FRANKLIN TEMPLETON INVESTMENTS

HESAA
HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY

Investor Handbook
December 1, 2014

Franklin Templeton 529 College Savings Plan

OFFERED NATIONWIDE BY THE NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY

For Account Owners Investing in the New Jersey Better Educational Savings Trust (NJBEST) Program through a Financial Advisor

AS OF THE DATE OF THIS INVESTOR HANDBOOK, THIS INVESTOR HANDBOOK SUPERSEDES ALL PRIOR VERSIONS OF THIS INVESTOR HANDBOOK PREVIOUSLY PROVIDED TO ACCOUNT OWNERS INVESTING IN THE FRANKLIN TEMPLETON 529 COLLEGE SAVINGS PLAN (THE "PLAN"). THIS INVESTOR HANDBOOK, INCLUDING ANY APPENDICES AND ANY SUPPLEMENTS, CONTAINS IMPORTANT INFORMATION TO BE CONSIDERED IN MAKING A DECISION TO CONTRIBUTE TO THE PLAN. IT SHOULD BE READ THOROUGHLY IN ITS ENTIRETY AND RETAINED FOR FUTURE REFERENCE.

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QUALIFIED TUITION PROGRAMS, INCLUDING THE PLAN, ARE INTENDED TO BE USED ONLY TO SAVE FOR QUALIFIED HIGHER EDUCATION EXPENSES. SUCH 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.

INTERESTS IN THE PLAN HAVE NOT BEEN REGISTERED WITH, AND THIS INVESTOR HANDBOOK HAS NOT BEEN REVIEWED BY, THE U.S. SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION.

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SUPPLEMENT DATED APRIL 1, 2015 TO THE FRANKLIN TEMPLETON 529 COLLEGE SAVINGS PLAN INVESTOR HANDBOOK DATED DECEMBER 1, 2014 AS PREVIOUSLY SUPPLEMENTED ON JANUARY 20, 2015 ("Investor Handbook")

This supplement updates the Investor Handbook. You should review this information carefully and keep it together with your current copy of the Investor Handbook. Any information in the Investor Handbook that is inconsistent with the information provided in this Supplement is superseded by the information in this Supplement. Where applicable, the headings below reference the section and page number of the Investor Handbook that is being updated.

I. In the section "Investment Options," under the heading "Type 1 Investment Options: Objective-Based Asset Allocations," on page 17, the row for Franklin Founding Funds 529 Portfolio is replaced with the following:

Portfolio Name	**Asset Classes and Target Percentage Investments in Them** (Actual % investments may vary +/- 5% from the target) Underlying Funds/Investments
Franklin Founding Funds 529 Portfolio	**Fixed Income—33.33%** Franklin Income Fund **U.S. Equity—33.33%** Franklin Mutual Shares Fund **Non-U.S. Equity—33%** Templeton Growth Fund

II. In the section "Fees and Expenses," in the "Fees and Expenses Chart," the figures for Class A shares of Templeton Global Bond 529 Portfolio, on page 49, are replaced with the following:

Class A						
		Annual Asset-Based Fees			**Additional Investor Expenses**	
Investment Option	**Estimated Underlying Fund Expenses[1]**	**Program Management Fee**	**Annual Sales Fee**	**Total Annual Asset-Based Fees[2]**	**Maximum Initial Sales Charge[3]**	**Maximum Deferred Sales Charge[4]**
Templeton Global Bond 529 Portfolio	0.64%	0.25%	0.25%	1.14%	4.25%	None

III. In the section "Fees and Expenses," in the "Approximate Cost of a $10,000 Investment" table, the figures forTempleton Global Bond 529 Portfolio on pages 52 and 53 are replaced with the following, respectively:

	One Year					Three Years				
Class	**A**	**B[2]**	**B[3]**	**C[2]**	**C[3]**	**A**	**B[2]**	**B[3]**	**C[2]**	**C[3]**
Templeton Global Bond 529 Portfolio	$536	NA	NA	$292	$192	$772	NA	NA	$594	$594

	Five Years					Ten Years				
Class	**A**	**B[2]**	**B[3]**	**C[2]**	**C[3]**	**A**	**B[2]**	**B[3]**	**C[2]**	**C[3]**
International Income:										
Templeton Global Bond 529 Portfolio	$1,026	NA	NA	$1,021	$1,021	$1,752	NA	NA	$2,212	$2,212

Please retain this supplement for future reference.

529 STK2 04/15

SUPPLEMENT DATED JANUARY 20, 2015, TO
THE FRANKLIN TEMPLETON 529 COLLEGE SAVINGS PLAN INVESTOR HANDBOOK
DATED DECEMBER 1, 2014 ("INVESTOR HANDBOOK")

This supplement updates the Investor Handbook. You should review this information carefully and keep it together with your current copy of the Investor Handbook. Any information in the Investor Handbook that is inconsistent with the information provided in this Supplement is superseded by the information in this Supplement. Where applicable, the headings below reference the section and page number of the Investor Handbook that is being updated.

I. The following changes provide additional information as to the applicability of sales charges in the case of exchanges from or to the Franklin Money 529 Portfolio:

1. On the Fees and Expenses chart for Class C on page 51, the chart line for Franklin Money 529 Portfolio and footnote 5, are revised to read as follows:

CLASS C

		Annual Asset-Based Fees			Additional Investor Expenses	
Investment Option	**Estimated Underlying Fund Expenses[1]**	**Program Management Fee**	**Annual Sales Fee**	**Total Annual Asset-Based Fees[2]**	**Maximum Initial Sales Charge**	**Maximum Deferred Sales Charge[8]**
Franklin Money 529 Portfolio[5]	0.08%[5]	0.00%[5]	0.00%	0.08%[5]	None	None[5]

5. The Program Management Fee has been reduced from 0.25% to 0.00% for the Franklin Money 529 Portfolio since its inception date of October 8, 2014; the Program Management Fee may be increased at any time, which would increase future expenses. "Total Annual Asset Based Fees" for the Franklin Money 529 Portfolio reflects the reduced Program Management Fee in effect as of the date of this Investor Handbook. The expenses of the underlying funds of the Franklin Money 529 Portfolio have been waived or reimbursed from an estimated 0.36% to 0.08% for the period from June 30, 2014 to the date of this Investor Handbook; such waivers and reimbursements may be reduced or ended at any time. Although no deferred sales charge is payable with respect to Trust Shares originally purchased in the Franklin Money 529 Portfolio upon a withdrawal from the Franklin Money 529 Portfolio, a deferred sales charge may be payable upon a withdrawal involving a redemption of Trust Shares in the Franklin Money 529 Portfolio acquired through an exchange from another Trust Portfolio, or upon a withdrawal involving a redemption of Trust Shares that were acquired, directly or indirectly, in exchange for Trust Shares originally purchased with contributions to the Franklin Money 529 Portfolio. See the discussion under "Class C" on page 56.

2. The following sentence replaces the third sentence of the last paragraph in the section entitled "Fees and Expenses – Class A" on page 55:

Trust Shares acquired upon an exchange from the Franklin Money 529 Portfolio into another Trust Portfolio will be subject to an initial sales charge, unless an initial sales charge was previously paid in connection with the applicable invested amounts, and to an ongoing sales fee, as described above.

3. The following paragraph replaces the first paragraph in the section entitled "Fees and Expenses – Class C" on page 56:

If you select Class C, you will not pay an initial sales charge. You will, however, pay a contingent deferred sales charge if you withdraw any contribution within 12 months after you make it, except that no such contingent deferred sales charge applies to a withdrawal from the Franklin Money 529 Portfolio involving a redemption of Trust Shares originally purchased with contributions to the Franklin Money 529 Portfolio. The contingent deferred sales charge is 1.00% of the lesser of the NAV at the time of purchase of the Trust Shares being redeemed or the NAV of such Trust Shares at the time of redemption. As there is no initial sales charge, the entire amount of your contribution is invested. The contingent deferred sales charge is applicable to a withdrawal from the Franklin Money 529 Portfolio involving a redemption of Trust Shares obtained by exchange into the Franklin Money 529 Portfolio from another Trust Portfolio, if the withdrawal would have been subject to such contingent deferred sales charge had it been made from such other Trust Portfolio. The contingent deferred sales charge also applies upon a withdrawal involving a redemption of Trust Shares in a Trust Portfolio other than the Franklin Money 529 Portfolio that were acquired, directly or indirectly, in exchange for Trust Shares originally purchased with contributions to the Franklin Money 529 Portfolio, if the redemption occurs within 12 months after the exchange from the Franklin Money 529 Portfolio.

4. The following is added under the heading "Financial Adviser Compensation – Classes B and C" on page 58:

Not applicable to the Franklin Money 529 Portfolio, with respect to which no compensation is paid by FTDI to Financial Advisors.

5. The following paragraph replaces the second paragraph on page 59 in the section entitled "Fees and Expenses – Fees Payable by FTDI to Financial Advisors":

No compensation is paid by FTDI to Financial Advisors with respect to contributions invested in the Franklin Money 529 Portfolio. If contributions originally invested in the Franklin Money 529 Portfolio are exchanged for Trust Shares of another Trust Portfolio, compensation is paid by FTDI to the Financial Advisor as though the Trust Shares in such other Trust Portfolio had been purchased on the exchange date.

II. The following changes reflect provisions of federal legislation effective January 1, 2015, increasing the permitted frequency of investment reallocations in a Program Account from once per calendar year to twice per calendar year:

1. The first two sentences in the section entitled "Key Features – Control over Your Account" on page 6 are replaced with the following:

You decide how to allocate contributions to any one or more Investment Options offered under this Investor Handbook at the time the contributions are made. You may reallocate the existing assets in your Account to one or more Investment Options twice each calendar year or whenever you change the Account's Beneficiary. If you have more than one Program Account for the same Beneficiary, all reallocations of assets among the Investment Options in all such Program Accounts must occur on the same two days of the applicable calendar year, with the exception of reallocations in connection with a change of the Beneficiary of the applicable Program Account.

2. The following paragraph updates and replaces the section entitled "Risk Factors – Restrictions on Changes among Investment Options" on page 44:

Restriction on Changes among Investment Options

Federal law and IRS guidance restrict the frequency of the reallocation of Account balances among the Investment Options. Beginning in 2015, an Account Owner may reallocate assets in a Program Account among Investment Options twice per calendar year, or in connection with a change of the Beneficiary of the Account. If an Account Owner has more than one Program Account for the same Beneficiary, all reallocations of assets among the Investment Options in all such Program Accounts must occur on the same two days of the applicable calendar year, with the exception of reallocations in connection with a change of the Beneficiary of the applicable Program Account. Unless reallocated in accordance with the provisions described above, existing amounts in your Account invested under a particular Investment Option must remain invested under that Investment Option until withdrawn from the Program, even if at some point prior to withdrawal you would prefer to switch such assets to another Investment Option. However, a new Investment Option may always be selected for a new contribution at the time a new contribution is made.

3. All other references in the Investor Handbook to the permissible frequency of reallocation among Investment Options of existing assets in a Program Account are modified effective January 1, 2015, to provide that such reallocations may occur twice per calendar year or upon a change in the Beneficiary of the Account.

4. The Participation Agreement attached as Appendix A to the Investor Handbook is amended by replacing the last sentence of Article V, section F on page 69 of the Investor Handbook with the following two sentences:

Each Account Owner and Third-Party Contributor understands and acknowledges that once invested under a particular Investment Option, contributions and earnings thereon may only be transferred by the Account Owner to another Investment Option twice per calendar year, or otherwise when the Account Owner changes the Beneficiary of the Account as provided in the Investor Handbook. If an Account Owner has more than one Program Account for the same Beneficiary, all reallocations of assets among the Investment Options in all such Program Accounts must occur on the same two days of the applicable calendar year, with the exception of reallocations in connection with a change of the Beneficiary of the applicable Program Account.

Please retain this supplement for future reference.

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Glossary of Terms

2001 Tax Act – the Economic Growth and Tax Relief Reconciliation Act of 2001.

Account – an account within the Plan.

Account Owner – the current owner of an account within the Plan, who may be either the person who established the Account or a successor Account Owner.

Act – N.J.S.A. 18A:71B-35 through 46, as amended.

Beneficiary – the current individual whom the Account Owner has designated as the beneficiary of the Account.

CDSC – contingent deferred sales charge.

Code – Internal Revenue Code of 1986, as amended.

Coverdell ESA – Coverdell Education Savings Account established under Section 530 of the Code.

Cumulative Quantity Discount – lets you combine certain existing holdings of Trust Shares, and in some cases your holdings of certain unrelated mutual fund shares, with your current purchase of Class A Trust Shares, to determine if you qualify for a sales charge breakpoint.

Division of Investment – New Jersey Department of the Treasury, Division of Investment.

