The State Farm® College Savings Plan Sponsored by the State of Nebraska

Enrollment Handbook

November 1, 2008

Nebraska CollegeSavings Program

Program Trustee

STATE FARM INSURANCE®

PLAN HIGHLIGHTS

This Enrollment Handbook contains a summary of the terms of the Plan and the Participation Agreement (including the Enrollment Application). This Enrollment Handbook forms a part of, and is incorporated into, the Participation Agreement. This Enrollment Handbook includes the addenda and appendixes attached hereto. Please read this document and the Participation Agreement carefully before you invest or send money. Additional copies of these materials may be obtained from **www.statefarm.com**.

Minimum contribution	$250 per Account with subsequent investments of at least $50 per Portfolio (with an Automatic Investment Plan—$50 per Portfolio and subsequent investments of $50 per Portfolio).		
Maximum contribution per Designated Beneficiary	$360,000.		
Eligible Account Owners	Any adult person or entity with a valid Social Security Number or other federal Taxpayer Identification Number.		
Eligible Designated Beneficiaries	Any individual who has a valid Social Security Number or other federal Taxpayer Identification Number.		
Age limitations for Account Owners	Must be of legal age to enter into a contract.		
Eligibility to purchase Class B shares	Only Account Owners who owned Class B shares prior to November 3, 2008 are eligible to purchase Class B shares. Account Owners who open new Accounts on or after November 3, 2008 are not eligible to purchase Class B shares.		
Federal income tax benefits	Earnings on a Qualified Withdrawal that are used to pay Qualified Higher Education Expenses are free from federal income tax. Earnings on a Nonqualified Withdrawal are subject to federal income tax and a 10% federal additional tax.		
Nebraska state tax benefits	Contributions by Account Owners may be deductible up to $5,000 per tax return ($2,500 if married filing separately).		
Use of withdrawn funds	Withdrawals used to pay for the Designated Beneficiary's Qualified Higher Education Expenses constitute Qualified Withdrawals.		
Investment options	The Plan offers: ■ 5 Enrollment-based Portfolios ■ 4 Static Portfolios		
		Class A shares	**Class B shares***
Total Plan expenses	Enrollment-based Portfolios	1.00% to 1.20%	1.75% to 1.95%
	Static Portfolios	0.40% to 1.20%	0.40% to 1.95%
Maximum initial sales charge	5.50% on Class A shares.		
Maximum contingent deferred sales charge	5.00% on Class B shares.		

*Class B shares are only offered to eligible purchasers.

IMPORTANT LEGAL INFORMATION

The State Farm College Savings Plan (the "Plan") makes no representations regarding the suitability of the Plan's investment Portfolios for any particular investor. Other types of investments and other types of college savings vehicles may be more appropriate depending on your personal circumstances.

No person has been authorized to give any information or to make any representations other than those contained in this Enrollment Handbook, and, if given or made, such other information or representations must not be relied on as having been authorized by State Farm, OFI Private Investments Inc., OppenheimerFunds Distributor, Inc., Union Bank and Trust Company, the Nebraska Educational Savings Plan Trust (the "Trust"), the State of Nebraska or any of their respective affiliates, directors, officers or agents.

The information in this Enrollment Handbook is subject to change without notice. Neither the delivery of this Enrollment Handbook nor the sale of any shares in Portfolios of the Plan should be construed to imply that there has been no change in the affairs of the Plan or the Trust since the date of this document.

The Plan is offered through the Trust. Accounts in the Trust are offered and sold through several different distribution channels, including The State Farm College Savings Plan, The AIM College Savings Plan, the College Savings Plan of Nebraska (Direct and Advisor Accounts), and the TD AMERITRADE 529 College Savings Plan. This Enrollment Handbook describes only The State Farm College Savings Plan. The other plans in the Nebraska Educational Savings Plan Trust offer different investment options with different investment advisers, different benefits, fees, withdrawal penalties, and sales commissions, if any, relative to the Accounts described in this Enrollment Handbook. You can obtain information regarding other plans in the Trust by contacting the Nebraska State Treasurer at 402-471-2455, or by visiting the Nebraska State Treasurer's website at **www.treasurer.state.ne.us.**

SECTION 529 QUALIFIED TUITION PROGRAMS ARE INTENDED TO BE USED ONLY TO SAVE FOR QUALIFIED HIGHER EDUCATION EXPENSES. THESE PROGRAMS 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. TAXPAYERS MAY WISH TO SEEK TAX ADVICE FROM AN INDEPENDENT TAX ADVISOR BASED ON THEIR OWN PARTICULAR CIRCUMSTANCES.

You should rely only on the information contained in this Enrollment Handbook. No one is authorized to provide information that is different from the information contained herein.

Information in this Enrollment Handbook is believed to be accurate as of the date of the Enrollment Handbook and is subject to change without notice.

Plan Accounts are not bank deposits, are not insured by the Federal Deposit Insurance Corporation or the National Credit Union Association, are not debt or obligations of, or guaranteed by, any bank or other financial institution or the Program Parties or any financial advisor or broker, and involve investment risk, including the possible loss of the principal amount invested.

For residents of states other than Nebraska: the consequences to an Account Owner or Designated Beneficiary of an investment in the Plan will vary from state to state. State tax features vary by Section 529 plan and the Account Owner's or the Designated Beneficiary's home state may offer state tax benefits, including income tax deductions for contributions to their own state Section 529 plans or exclusions from income, that are not available for contributions to the Plan. An Account Owner should consult a tax advisor to determine the availability of a state income, gift and estate tax deduction for his or her Section 529 plan contributions.

Account Owners and Designated Beneficiaries do not have access or rights to any assets of the State of Nebraska or any assets of the Trust other than assets credited to the Account of that Account Owner for that Designated Beneficiary. (See "CERTAIN RISKS TO CONSIDER" on page 20 for details.)

Statements contained in this Enrollment Handbook or in the Participation Agreement, which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of facts. The information and expressions of opinion herein are subject to change without notice. Neither delivery of this Enrollment Handbook or the rest of the Participation Agreement, nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of State Farm College Savings Plan or the Trust since the date of this Enrollment Handbook.

This Enrollment Handbook is designed to comply with the College Savings Plans Network Disclosure Principles, Statement No. 2, adopted July 26, 2005.

STATE FARM COLLEGE SAVINGS PLAN PRIVACY POLICY

As an Account Owner of The State Farm College Savings Plan, you are entitled to know how OFI Private Investments Inc. and Union Bank and Trust Company protect your personal information and how we limit its disclosure.

Information Sources

We obtain nonpublic personal information about our participants from the following sources:

- Applications or other forms
- When you create a password/PIN for online Account access
- Your transactions with us, our affiliates or others
- When you set up challenge questions to reset your password/PIN online

If you visit **www.statefarm.com** and do not log on to the secure account information areas, we do not obtain any personal information about you. When you do log on to a secure area, we do obtain your password/PIN to identify you. We also use this information to provide you with products and services you have requested, to inform you about products and services that you may be interested in and assist you in other ways.

We do not collect personal information through our website unless you willingly provide it to us in those areas of the website that request information.

Protection of Information
We do not disclose any nonpublic personal information (such as names on a customer list) about current or former customers to anyone, except as permitted by law.

Disclosure of Information
We send your State Farm Registered Representative (as designated by you) copies of confirmations, Account statements and other documents reporting activity in your Account(s). We may also use details about you and your investments to help us, our financial service affiliates, or firms that jointly market their financial products and services with ours, to better serve your investment needs or suggest financial services or educational material that may be of interest to you. If this requires us to provide you with an opportunity to "opt in" or "opt out" of such information sharing with a firm not affiliated with us, you will receive notification on how to do so, before any such sharing takes place.

Right of Refusal
We will not disclose your personal information to unaffiliated third parties (except as permitted by law), unless we first offer you a reasonable opportunity to refuse or "opt out" of such disclosure.

Internet Security and Encryption
To protect your own privacy, confidential and/or personal information should only be communicated via email when you are advised that you are using a secure website.

As a security measure, we do not include personal or account information in non-secure emails, and we advise you not to send such information to us in non-secure emails.

We do not guarantee or warrant that any part of our website, including files available for download, are free of viruses or other harmful code. It is your responsibility to take appropriate precautions, such as use of an anti-virus software package, to protect your computer hardware and software.

- When you log into your account, your log-in is secured by SSL and 128-bit encryption. SSL is used to establish a secure connection between your PC and the State Farm College Savings Plan server. It transmits information in an encrypted and scrambled format
- Encryption is achieved through an electronic scrambling technology that uses a "key" to code and then decode the data. Encryption acts like the cable converter box you may have on your television set. It scrambles data with a secret code so that no one can make sense of it while it is being transmitted. When the data reaches its destination, the same software unscrambles the data
- You can exit the secure area by either closing your browser, or for added security, you can use the Log Out button before you close your browser

Other Security Measures
We maintain physical, electronic and procedural safeguards to protect your personal Account information. Our employees and agents have access to that information only so that they may offer you products or provide services, for example, when responding to your Account questions.

How You Can Help
You can also do your part to keep your Account information private and to prevent unauthorized transactions. If you obtain a password/PIN for your Account, do not allow it to be used by anyone else. Also, take special precautions when accessing your Account on a computer used by others.

Who We Are
This joint notice describes the privacy policies of Union Bank and Trust Company and OFI Private Investments Inc. with respect to their services to The State Farm College Savings Plan. It applies to all Accounts you presently have or may open in the future, with The State Farm College Savings Plan, using your Social Security Number whether or not you remain an Account holder. This notice was last updated on November 1, 2008. In the event it is updated or changed, we will post an updated notice on our website at **www.statefarm.com**. If you have any questions about these privacy policies, contact OFI Private Investments Inc. at PO Box 173865, Denver, CO 80217-3865, or call The State Farm College Savings Plan at 1-800-321-7520.

BUSINESS CONTINUITY PLAN DISCLOSURE FOR STATE FARM VP MANAGEMENT CORP.
State Farm VP Management Corp. has developed a business continuity plan on how we will respond to events that significantly disrupt our business. Since the timing and impact of disasters and disruptions is unpredictable, we will have to be flexible in responding to actual events as they occur. With that in mind, we are providing you with this information on our business continuity plan.

Contacting Us—If you cannot contact us as you usually do at 1-800-447-4930, you should contact your registered State Farm Agent or go to our web site at **www.statefarm.com**.

Our Business Continuity Plan—We plan to quickly recover and resume business operations as soon as possible after a significant business disruption and respond by safeguarding our employees and property, making a financial and operational assessment, protecting the firm's books and records, and allowing our customers to transact business. In short, our business continuity plan is designed to permit our firm to resume operations as quickly as possible, given the scope and severity of the significant business disruption.

Our business continuity plan addresses: data back up and recovery; all mission critical systems; financial and operational assessments; alternative communications with customers, employees, and regulators; alternate physical location of employees; critical supplier, contractor, bank and counter-party impact; regulatory reporting; and procedures to help ensure that our customers have prompt access to their funds and securities if we are unable to continue our business.

Our business continuity plan may be revised or amended. If changes are made, an updated summary will be promptly posted on our website (**www.statefarm.com**) or you may obtain an updated summary by calling us at the number below and requesting that a written copy be mailed to you.

Varying Disruptions—Significant business disruptions can vary in their scope, such as only our firm, a single building housing our firm, the business district where our firm is located, the city where we are located, or the whole region. Within each of these areas, the severity of the disruption can also vary from minimal to severe. In a disruption to only our firm or a building housing our firm, we may transfer our operations to a local site when needed and expect to recover and resume business within 1 business day. In a disruption affecting our business district, city, or region, we will transfer our operations to a site outside of the affected area, and expect to recover and resume business within 3 business days. In either situation, we plan to continue in business, transfer operations if necessary, and notify you through our web site **www.statefarm.com**, your registered State Farm Agent, or our customer number how to contact us. In the unlikely event that the significant business disruption is so severe that it prevents us from remaining in business, our plan provides procedures to help ensure that our customers have prompt access to their funds and securities.

In all of the situations described above, in light of the various types of disruptions that could take place and that every emergency poses unique problems, it may take longer to resume operations during any particular disruption.

For more information—If you have questions about our business continuity planning, you can contact us at 1-800-447-4930.

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DEFINITIONS OF KEY TERMS

Set forth below are definitions of certain key terms used in this Enrollment Handbook. Other terms are defined elsewhere in this document.

Account means an account established by an Account Owner pursuant to a Participation Agreement for purposes of investing in one or more Portfolios.

Account Owner means the individual or entity establishing an Account or any successor to such individual or entity. References in this document to "you" mean you in your capacity as the Account Owner.

AIP means an automatic investment plan.

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

Contribution means an amount invested in an Account.

Coverdell ESA means a Coverdell Education Savings Account.

Designated Beneficiary means the individual whose Qualified Higher Education Expenses are expected to be paid from the Account or, for Accounts owned by a state or local government or qualifying tax-exempt organization (otherwise known as a 501(c)(3) entity) as part of its operation of a scholarship program, the recipient of a scholarship.

EFT means electronic funds transfer.

Eligible Institutions of Higher Education mean accredited post-secondary educational institutions offering credit toward a bachelor's degree, an associate's degree, a graduate level or professional degree, or another recognized post-secondary credential, which are eligible to participate in certain federal student financial aid programs. Certain proprietary institutions, foreign institutions and post-secondary vocational institutions are included, as are certain specified military academies.

Enrollment-based Portfolio means a Portfolio, the assets of which are invested in a combination of Underlying Investments in accordance with a target asset allocation specified for such Portfolio based on the number of years until the Designated Beneficiary is expected to attend college.

Enrollment Handbook means the then current State Farm College Savings Plan Enrollment Handbook.

IRS means the Internal Revenue Service.

Interest means the security issued by the Trust.

Nonqualified Withdrawal means a withdrawal from an Account that is not used to pay for Qualified Higher Education Expenses. These withdrawals will be treated as income to the distributee and taxed at the distributee's tax rate. In addition, an additional 10% federal tax may apply to the investment gains portion of certain Nonqualified Withdrawals.

Participation Agreement means the contract between the Account Owner and the Trust.

Plan means The State Farm College Savings Plan.

Plan Distributor means OppenheimerFunds Distributor, Inc., which serves as Plan Distributor of the Plan.

Portfolio means a Plan portfolio, which invests in Underlying Investments managed by OFI Private Investments Inc. or its affiliates.

Program Manager means Union Bank and Trust Company, which serves as Program Manager of the Plan.

Program Parties means the State of Nebraska, the Nebraska State Treasurer, the Nebraska Investment Council, the Plan, the Trust, Union Bank & Trust Company, OFI Private Investments Inc., OppenheimerFunds Distributor, Inc. and State Farm VP Management Corp.

Qualified Higher Education Expenses mean tuition, fees, room and board (while attending on at least a half-time basis), books, supplies and equipment required for the enrollment or attendance of a Designated Beneficiary at an Eligible Institution of Higher Education, as well as expenses for special needs services in the case of a special needs Designated Beneficiary who incurs such expenses in connection with enrollment or attendance at an Eligible Institution of Higher Education.

Qualified Withdrawal means a withdrawal from an Account that is used to pay the Qualified Higher Education Expenses of the Designated Beneficiary.

Section 529 Plan means a qualified tuition program established under and operated in accordance with Section 529 of the Code.

Servicing Agent means OFI Private Investments Inc., which serves as Servicing Agent of the Plan and provides investment management services to the Plan.

State Farm Registered Representative means a State Farm VP Management Corp. Registered Representative through whom shares of the Plan may be purchased.

Static Portfolio means a Portfolio, the assets of which are invested in a combination of Underlying Investments in accordance with a target asset allocation specified for such Portfolio, in which the Portfolio's investment remains the same and does not change based on the age of the Designated Beneficiary.

Successor Account Owner means the person designated by the Account Owner to assume ownership of the Account in the event of the Account Owner's death or legal incapacity while there is still money in the Account.

Trust means the Nebraska Educational Savings Plan Trust.

Trustee means the Nebraska State Treasurer who is the trustee of the Trust.

UGMA/UTMA means the Uniform Gifts to Minors Act or Uniform Transfers to Minors Act.

INTRODUCTION

The Plan is sponsored by the State of Nebraska and administered by the Nebraska State Treasurer as part of the Trust. The Trust includes (a) the Plan as described in this Enrollment Handbook, (b) the AIM College Savings Plan, (c) the College Savings Plan of Nebraska (Direct and Advisor Accounts), and (d) the TD AMERITRADE 529 College Savings Plan. State Farm only offers shares in the Plan. The other plans within the Trust have different investment options, sales charges, fees and expenses or other features. This Enrollment Handbook addresses only the Plan and not any other plan within the Trust. For more information on the other plans within the Trust, you can contact the Nebraska State Treasurer at 402-471-2455, or by visiting the Nebraska State Treasurer's website at **www.treasurer.state.ne.us.**

The Plan is designed to operate in accordance with Section 529 of the Code and promote savings for Qualified Higher Education Expenses. Federal tax benefits that are afforded under Section 529 of the Code, and potential state tax benefits enhance the value of investing in the Plan.[1]

The Plan provides Account Owners with the opportunity to help save for Qualified Higher Education Expenses in a tax-advantaged manner and to invest through the approach that best suits the Account Owner.

The Internal Revenue Service ("IRS") has issued proposed regulations under Section 529 of the Code, but has not yet issued final regulations thereunder. Additionally, the proposed regulations do not reflect changes made to Section 529 of the Code or guidance issued by the IRS since their promulgation. The Plan as described in this Enrollment Handbook is operated so as to comply with Section 529 of the Code as currently in effect. However, the Plan's operations may need to be modified to comply with final regulations, when issued, and such final regulations may alter the tax treatment of Account Owners and Designated Beneficiaries as discussed herein. When considering an investment in the Plan, you should be aware that the laws affecting your investment may change or expire while your Account is open. (See "FEDERAL AND STATE TAX CONSIDERATIONS—Federal Gift, Estate and Generation-Skipping Transfer Taxes" on page 23 and "CERTAIN RISKS TO CONSIDER—Risks related to possible future changes in state and federal tax law" on page 20 for details.)

The rate of return on Accounts, if any, may be less than the rate of increase in the costs of Qualified Higher Education Expenses over the same period. There are no performance guarantees with the Plan and the value of your Account may fluctuate over time. Investments under the Plan are not guaranteed or insured by the Federal Deposit Insurance Corporation or other governmental agency, or by the Program Parties or any other entity. No one can predict the returns from the Portfolios, or the Underlying Investment in which the Portfolios invest. Past performance of any Portfolio or Underlying Investment is no guarantee of future results.

Service Providers

As Program Manager, Union Bank and Trust Company provides administrative services to the Plan under a contract that extends to December 31, 2010.

OppenheimerFunds Distributor, Inc. is the Plan's sole distributor under a contract that extends to November 2, 2013.

OFI Private Investments Inc. and its affiliates provide investment management, administrative, transfer agency, recordkeeping and related services to the Plan under a contract that extends to November 2, 2013.

State Farm VP Management Corp. ("State Farm") does not provide investment management services to the Plan. State Farm offers classes of shares of the Trust and is a separate entity from those State Farm entities which provide banking products and insurance products.

The Application Process

The Account Owner may be a person at least 18 years of age, a state or local government, a tax-exempt organization described in Section 501(c)(3) of the Code, a custodian under a UGMA/UTMA, or another type of legal entity, such as a trust or a corporation. To open an Account, the Account Owner must complete and sign an Enrollment Application and any other documents required by the Trustee, the Servicing Agent or State Farm. Completed Enrollment Applications must be sent to the State Farm Registered Representative through whom the Account is opened. At the time of enrollment, the Account Owner (other than state or local governments or tax-exempt organizations described in Section 501(c)(3) of the Code) must designate a Designated Beneficiary for the Account.

