PROGRAM DISCLOSURE BOOKLET AND PARTICIPATION AGREEMENT

TNStars College Saving 529 Program
Tennessee’s Educational Savings Plan

OFFERED BY:

State of Tennessee
TENNESSEE BACCALAUREATE EDUCATION SYSTEM TRUST
BOARD OF TRUSTEES

State of Tennessee
Treasury Department

P.O. Box 198801
Nashville, TN 37219
(855) 3TN-STAR (386-7827) or (615) 741-1502

Dated September 18, 2012
This Disclosure Booklet is intended to provide a general summary of the provisions governing the TNStars College Savings 529 Program, Tennessee’s Baccalaureate Education System Trust (“BEST”) Educational Savings Plan (the “Program” or the “Savings Program”). The Program is authorized by Title 49, Chapter 7, Part 8 of the Tennessee Code Annotated (the “Statute”) and is administered by the BEST Board of Trustees (the “Board”). The Board has the authority to appoint a program manager, adopt rules to implement and administer the Program and establish investment policies for the Program, to invest moneys within the trust (the “Trust Fund”) in investments determined by the Board to be appropriate and to administer the funds of the Trust Fund.

The information in this Disclosure Booklet and Participation Agreement is subject to legislative change and judicial interpretation. It does not supersede or restrict procedures or authority for the Program established under state or federal law. Statutory authority for the Program is contained in the Statute.

The Savings Program created by the State of Tennessee (the “State”) is a Trust Fund designed to help people save for the costs of education after high school. The Program was implemented and is administered by the Board, as trustee of the Trust Fund established for the Program. Currently, federal and Tennessee tax benefits enhance the value of investing in the Program. For additional information, see "OVERSIGHT OF THE PROGRAM."

The Program is a qualified tuition program established pursuant to Section 529 of the Internal Revenue Code of 1986, as amended ( a “529 Plan” or a “Qualified Tuition Program”, “Section 529” and the “Code”, respectively). As a 529 Plan, interests in the Program are considered municipal fund securities. No securities issued for the Program have been registered with or approved by the United States Securities and Exchange Commission or any state securities commission. This Disclosure Booklet does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of a security in the Program by any person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

No dealer, broker, salesperson or other person has been authorized by the Board to give any information or to make any representations other than those contained in this document and,
if given or made, such other information or representations must not be relied upon as having been authorized by the Program or the Board.

This Disclosure Booklet includes Addendum I - Participation Agreement, which incorporates this Disclosure Booklet by reference, and is the Contract with a Purchaser (defined below). This Disclosure also contains Appendix A, which provides information about the underlying mutual funds used as part of the Program. Statements contained in this Disclosure Booklet which involve estimates, forecasts or matters of opinion, whether or not expressly so described therein, are intended as such and are not to be construed as representations of facts.

The information and opinions in this Disclosure Booklet are subject to change without notice, and neither delivery of this Disclosure Booklet nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Trust Fund since the date of this Disclosure Booklet.

The Tennessee Department of Treasury operates all programs and activities free from discrimination on the basis of race, sex or any other classification protected by federal or Tennessee state law. Individuals with disabilities who may require an alternative communication format for this or other Treasury Department publications should contact the Treasury ADA coordinator at (615) 741-4985.

The remainder of this Disclosure Booklet describes the Program, the Program's investment options the Program's investment objectives, risks and fees, how to open an account with the Program (an “Account”) and other relevant information about the Program. You may contact the Program to receive additional copies of this Disclosure Booklet and to ask any questions that you may have about the Program by calling toll-free at (855) 3TN-STAR (386-7827) or visiting the Program Web site at www.tnstars.com.

Non-Tennessee taxpayers and residents should determine whether the state in which they or their beneficiaries pay taxes or live offers a 529 Plan that provides state tax or other benefits that are not available by investing in the Savings Program. Prospective purchasers should consider such state tax treatment and benefits, if any, before investing in the Program.

Except as noted below, investments in the Program are neither insured nor guaranteed by the State of Tennessee, the Program, other state agencies, federal government agencies, or any employees or directors of any such entities. FDIC insurance is provided for an interest bearing transaction account or interest bearing account (the “IBA”) established and held in trust by the State of Tennessee at First Tennessee Bank National Association (the “Bank”). Funds in the IBA are insured by the FDIC on a pass-through basis to each Purchaser up to the maximum amount set by federal law, which is $250,000. The amount of FDIC insurance provided to each Purchaser is based upon the total of (1) the value of the Purchaser’s investment in the IBA plus (2) the value of other accounts held (if any) at the Bank, as determined by the Bank and by FDIC regulations.
# KEY FEATURES OF THE PROGRAM

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| Contact Information       | TNStars College Savings 529 Program  
P.O. Box 198801  
Nashville, TN 37219  
(855) 3TN-STAR (386-7827)86-2378  
(615741-1502)                                                                                                                  |                                               |
<p>| Manager of the Program    | The Program is managed by the State of Tennessee Treasury Department                                                                                                                                       | Oversight of Program, page 8                  |
| Eligible Account Owner    | The person or entity that establishes the Contract is the Purchaser. The Purchaser may be an individual, association, corporation, trust or other organized entity who enters into a Contract and who controls all aspects of the Account, or in the case of the Purchaser’s death or legal incompetence, the Purchaser’s Appointee. Only one (1) individual, association, corporation, trust or other organized entity may be named as the Purchaser. Entity The Purchaser must have a valid Social Security or Taxpayer Identification Number and also must have a physical mailing address in the United States. | How to Participate in the Program, Establishing a Contract, page 16 |</p>
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OVERSIGHT OF THE PROGRAM

The Savings Program is established and maintained by The State of Tennessee Board, an agency and instrumentality of the State of Tennessee created by Tennessee law. The primary purpose of the Program is to advance and improve the higher education opportunities of persons who are attending or planning to attend institutions of higher education and to assist such persons in saving for the costs of attendance at such institutions. In addition to the Savings Program, the Board manages the Educational Services Plan (the “Prepaid Program”). The Prepaid Program is currently closed to new enrollments.

The Board is empowered under the Statute to carry out the purposes and objectives of the Savings Program. The nine member Board is comprised of the following persons: the State Treasurer; the Comptroller of the Treasury; the Commissioner of Finance and Administration; the Secretary of State; the Chancellor of the State Board of Regents; the President of the University of Tennessee System; the Executive Director of the Tennessee Student Assistance Corporation; the Executive Director of the Tennessee Higher Education Commission; and one (1) representative of the Tennessee Independent Colleges and University Association appointed by the State Treasurer. The Board is attached to the Department of Treasury of the State of Tennessee, as a division thereof, for all administrative purposes and has delegated to the State Treasurer the duty to carry out the day-to-day operations of the Program.

The Statute provides that the Board will have all powers necessary to carry out the purposes, objectives and provisions of the Statute pertaining to the Program, including, without limitation, the power to (1) invest moneys within the Trust Fund in any investments determined by the Board to be appropriate; (2) appoint a program administrator and determine the duties and compensation of the program administrator and other staff; (3) engage investment advisors to assist in the investment of Trust Fund assets; (4) contract for goods and services and engage personnel as necessary for the management of the Program, (5) administer the funds of the Trust Fund and (6) adopt rules for the implementation of the Program.

Pursuant to these powers and authority, the Board established the Trust Fund through which it is implementing the Program. The Board manages the Program and the day-to-day operations of the Program are administered by Treasury Department personnel. The Program is not administered by a third-party Program Manager.

FDIC INSURANCE

Funds in the IBA are insured by the FDIC on a pass-through basis to each Purchaser up to the maximum amount set by federal law, which is $250,000. The amount of FDIC insurance provided to a Purchaser is based on the total of (1) the value of the Purchaser’s investment in the IBA plus (2) the value of other accounts held (if any) by the Purchaser at the Bank, as determined by the Bank and by FDIC regulations.
NO OTHER INSURANCE OR GUARANTEES

Investments in the Program are not insured or guaranteed by the State, any State agency or instrumentality, the Program, the Board, any federal government agency (except to the extent noted above regarding FDIC insurance) or any employees or Board members of any such entities. Units in the Program have not been registered with the United States Securities and Exchange Commission (the “SEC”) or with any state securities agency. For additional information, see "RISKS OF INVESTING IN THE PROGRAM"

RISKS OF INVESTING IN THE PROGRAM

There is an inherent risk of investing because investments can lose value. The value of a TNStars College Savings 529 Program account has a risk of market volatility, and market conditions and performance of the underlying mutual funds affect the value. The value could be more or less than the amount contributed to the account. It would be prudent for Purchasers to periodically review the investment option choices and if deemed appropriate by the Purchaser, make changes to the investment option choices or allocations to each investment option taking into consideration their risk tolerance, investment horizon, and their college savings goals. Prospective Purchasers should carefully consider, along with other matters referred to in this Disclosure Booklet, the following risks of investing in the Program and the Investment Options.

Investment Risks

Although the general objective of the Program is to achieve investment returns over the applicable investment period that are at least equal to the rate of increase in the costs of higher education over that period, it is highly unlikely that the rate of return on the IBA will meet that objective. In addition, there is no guarantee that the rate of return on any of the other investment options will meet that objective.

Money contributed to Program accounts is subject to the investments used by the Program for each of the Program Investment Options. These risks may include, but are not limited to, the following:

Country/Regional Risks

Country/regional risk is the chance that world events such as political upheaval, financial troubles, or natural disasters will adversely affect the value of securities issued by companies in foreign countries or regions. Because the underlying investment may invest a large portion of its assets in securities of companies located in any one country or region, its performance may be hurt disproportionately by the poor performance of its investments in that area.

This risk is associated with Vanguard LifeStrategy Conservative Growth Fund.
Credit Risk

Credit is the chance that a bond issuer will fail to pay interest and principal in a timely manner or that negative perceptions of the issuer’s ability to make such payments will cause the price of that bond to decline.

This risk is associated with Vanguard Total Bond Market Index Fund; DFA Inflation-Protected Securities Portfolio; Vanguard Intermediate-Term Investment-Grade Fund; Vanguard Wellington Fund; Vanguard LifeStrategy Conservative Growth Fund and Vanguard LifeStrategy Income Fund.

Currency Risk

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

This risk is associated with DFA Large Cap International Portfolio; Maxim American Century Growth Fund; DFA Large Cap International Portfolio and Vanguard LifeStrategy Conservative Growth Fund.

Depository Receipts Risk

Depository receipts are generally subject to the same sort of risks as direct investments in a foreign country, such as currency risk, political and economic risk and market risk because their values depend on the performance of a foreign security denominated in its home currency.