Division Investment Options – investment options for which the New Jersey Department of the Treasury, Division of Investment serves as investment manager.

Eligible Educational Institution – defined generally as an accredited post-secondary educational institution located in the United States offering credit toward a bachelor's degree, an associate's degree, a graduate level or professional degree, or another recognized post-secondary credential; however, certain proprietary institutions and post-secondary vocational institutions and certain institutions located in foreign countries may be Eligible Educational Institutions. To be an Eligible Educational Institution for purposes of Section 529, the institution must be eligible to participate in U.S. Department of Education student financial aid and student loan programs under Title IV of the Higher Education Act of 1965, as amended.

Eligible New Jersey Higher Educational Institution – defined generally as an accredited post-secondary educational institutions located in New Jersey offering credit toward a bachelor's degree, or an associate's degree. With respect to proprietary institutions, undergraduate attendance or enrollment must be in a degree granting program licensed or approved by the New Jersey Commission on Higher Education.

ETF – exchange traded fund.

FDIC – Federal Deposit Insurance Corporation.

Financial Advisors – broker-dealers or financial advisors acting pursuant to an agreement with FTDI .

Franklin Mutual Advisers – Franklin Mutual Advisers, LLC, an affiliate of Franklin Templeton Distributors, Inc., serving as the Investment Manager for the Investment Options.

Franklin Templeton Investment Options – Investment Options for which Franklin Mutual Advisers currently serves as Investment Manager, including the Investment Options described in this Investor Handbook.

Franklin Templeton Investments – a group of affiliated companies owned directly or indirectly by Franklin Resources, Inc.

FTDI – Franklin Templeton Distributors, Inc., the Program Manager.

FTIS – Franklin Templeton Investor Services, LLC, (an affiliate of FTDI) which provides certain administrative and record-keeping services for the Program.

HESAA – The New Jersey Higher Education Student Assistance Authority.

Investment Manager – an investment manager selected by HESAA for the Plan, including Franklin Mutual Advisers or any successor as the Investment Manager.

Investment Option – the designation of a contribution received by the Trust to a particular investment portfolio of the Trust that is managed by Franklin Templeton Investments.

Investment Policy – the applicable requirements of the investment policy established by HESAA with the approval of the State Investment Council.

Investor Handbook – this document, including any future supplements to it, which contains information you should know, such as certain risks, limitations, performance history and fees, before you participate in the Plan.

IRS – Internal Revenue Service.

LOI – a Letter of Intent (LOI), which is a commitment by the Account Owner that a specified dollar amount will be invested in the Account during a 13-month period. The amount the Account Owner agrees to invest determines the applicable initial sales charge.

Maximum Contribution Limit – the aggregate balance in all Program Accounts established on behalf of a particular Beneficiary which may not be exceeded through additional contributions (currently $305,000).

Member of the Family (for purposes of Section 529) – a person related to the Beneficiary as follows: (i) a son or daughter, or a descendant of either; (ii) a stepson or stepdaughter; (iii) a brother, sister, stepbrother or stepsister; (iv) the father or mother, or an ancestor of either; (v) a stepfather or stepmother; (vi) a son or daughter of a brother or sister; (vii) a brother or sister of the father or mother; (viii) a son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, or sister-in-law; (ix) the spouse of the Beneficiary or of any of the other foregoing individuals; or (x) a first cousin. For purposes of the "member of the family" definition, a child includes a legally adopted child and a brother or sister includes a brother or sister by half-blood.

NAV – net asset value.

Non-Qualified Distribution – a withdrawal of money from an Account for any purpose other than to pay the qualified higher educational expenses of the Beneficiary at an Eligible Educational Institution.

NJBEST – the New Jersey Better Educational Savings Trust.

NJBEST Account – an account set up under the NJBEST Plan.

NJBEST Plan – the NJBEST 529 College Savings Plan.

Plan – the Franklin Templeton 529 College Savings Plan.

Program – the New Jersey Better Educational Savings Trust (NJBEST) Program, which includes both the Franklin Templeton 529 College Savings Plan and the NJBEST 529 College Savings Plan.

Program Accounts – Accounts within the Program.

Program Manager – FTDI or any successor as the Program Manager.

Program Record-Keeper – FTIS or any successor as the Program Record-Keeper.

Qualified Distribution – a distribution from an Account to pay the qualified higher education expenses of the Beneficiary at an Eligible Educational Institution.

Qualified higher education expenses – (i) the costs of tuition, fees books, supplies and equipment required for the enrollment or attendance of a Beneficiary at an Eligible Educational Institution; (ii) expenses for room and board, within certain limits, for students attending an Eligible Educational Institution on at least a half-time basis; and (iii) certain expenses for special needs services for special needs beneficiaries incurred in connection with such enrollment or attendance.

Rollover Distribution – a distribution from an Account to another Program Account or to an account in another qualified tuition program that meets the Code's requirements for a federally tax-free rollover distribution, as further described in this Investor Handbook.

SAI – Statement of Additional Information.

Scholarship Accounts – scholarship accounts established by governmental entities and corporations that are described in Section 501(c)(3) of the Code.

SEC – U.S. Securities and Exchange Commission.

Section 529 – Section 529 of the Code.

Services Agreement – The 2014 College Savings Services Agreement, dated April, 2014, between HESAA and FTDI as amended or restated from time to time.

State – The State of New Jersey.

Temporary Waiver Privilege – a privilege that allows you to use all or a portion of the proceeds from the sale of Trust Shares to buy Trust Shares within 90 days of the sale without an initial sales charge, under certain circumstances (see "Fees and Expenses – Temporary Waiver Privilege").

Third-Party Contributor – any person, other than the Account Owner, who makes contributions to an Account.

TIN – U.S. Taxpayer Identification Number.

Trust – the New Jersey Better Educational Savings Trust (NJBEST).

Trust Shares – municipal fund securities representing interests in the Trust.

Trust Portfolio – an investment portfolio of the Trust.

UBTI – Unrelated Business Taxable Income as defined under the Code, which includes, among other items, debt-financed investment income and certain income from interest rate swap and other types of investment transactions.

UTMA/UGMA – Uniform Transfers to Minors Act/Uniform Gifts to Minors Act.

You – the current owner of an account within the Plan, who may be either the person who established the Account or a successor Account Owner.

Key Features

Overview of the Program

The State of New Jersey (the "State") established the New Jersey Better Educational Savings Trust Program (the "Program") to allow account owners and beneficiaries under the Program to qualify for federal tax benefits as participants in a qualified tuition program under Section 529 of the Internal Revenue Code of 1986, as amended. The State also provides favorable state tax treatment for State taxpayers participating in the Program and additional non-tax benefits for State residents participating in the Program.

The New Jersey Higher Education Student Assistance Authority ("HESAA") is responsible for establishing and maintaining the Program on behalf of the State. HESAA's mission is to provide students and families with the financial and informational resources for students to pursue their education beyond high school. Under the Act, HESAA administers the Program and is authorized to select investment managers (the "Investment Managers"), adopt regulations and provide for the performance of other functions necessary for the operation of the Program. Program assets are held by the New Jersey Better Educational Savings Trust ("NJBEST"). HESAA, as the trustee of the Trust, has appointed Franklin Templeton Distributors, Inc. ("FTDI") as the current Program Manager under a College Savings Services Agreement dated April 1, 2014 (as amended from time to time, the "Services Agreement"). FTDI, directly or through affiliated or non-affiliated entities, provides certain services for the Program.

The Program currently includes the Franklin Templeton 529 College Savings Plan (the "Plan"), which is described in this Investor Handbook, and the NJBEST 529 College Savings Plan ("NJBEST Plan"), which is not offered under, or described in, this Investor Handbook. For more information, see "Opening, Maintaining and Contributing to an Account – The NJBEST Plan and Division Investment Options." **This Investor Handbook is applicable only to investors who invest in the Plan. Investments in the Plan generally must be made through broker-dealers or financial advisors that have entered into an agreement with FTDI relating to the sale of Trust Shares in the Plan ("Financial Advisors").**

Overview of the Plan

The Plan is designed to enable New Jersey residents, as well as residents of other states, to save for qualified higher education expenses of a beneficiary on a tax-advantaged basis. Under the Plan, you may set up one or more accounts ("Accounts"), each for the benefit of an individual you have designated as the beneficiary of the Account (a "Beneficiary"), to save for the future payment of the expenses associated with the Beneficiary's attendance at most accredited post-secondary educational institutions throughout the country and at certain foreign institutions. Contributions to an Account are invested by the Trust in one or more investment portfolios of the Trust (each a "Trust Portfolio") as designated by the owner of an Account under the Plan ("Account Owner").

The Investment Manager

Franklin Mutual Advisers, LLC. ("Franklin Mutual Advisers") manages, either directly or through sub-advisers approved by HESAA, the contributions received by the Trust for a particular Trust Portfolio ("Investment Options"). Currently there are multiple different Investment Options, some of which invest in a single type of asset class, and others that follow an asset allocation strategy. These Investment Options may be invested in mutual funds or ETFs for which Franklin Mutual Advisers or its affiliates serve as investment manager, or they may be invested in mutual funds, ETFs or other investments that are unaffiliated with Franklin Mutual Advisers. The investment return on contributions to an Account will vary based on the performance of the Investment Options selected by the Account Owner.

Federal and New Jersey Income Tax Benefits

Federal income tax is deferred on Account earnings while they remain in the Account, and such earnings, when withdrawn for qualified higher education expenses, are tax-exempt for federal income tax purposes. Neither you nor your Beneficiary need be a New Jersey resident to participate in the Plan described in this Investor Handbook. If you or your Beneficiary is a New Jersey taxpayer, however, Account earnings are exempt from New Jersey state tax if withdrawn to pay for qualified higher education expenses. If you or your Beneficiary pays state taxes in states other than New Jersey, you should evaluate whether any state in which you or your Beneficiary pays taxes will tax any earnings withdrawn from your Account. You should also consider whether any state in which you, any other contributor to an Account (a "Third-Party Contributor"), or your Beneficiary resides or pays taxes offers special tax incentives or other benefits in connection with any qualified tuition program sponsored by such state that may not be available to you, a Third-Party Contributor or your Beneficiary under the Program. You should consider this state tax treatment and other benefits, if any, before making an investment decision.

The statements contained in this Investor Handbook summarizing provisions of the Code applicable to Accounts or to contributions to, earnings of, or withdrawals from Accounts reflect the provisions of Section 529, proposed regulations published by the Internal Revenue Service ("IRS")

that are expected to be revised prior to being finalized, certain notices issued by the IRS indicating the content of final regulations the IRS intends to promulgate under Section 529 but which have not been published as of the date of this Investor Handbook and other administrative interpretations of Section 529.

Special Gift and Estate Tax Treatment While Investing for College

The contributions you make to the Plan are treated as completed gifts for federal gift tax purposes. Annual contributions to an Account which, when combined with other gifts made by the same taxpayer to the same Beneficiary, do not exceed $14,000 ($28,000 for married couples making a gift-splitting election) are generally excludable for federal gift tax purposes. Currently, contributions to an Account that exceed $14,000 ($28,000 for married couples making a gift-splitting election) in any year can be treated as if such contributions were spread evenly over a five-year period, with the result that up to $70,000 contributed to the Account in a single year ($140,000 for married couples making a gift-splitting election) may be excludable for federal gift tax purposes. Contributions to an Account are generally removed from the contributor's estate for federal estate tax purposes, subject to certain exceptions in the case of contributions that have been prorated over a five-year period for federal gift tax purposes. Please read the information under the heading "Tax Information" in this Investor Handbook and consult your tax advisor for further information, including treatment for state gift and estate tax purposes.

Control over Your Account

You decide how to allocate contributions to any one or more Investment Options offered under this Investor Handbook at the time the contributions are made. You may reallocate the existing assets in your Account to one or more Investment Options once each calendar year or whenever you change the Account's Beneficiary. You authorize withdrawals from the Plan when you're ready to pay for tuition or other qualified higher education expenses. Earnings on Non-Qualified Distributions (other than Rollover Distributions) are subject to federal income tax and, with certain exceptions, a penalty consisting of a 10% additional federal income tax.

You can save for an undergraduate or graduate education for a member of your immediate family, friends—or even yourself. If the Beneficiary you've saved for decides not to go to college, funds can be used to educate another member of the Beneficiary's family.

You can contact the Plan for Account information. Account balances are normally updated after each day that the New York Stock Exchange is open for business. The Program also sends quarterly statements with a description of the activity in your Account and the value of your Account.

Low Contribution Requirement and High Contribution Limit

Open an account with just $250—or $50 if you elect to participate in our monthly automatic investing option. The Maximum Contribution Limit for all accounts established within the Program for the same Beneficiary is currently $305,000.

