Plan include:

- Any U.S. citizen or resident alien with a valid Social Security Number or Taxpayer Identification Number (“**TIN**”)—this may include parents, grandparents, or friends of the Beneficiary, including the Beneficiary;
- A corporation, trust, or certain other type of entity with a TIN;
- A state or local government (or agency or instrumentality thereof);
- An organization described in Section 501(c)(3) of the IRC with a TIN;
- A trustee with a valid Social Security Number or TIN; and
- A custodian for minors under UGMA/UTMA with a valid Social Security Number or TIN.

Accounts opened by entities, organizations, trustees, and custodians are subject to additional restrictions. UGMA/ UTMA custodians are subject to certain limitations on their ability to make changes to their Accounts. The Plan sets forth these restrictions and limitations in the Participation Agreement. UGMA/ UTMA custodians and trust representatives should consult a tax advisor about the tax consequences of opening and holding an Account in the Plan, as well as legal counsel regarding their rights and responsibilities as custodians and trustees.

You have certain rights as an Account Owner. Your rights include the right to:

- select and change a Beneficiary;
- select and change the Investment Options in which contributions are invested;
- name a Contingent Account Owner (for an individual Account only);
- change the Account Owner; and
- request withdrawals.

Naming Your Beneficiary. To complete the Application, you generally must name a Beneficiary. Anyone with a valid Social Security Number or TIN who is a U.S. citizen or resident alien can be named a Beneficiary. Each Account may have only one designated Beneficiary and you may have only one Account for each Beneficiary. If you wish to make contributions for more than one Beneficiary, you must complete a separate Application and open a separate Account for each Beneficiary.

A Beneficiary need not be designated for a scholarship Account opened by a state or local government (or agency or instrumentality thereof) or an organization described in Section 501(c)(3) of the IRC, but each person who receives an interest in the Account as a scholarship will be treated as a Beneficiary for that portion of the Account awarded to him or her.

After you have completed your Application, you may change your Beneficiary by completing the applicable Account Form. A beneficiary change will be a nontaxable event and will not be subject to the Additional Tax only if the new Beneficiary is a Member of the Family of the previous Beneficiary. Otherwise, the earnings, if any, on your Account will be subject to federal taxation, including the Additional Tax. For changes of beneficiary, the Account for the new Beneficiary will be governed by the same Participation Agreement that applied to the previous Beneficiary. See "Tax Information" for information concerning income, gift, estate and generation-skipping tax consequences of changing the Beneficiary other than to a Member of the Family of the prior Beneficiary.

Choosing Investment Options. VSAC has established multiple Investment Options for the Plan. To complete your Application, you must select the Investment Option(s) to which your contributions will be allocated. You may select any one or a combination of the Investment Options, subject to certain minimum contribution limits per Investment Option. Future contributions to your Account are not limited to your initial Investment Option elections. See "Investment Options" for summaries of the Investment Options offered under the Plan.

After you have completed an Application, you may revise your Investment Option election(s) by: (1) adding new Investment Options; (2) stopping contributions to an Investment Option that you previously selected; or (3) increasing or decreasing future contributions to an Investment Option that you previously selected. You may also transfer funds in your Account, subject to certain limits, to another Investment Option. See "Transferring Funds" for more information.

If you choose to change your Investment Option selections, you must provide the Plan with appropriate instructions clearly identifying each change and the amount of your contributions to be allocated to each Investment Option. You must also notify the Plan in writing if you are using payroll deduction or the automatic contribution plan and you wish to change your allocation or stop your contributions to any Investment Option. Account Forms are available for these purposes.

Naming a Contingent Account Owner. By completing the appropriate section of the Application, an individual Account Owner may name a contingent Account Owner to become the owner of the Account in the event of that Account Owner's death (the "**Contingent Account Owner**"). If you did not designate a Contingent Account Owner when you established your Account, you may designate a Contingent Account

Owner by completing the applicable Account Form at a later time. You may also change your designation at any time by completing the applicable Account Form. Entity Account Owners and custodians may not designate a Contingent Account Owner.

Under State law, if you are a resident of Vermont at the time of your death, your designated Contingent Account Owner will become the Account Owner upon your death and the assets of the Account should not be considered assets of your estate or be subject to probate. Account Owners should seek legal counsel regarding the estate planning implications of naming a Contingent Account Owner. Prior to taking any action regarding the Account following your death, your Contingent Account Owner will be required to provide the Plan with the Account Owner's Social Security Number or TIN and a certified copy of the death certificate identifying the deceased Account Owner (or other documentation recognized under applicable law and acceptable to the Plan) and enter into a new Participation Agreement by signing an Application.

If you are not a resident of Vermont or if you do not wish to designate a Contingent Account Owner, you should consult with a legal advisor regarding whether your Account will be subject to probate procedures in the event of death.

Changing the Ownership of Your Account. You may change ownership of your Account to another individual or entity that is eligible to be an Account Owner by submitting the applicable Account Form. When you transfer ownership of your Account, you are not required to change the Beneficiary. Custodial Account Owners are subject to special limitations on their ability to transfer ownership of the Account. A change in Account ownership may have federal or state tax consequences, and Account Owners are urged to consult their own tax advisors prior to implementing any such change.

A transfer of the ownership of an Account will be effective only if the assignment: (1) is irrevocable; and (2) transfers all ownership, reversionary rights, powers of appointment and powers to direct the withdrawal of funds. Unless a medallion signature guarantee is affixed to the applicable Account Form, the transfer will result in a 30-day hold on withdrawals from the Account. See "Withdrawals" for more information.

Contributing to Your Account

Who Can Contribute. Anyone (including your friends and family) may make a contribution to your Account. However, any contribution to an Account may have gift or other tax consequences to the contributor or the Account Owner. Anyone making such a contribution, other than the Account Owner, will not retain any rights with respect to such contribution — for example, only the Account Owner may give directions regarding allocations to Investment Options and/or withdrawals from an Account.

Minimum Contributions. The minimum initial and subsequent contribution to an Account is \$25 per Investment Option. However, if your employer allows payroll deduction, the minimum initial and subsequent contributions to your Account may be as low as \$15 per Investment Option per pay period.

How You Can Contribute to Your Account. Your ability to contribute to your Account is limited to the following methods: (1) by check (excluding starter checks); (2) through an automatic contribution plan; (3) by payroll deduction (if your employer provides for it, agrees to submit payroll deductions via Automated Clearing House (ACH) and you complete a payroll deduction form); (4) by electronic funds transfer (including electronic purchase option); (5) through a Rollover. See "Transfer of Funds" below for more information about Rollovers.

Checks should be made payable to the Vermont Higher Education Investment Plan. Contributions by check must be drawn on a banking institution located in the United States in U.S. dollars. Personal checks (excluding starter checks), bank drafts, teller's checks, and checks issued by a financial institution or brokerage firm payable to the Account Owner or the Beneficiary and endorsed over to the Plan by the Account Owner are permitted, as are third-party personal checks up to \$10,000 that are endorsed over to

the Plan. Contribution payment methods other than those listed above are not permitted. You must provide written instructions to the Plan with respect to the allocation of your contribution among Investment Options whenever you make a new contribution.

The electronic purchase option enables you to make contributions over the Internet through a password-protected feature on the Plan website or by telephone either with a customer service representative or through the Plan's automated telephone system. In order to use the electronic purchase option, you must either select the electronic purchase option on your Application, add the electronic purchase option online at the Plan website or complete and submit the appropriate Account Form.

If your method of payment is payroll deduction, you can change the amount of your contributions, stop payroll deduction, or reallocate future contributions among Investment Options or multiple Accounts by following the instructions on the applicable Account Form. This will involve contacting your employer.

If your method of payment is the automatic contribution plan, you can completely stop your participation in the automatic contribution plan, or you can stop or change the timing and amount of your contributions to any Investment Option that you selected for your Account, by making these changes online at the Plan website, by completing and submitting the appropriate Account Form or by calling the Plan.

If your method of payment is by a Rollover, complete the appropriate section of the Application and/or the applicable Account Form.

Maximum Account Balance Limit. By law, you may not make additional contributions to your Account if, at the time of a proposed contribution, the aggregate account balance of the Account and all other Accounts in the Plan for the same Beneficiary reaches a certain market value (the "**Maximum Account Balance Limit**"). The Maximum Account Balance Limit is currently \$240,100. Account Owners will be informed of any changes. This limitation on account balances is intended to comply with the federal tax law requirement that the Plan have adequate safeguards to prevent contributions to an Account in excess of those necessary to provide for the Qualified Higher Education Expenses of the Beneficiary. The Maximum Account Balance Limit takes into consideration the total balance, including earnings, if any, of all Accounts in the Plan for the same Beneficiary.

The portion of a contribution for any Beneficiary that would cause the total balance of all Accounts held for that Beneficiary to exceed the Maximum Account Balance Limit will be rejected and returned. Accounts that have reached the Maximum Account Balance Limit may continue to accrue earnings.

Transferring Funds

You may make the following transfers related to your Account:

- Transfers, subject to certain limits, among Investment Options (see "Getting Started" above); and
- Rollovers.

Certain of these transfers may be subject to different federal and state tax consequences. See "Withdrawals" and "Vermont Tax Treatment" for additional information.

You may transfer all or any portion of the funds already invested in a particular Investment Option, subject to certain limits, to another Investment Option once per calendar year (twice during 2009) or upon a change of the Beneficiary of your Account to a Member of the Family of the Beneficiary.

A Rollover (“**Rollover**”) is a transfer of funds by any of the following methods:

Rollovers into the Plan

- a direct transfer from an account in another qualified tuition program for a beneficiary under that program to an Account for (1) that beneficiary (provided that you have not made a similar transfer to any qualified tuition program for the benefit of that beneficiary within the previous 12 months) or (2) a person who is a Member of the Family of that beneficiary or
- a withdrawal of funds from an account in another qualified tuition program for a beneficiary under that program, followed within 60 days of that withdrawal by a contribution of those funds to an Account for (1) that beneficiary (provided that you have not made a similar transfer to any qualified tuition program for the benefit of that beneficiary within the previous 12 months) or (2) a person who is a Member of the Family of that beneficiary;

Rollovers out of the Plan

- a direct transfer from your Account for a Beneficiary to an account in another qualified tuition program for (1) the same Beneficiary (provided that you have not made a similar transfer to any qualified tuition program for the benefit of that Beneficiary within the previous 12 months) or (2) a person who is a Member of the Family of that Beneficiary or
- a withdrawal of funds from your Account for a Beneficiary, followed within 60 days of that withdrawal by a contribution of those funds to an account in another qualified tuition program for (1) the same Beneficiary (provided that you have not made a similar transfer to any qualified tuition program for the benefit of that Beneficiary within the previous 12 months) or (2) a person who is a Member of the Family of that Beneficiary.

Intra-Plan Rollovers

- a direct transfer from your Account for a Beneficiary to an Account for a person who is a Member of the Family of that Beneficiary or
- a withdrawal of funds from your Account for a Beneficiary, followed within 60 days of that withdrawal by a contribution of those funds to an Account for a person who is a Member of the Family of that Beneficiary.

Subject to the foregoing limitations, you may transfer funds to either an Account that is owned by you or an Account that is owned by another Account Owner. A transfer of funds from your Account to an Account that is owned by another Account Owner may have federal or state tax consequences, and Account Owners are urged to consult their own tax advisors prior to implementing any such transfer. If a change of Beneficiary or transfer of funds causes the aggregate balance of all Accounts in the Plan for the same Beneficiary to exceed the Maximum Account Balance Limit, the excess amount will be rejected and returned.

If you are transferring funds from another qualified tuition program to an Account in the Plan, the plan from which you are transferring funds may restrict or prohibit such transfer or impose charges, so you should investigate this change thoroughly before requesting such a transfer.

Unit Value

Contributions to your Account purchase Units of the Investment Option(s) you select (other than the Principal Plus Interest Option). The Plan will process Account transaction requests (e.g., contributions, withdrawals, and transfers) at the Unit value of the applicable Investment Option determined on the day your Account transaction request and any required paperwork are received in good order if they are received before the close of regular trading (usually 4:00 p.m., Eastern time) on the New York Stock

Exchange (“NYSE”) and are accepted by the Plan. The Plan will process Account transaction requests received after the close of regular trading or on a day when the NYSE is not open for trading at the Unit value of the applicable Investment Option determined on the next day of regular trading on the NYSE. The Plan will not process Account transaction requests on holidays or other days when the NYSE is closed for any reason. The Plan also reserves the right to refrain from processing Account transaction requests during any time when trading is restricted by the Securities and Exchange Commission or under any emergency circumstances.