The Designated Beneficiary

There may be only one Account Owner and one Designated Beneficiary per Account. The Designated Beneficiary is not required to be related to the Account Owner. One Account Owner may have several Accounts for the same Designated Beneficiary or different Designated Beneficiaries within the Plan. Also, different Account Owners may have Accounts for a single Designated Beneficiary within the Plan.

Control of the Account

The Account and all rights under the Participation Agreement belong to you as Account Owner and not to the Designated Beneficiary. You retain control of how and when Account assets are used. You may change the Designated Beneficiary if the proposed Designated Beneficiary is a Member of the Family of the Designated Beneficiary to be replaced. See "Member of the Family" on page 16 for details. See "UGMA/UTMA Custodial Accounts" on page 3 for a discussion of the treatment of Accounts established by UGMA/UTMA custodian Account Owners. You may also take Nonqualified Withdrawals, subject to applicable federal and state income taxes on earnings and an additional 10% federal tax on earnings.

1 Some states offer favorable tax treatment and/or other benefits to their residents only if they invest in the state's own Section 529 plan. You should consult with your tax advisor to determine the state tax consequences of participating in the Plan.

INVESTMENTS IN THE PLAN

Your Account represents an investment in a security issued by the Trust (an "Interest"), and this Interest is being distributed by the Plan Distributor and sold to Account Owners by State Farm Registered Representatives.

Investors should consider the structure of the Plan and the different investment strategies employed by and risks of each Portfolio before opening an Account.

THESE SECURITIES HAVE NOT BEEN REGISTERED WITH THE U.S. SECURITIES AND EXCHANGE COMMISSION, OR WITH ANY STATE SECURITIES COMMISSIONS.

UGMA/UTMA Custodial Accounts

An Account Owner who is the custodian of an Account established or being opened under a state's UGMA/UTMA may be able to open an Account in his or her custodial capacity, depending on the laws of that state. These types of Accounts involve additional restrictions that do not apply to other types of Section 529 plan accounts. A custodian using UGMA/UTMA funds to establish an Account must indicate that the Account is custodial by checking the appropriate box on the Enrollment Application. None of the Program Parties will be liable for any consequences related to a custodian's improper use, transfer or characterization of custodial funds. UGMA/UTMA custodians must establish Accounts in their custodial capacity separate from any Accounts they may hold in their individual capacity in order to contribute UGMA/UTMA property to an Account.

Because the Designated Beneficiary of an Account under the UGMA/UTMA is the owner of the Account, any tax consequences from a withdrawal from an Account will be imposed on the Designated Beneficiary, and not the UGMA/UTMA custodian Account Owner (who is considered the owner of the Account by the Plan).

In general, UGMA/UTMA Custodial Accounts are subject to the following additional requirements and restrictions:

- The UGMA/UTMA custodian will be permitted to make withdrawals only in accordance with the rules applicable to withdrawals under the applicable UGMA/UTMA and the Plan;
- The custodian will not be able to change the Account Owner to anyone other than a successor custodian during the term of the custodianship under UGMA/UTMA;
- The custodian must notify the Plan when the custodianship terminates and the Designated Beneficiary is legally entitled to take control of the Account. At that time the Designated Beneficiary will become the Account Owner and will become subject to the provisions of the Plan applicable to non-UGMA/UTMA Account Owners. Custodians or Designated Beneficiaries will need to complete certain forms to document the termination of the custodianship; and
- An Account Owner maintaining an Account as a UGMA/UTMA custodian may not change the Designated Beneficiary of the Account, except as may be permitted by applicable law.

All UGMA/UTMA Account assets are treated by the Plan as subject to the UGMA/UTMA. Moreover, because only cash may be used to open an Account in the Plan, non-cash assets held by an UGMA/UTMA account will have to be liquidated, resulting in a taxable event to the Designated Beneficiary. Please consult a tax professional to determine how to transfer an existing UGMA/UTMA account, and what the implications of such a transfer may be for your specific situation. Custodians for minors under the UGMA/UTMA may open Accounts which are subject to additional limitations, such as the inability to change the Designated Beneficiary and certain restrictions on withdrawals.

Personal Information

Establishment of an Account is subject to acceptance by the Servicing Agent, including the verification of an Account Owner's identity and other information in compliance with the requirements of the USA PATRIOT Act and other applicable law. If an Account Owner does not provide the information as requested on the Enrollment Application, the Servicing Agent may refuse to open an Account for the Account Owner. If reasonable efforts to verify this information are unsuccessful, the Servicing Agent may take certain actions regarding the Account without prior notice to the Account Owner, including among others, rejecting Contributions and withdrawal and transfer requests, suspending Account services or closing the Account. Shares redeemed as a result of closing an Account will be valued at the shares' net asset value ("NAV") next calculated after the Servicing Agent closes the Account. The risk of market loss, tax implications and any other expenses, as a result of the liquidation, will be solely the Account Owner's responsibility.

ALLOCATION OF CONTRIBUTIONS

At the time of enrollment, the Account Owner must choose the initial Portfolio(s) for the Account and, if two or more Portfolios are chosen, the allocation of the initial Contribution among them. Subsequent Contributions will also be invested in selected Portfolio(s), according to a designated allocation, until the Account Owner instructs the Servicing Agent otherwise, by making a new Portfolio selection and/or designating a new allocation, with respect to new Contributions. Although Account Owners may choose to invest new Contributions in any of the Plan's Portfolios, they may only change how previous Contributions (and any earnings thereon) have been allocated among the available Portfolio options for all Accounts for the same Designated Beneficiary once per calendar year or upon a change of Designated Beneficiary.

CONTRIBUTIONS

Account Owners making an initial Contribution by check must send a minimum initial Contribution of at least $250 with their Enrollment Application to the State Farm Registered Representative through whom the Account is opened or to the Servicing Agent.

Your Contributions, if received in good order by the Servicing Agent prior to the close of the New York Stock Exchange ("NYSE"), normally 4:00 p.m. Eastern time, will be processed on the same business day, and on the next succeeding business day if the transaction request is received after the close of the NYSE. Contributions will be credited to your Account only if the documentation received from you is complete and correct and the contribution satisfies the requirements set forth both in the Participation Agreement and in this Enrollment Handbook. The investments through an Account are priced based on the price in effect for the Underlying Investments at the close of the NYSE (generally 4:00pm Eastern Time) on the date the Contribution is processed and credited to your account.

A Contribution, rollover or transfer may be refused if the Trustee or the Servicing Agent reasonably believes that (i) the purpose is for other than funding the Qualified Higher Education Expenses of the Designated Beneficiary of an Account, (ii) there appears to be an abuse of the Plan, or (iii) such transaction is unlawful. The Plan may not be able to determine that a specific Contribution, rollover or transfer is for other than funding the Qualified Higher Education Expenses of a Designated Beneficiary, abusive or unlawful. The Plan therefore makes no representation that all such Contributions, rollovers or transfers can or will be rejected.

Third-party Contributions

Individuals (including the Designated Beneficiary) or entities who are not the Account Owner may make Contributions to an Account; *however*, the Account Owner will retain control over the Account (including the ability to make withdrawals) and will have control over the monies contributed by such third-party contributors. Such Contributions may have gift or other tax consequences. (See "FEDERAL AND STATE TAX CONSIDERATIONS—Federal Gift, Estate and Generation-Skipping Transfer Taxes" on page 23 for details.)

Minimum Initial Contributions

The required minimum initial Contribution to an Account is $250 per Account.

Subsequent payments into your Account thereafter may be as low as $50 per Portfolio.

The minimum initial Contribution is waived for Accounts to which Contributions are made through an Automatic Investment Plan (AIP) provided that the $50 monthly minimum Contribution per Portfolio is met.

In all cases, the minimum additional Contribution is $50 per Portfolio.

Maximum Contribution Limit

Contributions to an Account will be permitted if the aggregate balance, including the proposed Contribution amount, of all Trust accounts (including Plan Accounts) for the same Designated Beneficiary does not exceed $360,000, regardless of Account Owner. Pursuant to Section 529 of the Code, the Trustee sets the maximum Account balance limit. The Trustee expects to evaluate the maximum Account balance limit periodically. Accounts that have reached the maximum Account balance limit may continue to increase in value depending on market fluctuation. While not now expected, it is possible that federal tax law might impose different limits on maximum Account balances in the future.

Excess Contributions

The Servicing Agent may return all or any part of a Contribution, rollover or transfer that would cause the market value of the Accounts held on behalf of a particular Designated Beneficiary in the aggregate to exceed the maximum account balance limit ("Excess Contribution").

Methods of Contribution

Contributions must be made in "cash form" by check, AIP, EFT or federal funds wire. No securities will be accepted. Third party checks will be rejected with the exception of transfers from UGMA/UTMA accounts, Coverdell ESAs or accounts in another Section 529 plan. Account Owners making an initial Contribution by check must send at least the minimum initial Contribution with their Enrollment Application to the State Farm Registered Representative through whom the Account is opened or to the Servicing Agent. The check must be made payable to The State Farm College Savings Plan.

Automatic Investment Plan (AIP)

Account Owners may authorize the Plan to perform periodic automatic debits from a checking or savings account at another financial institution to execute Contributions to their Accounts. To initiate an AIP, Account Owners must either (i) complete the Automatic Investment Plan section of the Enrollment Application and submit a voided bank check or savings account deposit slip, or (ii) (if the Account has been established) submit to the Servicing Agent an Account Maintenance Form and a voided bank check or savings account deposit slip or (iii) complete the applicable section online at **www.statefarm.com.** Automatic Contributions must be at least $50 per Portfolio. An authorization to perform automatic periodic Contributions will remain in effect until the Servicing Agent has received notification of its termination. Changes to, or termination of, an AIP must occur at least four business days before the cycle date. The cycle date is the day of the month you designate on which the investment is regularly scheduled to occur. Normally, the debit will be made two business days prior to the cycle dates you selected. If no date is indicated, debits will be made on the 10th of the month. Account Owners or the Plan may terminate enrollment in the Plan's AIP at any time. There is no charge for enrolling in the Plan's AIP. Use of AIP does not assure either a profit or protect against a loss in a declining market. Information about the Plan's AIP is available from your State Farm Registered Representative or the Servicing Agent.

Electronic Funds Transfer (EFT)

To activate this option, an Account Owner must either (i) select it on the Enrollment Application and submit a voided bank check or savings account deposit slip, or (ii) (if the Account has been established) submit an Account Maintenance Form to the Plan and a voided bank check or savings account deposit slip.

Plan Transfers for the Account of a New Designated Beneficiary
An Account Owner may make a transfer within the Plan to an Account for the benefit of a new Designated Beneficiary without imposition of federal income tax or the additional 10% federal tax on earnings, if such transfer is made within sixty (60) days of distribution from the originating Account into an Account for a new Designated Beneficiary who is a Member of the Family of the existing Designated Beneficiary.

Plan Transfers for the Same Designated Beneficiary
An Account Owner may make a transfer within the Plan for the benefit of the same Designated Beneficiary. If the funds are transferred directly between Portfolios, the transfer will be treated as a nontaxable investment reallocation allowable only once per calendar year rather than as a tax-free rollover or transfer. This transfer counts towards the Account Owner's once per calendar year investment reallocation. If an Account Owner takes a distribution (i.e., receives a withdrawal check from the transferring Account), the withdrawal will be treated as a Nonqualified Withdrawal subject to federal and applicable state income tax and the additional 10% federal tax on earnings.

Transfer into a Plan Account from Another Plan Within the Trust for the Benefit of a New Designated Beneficiary
An Account Owner may make a transfer to a Plan Account with funds from an account in another plan within the Trust for the benefit of a new Designated Beneficiary without imposition of federal income tax or the additional 10% federal tax on earnings, if such transfer is made within sixty (60) days of distribution from the originating account into an Account for a new Designated Beneficiary who is a Member of the Family of the existing Designated Beneficiary.

Transfer into a Plan Account from Another Plan Within the Trust for the Benefit of the Same Designated Beneficiary
A transfer into a Plan Account from an account in another plan within the Trust for the benefit of the same Designated Beneficiary will be treated as a nontaxable investment reallocation allowable only once per calendar year rather than as a tax-free rollover or transfer. This transfer counts towards the Account Owner's (and if more than one Account Owner is affected, all such Account Owners') once per calendar year investment reallocation. If an Account Owner takes a distribution (i.e., receives a withdrawal check from the transferring account), the withdrawal will be treated as a Nonqualified Withdrawal subject to federal and applicable state income tax and the additional 10% federal tax on earnings (even if amounts are subsequently redeposited). (See "CHANGING THE DESIGNATED BENEFICIARY" on page 15 for details.)

Rollovers from Another State's Section 529 Plan
An Account Owner may roll over all or part of the balance of an account in another state's Section 529 plan to an Account in the Plan without subjecting the rollover amount to federal income tax if (i) the rollover is for a new Designated Beneficiary who is a Member of the Family of the previous Designated Beneficiary or (ii) the rollover is for the same Designated Beneficiary and does not occur within twelve months from the date of a previous transfer to a qualified tuition program for the same Designated Beneficiary. (See "FEDERAL AND STATE TAX CONSIDERATIONS—Federal Income Tax Treatment of the Trust, Contributions and Withdrawals" on page 22 for details.)

Rollovers from Coverdell ESAs and Series EE and Series I Bonds
Tax-free transfers into a Plan Account may be made from a Coverdell ESA or in connection with the redemption of Series EE or Series I U.S. savings bonds under certain circumstances. (See "FEDERAL AND STATE TAX CONSIDERATIONS—Federal Income Tax Treatment of the Trust, Contributions and Withdrawals" on page 22 for details.)

REQUIRED INFORMATION UPON CERTAIN CONTRIBUTIONS TO THE PLAN

When making a Contribution to an Account through a transfer from a Coverdell ESA, a redemption of Series EE and Series I bonds, a rollover from another Section 529 plan or a transfer from another plan within the Nebraska 529 Program, the contributor must indicate the source of the Contribution and provide the Servicing Agent with the following documentation, as applicable:

- In the case of a Contribution from a Coverdell ESA, an account statement issued by the financial institution that acted as custodian of the Coverdell ESA that shows basis and earnings in the Coverdell ESA
- In the case of a Contribution from the redemption of a Series EE or Series I bond, an account statement or Form 1099-INT issued by the financial institution that processed the bond redemption showing interest from the redemption of the bond
- In the case of a rollover Contribution from another state's Section 529 plan , a statement issued by the distributing plan that shows the earnings portion of the distribution. In the case of any direct transfer from another plan within the Trust, the distributing plan must provide the Plan a statement that shows the earnings portion of the distribution

Unless and until the Servicing Agent receives the documentation described above, as applicable, the Plan will treat the entire amount of the Contribution as earnings in the Account upon receiving the distribution.

CONTRIBUTION POLICIES AND RELATED FEES

Following receipt of Contributions by check or by transfer of funds electronically, the Plan reserves the right, subject to applicable law, to prohibit withdrawals of those funds (or their equivalent) for up to ten calendar days. The Servicing Agent or the State Farm Registered Representative through whom the Account is opened can explain this policy to you.

Account Transactions

Transaction requests (Contributions to Accounts, withdrawal requests, and exchanges among Portfolios) received in good order by the Servicing Agent prior to the close of the NYSE, normally

4:00 p.m. Eastern time, will be processed on the same business day, and on the next succeeding business day if the transaction request is received after the close of the NYSE. Excess Contributions will not be invested. Notwithstanding the above, AIP and EFT Contributions will be processed on the business day the bank debit occurs. All dividends and distributions paid by the Underlying Investments in which the Portfolios invest will be reinvested in the applicable Underlying Investments and will not be paid directly to each Account Owner.

Confirmations, Statements and Reporting

Confirmations will be mailed for any activity in an Account, except for Contributions made through the AIP, Systematic Exchange Feature (described below) or Systematic Withdrawal (defined below). Account Owners will receive quarterly statements. Duplicate copies of your confirmations and Account statements will be provided to your State Farm Registered Representative or an interested party. An Account Owner has 60 days to notify the Servicing Agent of any errors on any Account confirmation, statement or report.

Account Owners can securely access and manage their Account information—including quarterly statements, confirmations and tax forms—24 hours a day at **www.statefarm.com** once an online user ID and password has been created. If an Account Owner opens an Account online, the Plan requires a user ID and password to be selected right away. If an Account Owner opens an Account by submitting a paper application, a user ID and password may be established at **www.statefarm.com.**

Protecting Your Account

The Plan uses reasonable procedures to confirm that transaction requests are genuine. The Account Owner may be responsible for losses resulting from fraudulent or unauthorized instructions received by the Servicing Agent provided the Servicing Agent reasonably believes the instructions were genuine. To safeguard your Account, please keep your Account information confidential. Contact the Servicing Agent immediately if you believe there is a discrepancy between a transaction you performed and the confirmation statement you received, or if you believe someone has obtained unauthorized access to your Account.

Systematic Exchange Feature

The Plan allows Account Owners the ability to invest Contributions in the Plan and take advantage of dollar cost averaging via monthly or quarterly Systematic Exchanges. Account Owners may choose an originating Portfolio and designate a destination Portfolio into which specified dollar amounts (a minimum of $50 per Portfolio) will be transferred on a monthly or quarterly basis. Account Owners can choose the Systematic Exchange Feature on the initial Enrollment Application or subsequently on the Account Maintenance Form. Account Owners must have at least $1,000 in the originating Portfolio to start the Systematic Exchange Feature. An election to invest future Contributions pursuant to the Plan's Systematic Exchange Feature is not considered to be use of the Account Owner's once per calendar year Account reallocation. However, discontinuing the Systematic Exchange Feature or changing the destination Portfolios will be considered an Account reallocation subject to the once per calendar year limitation, if it applies to funds in the originating Portfolio which were previously subject to the election.

Ownership of Account Assets

Any individual (including the Designated Beneficiary) or entity may make Contributions to an Account. Only the Account Owner will receive confirmation of Account transactions. The Account Owner owns all Contributions made to an Account as well as all earnings credited to the Account. Individuals (such as the Designated Beneficiary) or entities other than the Account Owner that contribute funds to an Account will have no subsequent control over the Contributions. Only the Account Owner may direct transfers, rollovers, investment changes (as permitted under federal law), withdrawals and changes in the Designated Beneficiary. See "UGMA/UTMA Custodial Accounts" on page 3 for a discussion of the treatment of Accounts established by UGMA/UTMA custodian Account Owners. The Designated Beneficiary has no control over the assets of the Account and may not direct withdrawals from the Account, unless he or she is also the Account Owner.

Certain Transfers Prohibited

No Account may be used as collateral for any purpose by an Account Owner or a Designated Beneficiary, including collateral for any loan. Any attempted use of an Account as collateral is void.

An Account Owner may not assign or transfer any Interest in any Account (except through a change in Account Owner or Designated Beneficiary in accordance with the Plan's rules). Any attempted assignment or transfer of such an Interest in violation of this provision is void. No interest in an Account or any portion thereof shall be used as security for a loan.

No Assignments or Pledges

Neither an Account nor any portion thereof may be assigned, transferred or pledged as security for a loan (including, but not limited to, a loan used to make Contributions to the Account) or otherwise either by the Account Owner or by the Designated Beneficiary. Any pledge of an interest in an Account will be of no force and effect.