Fees and Expenses

Each of the mutual funds or ETFs in which the Trust invests assets contributed under an Investment Option charges investment management fees and other expenses. These fees and expenses are taken into account in valuing the shares of the mutual funds or ETFs owned by the applicable Trust Portfolio, and accordingly indirectly affect the investment return on amounts invested under the applicable Investment Option. There may be brokerage fees associated with the purchase or sale of ETFs that also affect the investment return on amounts invested under the applicable Investment Option.

The Program also charges a management fee that, as of April 1, 2014 is 25 basis points (0.25 percent) per annum assessed daily against the assets of each Trust Portfolio other than the Franklin Money 529 Portfolio. Such a management fee may also be imposed in whole or in part at any time with respect to the respect to the Franklin Money 529 Portfolio. In addition, each Trust Portfolio offers Class A, Class B (available only to Account Owners exchanging Class B Trust Shares in a different Trust Portfolio that were acquired prior to April 1, 2012) and Class C Trust Shares, each of which has its own sales charges and fees.

These fees and expenses are subject to change without the consent of the Account Owners.

Please see "Fees and Expenses" below for additional information.

Opening, Maintaining and Contributing to an Account

Account Owner

Any individual who has reached the age of majority, or any corporation, trust or other entity, may establish an Account described in this Investor Handbook provided they reside in a state or jurisdiction where Trust Shares are eligible for sale. Trust Shares are not eligible for sale in Canada or in any member country of the European Union ("EU") or European Economic Area ("EEA") and may not be directly or indirectly offered or sold in any provincial or territorial jurisdiction in Canada or any member country of the EU or EEA, or to or for the benefit of residents of any provincial or territorial jurisdiction in Canada or any member country of the EU or EEA. Trust shares are eligible for sale outside the United States in jurisdictions other than Canada, the EU and the EEA, provided that they are purchased through a Financial Advisor with an address in the United States or a territory of the United States.

With the exception of Accounts owned by Account Owners with addresses in Canada ("Canadian Accounts") and Accounts owned by Account Owners with addresses in any member country of the EU or EEA ("European Account Owners" and "European Accounts"), contributions may continue to be made to Accounts established prior to January 1, 2011, including those established by individuals, corporations, trusts and other entities that do not have addresses in the United States or a territory of the United States and do not have a Financial Advisor with an address in the United States or a territory of the United States.

No new Canadian Accounts may be established. In the case of existing Canadian Accounts, (1) Canadian Account owners are not permitted to make additional contributions to such Accounts; (2) such Accounts are not allowed to receive any additional contributions from any source; and (3) investments in any such Account may not be transferred from one Trust Portfolio to another Trust Portfolio, but Age-Based Portfolio Transfers of Trust Shares owned by Canadian Accounts will continue to take place automatically to the extent provided in this Investor Handbook as it may be supplemented or restated in the future. Any Account belonging to an Account Owner who has moved to Canada or who moves to Canada will be treated as a Canadian Account subject to the provisions above.

Beginning on January 15, 2015: (1) no new European Accounts may be established; (2) European Account owners may no longer make additional contributions to Accounts; (3) European Accounts may no longer receive any additional contributions; (4) investments in a European Account may not be transferred from one Trust Portfolio to another Trust Portfolio, but Age-Based Portfolio Transfers of Trust Shares owned by European Accounts will continue to take place automatically to the extent provided in this Investor Handbook as it may be supplemented or restated in the future; (5) all automatic investment plans that provide for investment in a European Account will be cancelled; and (6) Accounts belonging to an Account Owner who has moved or moves to a member country of the EU or EEA will be treated as European Accounts subject to the provisions above.

To establish an Account, the Account Owner must provide a U.S. Taxpayer Identification Number ("TIN"), which may be any one of the following: a Social Security Number, an IRS Individual Taxpayer Identification Number or an Employer Identification Number. The tax consequences associated with Accounts established by persons who do not have addresses in the United States are not described in this Investor Handbook. If you are such a person, you should consult your tax advisor concerning the tax consequences of an investment in the Program.

Third-Party Contributor

Subject to the restrictions set forth above under "Account Owner," any person may make contributions to an Account after the Account is opened. The Third-Party Contributor does not have to be related to the Account Owner or Beneficiary. A Third-Party Contributor has no future control over the use of the contribution by the Account Owner, who may change the Beneficiary of the Account and/or authorize withdrawals from the Account for purposes other than paying the qualified higher education expenses of the Beneficiary. A Third-Party Contributor may forego state or federal tax benefits for which the Third-Party Contributor might be eligible if he or she contributed to an Account owned by such Third-Party Contributor.

Beneficiary

The Beneficiary is the person designated by the Account Owner to use the savings in the Account for qualified higher education expenses. The Beneficiary must be an individual. The Beneficiary of an Account does not have to be a United States citizen; however, the Beneficiary must have a TIN. The Beneficiary and the Account Owner do not have to be related. Account Owners may designate themselves as the Beneficiary. An Account Owner must open a separate Account for each Beneficiary. An individual may be the Beneficiary of more than one Account in the Program, in which case the Maximum Contribution Limit is applied on the basis of the aggregate balance of such Program Accounts.

Accounts Established under UTMA or UGMA

The Program permits the establishment of an Account in the name of a custodian for a minor under the Uniform Transfers to Minors Act ("UTMA") or Uniform Gifts to Minors Act ("UGMA"). In order to transfer existing funds held under UTMA or UGMA to an Account, the custodian will need to liquidate any securities in such UTMA or UGMA account (which will require payment of taxes on any accrued gains) and transfer cash to the Account. If an Account is established for a minor under UTMA or UGMA, the minor must remain the Beneficiary of such Account at all times notwithstanding the Account Owner's ability to change the Beneficiary for other types of Accounts. In addition, when the minor attains an age specified by applicable state law, the custodian will cease to have any control over the Account and the former minor will control the disposition of assets in the Account. Furthermore, the minor will be treated as the owner of the Account at all times, so that any taxable distribution from the Account will be treated as income of the minor (except to the extent, if any, that applicable law requires that such distribution be treated as income of the custodian). The treatment of an Account established under UTMA or UGMA for federal financial aid purposes is described under "Risk Factors–Financial Aid–Federal-Financial Aid." You should consult a tax advisor in your state of residence, and may also wish to consult a financial aid advisor, about the advisability of transferring UTMA/UGMA funds to an Account. The gift tax implications of establishing an Account in the name of a custodian for a minor under UTMA or UGMA are unclear. See "Tax Information."

Opening an Account

To open an Account, complete a Franklin Templeton 529 College Savings Account Application (or a Franklin Templeton 529 College Savings Select Account Application, as applicable) and deliver it to your Financial Advisor. Make sure you indicate the share class of Trust Shares you have chosen. If you do not indicate a class, your contribution will be invested in Class A shares. You must include a check payable to "Franklin Templeton 529 College Savings Plan" in the appropriate amount (the first deposit must be at least $50 for each Investment Option if a monthly automatic investing option is selected and no less than $250 total if a monthly automatic investing option is not selected) with your completed application form. When you establish an Account, you must name an individual person as the Beneficiary, unless the Account is a Scholarship Account. Other people may also open Accounts for the same Beneficiary. After your application is processed, you will receive a confirmation that includes your Account number. If you want to open additional Accounts and need more application forms, either photocopy the application form, call the Plan at (866) 362-1597, download the form from **franklintempleton.com** or contact a Financial Advisor. Each Account requires a separate application. By signing the application form, you agree that the Account is subject to the terms and conditions of the Participation Agreement which is attached to this Investor Handbook as Appendix A and also to the terms in this Investor Handbook.

Applicable Trust Share Net Asset Value

When you purchase (or sell) Trust Shares, you pay (or receive) the net asset value ("NAV") per Trust Share plus (or minus) any applicable sales charge. NAV for each class of Trust Shares is determined by deducting the relevant Trust Portfolio's liabilities allocable to such class of Trust Shares from the total Trust Portfolio assets allocable to such class, and dividing that number by the number of Trust Shares outstanding for such class of that Trust Portfolio. Each Trust Portfolio calculates its NAV per Trust Share of each class each business day as of the close of trading on the New York Stock Exchange, normally 4 p.m. Eastern time ("Close of Trading"). A purchase (or sale) order for Trust Shares received by the Program Record-Keeper in good order by Close of Trading on a business day will ordinarily be priced according to the NAV calculated for the Trust Portfolio on that same business day. Under normal circumstances, the Trust does not calculate its NAV on days the New York Stock Exchange is closed for trading. To the extent permitted by law, a Financial Advisor may transmit orders to the Program Record-Keeper through the National Securities Clearing Corporation or other electronic order clearinghouse, provided that the Financial Advisor understands and agrees that it must receive an order for Trust Shares by the Close of Trading on a given business day to submit the order for processing at that day's NAV.

Contributing to an Account

Once your Account is opened, Account Owners and Third-Party Contributors may send money by check directly to the address listed on the Account application form or send money to the applicable Financial Intermediary with instructions on how to invest the contribution. The Plan will only accept pre- printed personal checks, cashier's checks, bank money orders or electronic fund transfers for Plan Account contributions. The Plan does not accept cash, credit card convenience checks, non-bank money orders or traveler's checks as forms of payment to purchase Trust Shares. Account Owners and Third-Party Contributors may also choose to make regular contributions through automatic electronic transfers from their respective bank accounts or through payroll deduction, if offered by their respective employers. Please see the Account application form for more details on automatic electronic transfers.

Contributions, including contributions by Third-Party Contributors, are allocated to one or more of the Trust Portfolios in accordance with instructions from the Account Owner or Financial Advisor. If the Program Manager is aware that a contribution received has been made by a Third-Party Contributor, the Account Owner will be contacted for instructions regarding the investment of such contribution. To establish regular contributions through automatic electronic transfers from a Third-Party Contributor's bank account, the Third-Party Contributor must submit a voided check along with a letter of instruction signed by both the bank account owner and the Account Owner. Both signatures must be signature guaranteed.

The Program from time to time determines an amount (the "Maximum Contribution Limit") invested under the Program on behalf of a Beneficiary which should not be exceeded through additional contributions. As of the date of this Investor Handbook, the Maximum Contribution Limit is $305,000. No additional contribution may be made to your Account if the amount of the contribution, when added to the value, at the time of the proposed contribution, of all Program Accounts (whether or not owned by you) for the same Beneficiary, would exceed the Maximum Contribution Limit. The Program reserves the right to change the Maximum Contribution Limit and the method of calculating the Maximum Contribution Limit in accordance with its interpretation of federal and state law and regulations.

Until total contributions to your Account reach $1,200, a minimum of $300 per year should be contributed to keep your Account open. Once your total contributions are at least $1,200, no additional contributions are required to maintain the Account. If your Account fails to meet the minimum required contributions, the Program may terminate your Account without notice and distribute to you the amounts on deposit in your Account at the time of termination. If the Program terminates your Account under these circumstances, you may be required to pay federal and state income taxes and tax penalties on any earnings distributed to you.

Transfers and Rollovers

Rollovers from Other Qualified Tuition Programs to the Program

You may transfer funds from an account in another qualified tuition program to an Account by requesting a "rollover distribution," to your Account, subject to the applicable requirements of the Code. You must provide the Program with acceptable documentation from the prior qualified tuition program regarding the portion of any rollover distribution that consists of a return of principal and the portion that consists of earnings.

A rollover distribution can be made without any adverse federal income tax consequences provided that it is effected by a direct transfer from the other qualified tuition program or that, within 60 days of the date you withdraw funds from your other qualified tuition program account, you deposit such funds in your Account. Under current law, subject to certain limitations described in this Investor Handbook, the Beneficiary of your Account can be either: (i) the same as the beneficiary of the account from which you are making the rollover distribution, if the rollover distribution does not occur within 12 months from the date of a previous rollover distribution to any qualified tuition program for the benefit of the same beneficiary; or (ii) a different individual who is a "member of the family" of the beneficiary of the account from which the rollover distribution is made. For the definition of the term "member of the family," see "Opening, Maintaining and Contributing to an Account – Member of the Family."

Contact the Program Record-Keeper or a Financial Advisor for more information about how to complete such a transfer. A Franklin Templeton 529 College Savings Plan Rollover/Transfer Request Form is available from the Program Record-Keeper or at **franklintempleton.com**. Although a rollover distribution can be made without adverse federal income tax consequences, there may be state income tax consequences in the state(s) in which you pay state income taxes, and the qualified tuition program from which the rollover distribution is made may assess some charges in connection with the withdrawal. You should consult a tax advisor, and with respect to any such charges, your Financial Advisor, if you have any questions about the consequences of a transfer between qualified tuition programs.