This risk is associated with Maxim American Century Growth Fund.

Foreign Securities Risk

Foreign Markets can be more volatile than the U.S. market due to increased risks of adverse issuer, political, regulatory, market, currency valuation or economic developments. In addition, emerging markets may be more volatile and less liquid than the markets of more mature economies and the securities of emerging markets issuers often are subject to rapid and large changes in price.

This risk is associated with Maxim American Century Growth Fund; PRIMECAP Odyssey Aggressive Growth Fund and DFA Large Cap International Portfolio.

Growth Stock Risk

Growth stocks can be volatile. Since many growth stock companies reinvest a high proportion of their earnings back into their business they either pay no dividend at all or only a small dividend. High dividends tend to cushion a stock’s price decline in a falling market. Also, since investors purchase growth stocks because of superior earnings
growth, disappointing earnings may trigger a sharp decline in the price of a growth stock.

This risk is associated with Maxim American Century Growth Fund.

**Income Risk**

Income risk is the chance that the underlying investment’s income may vary widely from month to month because of changing interest rates.

This risk is associated with Vanguard Total Bond Market Index Fund; DFA Inflation-Protected Securities Portfolio; Vanguard Intermediate-Term Investment-Grade Fund; Vanguard Intermediate-Term Treasury Fund and Vanguard Wellington Fund.

**Index Sampling Risk**

Index sampling risk is the chance that the securities selected for the underlying investment, in the aggregate, will not provide investment performance matching that of the index.

This risk is associated with Vanguard Total Bond Market Index Fund; Vanguard LifeStrategy Conservative Growth Fund and Vanguard LifeStrategy Income Fund.

**Interest Rate Risk**

Interest rate risk is the chance that bond prices overall will decline because of rising interest rates. Interest rate risk should be low to moderate for the underlying investments because they invest mainly in short-term and intermediate-term bonds, the prices of which are less sensitive to interest rate changes than are the prices of long-term bonds.

This risk is associated with Vanguard Total Bond Market Index Fund; DFA Inflation-Protected Securities Portfolio; Vanguard Intermediate-Term Investment-Grade Fund; Vanguard Intermediate-Term Treasury Fund; Vanguard Wellington Fund; Vanguard LifeStrategy Conservative Growth Fund and Vanguard LifeStrategy Income Fund.

**Investment Style Risk**

Investment style risk is the chance that returns from the types of stocks in which the underlying investment is invested will trail returns from the overall stock market. Specific types of stocks tend to go through cycles of doing better—or worse—than the stock market in general. These periods have, in the past, lasted as long as several years.

This risk is associated with Vanguard 500 Index Fund; Maxim American Century Growth Fund; PRIMECAP Odyssey Aggressive Growth Fund; Vanguard Mid-Cap Growth Fund and Vanguard Wellington Fund.
Manager Risk

Manager risk is the chance that poor security selection will cause the underlying investment to underperform relevant benchmarks or other investments with a similar investment objective.

This risk is associated with Maxim American Century Growth Fund; PRIMECAP Odyssey Aggressive Growth Fund; Vanguard Mid-Cap Growth Fund; Vanguard Intermediate-Term Investment-Grade Fund; Vanguard Intermediate-Term Treasury Fund and Vanguard Wellington Fund.

Prepayment/Call Risk

Call risk is the chance that, during periods of falling interest rates, the issuers of callable bonds may call (repay) higher-yielding bonds before their maturity dates. The underlying investment would then lose potential price appreciation and would be forced to reinvest the unanticipated proceeds at lower interest rates, resulting in a decline in the underlying investment’s income. For mortgage-backed securities, this risk is known as prepayment risk. Prepayment/call risk should be moderate for the underlying investment because it invests only a portion of its assets in mortgage-backed securities and callable bonds.

This risk is associated with Vanguard Total Bond Market Index Fund; Vanguard Wellington Fund; Vanguard LifeStrategy Conservative Growth Fund and Vanguard LifeStrategy Income Fund.

Sector Risk

Sector risk is the possibility that certain sectors of the economy (for example, financial services, health or technology) may underperform other sectors or the market as a whole.

This risk is associated with Maxim American Century Growth Fund.

Stock Market Risk

Stock market risk is the chance that stock prices overall will decline. Stock markets tend to move in cycles, with periods of rising stock prices and periods of falling stock prices.

This risk is associated with DFA Enhanced U.S. Large Company Portfolio; Vanguard 500 Index Fund; Maxim American Century Growth Fund; PRIMECAP Odyssey Aggressive Growth Fund; Vanguard Mid-Cap Growth Fund; DFA Large Cap International Portfolio; DFA Inflation-Protected Securities Portfolio; Vanguard

There are other risks associated with enrollment in the program. The Board reserves the right to change the investment options offered under the program. The Board also reserves the right to change the underlying mutual funds or bank accounts. The Board reserves the right to change the fees charged under the program without prior notice to Purchasers to meet the Program’s objectives, to adjust for changes in appropriations to the program or to comply with state and/or federal regulations. When feasible, the Board will provide reasonable notice to Purchaser regarding any program changes. Any changes could affect the investment risk and performance of investment options offered under the Program.

**RISKS RELATED TO CHANGES IN LAW**

Laws pertaining to federal and state tax treatment of 529 Plans are subject to change. The federal Treasury Department released Proposed Regulations for 529 Plans in August 1998 but it has still not issued Final Regulations. The Program does not offer any assurance as to the timing or nature of any changes or its effect on the favorable treatment Accounts.

In January 2008, the Internal Revenue Service issued an Advance Notice of Proposed Rulemaking under Section 529. The Notice provides that proposed regulations will be re-issued relating to the tax treatment of Section 529 accounts and that those re-proposed rules will provide a general anti-abuse rule, which may have retroactive effect. As of the date of this Disclosure Document, no proposed regulations have been re-issued nor have any final regulations governing Section 529 been issued. You should consult your tax advisor for more information.

The Board, the Program and the Tennessee legislature reserve the right to discontinue or change any aspect of the Program, including, but not limited to, fee structure, investment options, Program fees and, to the extent applicable, Program managers.

**NO GUARANTEE OF ATTENDANCE OR EXPENSE**

Having an Account in the Program does not guarantee that a Beneficiary will be admitted to any Eligible Educational Institution or if admitted, will be permitted to continue enrollment in, graduate or receive a degree from an Eligible Educational Institution. Additionally, having an Account in the Program does not guarantee that a Beneficiary will qualify for in-State tuition rates at any Tennessee state-supported public college or university.

Even if the balance of an Account has reached the Maximum Account Balance Limit, the value of the Account may not be sufficient to cover the all the Qualified Higher Education Expenses a Beneficiary may incur. Future inflation in Qualified Higher Education Expenses is uncertain. Qualified Higher Education Expenses have been growing more rapidly than increases in the general cost of living. Increases in Qualified Higher Education Expenses are likely to exceed the rate of return expected from the IBA under the Program over the same period.
SUITABILITY AND INVESTMENT ALTERNATIVES

The Board makes no representation concerning the appropriateness of the Bank investment options as an investment. Other types of investments may be more appropriate depending upon an individual's residence, financial status, tax situation, risk tolerance or age. Various Qualified Tuition Programs other than the Program, including programs designed to provide prepaid tuition, are currently available, as are other education savings and investment alternatives. The investments, fees, expenses, eligibility requirements, tax and other consequences and features of these alternatives may differ from those available in the Program. Anyone considering investing in the Program may wish to consider these alternatives prior to opening an Account and should consult a tax or investment advisor.

TAX MATTERS

The information in this section is not meant to be individual tax advice. Section 529 Plans are intended to be used only to save for Qualified Higher Education Expenses. These Qualified Tuition 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.

The Program has been designed to provide federal and state tax benefits to enhance the value of investing in it. Laws affecting the Program and any Contract held in the Program may change while an Account is open as further described above under "RISKS OF INVESTING IN THE PROGRAM". Purchasers should consult a tax advisor about how federal and state tax laws apply to a Contract held in the Program.

The earnings on the investment options are tax-deferred for federal income tax purposes until withdrawal. As long as withdrawals are used for the Beneficiary's Qualified Higher Education Expenses, the earnings portion of the withdrawals will not be subject to federal income taxation. Earnings are exempt from any Tennessee state, county or municipal tax.

INTERNAL REVENUE SERVICE CIRCULAR 230 DISCLOSURES: THE INFORMATION CONCERNING THE FEDERAL TAX CONSEQUENCES OF PARTICIPATING IN THE PROGRAM IS GENERAL IN NATURE AND DOES NOT TAKE INTO ACCOUNT INDIVIDUAL CIRCUMSTANCES THAT MAY AFFECT TAX TREATMENT FOR AN INDIVIDUAL TAXPAYER. IN ADDITION, THE INFORMATION CONCERNING TAX CONSEQUENCES IS NOT A “COVERED OPINION” AS DEFINED BY INTERNAL REVENUE SERVICE CIRCULAR 230 AND, THEREFORE, IT IS NOT INTENDED OR WRITTEN TO BE USED, AND IT CANNOT BE USED, FOR THE PURPOSE OF AVOIDING PENALTIES UNDER THE CODE.

If you or the Beneficiary of your Account (both terms defined below) reside in another state or have taxable income in another state, it is important for you to note that if that state has established a Qualified Tuition Program under Section 529, that state's plan may offer favorable
state income tax benefits or other benefits, that are only available if you invest in that state's plan, and that are not available to you or the Beneficiary if you invest in this Program. These benefits, if any, should be considered before making a decision to invest in the Program. It may be prudent to consult with a qualified advisor or contact your state's college savings plan to find out more about such benefits.

Contributions to an Account are generally considered completed gifts to the Beneficiary for federal tax purposes and are, therefore, potentially subject to federal gift tax. Generally, if a Purchaser makes contributions to an Account for a Beneficiary, and the contributions, together with all other gifts to the Beneficiary by the person making the contributions, are less than $13,000 per year ($26,000 for a consenting married couple), no federal gift tax will be imposed on the individual making the contributions for gifts to the Beneficiary during that year. In such case, the filing of a federal gift tax return will not be required unless the individual elected to split gifts with his or her spouse. If a person’s contributions to a Beneficiary in a single year exceed $13,000, the person making the contributions may elect to treat up to $65,000 ($130,000 for a consenting married couple) as having been made ratably over a five-year period. Such an election is made by filing a federal gift tax return. For 2011 and 2012, each contributor has a $5,000,000 lifetime exclusion that may be applied to gifts greater than the annual exclusions amounts referenced above (or $10,000,000 in the case of a consenting married couple). Although the IRS requires gift tax returns to be filed for gifts greater than the annual exclusion amount, no gift tax will be due until the lifetime exemptions have been used.