Bankruptcy and Related Matters

Federal bankruptcy law provides that Contributions to an Account that are made within 365 days of the filing of a bankruptcy petition by an Account Owner are part of the Account Owner's bankruptcy estate, and thus available to creditors.

Contributions to all Accounts for a single Designated Beneficiary made between 365 days and 720 days before the filing of a bankruptcy petition by an Account Owner are not considered part of the Account Owner's bankruptcy estate to the extent the aggregate of such Contributions does not exceed $5,475, and thus such Contributions that do not exceed $5,475 are not available to creditors (this figure is subject to a periodic adjustment for inflation); *provided* that (i) such Contributions do not exceed the Plan's maximum Account balance limit, and (ii) the Designated Beneficiary of such Accounts is a child, stepchild, grandchild or step grandchild of the Account Owner (a legally adopted child or a foster child of an Account Owner is treated as a child of such Account Owner by blood).

All Contributions to all Accounts for a single Designated Beneficiary made at least 720 days before the filing of a bankruptcy petition by an Account Owner are not considered part of the Account Owner's bankruptcy estate, and thus are not generally available to creditors; *provided* that (i) such Contributions do not exceed the Plan's maximum Account balance limit, and (ii) the Designated Beneficiary of such Accounts is a child, stepchild, grandchild or step grandchild of the Account Owner (a legally adopted child or a foster child of an Account Owner is treated as a child of such Account Owner by blood).

An Account Owner filing a bankruptcy petition must report to the bankruptcy court any interest that the Account Owner has in a Section 529 Plan.

Nebraska law. The legislation establishing the Trust is to be interpreted in accordance with Nebraska law. Such legislation generally provides that any amount credited to an Account is not susceptible to any levy, execution, judgment or other operation of law, garnishment or other judicial enforcement, and that such amount is not an asset or property of either the Designated Beneficiary or the Account Owner for purposes of any State insolvency or inheritance tax laws.

As of the date of this Enrollment Handbook, courts have yet to interpret, apply or rule on matters involving an interpretation of such legislation. Neither the Trust, the Nebraska State Treasurer, the Investment Council, the Nebraska State Investment Officer, the Nebraska Servicing Agent or the Program Manager make any representations or warranties regarding protection from creditors. You should consult your legal advisor regarding this law and your circumstances.

Other state law. The state law for Account Owners who are not Nebraska residents may offer creditor protections. Such state law creditor protections may not be enforceable or available to exempt an Account Owner's interest in an Account in such Account Owner's federal bankruptcy proceedings. None of the Program Parties makes any representations or warranties regarding protection from creditors. You should consult a legal advisor regarding state creditor protection law, federal bankruptcy law and your particular circumstances.

Successor Account Owner

An Account Owner may designate a Successor Account Owner to succeed to all of the current Account Owner's rights, titles and interest in an Account (including the right to change the Designated Beneficiary) upon the death or legal incapacity of the current Account Owner. Such designation must either be on the original Enrollment Application or submitted in writing to the Servicing Agent and is not effective until it is received and processed by the Servicing Agent. The Successor Account Owner will be required to provide the Servicing Agent with a certified copy of a death certificate in the case of the death of the Account Owner or an acceptable medical authorization or court order in the case of the incapacity of the Account Owner and such other information as the Servicing Agent requires prior to taking any action regarding the Account. See "UGMA/UTMA Custodial Accounts" on page 3 for a discussion of the treatment of Accounts established by UGMA/UTMA custodian Account Owners. The designation of a Successor Account Owner may be revoked or changed at any time by the Account Owner by submitting an Account Maintenance Form to the Servicing Agent. All other requests to transfer ownership to a Successor Account Owner (i.e., other than at the death of the Account Owner if previously indicated on the Enrollment Application) must be submitted in writing. A transfer of ownership of an Account does not require a change of the Designated Beneficiary. Please contact the Servicing Agent at 1-800-321-7520 for information needed to change the ownership of an Account. A transfer of ownership of an Account may have income, gift, estate or generation skipping transfer tax consequences. Account Owners should consult a tax advisor regarding tax issues that might arise on a transfer of Account Ownership.

INVESTMENT OPTIONS

General

Investment option(s) and the percentage of each Contribution to be allocated to the Portfolio(s) selected must be indicated on the Enrollment Application. The total allocation may not exceed 100%. All subsequent Contributions will be invested in the selected Portfolio(s) and at the designated allocations until a new designated allocation is selected by the Account Owner.

The Plan consists of nine investment Portfolios—five Enrollment-based Portfolios and four Static Portfolios. Each Portfolio seeks to meet its investment objective by building a portfolio of investments that meet a target investment allocation between equity and fixed-income investments. Each Portfolio's performance depends on the investment performance of the Underlying Investments in which it invests. Therefore, the risks of investing in the Portfolios are the same as the risks associated with an investment in the Underlying Investments. A more detailed description of each of the Portfolios is set forth below. No Underlying Investment financial information is included in this Enrollment Handbook.

Account Owners, at the time of enrollment, must select an investment approach or combination thereof:

- Enrollment-based Portfolios
- Static Portfolios

Contributions to the Plan are invested in Portfolios selected by the Account Owner. The Servicing Agent and the Nebraska Investment Council have designed each Portfolio with a different investment objective and asset allocation mix because investors have different investment goals, savings needs, investment time horizons, risk tolerances and financial and tax situations. Each Portfolio invests in one or more Underlying Investments. The actual mix of assets in Portfolios that invest in more than one

Underlying Investment will vary over time due to market performance and will be rebalanced at least quarterly in order to maintain the Portfolio's target asset allocation. Portfolios with higher allocations in fixed income and money market Underlying Investments tend to be less volatile than those with higher equity Underlying Investment allocations. None of the Portfolios is designed to provide any particular total return over any particular time period or investment time horizon. Account Owners own Interests in a Portfolio; they do not have a direct beneficial interest in the Underlying Investments or the other instruments. Because the Portfolios have different investment objectives, Account Owners have the opportunity to diversify their investment in the Plan. When investing in the Plan, an Account Owner should consider, among other factors, when Contributions will be made to the Account, the Contribution amounts, the time Contributions will be held in the Account before withdrawals are directed, other resources expected to be available to fund the Designated Beneficiary's Qualified Higher Education Expenses, the age of the Designated Beneficiary and the limited ability to change investment options for Contributions (and any earnings thereon) that have already been invested in an Account. There is no assurance that the strategy of any Portfolio will be successful. Participation in the Plan is not considered to be part of an investment advisory service.

The Nebraska Investment Council reserves the right to change the investment objectives and policies of the Portfolios, to change the type and number of Portfolios that are available, and to change or eliminate target allocations and Underlying Investments at its discretion.

All dividends and distributions paid by the Underlying Investments in which the Portfolios invest will be reinvested in the applicable Underlying Investments and will not be paid directly to each Account Owner. Account Owners and Designated Beneficiaries will have no voting rights (and will receive no information with respect to voting) with respect to shares of any Underlying Investments held by any Portfolio. All voting decisions with respect to shares of the Underlying Investments will be made by the Nebraska Investment Council or its designee.

Under federal tax law, once a Portfolio selection has been made, an Account Owner may only change how previous Contributions (and any earnings thereon) have been allocated among the available Portfolio options for all Accounts for the same Designated Beneficiary once per calendar year or upon a change of the Designated Beneficiary. None of the Program Parties, the Federal Deposit Insurance Corporation or any government agency insures any Account or guarantees any rate of return or any interest rate on any Contribution, and none of the Program Parties is liable for any loss incurred by any person as a result of participating in the Plan. An Account may fluctuate in value and may be worth more or less than the amounts contributed at any given time.

ENROLLMENT-BASED PORTFOLIOS

The Enrollment-based Portfolios are a series of five investment Portfolios that are designed to fit particular investment time horizons. The Enrollment-based Portfolios also invest all of their assets in the Underlying Investments. Contributions and investment earnings will be invested in the Underlying Investments based on the anticipated time to college enrollment of the Designated Beneficiary, and will typically be invested more heavily in underlying equity investments when the Designated Beneficiary is younger and more heavily in fixed-income and money market investments as the Designated Beneficiary nears enrollment in college.

If you invest in the Enrollment-based Portfolios, the Servicing Agent will reallocate your investments as your Designated Beneficiary nears enrollment in college. In this case, you will be asked to provide (on the Enrollment Application) your Designated Beneficiary's estimated year of enrollment in college. The Servicing Agent will make the determination as to whether your investments are scheduled to move to the next Portfolio on an annual basis. Thus, if you open an Account in 2008 and indicate on your Enrollment Application that your Designated Beneficiary is expected to begin enrollment in 2012, the Servicing Agent will reallocate your investments on a schedule which will have you invested in the College Now Portfolio before September 1, 2012. If you elect to invest in the Enrollment-based Portfolios in an Account for a Designated Beneficiary who is under age 18, and you do not provide an estimated time to enrollment, your initial investment will be made based on the assumption that enrollment will begin in the year in which the Designated Beneficiary turns 18 years of age. The investment objective of each Enrollment-based Portfolios is as follows. For additional information regarding the Underlying Investments, see "Additional Information Regarding the Underlying Investments" beginning on page 27.

13+ Years to College Portfolio

The 13+ Years to College Portfolio is an investment Portfolio that invests all of its assets in equity investments to seek capital appreciation. This Portfolio has a target allocation is to invest 100% of its total assets in Underlying Investments that invest primarily in equity securities.

7-12 Years to College Portfolio

The 7-12 Years to College Portfolio is an investment Portfolio that invests in a combination of equity and fixed income investments in order to seek capital appreciation and income. This Portfolio has a target allocation is to invest 80% of its total assets in Underlying Investments that invest primarily in equity securities and 20% of its total assets in Underlying Investments that invest primarily in fixed-income securities.

4-6 Years to College Portfolio

The 4-6 Years to College Portfolio is an investment Portfolio that invests in a combination of equity, fixed income and money market investments, in order to seek capital appreciation and income. This Portfolio has a target allocation of 60% equity investments and 40% fixed income investments.

1-3 Years to College Portfolio

The 1-3 Years to College Portfolio is an investment Portfolio that invests primarily in equity, fixed income and money market investments, in order to seek conservative appreciation, income and potential protection of principal. This Portfolio has a target allocation of 40% equity investments, 50% fixed income investments, and 10% money market investments.

College Now Portfolio

The College Now Portfolio is an investment Portfolio that invests primarily in fixed income and money market investments in order to seek income and protection of principal. This Portfolio has a target allocation of 10% equity investments, 75% fixed income investments and 15% money market investments.

STATIC PORTFOLIOS

The Underlying Investments in which each Static Portfolio invests remains the same and does not change based on the age of the Designated Beneficiary. The investment objective of each Static Portfolio is as follows. For additional information regarding the Underlying Investments, see "Additional Information Regarding the Underlying Investments" beginning on page 27.

OppenheimerFunds Growth Portfolio

The OppenheimerFunds Growth Portfolio is an investment Portfolio that invests all of its assets in equity investments to seek capital appreciation. This Portfolio has a target allocation is to invest 100% of its total assets in Underlying Investments that invest primarily in equity securities.

OppenheimerFunds Moderate Growth Portfolio

The OppenheimerFunds Moderate Growth Portfolio is an investment Portfolio that invests in a combination of equity and fixed income investments in order to seek capital appreciation and income. This Portfolio has a target allocation is to invest 80% of its total assets in Underlying Investments that invest primarily in equity securities and 20% of its total assets in Underlying Investments that invest primarily in fixed-income securities.

OppenheimerFunds Balanced Portfolio

The OppenheimerFunds Balanced Portfolio is an investment Portfolio that invests in a combination of equity, fixed income and money market investments, in order to seek capital appreciation and income. This Portfolio has a target allocation of 60% equity investments and 40% fixed income investments.

OppenheimerFunds Money Market Portfolio

The OppenheimerFunds Money Market Portfolio is an investment Portfolio that seeks preservation of capital by investing all of its assets in an underlying money market fund to maintain stability. This Portfolio has a target allocation of 100% money market investments.

Underlying Investments and Target Allocations for each Portfolio

Enrollment-based Portfolios	13+ Years to College Portfolio	7-12 Years to College Portfolio	4-6 Years to College Portfolio	1-3 Years to College Portfolio	College Now Portfolio	N/A
Static Portfolios	**Growth Portfolio**	**Moderate Growth Portfolio**	**Balanced Portfolio**	**N/A**	**N/A**	**Money Market Portfolio**
Oppenheimer Capital Appreciation Fund	27.5%	22.5%	20.0%	15.0%	5.0%	0.0%
Oppenheimer Value Fund	27.5	22.5	20.0	15.0	5.0	0.0
Oppenheimer Main Street Small Cap Fund®	20.0	15.0	7.5	2.5	0.0	0.0
OFIPI Baring International	25.0	20.0	12.5	7.5	0.0	0.0
Oppenheimer Strategic Income Fund	0.0	20.0	15.0	15.0	15.0	0.0
Oppenheimer Core Bond Fund	0.0	0.0	25.0	25.0	35.0	0.0
Oppenheimer Limited-Term Government Fund	0.0	0.0	0.0	10.0	25.0	0.0
Oppenheimer Institutional Money Market Fund[2]	0.0	0.0	0.0	10.0	15.0	100.0
Total Allocation	100%	100%	100%	100%	100%	100%

2 Although this Underlying Investment seeks to preserve the value of your investment at $1.00 per share, it is possible to lose money by investing in this Underlying Investment.

Changes in Investment Guidelines or Underlying Investments

From time to time, the Nebraska Investment Council may change the investment guidelines for the Plan. If such a change so requires, or in connection with a transition in service provider, the Servicing Agent will cause a Portfolio to divest itself of ownership of shares of one or more Underlying Investments. During the transition from one Underlying Investment to another Underlying Investment, a Portfolio may be temporarily uninvested and lack market exposure to an asset class. During such transition period, a Portfolio may temporarily hold a basket of securities to the extent that the Underlying Investment from which it redeems chooses to satisfy the Portfolio's redemption out of such investment on an in kind basis. In such event, the Servicing Agent will seek to liquidate the securities received from the Underlying Investment as promptly as practicable so that the proceeds can be promptly invested in the replacement Underlying Investment. The transaction costs associated with such liquidation, as well as any market impact on the value of the securities being liquidated, will be borne by the Portfolio and Accounts invested in such Portfolio. An Underlying Investment from which a Portfolio redeems may impose redemption fees. In such event, the Portfolio, and Accounts invested in such Portfolio, will bear such redemption fees.

How the Value of an Account is Calculated

The NAV of a Portfolio per share is calculated by dividing the value of its net assets by the total number of shares of the Portfolio outstanding. NAV per share is based on the value of the investments of the Portfolio, including its holdings in the underlying investments. The NAV per share of each underlying investment is determined as of the close of regular trading on the NYSE. Each Portfolio will be closed for wire purchases and redemptions on days when the Federal Reserve Wire System is closed.

INVESTMENT PERFORMANCE

The Plan Portfolios described in this Enrollment Handbook commenced operations on the date of this Enrollment Handbook, and no performance information for the Portfolios is yet available. However, certain Portfolio price and performance information will be available on **www.statefarm.com**. Past performance—and especially short-term past performance—information for the Portfolios (when available) should not be viewed as an indication of the future performance of any particular Portfolio.

PLAN FEES AND EXPENSES

Each Account bears certain ongoing Plan fees which are charged against the assets of the Portfolios, to provide for the costs associated with the distribution, servicing and administration of the Account. These Plan fees, which are described below, will reduce the value of the Account as they are incurred. Accounts also will indirectly bear fees and expenses of the Underlying Investments in which the Portfolios invest. In addition, Accounts may also be charged certain fees and expenses, including the fees of independent public accountants for conducting annual audits and other fees and expenses the Nebraska State Treasurer or the Nebraska Investment Council may from time to time impose. The Nebraska State Treasurer or the Nebraska Investment Council may change or add new fees at any time.

Management Fee

The Servicing Agent receives a management fee for Plan administration and investment management services. The Servicing Agent or its affiliate also receives compensation directly from the Underlying Investments in which the Portfolios invest for serving as the investment adviser of those funds. The Program Manager also receives a management fee for Plan management services.

State Administrative Fee

The Nebraska State Treasurer receives a State Administrative Fee of 0.05% for administering and marketing the Plan and Trust. The fees received by the Nebraska State Treasurer will be used to administer and market the Plan and Trust.

Annual Asset-based Charge

An annual asset-based charge is accrued by each share class of a Portfolio on a daily basis and paid to the Plan Distributor; this fee is not reflected as a direct charge against your Account on your Account statements, but rather is included in the daily NAV calculation for each share class of each Portfolio. The annual asset-based charge varies depending on which class of shares you purchase:

- For Class A shares, an annual asset-based charge at an annual rate of 0.25% of the average daily net assets is paid by each Portfolio (except the Money Market Portfolio).
- For Class B shares, an annual asset-based charge at an annual rate of 1.00% of the average daily net assets is paid by each Portfolio (except the Money Market Portfolio).

You should note, however, that the Class B shares you purchase will be converted to Class A shares at the end of the month which is eight years after the date on which the shares were purchased. Thus, the overall annual asset-based charge indirectly borne by you will decrease over time.

Underlying Investment Expenses

Each Account will also indirectly bear its pro rata share of the fees and expenses of the Underlying Investments in which it invests. Each Portfolio's investment return will be net of the Underlying Investment's expenses. Although the Underlying Investment's fees and expenses are not charged individually to Accounts, they will reduce the investment returns realized by each individual Account Owner. For more information about the fees and expenses of the Underlying Investments, see "Investment Options."

Payments Among Service Providers

The Plan Distributor will pay State Farm fees equal to 0.15% of the average daily net assets invested in the Plan for marketing support services. These fees are paid out of the Distributor's assets and do not add to the cost of investing in the Plan. These fees are in addition to any other fees paid directly or indirectly by the Plan to State Farm and any commissions the Distributor pays to State Farm out of the sales charges paid by Account Owners.

An Account Owner can ask his or her State Farm Registered Representative about any payments it receives from the Servicing Agent and its affiliates and any services it provides, as well as about fees and/or commissions it charges.

The cost of investing in the Trust through the other series of shares and distribution channels will differ from, and may be more or less than, the costs of investing through this Plan.

Initial Sales Charges

When you open an Account, an initial sales charge will generally be assessed on purchases of Class A shares. Investments made on a single day for multiple Accounts in the Plan may be aggregated for purposes of determining the applicable initial sales charge. Assets already invested in the Plan may also be aggregated, as described below. Class A shares of the Portfolios (except the Money Market Portfolio) are subject to the following initial sales charges:

Investment Amount[3]	Sales Charge
Less than $25,000	5.50%
$25,000 - $49,999	5.25
$50,000 - $99,999	4.75
$100,000 - $249,999	3.75
$250,000 - $499,999	3.00
$500,000 - $999,999	2.00
$1,000,000 or more	0.00

3 This is the total amount invested (in one or more Accounts within the Plan) in Class A shares on a single day.

An investment of $1,000,000 or more which is made on a single day (and which is therefore made without the imposition of an initial sales charge) is referred to generically below as a "large purchase."

Notwithstanding the schedules set forth above, Class A shares of any Portfolio may be purchased without the imposition of an initial sales charge if the purchase is made:

- by any current or retired officer, director or employee (or a member of their immediate family) of the Servicing Agent and its affiliates, the Underlying Investments, or of any foundation, trust or employee benefit plan established exclusively for the benefit of, or by, such persons; or
- by any current or retired State Farm Agents, Employees, or State Farm VP Management Corp. Registered Representatives who work for a State Farm Agent, or a family member (spouse, parent, step-parent, grandparent, step-grandparent, child, grandchild, stepchild, court appointed foster child, or legally adopted child) of any of the foregoing.