Transfers from Coverdell Education Savings Accounts to the Program

You may move funds from a Coverdell Education Savings Account ("Coverdell ESA") to an Account. The Beneficiary of the Account to which the funds are transferred must be the same as the beneficiary of the Coverdell ESA from which the transfer is made, and the deposit to the Account must occur in the same tax year as the withdrawal from the Coverdell ESA. After the amount has been moved from the Coverdell ESA to the Account, you may change the Beneficiary of the Account as described below under "Opening, Maintaining and Contributing to an Account – Changing a Beneficiary." Contact the Program Record-Keeper for information about how to complete such a transfer and documentation which must be submitted regarding the portion of such transfer to be treated as principal. Contact your tax advisor for information about federal and state tax treatment of a transfer of funds from a Coverdell ESA to the Program.

Reinvesting Proceeds of Certain U.S. Savings Bonds in an Account

Some U.S. Savings Bonds may be redeemed and, if the proceeds are deposited into an Account, no federal income tax will be due on some or all of the bond earnings in the year in which the bond is cashed. You may wish to consult a financial or tax advisor to determine whether it is better to reinvest the earnings in an Account or apply them directly to the payment of higher education expenses, if there are such expenses in the year the bond is cashed in. Contact the Program Record-Keeper for information about documentation which must be submitted regarding the portion of such transfer to be treated as principal.

The bonds that qualify for such tax-favored treatment are Series EE bonds issued after 1989 and Series I bonds. The owner of the bonds must have been at least 24 years of age on the date the bonds were issued. The Beneficiary of the Account must be (1) the Account Owner or Third-Party Contributor making the contribution, (2) such person's spouse, or (3) a qualifying dependent of such taxpayer. And, to qualify for full or partial tax deferral, the owner of the bond must meet certain income restrictions. You should consult a tax advisor to determine whether you qualify for the tax deferral.

To take advantage of this opportunity, the bond owner simply redeems the bonds and sends a contribution to his or her Account for the amount of the proceeds. The bond owner needs to record certain information from the bonds that must be reported to the IRS. The taxpayer must file an IRS Form 8815 for the tax year in which the bonds are cashed in and the proceeds are placed in the Program Account.

Changing a Beneficiary

You can change the Beneficiary of your Account, provided that the new Beneficiary of your Account is a "member of the family" of the prior Beneficiary, as that term is defined in "Opening, Maintaining and Contributing to an Account – Member of the Family." You may not change the Beneficiary if such change would cause the aggregate account balances of all Program Accounts for the new Beneficiary to exceed the Maximum Contribution Limit or if the Account is owned in custody for a minor. See "Opening, Maintaining and Contributing to an Account – Accounts Established under UTMA or UGMA." A change in Beneficiary may be treated as a gift from the previous Beneficiary to the new Beneficiary in certain circumstances, and therefore may have gift tax and generation-skipping transfer tax implications. See "Tax Information – Federal Tax Treatment" for more information. In order to change a Beneficiary, you will need to complete a Franklin Templeton 529 College Savings Plan Account Revision Form available from the Program Record-Keeper at **franklintempleton.com**.

Member of the Family

Under current law, the term "member of the family" is defined as a person related to the Beneficiary as follows:

(i) a son or daughter, or a descendant of either;

(ii) a stepson or stepdaughter;

(iii) a brother, sister, stepbrother or stepsister;

(iv) the father or mother, or an ancestor of either;

(v) a stepfather or stepmother;

(vi) a son or daughter of a brother or sister;

(vii) a brother or sister of the father or mother;

(viii) a son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, or sister-in-law;

(ix) the spouse of the Beneficiary or of any of the other foregoing individuals; or

(x) a first cousin.

For purposes of the "member of the family" definition, a child includes a legally adopted child and a brother or sister includes a brother or sister by half-blood.

Change in Account Owner; Successor Account Owner

Under current Program policy, a change in the Account Owner of an Account is permitted upon completion of a Franklin Templeton 529 College Savings Plan Account Revision Form, which includes submission of a signature guaranty from a banking institution. This form is available from the Program Record-Keeper or at **franklintempleton.com**. An Account Owner also may designate any person to become the successor Account Owner in the event of his or her death. Such designation may be made on the Account application or, subsequently, by submitting a Franklin

Templeton 529 College Savings Plan Account Revision Form available from the Program Record-Keeper or at **franklintempleton.com**. If the original Account Owner dies and the designated person becomes the successor Account Owner, the successor Account Owner may continue to make contributions to the Account, may change the Beneficiary of the Account, may allocate Account balances and contributions among Investment Options and may make Qualified and Non-Qualified Distributions from the Account. The successor Account Owner also would assume tax liability in the event that he or she receives a Non-Qualified Distribution. See "Tax Information."

Under current Program policy, if the Account Owner has not designated a person as a successor Account Owner on the Account application or in a Franklin Templeton 529 College Savings Plan Account Revision Form (or the designated person does not survive the Account Owner), the Beneficiary (if over 18 years old) or a trustee or guardian for the Beneficiary (if the Beneficiary is less than 18 years old) becomes the owner of the Account. The trustee or guardian may be the trustee or guardian, if any, named in the Account Owner's will, a trustee or guardian appointed for such purpose by a court or executor of the Account Owner's estate or a parent of the Beneficiary. Once a trustee or guardian has assumed ownership of such an Account, no further contributions to the Account will be accepted and the guardian or trustee may not change the Beneficiary. The Program's current policy is subject to change and to the requirements of applicable state law, including any applicable provision of an Account Owner's will that may govern the disposition of the Account in the event the Account Owner has not otherwise effectively designated a successor Account Owner.

The NJBEST Plan and Division Investment Options

The NJBEST Plan is made available to individuals who are, or whose Beneficiaries are, New Jersey residents and who invest without the assistance of a Financial Advisor. Certain Investment Options are available through the NJBEST Plan without sales charges or sales fees. An NJBEST Plan investor handbook is available through the Program Record-Keeper.

The New Jersey Department of the Treasury, Division of Investments serves as investment manager for certain other investment options ("Division Investment Options") that are part of the NJBEST Plan but are no longer available to new investors.

Transfers from an NJBEST Account to an Account under the Plan

You may transfer assets from an account under the NJBEST Plan to an Account under the Plan, subject to HESAA notice requirements and to the general rule that transfers among Investment Options can only occur once per calendar year or in connection with a change of the Beneficiary. Assets in an Account (including any assets transferred to such Account from an NJBEST Account invested in Division Investment Options) cannot be transferred, or transferred back, to an NJBEST Account for investment under the Division Investment Options.

It is important to note that amounts transferred from an NJBEST Account invested under one of the Division Investment Options to an Account invested under the Franklin Templeton Investment Options will no longer be subject to certain provisions of the Act requiring HESAA to request State legislative appropriations to prevent owners of Program Accounts invested in the Division Investment Options from recovering upon withdrawal less than the aggregate amount of contributions to their Program Accounts invested in the Division Investment Options. The applicability of such provisions of the Act to contributions made under the Division Investment Options, and their inapplicability to contributions made under the Franklin Templeton Investment Options, should be given careful consideration by an owner of a Program Account established in the NJBEST Plan prior to March 17, 2003 in evaluating the benefits and costs of any such transfer.

Telephone/Online Privileges

Online privileges allow you to view your Account information as well as to exchange Trust Shares of most Trust Portfolios (subject to the restrictions described under "Investment Options – Changing Investment Options" below); use an electronic funds transfer to buy Trust Shares of most Trust Portfolios; change your telephone number and/or address; make withdrawals to the address of record or pre-authorized address on file; and change or delete your automatic investment plan via the Internet. Telephone privileges allow you to conduct a number of transactions by phone, including: exchange Trust Shares of most Trust Portfolios (subject to the restrictions described under "Investment Options – Changing Investment Options" below); use electronic funds transfer to buy Trust Shares of most Trust Portfolios; change your telephone number and/or address; make withdrawals to the address of record or pre-authorized address on file and change or delete your automatic investment plan.

To view your Account information online, you will first need to register for these services at the **franklintempleton.com** website. You will be asked to accept the terms of the applicable online agreement(s) and acquire a personal identification number for online services.

As long as the Program Manager follows reasonable security procedures and acts on instructions it reasonably believes are genuine, neither the Program nor any contractor or subcontractor of the Program will be responsible for any losses that may occur from unauthorized requests. The Program Manager will request passwords or other information, and also may record calls. To help safeguard your Account, keep your password confidential, and verify the accuracy of your confirmation statements immediately after you receive them. Contact the Program Manager immediately if you believe someone has obtained unauthorized access to your Account or password. For Account information viewed over the Internet, the use of an Internet browser with 128-bit encryption is recommended. Certain methods of contacting the Program or Program Manager (such as by phone or by Internet) may be unavailable or delayed during periods of unusual market activity. Of course, you can decline telephone/online privileges on your Account application. If you have telephone/online privileges on your Account and want to discontinue them, please contact the Program Manager for instructions. You may reinstate these privileges at any time in writing, including online registration with respect to online privileges.

Legal Restrictions and Protections on Use of Accounts

Neither the Account Owner nor the Beneficiary may use an Account as security for a loan.

Under New Jersey law, Accounts are exempt from claims of creditors and are excluded from an estate in bankruptcy except in cases of fraudulent conveyance, claims under an order for child or spousal support or of an alternate payee under a qualified domestic relations order, or punitive damages awarded in a civil action arising from manslaughter or murder. Please note that, depending on the circumstances, the laws of states other than New Jersey may determine the rights of creditors in a claim or bankruptcy involving a Program Account.

Federal bankruptcy laws exempt from an Account Owner's creditors in a bankruptcy proceeding certain funds contributed to an account under a Section 529 qualified tuition program. The exemption protects (i) up to $6,225 transferred to an Account at least 365 days and within 720 days before the bankruptcy filing, and (ii) all transfers made more than 720 days before the bankruptcy filing, provided in both cases that the Beneficiary of the Account during the tax year in which the contribution was made was a child, stepchild, grandchild or step grandchild of the Account Owner.

Community Property Laws

If you are a resident of any state that has community property laws and you are concerned about the application of those laws to contributions, withdrawals and ownership of Accounts, you should consult a legal advisor. Community property issues such as limitations on gifts of community property and ownership of community property upon death or dissolution of marriage are beyond the scope of this Investor Handbook.

Withdrawals

Only the Account Owner may request withdrawals from an Account. A withdrawal from your Account will have different tax consequences depending on whether it is (1) a distribution to pay the qualified higher education expenses of the Beneficiary at an Eligible Educational Institution, (2) a distribution on account of death or permanent disability of the Beneficiary, (3) a distribution on account of a qualified scholarship awarded to the Beneficiary or attendance by the Beneficiary at a U.S. military academy, (4) a Rollover Distribution or (5) a distribution for any other purpose. A distribution of the type described in clause (1) of the prior sentence is sometimes referred to in this Handbook as a "Qualified Distribution" and a distribution of the type described in clauses (2), (3), (4) or (5) of the prior sentence is sometimes referred to in this Investor Handbook as a "Non-Qualified Distribution." Each type of withdrawal is discussed below. You may request a withdrawal from your Account by completing a Franklin Templeton 529 College Savings Plan Withdrawal Form (available at **franklintempleton.com**) and submitting it to the Program Record-Keeper. You may also request a withdrawal over the phone or on **franklintempleton.com** as long as the withdrawal is sent to the address of record or a pre-authorized address on file.

Currently, you are not required to submit proof to the Program of the type of withdrawal you are making, and the Program is not required to report the type of withdrawal to tax authorities. The Program is required to report on Form 1099-Q the amount of earnings and return of contribution distributed from a Program Account. For this purpose, all Program Accounts with the same Account Owner for the same Beneficiary are currently treated as a single Program Account upon any withdrawal, and the earnings component of any withdrawal from any such Program Account will be reported to the IRS, in accordance with the tax methodology required by the Code, on the basis of all earnings in all such Program Accounts, irrespective of which Program Account you select for the particular withdrawal.

It will be the Account Owner's or Beneficiary's responsibility, as applicable, to substantiate upon request by the IRS or state tax authorities a distribution that has been treated on a tax return as a Qualified Distribution, a distribution on account of death or permanent disability of the Beneficiary, a distribution on account of a qualified scholarship awarded to the Beneficiary or attendance by the Beneficiary at a U.S. military academy, or a Rollover Distribution. Accordingly, the Account Owner should maintain records and documentation substantiating the purpose to which the distribution was actually applied. A summary description of certain types of documentation that currently may be required is provided below for informational purposes only, but you should be aware that such requirements are subject to change and that you are responsible for determining the current applicable requirements in accordance with federal or state tax regulations and policies.

After a withdrawal is requested by the Account Owner, it generally will be processed and disbursed within seven days after we receive your request in proper form. The Program may require you to submit a separate request for each distribution.

Selling Recently Purchased Shares

If you sell Trust Shares recently purchased, the Program may delay sending you the proceeds until your check, draft or wire/electronic funds transfer has cleared, which may take seven business days or more. A certified or cashier's check may clear in less time.