Amounts in an Account that were considered completed gifts by the person making the contribution will not be included in such person’s gross estate for federal estate tax purposes. However, if that person elected to treat the gifts as having been made over a five-year period and dies before the end of the five-year period, the portion of the contribution allocable to the remaining years in the five-year period (not including the year in which the person making the contribution died) would be includable in computing said person’s gross estate for federal estate tax purposes. Amounts in an Account at the death of the Beneficiary will be included in the Beneficiary’s gross estate for federal estate tax purposes.

A permissible change in the Beneficiary of an Account or a permissible transfer to an Account for another Beneficiary will potentially be subject to the federal gift tax if the new Beneficiary is of a younger generation than the Beneficiary being replaced. In addition, if the new Beneficiary is two or more generations below the Beneficiary being replaced, the transfer may be subject to the generation-skipping transfer tax. Under the present law, the generation-skipping transfer tax for 2011 and 2012 has a $5,000,000 exemption. Final regulations related to gift and estate tax rules, as applied to 529 plans, have not been issued. Additionally, present gift, estate, and generation-skipping tax laws may change at any time. Purchasers should consult a tax advisor for guidance.

BANKRUPTCY AND RELATED MATTERS

Under Tennessee law, all assets, income and distributions of college education savings plans are exempt from execution, attachment, garnishment, the operation of bankruptcy, the
insolvency laws or other process whatsoever. This exemption may not apply in attachment, execution, garnishment or other proceedings commenced against such individual in other states. Additionally, federal bankruptcy provisions for individuals under Title 11 of the United States Code, expressly exclude from such individual's bankruptcy estate (and, therefore, will not be available for distribution to such individual's creditors), certain funds paid or contributed by such individual to an Account. The bankruptcy protection for these types of accounts, however, is limited. To be protected, the Beneficiary of the Account must be a child, stepchild, grandchild, or step-grandchild of such individual during the year of such contribution and the funds must have been contributed at least 365 days prior to a bankruptcy filing. The new bankruptcy protection also imposes a cap on the amount of funds that may be excluded from such individual's estate. The maximum amount entitled to the new bankruptcy exclusion is $5,850 for payments or contributions made by such individual to the Account for the Beneficiary during the period between 365 and 720 days prior to the bankruptcy filing. Contributions made more than 720 days prior to the bankruptcy filing are generally protected, provided that the aggregate amount contributed by such individual to the Account may not exceed the Maximum Account Balance at the time of the bankruptcy filing, as adjusted for changes in the cost of education under a specified index. This information is not meant to be individual advice and Purchasers should consult with their own advisors concerning their individual circumstances.

HOW TO PARTICIPATE IN THE PROGRAM

Establishing a Contract

To participate in the Program and to establish a contract, you must enter into the pertinent Participation Agreement ("individual," "custodial" or "entity") by completing and signing the corresponding Enrollment Application/Contract. You can obtain an Enrollment Application/Contract and enrollment information from the TNStars College Savings 529 Program. The Participation Agreement is set forth in Addendum I to this Disclosure Booklet. Custodians must complete an Application for a Custodial Account. Trustees and other institutional entities (including corporations and state or local governments) must complete an Application for an Entity Account.

Your rights and obligations as a Purchaser are set forth in the Participation Agreement. However, any amendments to the Statute, the Rules or the operating procedures and policies of the Program will automatically amend the Participation Agreement when such amendments become effective.

You may contact the Program or obtain any of the forms described below in any of the following ways: (1) enroll online at www.tnstars.com (2) call the Program at 855 3TN-STAR (386-7827) or (2) write to the Program at TNStars College Savings 529 Program, P.O. Box, 198801, Nashville, TN 37219.

The person or entity that executes the Contract is the Purchaser. The Purchaser may be an individual, association, corporation, trust or other organized entity who enters into a and who controls all aspects of the Account, or in the case of the Purchaser’s death or Legal
Incompetence, the Purchaser’s Appointee. Only one (1) individual, association, corporation, trust or other organized entity may be named as the Contract Purchaser.

In order to establish an Account, you must complete and sign a Contract. The individual or entity that opens the Account is the Purchaser. The Purchaser controls all aspects of the Contract. The Purchaser must provide the Program with the Social Security Number or federal Tax Identification Number for the Purchaser and the Beneficiary (who must be an individual) and mail the completed form with a check for the initial contribution to the following address: TNStars College Savings 529 Program, P.O. Box, 198786801, Nashville, TN 37219-8786.

Anyone with a valid Social Security Number or federal Taxpayer Identification Number who is a U.S. citizen or resident alien may open an Account or be named as a Beneficiary. Each Account may have only one designated Beneficiary. If you wish to make contributions for more than one Beneficiary, you must complete a separate Contract and open a separate Account for each Beneficiary. Other Purchasers may establish a Contract for the same Beneficiary. A Beneficiary may have multiple Accounts but the value of all Accounts for the same Beneficiary will be aggregated in order to determine compliance with the Program’s Maximum Account Balance limit.

Corporations and certain other types of entities may participate in the Program. Such entities, however, will be subject to additional requirements which are not applicable to Purchasers who are individuals. The Program allows custodians for minors under the Uniform Gifts to Minors Act or Uniform Transfers to Minors Act ("UGMA/UTMA") and Trustees to establish a Contract in the Program. These accounts are restricted to those that are opened as a result of a rollover of an existing UGMA/UTMA account. Once the account is open, no additional contributions may be made to the account. If the Purchaser or any other individual or entity would like to make future contributions, a separate contract would need to be established. These accounts will be subject to the following restrictions:

- The custodian will be required to sign forms in the custodian's representative capacity as a custodian;
- The custodian will not be permitted to change the Beneficiary of an Account (directly or by means of a Rollover, as defined below);
- The custodian will not be permitted to change the Purchaser of an Account from the custodian to anyone other than a successor custodian or the Beneficiary without providing the Program with a court order directing the change (or as; otherwise allowed under the laws of the state in which the UGMA/UTMA transfer was initially made);
- The custodian will be required to notify the Program when the Beneficiary is legally entitled to take control of the Account and become the registered owner. At that time, the Beneficiary must complete an Application to open an individual account. After completion of the Application, the Beneficiary, as Purchaser, would be able to conduct the same Account transactions as non-UGMA/UTMA Purchasers; and
The custodian will be permitted to make a Non-Qualified Withdrawal only in Accordance with the UGMA/UTMA rules, which may require that any funds withdrawn must be used for the benefit of the Beneficiary.

Trustees may open trustee accounts, subject to the requirement that the trustee will be required to sign forms in the trustee’s capacity and may be required to execute such other forms and statements as the Board may reasonably require. In addition, a Purchaser who is acting as a representative in a custodial or trustee capacity pursuant to a court order may be subject to certain limitations and requirements which are not applicable to non-custodial and non-trustee Purchasers. Such limitations may apply to changing a Purchaser, Beneficiary or transferring funds.

Custodians and trustees should consult a tax advisor about the tax consequences of opening and holding Accounts in the Program, as well as legal counsel regarding their rights and responsibilities as custodians and trustees.

To help the government fight the funding of terrorism and money laundering activities, federal law requires all financial institutions to obtain, verify and record information that identifies each person who opens an Account. What this means for you: When you execute a Contract, the Program will ask for your name, address, date of birth, social security number and other information that will allow it to identify you, such as your home telephone number. Until you provide the information needed, the Program may not be able to open an Account or effect any transactions for you.

**Naming a Beneficiary**

When you complete the Contract for the Program (which Contract incorporates by reference the Participation Agreement for the Program and portions of this Disclosure Booklet), and open an Account as the Purchaser, you will be required to name a Beneficiary, and a Purchaser's Appointee. The Beneficiary is the individual designated under a Contract as the individual entitled to apply contributions and earnings accrued under the Contract to the payment of that individual’s undergraduate, graduate and professional Qualified Higher Education Expenses. Only one person may be named as the Beneficiary. There are no age or residency restrictions for the Beneficiary.

You may change the Beneficiary of your contract, subject to certain limitations, including that the new Beneficiary be a “member of the family” of the prior Beneficiary, as defined by Section 529 and further provided under “MAINTAINING YOUR ACCOUNT – Changing the Beneficiary” below. The Contract and all rights under the Participation Agreement belong to you as the Purchaser. The funds held in your Account are intended to pay for that Beneficiary's "Qualified Higher Education Expenses" at an "Eligible Educational Institution" (these terms are defined below).

"Qualified Higher Education Expenses" are tuition, fees and the cost of books, supplies and equipment required for the enrollment or attendance of a Beneficiary at an Eligible
Educational Institution (as defined below). The amount of room and board expenses that are eligible to be treated as Qualified Higher Education Expenses is subject to certain limitations as described in detail below under "WITHDRAWALS- Qualified Withdrawals."

In general, "Eligible Educational Institutions" are accredited, postsecondary educational institutions offering credit toward a bachelor's degree, an associate's degree, a graduate level or professional degree or another recognized postsecondary credential, including certain proprietary institutions and postsecondary vocational schools and certain institutions in foreign countries. For a complete list of Eligible Educational Institutions, please see www.fafsa.ed.gov.

Your rights as a Purchaser and the rights of your Beneficiary are established under provisions of the Statute, the rules adopted by the Board (the “Rules”) and your Participation Agreement.

For additional information concerning the Board's oversight of the Program, see "OVERSIGHT OF THE PROGRAM".

**Naming a Purchaser's Appointee**

At the time you establish an Account, you must designate a Purchaser's Appointee in the appropriate sections of the Contract. The Purchaser's Appointee is the person you designate to exercise your rights as the Purchaser under the Participation Agreement if the Purchaser dies or becomes legally incompetent. The Purchaser's Appointee may be anyone (other than a minor) or may be the Beneficiary. In the event of your death or disability, ownership of all assets in the Account will be transferred to the Purchaser Appointee. A Purchaser Appointee will assume all rights with respect to the Account that the previous account owner, Purchaser, had. Enforceability of a Purchaser Appointee designation may vary by state. A transfer to a Purchaser Appointee may have tax consequences. Consult your tax professional for more information. As the Purchaser, it is your responsibility to notify the named Purchaser Appointee of his/her status, and to inform the Purchaser Appointee that he/she will be required to provide the TN Stars College Savings 529 Program with a copy of a death certificate in the case of the death of the Purchaser or an acceptable medical authorization or court order in the case of the incapacity of the Purchaser and such other information as the TN Stars College Savings 529 Program requires prior to taking any action regarding the Account.