The value of a Unit in each Investment Option other than the Principal Plus Interest Option (for purposes of this discussion, each Age Band in the Managed Allocation Option is considered a separate Investment Option) is computed by dividing (a) an Investment Option’s assets less any liabilities (Plan Manager Fee) allocated to that Investment Option by (b) the number of outstanding Units of such Investment Option.

The value of the portion of your Account that is invested in the Principal Plus Interest Option is equal to (a) all of your contributions allocated to the Principal Plus Interest Option; plus (b) guaranteed interest credited to your Account accumulation in the Principal Plus Interest Option on a daily basis at an annual rate then in effect; plus (c) any additional interest credited to your Account in excess of the guaranteed interest as declared in advance by TIAA-CREF Life Insurance Company (“**TIAA-CREF Life**”); less (d) any state and local premium tax incurred by TIAA-CREF Life applicable to your contributions allocated to the Principal Plus Interest Option and any interest credited thereon; less (e) the amount of any withdrawals, rollovers and/or transfers of funds.

Use of Your Account

No Pledging of Account Assets. Neither you nor your Beneficiary may use any part of any Account or other interest in the Plan as security for a loan.

Bankruptcy and Related Matters. The Bankruptcy Abuse Prevention and Consumer Protection Act of 2005 expressly excludes certain funds from an individual debtor’s bankruptcy estate (which funds, therefore, will not be available for distribution to such individual’s creditors), if the funds are paid or contributed by such individual to an Account. The bankruptcy protection for these types of Accounts, however, is limited. To be protected, the Beneficiary of the Account must be a child, stepchild, grandchild, or step-grandchild of such individual during the year of such contribution and the funds must have been contributed at least 365 days prior to a bankruptcy filing. The bankruptcy protection also imposes a cap on the amount of funds that may be excluded from such individual’s bankruptcy estate. The maximum amount entitled to the bankruptcy exclusion is \$5,475 for payments or contributions made by such individual to the Account and all other Accounts in the Plan for the same Beneficiary during the period between 365 and 720 days prior to the bankruptcy filing. This information is not meant to be individual advice, and Account Owners should consult with their own advisors concerning their individual circumstances.

Fees and Expenses

The following table describes the Plan’s fees and expenses. Except for the fees listed below, there are currently no other fees, charges or penalties imposed by or payable by the Plan in connection with opening or maintaining your Account. VSAC reserves the right to change the current fees, or to impose new or additional fees, expenses, charges or penalties in the future.

For purposes of this section on Fees and Expenses, each of the Age Bands in the Managed Allocation Option is considered a separate Investment Option.

Fee Table

ANNUAL ASSET-BASED FEES				
Investment Option	Plan Manager Fee ⁽¹⁾⁽²⁾	Estimated Underlying Mutual Fund Expenses ⁽³⁾	VSAC- Fee ⁽⁴⁾	Total Annual Asset-Based Fees ⁽⁵⁾
Managed Allocation Option ⁽⁶⁾				
Age Band 1 (0-3 Years)	0.36%	0.17%	None	0.53%
Age Band 2 (4-7 Years)	0.32%	0.21%	None	0.53%
Age Band 3 (8-11 Years)	0.30%	0.23%	None	0.53%
Age Band 4 (12-14 Years)	0.28%	0.25%	None	0.53%
Age Band 5 (15-17 Years)	0.29%	0.24%	None	0.53%
Age Band 6 (18 and Over)	0.32%	0.21%	None	0.53%
Diversified Equity Option (effective November 30, 2009) ⁽⁷⁾	0.45%	0.44%	None	0.89%
Equity Index Option	0.45%	0.08%	None	0.53%
Balanced Option	0.45%	0.25%	None	0.70%
Fixed Income Option	0.45%	0.33%	None	0.78%
Principal Plus Interest Option (effective November 30, 2009) ⁽⁸⁾	None	None	None	None

- (1) The Plan Manager Fee is the only fee deducted from Plan assets. This fee may change at any time. Although no fees are deducted from your Account, when you invest in the Plan, you indirectly bear a pro rata portion of the Plan expenses because when fees are deducted from Plan assets, the value of the Plan Units is reduced.
- (2) Each Investment Option (with the exception of the Principal Plus Interest Option) pays TFI an annualized Plan Manager Fee equal to the stated percentage of the average daily net assets held by that Investment Option. However, for the Managed Allocation Option, the percentages listed in this column may fluctuate because generally, if the underlying Fund expenses increase, then the Plan Manager Fee decreases.
- (3) For each Investment Option (with the exception of the Principal Plus Interest Option), the figures in this column are based on a weighted average of the expenses of each underlying Fund's expense ratio as of February 1, 2009, in accordance with the Investment Option's asset allocation among its underlying

Funds. Each Investment Option (with the exception of the Principal Plus Interest Option) indirectly bears its pro rata portion of the underlying Funds' expenses because when fees are deducted from an underlying Fund's assets, the value of the underlying Fund's shares is reduced.

- (4) No fee is charged to any Account by VSAC or the Plan. See "Oversight of the Plan" for a description of the administrative fee paid by the Plan Manager to VSAC.
- (5) The Total Annual Asset-Based Fees ("**Total Fees**") equal the Estimated Underlying Fund Expenses plus the Plan Manager Fee. The portion of Total Fees attributable to the Plan Manager Fee is assessed on a daily basis over the course of the year against assets in each Investment Option (with the exception of the Principal Plus Interest Option). The portion of Total Fees attributable to Estimated Underlying Fund Expenses is indirectly borne by each Investment Option as discussed in footnote (3). You should refer to the Investment Cost Example for the total assumed investment cost over 1-, 3-, 5-, and 10-year periods.
- (6) When the total assets in the Plan become equal to or greater than \$150 million, the Total Fees for the Managed Allocation Option will be reduced by 0.03% (3 basis points). When total assets in the Plan become equal to or greater than \$225 million, the Total Fees for the Managed Allocation Option will be reduced by an additional 0.05% (5 basis points) for a total reduction of 0.08% (8 basis points).
- (7) Prior to November 30, 2009, the Total Fees for the Diversified Equity Option (called the 100% Equity Option until November 30, 2009) are 0.80%. Of this amount, 0.42% is the Plan Manager Fee and 0.38% is the Estimated Underlying Mutual Fund Expenses.
- (8) The Principal Plus Interest Option (called the Interest Income Option until November 30, 2009) does not pay a Plan Manager Fee. As of November 30, 2009, TFI will, however, receive from TIAA-CREF Life, the issuer of the Funding Agreement, an annual asset based fee to pay TFI for distribution, administration, and other services that TFI will provide for this Investment Option. TIAA-CREF Life may discontinue this fee at any time.

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 Account for the time periods shown below.
- Your investment has a 5% compounded return each year, except for the Principal Plus Interest Option, which is assumed to have a 3% compounded return each year.
- You withdraw the assets from your Account at the end of the specified periods for Qualified Higher Education Expenses.
- Total annual asset-based fees remain the same as shown in the Fee Table above.
- The example does not consider the impact of any potential state or federal taxes on the withdrawal.

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

INVESTMENT OPTIONS	APPROXIMATE COST OF \$10,000 INVESTMENT			
	1 Year	3 Years	5 Years	10 Years
Managed Allocation Option				
Age Band 1, (0-3 Years)	\$54	\$170	\$297	\$666
Age Band 2, (4-7 Years)	\$54	\$170	\$297	\$666
Age Band 3, (8-11 Years)	\$54	\$170	\$297	\$666
Age Band 4, (12-14 Years)	\$54	\$170	\$297	\$666
Age Band 5, (15-17 Years)	\$54	\$170	\$297	\$666
Age Band 6, (18 and Over)	\$54	\$170	\$297	\$666
Diversified Equity Option (effective November 30, 2009)	\$91	\$285	\$495	\$1100
Equity Index Option	\$54	\$170	\$297	\$666
Balanced Option	\$72	\$225	\$391	\$873
Fixed Income Option	\$80	\$250	\$435	\$969
Principal Plus Interest Option (effective November 30, 2009)	\$0	\$0	\$0	\$0

Investment Options

Choosing Your Investment Options and How the Investment Options Are Invested. Building a Section 529 account that is right for you takes planning. You need to consider your college savings goals, understand your Investment Options, and select options suitable to your investment needs. This section helps you to understand the types of Investment Options offered under the Plan, the risks involved in investing in such Investment Options, and the type of investor for whom each Investment Option may be appropriate.

The Investment Options are authorized by VSAC. VSAC may add or remove Investment Options or change the investment allocations of, or the investments held by, any Investment Option at any time. The Plan will have a commercially reasonable period to implement any such changes. The allocation tables accompanying the Investment Option descriptions below indicate how contributions will be allocated to the Mutual Funds underlying each Investment Option. Note that contributions received on or after the date of this Disclosure Booklet will be allocated in accordance with the asset allocation percentages in these allocation tables unless otherwise indicated.

You may allocate your contributions to any of the Investment Options, or you may choose to allocate your contributions to more than one Investment Option. Although Account Owners may choose among these Investment Options for contributions made to their Accounts, under federal law, neither Account Owners nor Beneficiaries may direct the investment of any Investment Option. **Please be aware that amounts in an Account may be transferred on a tax-free basis to another Investment Option only once per calendar year (twice during 2009) by the Account Owner or upon a change of the Beneficiary to a Member of the Family of the previous Beneficiary.** See "Getting Started" and "Transferring Funds" above for information about changing Investment Option elections.

With the exception of the Principal Plus Interest Option, each of the Investment Options described below is invested in one or more Mutual Funds. Summaries of the underlying investments, including the Mutual Funds and the risks associated with investments in the Mutual Funds, appear in Appendix I to this Disclosure Booklet. See Appendix I for additional information about the Mutual Funds. Please note that an investment in an Investment Option in the Plan is not an investment in the underlying Mutual Funds.

These investment approaches are not recommendations and do not take into consideration your personal goals or preferences. After evaluating information you consider important in making an investment choice, the ultimate investment decision is up to you. You may wish to consult with your tax or financial advisor for advice regarding your individual situation.

Managed Allocation Option (Risk level shifts from Aggressive to Conservative)

This Investment Option seeks to match up the investment objective and level of risk to the investment horizon by taking into account the Beneficiary’s current age and the number of years before the Beneficiary turns 18 and is expected to enter college. Depending on the Beneficiary’s age, allocations to this Investment Option will be placed in one of six Age Bands, each of which has a different investment objective and investment strategy. The Age Bands for younger Beneficiaries seek a favorable long-term return by investing primarily in Mutual Funds that invest in equity or real estate-related securities, each of which has a high level of risk, but greater potential for returns than more conservative investments. As a Beneficiary nears college age, the Age Bands allocate less to Mutual Funds that invest in equity and real estate-related securities and allocate more to Mutual Funds that invest in fixed-income and money market securities to preserve capital.

As the Beneficiary ages, assets in your Account that are attributable to this Investment 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).

Asset Allocations for the Managed Allocation Option

The following table provides the percentage of assets of each Age Band within the Managed Allocation Option allocated to each Mutual Fund.

Age Bands	Age of Beneficiary	Equity Index Fund	International Equity Index Fund	Real Estate Securities Fund	Bond Fund	Inflation-Linked Bond Fund	Money Market Fund
1	0-3	56.00%	16.00%	8.00%	15.00%	5.00%	0.00%
2	4-7	42.00%	12.00%	6.00%	30.00%	10.00%	0.00%
3	8-11	35.00%	10.00%	5.00%	37.50%	12.50%	0.00%
4	12-14	28.00%	8.00%	4.00%	45.00%	15.00%	0.00%
5	15-17	21.00%	6.00%	3.00%	41.25%	13.75%	15.00%
6	18 and over	10.50%	3.00%	1.50%	30.00%	10.00%	45.00%

Diversified Equity Option (Risk Level – Aggressive)

As of the date of this Disclosure Booklet, this Investment Option is called the “100% Equity Option”.