Qualified Distributions

A "Qualified Distribution" is a distribution that is used to pay the qualified higher education expenses of the Beneficiary at an Eligible Educational Institution. Distributions are treated as "Qualified Distributions" to the extent the amount of such distributions in a tax year does not exceed the amount of qualified higher education expenses of the Beneficiary at an Eligible Educational Institution paid in the applicable tax year. See "Tax Information – Federal Tax Treatment" for more information.

To establish, if required, that a distribution qualifies as a Qualified Distribution for tax purposes, it is advisable that you maintain records of the Eligible Educational Institution attended by the Beneficiary, the dates of attendance and the amount and type of qualified higher education expenses paid (including bills, receipts or other documentation of the expenses paid).

Non-Qualified Distributions

The federal tax treatment of Non-Qualified Distributions depends on the circumstances of the withdrawal. See "Tax Information – Federal Tax Treatment." In general, the earnings portion of distributions on account of the death or permanent disability of, or receipt of a qualified scholarship by, the Beneficiary is subject to federal income taxes, but not to any additional federal income tax. Rollover Distributions are not subject to any federal income taxes. The earnings portion of a Non-Qualified Distribution for any other purpose is subject to federal income taxes and to a 10% additional federal income tax.

Distributions on Account of Death or Permanent Disability of, or Qualified Scholarship Awarded to or Attendance at a U.S. Military Academy by the Beneficiary

Under current federal tax law, a distribution on account of the Beneficiary's death is included in the estate of the Beneficiary and, if actually received by the estate, the portion of such distribution deemed to constitute earnings will be subject to federal income tax but not to the 10% additional federal income tax. If received by the Account Owner, though, the portion of such distribution deemed to constitute earnings will be subject to federal income tax and the 10% additional federal income tax. However, the Account Owner may be able to change the Beneficiary to another "member of the family" instead of requesting a distribution in such circumstances. To establish, if required, that a distribution qualifies as a distribution on account of the death of the Beneficiary, it is advisable that the Account Owner maintain a certified death certificate containing the name and Social Security Number or IRS Individual Taxpayer Identification Number ("TIN") of the Beneficiary or other appropriate proof of death.

A distribution qualifies as a distribution on account of the permanent disability of the Beneficiary if at the time it is made the Beneficiary is unable to engage in any substantial gainful activity by reason of a medically determinable physical or mental impairment which can be expected to result in death or to be of long-continued and indefinite duration. To be able to establish, if required, that a distribution so qualifies, it is advisable that the Account Owner obtains and maintains a certification to such effect from a doctor of medicine or osteopathy who is legally authorized to practice in a state of the United States.

The amount of the withdrawal from an Account treated as a distribution on account of a qualified scholarship cannot exceed the amount of the qualified scholarship received by the Beneficiary. To be able to establish, if required, that a distribution should be treated as a distribution on account of a qualified scholarship, it is advisable that the Account Owner obtain and maintain a letter from the grantor of the scholarship or from the Eligible Educational Institution receiving or administering the scholarship that: (i) identifies the Beneficiary by name and Social Security Number or IRS TIN as the recipient; (ii) states the amount of the qualified scholarship; (iii) indicates the period of time or number of credits or units to which the scholarship applies or the date of the grant; and (iv) if applicable, identifies the Eligible Educational Institution to which the qualified scholarship is to be applied. The amount of the withdrawal from an Account treated as a distribution on account of attendance at a U.S. military academy cannot exceed the costs of advanced education (as defined by United States Code title 10, section 2005 (e) (3)) attributable to such attendance. See "Tax Information – Federal Tax Treatment" for more information.

Rollover Distributions

"Rollover Distributions" are not subject to federal income taxation. A "Rollover Distribution" from your Program Account includes any of the following: (i) within 60 days of a withdrawal you transfer the funds withdrawn from your Program Account to another Program Account; (ii) within 60 days of your withdrawal of funds from your Program Account you transfer such funds to an account established in another qualified tuition program; or (iii) you direct the Program to transfer funds directly from your Program Account to such other Program Account or other qualified tuition program account. HESAA regulations currently permit HESAA to charge a fee of up to $75 with respect to Rollover Distributions from Program Accounts to other qualified tuition programs. HESAA has not, as of this date, charged such a fee, but reserves the right to do so without prior notice at any time. In the case of a Rollover Distribution from a Program Account to another qualified tuition program account or vice versa, the Beneficiary can remain unchanged if, at the time of such transfer, at least 12 months have elapsed since the last Rollover Distribution to any qualified tuition program for the benefit of the same Beneficiary. Otherwise, the Beneficiary of the Account receiving the Rollover Distribution must be a different individual from the Beneficiary of the Program Account from which the Rollover Distribution is made, and must be a "member of the family" of the Beneficiary of the Program Account from which the Rollover Distribution is made. For the definition of the term "member of the family," see "Opening, Maintaining and Contributing to an Account – Member of the Family." In addition, a Rollover Distribution is currently treated for federal tax purposes as a gift from the previous Beneficiary to the new Beneficiary in certain circumstances, and therefore may have gift tax and generation-skipping transfer tax implications. See "Tax Information – Federal Tax Treatment."

Distributions for Any Other Reason

The earnings component of a distribution for any purpose other than those described above will be subject to federal income tax as income of the distributee and to the 10% additional federal income tax. See "Tax Information – Federal Tax Treatment" for more information.

If All the Plan Assets Are Not Used for the Beneficiary's College Costs

If all of the assets in the Account are not used for the Beneficiary's undergraduate qualified higher education expenses, you have several options. First, you can use the funds for the Beneficiary's graduate or professional school expenses. Second, you may designate a new Beneficiary who is a member of the family of the existing Beneficiary. Third, you may close the Account and withdraw all of the funds, although that will be less advantageous because the withdrawal will constitute a Non-Qualified Distribution, the earnings portion of which generally is subject to federal income tax as well as the 10% additional federal income tax. Finally, you may leave the Account open until you determine the best course of action.

Applicability of Contingent Deferred Sales Charges to Distributions

The contingent deferred sales charge imposed on withdrawals of amounts invested in an Account in Class A, Class B or Class C during the periods described under "Fees and Expenses – Class A," "Fees and Expenses – Class B" and "Fees and Expenses – Class C" will be assessed in the case of all distributions except as noted in each of those sections. This is the case for Qualified Distributions, Non-Qualified Distributions (except as noted in those sections) and Rollover Distributions, unless the Rollover Distribution is a direct transfer to another Account invested in the same class of Trust Shares as the Account from which the distribution was made.

Investment Options

You may choose among the objective-based asset allocations, age-based asset allocations and individual portfolios described below. The contributions to your Plan Account are invested in "municipal fund securities" (also referred to as "Trust Shares"), which represent interests in specific Trust Portfolios of the Trust. The Trust Portfolios are not registered mutual funds and are not sponsored by Franklin Templeton Investments. Based on the Investment Option(s) you select at the time a contribution is made, the Trust invests your contributions in one or more Trust Portfolios. The assets of the Trust Portfolios are then invested in mutual fund or ETF shares or other investments, in accordance with the investment policy established by HESAA with the approval of the State Investment Council ("Investment Policy"), as it applies to such Investment Option(s).

- **Type 1 Investment Options: Objective-Based Asset Allocations**

  Franklin Founding Funds 529 Portfolio

  Franklin Corefolio® 529 Portfolio

  Franklin Growth Allocation 529 Portfolio

  Franklin Growth & Income Allocation 529 Portfolio

  Franklin Income Allocation 529 Portfolio

- **Type 2 Investment Options: Age-Based Allocations (Conservative, Growth and Moderate)**

  Franklin Newborn–8 Years 529 Portfolio

  Franklin Age 9–12 Years 529 Portfolio

  Franklin Age 13–16 Years 529 Portfolio

  Franklin Age 17+ Years 529 Portfolio

- **Type 3 Investment Options: Individual Portfolios**

  Templeton Growth 529 Portfolio

  Franklin Growth 529 Portfolio

  Franklin Mutual Global Discovery 529 Portfolio

  Franklin Small-Mid Cap Growth 529 Portfolio

  Franklin Mutual Shares 529 Portfolio

  S&P 500 Index 529 Portfolio

  Templeton Global Bond 529 Portfolio

  Franklin Income 529 Portfolio

  Franklin Money 529 Portfolio

Contributions to an Account do not result in direct ownership by the Account Owner of shares of any Franklin Templeton Investments mutual fund or other mutual fund or ETF. The Trust Shares are not registered with the U.S. Securities and Exchange Commission ("SEC") or any state, nor are the Trust, the Program, the Plan or any of the Investment Options registered as investment companies with the SEC or any state. The Trust and Franklin Mutual Advisers or its successor (the "Investment Manager") may from time to time change the mutual funds or other investments in which contributions under an Investment Option are invested. Additional Investment Options may be added in the future, and existing Investment Options may be changed, consolidated or eliminated (and Trust Shares relating to any eliminated Investment Option exchanged for Trust Shares in another Investment Option selected by the Trust) in the future, all as determined in accordance with the then-current Investment Policy. The investment of Trust Portfolio assets will be reviewed, and may be adjusted, from time to time in accordance with the Investment Policy. The consent of Account Owners, Third-Party Contributors or Beneficiaries to any such change, addition, elimination or consolidation of Investment Options is not required.

Type 1 Investment Options: Objective-Based Asset Allocations

These Investment Options allow your assets to be invested according to the amount of investment risk you're comfortable taking and the return characteristics you prefer. You may choose from among five Trust Portfolios, with objectives ranging from aggressive to conservative.

Except as otherwise indicated, the table below identifies the asset allocation targets and ranges for each asset class within each Trust Portfolio under the current Investment Policy, and the mutual funds and, where applicable, ETFs in which assets allocated to a particular asset class within the applicable Trust Portfolio may be invested under the current Investment Policy. The Investment Manager may from time to time change the percentage allocation to a particular mutual fund or ETF within a particular asset class within a Trust Portfolio (including eliminating any percentage allocation to a particular mutual fund or ETF), and may from time to time determine whether to use ETFs emphasizing the applicable asset class and, if so, the particular ETF(s) selected for investment and the percentage allocation to such ETF.

Franklin Founding Funds 529 Portfolio

This allocation is designed for investors with a longer investment time horizon and/or a higher tolerance for risk. Contributions received by the Trust under the Franklin Founding Funds 529 Investment Option are invested by the Trust in the Franklin Founding Funds 529 Portfolio. Assets of this Trust Portfolio are currently invested in relatively equal allocations in the fixed income, U.S. equity and non-U.S. equity asset classes and, within such asset classes, in mutual funds that invest, as applicable, in bonds and stocks in the U.S. and abroad, among other investment assets. The Franklin Founding Funds 529 Portfolio's allocation is monitored and rebalanced to adapt to market movements. This rebalancing feature helps maintain equal exposure to three distinct investment strategies in any market environment.

Franklin Corefolio® 529 Portfolio

This allocation is also designed for investors with a longer investment time horizon and/or a higher tolerance for risk. Contributions received by the Trust under the Franklin Corefolio 529 Investment Option are invested by the Trust in the Franklin Corefolio 529 Portfolio. Assets of this Trust Portfolio will be invested in approximately equal allocations to four mutual funds that invest in stocks and bonds in the U.S. and abroad. The Franklin Corefolio 529 Portfolio's allocation is monitored and rebalanced to adapt to market movements. This rebalancing feature helps maintain equal exposure to four distinct investment strategies in any market environment.

Franklin Growth Allocation 529 Portfolio

This allocation is also designed for investors with a longer investment time horizon and/or a higher tolerance for risk. Contributions received by the Trust under the Franklin Growth Allocation 529 Investment Option are invested by the Trust in the Franklin Growth Allocation 529 Portfolio. The Franklin Growth Allocation 529 Portfolio seeks capital appreciation. Contributions designating the Franklin Growth Allocation 529 Portfolio will be invested in mutual funds that invest in domestic equity securities and international equity securities, among other investment assets.

Franklin Growth & Income Allocation 529 Portfolio

This allocation is designed for investors with a longer-to-medium investment time horizon and/or a moderate tolerance for risk. Contributions received by the Trust under the Franklin Growth & Income Allocation 529 Investment Option are invested by the Trust in the Franklin Growth & Income Allocation 529 Portfolio. The Franklin Growth & Income Allocation 529 Portfolio seeks capital appreciation and current income consistent with the preservation of capital. Under the current Investment Policy, assets of this Trust Portfolio may be invested in mutual funds and/or ETFs that invest in domestic equity securities, international equity securities, fixed income securities and cash equivalents, among other investment assets.