You may change the designation of the Purchaser's Appointee by completing the Account Maintenance Form. You may obtain the form in any of the following ways: (1) online at www.tnstars.com (2) call the Program at 855 3TN-STAR (386-7827) or (2) write to TNStars College Savings 529 Program, P.O. Box, 198801, Nashville, TN 37219.

**Refund Recipient**

The Purchaser is the refund recipient (the “Refund Recipient”) and is the person who will receive a refund in the event of the Beneficiary’s death or permanent disability, receipt of a scholarship or the attendance at one of the Military Academies (as defined below). Only the
Purchaser may be the Refund Recipient. In the event the Purchaser dies, the Purchaser Appointee shall become the Refund Recipient.

Prior to taking any action regarding the Account following the Purchaser's death or legal incompetence, the Purchaser's Appointee will be required to provide the Program with a certified copy of a death certificate sufficiently identifying the deceased Purchaser by name and Social Security number, or a court order regarding legal incompetence or other proof recognized under applicable law and acceptable to the Program. The Purchaser Appointee will be expected to execute a new Contract to evidence his or her understanding of the Disclosure Booklet and his or her compliance with the terms of the Participation Agreement.

INVESTMENT OPTIONS

Choosing an Investment Option

When opening an account, the owner must select one of the Program’s 15 investment options.

Purchasers should understand that an investment in one or more of the investment options is the purchase of interests issued by the Program, which interests are municipal fund securities. An investment in one or more of the investment options is not a direct investment in the underlying mutual fund shares or in the IBA held in trust by the Program. Purchasers cannot withdraw funds from, liquidate, or otherwise deal directly with the mutual fund companies or the Bank. Purchasers and Beneficiaries may not direct the investment of any contributions made to their Account or any earnings on contributions. The value of your Account will depend upon the earnings of the mutual funds or upon the interest rate paid by the Bank on the IBA. The rate of return on assets in your Account under the Program during any particular period may be less than the rate of increase in the costs of higher education.

See the chart in the next section “Fees and Expenses” for a complete list of the 15 investment options. For more information on any of the mutual fund investment options, see Appendix “A”.

Aged Based Option

The Aged Based Option considers the age of the Beneficiary and the amount of time until the Beneficiary will attend college. There are five age bands offered under this option:

Age 0-4
Age 5-10
Age 11-14
Age 15-17
Age 18+

If you select this option, you will automatically placed in an appropriate age band based on the age of the Beneficiary that you provide. If you remain in this investment option, the
Program will automatically move the Beneficiary to the appropriate age band as the Beneficiary grows older. For Example, if at the time of enrollment, the Beneficiary is three years old and you choose this investment option, you will be placed in the 0-4 Age Band. When the Beneficiary turns five years old, the Program will automatically move the Beneficiary to the 5-10 Age Band. This movement occurs on the next business date after the Beneficiary’s birthday. Below list the underlying mutual funds for each of the age bands:

**Age 0-4**
The underlying mutual fund for this age band is the DFA Enhanced U.S. Large Company Portfolio Institutional Class.
Ticker: DFELX    Cusip: 233203637
See Appendix “A” for more information about the underlying mutual fund or visit the fund company website at [www.dfaus.com](http://www.dfaus.com) for a prospectus.

**Age 5-10**
The underlying mutual fund for this age band is the Vanguard Wellington Admiral Shares.
Ticker: VWENX    Cusip: 921935201
See Appendix “A” for more information about the underlying mutual fund or visit the fund company website at [www.vanguard.com](http://www.vanguard.com) for a prospectus.

**Age 11-14**
The underlying mutual fund for this age band is the Vanguard LifeStrategy Conservative Growth Fund.
Ticker: VSCGX    Cusip: 921909305
See Appendix “A” for more information about the underlying mutual fund or visit the fund company website at [www.vanguard.com](http://www.vanguard.com) for a prospectus.

**Age 15-17**
The underlying mutual fund is the Vanguard Life Strategy Income Fund.
Ticker: VASIX    Cusip: 921909206
See Appendix “A” for more information about the underlying mutual fund or visit the fund company website at [www.vanguard.com](http://www.vanguard.com) for a prospectus.

**Age 18+**
The underlying mutual fund for this age band is the Vanguard Total Bond Market Signal Shares
Ticker: VBTSX    Cusip: 921937868
See Appendix “A” for more information about the underlying mutual fund or visit the fund company website at [www.vanguard.com](http://www.vanguard.com) for a prospectus.

**Self Selected Investment Options**

Whereas with the Aged Based Option, the Program automatically moves the Beneficiary to different age bands based on the age of the Beneficiary, this does not occur with the Self
Selected Options. Instead, when a Purchaser chooses one or more of the self selected investment options, the choices remain in the allocation that the Purchaser chooses until or unless the Purchaser makes an allocation change or changes the investment option. Risk Tolerance, overall college savings goals, and the investment horizon should be considered by the Purchaser when making an investment option selection.

<table>
<thead>
<tr>
<th>Investment Option</th>
<th>Underlying Mutual Fund</th>
<th>Ticker</th>
<th>Cusip</th>
</tr>
</thead>
<tbody>
<tr>
<td>TN DFA Enhanced U.S. Large Company Portfolio Institutional Class</td>
<td>DFA Enhanced U.S. Large Company Portfolio Institutional Class</td>
<td>DFELX</td>
<td>233203637</td>
</tr>
<tr>
<td>TN Vanguard 500 Index Signal Shares</td>
<td>Vanguard 500 Index Signal Shares</td>
<td>VIFSX</td>
<td>922908496</td>
</tr>
<tr>
<td>TN Maxim American Century Growth Fund</td>
<td>Maxim American Century Growth Fund</td>
<td>MXGRX</td>
<td>57776T546</td>
</tr>
<tr>
<td>TN PRIMECAP Odyssey Aggressive Growth Fund</td>
<td>PRIMECAP Odyssey Aggressive Growth Fund</td>
<td>POAGX</td>
<td>74160Q202</td>
</tr>
<tr>
<td>TN Vanguard Mid-Cap Growth Investor Shares</td>
<td>Vanguard Mid-Cap Growth Investor Shares</td>
<td>VMGRX</td>
<td>921946307</td>
</tr>
<tr>
<td>TN DFA Large Cap International Portfolio Institutional Class</td>
<td>DFA Large Cap International Portfolio Institutional Class</td>
<td>DFALX</td>
<td>233203868</td>
</tr>
<tr>
<td>TN DFA Inflation-Protected Securities Portfolio Institutional Class</td>
<td>DFA Inflation-Protected Securities Portfolio Institutional Class</td>
<td>DIPSX</td>
<td>233203355</td>
</tr>
<tr>
<td>TN Vanguard Total Bond Market Signal Shares</td>
<td>Vanguard Total Bond Market Signal Shares</td>
<td>VBTSX</td>
<td>921937868</td>
</tr>
<tr>
<td>TN Vanguard Intermediate-Term Investment-Grade Fund Admiral Shares</td>
<td>Vanguard Intermediate-Term Investment-Grade Fund Admiral Shares</td>
<td>VFIDX</td>
<td>92203181810</td>
</tr>
<tr>
<td>TN Vanguard Intermediate-Term Treasury Admiral Shares</td>
<td>Vanguard Intermediate-Term Treasurer Admiral Shares</td>
<td>VFIUX</td>
<td>922031828</td>
</tr>
<tr>
<td>TN Vanguard Wellington Investor Shares</td>
<td>Vanguard Wellington Investor Shares</td>
<td>VWENX</td>
<td>921935201</td>
</tr>
<tr>
<td>TN Vanguard Life Strategy Conservative Growth Fund</td>
<td>Vanguard Life Strategy Conservative Growth Fund</td>
<td>VSCGX</td>
<td>921909305</td>
</tr>
<tr>
<td>First TN Interest Bearing Account Option</td>
<td>First TN Interest Bearing Transaction Account</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>
See Appendix “A” for more information about the underlying mutual funds. For more information about the Vanguard mutual funds or to get the prospectus, visit Vanguard’s website at [www.vanguard.com](http://www.vanguard.com). For additional information about the DFA Investment Dimensions Group Inc. mutual funds or to get the prospectus, visit DFA’s website at [www.dfaus.com](http://www.dfaus.com). For more information about the Maxim Fund mutual fund or to get the prospectus, please visit Maxim’s website at [www.maximfunds.com](http://www.maximfunds.com). For information about the Primecap Management Company underlying mutual fund or to get the prospectus, visit Primecap’s website at [www.primecapmanagement.com](http://www.primecapmanagement.com).

The underlying account for the First TN Interest Bearing Account Option is an interest bearing account established by the State of Tennessee at First Tennessee Bank National Association. The account held at the Bank is established in the Deposit Account Record as defined in 12 CFR § 330.1(e) of the Bank using the title “State of Tennessee, acting as agent for the exclusive benefit of its 529 College Savings Plan Participants acting for themselves and for others,” or such other manner of recordation approved by the FDIC to satisfy the requirements for pass-through FDIC deposit insurance under 12 CFR § 330.5. The amount of FDIC insurance provided to each Purchaser is based upon the total of (1) the value of the Purchaser’s investment in the IBA plus (2) the value of other accounts held (if any) at the Bank, as determined by the Bank and by FDIC regulations.