Effective November 30, 2009, the strategy of this Investment Option will change and this Investment Option’s name will change to the “Diversified Equity Option” to reflect the change in strategy. This Investment Option seeks to provide a favorable long-term total return, mainly through capital appreciation and investment income. This Investment Option attempts to achieve its objective by allocating assets to Mutual Funds that invest in equity securities of larger, well-established companies that offer a growing stream of dividend income, medium-sized and smaller companies, companies engaged in the real estate industry, and foreign companies. This Investment Option allocates 80% of its assets to Mutual Funds that are actively managed, over 50% of its assets to funds that use a growth investing style, and approximately 5% of its assets to a Mutual Fund that pursues the value investing style. This strategy differs from the strategy prior to November 2009. Under that strategy, this Investment Option splits its allocation between actively managed and index Mutual Funds. With respect to asset class categories, it allocated approximately two-thirds of its assets to Mutual Funds that invest in the large-cap asset class category, approximately one-third of its assets to Mutual Funds that pursue value investing, and approximately one-third to a Mutual Fund that uses the growth investing style.

*Asset Allocations for the Diversified Equity Option
(called the 100% Equity Option until November 30, 2009)*

The following table provides the percentage of assets of the Diversified Equity Option allocated to each Mutual Fund. Note that contributions received on or after November 30, 2009 will be allocated in accordance with these percentages.

<u>Growth & Income Fund</u>	<u>Mid-Cap Growth Fund</u>	<u>Mid-Cap Value Fund</u>	<u>Small-Cap Equity Fund</u>	<u>International Equity Index Fund</u>	<u>Real Estate Securities Fund</u>
54.60%	4.90%	4.90%	5.60%	20.00%	10.00%

Equity Index Option (Risk level — Aggressive)

This Investment Option seeks to provide a favorable long-term total return, mainly from capital appreciation, by investing in equity index funds. This Investment Option has a high exposure to domestic and foreign equities.

Asset Allocations for the Equity Index Option

The following table provides the percentage of assets of the Equity Index Option that will be allocated to each Mutual Fund.

<u>Equity Index Fund</u>	<u>International Equity Index Fund</u>
80.00%	20.00%

Balanced Option (Risk level — Moderate)

This Investment Option seeks to provide favorable returns that reflect the broad investment performance of the financial markets through capital appreciation and investment income by allocating assets to a balanced combination of equity and fixed income Mutual Funds (at this time, approximately 60% is invested in equity funds and 40% is invested in fixed-income funds).

Asset Allocation for the Balanced Option

The following table provides the percentage of assets of the Balanced Option allocated to each Mutual Fund.

<u>Mid-Cap Growth Fund</u>	<u>Mid-Cap Value Fund</u>	<u>Small-Cap Equity Fund</u>	<u>S&P 500 Index Fund</u>	<u>International Equity Index Fund</u>	<u>Real Estate Securities Fund</u>	<u>Bond Fund</u>	<u>Inflation-Linked Bond Fund</u>
2.94%	2.94%	3.36%	32.76%	12.00%	6.00%	30.00	10.00%

Fixed Income Option (Risk level — Moderate)

This Investment Option seeks to provide preservation of capital along with a moderate rate of return through a diversified mix of fixed-income investments.

Asset Allocations for the Fixed Income Option

The following table provides the percentage of assets of the Fixed Income Option allocated to each Mutual Fund.

<u>Bond Fund</u>	<u>Inflation-Linked Bond Fund</u>
75.00%	25.00%

Principal Plus Interest Option (Risk level — Conservative)

As of the date of this Disclosure Booklet, this Investment Option is called the “Interest Income Option”.

Effective November 30, 2009, the strategy of this Investment Option will change and this Investment Option’s name will change to the “Principal Plus Interest Option” to reflect the change in strategy. This Investment Option seeks to preserve capital and provide a stable return. This Investment Option seeks to achieve its objective by allocating its assets to a Funding Agreement issued by TIAA-CREF Life to VSAC, which is the policyholder under the agreement. The Funding Agreement provides for a return of principal plus a guaranteed rate of interest and allows for the possibility that additional interest may be credited as declared periodically by TIAA-CREF Life. The interest rate guarantee is made only to VSAC, and not to Account Owners or Beneficiaries. 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 term of the Funding Agreement is intended to coincide with the term of the Management Agreement. This strategy differs from the strategy prior to November 2009. Under that strategy, this Investment Option loaned its assets to VSAC under a variable rate promissory note with interest set quarterly at a rate equal to the average of the bond equivalent rates of the 91-day United States Treasury Bills auctioned during the preceding calendar quarter.

For more information on the Funding Agreement, please see the “Summary of the TIAA-CREF Life Insurance Company Funding Agreement” in Appendix I.

Past Performance

The tables below show the returns of each Investment Option over the time period(s) indicated, calculated from the day on which funds were first invested in each Age Band or Investment Option after it was made available (the “**Inception Date**”). (For purposes of this discussion of past performance, each Age Band in the Managed Allocation Option is considered a separate Investment Option.) The tables compare the returns of each Investment Option (other than the Principal Plus Interest Option) to the returns of a customized index benchmark (“**Blended Index**”). A Blended Index combines the benchmarks for each of the underlying Mutual Funds held by an Investment Option during the relevant time period 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.

The performance data shown below for each Blended Index does not reflect deductions of any fees or expenses. The performance data shown below for each Investment Option, however, is quoted net of all fees and expenses. All figures in the tables represent the average annual compound rate of return.

No performance data is included for the Equity Index Option, the Balanced Option or the Fixed Income Option because these Investment Options are new and have no operating histories. No performance data is included for the Principal Plus Interest Option because of the change in managers for this option (VSAC to TFI), effective November 30, 2009.

Total returns and the principal value of investments in your Account will fluctuate based on the investment performance of the Mutual Funds in which the Investment Options (other than the Principal Plus Interest Option, which does not invest in mutual funds) have been invested, so your investment may be worth more or less than its original value when you withdraw your money. Past performance is not necessarily indicative of future results. Performance may be substantially affected over time by changes in the allocations and in the underlying investments.

For the most current performance information, which is updated monthly, visit the Plan’s website at www.vheip.org or call the Plan toll-free at 1-800-637-5860.

Managed Allocation Option

Average Annual Total Returns For the Period Ended July 31, 2009

Age Band	Age of Beneficiary	1 Year	3 Year	5 Year	Since Inception	Inception Date
1	0-3	-17.10%	-4.53%	N/A	-2.76%	December 14, 2005
	Blended Index	-16.97%	-4.13%	N/A	-2.35%	
2	4-7	-10.69%	-1.78%	N/A	-0.67%	December 14, 2005
	Blended Index	-11.25%	-1.37%	N/A	-0.23%	
3	8-11	-8.27%	-0.40%	N/A	0.36%	December 14, 2005
	Blended Index	-8.38%	0.17%	N/A	0.94%	
4	12-14	-4.39%	1.83%	N/A	2.04%	December 14, 2005
	Blended Index	-5.53%	2.00%	N/A	2.33%	
5	15-17	-3.82%	2.11%	N/A	2.28%	December 14, 2005
	Blended Index	-3.31%	2.76%	N/A	2.92%	
6	18 and over	-1.04%	2.96%	N/A	2.99%	December 14, 2005
	Blended Index	-0.48%	3.45%	N/A	3.46%	

Additional Investment Options

Average Annual Total Returns For the Period Ended July 31, 2009

Option	1 Year	3 Year	5 Year	Since Inception	Inception Date
Diversified Equity Option (called the 100% Equity Option until November 30, 2009 ⁽¹⁾)	-21.85%	-6.63%	0.33%	1.20%	September 27, 2001
Blended Index	-22.63%	-6.97%	0.23%	2.12%	

⁽¹⁾ Effective November 30, 2009, the strategy of this Investment Option will change and this Investment Option's name will change to the "Diversified Equity Option" to reflect the change in strategy. Effective November 30, 2009, this Investment Option allocates 80% of its assets to Mutual Funds that are actively managed, over 50% of its assets to funds that use a growth investing style, and approximately 5% of its assets are allocated to a Mutual Fund that pursues the value investing style. This strategy differs from the strategy prior to November 2009. Under that strategy, this Investment Option split its allocation between actively managed and index Mutual Funds. With respect to asset class categories, this Investment Option allocated approximately two-thirds of its assets to Mutual Funds that invest in the large-cap asset class category, approximately one-third of its assets were allocated to Mutual Funds that

pursued value investing, and approximately one-third were allocated to a Mutual Fund that uses the growth investing style.

Risks of Investing in the Plan

Prospective Account Owners should carefully consider, along with other matters referred to in this Disclosure Booklet, the following risks of investing in the Plan.

Investment Risks. With any Investment Option, there is a possibility that the investment returns over the applicable investment period will be less than the rate of increase in the costs of higher education during that period. There is a risk that you could lose part or all of the value of your Account.

No Guarantee of Attendance or Expense. There is no guarantee that a Beneficiary will be accepted for admission to any institution of higher education, including an Eligible Educational Institution, or if admitted, will graduate or receive a degree, or otherwise be permitted to continue to attend an Eligible Educational Institution. Increases in Qualified Higher Education Expenses could exceed the rate of return under the Plan over the same time period. Even if the value of all Accounts held for a Beneficiary reaches or exceeds the Maximum Account Balance Limit, those funds may not be sufficient to pay all Qualified Higher Education Expenses of the Beneficiary.

Changes in Law. The Plan is established pursuant to the Statute, applicable State law, applicable securities laws and Section 529 of the IRC. Changes to the Statute or such State and securities laws may affect the continued operation of the Plan as contemplated in this Disclosure Booklet. Congress could also amend Section 529 of the IRC or other federal laws in a manner that would materially change or eliminate the federal tax treatment described in this Disclosure Booklet. The State could also make changes to Vermont tax law that could materially affect the state tax treatment of the Plan or make changes to the Statute that could terminate or otherwise adversely affect the Plan. Changes in the law governing the federal and/or Vermont tax consequences described in this Disclosure Booklet might necessitate material changes to the Plan. Certain proposed federal tax regulations that have been issued under Section 529 of the IRC provide guidance, but only for the establishment and operation of certain aspects of the Plan. Final regulations or other administrative guidance or court decisions might be issued that could adversely impact the federal tax consequences or requirements with respect to the Plan or contributions to, or withdrawals from, Accounts.

Risks Related to Illiquidity. Investment in the Plan involves the risk of limited liquidity because the circumstances under which funds may be withdrawn from your Account without incurring adverse tax consequences are limited. Additionally, in certain circumstances, your ability to withdraw funds may be restricted for up to 30 days. See “Withdrawals” and “Tax Information” below and “Getting Started” above for further information about these restrictions. Contributions must be on deposit for at least 10 days before being withdrawn. In addition, no part of an Account may be assigned, transferred or pledged as security for a loan or otherwise, except for transfers described above under “Transferring Funds.”

Limitations on Investment Selection. You may transfer funds among Investment Options only once per calendar year (twice during 2009), and at any time upon a change in the Beneficiary of the Account to a Member of the Family of the Beneficiary being replaced. You may not direct the investment of any Investment Option or of any underlying Mutual Fund.

Not a Direct Investment in Mutual Funds or Registered Securities. Although contributions to your Account will be invested (with the exception of contributions to the Principal Plus Interest Option) in Investment Options that invest in Mutual Funds, none of the Plan’s Investment Options is a mutual fund. An investment in the Plan is considered an investment in “municipal fund securities” that are issued and offered by the Plan. These securities are not registered with the U.S. Securities and Exchange Commission (the “SEC”) or any state, nor are the Plan, or any of the Plan’s Investment Options registered as investment companies with the SEC or any state.

Potential Change of the Plan Manager and Other Plan Changes. VSAC may change the Plan Manager in the future or add plan 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 Plan. If TFI ceases to be the Plan Manager, you may have to open a new Account in the Plan with the successor plan manager in order to make future contributions on behalf of your Beneficiary. If such were to occur, your assets in the Plan would be transferred to the new Account with the successor plan manager. However, if such were to occur, there is no guarantee that you would be permitted to choose an allocation for the transferred assets from among the investment options offered by the successor plan manager. There is also no guarantee that the investment options offered by the successor plan manager would correspond exactly with those described in this Disclosure Booklet and offered through TFI under the Plan.