Franklin Income Allocation 529 Portfolio

This allocation is designed for investors with a shorter-to-medium investment time horizon and/or a lower tolerance for risk. Contributions received by the Trust under the Franklin Income Allocation 529 Investment Option are invested by the Trust in the Franklin Income Allocation 529 Portfolio. The Franklin Income Allocation 529 Portfolio seeks current income consistent with the preservation of capital. Assets of the Franklin Income Allocation 529 Portfolio will be invested in mutual funds that invest in fixed income securities and cash equivalents, among other investment assets.

Portfolio Name	Asset Classes and Target Percentage Investments in Them (actual % investments may vary +/- 5% from the target) Underlying Funds/Investments	
Franklin Founding Funds 529 Portfolio	**Fixed Income – 33.33%** Franklin Income Fund **U.S. Equity – 33.33%** Franklin Income Fund **Non-U.S. Equity – 33.33%** Templeton Growth Fund	
Franklin Corefolio® 529 Portfolio	25% Franklin Flex Cap Growth Fund 25% Franklin Growth Fund 25% Franklin Mutual Shares Fund 25% Templeton Growth Fund	
Franklin Growth Allocation 529 Portfolio	**U.S. Equity – 70%** Franklin Flex-Cap Growth Fund Franklin Growth Fund Franklin Growth Opportunities Fund Franklin Mutual Shares Fund Franklin Rising Dividends Fund Franklin Small/Mid Cap Fund Franklin Utilities Fund Exchange traded funds (“ETFs”) emphasizing U.S. equity	**Non-U.S. Equity – 30%** Franklin Gold and Precious Metals Fund Franklin Int’l Small Cap Growth Fund Franklin Mutual European Fund Templeton Foreign Fund Exchange traded funds (“ETFs”) emphasizing non-U.S. equity
Franklin Growth & Income Allocation 529 Portfolio	**U.S. Equity – 35%** Franklin Flex-Cap Growth Fund Franklin Growth Fund Franklin Growth Opportunities Fund Franklin Mutual Shares Fund Franklin Rising Dividends Fund Franklin Small/Mid Cap Growth Fund Franklin Utilities Fund Exchange traded funds (“ETFs”) emphasizing U.S. equity	**Non-U.S. Equity – 15%** Franklin Gold and Precious Metals Fund Franklin Int’l Small Cap Growth Fund Franklin Mutual European Fund Templeton Foreign Fund Exchange traded funds (“ETFs”) emphasizing non-U.S. equity
	Fixed Income – 40% Franklin High Income Fund Franklin Strategic Income Fund Franklin Total Return Fund Franklin U.S. Government Fund Templeton Global Bond Fund Exchange traded funds (“ETFs”) emphasizing fixed income	**Money Market – 10%** Money Market Fund
Franklin Income Allocation 529 Portfolio	**Fixed Income – 80%** Franklin High Income Fund Franklin Strategic Income Fund Franklin Total Return Fund Franklin U.S. Government Fund Templeton Global Bond Fund Exchange traded funds (“ETFs”) emphasizing fixed income	**Money Market – 20%** Money Market Fund

Type 2 Investment Options: Age-Based Allocations

You may choose between Age-Based Growth, Moderate and Conservative Asset Allocations and may allocate contributions among such Age-Based Asset Allocations (i.e., you may invest in more than one such Age-Based Asset Allocation for a Beneficiary). Each Age-Based Asset Allocation (Growth, Moderate, Conservative) is made up of Age-Based Investment Portfolios that customize their investments in combinations of mutual funds and/or ETFs based in part on the age of the Beneficiary (see tables below).

Each Age-Based Growth Investment 529 Portfolio has an investment strategy designed for higher potential return, with greater investment risk, than the investment strategy of the Age-Based Moderate Investment 529 Portfolio or Age-Based Conservative Investment 529 Portfolio corresponding to the same Beneficiary ages. Each Age-Based Moderate Investment 529 Portfolio has an investment strategy designed for potential return, and investment risk, that is less than that of the investment strategy of the Age-Based Growth Investment 529 Portfolio corresponding to the same Beneficiary ages, but more than that of the investment strategy of the Age-Based Conservative Investment 529 Portfolio corresponding to the same Beneficiary ages. Each Age-Based Conservative Investment 529 Portfolio has an investment strategy designed for lower investment risk and potential return than the investment strategy of either the Age-Based Growth Investment 529 Portfolio or Age-Based Moderate Investment 529 Portfolio corresponding to the same Beneficiary ages. The absolute and relative levels of risk or return of any Age-Based Investment 529 Portfolio or of any Age-Based Asset Allocation (Growth, Moderate or Conservative) may vary over different periods of time and may deviate from the intended levels; an Age-Based Investment 529 Portfolio or Age-Based Asset Allocation may not achieve its risk or return goals and its risk and performance in relation to other Age-Based Investment 529 Portfolios and Age-Based Asset Allocations may not be as intended.

Although there can be no assurance as to investment results, the Age-Based Investment 529 Portfolios are designed with the intent that portfolios corresponding to Beneficiary ages closer to college age have less investment risk than portfolios within the same Age-Based Asset Allocation (Growth, Moderate or Conservative) corresponding to Beneficiary ages farther from college age. Accordingly, the potential return of Age-Based Investment 529 Portfolios likewise decreases as the Beneficiary approaches college age.

When the Account is established, the investments will be placed in Age-Based Asset Allocations (Growth, Moderate or Conservative) you select and within each such allocation will be placed in the Age-Based Investment 529 Portfolio that corresponds to the age of the Beneficiary (as reported on the completed application form) on the day the Account is established. A contribution or reallocation to an Age-Based Investment 529 Portfolio that does not correspond to the Beneficiary's age is not permissible under the Plan. Over time, the amount originally invested for a Beneficiary in an Age-Based Investment 529 Portfolio, together with any subsequent contributions for such Beneficiary in the Age-Based Investment 529 Portfolio are, as part of a collective transfer of investments for similarly situated Beneficiaries, periodically transferred to the next Age-Based Investment 529 Portfolio (within the same Age-Based Asset Allocation (Growth, Moderate or Conservative)) corresponding to the age of each Beneficiary at the time of such transfer (see chart below for the different Age-Based Investment 529 Portfolios). All accounts in an Age-Based Investment 529 Portfolio with a Beneficiary that has entered a new age bracket as of the transfer date are transferred at approximately the same time, currently once each year (an "Age-Based Portfolio Transfer"). Because Age-Based Portfolio Transfers are periodic, the investment for a Beneficiary in an Age-Based Investment 529 Portfolio may remain invested in that portfolio after the time the Beneficiary reaches the age qualifying for the next Age-Based Investment 529 Portfolio, until the time of the next Age-Based Portfolio Transfer. Thus, for example, the investment for a Beneficiary who reaches his or her ninth birthday will not be transferred from the Newborn–8 Years 529 Portfolio to the Age 9–12 Years 529 Portfolio until the date of the Age-Based Portfolio Transfer following his or her ninth birthday.

If the Beneficiary has attained the age necessary to qualify for the next Age-Based Investment 529 Portfolio but an Age-Based Portfolio Transfer that would transfer the investment for the Beneficiary into that portfolio has not yet taken place, you can reallocate the investments for that Beneficiary into that Age-Based Investment 529 Portfolio yourself, however such reallocation will count as the one reallocation permitted per calendar year (see the section titled "Changing Investment Options" below).

Age-Based Portfolio Transfers currently take place approximately once every three months. The timing and frequency of Age-Based Portfolio Transfers are subject to change. For current information about Age-Based Portfolio Transfers, contact Franklin Templeton Investments at (866) 362-1597.

The Trust Portfolios will be invested in mutual funds and/or ETFs that invest in domestic equity securities, international equity securities, fixed income securities and cash equivalents, among other investment assets. Except as otherwise indicated, the tables below identify Trust Portfolios constituting the Age-Based Growth, Moderate and Conservative Asset Allocations, the asset allocation targets and ranges for each asset class within each Trust Portfolio under the current Investment Policy, and the mutual funds and, where applicable, ETFs in which assets allocated to a particular asset class within the applicable Trust Portfolio may be invested under the current Investment Policy. The Investment

Manager may from time to time change the percentage allocation to a particular mutual fund or ETF within a particular asset class within a Trust Portfolio (including eliminating any percentage allocation to a particular mutual fund or ETF), and may from time to time determine whether to use ETFs emphasizing the applicable asset class and, if so, the particular ETF(s) selected for investment and the percentage allocation to such ETF. The asset allocation ranges, the asset allocations within the ranges and the investment of portfolio assets will be reviewed, and may be adjusted, from time to time in accordance with the Investment Policy.

The Age-Based Investment Options are portfolios of the Trust, and are not registered mutual funds or mutual funds sponsored by the Franklin Templeton organization.

Portfolio Name	**Asset Classes and Target Percentage Investments in Them** (actual % investments may vary +/- 5% from the target) Underlying Funds/Investments	
Franklin Age-Based Growth Allocation Newborn–8 years	**U.S. Equity – 70%** Franklin Flex Cap Growth Fund Franklin Growth Fund Franklin Growth Opportunities Fund Franklin Mutual Shares Fund Franklin Rising Dividends Fund Franklin Small-Mid Cap Fund Franklin Utilities Fund Exchange traded funds (“ETFs”) emphasizing U.S. equity	**Non-U.S. Equity – 30%** Franklin Gold and Precious Metals Fund Franklin Int’l Small Cap Growth Fund Franklin Mutual European Fund Templeton Foreign Fund Exchange traded funds (“ETFs”) emphasizing non-U.S. equity
Franklin Age-Based Growth Allocation Age 9–12 years	**U.S. Equity – 50%** Franklin Flex Cap Growth Fund Franklin Growth Fund Franklin Growth Opportunities Fund Franklin Mutual Shares Fund Franklin Rising Dividends Fund Franklin Small-Mid Cap Fund Franklin Utilities Fund Exchange traded funds (“ETFs”) emphasizing U.S. equity	**Non-U.S. Equity – 25%** Franklin Gold and Precious Metals Fund Franklin Int’l Small Cap Growth Fund Franklin Mutual European Fund Templeton Foreign Fund Exchange traded funds (“ETFs”) emphasizing non-U.S. equity
	Fixed Income – 20% Franklin High Income Fund Franklin Strategic Income Fund Franklin Total Return Fund Franklin US Government Fund Templeton Global Bond Fund Exchange traded funds (“ETFs”) emphasizing fixed income	**Money Market – 5%** Money Market Portfolio
Franklin Age-Based Growth Allocation Age 13–16 years	**U.S. Equity – 35%** Franklin Flex Cap Growth Fund Franklin Growth Fund Franklin Growth Opportunities Fund Franklin Mutual Shares Fund Franklin Rising Dividends Fund Franklin Small-Mid Cap Fund Franklin Utilities Fund Exchange traded funds (“ETFs”) emphasizing U.S. equity	**Non-U.S. Equity – 15%** Franklin Gold and Precious Metals Fund Franklin Int’l Small Cap Growth Fund Franklin Mutual European Fund Templeton Foreign Fund Exchange traded funds (“ETFs”) emphasizing non-U.S. equity
	Fixed Income – 40% Franklin High Income Fund Franklin Strategic Income Fund Franklin Total Return Fund Franklin US Government Fund Templeton Global Bond Fund Exchange traded funds (“ETFs”) emphasizing fixed income	**Money Market – 10%** Money Market Portfolio

Portfolio Name	**Asset Classes and Target Percentage Investments in Them** (actual % investments may vary +/- 5% from the target) Underlying Funds/Investments	
Franklin Age-Based Growth Allocation Age 17+ years	**U.S. Equity – 17.50%** Franklin Flex Cap Growth Fund Franklin Growth Fund Franklin Growth Opportunities Fund Franklin Mutual Shares Fund Franklin Rising Dividends Fund Franklin Small-Mid Cap Fund Franklin Utilities Fund Exchange traded funds (“ETFs”) emphasizing U.S. equity	**Non-U.S. Equity – 7.50%** Franklin Gold and Precious Metals Fund Franklin Int’l Small Cap Growth Fund Franklin Mutual European Fund Templeton Foreign Fund Exchange traded funds (“ETFs”) emphasizing non-U.S. equity
	Fixed Income – 60% Franklin High Income Fund Franklin Strategic Income Fund Franklin Total Return Fund Franklin US Government Fund Templeton Global Bond Fund Exchange traded funds (“ETFs”) emphasizing fixed income	**Money Market – 15%** Money Market Portfolio
Franklin Age-Based Moderate Allocation Newborn–8 years	**U.S. Equity – 50%** Franklin Flex Cap Growth Fund Franklin Growth Fund Franklin Growth Opportunities Fund Franklin Mutual Shares Fund Franklin Rising Dividends Fund Franklin Small-Mid Cap Fund Franklin Utilities Fund Exchange traded funds (“ETFs”) emphasizing U.S. equity	**Non-U.S. Equity – 25%** Franklin Gold and Precious Metals Fund Franklin Int’l Small Cap Growth Fund Franklin Mutual European Fund Templeton Foreign Fund Exchange traded funds (“ETFs”) emphasizing non-U.S. equity
	Fixed Income – 20% Franklin High Income Fund Franklin Strategic Income Fund Franklin Total Return Fund Franklin US Government Fund Templeton Global Bond Fund Exchange traded funds (“ETFs”) emphasizing fixed income	**Money Market – 5%** Money Market Portfolio
Franklin Age-Based Moderate Allocation Age 9–12 years	**U.S. Equity – 35%** Franklin Flex Cap Growth Fund Franklin Growth Fund Franklin Growth Opportunities Fund Franklin Mutual Shares Fund Franklin Rising Dividends Fund Franklin Small-Mid Cap Fund Franklin Utilities Fund Exchange traded funds (“ETFs”) emphasizing U.S. equity	**Non-U.S. Equity – 15%** Franklin Gold and Precious Metals Fund Franklin Int’l Small Cap Growth Fund Franklin Mutual European Fund Templeton Foreign Fund Exchange traded funds (“ETFs”) emphasizing non-U.S. equity
	Fixed Income – 40% Franklin High Income Fund Franklin Strategic Income Fund Franklin Total Return Fund Franklin US Government Fund Templeton Global Bond Fund Exchange traded funds (“ETFs”) emphasizing fixed income	**Money Market – 10%** Money Market Portfolio