Concessions are not paid to State Farm Registered Representatives by the Plan Distributor on shares purchased at net asset value.

Letters of Intent

You may also qualify to purchase Class A shares at reduced sales charges by completing the section of the Enrollment Application entitled, "Letter of Intent", and fulfilling the conditions of your letter of intent (your "LOI"). Your LOI confirms that you intend to make, within the next 13 months, investments in the Plan which, when combined, will fall into one of the levels set forth above. The terms of your LOI are as follows:

Calculating the Initial Sales Charge

Each purchase of Class A shares made during the 13-month period will be subject to a sales charge that would be applicable to a single investment of the total dollar amount committed to in your LOI (as set forth in the table above). It is your responsibility at the time of purchase to specify the Account numbers that should be considered in determining the appropriate sales charge. The sales charge may be further reduced as described below under "Rights of Accumulation," if the Servicing Agent is advised of any other State Farm College Savings Plan assets that you own at the time of your investment.

Fulfilling the Intended Investment

By signing a LOI, you are not making a binding commitment to purchase additional Class A shares, but if purchases made within the 13-month period do not total the amount specified, you will be obligated to pay the applicable sales charge avoided by signing the LOI. If you fail to pay any such avoided sales charges within twenty days following the expiration or termination of your LOI, the Servicing Agent will redeem a sufficient number of shares held in your Account to pay such avoided sales charges. If you request a withdrawal prior to completing your LOI, the Servicing Agent will retain a sufficient number of shares in your Account to pay such avoided sales charges.

Rights of Accumulation

You may also qualify to purchase Class A shares at reduced sales charges based on the aggregate level of assets that you have invested in the Plan. If you qualify for a reduced sales charge, the reduced sales charge applies to the total amount of money being invested, even if only a portion of that amount exceeds the breakpoint for the reduced sales charge. For example, if you already own qualifying shares of an Underlying Investment with a value of $20,000 and wish to invest an additional $20,000 in a Portfolio with a maximum initial sales charge of 5.50%, the reduced initial sales charge of 5.25% will apply to the full $20,000 purchase and not just to the $15,000 in excess of the $25,000 breakpoint.

To qualify for the discount applicable to a particular purchase, you or your State Farm Registered Representative must furnish the Servicing Agent with a list of the Account number(s) to be taken into consideration at the time the purchase is made.

Contingent Deferred Sales Charges

Class A Shares

If you purchase Class A shares of any Portfolio as part of a large purchase, the newly purchased shares will be subject to a 1.00% Contingent Deferred Sales Charge (CDSC) if you redeem them within 18 months following the date of such purchase.

Class B Shares

Only Account Owners who owned Class B shares prior to November 3, 2008 are eligible to purchase Class B shares. Any single investment in Class B shares in an amount greater than $100,000 will rejected. If your Designated Beneficiary is 12 years old or older, you should consider before investing that you may incur a CDSC if you redeem such Class B shares within 6 years. Please discuss with your State Farm Registered Representative whether an investment in Class B shares is appropriate in these circumstances. Account Owners who open new Accounts on or after November 3, 2008 are not eligible to purchase Class B shares.

Class B shares held in an Account may be subject to a CDSC upon withdrawal (except the Money Market Portfolio). The CDSC schedule for Class B shares is as follows:

Year following purchase in which Class B Shares are redeemed	
First	5.00%
Second	4.00
Third	3.00
Fourth	3.00
Fifth	2.00
Sixth	1.00
Seventh	None
Eighth	None

In determining whether to charge a CDSC upon withdrawal, the Servicing Agent will assume that you are taking a distribution of investment earnings before any return of Contributions and will not impose a CDSC on the portion of any distribution attributable to investment earnings. The Servicing Agent will account for shares on a first-in-first-out-basis, which means that you will redeem shares in the order in which they were purchased. Thus, even if your withdrawal includes a return of Contributions, it will be processed with shares on which there is no CDSC due being redeemed first.

This accounting treatment is solely for purposes of applying CDSCs and is different from that which will be applied in order to determine the tax consequences of a distribution. You should note that the Class B shares you purchase will be converted to Class A shares at the end of the month which is eight years after the date on which the shares were purchased.

No CDSC will be charged if you make a Qualified Withdrawal in the event of the death or disability of the beneficiary or the receipt of a scholarship or an appointment to a United States military academy by the Designated Beneficiary.

The sales charges applicable to Class A and Class B shares are in addition to any other fees charged against your Account.

Selling Compensation

A portion of the initial sales charge may be retained by the Plan Distributor or paid to State Farm VP Management Corp. as compensation for sales efforts. The Plan Distributor reserves the right to pay the entire sales charge to State Farm VP Management Corp.

Selling agents will be paid the following commissions and service fees by the Distributor in connection with the sale of shares of each Portfolio and the maintenance of your Account:

- Class A shares—State Farm VP Management Corp. will be paid a commission on each new purchase in the amount set forth below plus an amount equal to 0.25% of the average daily net assets in your Account which remain invested in Class A shares.

Sales Charge Paid	Selling Agent's Commission
5.50%	4.75%
5.25	4.50
4.75	4.00
3.75	3.00
3.00	2.50
2.00	1.60
0.00	1.00

- Class B shares—State Farm VP Management Corp. will be paid a commission on each new purchase of Class B shares of 4.00% of your initial Contribution amount plus an amount equal to 0.25% of the average daily net assets in your Account which remain invested in Class B shares for more than twelve months.

Additional Fees

Application fee	None
Cancellation/withdrawal fee	None
Change in Designated Beneficiary	None
Change in investment Portfolios	None

Fees and Expenses Associated with an Investment in Shares

The following charts sets forth the estimated fees and expenses that will be borne directly or indirectly by your Account. The actual expenses of each Portfolio may be different. The fees and expenses of the Plan are subject to change at any time.

Fee Structure for Class A Shares[4]

	Annual Asset-based Fees					Additional Investor Expenses
		Plan Fees				
Portfolio	Weighted Average Expense Ratio of Underlying Investments[5]	Management Fee[6]	State Administrative Fee[7]	Annual Asset-based Charge	Total of Underlying Investment Expenses and Plan Fees[8]	Maximum Initial Sales Charge[9]
Enrollment-based Portfolios						
13 + Years to College Portfolio	0.70%	0.20%	0.05%	0.25%	1.20%	5.50%
7-12 Years to College Portfolio	0.67	0.20	0.05	0.25	1.17	5.50
4-6 Years to College Portfolio	0.63	0.20	0.05	0.25	1.13	5.50
1-3 Years to College Portfolio	0.56	0.20	0.05	0.25	1.06	5.50
College Now Portfolio	0.50	0.20	0.05	0.25	1.00	5.50
Static Portfolios						
Growth Portfolio	0.70	0.20	0.05	0.25	1.20	5.50
Moderate Growth Portfolio	0.67	0.20	0.05	0.25	1.17	5.50
Balanced Portfolio	0.63	0.20	0.05	0.25	1.13	5.50
Money Market Portfolio	0.15	0.20	0.05	None	0.40	None

4 There is no guarantee that actual expenses will be the same as those shown in the table.

5 For Portfolios that invest in more than one Underlying Investment, based on a weighted average of each Underlying Investment's expense ratio in accordance with the Portfolio's target asset allocation as of the date of this Enrollment Handbook; and for Portfolios that invest in one Underlying Investment, based on the most recent expense ratio for the Underlying Investment. Underlying Investment expenses include investment advisory fees, which are paid to the Servicing Agent or its affiliates, administrative and other expenses.

6 The Servicing Agent receives a fee of 0.15% and the Program Manager receives a fee of 0.05%.

7 The Nebraska State Treasurer receives a fee of 0.05% for administering and marketing the Plan and Trust.

8 This total is assessed against assets over the course of the year and does not include sales charges. See "Hypothetical Expense Example" on page 15 for the approximate cost of investing in each of the Portfolios over 1-, 3-, 5- and 10-year periods.

9 Payable at the time of Contribution. Lower initial sales charges available for larger aggregate Contributions. Waived for certain Account Owners. See "Initial Sales Charges" on pages 10-11 for more details. A maximum contingent deferred sales charge of 1.00% may be charged, and partially waived in limited circumstances, for Contributions not subject to an initial sales charge that are withdrawn, transferred or rolled over from an Account within 18 months of the Contribution. See "Contingent Deferred Sales Charges—Class A Shares" on page 11 for more details.

Fee Structure for Class B Shares[10]
Only Account Owners who owned Class B shares prior to November 3, 2008 are eligible to purchase Class B shares.

Portfolio	Annual Asset-based Fees: Weighted Average Expense Ratio of Underlying Investments[11]	Plan Fees: Management Fee[12]	Plan Fees: State Administrative Fee[13]	Plan Fees: Annual Asset-based Charge	Total of Underlying Investment Expenses and Plan Fees[14]	Additional Investor Expenses: Maximum Deferred Sales Charge[15]
Enrollment-based Portfolios						
13 + Years to College Portfolio	0.70%	0.20%	0.05%	1.00%	1.95%	5.0%
7-12 Years to College Portfolio	0.67	0.20	0.05	1.00	1.92	5.0
4-6 Years to College Portfolio	0.63	0.20	0.05	1.00	1.88	5.0
1-3 Years to College Portfolio	0.56	0.20	0.05	1.00	1.81	5.0
College Now Portfolio	0.50	0.20	0.05	1.00	1.75	5.0
Static Portfolios						
Growth Portfolio	0.70	0.20	0.05	1.00	1.95	5.0
Moderate Growth Portfolio	0.67	0.20	0.05	1.00	1.92	5.0
Balanced Portfolio	0.63	0.20	0.05	1.00	1.88	5.0
Money Market Portfolio	0.15	0.20	0.05	None	0.40	None

10 There is no guarantee that actual expenses will be the same as those shown in the table. Class B shares automatically convert to Class A shares after eight years. See "Contingent Deferred Sales Charge—Class B Shares" on page 12 for more details.
11 For Portfolios that invest in more than one Underlying Investment, based on a weighted average of each Underlying Investment's expense ratio in accordance with the Portfolio's target asset allocation as of the date of this Enrollment Handbook; and for Portfolios that invest in one Underlying Investment, based on the most recent expense ratio for the Underlying Investment. Underlying Investment expenses include investment advisory fees, which are paid to the Servicing Agent or its affiliates, administrative and other expenses.
12 The Servicing Agent receives a fee of 0.15% and the Program Manager receives a fee of 0.05%.
13 The Nebraska State Treasurer receives a fee of 0.05% for administering and marketing the Plan and Trust.
14 This total is assessed against assets over the course of the year and does not include sales charges. See "Hypothetical Expense Example" on page 15 for the approximate cost of investing in each of the Portfolios over 1-, 3-, 5- and 10-year periods.
15 Payable with respect to each Contribution if you direct a Withdrawal, transfer or rollover from your Account within six years of a Contribution. Partially waived in limited circumstances. See "Contingent Deferred Sales Charge—Class B Shares" on page 12 for more details.

Hypothetical Expense Example

The following chart compares the approximate cost of investing in each Portfolio and share class of the Plan over different periods of time. Your actual costs may be higher or lower. The hypothetical chart assumes an initial $10,000 investment in a particular Portfolio and a 5% annual rate of return, compounded annually. All expense ratios and asset allocations are assumed to remain the same for the duration of the periods.

The chart assumes that all redemptions are made for Qualified Higher Education Expenses and, therefore, does not reflect the impact of potential federal, state or local taxes. The chart also assumes that the investor pays the maximum initial sales charge for Class A shares. With respect to Class B shares, the chart illustrates both what you would pay assuming that you held your shares and did not incur a CDSC and what you would pay if you were to redeem your shares and incur the applicable CDSC. The illustration is hypothetical and does not reflect actual expenses or performance from the past or future.

	1 Year			3 Years			5 Years			10 Years	
	A	B[16]	B[17]	A	B[16]	B[17]	A	B[16]	B[17]	A	B
Enrollment-based Portfolios											
13+ Years to College Portfolio	$666	$200	$700	$912	$618	$918	$1,177	$1,062	$1,262	$1,933	$2,099
7-12 Years to College Portfolio	663	197	697	903	609	909	1,162	1,047	1,247	1,900	2,067
4-6 Years to College Portfolio	659	193	693	891	596	896	1,141	1,026	1,226	1,856	2,023
1-3 Years to College Portfolio	653	186	686	870	575	875	1,105	989	1,189	1,779	1,946
College Now Portfolio	647	179	679	852	556	856	1,075	957	1,157	1,713	1,879
Static Portfolios											
OppenheimerFunds Growth Portfolio	666	200	700	912	618	918	1,177	1,062	1,262	1,933	2,099
OppenheimerFunds Moderate Growth Portfolio	663	197	697	903	609	909	1,162	1,047	1,247	1,900	2,067
OppenheimerFunds Balanced Portfolio	659	193	693	891	596	896	1,141	1,026	1,226	1,856	2,023
OppenheimerFunds Money Market Portfolio	41	41	41	129	129	129	225	225	225	506	506

16 Assumes conversion of Class B shares to the lower Portfolio operating expenses of Class A shares, which occurs on or about the end of the month which is at least 8 years after the date on which shares were purchased.
17 This column reflects what you would pay if you were to redeem your shares and incur the applicable CDSC.

CHANGING THE DESIGNATED BENEFICIARY

Section 529 of the Code generally allows for changes of the Designated Beneficiary without federal income tax consequences, as long as the new Designated Beneficiary is a "Member of the Family" of the current Designated Beneficiary. See "UGMA/UTMA Custodial Accounts" on page 3 for a discussion of the treatment of Accounts established by UGMA/UTMA custodian Account Owners. In addition, the proposed regulations provide that no federal gift tax or generation-skipping transfer ("GST") tax will result provided the new Designated Beneficiary is a Member of the Family of the current Designated Beneficiary and is assigned to the same generation as or an older generation than the current Designated Beneficiary. If the new Designated Beneficiary is assigned to a younger generation than the old Designated Beneficiary, the change will be treated as a taxable gift from the old Designated Beneficiary to the new Designated Beneficiary. If the new Designated Beneficiary is assigned to a generation which is two or more generations younger than the old Designated Beneficiary, the change will be subject to GST tax. Any change of the Designated Beneficiary to a person who is not a "Member of the Family" of the current Designated Beneficiary will be treated as a Nonqualified Withdrawal subject to applicable federal and state income taxes as well as the additional 10% federal tax on earnings; and possibly as a new Contribution from the Account Owner to the new Designated Beneficiary for federal gift and GST tax purposes.

To initiate a change of Designated Beneficiary, the Account Owner must complete and submit an Account Maintenance Form (and any additional required documentation) to the State Farm representative through whom the Account is opened who will forward the documents to the Servicing Agent. The change will be made upon the Servicing Agent's acceptance of a properly2 completed form. There is no fee or charge for changing a Designated Beneficiary.

An Account Owner may choose to reinvest amounts currently held in an Account to any of the available Portfolio(s) when changing the Designated Beneficiary for an Account. Account Owners who have chosen the Enrollment-based Portfolios should note that the Servicing Agent will change the particular Portfolio the Account is invested in upon a change in the Designated Beneficiary unless the new Designated Beneficiary has the same estimated year of enrollment in college as the original Designated Beneficiary. This Portfolio change will be made by the Servicing Agent so that the Portfolio is appropriate for the estimated year of enrollment in college of the new Designated Beneficiary.

Member of the Family

For purposes of changing the Designated Beneficiary, the definition of a "Member of the Family" of the Designated Beneficiary is:

- a son or daughter, or a descendant of either
- a stepson or stepdaughter
- a brother, sister, stepbrother or stepsister
- the father or mother, or an ancestor of either
- a stepfather or stepmother
- a son or daughter of a brother or sister
- a brother or sister of the father or mother
- a son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law or sister-in-law
- the spouse of the Designated Beneficiary or any of the foregoing individuals or
- a first cousin

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

If a change in Designated Beneficiary would cause a violation of the maximum Account balance limit with respect to the new Designated Beneficiary, the change will not be permitted.

WITHDRAWALS

Account Owners may make withdrawals from their Accounts or terminate their participation in the Plan at any time by notifying the Servicing Agent at PO Box 173865, Denver, CO 80217-3865, by calling The State Farm College Savings Plan at 1-800-321-7520, or by contacting the State Farm Registered Representative through whom the Account is opened. By federal law the earnings portion of Nonqualified Withdrawals will be subject to an additional 10% federal tax on earnings, in addition to federal and any applicable state taxes and any applicable contingent deferred sales charges that may otherwise be due. In the event of a withdrawal or termination, the NAV of the withdrawal is calculated at the next close of business of the NYSE after the Servicing Agent's receipt of a written request received in good order.

Procedures for Withdrawals

You may request a withdrawal from your Account by completing and submitting the appropriate form available from your State Farm Registered Representative at **www.statefarm.com** or by calling The State Farm College Savings Plan at 1-800-321-7520. However, you cannot withdraw a Contribution for a period of 10 calendar days after investment in the Plan. Distributions from the Plan will not be processed without valid Social Security Numbers or Taxpayer Identification Numbers.

Payments upon withdrawal will generally be made to the Account Owner or the Designated Beneficiary (if designated by the Account Owner) in the form of a check mailed or deposit directly to your bank account promptly following the receipt of redemption proceeds by the Trust from the Underlying Investments. (See "WITHDRAWALS—Qualified Withdrawals" on page 16 for detail). Checks will be sent only to the address of record of the Account Owner or Designated Beneficiary (if designated by the Account Owner), except in the case of direct payment by the Trust to an Eligible Institution of Higher Education, which has been arranged by the Account Owner or Designated Beneficiary and the Servicing Agent. To determine whether you can arrange payment directly to an Eligible Institution of Higher Education, please contact the Servicing Agent at PO Box 173865, Denver, CO 80217-3865 or by calling The State Farm College Savings Plan at 1-800-321-7520.

The Plan permits Account Owners to make Systematic Withdrawals from their Account(s).

If any withdrawal check is returned as undeliverable, efforts will be made to locate the Account Owner or Designated Beneficiary based on information available to the Trust. If the Account Owner or Designated Beneficiary is not located within 90 days following the return of the check to the Trust, the amount of the check will be deposited back into the Account. No interest will be paid during the 90-day search period.

A signature guarantee will be required for all withdrawal requests of $100,000 or more. You can obtain a signature guarantee from a bank, securities dealer, securities broker, credit union, savings and loan association, national securities exchange or registered securities association. A notary public seal will not be acceptable.

Qualified Withdrawals

In general, a Qualified Withdrawal is any distribution that is used to pay for the Qualified Higher Education Expenses of a Designated Beneficiary. If a Designated Beneficiary or an Account Owner receives a refund from an Eligible Institution of Higher Education, or otherwise, of amounts paid from an Account, any such refund will generally be a Nonqualified Withdrawal unless: (i) it is used for the Designated Beneficiary's Qualified Higher Education Expenses in the same taxable year; (ii) it was refunded due to the Designated Beneficiary's death (if paid to the Designated Beneficiary's estate) or disability, or such Designated Beneficiary's receipt of a qualified scholarship or attendance at certain specified military academies (discussed below); or (iii) the refunded amount is rolled over to another Account within 60 days of the withdrawal, or to an account in another Section 529 plan in accordance with Section 529 of the Code.