VSAC may at any time modify the Plan to provide additional or different Investment Options or make other changes to the Plan, including the termination of Investment Options. The State may terminate the Plan by giving written notice to the Account Owner, but the assets in the Account may not thereby be diverted from the exclusive benefit of the Account Owner and the Beneficiary.

Potential Impact on Financial Aid and Medicaid Eligibility. 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 and/or the Beneficiary's family applies for financial assistance. Because saving for college will increase the financial resources available to the Beneficiary, it may have some effect on the Beneficiary's eligibility. However, because these policies vary at different institutions and can change over time, VSAC cannot say with certainty how the federal financial aid program, or the school your Beneficiary applies to, will treat your Account. Under Vermont law, amounts available for the payment of postsecondary education costs pursuant to the Plan generally are considered family assets of the Beneficiary in determining need and eligibility for student aid as determined by applicable law.

The eligibility of an Account Owner for Medicaid assistance could be impacted by the Account Owner's ownership of an Account in the Plan. Although the result is not clear and may vary from state to state, it is possible that the assets in an Account Owner's Account may be considered available assets of the Account Owner for determining Medicaid assistance eligibility. Medicaid laws and regulations may change and Account Owners should consult their own financial and/or tax advisors for advice on their own particular situation.

Suitability; Investment Alternatives. VSAC and the Plan Manager, except as required by law, make no representations regarding the appropriateness of the Investment Options as an investment. Other types of investments may be more appropriate depending upon an individual's residence, financial status, tax situation, risk tolerance or age. Various qualified tuition programs other than the Plan, including programs designed to provide prepaid tuition, are currently available, as are other investment alternatives. The investments, fees, expenses, eligibility requirements, tax and other consequences and features of these alternatives may differ from those of the Plan. Before investing in the Plan, you may wish to consider these alternatives and should consult a tax or investment advisor.

No Insurance or Guarantee. Neither investments in the Plan nor earnings, if any, from investments in the Plan are insured or guaranteed (except to the extent of the guarantee by TIAA-CREF Life to VSAC under the Funding Agreement for the Principal Plus Interest Option) by Vermont, any State agency or instrumentality, the Plan, VSAC, the Board, the Federal Deposit Insurance Corporation, any federal government agency, the Plan Manager or its affiliates.

Withdrawals

Only you, as the Account Owner, may direct withdrawals from your Account. To request a withdrawal, you must complete the appropriate Account Form. The Unit value used to calculate the value of a withdrawal from your Account will be the one next computed after a completed withdrawal request is received in good order by the Plan. See "Unit Value" above for more information. If your Account is

invested in more than one Investment Option, you may select the Investment Option from which your funds are to be withdrawn to the extent permitted by Section 529 of the IRC. You will not be able to withdraw a contribution until 10 days after receipt of that contribution by the Plan. If you make a change to your mailing address or transfer the Account to a new Account Owner and fail to provide a medallion signature guarantee on the request form, no withdrawals can be made from the Account for 30 days after the Plan has received the request form. You may get a medallion signature guarantee from a bank or trust company, savings bank, savings and loan association or member of a national stock exchange. A notary public cannot provide a medallion signature guarantee.

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

- (1) a Qualified Withdrawal;
- (2) a Taxable Withdrawal;
- (3) a Rollover; or
- (4) a Non-Qualified Withdrawal.

Qualified Withdrawals. A Qualified Withdrawal is a withdrawal from your Account that is used to pay for any Qualified Higher Education Expenses of the Beneficiary at an Eligible Educational Institution. By law, such expenses are defined 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 attendant 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 which 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 student 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 the 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. The definition of Qualified Higher Education Expenses has been expanded by federal statute to cover amounts paid in 2009 and 2010 for the purchase of computer equipment or software (other than software designed for sports, games or hobbies, unless such software is primarily educational in nature) or for Internet access and related services. The purchased equipment, software or services must be used by the Beneficiary (including the Beneficiary's family) during any of the years that the Beneficiary is enrolled at an Eligible Educational Institution.

No portion of a Qualified Withdrawal is subject to federal taxation or the Additional Tax.

Taxable Withdrawals. A Taxable Withdrawal is any withdrawal from your Account that is not a Qualified Withdrawal, but that is: (1) paid to a beneficiary of, or the estate of, the Beneficiary on or after the Beneficiary's death or attributable to the permanent disability of the Beneficiary; (2) made on account of the receipt by the Beneficiary of a scholarship award or veterans' or other nontaxable educational assistance (other than gifts or inheritances), but only to the extent of such scholarship or assistance; (3) made on account of the Beneficiary's attendance at a Military Academy, but only to the extent of the costs of education attributable to such attendance; or (4) equal to the amount of the Beneficiary's relevant Qualified Higher Education Expenses taken into account in determining the Beneficiary's Hope Scholarship Credit or Lifetime Learning Credit.

The earnings portion of a Taxable Withdrawal is subject to federal taxation, but no portion of a Taxable Withdrawal is subject to the Additional Tax.

Rollovers. A Rollover from an Account includes:

Rollovers out of the Plan

- a direct transfer from your Account for a Beneficiary to an account in another qualified tuition program for (1) the same Beneficiary (provided that you have not made a similar transfer to any qualified tuition program for the benefit of that Beneficiary within the previous 12 months) or (2) a person who is a Member of the Family of that Beneficiary or
- a withdrawal of funds from your Account for a Beneficiary, followed within 60 days of that withdrawal by a contribution of those funds to an account in another qualified tuition program for (1) the same Beneficiary (provided that you have not made a similar transfer to any qualified tuition program for the benefit of that Beneficiary within the previous 12 months) or (2) a person who is a Member of the Family of that Beneficiary.

Intra-Plan Rollovers

- a withdrawal of funds from your Account for a Beneficiary, followed within 60 days of that withdrawal by a contribution of those funds to an Account for a person who is a Member of the Family of that Beneficiary.

No portion of a Rollover from an Account is subject to federal taxation (including 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) a Rollover. The earnings portion of a Non-Qualified Withdrawal is subject to federal income taxation, and the Additional Tax.

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

Oversight of the Plan

VSAC is a non-profit public corporation, created in 1965 and existing under and by virtue of Chapter 87 of Title 16 of the Statute. VSAC is governed, and all of its powers are exercised, by an eleven-member Board, which is comprised of the following persons: five appointed by the State governor, one State senator, one State representative, the State treasurer and three members elected by the Board.

The Statute that creates the Plan and designates VSAC as an instrumentality of the State, provides, among other things, that VSAC will administer the Plan and in doing so will have the power and authority to: (1) invest the funds received from Account Owners in appropriate investment vehicles; enter into Participation Agreements with Account Owners; and make provision for the payment of costs of administration and operation of the Plan subject to certain limitations.

Pursuant to the powers established by the Statute, VSAC has engaged TFI to serve as the Plan Manager under the Management Agreement. See "The Plan Manager," below, for additional information about the Plan Manager and the Management Agreement.

The Plan Manager pays VSAC an administrative fee each contract year of \$50,000 as reimbursement for expenses related to the administration of the Plan.

Peoples United Bank. Peoples United Bank, successor by merger to Chittenden Trust Company, Burlington, Vermont, has been appointed to serve as Trustee of the Trust. The Trust Resolution governs the term of the Trust and describes the Plan, the Investment Options and the respective obligations of

VSAC, the Plan Manager and the Trustee. In accordance with the Trust resolution, separate subaccounts within the Trust have been established for each Investment Option. The Trust assets will be maintained separately from other assets of VSAC.

The Plan Manager

The Plan Manager is TFI, 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. Over three million participants are now accumulating future pension benefits with the TIAA-CREF group of companies. While the focus of the TIAA-CREF group of companies has traditionally been institutionally sponsored retirement plans, the organization has offered savings and insurance products to individuals since 1918.

Management Agreement. TFI has entered into a Management Agreement dated as of September 30, 2009 with VSAC under which TFI, or its affiliates and subcontractors acting on behalf of TFI, is responsible for providing investment management, administration, recordkeeping, reporting, marketing and other services for the Plan.

TFI’s Term as Plan Manager. TFI’s current contract to serve as Plan Manager is for a five-year term expiring September 30, 2014. This term may be extended for an additional two years at the discretion of VSAC. The Management Agreement is subject to the possibility of earlier termination at the discretion of VSAC or TFI under specified circumstances, such as a material breach to the Management Agreement.

Reporting

Account Statements. You will receive quarterly and annual statements indicating:

- Contributions to each Investment Option, if any, made to your Account during the period and aggregate contributions, if any, year-to-date.
- Withdrawals from each selected Investment Option from your Account made during the period.
- The total value of your Account at the end of the period.

Tax Reports. The Plan will report withdrawals and other matters to the IRS, the State, distributees and other persons, if any, to the extent required pursuant to federal, state, or local law, regulation or ruling. Under federal law, a separate report will be filed by the Plan with the IRS reporting withdrawals from an Account to each distributee reflecting, among other information, the earnings portion withdrawn during the calendar year to which the report pertains. By January 31 of the following year, each distributee (which is deemed to be the Account Owner unless the withdrawal is paid directly to the Beneficiary or to an Eligible Educational Institution on behalf of the Beneficiary) will receive a copy of the report or a corresponding statement.

Continuing Disclosure. To promote compliance with Rule 15c2-12(b)(5) under the Securities Exchange Act of 1934, as amended, the Plan Manager, on behalf of the Plan, executed a Continuing Disclosure Certificate for the benefit of Account Owners. Under the Continuing Disclosure Certificate, the Plan will provide certain financial information and operating data (“**Annual Information**”) relating to the Plan and notices of the occurrence of certain events enumerated in the Continuing Disclosure Certificate. The Annual Information and notices of certain enumerated events will be filed by the Plan with the Municipal Securities Rulemaking Board.

Financial Statements. Each year, annual financial statements will be prepared for the Plan. A nationally recognized independent certified public accounting firm will annually audit the financial statements in

accordance with generally accepted accounting principles. The complete audited financial statements and the Annual Information provided to regulatory authorities as described above under “Continuing Disclosure” are available to Account Owners on request by calling the Plan toll-free at 1-800-637-5860 or writing to the Plan at P.O. Box 8101, Boston, Massachusetts 02266-8101.

Tax Information

The federal and Vermont tax rules applicable to the Plan are complex, and some of the rules have not yet been finalized. Their application to any particular person may vary according to facts and circumstances specific to that person. You should consult a qualified tax advisor about how the laws apply to your circumstances.

Federal Income Tax Treatment

IRS Notice

On January 17, 2008, the IRS issued an Advance Notice of Proposed Rulemaking (the “**Notice**”), which details issues on which the IRS intends to issue new regulations under IRC Section 529 (the “**New Regulations**”). As described in the Notice, a principal component of the New Regulations will be an anti-abuse rule intended to deny the favorable federal tax treatment provided by Section 529 to the extent that transactions involving an Account are inconsistent with the education-savings purpose of Section 529 (for example, use of an Account to avoid gift or generation-skipping transfer taxes, as a retirement plan, or for other purposes inconsistent with the intent of Section 529). Although the Notice provides that the New Regulations generally will be prospective in effect, the Notice also states that the anti-abuse rule may be applied retroactively. The following discussion relates to current law and does not further discuss the Notice or the New Regulations.

Contributions

Contributions to an Account 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. If a contribution is made to an Account by a Rollover, the entire contribution will be treated as consisting of earnings unless certain documentation is received by the Plan with respect to the originating Account or qualified tuition program. That documentation generally will be automatically provided to the Plan if the Rollover involves a direct transfer of funds from the originating Account or qualified tuition program.

Withdrawals

The federal income tax treatment of withdrawals from an Account is described in “Withdrawals” above. Only the earnings portion of a withdrawal is ever subject to income tax or the Additional Tax. All withdrawals are treated as attributable partially to contributions made to the Account and partially to earnings, if any. The proportion of contributions and earnings for each withdrawal is determined by the Plan based on the relative portions of total earnings and contributions as of the withdrawal date for all Investment Options of all Accounts with the same Beneficiary and same Account Owner.

Refunds of Payments of Qualified Higher Education Expenses

If an Eligible Educational Institution refunds to you any portion of an amount previously withdrawn from an Account and treated as a Qualified Withdrawal, you may be required to treat the refund as a Non-Qualified Withdrawal or Taxable Withdrawal (depending on the reason for the refund) for purposes of federal income tax, unless you allocate the amount to other Qualified Higher Education Expenses of the Beneficiary or use the refund to make a qualifying Rollover.