**FEES AND EXPENSES**

The following chart sets forth the fees and expenses for the Program’s investment options:

<table>
<thead>
<tr>
<th>TN Stars Annual Asset-Based Fees</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Investment Option</strong></td>
</tr>
<tr>
<td><strong>Aged Based Option</strong></td>
</tr>
<tr>
<td>0-4</td>
</tr>
<tr>
<td>5-10</td>
</tr>
<tr>
<td>11-14</td>
</tr>
<tr>
<td>15-17</td>
</tr>
<tr>
<td>18+</td>
</tr>
<tr>
<td><strong>Self-Selected Options</strong></td>
</tr>
<tr>
<td>TN DFA Enhanced U.S. Large Company Portfolio Institutional</td>
</tr>
</tbody>
</table>
# TN Stars Annual Asset-Based Fees

<table>
<thead>
<tr>
<th>Investment Option</th>
<th>Estimated Underlying Mutual Fund Expenses&lt;sup&gt;(1)&lt;/sup&gt;</th>
<th>Administrative Fee&lt;sup&gt;(2)&lt;/sup&gt;</th>
<th>Total Annual Asset-Based Fees&lt;sup&gt;(3)&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Class</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TN Vanguard 500 Index Signal Shares</td>
<td>0.05%</td>
<td>0.30%</td>
<td>0.35%</td>
</tr>
<tr>
<td>TN Maxim American Century Growth Fund</td>
<td>1.00%*</td>
<td>0.00%</td>
<td>0.35%</td>
</tr>
<tr>
<td>TN PRIMECAP Odyssey Aggressive Growth Fund</td>
<td>0.68%*</td>
<td>0.00%</td>
<td>0.35%</td>
</tr>
<tr>
<td>TN Vanguard Mid-Cap Growth Investor Shares</td>
<td>0.53%*</td>
<td>0.00%</td>
<td>0.35%</td>
</tr>
<tr>
<td>TN DFA Large Cap International Portfolio Institutional Class</td>
<td>0.30%</td>
<td>0.05%</td>
<td>0.35%</td>
</tr>
<tr>
<td>TN DFA Inflation-Protected Securities Portfolio Institutional Class</td>
<td>0.13%</td>
<td>0.22%</td>
<td>0.35%</td>
</tr>
<tr>
<td>TN Vanguard Total Bond Market Signal Shares</td>
<td>0.10%</td>
<td>0.25%</td>
<td>0.35%</td>
</tr>
<tr>
<td>TN Vanguard Intermediate-Term Investment-Grade Fund Admiral Shares</td>
<td>0.10%</td>
<td>0.25%</td>
<td>0.35%</td>
</tr>
<tr>
<td>TN Vanguard Intermediate-Term Treasury Admiral Shares</td>
<td>0.10%</td>
<td>0.25%</td>
<td>0.35%</td>
</tr>
<tr>
<td>TN Vanguard Wellington Investor Shares</td>
<td>0.19%</td>
<td>0.16%</td>
<td>0.35%</td>
</tr>
<tr>
<td>TN Vanguard Life Strategy Conservative Growth Fund</td>
<td>0.15%</td>
<td>0.20%</td>
<td>0.35%</td>
</tr>
<tr>
<td>TN Vanguard Life Strategy Income Fund</td>
<td>0.13%</td>
<td>0.22%</td>
<td>0.35%</td>
</tr>
<tr>
<td>First TN Interest Bearing Account Option</td>
<td>None</td>
<td>None</td>
<td>None</td>
</tr>
</tbody>
</table>

The above table shows the fees charged for the underlying mutual funds and the amount charged by the Program. The Program, at its sole discretion, will establish Program fees as it
The Program’s Total Annual Asset-Based fees include two elements: the estimated underlying mutual fund expense and the fee charged by the Program for administration of the Program. (1) Estimated Underlying Mutual Fund Expenses- Each mutual fund company charges an expense ratio for each of the underlying investment options. (2) Administrative Fee- the Program charges a fee for the administrative costs associated with the Program. (3) Total Annual Asset-Based Fees- This is the total fee charged to each Account. The fee will be assessed monthly.

For fiscal year 2012-2013 (July 1, 2012- June 30, 2013), the Program will subsidize the cost of administration and, for the three investment options for which the underlying mutual fund expense is over the .35% Total Annual Asset Based fee, the Program will subsidize the difference between the underlying mutual fund expense and the total annual asset based fee charged to the Account. The Purchaser will not bear any fees and expenses for any fund in which you choose to invest above the .35% total annual asset based fee. For the fiscal year of 2012-2013, the Program will bear the cost of the fees and expenses in excess of the total annual asset based fees and/or underlying expense ratio through a subsidy paid through a state appropriation to the Program. The Board or the Program, in their sole discretion, reserve the right to change the total annual asset based fees and reserve the right to place restrictions on the subsidy, including, but not limited to the right to restrict the subsidy to Tennessee Residents. There is no guarantee of future appropriations or that the Program will continue to subsidize the fees and expenses through an appropriation or otherwise in future fiscal years. If the Program discontinues the subsidy, restricts the subsidy, or changes the fees charged under the program, the Account may bear all fees and expenses associated with the options that you have selected. The fees and expenses could be greater than the .35% total annual asset based fees charged during fiscal year 2012-2013.

**Example Investment Cost Chart**

The following table compares the approximate cost of investing in the Program over different periods of time. Your actual cost may be higher or lower. The table is based on the following assumptions:

- A $10,000 investment invested for the time periods shown
- A 5% annually compounded rate of return on the amount invested throughout the period
- All units are redeemed at the end of the period shown for qualified higher education expenses (the table does not consider the impact of any potential state or federal taxes on the redemption)
- Total annual asset-based fees remain the same as those shown in the fee table chart above
### Approximate Cost of $10,000 Investment

<table>
<thead>
<tr>
<th>Investment Option</th>
<th>One Year</th>
<th>Three Year</th>
<th>Five Years</th>
<th>Ten Years</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Aged Based Option</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0-4</td>
<td>$36</td>
<td>$113</td>
<td>$197</td>
<td>$444</td>
</tr>
<tr>
<td>5-10</td>
<td>$36</td>
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<td>TN DFA Enhanced U.S. Large Company Portfolio Institutional Class</td>
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</tbody>
</table>
### Investment Option

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<th>Three Year</th>
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<tbody>
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<td>TN Vanguard Life Strategy Income Fund</td>
<td>$36</td>
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### PERFORMANCE

None of the investment options have any performance to report as of the date of this Disclosure Booklet. Performance information for the underlying mutual funds of the investment options can be found in Appendix “A” and the links therefrom. Performance information will be provided quarterly on the Program website at www.tnstars.com beginning with the first full calendar quarter of operations in 2012.

### CONTRIBUTIONS

#### Who May Make Contributions

Contributions may be made for an existing Contract by individuals or sources other than the Purchaser as provided under Section 529. However, once funds are contributed to an Account, all moneys are pooled and are subject to the terms and conditions of the applicable Contract, including the right for the Purchaser to control all aspects of the Account. Contributions may be made by check, Automated contributions from a bank account (AIP/ACH), Payroll Deduction, and via a rollover for a Qualified Tuition Program.

Contributions will be credited to your Account only if the documentation received from you is complete and in good order.

#### Minimum Contributions

The minimum initial or subsequent contribution to an Account for each Investment Option is $25. Once an initial contribution is made to the account, there are no required subsequent contributions.

#### Maximum Account Balance

By law, you may not make additional contributions to your Account if at the time of a proposed contribution the total Account balance of (i) your Savings Program Account(s) (ii) all other accounts under the Savings Program for the same Beneficiary, and (iii) all contracts under the Prepaid Program for the same Beneficiary reaches a certain level (the "Maximum Account Balance Limit"). The Maximum Account Balance Limit established by the Board is currently $235,000 which is based on certain higher education costs. The Board periodically will review the Maximum Account Balance Limit and will inform Purchasers in writing of any changes to the Maximum Account Balance Limit. This limitation on Account balances is intended to comply with the federal tax law requirement that the Program have adequate safeguards to
prevent contributions in excess of those necessary to provide for the Qualified Higher Education Expenses of the Beneficiary.

Contributions for any Beneficiary will be rejected and returned to the extent the amount of the contribution would cause the aggregate Account balance for all Accounts under the Program together with Accounts in the Prepaid Program for that Beneficiary to exceed the Maximum Account Balance Limit. Accounts that have reached the Maximum Account Balance Limit may continue to accrue earnings.

Because the calculation of the Maximum Account Balance Limit is based on estimates and projections of future Qualified Higher Education Expenses, even if the combination of contributions and earnings in an Account or Accounts held for any Beneficiary (including Prepaid Program Accounts) reaches the Maximum Account Balance Limit, such funds may not be sufficient to pay all Qualified Higher Education Expenses of the Beneficiary.

**Method of Payment**

Contributions to an Account may be made by check or other similar methods acceptable to the State Treasurer. A contribution may not be made in the form of currency, securities or other property. Checks should be made payable to Tennessee's Educational Savings Plan. Contributions by check must be drawn on a banking institution located in the United States in U.S. dollars. Personal checks, bank drafts and checks issued by a financial institution payable to the Purchaser and endorsed over to the Program by the Purchaser are permitted, as are third-party personal checks up to $10,000. You may not use third-party checks exceeding $10,000. Traveler's checks, cashier's checks, teller's checks, starter checks, and credit card convenience checks are also not permitted.

Contributions may also be made as a result of the liquidation of existing UGMA / UTMA accounts, Coverdell Education Savings Accounts, US Savings Bonds, and from rollovers from other Qualified Tuition Programs.

Existing non-cash investments held in UGMA / UTMA accounts must be liquidated before the proceeds can be contributed to an Account. The GMA / UTMA custodian must complete a Contract as the UGMA/UTMA custodian, and the Account must be distinct from any other Account the custodian may hold for the Beneficiary. Once UGMA / UTMA funds are contributed to an Account, the entire Account is subject to UGMA / UTMA rules. Future contributions on behalf of the Beneficiary under the UGMA / UTMA should be made to a separate, non-UGMA / UTMA Account. The Program is not liable for any consequences related to a custodian’s improper use of the Account. Funds invested in a UGMA / UTMA Account may only be used by the Beneficiary or on his or her behalf and the Beneficiary may not be changed. Liquidating non-cash assets held by a UGMA / UTMA Account may result in taxable consequences. Custodians should discuss any potential tax consequences of liquidating a UGMA / UTMA Account with their tax advisers before liquidating and transferring these funds to the Program.
Contributions may also be made to an Account from the proceeds of a Coverdell Education Savings Account (ESA). The financial institution that acts as the custodian of the ESA should forward any funds sent from the liquidation of the Coverdell ESA along with documentation that clearly shows the portion of the qualified funds that is principal and the portion that is earnings. Federal law requires that funds from ESAs that do not include this documentation be considered entirely earnings.

The Program will also accept liquidated funds from the redemption of certain U.S. Savings Bonds issued after 1989. Proceeds from the redemption of a qualified U.S. Savings Bond must include an account statement or IRS Form 1099-INT or other documentation showing earnings from the redemption of the bonds. Federal law requires that funds from qualified U.S. Savings Bonds that do not include this documentation be considered entirely earnings. Purchasers should consult their tax advisers regarding the rules regulating the redemption of qualified U.S. Savings Bonds and any potential tax consequences resulting from the redemption.