To make a Qualified Withdrawal from an Account, the Account Owner must complete and submit a Withdrawal Request Form to his or her State Farm Registered Representative or the Servicing Agent at PO Box 173865, Denver, CO 80217-3865 or by calling The State Farm College Savings Plan at 1-800-321-7520.

You may request a withdrawal at any time (subject to a 10-business day hold following each Contribution). A separate withdrawal form must be submitted for each withdrawal.

Under the Plan, at the direction of the Account Owner, Qualified Withdrawals may be paid in one of three ways: (1) directly to the Eligible Institution of Higher Education; (2) directly to the Account Owner or Designated Beneficiary if the Account Owner or Designated Beneficiary has paid the Qualified Higher Education Expenses and is seeking reimbursement; or (3) directly to the Account Owner or Designated Beneficiary in expectation of payment of Qualified Higher Education Expenses by the Account Owner or Designated Beneficiary.

Please contact your State Farm Registered Representative when you are ready to request a Qualified Withdrawal to make arrangements for how it will be paid.

Qualified Higher Education Expenses
Qualified Higher Education Expenses currently include tuition, fees, books, supplies and equipment required for the enrollment or attendance of a Designated Beneficiary at an Eligible Institution of Higher Education, as well as expenses for special needs services in the case of a special needs Designated Beneficiary who incurs such expenses in connection with enrollment or attendance at an Eligible Institution of Higher Education. Also included is an amount for the room and board incurred by a Designated Beneficiary while attending an Eligible Institution of Higher Education at least half-time. The limit for annual room and board expense for on and off campus housing is the allowance included in the "cost of attendance" at the Eligible Institution of Higher Education, or, if greater, the actual amount charged by the Eligible Institution of Higher Education for room and board costs for the applicable period.

Designated Beneficiaries will be considered to be enrolled at least half-time if they are enrolled for at least half the full-time academic workload for the course of study being pursued as determined under the standards of the Eligible Institution of Higher Education where they are enrolled. The institution's standard for a full-time workload must equal or exceed a standard established by the U.S. Department of Education under the Higher Education Act of 1965, as in effect on June 7, 2001. A Designated Beneficiary need not be enrolled at least halftime to use a Qualified Withdrawal to pay for expenses relating to tuition, fees, books, supplies, equipment and special needs services.

The definition of Qualified Higher Education Expenses may change from time to time if there are changes in the Code or in regulations or regulatory interpretations under the Code.

Please contact the Plan at **www.statefarm.com** or by calling The State Farm College Savings Plan at 1-800-321-7520 to determine whether particular expenses are Qualified Higher Education Expenses.

Eligible Institutions of Higher Education
Generally, Eligible Institutions of Higher Education include accredited post-secondary educational institutions offering credit toward an associate's degree, a bachelor's degree, a graduate level or professional degree, or another recognized post-secondary credential, and certain post-secondary vocational and proprietary institutions. Such institutions must be eligible to participate in U.S. Department of Education student financial aid programs. The definition of an Eligible Institution of Higher Education may change from time to time if there are changes in the Code or in regulations or regulatory interpretations under the Code. Please visit www.fafsa.ed.gov/ or call at 1-800-433-3243 to determine whether a particular institution is an Eligible Institution of Higher Education.

Education Credits
The use of a Hope Scholarship tax credit or Lifetime Learning tax credit (together, "Education Tax Credits") by an Account Owner or Designated Beneficiary will not affect receipt of benefits from an Account as long as any Qualified Withdrawal from the Account is not used for the same expenses for which the Education Tax Credit was claimed.

Nonqualified Withdrawals
A Nonqualified Withdrawal is any withdrawal from an Account other than a Qualified Withdrawal. In most cases, the earnings portion of a Nonqualified Withdrawal will be subject to income tax and a 10% federal additional tax, as described below. However, the 10% federal additional tax will not be imposed on a Nonqualified Withdrawal which is:

- A withdrawal by reason of the death (if paid to the Designated Beneficiary's estate) or disability (within the meaning of Section 72(m)(7) of the Code) of the Designated Beneficiary of the Account
- A withdrawal by reason of the Designated Beneficiary's receipt of a qualified scholarship (to the extent of the scholarship amount)
- A withdrawal by reason of the Designated Beneficiary's attendance at certain specified military academies
- A withdrawal resulting from the use of Education Tax Credits as allowed under federal income tax law
- A qualifying rollover distribution that is rolled into another state's Section 529 plan with appropriate documentation, or a qualifying transfer to the credit of another Designated Beneficiary within the Trust. Qualified rollover distributions are not subject to taxation or additional tax at the federal level, but they are subject to any applicable CDSCs. However, if you roll over assets in your Account

to another state's Section 529 plan , you will be deemed to have canceled your Participation Agreement with respect to such assets. Canceling your Participation Agreement may subject you to a recapture of any Nebraska State income tax deduction you may have claimed.

In addition, a transfer to a Designated Beneficiary who is not a "Member of the Family" of the current Designated Beneficiary will be deemed to be a Nonqualified Withdrawal, and possibly as a new Contribution from the Account Owner to the new Designated Beneficiary for federal gift and GST tax purposes.

In accordance with Section 529 of the Code, the earnings portion of Nonqualified Withdrawals is treated as income to the distributee and is subject to federal and applicable state income tax as well as an additional 10% federal tax on earnings. The Servicing Agent will report the earnings portion of all distributions as required under federal tax law, it is the responsibility of the Account Owner to determine whether the withdrawal is qualified and to calculate and report any resulting tax liability.

Procedures for Nonqualified Withdrawals

To make a Nonqualified Withdrawal from an Account, the Account Owner must complete and submit a Withdrawal Request Form (and any additional required documentation) to his or her State Farm Registered Representative or the Servicing Agent at PO Box 173865, Denver, CO 80217-3865, via the internet at **www.statefarm.com** or by calling The State Farm College Savings Plan at 1-800-321-7520. Upon acceptance of a properly completed Withdrawal Request Form, the Servicing Agent will process the withdrawal within three business days of its acceptance of the request. Payment of the withdrawal may be made by check or by wire transfer. The Plan may charge a fee for a federal funds wire redemption.

Other Withdrawals

Death of Designated Beneficiary

In the event of the death of the Designated Beneficiary, the Account Owner may authorize a change in the Designated Beneficiary for the Account or request a withdrawal of all or a portion of the Account balance. A distribution on account of the death of the Designated Beneficiary if paid to the estate of the Designated Beneficiary will not be subject to the additional 10% federal tax on earnings, but earnings will be subject to federal and any applicable state income tax. A withdrawal of amounts in the Account, if not paid to the Designated Beneficiary's estate, may constitute a Nonqualified Withdrawal, subject to applicable federal and state income taxes at the recipient's tax rate; the additional 10% federal tax on earnings and the recapture of all previous Nebraska tax deductions taken for Contributions related to Nonqualified Withdrawals. See "UGMA/UTMA Custodial Accounts" on page 3 for a discussion of the treatment of Accounts established by UGMA/UTMA custodian Account Owners.

Disability of Designated Beneficiary

If the Designated Beneficiary becomes disabled within the meaning of Section 72(m)(7) of the Code, the Account Owner may authorize a change in the Designated Beneficiary for the Account or request a withdrawal of all or a portion of the Account balance. A distribution on account of the disability of the Designated Beneficiary will not be subject to the additional 10% federal tax on earnings, but earnings will be subject to federal and any applicable state income tax at the recipient's tax rate. See "UGMA/UTMA Custodial Accounts" on page 3 for a discussion of the treatment of Accounts established by UGMA/UTMA custodian Account Owners.

Receipt of Scholarship

If the Designated Beneficiary receives a qualified scholarship, Account assets up to the amount of the scholarship may be withdrawn without imposition of the additional 10% federal tax on earnings. See "UGMA/UTMA Custodial Accounts" on page 3 for a discussion of the treatment of Accounts established by UGMA/UTMA custodian Account Owners. A qualified scholarship includes certain educational assistance allowances under federal law as well as certain payments for educational expenses (or attributable to attendance at certain educational institutions) that are exempt from federal income tax. The earnings portion of the withdrawal is subject to federal and any applicable state income tax at the recipient's tax rate.

Appointment at Certain Specified Military Academies

If the Designated Beneficiary attends 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, the Account Owner may withdraw an amount up to an amount equal to the costs of advanced education attributable to the Designated Beneficiary's attendance at the institution without incurring the additional 10% federal tax on earnings. The earnings portion of the withdrawal is subject to federal and any applicable state income tax at the recipient's tax rate.

Use of Education Tax Credits

Taxpayers paying Qualified Higher Education Expenses from an Account will not be able to claim Education Tax Credits for the same expenses. Furthermore, expenses used in determining the allowed Education Tax Credits will reduce the amount of a Designated Beneficiary's Qualified Higher Education Expenses to be paid from an Account as a Qualified Withdrawal and may result in taxable withdrawals. Such withdrawals will not be subject to the additional 10% federal tax on earnings.

Rollover Distributions to Another State's Section 529 Plan

An Account Owner may roll over all or part of the balance of an Account to another Section 529 plan account without adverse federal tax consequences so long as the amount withdrawn is placed in the other plan account within 60 days of the withdrawal, and the Designated Beneficiary of the new account is (1) a "Member of the Family" of the Designated Beneficiary of the current Account or (2) the same Designated Beneficiary as for the current Account, provided no other transfers have occurred with respect to the current Designated Beneficiary within the immediately preceding 12-month period. (See "FEDERAL AND

STATE TAX CONSIDERATIONS—Qualified Rollover Distributions" on page 22 for details.) In certain cases, at the Account Owner's direction, the Plan may directly transfer a Rollover Distribution to another Account or another state's Section 529 plan. See "UGMA/UTMA Custodial Accounts" on page 3 for a discussion of the treatment of Accounts established by UGMA/UTMA custodian Account Owners. Qualified rollover distributions are not subject to taxation or additional tax at the federal level, but they are subject to any applicable CDSCs. However, if you roll over assets in your Account to another state's Section 529 plan , you will be deemed to have canceled your Participation Agreement with respect to such assets. Canceling your Participation Agreement may subject you to a recapture of any Nebraska State income tax deduction you may have claimed.

Exchanges to Another Plan Within the Trust
A direct transfer between the Plan and another plan within the Trust is treated as an investment reallocation, which is allowed only once per calendar year, or upon a change in Designated Beneficiary.

Records Retention
You should obtain and retain records, receipts, invoices or other documentation that is adequate to substantiate: (i) expenses which you claim are Qualified Higher Education Expenses; (ii) the death or qualified disability of the Designated Beneficiary; (iii) the receipt by the Designated Beneficiary of a qualified scholarship; (iv) the appointment by the Designated Beneficiary to certain specified military academies; (v) the use of Education Tax Credits; and (vi) that you are entitled to favorable state tax treatment. The Plan is not responsible for determining whether a withdrawal is a Qualified Withdrawal or Nonqualified Withdrawal.

RESIDUAL ACCOUNT BALANCES

If the Designated Beneficiary graduates from an Eligible Institution of Higher Education or chooses not to pursue higher education, and funds remain in the Account, the Account Owner may:

- Request that the remaining funds (including earnings) be paid to the Account Owner and treated as a Nonqualified Withdrawal. Earnings will be subject to any federal and applicable state income tax and an additional 10% federal tax
- Authorize a change of Designated Beneficiary for the Account to a "Member of the Family" of the current Designated Beneficiary. See "UGMA/UTMA Custodial Accounts" on page 3 and "CHANGING THE DESIGNATED BENEFICIARY" on page 15 for a discussion of the treatment of Accounts established by UGMA/UTMA custodian Account Owners.
- Keep the funds in the Account to pay future Qualified Higher Education Expenses (such as graduate or professional school expense) of the Designated Beneficiary.

SPECIAL BENEFITS FOR NEBRASKA RESIDENTS

In connection with the establishment of the Trust, the Nebraska Legislature has provided certain benefits to Nebraska residents. An Account Owner who is a Nebraska resident, or that files a Nebraska state income tax return, other than an Account Owner that is a custodian under a UGMA or UTMA account, is generally allowed to deduct up to $5,000 ($2,500 if married filing separately) of Contributions per year from his or her gross income for Nebraska state income tax purposes, and there are no Nebraska state income taxes on investment earnings distributed as part of a Qualified Withdrawal. Only such an Account Owner may claim such a deduction. In the case of an Account Owner who is a custodian under a UGMA or UTMA account, the minor for whom the UGMA or UTMA account is held may be entitled to the Nebraska state tax deduction rather than the Account Owner.

In addition, the Legislature created an Endowment Fund as a way to augment contributions to the Trust for the benefit of beneficiaries who attend an Institution of Higher Education in Nebraska.

STATUS OF ACCOUNTS UPON DEATH, DISABILITY, OR DESIGNATED BENEFICIARY'S LOSS OF INTEREST OF PURSUIT OF HIGHER EDUCATION

If the Designated Beneficiary of an Account dies, you may (1) withdraw the Account balance, (2) distribute the Account balance to the Designated Beneficiary's estate, or (3) change the Designated Beneficiary of the Account.

To the extent that you withdraw the Account balance in a Nonqualified Withdrawal, any earnings portion of such Nonqualified Withdrawal will be includible in your income for federal income tax purposes. In addition, any earnings portion included in your income may be subject to a 10% federal additional tax.

To the extent that you distribute the Account balance to the Designated Beneficiary's estate in a Nonqualified Withdrawal, any earnings portion of such Nonqualified Withdrawal will be includible in the estate's income, but will not be subject to the 10% federal additional tax. A change of the Designated Beneficiary of the Account will not result in any income tax consequences so long as the new Designated Beneficiary is a Member of the Family of the deceased Designated Beneficiary.

If the Designated Beneficiary of an Account becomes disabled within the meaning of Section 72(m)(7) of the Code, you may withdraw the Account balance, distribute the Account balance to the Designated Beneficiary, or change the Designated Beneficiary of the Account. To the extent that you direct a Nonqualified Withdrawal or distribution from the Account, any earnings portion of such Nonqualified Withdrawal will be includible in your income or the Designated Beneficiary's income for federal income tax purposes. However, the 10% federal additional tax will not apply. A change of the Designated Beneficiary of the Account will not result in any income tax consequences so long as the new Designated Beneficiary is a Member of the Family of the disabled beneficiary.

The Plan will not assess a CDSC on any distribution made on account of the death or disability of the Designated Beneficiary.

If the Designated Beneficiary of an Account does not pursue a higher education, you may withdraw the Account balance, distribute the Account balance to the Designated Beneficiary, or change the Designated Beneficiary of the Account. To the extent that you direct a Nonqualified Withdrawal or distribution from the Account, any earnings portion of such Nonqualified Withdrawal will be includible in your income or the Designated Beneficiary's income for federal income tax purposes and will be subject to a 10% federal additional tax. A change of the Designated Beneficiary of the Account will not result in any income tax consequences so long as the new Designated Beneficiary is a Member of the Family of the old Designated Beneficiary.

For more information, see "Federal and State Tax Considerations," on page 21.

CERTAIN RISKS TO CONSIDER

Opening an Account involves certain risks. Among other things discussed in this Enrollment Handbook, you should carefully consider the following risks before completing an Enrollment Application. You also should read this Enrollment Handbook carefully before making a decision to open an Account. See pages 31-34 for investment risks of the Underlying Investments.

The Value of your Account may Decline. As with many investment programs, there can be no assurance that the value of your Account will grow at any particular rate or that it will not decline. The value of the Underlying Investments in which the Portfolios invest will change due to a number of factors, most of which will not be in the control of the Program Parties, or any of their respective affiliates, directors, officers or agents. If the value of the Underlying Investments decline, you may lose some or all of the principal balance in your Account. None of the Program Parties or any of their respective affiliates, directors, officers or agents guarantees any minimum rate of return on your investment or that you will not lose some or all of the principal amount invested.

Each Portfolio invests its Assets in Underlying Investments. Each Portfolio's investment performance depends on the investment performance of its Underlying Investment(s). Therefore, the risks associated with an investment in a Portfolio are also the risks associated with an investment in the Underlying Investments. There is a risk that an Underlying Investment's investment adviser's evaluations and assumptions regarding the Underlying Investments asset classes or the investments in which the they invest may be incorrect based on actual market conditions. There is a risk that the Underlying Investments will vary from the target weightings due to factors such as market fluctuations. There can be no assurance that the Underlying Investments will achieve their investment objectives, and the performance of the Underlying Investments may be lower than the asset class that they were selected to represent. The Underlying Investments may change their investment objectives or policies. If that were to occur, a Portfolio might be forced to withdraw its investment from the Underlying Investment at a time that is unfavorable to the Portfolio.

Your Account is not Insured or Guaranteed. Balances in your Account are not guaranteed or insured by the Program Parties, or any of their respective affiliates, directors, officers or agents, the Federal Deposit Insurance Corporation or any other party.

Acceptance to an Eligible Institution of Higher Education is not Guaranteed. There is no guarantee that a Designated Beneficiary will be admitted to, or permitted to continue to attend, any college or other Eligible Institution of Higher Education. If the Designated Beneficiary does not attend an Eligible Institution of Higher Education, withdrawals from your Account may be subject to taxes and penalties.

Educational Expenses may exceed the Balance in your Account. Even if you make the maximum amount of Contributions to your Account, the balance may not be sufficient to cover the Designated Beneficiary's Qualified Higher Education Expenses.

Plan Contributions do not Create Nebraska Residency. Contributions to the Plan do not create Nebraska residency status for you or a Designated Beneficiary for purposes of determining the rate of tuition charged by a Nebraska educational institution.

Risks Related to Possible Future Changes in State and Federal Tax Law. There is a risk that federal and state laws and regulations governing Section 529 plans could change in the future.

The proposed federal Treasury regulations that have been issued under Section 529 of the Code provide guidance and requirements for the establishment and operation of the Plan but do not provide guidance on all aspects of the Plan. In addition, these proposed regulations were issued prior to substantial changes in Section 529 of the Code. Final regulations, 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 your Account. Congress could also amend Section 529 of the Code or other federal law in a manner that would materially change the federal tax treatment of Contributions to, and withdrawals from, the Plan. You should understand that changes in the law governing the federal and/or state tax consequences described in this Enrollment Handbook might necessitate material changes to the Plan for the anticipated tax consequences to apply. Furthermore, the Plan has been established pursuant to Nebraska law, the guidelines and procedures adopted by the Nebraska State Treasurer, and applicable securities laws. Changes to any of those laws or regulations may also affect the operation and tax treatment of the Plan described in this Enrollment Handbook.

Impact on the Designated Beneficiary's Ability to Receive Financial Aid. The eligibility of the Designated Beneficiary for financial aid may depend upon the circumstances of the Designated Beneficiary's parents at the time the Designated Beneficiary enrolls in an Eligible Institution of Higher Education, as well as on the policies of the governmental agencies, schools or private organizations to which the Designated Beneficiary and/or the Designated Beneficiary's family applies for financial assistance. Because saving for college will increase the financial resources available to the beneficiary and the Designated Beneficiary's family, it most likely will have some effect on the Designated Beneficiary's eligibility. These policies vary at different institutions and may change over time. Therefore, no person or entity can say with certainty how the federal or state aid programs, or the school to which the Designated Beneficiary applies, will treat your Account. However, financial aid programs administered by agencies of the State of Nebraska will not take your Account balance into consideration, except as may be otherwise provided by federal law.