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 Education Savings Accounts (“**Coverdell ESAs**”), Hope Scholarship Credits, Lifetime Learning Credits, and “qualified United States savings bonds” described in IRC Section 135 (“**qualified U.S. savings bonds**”). Each of these incentives is subject to specific rules and limitations, and there are particular coordination provisions applicable to the interaction of these provisions and Section 529. The treatment of these incentives under Vermont income tax law may differ from the treatment under federal income tax law.

In general, if certain requirements are satisfied, amounts derived from Coverdell ESAs and qualified U.S. savings bonds may be used to make contributions to an Account without the imposition of federal income taxes under the provisions applicable to those Coverdell ESAs and bonds. However, some or all of the deferred income taxes may be recognized at the time of a subsequent withdrawal from an Account, depending on whether that withdrawal is a Qualified Withdrawal, a Taxable Withdrawal or a Non-Qualified Withdrawal. An Account Owner who intends to make a contribution to an Account from a Coverdell ESA or a qualified U.S. savings bond should consult a qualified tax advisor with respect to the applicable federal and state income tax effects.

Qualified Higher Education Expenses of a Beneficiary may be paid on a tax-free basis (subject to certain limitations) with funds from an Account, a Coverdell ESA established for the benefit of the Beneficiary, or a qualified U.S. savings bond applicable to the Beneficiary. For purposes of determining what portion of a withdrawal from an Account constitutes a Qualified Withdrawal and is therefore exempt from federal income taxes, the following rules generally apply with regard to the interaction of the federal income tax education-incentive provisions under the IRC:

- The amount of a Beneficiary’s Qualified Higher Education Expenses in any tax year will be reduced by the aggregate amount: (1) of the Beneficiary’s expenses used for such tax year to qualify for the Hope Scholarship Credit and/or Lifetime Learning Credit; and (2) received by the Beneficiary as a result of certain qualified scholarships, allowances or payments (not including amounts derived from the redemption of qualified U.S. savings bonds).
- If the sum of withdrawals from the Plan, all other qualified tuition programs and all Coverdell ESAs for the benefit of the Beneficiary, in any tax year exceed the Beneficiary’s Qualified Higher Education Expenses for the year (after the reduction described above), then the Beneficiary’s Qualified Higher Education Expenses generally must be allocated proportionately among the withdrawals to determine the amount of withdrawals that will be treated as used for Qualified Higher Education Expenses. Any amount of withdrawals from an Account in excess of the Qualified Higher Education Expenses allocated to those withdrawals will not be treated as used for the payment of such expenses and therefore will be treated as either a Taxable Withdrawal or a Non-Qualified Withdrawal, depending on all the facts. Account Owners should consult a qualified tax advisor regarding the interaction under the IRC of the federal income tax education-incentive provisions concerning Account withdrawals.

Substantiation

The Account Owner and/or the Beneficiary have the responsibility under federal and State income tax law to substantiate their treatment of contributions to, withdrawals from, and other transactions involving an Account. They should retain receipts, invoices and other documents and information adequate to

substantiate their treatment of such transactions and the treatment of education expenses as Qualified Higher Education Expenses.

Federal Gift, Estate and Generation-Skipping Transfer Tax Treatment

Contributions to the Plan are generally considered completed gifts for federal tax purposes and therefore are potentially subject to federal gift tax. Generally, if a contributor's contributions to an Account or Accounts for a Beneficiary, together with all other gifts by the contributor to the Beneficiary, are less than the current annual exclusion of \$13,000 per year (\$26,000 for married contributors), 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 or Accounts for a Beneficiary in a single year exceed \$13,000 (\$26,000 for married contributors), the contributor may elect to treat up to \$65,000 of the contribution (\$130,000 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 have 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 \$1,000,000 lifetime exemption that will be applied to gifts in excess of the annual exclusion amounts referred to above. A married couple may elect to split gifts and apply their combined exemption of \$2,000,000 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 45% and is set to be reduced to 35% in 2010. A potential contributor should consult with his or her own tax advisor regarding the current lifetime exemptions and the gift tax filing requirements.

Amounts in an Account that are considered completed gifts by the contributor generally will not be included in the contributor's gross estate for federal estate tax purposes. However, if the contributor elects to treat the gifts as having been made over a five-year period and dies before the end of the five-year period, the portion of the contribution allocable to the remaining years in the five-year period (not including the year in which the contributor died) would be includible in computing the contributor's gross estate for federal estate tax purposes. Amounts in an Account at the death of a Beneficiary will be included in the Beneficiary's gross estate for federal estate tax purposes to the extent such amounts are distributed to a beneficiary of, or the estate of, the Beneficiary. The top estate tax rate is currently 45%.

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 discussed below. Under the existing Section 529 proposed regulations, these taxes are imposed on the prior Beneficiary and not the Account Owner, but treatment of such transactions under the current provisions of Section 529 is unclear. Account Owners should consult their own tax advisors for guidance when considering a change of Beneficiary or a transfer of funds to another Account. Furthermore, prior to a transfer of ownership of an Account from an existing Account Owner to a new Account Owner, the transferor and transferee Account Owners should consult their tax advisors regarding the potential applicability of income tax, gift tax or generation-skipping transfer tax provisions of the IRC to such transfer.

Because contributions to an Account are treated as completed gifts for federal transfer tax purposes, a contributor may also need to be concerned about the generation-skipping transfer tax. This tax may apply to contributions in excess of the amount that may be elected to be ratably spread over the above-referenced five-year period where the Beneficiary is in a generation more than one generation younger

than the generation of the contributor. Each taxpayer has a \$3,500,000 generation-skipping transfer tax exemption that will be allocated to transfers that are subject to the generation-skipping transfer tax unless certain elections are made. The generation-skipping transfer tax is imposed at a 45% flat rate. The application of the generation-skipping transfer tax is very complex, and a potential contributor concerned about application of the tax should consult with his or her own tax advisor.

The Economic Growth and Tax Relief Reconciliation Act of 2001 (“EGTRRA”) provided that the estate tax and the generation-skipping transfer tax (but not the gift tax) are scheduled to be repealed in 2010. The pre-EGTRRA estate and generation-skipping transfer tax rules will be reinstated in 2011 unless further legislation is enacted to extend the repeal or to make additional modifications. A potential contributor should consult with a tax advisor regarding applicable federal tax law.

Vermont Tax Treatment

The following discussion applies only with respect to Vermont taxes. Vermont state tax benefits offered in connection with the Plan are available only to Vermont taxpayers. You should consult with a qualified tax advisor regarding the application of Vermont state tax benefits to your particular circumstances.

If you or the Beneficiary of your Account reside in another state or have taxable income in another state, it is important for you to note that if that state has established a qualified tuition program under Section 529, that state’s plan may offer favorable state income tax benefits or other benefits that are only available if you invest in that state’s plan, and that are not available to you or the Beneficiary if you invest in this Plan. Those benefits, if any, should be one of the many appropriately weighted factors you consider before making a decision to invest in this Plan. You should consult with a qualified advisor or contact that state’s qualified tuition program to find out more about such benefits (including any applicable limitations) and to learn how the features, benefits and limitations of that state’s plan may apply to your specific circumstances.

Contributions

Contributions to an Account by an Account Owner do not result in Vermont taxable income to the Beneficiary. A state taxpayer (or, in the case of a married couple filing jointly, each spouse) is eligible for a non-refundable tax credit of 10% of the first \$2500 per Beneficiary contributed to an Account in each taxable year beginning on and after January 1, 2007 (*i.e.*, a nonrefundable tax credit of up to \$250 per Beneficiary per year). Spouses must contribute separately to the Plan during the taxable year in order for each spouse to be entitled to a tax credit. Pursuant to the Vermont Department of Taxation Technical Bulletin TB-33 issued November 28, 2006, only an Account Owner is eligible to claim the credit for contributions to an Account. Contributions to an Account by someone other than the Account Owner are not eligible for this credit.

Pursuant to the same Vermont Bulletin discussed above, rollovers from another state’s qualified tuition plan into an Account in the Plan are eligible for this tax credit to the extent the amounts were previously contributed to the other plan and provided they remain in the Plan for the remainder of the taxable year in which the rollover occurs. The amount of any rollover representing interest earned from contributions to another state’s qualified tuition plan is not eligible for this credit. Furthermore, a taxpayer may not claim a credit in a later year with respect to the same contribution that was made in a previous year.

Withdrawals

Earnings from the investment of contributions to an Account generally will not be subject to Vermont income tax until funds are withdrawn in whole or in part from the Account. Vermont income tax treatment of withdrawals is described below.

- Qualified Withdrawals

The earnings portion of a Qualified Withdrawal will not be subject to Vermont income tax.

- Taxable Withdrawals

The earnings portion of a Taxable Withdrawal will be taxed to the recipient.

- Non-Qualified Withdrawals

The earnings portion of a Non-Qualified Withdrawal will be taxed to the recipient.

Tax Credit Repayment

Where a distribution constitutes a Non-Qualified Withdrawal or a Taxable Withdrawal, a taxpayer who previously received a tax credit for a contribution to an Account must repay ten percent (10%) of the distribution, up to a maximum of the total credits received by the taxpayer, less the amount of any repayment of the credits in prior tax years.

Exemption of Assets

The assets owned by the Plan and any income derived from those assets are exempt from income taxation by Vermont or any of its political subdivisions.

Taxes Imposed by Other Jurisdictions

Prospective Account Owners should consider the potential impact of income taxes imposed by jurisdictions other than Vermont. It is possible that other state or local taxes apply to withdrawals from and/or accumulated earnings within the Plan. Account Owners and Beneficiaries should consult their tax advisors about the applicability, if at all, of state or local taxes of other jurisdictions.

APPENDIX I

to the Disclosure Booklet for the Vermont Higher Education Investment Plan

Summaries of the Underlying Investments

The following provides a summary of the Mutual Funds (each, a “Fund”) in which certain of the Investment Options invest. The Mutual Funds are managed by Teachers Advisors, Inc., an affiliate of the Plan Manager. If you would like more information on the Mutual Funds, then please consult the Mutual Funds’ prospectus. For copies of the prospectus, please contact the Plan Manager or visit www.tiaa-cref.org/prospectuses/index.html.

Summary of Mutual Fund Investment Objectives and Strategies

	<u>Fund Name</u>	<u>Investment Objective</u>	<u>Principal Investment Strategies</u>
Active Equity Funds	Growth & Income Fund	The Fund seeks a favorable long-term total return through both capital appreciation and investment income, primarily from income producing equity securities.	Under normal circumstances, the Fund invests at least 80% of its assets in income-producing equity securities. The Fund focuses on equity securities of larger, well-established, mature growth companies that the adviser believes to be attractively valued, show the potential to appreciate faster than the rest of the market and offer a growing stream of dividend income. The Fund also may invest up to 20% of its total assets in foreign investments when the Fund’s adviser believes these companies offer more attractive investment opportunities.
	Mid-Cap Growth Fund	The Fund seeks a favorable long-term total return, mainly through capital appreciation, primarily from equity securities of medium-sized domestic companies.	Under normal circumstances, the Fund invests at least 80% of its assets in mid-cap equity securities. The Fund will invest primarily in equity securities of medium-sized domestic companies that the Fund’s adviser believes presents the opportunity for growth. The Fund’s adviser looks for equity securities of companies that it believes has prospects for strong earnings or sales growth. The Fund invests in equity securities of companies that are in new areas of the economy, that have distinctive products or services and that are growing faster than the overall equity market. The Fund may also invest in companies that the Fund’s advisor believes to be undervalued based on current earnings, assets or growth prospects. These investments could include companies likely to benefit from prospective acquisitions, reorganizations, corporate restructurings or other special situations.
	Mid-Cap Value Fund	The Fund seeks a favorable long-term total return, mainly through capital appreciation, primarily from equity securities of medium-sized domestic companies.	Under normal circumstances, the Fund invests at least 80% of its assets in mid-cap equity securities. The Fund will invest primarily in equity securities of medium-sized domestic companies that the Fund’s adviser believes appear undervalued by the market based on an evaluation of their potential worth. The Fund may invest up to 20% of its assets in foreign investments.
	Small-Cap Equity Fund	The Fund seeks a favorable long-term total return, mainly through capital appreciation, primarily from equity securities of smaller domestic companies.	Under normal circumstances, the Fund invests at least 80% of its assets in small-cap equity securities. The Fund will invest primarily in equity securities of smaller domestic companies across a wide range of sectors, growth rates and valuations that appear to have favorable prospects for significant long-term capital appreciation. The Fund’s strategy is based upon the Fund adviser’s understanding of the interplay of market factors and does not assure successful investment. The markets or the prices of individual securities may be affected by factors not taken into account in the Fund adviser’s analysis.