Portfolio Name	Asset Classes and Target Percentage Investments in Them (actual % investments may vary +/- 5% from the target) Underlying Funds/Investments	
Franklin Age-Based Moderate Allocation Age 13–16 years	**U.S. Equity – 17.5%** Franklin Flex Cap Growth Fund Franklin Growth Fund Franklin Growth Opportunities Fund Franklin Mutual Shares Fund Franklin Rising Dividends Fund Franklin Small-Mid Cap Fund Franklin Utilities Fund Exchange traded funds (“ETFs”) emphasizing U.S. equity	**Non-U.S. Equity – 7.5%** Franklin Gold and Precious Metals Fund Franklin Int’l Small Cap Growth Fund Franklin Mutual European Fund Templeton Foreign Fund Exchange traded funds (“ETFs”) emphasizing non-U.S. equity
	Fixed Income – 60% Franklin High Income Fund Franklin Strategic Income Fund Franklin Total Return Fund Franklin US Government Fund Templeton Global Bond Fund Exchange traded funds (“ETFs”) emphasizing fixed income	**Money Market – 15%** Money Market Portfolio
Franklin Age-Based Moderate Allocation Age 17+ years	**Fixed Income – 80%** Franklin High Income Fund Franklin Strategic Income Fund Franklin Total Return Fund Franklin US Government Fund Templeton Global Bond Fund Exchange traded funds (“ETFs”) emphasizing fixed income	**Money Market – 15%** Money Market Portfolio
Franklin Age-Based Conservative Allocation Newborn–8 years	**U.S. Equity – 35%** Franklin Flex Cap Growth Fund Franklin Growth Fund Franklin Growth Opportunities Fund Franklin Mutual Shares Fund Franklin Rising Dividends Fund Franklin Small-Mid Cap Fund Franklin Utilities Fund Exchange traded funds (“ETFs”) emphasizing U.S. equity	**Non-U.S. Equity – 15%** Franklin Gold and Precious Metals Fund Franklin Int’l Small Cap Growth Fund Franklin Mutual European Fund Templeton Foreign Fund Exchange traded funds (“ETFs”) emphasizing non-U.S. equity
	Fixed Income – 40% Franklin High Income Fund Franklin Strategic Income Fund Franklin Total Return Fund Franklin US Government Fund Templeton Global Bond Fund Exchange traded funds (“ETFs”) emphasizing fixed income	**Money Market – 10%** Money Market Portfolio
Franklin Age-Based Conservative Allocation Age 9–12 years	**U.S. Equity – 17.5%** Franklin Flex Cap Growth Fund Franklin Growth Fund Franklin Growth Opportunities Fund Franklin Mutual Shares Fund Franklin Rising Dividends Fund Franklin Small-Mid Cap Fund Franklin Utilities Fund Exchange traded funds (“ETFs”) emphasizing U.S. equity	**Non-U.S. Equity – 7.5%** Franklin Gold and Precious Metal Fund Franklin Int’l Small Cap Growth Fund Franklin Mutual European Fund Templeton Foreign Fund Exchange traded funds (“ETFs”) emphasizing non-U.S. equity

Portfolio Name	Asset Classes and Target Percentage Investments in Them (actual % investments may vary +/- 5% from the target) Underlying Funds/Investments	
Franklin Age-Based Conservative Allocation Age 9–12 years (cont'd)	**Fixed Income – 60%** Franklin High Income Fund Franklin Strategic Income Fund Franklin Total Return Fund Franklin US Government Fund Templeton Global Bond Fund Exchange traded funds ("ETFs") emphasizing fixed income	**Money Market – 15%** Money Market Portfolio
Franklin Age-Based Conservative Allocation Age 13–16 years	**Fixed Income – 80%** Franklin High Income Fund Franklin Strategic Income Fund Franklin Total Return Fund Franklin US Government Fund Templeton Global Bond Fund Exchange traded funds ("ETFs") emphasizing fixed income	**Money Market – 20%** Money Market Portfolio
Franklin Age-Based Conservative Allocation Age 17+ years	**Fixed Income – 40%** Franklin High Income Fund Franklin Strategic Income Fund Franklin Total Return Fund Franklin US Government Fund Templeton Global Bond Fund Exchange traded funds ("ETFs") emphasizing fixed income	**Money Market – 60%** Money Market Portfolio

Type 3 Investment Options: Individual Portfolios

If you prefer, you also have the option of working with your Financial Advisor to select one or more Investment Options. By directing that your contributions be allocated among two or more of such Investment Options, you can create an asset allocation mix to suit your particular college investing needs. The asset allocation and the investments of all of the Trust Portfolios described below will be reviewed, and may be adjusted, from time to time in accordance with the Investment Policy.

International Equity

Franklin Mutual Global Discovery 529 Portfolio

Contributions received by the Trust under the Franklin Mutual Global Discovery 529 Investment Option are invested by the Trust in the Franklin Mutual Global Discovery 529 Portfolio. The Franklin Mutual Global Discovery 529 Portfolio seeks capital appreciation. Assets of the Franklin Mutual Global Discovery 529 Portfolio are normally invested in a mutual fund that is normally invested in equity securities (including securities convertible into, or that the fund's investment manager expects to be exchanged for, common or preferred stock) of U.S. and foreign companies that the investment manager believes are available at market prices less than their value based on certain recognized or objective criteria (intrinsic value).

Templeton Growth 529 Portfolio

Contributions received by the Trust under the Templeton Growth 529 Investment Option are invested by the Trust in the Templeton Growth 529 Portfolio. The Templeton Growth 529 Portfolio seeks long-term capital growth. Assets of the Templeton Growth 529 Portfolio are normally invested in a mutual fund that is normally invested in equity securities of companies located anywhere in the world, including emerging markets, as well as, among other things, convertible securities, depository receipts and debt securities of companies and governments located anywhere in the world.

International Income

Templeton Global Bond 529 Portfolio

Contributions received by the Trust under the Templeton Global Bond 529 Investment Option are invested by the Trust in the Templeton Global Bond 529 Portfolio. The Templeton Global Bond 529 Portfolio seeks current income with capital appreciation and growth of income. Assets of the Templeton Global Bond 529 Portfolio are normally invested in a mutual fund that normally invests at least 80% of its net assets in "bonds." Bonds include debt securities of any maturity, such as bonds, notes, bills and debentures.

Domestic Equity

Franklin Growth 529 Portfolio

Contributions received by the Trust under the Franklin Growth 529 Investment Option (formerly called the Franklin Capital Growth 529 Portfolio) are invested by the Trust in the Franklin Growth 529 Portfolio, which seeks capital appreciation. Assets of the Franklin Growth 529 Portfolio are normally invested in a mutual fund that normally invests substantially in the equity securities of U.S.-based large and medium market capitalization companies, and may invest up to 40% of its assets in smaller companies, up to 40% of its assets in foreign securities, up to 10% of its assets in non-U.S. dollar denominated securities and, among other things, in convertible securities.

Franklin Small-Mid Cap Growth 529 Portfolio

Contributions received by the Trust under the Franklin Small-Mid Cap Growth 529 Investment Option are invested by the Trust in the Franklin Small-Mid Cap Growth 529 Portfolio. The Franklin Small-Mid Cap Growth 529 Portfolio seeks long-term capital growth. Assets of the Franklin Small-Mid Cap Growth 529 Portfolio are normally invested in a mutual fund that is normally invested primarily in domestic equity securities of small capitalization and mid capitalization companies and that may invest, among other things, up to 10% of its total assets in foreign securities, including those of developing or emerging markets.

Franklin Mutual Shares 529 Portfolio

Contributions received by the Trust under the Franklin Mutual Shares 529 Investment Option are invested by the Trust in the Franklin Mutual Shares 529 Portfolio. The Franklin Mutual Shares 529 Portfolio seeks primarily capital appreciation and secondarily income. Assets of the Franklin Mutual Shares 529 Portfolio are normally invested in a mutual fund that is normally invested primarily in securities that the fund's investment manager believes are available at market prices lower than their value based on certain recognized or objective criteria and that may invest, among other things, up to 35% of its assets in foreign securities and use various derivative instruments.

Index Style

S&P 500 Index 529 Portfolio

Contributions received by the Trust under the S&P 500 Index 529 Investment Option are normally invested by the Trust in the S&P 500 Index 529 Portfolio. The S&P 500 Index 529 Portfolio seeks to replicate the performance of the Standard & Poor's 500 Index, before fees and expenses. Assets of the S&P 500 Index 529 Portfolio are normally invested in a mutual fund or ETF that is invested in a manner that seeks investment results that correspond to the aggregate price and dividend performance of securities in the Standard & Poor's 500 Index, before fees and expenses. The ETF in which the S&P 500 Index 529 Portfolio is currently invested is the iShares S&P 500 Index ETF.

Income

Franklin Income 529 Portfolio

Contributions received by the Trust under the Franklin Income 529 Investment Option are normally invested by the Trust in the Franklin Income 529 Portfolio. The Franklin Income 529 Portfolio seeks to maximize income while maintaining prospects for capital appreciation. Assets of the Franklin Income 529 Portfolio are normally invested in a mutual fund that may invest in debt and equity securities and may, among other things, invest in convertible securities, invest up to 25% of its assets in foreign securities, invest in equity linked notes and various derivative instruments, and invest all of its assets in lower-rated debt securities.

Short-term Investments

Franklin Money 529 Portfolio

Contributions received by the Trust under the Franklin Money 529 Investment Option are invested by the Trust in the Franklin Money 529 Portfolio. The Franklin Money 529 Portfolio seeks a high level of current income as is consistent with the preservation of shareholder's capital and liquidity. Assets of the Franklin Money 529 Portfolio are normally invested in a mutual fund that normally invests in another mutual fund that invests mainly in high-quality, short-term U.S dollar denominated money market securities of domestic and foreign issuers.

Changing Investment Options

You, the Account Owner, may allocate contributions to any one or more of the Investment Options offered under this Investor Handbook at the time the contributions are made. Although Account Owners may select among Investment Options for contributions made to Accounts, and may vary the Investment Options selected in connection with each contribution, under federal law neither Account Owners nor Beneficiaries may exercise any investment discretion, directly or indirectly, over contributions to an Account or any earnings on contributions. Accordingly, once made, contributions and any earnings thereon in all Accounts with the same Account Owner for a particular Beneficiary may only be transferred to another Investment Option once per calendar year or in connection with a change of Beneficiary.

Investment Policy

The Trust Portfolio corresponding to each Investment Option must be invested in accordance with the Investment Policy, which is subject to change by HESAA at any time.

Historical Performance Data for the Investment Options

The historical performance of the Trust Portfolios for the Investment Options described in this Investor Handbook, other than the Franklin Money 529 Portfolio, are set forth in Appendix B to this Investor Handbook. Descriptions of each of the mutual funds and ETFs in which one or more of the Trust Portfolios for the Investment Options are invested as of the date of this Investor Handbook are set forth in Appendix C to this Investor Handbook. Historical performance information and expenses for the Franklin Templeton mutual funds are available at **franklintempleton.com**. The performance of any of the Investment Options may be expected to vary over time, both in relation to the performance of other Investment Options or other investments over a comparative period of time and absolutely. The inclusion of information as to historical performance in this Investor Handbook is for reference only and is not intended as a projection of future results. In general, past performance should not be viewed as predictive of future results. Moreover, the Plan did not become operational until March 2003 and certain of the Trust Portfolios or classes of Trust Shares were not made available until later in 2003, or in later years. Accordingly, historical performance information of the Trust Portfolios is only available for those periods of time. The Franklin Money 529 Portfolio did not become operational until October, 2014 and accordingly no historical performance information is provided for such Trust Portfolio.