Possible changes to the Plan. The Nebraska State Treasurer, Nebraska Investment Council, the Program Manager and the Servicing Agent reserve the right to make changes to the Plan at any time. These changes may include changes to the Underlying Investments in which the Plan invests and changes to the expenses the Plan imposes. If the Underlying Investments are changed, the fees and expenses of the replacement investments may be higher or lower and the replacement investments may achieve different performance results than the Underlying Investments the Plan currently utilizes.

Limitation on Investment Selection. The Account Owner may only change the investment election for an Account once per calendar year, or upon a change in Designated Beneficiary. If an Account Owner has multiple Accounts in the Plan for the same Designated Beneficiary, or multiple accounts in any other plan within the Trust, those Accounts will be aggregated for purposes of the once per calendar year limitation above. Therefore, in the College Savings Plan of Nebraska, the AIM College Savings Plan, the TD AMERITRADE 529 College Savings Plan, and the Plan, the Account Owner may change the Portfolios in all such accounts without tax consequences, so long as the changes to all of the accounts are made at the same time, but no more frequently than once per calendar year or upon a change of Designated Beneficiary.

Illiquidity of Account. Funds in your Account will be subject to the terms and conditions of the Plan and the Participation Agreement. These provisions may limit your ability to withdraw funds or to transfer these funds. Under no circumstances may any Interest in an Account or the Plan be used as security for a loan.

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

FEDERAL AND STATE TAX CONSIDERATIONS

The following discussion summarizes certain aspects of federal and state income, gift, estate and GST tax consequences relating to the Plan and Contributions to, earnings of and withdrawals from the Accounts. This summary is not exhaustive and is not intended as individual tax advice. In addition, there can be no assurance that the IRS or Nebraska Department of Revenue will accept the statements made herein or, if challenged, that such statements would be sustained in court. The applicable tax rules are complex, and some of the rules are at present uncertain, and their application to any particular person may vary according to facts and circumstances specific to that person. The Code and regulations thereunder, and judicial and administrative interpretations thereof are subject to change, retroactively and/or prospectively, and no one under the plan will be entitled to receive or be obligated to give notice of any such changes or modifications. A qualified legal or tax advisor should be consulted regarding the application of law in individual circumstances.

This summary is based on the relevant provisions of the Code, proposed Treasury regulations, and Nebraska State tax law. It is possible that Congress, the Treasury Department, the IRS, the State of Nebraska and other taxing authorities or the courts may take actions that will adversely affect the tax consequences described and that such adverse effects may be retroactive. No final tax regulations concerning the Plan have been issued by the IRS and, when issued, such regulations or rulings may alter the tax consequences summarized herein or necessitate changes in the Plan to achieve the tax benefits described. This summary does not address the potential effects on Account Owners or beneficiaries of the tax laws of any state other than Nebraska.

Federal Income Tax Advantages of the Plan

There are two main federal income tax advantages to investing in the Plan:

- Investment earnings on the money you invest in the Plan will not be subject to federal income tax until they are distributed; and
- If the investment earnings are distributed as part of a Qualified Withdrawal, they are free from federal income tax.

There are also potential federal income tax disadvantages to an investment in the Plan. To the extent that a distribution from an Account is a Nonqualified Withdrawal, the portion of the Nonqualified Withdrawal attributable to investment earnings will be ordinary income to the recipient; no part of such earnings portion will be treated as capital gain. Under current law, the tax rates on ordinary income are generally greater than the tax rates on capital gain. Additionally, to the extent that a distribution is a Nonqualified Withdrawal, the federal income tax liability of the recipient will generally be increased by an amount equal to 10% of any earnings portion of the distribution includible in the recipient's income. However, this 10% federal additional tax will not apply if the Nonqualified Withdrawal is paid to the beneficiary (or the estate of the beneficiary) on or after the death of the Designated Beneficiary or made on account of the disability of the beneficiary or to the extent of the amount of certain scholarships or other allowances or payments received by the beneficiary. A qualified rollover distribution is not subject to federal income tax or the 10% federal additional tax.

Certain Nebraska State Tax Consequences

The State of Nebraska generally does not impose state or local taxes on non-Nebraska residents. Therefore, if you live in any state other than Nebraska, you will not be subject to any taxation by the State of Nebraska with respect to your investment in the Plan. However, you may be subject to state and local taxes in the state(s) or municipality(ies) in which you pay income taxes.

Contributions by an Account Owner are deductible in computing the Account Owner's Nebraska taxable income for Nebraska income tax purposes in an amount not to exceed $5,000 ($2,500 for married taxpayers filing separate returns) in the aggregate for all Contributions to all accounts within the Trust in any taxable year. For Contributions to be deductible for a given calendar year, they must be made by the Account Owner prior to the end of that year.

The investment earnings of the Plan credited to an Account will not be includible in computing the Nebraska taxable income of either the Account Owner or the beneficiary of the Account so long as the earnings remain in the Account. Neither the Account Owner nor the beneficiary will be required to include any amount in computing his or her Nebraska taxable income for purposes of income tax to the extent such amount is not required to be included for federal income tax purposes of a qualifying beneficiary.

Nebraska law currently provides for the partial recapture of the Nebraska State tax benefits in the event a Participation Agreement is canceled. If you roll over assets in your Account to a qualified tuition program sponsored by another state or entity, you will be deemed to have canceled your Participation Agreement with respect to such assets. In general, a canceling Account Owner's taxable income will be increased by the amount of the cancellation distribution but only to the extent previously deducted by the Account Owner. Before canceling a Participation Agreement, you should consult with your legal and tax advisors.

Before investing in The State Farm College Savings Plan, you should consider carefully the following:

- Depending on the laws of your home state or that of your Designated Beneficiary, favorable state tax treatment or other benefits offered by such home state for investing in 529 college savings plans may be available only if you invest in such home state's 529 college savings plan;
- Any state-based benefit offered with respect to a particular 529 college savings plan should be one of many appropriately weighted factors to be considered in making an investment decision; and
- You should consult with your financial, tax or other advisor to learn more about how state-based benefits (including any limitations) would apply to your specific circumstances. You may also wish to contact your home state or any other 529 college savings plan to learn more about the features, benefits and limitations of that state's 529 college savings plan.

Considerations for Non-Nebraska Residents

The Plan is offered to residents of all states. However, residents of states other than Nebraska should be aware that there may be state income tax or other benefits for investments in another state's Section 529 plan . For instance, several states offer unlimited state income tax deductions for contributions made only to their own state's Section 529 plan . Benefits such as these may generally not be available for Contributions made to the Plan, which is sponsored by the State of Nebraska. You should consult your legal or tax advisor for more information about state and local taxes.

Federal Income Tax Treatment of the Trust, Contributions and Withdrawals[17]

The Plan is designed to be a "qualified tuition program" under Section 529 of the Code. As such, undistributed investment earnings in the Plan are exempt from federal income tax. Thus, earnings of the Plan credited to an Account are not includible in the federal gross income of the Account Owner or the beneficiary of the Account until funds are withdrawn, in whole or in part, from the Account. The treatment of a withdrawal from an Account under federal income tax law varies depending on the nature of the withdrawal.

If there are earnings in an Account, each withdrawal from the Account consists of two parts. One part is a return of the Contributions to the Account (the "Contributions Portion"). The other part is a withdrawal of earnings in the Account (the "Earnings Portion"). A pro rata calculation is made, as of the date on which a withdrawal is made, to determine the Earnings Portion and the Contributions Portion of the withdrawal. If there are multiple Accounts with the same Account Owner and Designated Beneficiary within the Plan, the College Savings Plan of Nebraska, the AIM College Savings Plan, the TD Ameritrade 529 College Savings Plan, or any other savings type plan within the Trust, all such accounts will be aggregated for purposes of determining the Earnings Portion and Contributions Portion of any withdrawal.

Qualified Withdrawals

If a Qualified Withdrawal is made from an Account, no portion of the withdrawal is includible in the gross income of the beneficiary or the Account Owner. Under certain circumstances, a portion of a Qualified Withdrawal may be subject to income tax if the total amount distributed in any year from the Account and from any Coverdell ESA for the same beneficiary exceeds such beneficiary's total higher education costs for such year.

Qualified Rollover Distributions

A qualified rollover distribution is a withdrawal from an Account that is transferred or re-deposited within sixty (60) days to: (i) an account in a different qualified tuition program for the benefit of the same beneficiary, provided that any such rollover does not occur within twelve months from the date of a previous transfer to a qualified tuition program for the same beneficiary; or (ii) another account in the Trust, or another account in a different

 See page 20 "Risks Related to Possible Future Changes in State and Federal Tax Law."

qualified tuition program, for a beneficiary who is a member of the family of the original beneficiary. No portion of a qualified rollover distribution is includible in the gross income of either the beneficiary or the Account Owner.

Non-Qualified Withdrawals

To the extent that a withdrawal from an Account is a Nonqualified Withdrawal, the earnings portion of such Nonqualified Withdrawal is includible in the federal gross income of the recipient of the withdrawal for the year in which the withdrawal is made. In general, unless a Nonqualified Withdrawal is distributed directly to the Designated Beneficiary or to an Eligible Institution of Higher Education for the benefit of the Designated Beneficiary, the Account Owner is deemed to be the recipient of the withdrawal. (If the Nonqualified Withdrawal is distributed directly to the Designated Beneficiary or to an Eligible Institution of Higher Education for the benefit of the Designated Beneficiary, the Designated Beneficiary is deemed to be the recipient of the withdrawal.) The Contributions Portion is not includible in gross income.

A Nonqualified Withdrawal will also be subject to an "additional tax" equal to 10% of the earnings portion of the withdrawal, subject to the following exceptions:

- If the beneficiary of the Account dies, a distribution from the account to the beneficiary's estate will not be subject to the additional tax.
- If the beneficiary of the Account becomes disabled within the meaning of Section 72(m)(7) of the Code, a withdrawal by the Account Owner or distribution to the Designated Beneficiary will not be subject to the additional tax.
- If the beneficiary of the Account receives a scholarship, allowance, or payment described in Section 25A(g)(2) of the Code, a withdrawal by the Account Owner or distribution to the Designated Beneficiary will not be subject to the additional tax to the extent that the amount of the withdrawal does not exceed the amount of the scholarship, allowance, or payment.
- If a Hope Scholarship Credit and/or Lifetime Learning Credit is allowed to any person for payment of the beneficiary's Qualified Higher Education Expenses, the Earnings Portion of the part of the Nonqualified Withdrawal equal to such expenses will not be subject to the additional tax.
- If the beneficiary attends 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, a Nonqualified Withdrawal from an Account will not be subject to the additional tax to the extent that the Nonqualified Withdrawal does not exceed the costs of "advanced education," as that term is defined in 10 U.S.C. Section 2005(e)(3), attributable to such attendance.

Change of Beneficiaries

A change in the beneficiary of an Account is not treated as a distribution if the new beneficiary is a member of the family of the old beneficiary. However, if the new beneficiary is not a member of the family of the old beneficiary, the change is treated as a Nonqualified Withdrawal by the Account Owner.

A change in the beneficiary of an Account or a transfer to an account for another beneficiary may have federal gift tax or generation-skipping transfer tax consequences.

Federal Gift, Estate and Generation-Skipping Transfer Taxes

Contributions to an Account are considered completed gifts to the beneficiary of the Account for federal estate, gift and GST tax purposes. Except as described below, if an Account Owner dies while there is a balance in the Account, the value of the Account is not includible in the Account Owner's gross estate for federal estate tax purposes. However, amounts in an Account at the death of the beneficiary are includible in the beneficiary's gross estate to the extent such amounts are paid to the beneficiary's estate or as otherwise allowed by the Code.

A donor's gifts to a donee in any given year will not be taxable if the gifts are eligible for, and do not in total exceed, what is known as the gift tax "annual exclusion" for such year. For 2008, the annual exclusion is $12,000 per donee, or twice that amount for a married donor whose spouse elects on a federal gift tax return to "split" gifts with the donor. The annual exclusion is indexed for inflation and is therefore expected to increase over time.

Under Section 529, an Account Owner's Contributions to Accounts for a beneficiary are eligible for the gift tax annual exclusion. Contributions that qualify for the annual gift tax exclusion are also excludible for purposes of the federal GST tax. Accordingly, so long as the Account Owner's total Contributions to Accounts for the beneficiary in any year (together with any other gifts by the Account Owner to the beneficiary in such year) do not exceed the annual exclusion amount for such year, the Account Owner's Contributions will not be considered taxable gifts and will be excludible for purposes of the GST tax.

In addition, if an Account Owner's total Contributions to Accounts for a beneficiary in a single year exceed the annual exclusion for such year, the Account Owner may elect to treat Contributions that total up to five times the annual exclusion (or up to ten times if the donor and his or her spouse split gifts) as having been made ratably over a five-year period. Consequently, a single donor may contribute up to $60,000 in a single year without incurring federal gift tax, so long as the donor makes no other gifts to the same beneficiary during the calendar year in which the Contribution is made and each of the following four calendar years. (Note that an election to have the Contribution taken into account over a five-year period must be made by the donor on a federal gift tax return.)

For example, an Account Owner who makes a $60,000 Contribution to an Account for a beneficiary in 2008 may elect to have that Contribution treated as a $12,000 gift in 2008 and a $12,000 gift in each of the following four calendar years. If the Account Owner makes no other Contributions or gifts to the beneficiary before January 1, 2013, the Account Owner will not be treated as making any taxable gifts to the beneficiary during that five-year period. As a result, the $60,000 Contribution will not be treated as a taxable gift and will be excludible for purposes of the GST tax. However, if the Account Owner dies before the end of the five-year period, the portion of the Contributions allocable to calendar years after the year of death will be includible in the Account Owner's gross estate for federal estate tax purposes.

A change of the beneficiary of an Account or a transfer to an account for another beneficiary may be subject to federal gift and/or GST tax if the new beneficiary (i) is not a member of the family of the previous beneficiary, or (ii) is in a younger generation than the previous beneficiary. A change of Account Ownership may also be subject to gift and/or GST tax. Accordingly, Account Owners should consult their own tax advisors for guidance when considering a change of beneficiary and/or Account Ownership.

STATE FARM COLLEGE SAVINGS PLAN PARTICIPATION AGREEMENT

By completing and signing an Enrollment Application or otherwise establishing an Account in the Plan (through your State Farm Registered Representative), the Account Owner (also referred to as "you") hereby requests the Trust to maintain an Account for the benefit of a particular beneficiary pursuant to the following terms and conditions:

All terms not defined herein are given the same meanings assigned to them in the Enrollment Handbook.

Section 1. Accounts and Beneficiaries

(a) *The Accounts.* The Trust will maintain a separate Account for each beneficiary. Each Account will be governed by this Participation Agreement, as amended from time to time. All assets held in your Accounts will be held for the exclusive benefit of you and your beneficiary as provided by applicable law and regulation.

Your Account will be part of that series of beneficial interests in the Trust that has been designated as The State Farm College Savings Plan. The Accounts are sold under the name The State Farm College Savings Plan pursuant to an agreement between State Farm VP Management Corp., OFI Private Investments Inc., OppenheimerFunds Distributor, Inc., the Nebraska State Treasurer and the Program Manager. Money deposited into an Account will be invested in the Portfolio or Portfolios that you designate which will be managed and administered by OFI Private Investments Inc. and its affiliates.

(b) *Naming and Changing Beneficiaries.* You will name the Designated Beneficiary for an Account in the Enrollment Application. You may change the Designated Beneficiary at any time, subject to applicable law and regulation. To avoid adverse income tax consequences, a new Designated Beneficiary must be a member of the family of the former Designated Beneficiary. The designation of the new beneficiary will be effective upon receipt of the appropriate form in good order by the Servicing Agent.

(c) *UTMA/UGMA Accounts.* A custodian under a UTMA or UGMA may establish an Account using monies held for the benefit of a particular beneficiary by executing an Enrollment Application. The Designated Beneficiary of the Account must be the same as the UTMA/UGMA beneficiary. The UTMA/UGMA custodian will be the Account Owner until the Designated Beneficiary reaches the age of majority under the UTMA/UGMA statute under which the original custodianship was created, and the UTMA/UGMA custodian may not change the Designated Beneficiary of the Account.

(d) *Trusts.* A trust which has a valid federal Taxpayer Identification Number may establish an Account, but neither the State of Nebraska, the Trust, the Trustee, the Nebraska Investment Council, the Servicing Agent, the Program Manager, the Plan Distributor, State Farm VP Management Corp., nor any of their respective affiliates, directors, officers or agents will assume the responsibility to ensure or incur liability for failing to ensure that the ownership and maintenance of the Account is consistent with the trust document or applicable state trust law, nor will they be responsible for advising the trustee on any issues related to the application of state or federal tax and/or probate laws to the trust's investment in the Plan.

Section 2. Contributions

(a) *Contributions To Be in Cash.* All Contributions must be in cash. Cash means only (i) checks, (ii) money orders, (iii) AIP, (iv) EFT, (v) funds wired through the Federal Reserve system, or (vi) redemption funds from a Coverdell ESA, another qualified tuition program, an UGMA or UTMA account, or a State Farm account.

(b) *Minimum Contributions and Account Size Limit.* The minimum initial Contribution is $250 per Account with subsequent investments of at least $50 per Portfolio.

You may not make additional Contributions if (i) a total of $360,000 has already been contributed to all accounts in the Trust for the same Designated Beneficiary regardless of Account Owner, or (ii) an additional Contribution would cause the fair market value of all accounts in the Trust for the same Designated Beneficiary regardless of Account Owner to exceed $360,000.

(c) *Right to Refuse Contributions.* A Contribution, rollover or transfer may be refused if the Servicing Agent reasonably believes that (i) the purpose is for other than funding the Qualified Higher Education Expenses of the Designated Beneficiary of an Account, (ii) there appears to be an abuse of the Plan, or (iii) such transaction is unlawful. The Plan may not be able to determine that a specific Contribution, rollover or transfer is for other than funding the Qualified Higher Education Expenses of a Designated Beneficiary, abusive or unlawful. The Plan therefore makes no representation that all such Contributions, rollovers or transfers can or will be rejected.

(d) *Acceptable Contribution Methods.* Contributions to an Account may be made by check, automatic payment from the Account Owner's bank account or other financial institution, EFT, federal funds wire or payroll deduction if the Account Owner's employer offers this option, or any other method permitted by Nebraska law and the Code. An authorization form is included as part of the

Enrollment Application. An authorization to make automatic payments will remain in effect until the Servicing Agent has received written notification of its termination. Account Owners or the Servicing Agent may terminate automatic payments at any time. Any termination of automatic payments authorization initiated by an Account Owner must either be made in writing, by calling The State Farm College Savings Plan at 1-800-321-7520, or by completing the appropriate section online and will become effective as soon as the Plan has had a reasonable amount of time to implement the change. All Contributions must be in cash. The Plan cannot accept securities or other property. Rollover Contributions to an Account from another qualified tuition plan must be accompanied by the Rollover Form and any other required documentation.

Section 3. Withdrawals

(a) You may direct the Servicing Agent, as agent for the Trustee, to distribute part or all of the money in your Account at any time. References to the Servicing Agent in this Section 3 refer to the Servicing Agent acting on behalf of, or as agent for, the Trustee.

(b) If the proposed distribution is to be paid directly to you or the Designated Beneficiary, then the Servicing Agent will distribute the entire amount requested by you, less any applicable CDSCs. The Servicing Agent can provide you with notice of any CDSC assessed.

(c) Notwithstanding any other provision of this agreement, the Servicing Agent may terminate a Participation Agreement and distribute the balance of an Account to you upon its determination that you or the Designated Beneficiary has provided false or misleading information to the Trust, the Servicing Agent, State Farm VP Management Corp., the Servicing Agent or an Eligible Institution of Higher Education. Upon such a finding and a termination, the Servicing Agent will assess any applicable CDSCs. The Servicing Agent will pay you the balance remaining in the Account after any such assessment.