	<u>Fund Name</u>	<u>Investment Objective</u>	<u>Principal Investment Strategies</u>
Equity Index Funds	Equity Index Fund	The Fund seeks a favorable long-term total return, mainly from capital appreciation, by investing primarily in a portfolio of equity securities selected to track the overall U.S. equity markets based on a market index.	The Fund is designed to track various U.S. or foreign equity markets as a whole or a segment of these markets. The Fund primarily invests its assets in equity securities selected to track a designated stock market index. Under normal circumstances, the Fund invests at least 80% of its assets in securities of its respective benchmark index and in large-, mid- and small-cap securities.
	S&P 500 Index Fund	The Fund seeks a favorable long-term total return, mainly through capital appreciation, by investing primarily in a portfolio of equity securities of large domestic companies selected to track U.S. equity markets based on a market index.	The Fund is designed to track various U.S. or foreign equity markets as a whole or a segment of these markets. The Fund primarily invests its assets in equity securities selected to track a designated stock market index. Under normal circumstances, the Fund invests at least 80% of its assets in securities of its respective benchmark index in large-cap securities.
	International Equity Index Fund	The Fund seeks a favorable long-term total return, mainly through capital appreciation, by investing primarily in a portfolio of foreign equity securities based on a market index.	The Fund is designed to track various U.S. or foreign equity markets as a whole or a segment of these markets. The Fund primarily invests its assets in equity securities selected to track a designated stock market index. Under normal circumstances, the Fund invests at least 80% of its assets in securities of its respective benchmark index and in large-, mid- and small-cap securities.
Real Estate Securities Fund	Real Estate Securities Fund	The Fund seeks to obtain a favorable long-term total return through both capital appreciation and current income, by investing primarily in equity securities of companies principally engaged in or related to the real estate industry.	Under normal circumstances, the Fund invests at least 80% of its assets in the securities of companies 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 Fund will invest primarily in equity securities of such companies. The Fund does not invest directly in real estate. The Fund concentrates its investments in the real estate industry. The Fund also may invest up to 15% of its assets in real estate securities of foreign issuers and up to 20% of its assets in equity (including preferred stock) and debt securities of issuers that are not engaged in or related to the real estate industry.

	<u>Fund Name</u>	<u>Investment Objective</u>	<u>Principal Investment Strategies</u>
Fixed-Income Funds	Bond Fund	The Fund seeks as favorable a long-term total return through income as is consistent with preserving capital, primarily from investment-grade fixed-income securities.	Under normal circumstances, the Fund invests at least 80% of its assets in bonds. The Fund will primarily invest in a broad range of investment-grade bonds and fixed-income securities, including, but not limited to, U.S. Government securities, corporate bonds and mortgage-backed or other asset backed securities. The Fund also invests in other fixed-income securities. The Fund may invest up to 15% of its assets in fixed-income securities of foreign issuers. The Fund's investments in mortgage-backed securities can include pass-through securities sold by private, governmental and government-related organizations and collateralized mortgage obligations. The Fund may use an investment strategy called "mortgage rolls" (also referred to as "dollar rolls"), in which the Fund sells securities for delivery in the current month and simultaneously contracts with a counterparty to repurchase similar (same type, coupon and maturity) but not identical securities on a specified future date. The Fund may also engage in duration-neutral relative value trading, a strategy in which the Fund buys and sells government bonds of identical credit quality but different maturity dates in an attempt to take advantage of spread differentials along the yield curve (i.e., differences in yield between short-term and long-term securities).
	Inflation-Linked Bond Fund	The Fund seeks a long-term rate of return that outpaces inflation, primarily through investment in inflation-linked bonds.	Under normal circumstances, the Fund invests at least 80% of its assets in fixed-income securities whose returns are designed to track a specified inflation index over the life of the security. Typically, the Fund will invest in U.S. Treasury Inflation-Indexed Securities. The Fund can also invest in (1) other inflation-indexed bonds issued or guaranteed by the U.S. Government or its agencies, by corporations and other U.S. domiciled issuers, as well as foreign governments, and (2) money market instruments or other short-term securities. The Fund may also invest in inflation-indexed bonds issued or guaranteed by foreign governments and their agencies, as well as other foreign issuers. Under most circumstances, the Fund's investments in inflation-linked bonds of foreign issuers are generally less than 25% of its assets. The Fund also may invest in any of the fixed-income securities in which the Bond Fund invests, provided that no more than 5% of its assets are invested in fixed-income securities rated below investment-grade.
Money Market Fund	Money Market Fund	The Fund seeks high current income consistent with maintaining liquidity and preserving capital.	The Fund invests primarily in high-quality, short-term money market instruments. Generally, the Fund seeks to maintain a share value of \$1.00 per share. The Money Market Fund limits its investments to securities that present minimal credit risk and are rated in the highest rating categories for short-term instruments. The Fund can also invest up to 30% of its assets in money market and debt instruments of foreign issuers denominated in U.S. dollars. <i>An investment in the Money Market Fund, like the other Funds, is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the Fund seeks to preserve the value of your investment at \$1.00 per share, it is possible for investors to lose money by investing in the Fund.</i>

Summary of Risks of the Mutual Funds

<i>RISK CATEGORY</i>	<i>Growth & Income Fund</i>	<i>Mid-Cap Growth Fund</i>	<i>Mid-Cap Value Fund</i>	<i>Small-Cap Equity Fund</i>	<i>Equity Index Fund</i>	<i>S&P 500 Index Fund</i>	<i>International Equity Index Fund</i>	<i>Real Estate Securities Fund</i>	<i>Bond Fund</i>	<i>Inflation-Linked Bond Fund</i>	<i>Money Market Fund</i>
Active Management Risk	●	●	●	●	●	●		●	●	●	
Call Risk								●	●	●	
Company Risk	●	●	●	●	●	●	●	●	●		●
Concentration Risk								●			
Credit Risk									●	●	
Current Income Risk											●
Downgrade Risk									●		
Risks of Equity & Mortgage REITs								●			
Foreign Investment Risk	●	●	●				●	●	●		
High Dividend Risk	●										
Income Volatility Risk								●	●	●	●
Index Risk					●	●	●		●		
Interest Rate Risk								●	●	●	●
Large-Cap Risk	●					●	●				
Market Risk	●	●	●	●	●	●	●	●		●	●
Market Volatility and Liquidity Risk									●		
Mortgage Roll Risk									●		
Risks of Ownership of Real Estate								●			
Prepayment/Extension Risk									●	●	●
Style Risks	Growth Investing	●	●								
	Value Investing			●							
Quantitative Analysis Risk	●	●	●	●			●				
Small-Cap/Mid-Cap Risk		●	●	●	●	●	●	●			
Tax Risk										●	

Summary Descriptions of Risks of the Mutual Funds

- **Active Management Risk** —The performance of Funds that are actively managed reflects in part the ability of the portfolio manager(s) to make active, qualitative investment decisions that are suited to achieving the Fund's investment objective. As a result of active management, such Fund could underperform other mutual funds with similar investment objectives.
- **Call Risk** — The risk that an issuer will redeem a fixed-income security prior to maturity. This often happens when prevailing interest rates are lower than the rate specified for the fixed-income security. If a fixed-income security is called early, a Fund may not be able to benefit fully from the increase in value that other fixed-income securities experience when interest rates decline. Additionally, a Fund would likely have to reinvest the payoff proceeds at current yields, which are likely to be lower than the fixed-income securities in which the Fund originally invested, resulting in a decline in income.
- **Company Risk (often called Financial Risk)** — The risk that the issuer's earnings prospects and overall financial position will deteriorate, causing a decline in the security's value over short or extended periods of time. In times of market turmoil, perceptions of a company's credit risk can quickly change and even large, well-established companies may fail rapidly with little or no warning.
- **Concentration Risk** — When a Fund concentrates its investments in only one industry, such as the real estate industry, and holds securities of relatively few issuers, the value of its portfolio is likely to experience greater fluctuations and may be subject to a greater risk of loss than those of other mutual funds.
- **Credit Risk (a type of Company Risk)** — The risk that a decline in a company's financial position may prevent it from making principal and interest payments on fixed-income securities when due. Credit risk relates to the ability of an issuer of a fixed-income security to pay principal and interest on the security on a timely basis and is the risk that the issuer could default on its obligations, thereby causing a Fund to lose its investment in the security. This risk is heightened in the case of investments in lower-rated, high-yield fixed-income securities. Further, in times of market turmoil, perceptions of a company's credit risk can quickly change and even large, well-established companies may fail rapidly with little or no warning.
- **Current Income Risk** — The risk that the income a Fund receives may fall as a result of a decline in interest rates.
- **Downgrade Risk** — Securities originally rated "investment grade" are sometimes subsequently downgraded, should the Fund's adviser and/or a ratings agency like Moody's Investors Service, Inc. or Standard & Poor's believe the issuer's business outlook or creditworthiness has deteriorated. Lower-rated bonds can at times be harder to sell than investment-grade bonds, and their prices can be more volatile and more difficult to determine than the prices of higher-quality securities.
- **Risks of Equity and Mortgage REITs Risks** — Equity REITs may be affected by changes in the value of the underlying property of the trusts, while mortgage REITs may be affected by changes in the quality of any credit extended. Both equity and mortgage REITs are dependent upon management skill and may not be diversified. REITs are also subject to heavy cash flow dependency, defaults by borrowers, self-liquidation, and the possibility of failing to qualify for special tax treatment under the IRC or failing to meet other applicable regulatory requirements. Finally, certain REITs may be self-liquidating, meaning that a specific term of existence is provided for in their trust documents. In acquiring the securities of REITs, a Fund runs the risk that it will sell them at an inopportune time.
- **Extension Risk** — The risk that during periods of rising interest rates, borrowers pay off their mortgage loans later than expected, preventing a Fund from reinvesting principal proceeds at higher interest rates, resulting in less income than potentially available. These risks are normally present in mortgage-backed securities and other asset-backed securities. For example, homeowners have the option to prepay their mortgages. Therefore, the duration of a security backed by home mortgages can lengthen depending on homeowner prepayment activity. A decline in the prepayment rate and the resulting increase in duration of fixed-income securities held by a Fund can result in losses to investors in the Fund.