MAINTAINING YOUR ACCOUNT

Updating Information on a Contract

The Purchaser may make changes and updates to the Contract information as needed. These changes include, but are not limited to, addresses, legal name changes, phone numbers, e-mail addresses, and changes to the designation of the Purchaser’s Appointee. The changes must be provided in writing or via electronic means acceptable to the Program.

Changing the Beneficiary

The Purchaser may change the Beneficiary of the Contract at any time provided the New Beneficiary is a “member of the family” of the preceding Beneficiary, as such term is defined by Section 529(e)(2) and in the Program Rules. There are certain restrictions in the Rules pertaining to the change of Beneficiary.

A "member of the family" is a person related to the Beneficiary as follows: (1) a son or daughter, or a descendant of either; (2) a stepson or stepdaughter; (3) a brother, sister, stepbrother or stepsister; (4) the father or mother, or an ancestor of either; (5) a stepfather or stepmother; (6) a son or daughter of a brother or sister; (7) a brother or sister of the father or mother; (8) a son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law or sister-in-law; (9) the spouse of any of the foregoing individuals, including the Beneficiary; or (10) a first cousin of the Beneficiary. For this purpose, a child includes a legally adopted child and a brother or sister includes a half-brother or half-sister.

Transferring Funds Among Accounts

The Purchaser may transfer all or a portion of the funds in the Beneficiary’s Account to an Account for a different Beneficiary provided the New Beneficiary is a “member of the family” of the preceding Beneficiary, as such term is defined above. If the transfer is for a portion of funds in the Account, the transfer will be permitted so long as when the transfer is
completed, the existing Beneficiary and the new Beneficiary will each have at least twenty-five dollars ($25) in their respective Accounts.

**Conditions for Changing the Beneficiary and Transferring Funds**

Any change of Beneficiary or transfer of funds must comply with the Statute and Rules governing the Program. The request must be made in writing, signed by the Purchaser and, if applicable, must state the name and Social Security Number of the proposed New Beneficiary. If the request is for a transfer of funds to an existing Account, the written request must state the Account number to which the transfer is to be made. Any funds in the account of a New Beneficiary may be used immediately, provided the funds have been on deposit in the original Beneficiary’s Account for the sixty-day period (See “WITHDRAWALS” below).

**Changing Investment Options/ Annual Exchange**

You may exchange existing assets in each Beneficiary's Account once per calendar year. An exchange of assets does not affect the investment allocation of future contributions.

**WITHDRAWALS**

**Who May Request a Withdrawal and Requirements for Documentation**

The Purchaser is the only person who may direct withdrawals from an Account. The Purchaser should retain receipts, invoices or other documents and information adequate to substantiate reason for the withdrawal, because it is the Purchaser’s responsibility to substantiate this if the IRS requires the documentation for any withdrawal you claim on your federal income tax returns as a Qualified Higher Education Expense. To request a withdrawal, the Purchaser must complete the appropriate form. You may contact the Program for instructions or to request the appropriate form to complete this transaction.

**Eligibility**

Once a Beneficiary has been accepted for enrollment in an Eligible Educational Institution, the Purchaser may begin using funds on deposit in the Account for the payment of Qualified Higher Education Expenses of the Beneficiary. Funds shall not be deemed on deposit in the Account until the sixtieth-day following receipt of the respective funds by the Program. If the Purchaser elects to send a withdrawal directly to the Institution of Higher Education where the Beneficiary is enrolled, the notification must include the name and address of the Institution and the amount of funds needed to pay the Qualified Higher Education Expenses. Failure to provide sufficient notice prior to the start of the Academic Term in which the funds would be used may result in an untimely payment being made to the Institution.

**Amount and Timing of Withdrawal**

Subject to Program Rules, the Withdrawal amount will equal the amount requested, not to exceed the funds in the Account when the Withdrawal is processed. The Withdrawal will be
paid within sixty (60) calendar days of receipt by the Program of the Withdrawal request in good order.

**TYPES OF WITHDRAWALS**

**Withdrawals for Qualified Higher Education Expenses**

The Purchaser may direct payment to the Purchaser, the Beneficiary, or an Institution of Higher Education as an advance payment or as reimbursement for Qualified Higher Education Expenses. Third party documentation to substantiate the request shall not be required unless otherwise provided for in Section 529 or the rules and regulations pertaining to Qualified Tuition Programs.

A Withdrawal for qualified higher education expenses is a distribution from the Account that is used to pay the Qualified Higher Education Expenses of the Beneficiary. By law, such expenses are defined to include only tuition, fees, and the cost of books, supplies and equipment required for the enrollment or attendance of a Beneficiary at an "Eligible Educational Institution" and room and board in some cases. Qualified Higher Education Expenses include certain additional enrollment and attendant costs of special needs beneficiaries. The earnings portion of Withdrawals from an Account will not be includible in the Beneficiary's federal taxable income as long as the withdrawals are used for the Beneficiary's Qualified Higher Education Expenses. The IRS could require that Qualified Higher Education Expenses be paid within a prescribed time period (for example, within the same taxable year) after a Qualified Withdrawal is made. Residents of other states and those who pay state taxes in other states should consult with their tax advisors regarding whether a Qualified Withdrawal will be subject to state income taxation in their state.

Unlike expenses for tuition, fees, books, supplies and equipment, the cost of room and board may be treated as Qualified Higher Education Expenses only if it is incurred during an academic period during which the Beneficiary is enrolled or accepted for enrollment in a degree, certificate, or other program which leads to a recognized educational credential awarded by an Eligible Educational Institution, and during which the Beneficiary is enrolled at least half-time. Half-time is defined as half of a full-time academic workload for the course of study the student is pursuing based on the standard at the Beneficiary's Eligible Educational Institution. The Eligible Educational Institution's standard for a full-time workload must equal or exceed the standard established by the U.S. Department of Education under the Higher Education Act.

The amount that may be treated as a Qualified Higher Education Expense is generally limited to the room and board allowance (applicable to the student) that is currently included by the Eligible Educational Institution in its "cost of attendance" for purposes of determining eligibility for federal education assistance for that year. For students living in housing owned or operated by the Eligible Educational Institution, if the actual invoice amount charged by the Eligible Educational Institution for room and board is higher than the "cost of attendance" figure, then the actual invoice amount may be treated as qualified room and board costs. You may contact the Program to obtain more information regarding the treatment of room and board expenses.
Eligible Educational Institutions generally are accredited postsecondary educational institutions offering credit toward a bachelor's degree, an associate's degree, a graduate level or professional degree, or another recognized postsecondary credential. Some proprietary institutions and postsecondary vocational institutions and some institutions located in foreign countries are also Eligible Educational Institutions. Contact your school or visit www.fafsa.ed.gov to determine if your school qualifies as an Eligible Educational Institution.

Contact the Program for more information when the Beneficiary of your contract is accepted at an Eligible Educational Institution and the Beneficiary is ready to request a Qualified Withdrawal.

Withdrawals for Non-Qualified Expenses and Refunds

The Purchaser may direct a Withdrawal from the Account for non-Qualified Expenses provided the funds have been on deposit in the Account for at least sixty (60) calendar days and provided there is at least one hundred dollars ($100) in the Account once the Withdrawal is made. Such a Withdrawal may be made without terminating the Contract and without requiring the Refund Recipient to establish that the Withdrawal will be used for Qualified Higher Education Expenses. The earnings portion of a withdrawal for non-Qualified Higher Education Expenses is taken into account for purposes of computing the federal income tax liability of the recipient of the withdrawal. Except in certain circumstances described below, an Additional Tax of 10% reportable on a recipient's federal income tax return and payable to the United States Treasury will apply to the earnings portion of any withdrawal that is not for Qualified Higher Education Expenses. Taxpayers may wish to seek tax advice from an independent tax advisor based on their own particular circumstances.

A "Refund" is a withdrawal for Non-Qualified Education Expenses that liquidates an Account. A Refund may be requested by a Purchaser for the following reasons: (i) the Beneficiary is age eighteen (18) or older and has decided not to attend an Eligible Educational Institution; (ii) the Beneficiary has completed the requirements for a degree that is less than a bachelor's degree at an Eligible Educational Institution and the Beneficiary does not plan to pursue further education; (iii) the Beneficiary has completed the bachelor's degree requirements at an Eligible Educational Institution; or (iv) the current cash value of the Account equals one hundred dollars ($100) or less and no contributions have been made to the Account for a period of at least: three (3) consecutive years.

The earnings portion of a Refund is taken into account for purposes of computing the federal income tax liability of the recipient of the withdrawal. Except in certain circumstances described below, an Additional Tax of 10% reportable on a recipient's federal income tax return and payable to the United States Treasury will apply to the earnings portion of any withdrawal that is not for Qualified Higher Education Expenses. Taxpayers may wish to seek tax advice from an independent tax advisor based on their own particular circumstances.

Withdrawal Due to Death, Permanent Disability, Scholarship or Attendance at the Military Academies
Withdrawals paid on or after the Beneficiary's death, disability, receipt of a scholarship award, or attendance at one of the Military Academies generally are not subject to the Additional Tax applicable to Non-Qualified Withdrawals. However, the earnings portion of such Withdrawals is taken into account for purposes of computing the federal income tax liability of the Refund Recipient. Residents of other states and those who pay state taxes in other states should consult their tax advisors regarding whether a withdrawal described in this section is subject to state income tax in their state.

If the Beneficiary is a recipient of a scholarship, upon request of the Purchaser and receipt by the Program of certain information, a refund in an amount equal to the scholarship and which is not needed to cover Qualified Higher Education Expenses during the academic term due to the scholarship will be paid to the Refund Recipient. If the Beneficiary’s scholarship extends beyond one academic term, the Refund Recipient may also request a refund in advance of the scholarship payment. A scholarship includes certain educational assistance allowances under Section 25A(g)(2) of the Internal Revenue Code. The earnings portion of the amount withdrawn will be subject to the Additional Tax applicable to Non-Qualified Withdrawals to the extent the amount withdrawn exceeds the amount of the scholarship.

The Purchaser must complete the appropriate withdrawal form to request a withdrawal due to the Beneficiary’s death, disability, receipt of a scholarship award to, or attendance at one of the Military Academies. The Purchaser should retain receipts, invoices or other documents and information adequate to substantiate that a particular withdrawal was made on or after the Beneficiary's death, disability, of a scholarship, or attendance at one of the Military Academies, because it is the Purchaser’s responsibility to substantiate the reason for such a withdrawal if the documentation is required by the IRS.