Section 4. Your Representations and Acknowledgments

By establishing an Account, you represent and warrant and agree as follows:

(a) You have received and read the Enrollment Handbook for The State Farm College Savings Plan and have carefully reviewed all the information contained therein, including information provided by or with respect to the Trust, the Servicing Agent, the Program Manager, and State Farm VP Management Corp.

(b) You acknowledge and agree that the value of your Account will increase or decrease based on the investment performance of the investment Portfolios of the Trust in which the Account is then invested. You understand that the value of any Account may be more or less than the amount invested in the Account. You agree that all investment decisions will be made by the Nebraska Investment Council or any other adviser hired by the Trust, including OFI Private Investments Inc. and that neither you nor the Designated Beneficiary will control the investment of any funds invested in the Trust, either directly or indirectly. You also acknowledge and agree that neither the State of Nebraska, the Trust, the Trustee, the Investment Council, the Program Manager, the Plan Distributor, the Servicing Agent, nor State Farm VP Management Corp., nor any of their respective affiliates, directors, officers or agents makes any guarantee that you will not suffer a loss of the amount invested in any Account.

(c) You understand that so long as the Program Manager, Servicing Agent, Plan Distributor, State Farm VP Management Corp., or any of their respective affiliates, directors, officers or agents are performing services for the Trust, it may follow the directives of the Trustee and the Investment Council, and when acting in such capacity, it will have no liability to you or any other intended or unintended third-party beneficiary of this agreement.

(d) You acknowledge and agree that participation in the Plan does not guarantee that any Designated Beneficiary: (i) will be accepted as a student by an Eligible Institution of Higher Education; (ii) if accepted, will be permitted to continue as a student; (iii) will be treated as a state resident of any state for tuition purposes; (iv) will graduate from any Eligible Institution of Higher Education; (v) will achieve any particular treatment under applicable state or federal financial aid programs; or (vi) will have his/her Qualified Higher Education Expenses at any Eligible Institution of Higher Education covered in full by amounts invested by an Account Owner. You also acknowledge and agree that neither the State of Nebraska, the Trust, the Trustee, the Investment Council, the Program Manager, the Servicing Agent, the Plan Distributor, nor State Farm VP Management Corp., nor any of their respective affiliates, directors, officers or agents makes any such representation or guarantee.

(e) You acknowledge and agree that no Account will be used as collateral for any loan. Any attempted use of an Account as collateral for a loan will be void.

(f) You acknowledge and agree that the Trust will not loan any assets to you or the Designated Beneficiary.

(g) You acknowledge and agree that the Trust is established and maintained by the Treasurer of the State of Nebraska, pursuant to state law, and is intended to qualify for certain federal income tax benefits under Section 529 of the Code. You further acknowledge that such federal and state laws are subject to change, sometimes with retroactive effect, and that neither the State of Nebraska, the Trust, the Trustee, the Investment Council, the Program Manager, the Servicing Agent, the Plan Distributor, nor State Farm VP Management Corp., nor any of their respective affiliates, directors, officers or agents makes any representation that such state or federal laws will not be changed or repealed.

(h) You acknowledge that the Plan Distributor or one of its affiliates will pay the Program Manager certain fees, as described in the Enrollment Handbook, for services rendered in connection with the administration of the Plan.

(i) You acknowledge that the Trust is the record owner of the shares of the Oppenheimer Funds in which each Portfolio is invested and that you will have no right to vote, or direct the voting of, any proxy with respect to such shares.

Section 5. Fees and Expenses

The Trust will make certain charges against the Portfolios and each Account in order to provide for the costs of administration of the Accounts and such other purposes as the Nebraska Investment Council shall determine appropriate.

(a) *Investment Management Fees.* You acknowledge that each of the Underlying Investments in which the Portfolios invests will have investment management fees and other expenses associated with them.

(b) *Sales Charges, State Administrative Fees, and Annual Asset Based Fees.* Applicable sales charges, state administrative fees, and annual asset based fees are set forth in the Enrollment Handbook.

(c) *Change in Fees.* You acknowledge and agree that the charges described above may be increased or decreased as the Trustee or the Nebraska Investment Council shall determine to be appropriate.

Section 6. Necessity of Qualification

The Trust intends to qualify for favorable federal tax treatment under Section 529 of the Code. You acknowledge and agree that the Trustee may amend this agreement upon a determination that such an amendment is required to maintain such qualification.

Section 7. Audit

The Trustee shall cause the Trust and its assets to be audited at least annually by a certified public accountant or the State Auditor for the State of Nebraska. A copy of the annual report may be obtained by calling The State Farm College Savings Plan at 1-800-321-7520, weekdays, 7:30 a.m. to 7:00 p.m. Central Time.

Section 8. Reporting

The Trust, through the Servicing Agent, will provide you with quarterly and annual reports of your Account activity and the value of your Account.

Section 9. Account Owner's Indemnity

You recognize that each Account will be established based upon your statements, agreements, representations and warranties set forth in this agreement and the Enrollment Application. You agree to indemnify and to hold harmless the State of Nebraska, the Trust, the Trustee, the Nebraska Investment Council, the Program Manager, the Plan Distributor, the Servicing Agent, State Farm VP Management Corp., and their respective affiliates, directors, officers and agents from and against any and all loss, damage, liability or expense, including costs of reasonable attorneys' fees to which they may be put or which they may incur by reason of, or in connection with, any breach by you of your acknowledgments, representations or warranties or any failure of you to fulfill any covenants or agreements set forth herein. You agree that all statements, representations and warranties will survive the termination of your Account.

Section 10. Limited Investment Direction.

No Account Owner, Designated Beneficiary or contributor may direct the investment of any Contributions or any earnings thereon either directly or indirectly, other than to select from the available Portfolios prior to a Contribution. In addition, Account Owners may not choose the Underlying Investments in which a Portfolio invests. However, the federal tax rules as of the date this Participation Agreement was printed allow Account Owners to move Contributions or any earnings thereon from one or more Portfolios to one or more other Portfolios for all Accounts for the same Designated Beneficiary in the Trust either (i) once per calendar year or (ii) when the Account Owner changes the Designated Beneficiary from the existing Designated Beneficiary to a Member of the Family of the existing Designated Beneficiary (such transfer will be free from income tax and the 10% additional federal tax on earnings, but may result in gift or generation-skipping transfer tax consequences). In the event that future tax rules governing investment discretion with respect to Section 529 Plans provide greater investment flexibility for the participants of Section 529 Plans , it is the intent of the Trustee to adjust the Trust's rules accordingly. However, to the extent future tax rules are more restrictive than those described in this Participation Agreement or the Enrollment Handbook, both shall be deemed to be automatically amended to reflect such more restrictive rules. No Interest in an Account or any portion thereof shall be used as security for a loan.

Section 11. Separate Accounting.

The State Farm College Savings Plan shall provide a separate accounting for each Designated Beneficiary.

Section 12. Factual Determinations.

All factual determinations regarding an Account Owner's or Designated Beneficiary's residency, disability, the existence of hardship, and any other factual determinations regarding Accounts will be made by the Servicing Agent based on the facts and circumstances of each case.

Section 13. Severability.

In the event any clause or portion of this Participation Agreement is found to be invalid or unenforceable by a court of competent jurisdiction, that clause or portion shall be severed from this Participation Agreement and the remainder of this Participation Agreement shall continue in full force and effect as if such clause or portion had never been included

Section 14. Extraordinary Events.

The Program Parties shall not be liable for losses caused directly or indirectly by government restrictions, exchange or market rulings, suspension of trading, war, acts of terrorism, strikes or other conditions beyond their control.

Section 15. Complete Agreement.

This Participation Agreement, and the Enrollment Handbook that is hereby incorporated into this Participation Agreement, is the complete and exclusive statement of the agreement between the parties hereto, which supersedes any prior agreement, oral or written, and any other communications between the parties hereto relating to the subject matter of this Participation Agreement. This Participation Agreement is offered by the Trustee and will be deemed a binding agreement upon acceptance by the Trustee of the Account Owner's Enrollment Application. The Account Owner has not relied on any representations or other information, whether oral or written, other than as set forth in the Enrollment Handbook and in this Participation Agreement.

Section 16. Amendment and Termination

Nothing contained in this Participation Agreement shall constitute an agreement or representation by the Trustee or anyone else that the Trust will continue in existence. At any time, the Trustee may amend this Participation Agreement or suspend or terminate the Trust by giving written notice of such action to you, so long as, after the action, the assets in your Account are either distributed to you or are still held for the exclusive benefit of you and your beneficiaries.

Section 17. Governing Law

This Participation Agreement shall be governed and interpreted in accordance with the laws of the State of Nebraska. All parties agree that venue for any legal proceedings related to this Participation Agreement or the Plan shall be in the State of Nebraska.

Section 18. Arbitration

Your Enrollment Application includes an arbitration agreement. If so, the following are the terms of that agreement. This Participation Agreement contains a pre-dispute arbitration clause. By signing an arbitration agreement the parties agree as follows:

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

Arbitration Agreement: I agree to arbitrate any dispute, claim or controversy that may arise between me and State Farm VP Management Corp., or OFI Private Investments Inc. or their respective parents and affiliates, and their respective officers, directors, employees, agents, independent contractor agents and independent contractor agents' employees relating to my Account or in any way arising from my relationship with State Farm VP Management Corp. or OFI Private Investments Inc. or the Plan. Such arbitration will be conducted before and according to the arbitration rules of Financial Industry Regulatory Authority (FINRA) or its successor. Any arbitration award shall be final and binding and judgment on it may be entered in any court having jurisdiction.

No person shall bring a putative or certified class action arbitration, nor seek to enforce any pre-dispute arbitration agreement against any person who has initiated in court a putative class action; or who is a member of a putative class who has not opted out of the class with respect to any claims encompassed by the putative class action until (i) the class certification is denied; or (ii) the class is decertified; or (iii) the customer is excluded from the class by the court. Such forbearance to enforce an agreement to arbitrate shall not constitute a waiver of any rights under the agreement except to the extent stated herein.

ADDITIONAL INFORMATION REGARDING THE UNDERLYING INVESTMENTS

Following are descriptions of the principal investment strategies and risks associated with investments that the Plan utilizes as Underlying Investments. These descriptions are taken from the Underlying Investments' prospectus, statement of additional information, or other offering documents, as applicable. To obtain a complete offering materials for any of the Mutual funds, please contact OppenheimerFunds.

Oppenheimer Capital Appreciation Fund

Investment Objective

The Oppenheimer Capital Appreciation Fund's investment objective is to seek capital appreciation.

Investment Process

The portfolio managers of the Capital Appreciation Fund look for growth companies with stock prices that it believes are reasonable in relation to overall stock market valuations. They focus on factors that may vary in particular cases and over time in seeking broad diversification of the Fund's portfolio among industries and market sectors. Currently, they look for: (a) companies in businesses with above-average growth potential, (b) companies with growth rates that the portfolio manager believes are sustainable over time, and (c) stocks with reasonable valuations relative to their growth potential. They may sell companies from the Fund that it believes no longer meet the above criteria.

Limits
Although by prospectus we do not have a limit on individual positions, we typically limit individual names to no more than 5%, well-diversified by design so as not to take on any undue company risk. The Fund is committed to its bottom-up stock selection process and sector allocations are a by-product. By prospectus, the Fund may not invest more than 25% in any one industry. Sector overweights are limited to two times large market sectors and three times the smaller sectors. The Fund currently does not expect to have more than 35% of its assets invested in foreign securities, although it has the ability to invest in them without limit.

The Fund is primarily subject to market risk, liquidity risk, equity security risk, cyclical opportunities risk, industry concentration risk, risks of growth investing, risks of investing in securities of small-capitalization and unseasoned companies, and management risk.

Oppenheimer Value Fund

Investment Objective
The Fund seeks long-term growth of capital by investing primarily in common stocks with low price-earnings ratios and better-than anticipated earnings. Realization of current income is a secondary consideration.

Investment Process
The first step of our investment process is to define our universe. In general, we consider the less expensive half of the stock market on a price to earnings and a price to book basis. We also consider individual situations that may not appear cheap on a current basis, but where the long-term earnings power far outweighs the current price. Once we have defined our universe, our investment philosophy integrates two key principles; the focus on stock selection and the attention we pay to the determination of future earnings power. We focus on future earnings power because our research has shown that it is the best predictor of future stock performance within the value universe of companies.

Securities are selected on a bottom-up basis using fundamental analysis. Primarily we are focused on situations where the long-term earnings power of a security is materially greater than its sector peers. Generally, there are three areas of interest to us in our assessment of long-term earnings power. First is revenue growth, second is margin expansion, and the third is capital management opportunities.

The second step of our investment process is the attention we pay to building the portfolio with our stock selection decisions. Our primary goal of portfolio construction is to derive portfolio returns from stock selection rather than from making large sector bets or from other factors or themes. Once we have assessed long-term earnings power, we add stocks to the portfolio, which have the best combination of valuation and long-term earnings power. As a general rule, we avoid comparing the relative investment merits of companies in different sectors. We consider valuation in circumstances where the fundamental outlook is the same but there is a meaningful valuation difference. In such circumstances we will invest in the less expensive option. Our investment philosophy blends these two important components, stock idea generation and portfolio construction, into a portfolio which we believe can capture the long-term return benefit of value stocks.

Limits
If we do not have a strong conviction regarding the outlook for a particular sector we will keep the sector weight neutral to its benchmark. For those sectors where we have a strong outlook based on relative valuation, fundamentals and earnings, we expect to have a modest overweight. Our objective is to keep our sector and factor bets in a similar magnitude as our individual stock bets. The Fund also does not concentrate 25% or more of its assets in any one industry.

Per the prospectus, the Fund does not limit its investments in equity securities to issuers having a market capitalization of a specified size or range, and therefore may invest in securities of small-, mid- and large-capitalization issuers. At times, the Fund may have substantial amounts of its assets invested in securities of issuers in one or more capitalization ranges, based upon the Manager's use of its investment strategies and his judgment of where the best market opportunities are to seek the Fund's objective. However, the Fund will invest primarily in large cap companies and deliver an overall large cap profile.

The Fund is primarily subject to market risk, liquidity risk, equity security risk, cyclical opportunities risk, risks of value investing, risks of investing in securities of small- and mid-capitalization and unseasoned companies, risks of investing in international securities, and management risk.

Oppenheimer Main Street Small Cap Fund®

Investment Objective
The Fund seeks capital appreciation from small company stocks.

Investment Process
The Main Street investment approach was created nearly thirty years ago. Over the succeeding decades, we have repeatedly demonstrated that, while difficult, an approach that is sophisticated enough, disciplined enough and responsive enough to changing market conditions can indeed beat the market over time.

The Main Street approach is quantitative in nature, based on mathematical relationships between a variety of financial and economic characteristics and a stock's behavior. We believe that quantitative portfolio management techniques have intrinsic advantages over techniques based primarily on traditional, fundamental research. That's because the effectiveness of fundamental money management techniques depends on an individual analyst's understanding of a particular company and stock. However, hundreds of variables affect security prices—far more than the human mind can track. That's why even the most well-known stocks held by the widest range of institutional investors will occasionally suffer unexpected declines.

The quantitative investment models used by the team rely on factors representing a variety of characteristics—such as relative value factors, momentum factors, seasonal stock behavior patterns and other factors—that show a degree of correlation with a stock's performance. Since results are computer generated, the process can involve dozens of factors from a wide variety of sources and can be applied to a very large universe of stocks. The Main Street investment team applies approximately 50 factors to more than 3,000 stocks on a regular basis, with the Fund's investable universe consisting of about 2,000 securities. Because our multi-factor approach uses data from many different sources, it often picks up trends and signals before they are apparent to the human observer. The Main Street Small Cap Fund considers its universe to be more than 2,000 stocks.

Equally important, the quantitative approach reduces the impact of emotion on the portfolio management process. At Main Street, we study investor psychology to better understand why some factors have stronger predictive power than others, and to learn which are likely to be most durable. However, the disciplined Main Street process keeps our own emotional biases and patterns of thinking from affecting the management of our portfolios.

While Main Street shares many of these characteristics with other quantitative investment methods, few others have succeeded in matching our results over the long-term. One way we continue to produce above average investment results decade after decade is by continually improving and adapting our quantitative tools. Our process not only evolves in response to new ideas, but also as a result of listening to the lessons of history. Unlike static quantitative approaches that focus on a fixed group of present-day stock characteristics, we also look back in time to find periods when economic and monetary conditions most closely resembled today's. By determining which predictive values worked particularly well or badly in similar periods in the past, we gain a more accurate picture of how those factors are likely to behave today. We have developed systems for shifting the weightings of the factors in our models depending on this macro-economic evidence.

Limits

The Fund does not concentrate 25% or more of its total assets in any one industry. The Fund invests in small capitalization companies from an equity universe made up of 2,000 small cap stocks. The Fund currently considers an issuer having a market capitalization equal to or below the largest capitalization company in either the Russell 2000 Index or the S&P Small Cap 600 Index to be a small-cap issuer. The Fund measures that capitalization at that time the Fund buys the security and it is not required to sell the security if the issuer's capitalization grows above that capitalization.

The Fund is primarily subject to market risk, liquidity risk, equity security risk, risks of investing in securities of small-capitalization and unseasoned companies, and management risk.

OFIPI Baring International (Subadvised by Baring International Investment Limited ("BIIL"))

Investment Objective

The objective of the Strategy is to seek long term capital appreciation and a return in excess of that achieved by the Morgan Stanley Capital International Europe Australasia Far East Index (the "EAFE Index")—Total Return in U.S. Dollar terms.

Investment Process

BIIL employs a Growth at a Reasonable Price ("GARP") philosophy that focuses on markets, sectors and stocks with the greatest earnings growth surprise. BIIL seeks to avoid stocks where it believes either the earnings potential is largely discounted or where the low valuation reflects BIIL's view of future earnings disappointment. This process is driven by fundamental research and analysis of countries, sectors and stocks by BIIL's teams of company and policy analysts. BIIL scores these asset classes using the same methodology globally. Scores are then ranked using an innovative method that integrates BIIL's views and the historical influence that country, sector and stock specific factors have on the movement of each stock. The global equity group, a dedicated, senior portfolio construction team of BIIL, takes these weighted scores and builds portfolios of its greatest conviction, against different benchmarks and investment objectives.

Limits

The Strategy will not:

- Invest such that a country's percentage weight within the Fund varies from its corresponding weight within the EAFE Index by more than the following:
- United Kingdom +/- 15%
- Japan +/- 15%
- Europe (ex-UK) as a bloc +/- 15%
- Pacific Basin Countries (ex-Japan) as a bloc +/- 15%
- Emerging Market Countries as a bloc + 15%

For example, if the EAFE Index weighting for Europe (ex-UK) as a bloc is 45%, the Fund will invest no less than 30% and no more than 60% of total assets in the countries within such bloc.

- Invest more than 10% of its total assets in the equity securities of a single issuer.
- Maintain a cash position of more than 10% of its total assets, other than short-term cash positions resulting from subscriptions or redemptions made by investors in the Fund.
- Hedge more than 30% of its total assets into US Dollars or other currencies.
- Invest in fixed income securities other than for short term cash management purposes.
- Invest in derivatives other than forward foreign exchange contracts, options, rights and warrants.
- Engage in short sales.