- **Foreign Investment Risk** — The risk of investing in foreign investments, which may include securities of foreign issuers, securities or contracts traded or acquired in non-U.S. markets or on non-U.S. exchanges, or securities or contracts payable or denominated in non-U.S. currencies can involve special risks that arise from the following events or circumstances: (1) changes in currency exchange rates; (2) possible imposition of market controls or currency exchange controls; (3) possible imposition of withholding taxes on dividends and interest; (4) possible seizure, expropriation or nationalization of assets; (5) more limited foreign financial information or difficulties interpreting it because of foreign regulations and accounting standards; (6) lower liquidity and higher volatility in some foreign markets; (7) the impact of political, social or diplomatic events; (8) the difficulty of evaluating some foreign economic trends; and (9) the possibility that a foreign government could restrict an issuer from paying principal and interest to investors outside the country. Brokerage commissions and custodial and transaction costs are often higher for foreign investments, and it may be harder to use foreign laws and courts to enforce financial or legal obligations. The risks described above often increase 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 securities markets may be very small, share prices may be volatile and difficult to determine. In addition, foreign investors such as the Funds are subject to a variety of special restrictions in many such countries.
- **High Dividend Risk** — The risks associated with investments in stocks paying relatively high dividends. These stocks may significantly underperform other stocks during periods of rapid market appreciation.
- **Income Volatility Risk** — Income volatility refers to the degree and speed with which changes in prevailing market interest rates diminish the level of current income from a portfolio of fixed-income securities. The risk of income volatility is the risk that the level of current income from a portfolio of fixed-income securities 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. Although each Index Fund attempts to use the investment performance of its respective index as a baseline, an Index Fund may not duplicate the exact composition of its index. In addition, unlike a mutual fund, the returns of an index are not reduced by investment and other operating expenses, and therefore, the ability of an Index Fund to match the performance of its index is adversely affected by the costs of buying and selling investments as well as other expenses. Therefore, none of the Index Funds can guarantee that its performance will match its index for any period of time.
- **Interest Rate Risk** (a type of **Market Risk**) — The risk that the value or yield of fixed-income securities may decline if interest rates change. In general, when prevailing interest rates decline, the market value of fixed-income securities (particularly those paying a fixed rate of interest) tends to increase. Conversely, when prevailing interest rates increase, the market value of fixed-income securities (particularly those paying a fixed rate of interest) tends to decline. Depending on the timing of the purchase of a fixed-income security and the price paid for it, changes in prevailing interest rates may increase or decrease the security's yield.
- **Large-Cap Risk** — The risk that, by focusing on securities of larger companies, the Fund may have fewer opportunities to identify securities that the market misprices and that these companies may grow more slowly than the economy as a whole or not at all. Also, larger companies may fall out of favor with the investing public for reasons unrelated to their businesses or economic fundamentals.
- **Market Risk** — The risk that the price of equity securities may decline in response to general market and economic conditions or events, including conditions and developments outside of the equity markets such as significant changes in interest and inflation rates and the availability of credit. Accordingly, the value of the equity securities that a Fund holds may decline over short or extended periods of time. Any stock is subject to the risk that the stock market as a whole may decline in value, thereby depressing the stock's price. Equity markets tend to be cyclical, with periods when prices generally rise and periods when prices generally decline. Foreign equity markets tend to reflect local economic and financial conditions and, therefore, trends often vary from country to country and region to region. During periods of unusual volatility or turmoil in the equity markets, a Fund may undergo an extended period of decline.
- **Market Volatility and Liquidity Risk** (types of **Market Risk**) — Trading activity in fixed-income securities in which the Funds invest may be dramatically reduced or cease at any time, whether due to general market turmoil, problems experienced by a single company or a market sector or other factors. In such cases, it may be difficult for a Fund to properly value assets represented by such securities.
- **Mortgage Roll Risk** — Under the mortgage roll investment strategy, there is a risk that a Fund's adviser will not correctly predict mortgage prepayments and interest rates, which will diminish the investment performance of the Fund compared with what such performance would have been without the use of the strategy.

- **Risks of 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, overbuilding and increased competition, decreases in property revenues, increases in property taxes and operating expenses, changes in zoning laws, casualty or condemnation losses, limitations on rents, changes in neighborhood values, the appeal of properties to tenants, leveraging of interests in real estate, increases in prevailing interest rates, and costs resulting from the cleanup of environmental problems.
- **Prepayment Risk** — The risk that during periods of falling interest rates, borrowers pay off their mortgage loans sooner than expected, forcing a Fund to reinvest the unanticipated proceeds at lower interest rates, resulting in a decline in income. These risks are normally present in mortgage-backed securities and other asset-backed securities. For example, homeowners have the option to prepay their mortgages. Therefore, the duration of a security backed by home mortgages can shorten depending on homeowner prepayment activity. A rise in the prepayment rate and the resulting decline in duration of fixed-income securities held by a Fund can result in losses to investors in the Fund.
- **Quantitative Analysis Risk** — The risk that securities selected using quantitative analysis can perform differently from the market as a whole based on the model and the factors used in the analysis, the weight placed on each factor and changes in the factor's historical trends.
- **Small-Cap/Mid-Cap Risk** — Securities of small and mid-sized companies may experience greater fluctuations in price than the securities of larger companies. They may also have to be sold at a discount from their current market prices or in small lots over an extended period, since they may be harder to sell than larger-cap securities. In addition, such companies may be subject to certain business risks due to their smaller size, limited markets and financial resources, narrow product lines and frequent lack of depth of management.
- **Style Risk** — The risk that equity securities representing a growth investing or a value investing style may be out of favor in the marketplace for various periods of time. When this occurs, investors, such as the Funds, holding such securities may experience significant declines in the value of their portfolios.

The Funds that are managed according to a growth investment style are subject to:

- **Risks of Growth Investing** — Due to their relatively high valuations, growth stocks are typically more volatile than value stocks. For example, the price of a growth stock may experience a larger decline on a forecast of lower earnings, or a negative event or market development, than would a value stock. Because the value of growth companies is often a function of their expected earnings growth, there is a risk that such earnings growth may not occur or cannot be sustained.

The Funds that are managed according to a value investment style are subject to:

- **Value Investing Risks** — Securities believed to be undervalued are subject to the risks that: (1) the issuer's potential business prospects are not realized; (2) their potential values are never recognized by the market; and (3) due to unanticipated or unforeseen problems associated with the issuer or industry, they were appropriately priced (or overpriced) when acquired and therefore do not perform as anticipated.
- **Tax Risk** — Periodic adjustments for inflation to the principal amount of an inflation-indexed bond held by the Inflation-Linked Bond Fund may give rise to original issue discount, which will be included in the Fund's gross income. Due to original issue discount, the Fund may be required to make annual distributions to shareholders that exceed the cash received, which may cause the Fund to liquidate certain investments when it is not advantageous to do so. Also, if the principal value of an inflation-indexed bond is adjusted downward due to deflation, amounts previously distributed in the taxable year of the adjustment may be characterized in some circumstances as a return of capital.

Summary of the TIAA-CREF Life Insurance Company Funding Agreement

Contributions to the Principal Plus Interest Option are allocated to the Funding Agreement issued by TIAA-CREF Life. TIAA-CREF Life is a wholly owned subsidiary of TIAA that is regulated as a life insurance company by many states, including the State of Vermont. TIAA-CREF Life is also an affiliate of the Plan Manager.

The term of the Funding Agreement is intended to correspond with the term of the Management Agreement, subject to earlier termination by VSAC. VSAC may make withdrawals under the Funding Agreement at any time without penalty to cover distributions from Accounts that have invested in the Principal Plus Interest Option.

The Funding Agreement guarantees VSAC a return of principal and a minimum rate of interest per annum on contributions. This minimum rate will be reset each October 1 and will neither be less than 1% nor greater than 3% at any time. Periodically, TIAA-CREF Life will announce whether it will pay additional interest in excess of the guaranteed interest rate. Any such additional interest rates will be declared in advance by TIAA-CREF Life for a period of up to 12 months and are not guaranteed for future periods. If

TIAA-CREF Life is required to pay premium taxes on the Funding Agreement, it may deduct the amount of the premium tax when incurred from any contributions paid by the Plan to the Funding Agreement.

The Plan will post the current declared rate on the Plan's website. You may also obtain this information by calling the Plan.

There is a risk that TIAA-CREF Life could fail to perform its obligations under the Funding Agreement for financial or other reasons. The Funding Agreement provides the guarantee described above to VSAC for the benefit of the Account Owners who have selected the Principal Plus Interest Option, but the guarantee is not made directly to Account Owners or Beneficiaries. Neither the Principal Plus Interest Option nor any Account invested in this Investment Option is guaranteed by Vermont or any agency or instrumentality thereof, the Plan, VSAC, the Trust, the Trustee, the Plan Manager or any other person or entity. The Funding Agreement is not guaranteed or insured by any person or entity other than TIAA-CREF Life.

APPENDIX II
to the Disclosure Booklet for the
Vermont Higher Education Investment Plan

PARTICIPATION AGREEMENT

Each capitalized term used but not defined in this Participation Agreement has the meaning set forth in the Disclosure Booklet, and such meanings are incorporated into this Participation Agreement as if they were set forth herein.

I hereby enter into this Participation Agreement with VSAC in order to establish, as the designated Account Owner or on behalf of the designated Account Owner, an Account in the Plan. I understand that the Account shall represent an interest in the Plan. I understand and agree that this Participation Agreement is subject to and incorporates by reference all of the information set forth in the Disclosure Booklet and Application. I understand that my signature on the Application signifies my acceptance of the terms of this Participation Agreement.

For purposes of this Participation Agreement, "I" or "me" shall refer to the designated Account Owner or a duly appointed representative of the Account Owner, as applicable. As indicated on the Application, I certify that I am either:

- a United States citizen or resident alien establishing the Account as the Account Owner or on behalf of the Account Owner by completing an Account Application for an individual Account;
- acting on behalf of a corporation, trust or other entity domiciled in the United States of America and otherwise eligible to open the Account by completing an Account Application for an entity Account;
- acting on behalf of a state or local government (or agency or instrumentality thereof) or organization described in Section 501(c)(3) of the IRC by completing an Account Application for an entity Account; or
- a custodian for a minor under UGMA/UTMA with full power and authority to act as the custodian for the Account submitting an Application for a Custodial Account.

A. Agreements, Representations and Warranties of the Account Owner. I hereby agree with, and represent and warrant to the State of Vermont, as follows:

1. I have received, read and understand the Disclosure Booklet as currently in effect. I have been given the opportunity to obtain answers to all of my questions concerning the Plan, my Account and this Participation Agreement. I acknowledge that there have been no representations or other information about the Plan relied upon in entering into this Participation Agreement, whether oral or written, other than as set forth in the Disclosure Booklet and this Participation Agreement. I understand that this Participation Agreement shall become effective upon the opening of the Account on the records of the Plan.
2. I certify that I am opening this Account in order to provide funds for the Qualified Higher Education Expenses of the Beneficiary, if any, of the Account. I certify that I have full power and authority to enter into and perform under this Participation Agreement either for myself as Account Owner or on behalf of the individual or entity named in the Application as Account Owner, as applicable. This Participation Agreement constitutes the legal, valid and binding obligation of the Account Owner.

3. I understand that all assets in the Account will be held exclusively for my benefit and the benefit of the Beneficiary, if any. I understand that any contribution, or portion of a contribution, made by me that causes the aggregate account balance of the Account and all other Accounts for the same Beneficiary to exceed the current applicable Maximum Account Balance Limit will be rejected and returned.
4. I recognize that the investment of contributions and earnings, if any, in my Account involves certain risks, and I have taken into consideration and understand the risk factors related to these investments, including, but not limited to, those set forth in the Disclosure Booklet. I understand that neither I, nor any Beneficiary is or will be permitted to direct the investment of the Account other than through the selection of Investment Options. However, I understand and acknowledge that once invested in a particular Investment Option, contributions and any earnings thereon may only be transferred to another Investment Option once per calendar year (twice in 2009) or upon a change of the Beneficiary of the Account to a Member of the Family of the Beneficiary being replaced.
5. With respect to each Investment Option, I understand and acknowledge that neither contributions to, nor earnings, if any, on my Account are guaranteed or insured by any person or entity, including but not limited to, Vermont, VSAC, the Board, the Trustee, the Plan Manager and its subcontractors and affiliates, any vendors, contractors, investment advisors or investment managers selected or approved by VSAC or any agents, employees, officers, directors, representatives or successors of the foregoing (except to the extent of the guarantee by TIAA-CREF Life to VSAC under the Funding Agreement for the Principal Plus Interest Option). I understand that there is no guarantee that the Plan's investment objectives will be achieved.
6. I understand and acknowledge that with respect to each Investment Option in the Plan, there is no guarantee or commitment whatsoever from Vermont, VSAC, the Board, the Trustee, the Plan Manager or any other person or entity that: (i) actual Qualified Higher Education Expenses will be equal to projections and estimates provided by the Plan; (ii) the Beneficiary will be admitted to any institution (including an Eligible Educational Institution); (iii) upon admission to an institution, the Beneficiary will be permitted to continue to attend; (iv) upon admission to an institution, state residency will be created for tuition, tax, financial aid eligibility or any other purpose for the Beneficiary; (v) the Beneficiary will graduate or receive a degree from any institution; or (vi) contributions and investment returns in this Account will be sufficient to cover the Qualified Higher Education Expenses of the Beneficiary.
7. I understand that neither Vermont, VSAC, the Board, the Trustee, the Plan Manager or any affiliate thereof, or any other person or entity makes any guarantee that I will not suffer a loss of any amount invested in my Account or that I will receive a particular return of any amount in my Account. I understand that the Investment Options in the Plan are not debts, liabilities or obligations either of VSAC, Vermont, or any political subdivision thereof, nor shall they be deemed to constitute a pledge of the taxing power or the full faith and credit of Vermont or any political subdivision thereof.
8. I understand that TIAA-CREF Tuition Financing, Inc. will not necessarily continue as the Plan Manager for the entire period my Account is open and that VSAC may retain in the future additional and/or different plan managers or investment manager(s) for the Plan. I acknowledge that if this occurs, or even if it does not, there is no assurance that I would not experience a material change to certain terms and conditions of the current Participation Agreement, including to the investment options offered by the Plan and the Plan Manager Fee. I understand

that if TFI ceases to be the Plan Manager, I may have to open a new Account in the Plan with the successor program manager in order to make future contributions on behalf of the Beneficiary.