Rollovers

The Purchaser may rollover all or a portion of the funds in the Beneficiary’s Account to another account established for the same Beneficiary or for another Beneficiary under another 529 Plan by making a rollover request to the Board on such forms as may be prescribed by the Program. If the rollover is for the benefit of another Beneficiary, the Beneficiary to whose Account the funds are being transferred must be a “member of the family” of the preceding Beneficiary, as defined above. Any rollover shall be administered in accordance with the applicable rollover provisions of the Code. Any rollover made shall be equal to the amount requested, not to exceed the value of the Account as of the date the rollover is made, net of any applicable fees that may be charged by the Program.

The Purchaser may also indirectly rollover funds in an Account for a Beneficiary to another 529 Plan for the same Beneficiary or for a member of the family of the Beneficiary. This may be done by making a withdrawal from an Account and depositing the proceeds within 60 days of the withdrawal to another Account in the Program or to an account in another state's 529 Plan.

The Purchaser should retain documents and information adequate to substantiate that a particular Rollover Distribution or transfer of funds between Accounts or between 529 Plans is
not subject to federal income tax, including the Additional Tax, because it is your responsibility to substantiate that such Rollover Distribution or transfer of funds qualifies for federal tax exemption.

UNIVERSITY REFUNDS

If an Eligible Educational Institution refunds to a Purchaser/Refund Recipient any portion of an amount withdrawn from an Account that the institution receives under the Program for the payment of Qualified Higher Education Expenses, the Purchaser/Refund Recipient must allocate the Refund to other Qualified Higher Education Expenses or treat the refund as a Non-Qualified Withdrawal for purposes of federal income tax. The earnings portion of the Refund that is deemed to be a Non-Qualified Withdrawal will be subject to federal income tax. The earnings portion of the Refund will also be subject to the Additional Tax, unless the refund was paid on or after the Beneficiary's death, permanent disability, receipt of a scholarship award, or attendance at one of the Military Academies.

INACTIVITY

If a period of ten (10) consecutive years passes with no contributions having been made to an Account or with no correspondence from the Beneficiary, the Purchaser or the Purchaser Appointee, the Program shall make reasonable efforts to locate the Beneficiary, the Purchaser or the Purchaser Appointee. If the efforts are not successful in contacting any of these parties, the Program shall report and deliver to the State Treasurer the amount of any funds in the Account. The ten-year period shall not commence until the later of the year (i) the Beneficiary turns eighteen (18) or (ii) the Account was established.

NO PLEDGING OF ACCOUNT

All or any part of any Account or other interest in the Program may not be used as security for a loan.

POTENTIAL IMPACT ON FINANCIAL AID AND MEDICAL ELIGIBILITY

Under current federal law, assets held in a 529 Plan for the benefit of a dependent student are treated as assets of such dependent student’s parent for purposes of determining the student’s eligibility for federal financial aid, regardless of whether the owner of the account is the Beneficiary or the Beneficiary’s parent. Assets held in a 529 Plan for the benefit of an independent student will be treated as assets of such student for purposes of determining the student’s eligibility for federal financial aid.

Current law notwithstanding, there is no assurance that investing in the Program will not limit a Beneficiary’s eligibility for financial aid under existing or future federal, state or institutional grant, loan and other programs that assist students and their families in funding higher education expenses. The Board cannot say with certainty how the federal aid program, or the school to which your Beneficiary applies, will treat your Account. Accordingly, Purchasers
should consult with an attorney, tax advisor or the institution to which your Beneficiary applies to discuss the impact of your Account upon your Beneficiary’s eligibility for financial aid.

Ownership of a contract in the Program could have an impact on eligibility for Medicaid and, in particular, Medicaid assistance for long-term care. Although the result is not clear and may vary from state to state, assets in your Account may be considered available assets for determining Medicaid assistance eligibility. You should consult your own financial and tax advisors for advice on your particular situation.

REPORTING

Account Statements

The Program will maintain separate records for each Account and will mail to the Purchaser quarterly statements indicating:

- Selected Investment Options
- Contributions during the period
- Withdrawals made during the period
- Value of the Account on the last day of the reporting period

Tax Reports and Tax Withholdings

If a payment has been made from an Account, the Board will report to the Beneficiary or the Purchaser, whichever is applicable, information about such payments to assist in determining that person’s tax liability. The report contained in a 1099-Q will be furnished to the applicable recipient by no later than January 31st of the calendar year following the calendar year in which the payment was made. Under proposed federal tax regulations, withdrawals from Accounts are not subject to backup withholding.

FINANCIAL STATEMENTS

The Treasury Department prepares annual financial statements for the Program. The program is subject to auditing by the State of Tennessee Comptroller of the Treasury.

PRIVACY POLICY

Protecting the privacy of your personal information is important to the Program. We recognize our obligation to keep your information secure and confidential. We do not sell or share information about you with outside marketers.

The Program may collect information from you that is not public information, but that is required for administration of your Account. The information may be obtained from you based on the information that you provide on your Contract, correspondence, communications, or other forms that we receive from you. We may also obtain non public information from you through transactions that you conduct with the Program, or others, such as Institutions of Higher
Education, your employer, or organizations or entities providing services to the Program. The Program may use databases, individuals or organizations in the course of locating you, disbursing your Account(s), servicing your Contract, or providing benefits to you or the Beneficiary. Pursuant to Tennessee Code Annotated 49-7-825, the Program cannot disclose nonpublic information about you to anyone, except as permitted by the provisions under that section of the Statute.

The Program restricts access to nonpublic personal information about you to our employees, contractors, or agents who need to know that information for us to provide services to you under your Contract and the Program. We maintain safeguards of your nonpublic information.

TERMINATION OF THE PROGRAM

If the Board determines that the Educational Savings Plan is, for any reason, financially unfeasible, or is not beneficial to the citizens of Tennessee or to the State itself, then the Board, pursuant to T.C.A. § 49-7-823, may terminate the Contracts.
Addendum I

to the Disclosure Document
for the TNStars College Savings 529 Program

Participation Agreement

I hereby agree with, and represent and warrant to the Board, as Trustee of Tennessee’s Educational Savings Plan, as set forth below. Each capitalized term used by not defined in this Participation Agreement has the meaning that term has in the Disclosure Booklet.

1. I understand and agree that the contract and this Participation Agreement is subject to and incorporates by reference any operating procedures and policies adopted by the Board, the statutes governing the Program codified as Title 49, Chapter 7, Part 8, the rules of the Board codified as Chapter 1700-5-4 of the Official Compilation of the Rules and Regulations of the State of Tennessee, and any amendments thereto. Any amendments to statutes, rules, operating procedures and policies automatically amend this Participation Agreement.

2. I understand that the Program is intended to be a “qualified tuition program” under Section 529 of the Internal Revenue Code (and to receive favorable Tennessee state tax treatment under Tennessee law). I understand that the Board may make changes to the trust fund, the Program, the Disclosure Booklet, the contract, this Participation Agreement at any time if it is determined that such changes are necessary for the continuation of the federal income tax treatment provided by Section 529 of the Internal Revenue Code (or the favorable Tennessee state tax treatment under Tennessee law).

3. I have received, read, and understand the Disclosure Booklet as currently in effect. I have been given the opportunity to obtain answers to all of my questions concerning the Program and trust fund, the contract and this Participation Agreement.

4. I certify that I am establishing this contract to provide funds for the Qualified Higher Educational Expenses of the Beneficiary of the contract. I understand that any contributions made by me, or portion of a contribution, that causes the total contributions in the aggregate to all accounts for the same Beneficiary to exceed the current applicable maximum account balance limit of $235,000 set by the Board, will be rejected and returned.

5. I understand that the investment of contributions and investment returns in the contract involve certain risks, and I have taken into consideration and understand the risk factors relating to this investment, including but not limited to, those set forth in the Disclosure Booklet. I understand that neither I nor my Beneficiary is or will be permitted to exercise any investment direction over this contract, either directly or indirectly, other than my selection(s) and potential later revisions of investment options if more options are offered under the program in the future. I understand that only one investment option
change may be made each calendar year, or upon transfer of funds to a contract for a different Beneficiary.

6. I understand that neither contributions nor investment returns in the contract are guaranteed. I understand that the Board is acting in a fiduciary capacity. I understand that the Program maintains in good faith and in the regular course of business records of my contract. As such, FDIC insurance is available on a pass through basis to the First Tennessee Bank Interest Bearing account option up to $250,000. No other investment option has FDIC insurance or any other type of insurance coverage.

7. I understand that, other than FDIC insurance, the contract is not insured by any person or entity, including but not limited to the State of Tennessee, the Board, the Program, any vendors, contractors, investment advisors, or investment managers or any agents representatives or successors of the foregoing.

8. I understand that with respect to the investment options offered by the Program or any future investment option that may be added does not involve any guarantee or commitment whatsoever from the State of Tennessee, the Board, the Program, any vendors, contractors, investment advisors, or investment managers or any agents representatives or successors of the foregoing that actual Qualified Higher Educational Expenses will be covered by the amount of contributions and investment returns in my contract. I understand that saving with the Program does not guarantee that the Beneficiary will be accepted into an institution of higher education (including any Eligible Educational Institution), that upon admission, the Beneficiary will be permitted to continue to attend, nor that the Beneficiary will graduate or receive a degree from an institution.

9. I understand and acknowledge that no part of the contract or any other interest in the Program can be used by me, the Purchaser Appointee, or the Beneficiary as security for a loan or otherwise.

10. I understand that, as the Purchaser, I am the Refund Recipient, and that I am the only individual who may direct any withdrawal from the contract.

11. I understand that any withdrawal from the contract that is not used for Qualified Higher Educational Expenses may be subject to federal income tax and an additional tax. I understand that I should consult a tax advisor relative to my particular situation.

12. I understand that the Program may require that I complete forms to request withdrawals from the account, and if I do not provide all required information on the form, my withdrawal request may not be processed. I understand that any contribution made to the account must be on the account for sixty (60) days before it may be withdrawn.

13. I understand that the establishment of a contract with the Program will be based on my agreements, representations and warranties set forth in the Participation Agreement.
agree to indemnify and hold harmless the State of Tennessee, the Board, the Program, any vendors, contractors, investment advisors, or investment managers or any agents representatives or successors of the foregoing from and against any and all loss, damage, liability or expense, including reasonable attorney’s fees, that any of them may incur by reason of, or in connection with, any misstatement or misrepresentation made by me herein or otherwise with respect to the contract and any breach by me of any of the agreements, representations or warranties contained in this Participation Agreement. All of my agreements, representations, and warranties shall survive the termination of this Participation Agreement.