Under normal conditions, the Strategy will invest in a minimum of 50 issuers which are organized, headquartered or domiciled in any country included in the EAFE Index, or whose principal listing is on a securities exchange in any country included in the EAFE index.

Under normal conditions, the Strategy will invest a minimum of 90% of its total assets in equity securities, and a maximum of 10% of its total assets in cash, options, rights, warrants and convertible securities.

The Fund is primarily subject to market risk, liquidity risk, equity security risk, cyclical opportunities risk, industry concentration risk, risks of investing in international securities, special risks of investing in emerging markets, foreign currency and exchange rate risk, risks of investing in securities of small-capitalization and unseasoned companies, risks of value investing, and management risk.

Oppenheimer Strategic Income Fund

Investment Objective
The Fund seeks high current income by investing mainly in debt securities.

Investment Process
The Fund is a multi-sector income fund that has the flexibility to invest in different areas of the fixed income market. The Fund invests across three primary sectors: U.S. government bonds, lower rated, high yield bonds, and both developed and emerging market foreign debt. This allows the portfolio managers to pursue income and total return opportunities worldwide, while at the same time seeking to reduce share price volatility through diversification across the three sectors. The Fund invests mainly in debt securities of issuers in three market sectors: foreign governments and companies, U.S. government securities and lower-rated high-yield securities of U.S. and foreign companies (commonly called "junk bonds"). Those debt securities typically include: foreign government and U.S. government bonds and notes, collateralized mortgage obligations (CMOs), other mortgage-related securities and asset-backed securities, participation interests in loans, "structured" notes, lower-grade, high-yield domestic and foreign corporate debt obligations, and "zero-coupon" or "stripped" securities.

Limits
Under normal market conditions, the Fund invests in each of those three market sectors. However, the Fund is not required to invest in all three sectors at all times, and the amount of its assets in each of the three sectors will vary over time. The Fund can invest up to 100% of its assets in any one sector at any time, if the Fund's investment manager believes that the Fund can achieve its objective without undue risk.

The Fund is primarily subject to liquidity risk, credit risk, interest rate risk, prepayment risk, risks of investing in derivative instruments, fixed income security risk, risks of investing in international securities, special risks of investing in emerging markets, foreign currency and exchange rate risk, and management risk.

Oppenheimer Core Bond Fund

Investment Objective
The Fund's objective is to seek total return by investing mainly in debt instruments.

Investment Process
The portfolio managers follow a broad and diversified universe of fixed income securities. These include domestic and foreign corporate debt obligations, domestic and foreign government bonds, as well as participation interests in loans, asset-backed securities, mortgage-related securities (including collateralized mortgage obligations (CMOs) issued by private issuers, and other debt obligations. Although the Fund may invest in a wide variety of credits and maturities, the Fund seeks to maintain an average credit quality of A- or better, and an average effective duration of 3-6 years. For the Oppenheimer Core Bond Fund, the Fund's managers use a disciplined team-driven approach to identify securities. Our belief is that our shareholders should be compensated for the amount of risk they take to achieve a given return (income and price appreciation). As such, much of our emphasis is on carefully identifying the risk in the individual securities and overall portfolio and ensuring that we manage those risks to meet our shareholders expectations for total return and income.

The Fund invests in a variety of high-yield, fixed-income securities and related instruments. These investments primarily include lower-grade corporate bonds, foreign corporate and government bonds, swaps, including single name and index-linked credit default swaps.

Limits
Under normal market conditions, the Fund invests at least 60% of its total assets in high-yield, lower-grade, fixed-income securities, commonly called "junk" bonds. Lower grade debt securities are those rated below "Baa" by Moody's Investors Service ("Moody's") or "BBB" by Standard & Poor's Ratings Services ("S&P") or comparable ratings by other nationally-recognized rating organizations (or, if unrated, debt securities determined by the Manager to be comparable to securities rated below investment grade. The remainder of the Fund's assets may be invested in other debt securities, common stocks (and other equity securities), or cash or cash equivalents when the Manager believes these investments are consistent with the Fund's objectives.

The Fund is primarily subject to liquidity risk, credit risk, interest rate risk, prepayment risk, risks of investing in derivative instruments, fixed income security risk, and management risk.

Oppenheimer Limited-Term Government Fund

Investment Objective
The Fund seeks high current return and safety of principal.

Investment Process
The Fund invests only in obligations issued or guaranteed by the U.S. Government or its agencies or instrumentalities. These securities include U.S. Treasury notes and bonds, mortgage-related

securities issued by federal government agencies, and other debt securities. The Fund may also use derivatives of these investments. The Fund is designed to take advantage of opportunities to gain incremental yield and total return potential where they exist in the government and mortgage market, without adding significant amounts of risk. The first step in constructing the Fund's portfolio is to analyze the U.S. Treasury yield curve, which is the fundamental benchmark for all investment-grade investment analytics. The portfolio managers determine the appropriate amount of interest rate risk for the portfolio by balancing the need for income, which generally increases with the amount of interest rate risk, and the desire for low share price volatility. The Fund maintains average effective portfolio duration of no longer than three years. Once the appropriate interest rate risk target has been determined, the allocation to mortgage securities and agency securities is determined. The managers compare the relative value of these securities to Treasury securities using sophisticated analytic systems which take into account liquidity in the market, historical and expected interest rate volatility, supply and demand for the various asset types.

The portfolio managers and analysts select the individual securities based upon their income potential and relative return potential. Securities may be sold when they have performed in line with expectations and there is limited further upside, when the risk/return characteristics have changed due to changing market conditions, or when other more attractive securities are available.

Limits
The Fund invests at least 80% of its net assets (plus borrowings used for investment purposes) in debt securities issued by the U.S. government, its agencies and instrumentalities, repurchase agreements on those securities and hedging instruments approved by it Board of Trustees. The Fund may invest up to 20% of its net assets in mortgage-backed securities that are not issued or guaranteed by the U.S. government, its agencies or instrumentalities, asset-backed securities, investment grade corporate debt obligations and certain other high quality debt obligations.

The Fund is primarily subject to liquidity risk, credit risk, interest rate risk, prepayment risk, risks of investing in derivative instruments, fixed income security risk, and management risk.

Oppenheimer Institutional Money Market Fund

Investment Objective
The Fund's investment objective is to seek the maximum current income that is consistent with stability of principal.

Investment Process
The Fund is a money market fund investing in a variety of high quality money market instruments to seek income. Money market instruments are short-term debt instruments issued by the U.S. government, domestic and foreign corporations, and financial institutions and other entities. They include, for example, bank obligations, repurchase agreements, commercial paper, other corporate debt obligations and government debt obligations. All investment opportunities are monitored against the strict diversification requirements of each money market fund. If permissible, a particular issuer or investment idea is reviewed by the entire investment team. As discussed below, this review covers a wide spectrum of company specific, industry specific, macroeconomic, and trading and structural issues. While portfolio managers and credit analysts are primarily responsible for performing the day-to-day credit review, all group members participate in this process. Uniquely, each group member, regardless of position, may remove any issuer from the Taxable Approved List, a list that is used by the group's traders when making investments for a money market fund. This list, which contains issuing entities in different industries, is the sole source of potential investments for the traders. The Tax-Exempt Approved List shares bank, insurance and some corporate credits with the Taxable Approved List.

All of our efforts are designed to minimize company specific and systemic risks. The review and analysis of investment opportunities is not fragmented but coordinated by the portfolio manager or analysts most knowledgeable about the borrower and its specific industry sector. Exposing all investment opportunities to the entire group for discussion, critique and final disposition enhances the quality of each investment decision. Credit quality is the key factor driving these discussions. The portfolio manager or senior analyst must approve all additions to the Approved List. In addition, each periodic update of the borrower's financial strength is reviewed by a second senior individual not involved with performing the analysis.

Limits
The maximum exposure to any single issuer is 5% (instrumentalities and US agencies are exempt as well). We monitor holdings at the issuer level.

The Fund is primarily subject to liquidity risk, credit risk, interest rate risk, prepayment risk, risks of investing in derivative instruments, and fixed income security risk.

Principal Investment Risks of the Underlying Investments

Market Risk

The risk that the value of the securities in which a Portfolio and an Underlying Investment invests may go up or down in response to the prospects of individual companies and/or general economic conditions. Price changes may be temporary or last for extended periods. Diversifying across the various asset classes may mitigate the impact, whether positive or negative, of changes in economic conditions or fundamentals in any one asset class.

Management Risk

The risk that the asset allocation strategy approved by the Board or that a particular strategy used by a mutual fund advisor may fail to produce the intended results.

Liquidity Risk

The risk that an Underlying Investment will not be able to pay redemption proceeds to a Portfolio within the time period stated in the Underlying Investment's prospectus, statement of additional information or other offering materials, as applicable, because of unusual market conditions, an unusually high volume of redemption requests, or other reasons. Such delay could result in a Portfolio being unable to make payments within the time period stated herein. Portfolios that invest in mutual funds investing in non-investment-grade fixed income securities, small capitalization stocks, real estate investment trusts ("REITs") and emerging country issuers will be especially subject to the risk that during certain periods the liquidity of particular issuers or industries, or all securities within these investment categories, will shrink or disappear suddenly and without warning as a result of adverse economic, market or political events, or adverse investor perceptions, regardless of whether or not accurate.

Industry Concentration Risk

The risk that an Underlying Investment concentrates its investments in specific industry sectors that have historically experienced substantial price volatility. Such a concentrated fund is subject to greater risk of loss as a result of adverse economic, business or other developments than a fund that diversifies its investments across different industry sectors. Securities held by such funds may lack sufficient market liquidity to enable a fund to sell the securities at an advantageous time or without a substantial drop in price.

Interest Rate Risk

The risk that when interest rates increase, securities held by an Underlying Investment will decline in value. Long-term fixed income securities will normally have more price volatility than short-term securities because of this risk.

Fixed Income Securities

Prices of fixed income securities rise and fall in response to interest rate changes. Generally, when interest rates rise, prices of fixed income securities fall. Generally, the longer the duration of a fixed income security, the more sensitive the security is to this risk. For example, a 1% increase in interest rates would reduce the value of a $100 note by approximately $1 if it had a one-year duration, but would reduce its value by approximately $15 if it had a 15-year duration. There is also a risk that one or more of the fixed income securities included in an Underlying Investment will be downgraded in credit rating or go into default. Lower rated bonds generally have higher credit risks than higher rated bonds. These securities are also subject to credit/default risk, which is the risk that an issuer of fixed income securities (which may have low credit ratings) held by an Underlying Investment may default on its obligation to pay interest and repay principal.

Equity Securities

The value of equity securities will rise and fall in response to the activities of the company that issued the stock, general market conditions, and/or economic conditions.

Risks of Growth Investing

Stocks of growth companies, particularly newer companies, may offer opportunities for greater capital appreciation but may be more volatile than stocks of larger, more established companies. If the company's earnings growth or stock price fails to increase as expected, the stock price of a growth company may decline sharply.

Investing in Special Situations

Periodically, an Underlying Investment might use aggressive investment techniques. These might include seeking to benefit from what the portfolio managers perceive to be "special situations," such as mergers, reorganizations, restructurings or other unusual events expected to affect a particular issuer. However, there is a risk that the change or event might not occur, which could have a negative impact on the price of the issuer's securities. The Underlying Investment's investment might not produce the expected gains or could incur a loss for the portfolio.

Cyclical Opportunities

An Underlying Investment may also seek to take advantage of changes in the business cycle by investing in companies that are sensitive to those changes if the Manager believes they have growth potential. An Underlying Investment might sometimes seek to take tactical advantage of short-term market movements or events affecting particular issuers or industries. There is a risk that if the event does not occur as expected, the value of the stock could fall, which in turn could depress the Underlying Investment's share prices.

Portfolio Turnover

An Underlying Investment may engage in active and frequent trading to try to achieve its objective. Increased portfolio turnover creates higher brokerage and transaction costs for the Underlying Investment (and may reduce performance). If an Underlying Investment realizes capital gains when it sells its portfolio investments, it must generally pay those gains out to shareholders, increasing their taxable distributions.

Credit Risk

The risk that the issuer of a debt security might not make interest and principal payments on the security as they become due. If the issuer fails to pay interest, the income of an Underlying Investment investing in such debt security might be reduced, and if the issuer fails to repay principal, the value of that security and of the Underlying Investment's shares might be reduced. Debt securities and preferred stocks issued by domestic and foreign corporations are subject to risks of default. A downgrade in an issuer's credit rating or other adverse news about an issuer can reduce the market value of that issuer's securities.

Risks of Value Investing

Value investing seeks stocks having prices that are low in relation to what is believed to be their real worth or prospects. An Underlying Investment that uses a value investing style seeks to realize appreciation in the value of its holdings when other investors realize the intrinsic value of those stocks. In using a value investing style, there is the risk that the market will not recognize that the securities are undervalued and they might not appreciate in value as the Underlying Investment anticipates.

Securities of Small-capitalization Companies

Investments in smaller companies may involve greater risks because these companies often have narrower markets and more limited managerial and financial resources than larger, more established companies. As a result, their performance can be more volatile, which could increase the volatility of the Underlying Investment's portfolio, and therefore the volatility of the Portfolio.

Investing in Unseasoned Companies

An Underlying Investment can invest in unseasoned companies. These are companies that have been in operation less than three years, including the operations of any predecessors. Because these companies have a limited operating history and may be more dependent on the efforts of individual managers, their securities may have limited liquidity and their prices may be very volatile. Newer growth companies typically retain a large part of their earnings for research, development or investment in capital assets. Therefore, they do not tend to emphasize paying dividends, and may not pay any dividends for some time after the Underlying Investment buys their stock.

Securities of Large-capitalization Companies

An Underlying Investment's emphasis on large-cap stocks makes it susceptible to the business risks of larger companies, which usually cannot change as quickly as smaller companies in response to competitive challenges. Larger companies also tend not to be able to maintain the high growth rates of well-managed smaller companies, especially during strong economic periods.

Non-investment Grade Fixed Income Securities

Although lower rated debt securities generally offer a higher yield than higher rated debt securities, they involve higher risks. They are especially subject to: adverse changes in general economic conditions and in the industries in which their issuers are engaged, changes in the financial condition of their issuers, and price fluctuations in response to changes in interest rates. As a result, issuers of lower rated debt securities are more likely than issuers of higher rated debt securities to miss principal and interest payments or to default.

Asset-backed Securities

Asset-backed securities are often subject to more rapid repayment than their stated maturity date would indicate as a result of the pass-through of prepayments of principal on the underlying loans. Asset-backed securities present certain additional risks because asset-backed securities generally do not have the benefit of a security interest in collateral that is comparable to mortgage assets.

Derivatives

There are certain investment risks in using derivatives such as futures contracts, options on futures, interest rate swaps and structured notes, as a hedging technique. If an Underlying Investment incorrectly forecasts interest rates in using derivatives, the Underlying Investment and any Portfolio invested in it could lose money. Price movements of a futures contract, option or structured notes may not be identical to price movements of portfolio securities or a securities index, resulting in the risk that, when an Underlying Investment buys a futures contract or option as a hedge, the hedge may not be completely effective. The use of these management techniques also involves the risk of loss if the advisor to an Underlying Investment is incorrect in its expectation of fluctuations in securities prices, interest rates or currency prices.

International Securities

The return and NAV of a Portfolio that invests in Underlying Investments investing in international securities may be significantly affected by political or economic conditions and regulatory requirements in a particular country. Foreign markets, economies and political systems may be less stable than U.S. markets, and changes in exchange rates of foreign currencies can affect the value of an Underlying Investment's foreign assets. Foreign laws and accounting standards typically are not as strict as they are in the U.S. and there may be less public information available about foreign companies.

Non-U.S. Debt Securities

These securities are particularly subject to a risk of default from political instability and fluctuations in exchange rates.

Special Risks of Emerging Markets

Securities of issuers in emerging and developing markets may offer special investment opportunities, but present risks not found in more mature markets. Those securities may be more difficult to sell at an acceptable price and their prices may be more volatile than securities of issuers in more developed markets. Settlements of trades may be subject to greater delays so that an Underlying Investment might not receive the proceeds of a sale of a security on a timely basis. These investments may be very speculative. These countries might have less developed trading markets and exchanges. Emerging market countries may have less developed legal and accounting systems and investments may be subject to greater risks of government restrictions on withdrawing the sale proceeds of securities from the country. Economics of developing countries may be more dependent on relatively few industries that may be highly vulnerable to local and global changes. Governments may be more unstable and present greater risks of nationalization or restrictions on foreign ownership of stocks of local companies.

Foreign Currency and Exchange Rate

An Underlying Investment, and the Portfolio invested in it, may be affected either favorably or unfavorably by fluctuations in the relative rates of exchange between the currencies of different nations, exchange control regulations and indigenous economic and political developments. An Underlying Investment attempts to buy and sell foreign currencies on favorable terms. A price spread on currency exchange (to cover service charges) may be incurred, particularly when an Underlying Investment changes investments from one country to another or when proceeds from the sale of shares in U.S. dollars are used for the purchase of securities in foreign countries. Also, some countries may adopt policies which would prevent an Underlying Investment from repatriating invested capital and dividends, withhold portions of interest and dividends at the source, or impose other taxes, with respect to an Underlying Investment's investments in securities of issuers of that country. Because an Underlying Investment's securities may be denominated in foreign currencies, the value of such securities to an Underlying Investment (and of the Underlying Investment to the Portfolio) will be affected by changes in currency exchange rates and in exchange control regulations. A change in the value of a foreign currency against the U.S. dollar will result in a corresponding change in the U.S. dollar value of the Underlying Investment's securities. In addition, some emerging market countries may have fixed or managed currencies which are not free-floating against the U.S. dollar. Further, certain emerging market currencies may not be internationally traded. Certain of these currencies have experienced a steady devaluation relative to the U.S. dollar. Many emerging market countries have experienced substantial and, in some periods, extremely high rates of inflation for many years. Inflation and rapid fluctuations in inflation rates have had, and may continue to have, negative effects on the economies and securities markets of certain emerging market countries.

Mortgage-backed Securities

- Prepayment Risk—The investment characteristics of adjustable and fixed rate mortgage-backed securities differ from those of traditional fixed income securities. The major differences include the payment of interest and principal on mortgage-backed securities on a more frequent (usually monthly) schedule, and the possibility that principal may be prepaid at any time due to repayments on the underlying mortgage loans or other assets. These differences can result in significantly greater price and yield volatility than is the case with traditional fixed income securities. As a result, if a fund purchases mortgage-backed securities at a premium, a prepayment rate that is faster than expected will reduce both market value and yield to maturity from those which were anticipated. A prepayment rate that is slower than expected will have the opposite effect of increasing yield to maturity and market value. Conversely, if a fund purchased mortgage-backed securities at a discount, faster than expected prepayments will increase yield to maturity and market values, while slower than expected prepayments will reduce yield to maturity and market values.

- Call Risk—The risk that an issuer will exercise its right to pay principal on an obligation (such as a mortgage-backed security) held by an Underlying Investment earlier than expected. This may happen when there is a decline in interest rates. Under these circumstances, a fund may be unable to recoup all of its initial investment and will also suffer from having to reinvest in lower yielding securities.

- Extension Risk—The risk that an issuer will exercise its right to pay principal on an obligation (such as a mortgage-backed security) held by an Underlying Investment later than expected. This may happen when there is a rise in interest rates. Under these circumstances, the value of the obligation will decrease and an Underlying Investment (and any Portfolio invested in that Underlying Investment) will also suffer from the inability to invest in higher yielding securities.

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