9. I acknowledge that no part of my Account or any other interest in the Plan can be used by me or my Beneficiary as security for a loan.
10. I understand that I will retain ownership of or custody over, as applicable, contributions made to my Account and earnings thereon, if any, until distribution.
11. I understand and acknowledge that I have not been advised by Vermont, VSAC, the Board, the Trustee, or any other agency or instrumentality of Vermont, TFI or any of its affiliates or any agent or representative retained in connection with the Plan to invest, or to refrain from investing, in a particular Investment Option.
12. I understand that I may cancel this Participation Agreement, in whole or in part, at any time by providing notice to the Plan in writing or via e-mail. I also understand that a cancellation may be accomplished by a Qualified Withdrawal, a Taxable Withdrawal, a Rollover, or a Non-Qualified Withdrawal and that a Taxable Withdrawal or a Non-Qualified Withdrawal will be subject to federal income tax and may be subject to state income tax. I understand that if I take a Non-Qualified Withdrawal, the Additional Tax will also apply.

B. Restrictions on Certain Types of Accounts. I understand that an Account Owner who is a custodian for a minor under UGMA/UTMA or a Trustee will be subject to the following additional requirements and restrictions:

- An Account Owner who is a trustee will be required to provide the Plan with an original, signed certificate, a certified copy of material portions of the trust instrument, or a certified copy of a court order, that confirms the creation of a trust naming a minor as the trust beneficiary, identifies the trustee and authorizes the trustee to act on behalf of the trust beneficiary in opening and maintaining an Account;
- An Account Owner who is a custodian for a minor or a trustee is required to sign forms and conduct transactions for the Account in a representative capacity as the custodian or trustee acting for the benefit of the Beneficiary;
- An Account Owner who is a custodian for a minor or a trustee is not permitted to change the Beneficiary of the Account either directly or by means of a Rollover, including a transfer of funds to another Account for a different Beneficiary;
- An Account Owner who is a custodian for a minor or a trustee is not permitted to name a Contingent Account Owner, or to change ownership of the Account other than to a successor custodian or trustee, without providing the Plan with a court order directing the change (or as otherwise allowed under UGMA/UTMA);
- Any request for a withdrawal from the Account by an Account Owner who is a custodian for a minor or a trustee must be accompanied by a certification that the Account Owner is the custodian of the Account pursuant to UGMA/UTMA or the trustee pursuant to a trust instrument naming a minor as the beneficiary and (except with respect to a withdrawal due to the death of the Beneficiary or a Qualified Withdrawal) that the withdrawal is authorized under UGMA/UTMA or the trust instrument, respectively, and is necessary for the welfare of the Beneficiary; and

- An Account Owner who is a custodian for a minor or a trustee is required to notify the Plan when the Beneficiary has reached the age of majority or is otherwise legally authorized to assume ownership of the Account so that the Beneficiary can be registered as the owner of the Account and take control of the Account.

Any requested transaction conducted on an Account owned by an Account Owner that is an entity must be accompanied by documentation substantiating the following:

- the legal status of the entity,
- authorization of the transaction by the entity; and
- authorization for the individual conducting the transaction to act on behalf of the entity.

- C. Penalties and Fees. I understand and agree that I will be subject to federal income tax and an Additional Tax of 10% on the earnings portion of a Non-Qualified Withdrawal and that the Additional Tax may be payable through my or my Beneficiary's federal income tax return to the United States Treasury. I acknowledge that the rate of the Additional Tax may be changed, as described in the Disclosure Booklet. I acknowledge and agree that my Account is potentially subject to other fees, charges or penalties in the future, as explained in the Disclosure Booklet. I also understand and agree that I may be subject to state income tax on the earnings portion of a Non-Qualified Withdrawal.
- D. Limitations on Certain Distributions from Account. I acknowledge that if I change the Account Owner of my Account or change my mailing address, and fail to provide a medallion signature guarantee of my signature on the request form, no distributions can be made from my Account within 30 days after receipt by the Plan of the request form. I understand that I cannot withdraw a contribution for 10 days after receipt by the Plan of that contribution.
- E. Necessity of Qualification. I understand that the Plan is intended to be a "qualified tuition program" under Section 529 of the IRC and the Plan is intended to receive favorable federal and State tax treatment. I agree that the Vermont, VSAC, and the Board may make changes to the Plan, this Agreement and the Disclosure Booklet at any time if it is determined that such changes are necessary for the continuation of the federal income tax treatment provided by Section 529 or the favorable Vermont tax treatment provided by Vermont law or any similar successor legislation.
- F. Statutes, Policies and Operating Procedures; Amendment. The Account and this Agreement are subject to, and incorporate by reference, the Statute, any regulations, policies and operating procedures adopted for the Plan by Vermont, any amendments to the Statute, other applicable statutes or these policies and operating procedures, and any rules or regulations as the State may promulgate in accordance with Vermont law, including provisions under the Statute to prevent contributions on behalf of a Beneficiary in excess of the Maximum Account Balance Limit. Any amendments to relevant statutes or regulations automatically amend this Agreement and any amendments to policies or operating procedures shall amend this Agreement and any amendments to and be effective 30 days after adoption.
- G. Indemnity. I understand that the establishment of my Account will be based upon the agreements, representations and warranties set forth in this Agreement. I agree to indemnify and hold harmless Vermont, its agencies or instrumentalities, VSAC, the Board, the Trustee, TIAA-CREF Tuition Financing, Inc. and its subcontractors and affiliates, any vendors, contractors, investment advisors or investment managers selected or approved by Vermont

or VSAC, and any agents, representatives, or successors of any of the foregoing, from and against any and all loss, damage, liability or expense, including reasonable attorneys' fees, that any of them may incur by reason of, or in connection with, any misstatement or misrepresentation made by me in this Agreement or otherwise with respect to my Account, and any breach by me of any of the agreements, representations or warranties contained in this Agreement. All of my agreements, representations and warranties shall survive the termination of this Agreement.

- H. Binding Nature; Third-Party Beneficiary. This Agreement shall survive the death of any individual Account Owner and shall be binding upon any personal representatives, heirs, successors or assigns, as applicable. The Plan Manager is a third-party beneficiary of the agreements, representations and warranties in this Agreement.
- I. Transfer. I understand that I may transfer this Agreement to another Account Owner at any time as described more fully in the Disclosure Booklet, subject to the policies and operating procedures promulgated for the Plan. Such transfer will not be effective until written notice is received by the Plan.
- J. Amendment. I understand that the Plan may, at any time, and from time to time, amend this Participation Agreement or the Disclosure Booklet.
- K. Termination of the Plan. I understand that the Plan may be suspended or terminated, but, except as permissible under applicable law, the Account may not thereby be diverted from the exclusive benefit of the Account Owner or the Beneficiary.
- L. Governing Law. This Agreement is governed by Vermont law.

APPENDIX III

to the Disclosure Booklet for the Vermont Higher Education Investment Plan

TIAA-CREF TUITION FINANCING, INC.'S PRIVACY POLICY

Please read this notice carefully. It gives you important information about how TIAA-CREF Tuition Financing, Inc. (“TFI”) handles nonpublic personal information it may receive about you in connection with the Plan. It applies to all past, present and future participants in the Plan.

Information We May Collect

We, on behalf of a Plan, may collect personal information about you from various sources to provide information requested by you about the Plan, as well as to service and maintain your account in the Plan.

We may obtain this personal information (which may include your Social Security Number) in any of the following ways:

- you provide it on the Plan enrollment form (“Application”);
- you provide it on other Plan forms;
- you provide it on the Plan website;
- you provide it during consultations; or
- we obtain it to complete your requested transactions.

How Your Information Is Used

TFI does not disclose your personal information to anyone for marketing purposes. TFI discloses your personal information only to those service providers, affiliated and non-affiliated, who need the information to respond to your inquiries and/or to service and maintain your account. In addition, TFI 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 affiliated and non-affiliated service providers who receive your personal information may use it to:

- process your Plan transactions;
- provide you with Plan materials;
- mail you Plan account statements; and
- enhance your Plan benefits.

These service providers provide services at TFI’s direction and include fulfillment companies, printing and mailing facilities.

- Under their agreements with TFI, these service providers are required to keep your personal information confidential and to use it only for providing the contractually required services.

Security of Your Information

TFI 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 Plan’s website, and telephone system authentication procedures.

Changes in Our Privacy Policy

TFI periodically reviews 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 Plan website is handled in the same way as the personal information that you provide by any other means, as described above. This section of the notice gives you additional information about the way in which personal information that is obtained online is handled.

Online Enrollment, Account Access, and Online Transactions

When you visit the Plan website, you can go to pages that are open to the general public or log onto protected pages to enroll in the Plan, access information about your account, or conduct certain transactions on your account. Once you have opened an account in the Plan, access to the secure pages of the Plan 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 Plan website (including your Social Security Number or Taxpayer Identification Number and your password) to enroll or access your account online, you will log into secure pages where we use Secure Sockets Layer (SSL) protocol for protecting information.

To use this section of the Plan website you need a browser that supports encryption and dynamic Web page construction.

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

Other Personal Information Provided by You on the Plan Website

If you decide not to enroll online and you want to request Plan materials to be mailed to you, or you want to subscribe to the Plan e-mail newsletter, you can click on another section of the Plan website (i.e., the Request Enrollment Kit page of the Enroll Today section) to provide your name, mailing address and e-mail address, respectively. The personal information that you provide on that page of the site will be stored and used to market the Plan more effectively. Although that page of the Plan website does not use SSL encryption protocol, your information will be safeguarded in accordance with federal and state privacy laws and industry norms.

The Plan Cares about Your Privacy

We use cookies on the Plan website to measure marketing results for the Plan. This process renders all visitors to the Plan website anonymous and will not personally identify you.

VSAC NOTICE OF PRIVACY POLICY

Protecting the privacy of your personal information is important to us at Vermont Student Assistance Corporation (“**VSAC**”). You have given this information to us so that we may provide you with financial and other forms of assistance as you pursue your post-secondary education. We understand that you trust us to keep your personal information confidential as required by law.

Federal and state laws require VSAC to provide you with this notice of our privacy policy.

The Notice describes VSAC’s privacy policy in accordance with federal law and the terms of our agreements with you. These authorize VSAC to disclose certain personal information about you or your account in order to approve your application, service your account, locate you, provide other specified services to you, improve the quality of services to you and for other reasons outlined in our agreements with you.

This Notice uses the term “nonpublic personal information.” This means personal information about you which identifies you, and that is not available from public sources.

VSAC Privacy Policy

1. VSAC collects nonpublic personal information about you from the following sources:

- Information we receive from you on grant applications, loan applications, promissory notes and other applications and forms;
- Information about your transactions with VSAC and its agents and subcontractors;
- Information received from credit reporting agencies and the U.S. Department of Education; and
- Information received from schools you are attending or to which you have applied for admission.

2. VSAC does not disclose any nonpublic personal information about you or our other customers to anyone, except with your consent, at your request, or as permitted by law.

3. VSAC restricts access to nonpublic personal information about you to those employees, agents, subcontractors organizations, and schools who need to know the information to provide the services or products that are the basis of the customer relationship between you and VSAC. VSAC maintains physical, electronic, and procedural safeguards to guard your nonpublic personal information.



OBTAINING ADDITIONAL INFORMATION

Learn more about the Plan by visiting our website: www.vheip.org.

You may reach a customer service representative to answer your questions, complaints or request an Application by calling the Plan toll-free at 1 (800) 637-5860. Questions, complaints and requests may also be sent in writing to the Vermont Higher Education Investment Plan, P.O. Box 8101, Boston, Massachusetts 02266-8101.