14. I understand and agree that this Participation Agreement shall survive my death and shall be binding upon my Purchaser’s Appointee, the Beneficiary personal representatives, heirs, successors, and assigns.

15. I understand that the Program may be suspended or terminated, but except as permissible under applicable law, the contract may not thereby be diverted and will be held in trust by the Trustee for the benefit of the Beneficiary.

16. I understand that this Participant Agreement is governed by Tennessee law.
Appendix A

Underlying Mutual Funds

DFA Enhanced US Large Co. Portfolio Institutional Class

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The Enhanced US Large Company Portfolio is a no-load mutual fund designed to achieve a total return which exceeds the total return performance of the S&P 500 Index. Total return is comprised of income and capital appreciation. Generally, the Portfolio will invest in (1) S&P 500 Index stocks; (2) stock index futures, options on stock indices and stock index futures, and swaps ("index derivatives"); and/or (3) shares of investment companies that invest in stock indices, in conjunction with high-quality, short-term fixed income obligations. The percentage of assets invested in S&P 500 Index stocks, index derivatives, shares of investment companies, and fixed income instruments may vary from time to time, but the Portfolio will maintain a segregated account consisting of liquid assets (or, as permitted by applicable interpretations of the SEC, enter into offsetting positions) to cover its open positions in index derivatives to avoid leveraging the Portfolio. For a full description, please review the Portfolio’s prospectus. To obtain the prospectus, visit www.dfaus.com.

DFA Large Cap International Portfolio Institutional Class

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The Large Cap International Portfolio is a no-load mutual fund designed to achieve long-term capital appreciation. The Portfolio pursues its objective by investing in the stocks of large non-US companies. Company size is measured on a country- or region-specific basis and based primarily on the market capitalization of companies associated with approved markets. The minimum market capitalization threshold varies by country or region and will change due to market conditions. The Portfolio invests in securities associated with a diverse group of developed market countries that Dimensional has designated as approved markets. For a full description, please review the Portfolio's prospectus. To obtain the prospectus, visit www.dfaus.com.

DFA Inflation-Protected Securities Portfolio Institutional Class

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The Inflation-Protected Securities Portfolio is a no-load mutual fund designed to provide inflation protection and earn current income consistent with inflation-protected securities. Ordinarily, the Portfolio will invest at least 80% of its net assets in inflation-protected securities. Generally, the Portfolio will purchase securities with maturities of between five and twenty years from the date of settlement. The Portfolio will not shift the maturity of its investments in anticipation of interest rate movements and ordinarily will have an average weighted maturity, based upon market values, of between three and twelve years. For a full description, please review the Portfolio's prospectus. To obtain the prospectus, visit www.dfaus.com.

### Vanguard 500 Index Signal Shares

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Vanguard 500 Index Fund (the Fund) is an open-end investment company, or mutual fund. The Fund offers four classes of shares: Investor Shares, Admiral Shares, Signal Shares, and Exchange Traded Fund (ETF) Shares. The Fund seeks to track the investment performance of the Standard & Poor's 500 Index, an unmanaged benchmark representing the United States large-capitalization stocks. As of July 31, 2012, the Fund invested in sectors, such as consumer discretionary, consumer staples, energy, financials, health care, industrials, information technology, materials, telecommunication services and utilities. As of July 31, 2012, the Fund's top 10 holdings included Apple Inc, Exxon Mobil Corp, International Business Machines Corp, AT&T Inc, Microsoft Corp, General Electric Co, Chevron Corp, Johnson & Johnson, Coca-Cola Co/The and Pfizer Inc. The Fund's investment advisor is The Vanguard Group, Inc. For a full description, please review the Portfolio's prospectus. To obtain the prospectus, visit www.vanguard.com.

### Vanguard Mid-Cap Growth Investor Shares

<table>
<thead>
<tr>
<th>Ticker Symbol</th>
<th>CUSIP Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>VMGRX</td>
<td>921946307</td>
</tr>
</tbody>
</table>

This actively managed, mid-capitalization option invests primarily in the stocks of mid-size domestic companies that the fund’s investment managers believe have stronger earnings and revenue growth prospects than the average mid-cap company. Investors who are seeking exposure to the mid-cap arena of the U.S. stock market and who are willing to endure the volatility that can come from an investment in stocks may wish to consider this fund as an option for their portfolio. For a full description, please review the Portfolio's prospectus. To obtain the prospectus, visit www.vanguard.com.
Vanguard Total Bond Market Signal Shares

Ticker Symbol       CUSIP Number
VBTSX              921937868

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

Vanguard Intermediate-Term Investment-Grade Fund Admiral Shares

Ticker Symbol       CUSIP Number
VFIDX              922031810

The Fund invests in a variety of high-quality and, to a lesser extent, medium-quality fixed income securities, at least 80% of which will be short- and intermediate-term investment-grade securities. High-quality fixed income securities are those rated the equivalent of A3 or better by Moody’s Investors Service, Inc., or another independent rating agency or, if unrated, are determined to be of comparable quality by the advisor; medium-quality fixed income securities are those rated the equivalent of Baa1, Baa2, or Baa3 by Moody’s or another independent rating agency or, if unrated, are determined to be of comparable quality by the advisor. (Investment-grade fixed income securities are those rated the equivalent of Baa3 and above by Moody’s.) The Fund is expected to maintain a dollar-weighted average maturity of 5 to 10 years. For a full description, please review the Portfolio’s prospectus. To obtain the prospectus, visit www.vanguard.com.
Vanguard Intermediate-Term Treasury Admiral Shares

Ticker Symbol: VFIUX  
CUSIP Number: 922031828

The Fund invests at least 80% of its assets in U.S. Treasury securities, which include bills, bonds, and notes issued by the U.S. Treasury. The Fund is expected to maintain a dollar-weighted average maturity of 5 to 10 years. For a full description, please review the Portfolio's prospectus. To obtain the prospectus, visit www.vanguard.com.

Vanguard Wellington Admiral Shares

Ticker Symbol: VWENX  
CUSIP Number: 921935201

The Fund invests 60% to 70% of its assets in dividend-paying and, to a lesser extent, non-dividend-paying common stocks of established large and mid-size companies. In choosing these companies, the advisor seeks those that appear to be undervalued but have prospects for improvement. These stocks are commonly referred to as value stocks. The remaining 30% to 40% of the Fund’s assets are invested mainly in fixed income securities that the advisor believes will generate a reasonable level of current income. These securities include investment-grade corporate bonds, with some exposure to U.S. Treasury and government agency bonds, and mortgage-backed securities. For a full description, please review the Portfolio's prospectus. To obtain the prospectus, visit www.vanguard.com.

Vanguard LifeStrategy Income Fund

Ticker Symbol: VASIX  
CUSIP Number: 921909206

The Fund invests in other Vanguard mutual funds according to a fixed formula that over time should reflect an allocation of approximately 80% of the Fund’s assets to bonds and 20% to common stocks. The percentages of the Fund’s assets allocated to each of the underlying funds are:

• Vanguard Total Bond Market II Index Fund 80%
• Vanguard Total Stock Market Index Fund 14%
• Vanguard Total International Stock Index Fund 6%

The Fund’s indirect bond holdings are a diversified mix of short-, intermediate-, and long-term U.S. government, U.S. agency, and investment-grade corporate bonds, as
well as mortgage-backed and asset-backed securities. Its indirect stock holdings consist substantially of large-capitalization U.S. stocks and, to a lesser extent, midand small-cap U.S. stocks and foreign stocks. For a full description, please review the Portfolio's prospectus. To obtain the prospectus, visit [www.vanguard.com](http://www.vanguard.com).

**Vanguard LifeStrategy Conservative Growth Fund**

<table>
<thead>
<tr>
<th>Ticker Symbol</th>
<th>CUSIP Number</th>
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</thead>
<tbody>
<tr>
<td>VSCGX</td>
<td>921909305</td>
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</tbody>
</table>

The Fund invests in other Vanguard mutual funds according to a fixed formula that over time should reflect an allocation of approximately 60% of the Fund’s assets to bonds and 40% to common stocks. The percentages of the Fund’s assets allocated to each of the underlying funds are:

- Vanguard Total Bond Market II Index Fund 60%
- Vanguard Total Stock Market Index Fund 28%
- Vanguard Total International Stock Index Fund 12%

The Fund’s indirect bond holdings are a diversified mix of short-, intermediate-, and long-term U.S. government, U.S. agency, and investment-grade corporate bonds, as well as mortgage-backed and asset-backed securities. Its indirect stock holdings consist substantially of large-capitalization U.S. stocks and, to a lesser extent, midand small-cap U.S. stocks and foreign stocks. For a full description, please review the Portfolio's prospectus. To obtain the prospectus, visit [www.vanguard.com](http://www.vanguard.com).

**PRIMECAP Odyssey Aggressive Growth Fund**

<table>
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<tr>
<th>Ticker Symbol</th>
<th>CUSIP Number</th>
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</thead>
<tbody>
<tr>
<td>POAGX</td>
<td>74160Q202</td>
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</table>

The Fund invests mainly in stocks of U.S. companies, emphasizing those companies with prospects for rapid earnings growth. These stocks typically provide little current income. The Fund's portfolio consists predominantly of small- and mid-cap stocks and may include stocks of foreign companies. Through its research and its evaluation of the relationship between growth prospects and valuation, the Fund's adviser identifies stocks that it believes will outperform over a three to five year time frame the Standard & Poor's 500 Index, a widely recognized benchmark of U.S. stock market performance that is dominated by the stocks of large U.S. companies. You cannot invest directly in an index. For a full description, please review the Portfolio's prospectus. To obtain the prospectus, visit [www.primecapmanagement.com](http://www.primecapmanagement.com).
Maxim American Century Growth Fund

Ticker Symbol      CUSIP Number
MXGRX            57776T546

The Portfolio, under normal circumstances, invests in stocks of companies the portfolio managers believe will increase in value over time. In implementing this strategy, the portfolio managers make their investment decisions based primarily on their analysis of individual companies, rather than on broad economic forecasts. Management of the Portfolio is based on the belief that, over the long term, stock price movements follow growth in earnings, revenues and/or cash flow. Although the portfolio managers intend to invest the Portfolio’s assets primarily in U.S. securities, the Portfolio may invest in securities of foreign companies, including companies located in emerging markets, and in foreign securities issued in the form of American Depository Receipts (“ADRs”). For a full description, please review the Portfolio's prospectus. To obtain the prospectus, visit www.maximfunds.com.