Risk Factors

The Program is designed to facilitate tax-advantaged savings for the qualified higher education expenses of a Beneficiary. However, as is the case with most financial products, there are various risks associated with a contribution to the Program. This section briefly describes some of the principal risks associated with a contribution to the Program, but does not constitute an exhaustive summary of the factors you should consider before making a contribution to the Program. You may wish to consult your tax advisor and financial advisor before making a contribution to the Program or determining what portion of your savings for the Beneficiary's higher education costs should be invested in the Program.

General Risks

Your Account is not an insured investment, and will be subject to the risks of the securities markets. Amounts invested in the Plan are subject to the investment risks of the investment instruments selected from time to time by Franklin Mutual Advisers or any successor thereto as Investment Manager for the Plan, in accordance with the applicable requirements of the Investment Policy. The value of your Account will vary with the investment return generated by the mutual funds, ETFs or other investments in which the Trust Portfolio for each Investment Option you select is invested by the Trust and the Investment Manager. None of the State, HESAA, Franklin Templeton Investments, any entity affiliated therewith, any consultant or adviser retained by any such party, or any other person or entity provides any guarantee that you will achieve any targeted rate of return or that the value of your contributions will not decrease. No such party makes any guarantee that the return on an investment in the Program will be advantageous relative to other investment alternatives.

The provisions of the Act requiring HESAA to request State legislative appropriations to prevent owners of Program Accounts invested in the Division Investment Options from recovering upon withdrawal less than the aggregate amount of contributions to their Program Accounts invested in the Division Investment Options do not apply to Plan Accounts.

There is no guarantee that your Beneficiary will be accepted at any Eligible Educational Institution or that, if accepted, he or she will be able to attend, will graduate, or will be considered a resident of any particular state for tuition purposes. There is no guarantee that there will be sufficient funds in your Account to cover fully all qualified higher education expenses of attending an Eligible Educational Institution.

The rate of return from an Account could be less than the rate of increase in the cost of higher education. Even if you have reached the Maximum Contribution Limit for a Beneficiary, the balance in your Program Account may not be enough to cover all of the Beneficiary's qualified higher education expenses. During certain historic periods, the rate at which qualified higher education expenses have increased has substantially outpaced most investment gains.

Exposure to Mutual Funds and ETFs

The Investment Options will be invested entirely or primarily in mutual funds or ETFs.

Limited Operating History

The Plan, as described in this Investor Handbook, commenced in March 2003, and some Trust Portfolios commenced later. Therefore, available performance information for the Trust Portfolios described in this document is limited to the period since March 2003 or, for certain Trust Portfolios, shorter periods. See "Appendix B – Historical Performance of the Trust Portfolios." The Franklin Money 529 Portfolio did not become operational until October, 2014 and accordingly no historical performance information is provided for such Trust Portfolio.

General Investment Risks

Contributions invested under any of the Investment Options can lose money over periods that may be significant as compared to the period in which your Account will be invested and can earn money at rates that may be less than the rate at which higher education expenses will increase over a portion of or the entire period of investment. One or more of the investment instruments selected for the Investment Option(s) you choose may lose value, may not appreciate in value or may appreciate less on a relative basis than do other investment instruments during any particular time period. None of the Investment Options is intended as a complete investment program. An investment with the Program under one or more of the Investment Options does not constitute a deposit in a bank, and such investments are not insured or guaranteed by the FDIC or any other government agency.

No one can predict the returns from the investment of your contributions under the Investment Options. The returns under any particular Investment Option may be better or worse than those available under other Investment Options, other qualified tuition programs or other investments not involving qualified tuition programs. There is no guarantee that the Program's investment objectives set forth in the Investment Policy will be realized. The value of your Account may increase or decrease each day, and the rate of return on your Account will vary, based on the Investment Option(s) you select, the investment performance of the investments in which such Investment Option(s) is or are invested and the applicable fees and expenses of the Plan, the applicable Trust Portfolio(s) and the applicable class of Trust Shares.

During the particular period in which your Account is invested, the relative risk and reward profiles of Investment Options based on the historic long-term trends may not accurately predict their actual performance, and the return under any of the Investment Options may be lower than the return under that Investment Option during other time periods or than the return under other investment options within or outside of the Program during the same period.

The relative risks and potential rewards of investing under any of the Investment Options vary considerably. While the Program, the Division of Investment, HESAA and the Investment Manager have provided a range of alternatives, none of the Program, the Division of Investment, HESAA or the Investment Managers have determined, or have assumed any obligation to determine, whether any investment by any Account Owner under any particular Investment Option or combination of Investment Options is suitable or appropriate in light of the needs, financial circumstances and investment horizon of the Account Owner or Beneficiary of an Account. This Investor Handbook does not constitute a recommendation, and none of the Program, the Division of Investment, HESAA or the Investment Manager by its participation in the Program recommends, or intends to recommend, any investment by any Account Owner in the Program or in any particular Investment Option or class of Trust Shares offered under this Investor Handbook.

Specific Investment Risks

Set forth below are certain specific investment risks associated with the current investments of the Trust Portfolios established for contributions received under the respective Investment Options. The information contained under this caption "Specific Investment Risks" relating to the investment risks of Trust Portfolios invested in mutual funds or ETFs has been summarized for inclusion herein by the Program Manager from the most current prospectus available for the applicable mutual fund as of the date this Investor Handbook was printed. Neither HESAA nor the Program Manager has independently verified the information contained in any such mutual fund prospectus and no representation is made by HESAA or the Program Manager as to its accuracy or completeness. In each case, the specific investment risks identified in the applicable prospectus are listed in alphabetical order. Brief descriptions of such investment risks are included under "Risk Factors – Specific Investment Risks – Types of Investment Risk." Certain further information concerning the underlying mutual funds or ETFs is set forth in Appendix C.

A. Portfolio Risks

Type 1 Investment Options: Objective-Based Asset Allocations

Franklin Founding Funds 529 Portfolio

This portfolio is subject to the investment risks of the underlying mutual funds and/or ETFs in which its assets may be invested, including the following main investment risks of such funds: convertible securities; country, sector or industry focus; credit; derivative instruments; equity-linked notes; floating rate corporate loans; focus/sector focus; foreign securities; high-yield debt securities; income; interest rate; management; market; merger arbitrage securities and distressed companies; mortgage securities; mortgage-backed securities and asset-backed securities; portfolio turnover; prepayment; smaller and midsize companies; unrated debt securities; and value/value style investing.

Franklin Corefolio® 529 Portfolio

This portfolio is subject to the investment risks of the underlying mutual funds in which it currently invests, including the following main investment risks of such funds: country, sector or industry focus; credit; focus/sector focus; depositary receipts; derivative instruments; foreign securities; growth style investing; health care companies; high-yield debt securities; income; initial public offerings; interest rate; management; market; merger arbitrage securities and distressed companies; portfolio turnover; smaller and midsize companies; and value/value style investing.

Franklin Growth Allocation 529 Portfolio

This portfolio is subject to the investment risks of the underlying mutual funds and/or ETFs in which its assets may be invested, including the following main investment risks of such funds: concentration; credit; depositary receipts; derivative instruments; developing markets/emerging markets; dividend-oriented companies; equity-linked notes; focus/sector focus; foreign securities; gold and precious metals; growth style investing; health care companies; high-yield debt securities; industrials; initial public offerings; interest rate; investing style; liquidity; management; market; merger arbitrage securities and distressed companies; non-diversification; portfolio turnover; smaller companies; smaller and midsize companies; technology and communication companies; unrated debt securities; utilities industry emphasis; and value/value style investing.

Franklin Growth & Income Allocation 529 Portfolio

This portfolio is subject to the investment risks of the underlying mutual funds and/or ETFs in which its assets may be invested, including the following main investment risks of such funds: banking industry; concentration; convertible securities; credit; debt securities ratings; depositary receipts; derivative instruments; developing markets/emerging markets; dividend-oriented companies; equity-linked notes; extension; floating rate corporate investments; floating rate corporate loans; focus/sector focus; foreign securities; Ginnie Maes; gold and precious metals; growth style investing; health care companies; high-yield debt securities; income; industrials; inflation-indexed securities; initial public offerings; interest rate; investing style; liquidity; management; market; merger arbitrage securities and distressed companies; mortgage dollar rolls; mortgage-backed securities and asset-backed securities; non-diversification; portfolio turnover; prepayment; repurchase agreements; risk associated with holding cash; smaller companies; smaller and midsize companies; technology and telecommunications companies; unrated debt securities; U.S. government securities; utilities industry emphasis; value/value style investing; variable rate securities; and when-issued and delayed delivery transactions.

Franklin Income Allocation 529 Portfolio

This portfolio is subject to the investment risks of the underlying mutual funds in which it currently invests, including the following main investment risks of such funds: banking industry; convertible securities; credit; debt securities ratings; derivative instruments; developing markets/emerging markets; dividend-oriented companies; extension; floating rate corporate investments; floating rate corporate loans; focus/sector focus; foreign securities; Ginnie Maes; high-yield debt securities; income; inflation; inflation-indexed securities; interest rate; liquidity; management; market; mortgage dollar rolls; mortgage-backed securities and asset-backed securities; non-diversification; portfolio turnover; prepayment; repurchase agreements; risk associated with holding cash; unrated debt securities; U.S. government securities; and variable rate securities.

Type 2 Investment Options: Age-Based Allocations

The risk and reward profiles of the Age-Based Investment Portfolios vary with the age of the Beneficiary, with the risk and return potential expected to be the highest at the youngest age and the lowest when the Beneficiary's age is 17 and above. The asset allocation in the Age-Based Investment Portfolios is based on the age of the Beneficiary and on the assumption that the assets in the Account will be used to pay for the qualified higher education costs of the Beneficiary during a time period in which individuals of the Beneficiary's age normally attend college. If your Beneficiary attends college during an earlier or later time period than that in which individuals of your Beneficiary's age normally attend college, the asset allocation of amounts invested for your Beneficiary in the Age-Based Investment Portfolios may not be appropriate for your Beneficiary.

Franklin Age-Based Growth Allocation Newborn–8 Years 529 Portfolio

This portfolio is subject to the investment risks of the underlying mutual funds and/or ETFs in which its assets may be invested, including the following main investment risks of such funds: concentration; credit; depositary receipts; derivative instruments; developing markets/emerging markets; dividend-oriented companies; equity-linked notes; focus/sector focus; foreign securities; gold and precious metals; growth style investing; health care companies; high-yield debt securities; industrials; initial public offerings; interest rate; investing style; liquidity; management; market; merger arbitrage securities and distressed companies; non-diversification; portfolio turnover; smaller companies; smaller and midsize companies; technology and communication companies; unrated debt securities; utilities industry emphasis; and value/value style investing.

Franklin Age-Based Growth Allocation Age 9–12 Years 529 Portfolio

This portfolio is subject to the investment risks of the underlying mutual funds and/or ETFs in which its assets may be invested, including the following main investment risks of such funds: banking industry; concentration; convertible securities; credit; debt securities ratings; depositary receipts; derivative instruments; developing markets/emerging markets; dividend-oriented companies; equity-linked notes; extension; floating rate corporate investments; floating rate corporate loans; focus/sector focus; foreign securities; Ginnie Maes; gold and precious metals; growth style investing; health care companies; high-yield debt securities; income; industrials; inflation-indexed securities; initial public offerings; interest rate; investing style; liquidity; management; market; merger arbitrage securities and distressed companies; mortgage dollar rolls; mortgage-backed securities and asset-backed securities; non-diversification; portfolio turnover; prepayment; repurchase agreements; risk associated with holding cash; smaller companies; smaller and midsize companies; technology and telecommunications companies; unrated debt securities; U.S. government securities; utilities industry emphasis; value/value style investing; variable rate securities; and when-issued and delayed delivery transactions.

Franklin Age-Based Growth Allocation Age 13–16 Years 529 Portfolio

This portfolio is subject to the investment risks of the underlying mutual funds and/or ETFs in which its assets may be invested, including the following main investment risks of such funds: concentration; credit; depositary receipts; derivative instruments; developing markets/emerging markets; dividend-oriented companies; equity-linked notes; focus/sector focus; foreign securities; gold and precious metals; growth style investing; health care companies; high-yield debt securities; industrials; initial public offerings; interest rate; investing style; liquidity; management; market; merger arbitrage securities and distressed companies; non-diversification; portfolio turnover; smaller companies; smaller and midsize companies; technology and communication companies; unrated debt securities; utilities industry emphasis; and value/value style investing.

Franklin Age-Based Growth Allocation Age 17+ Years 529 Portfolio

This portfolio is subject to the investment risks of the underlying mutual funds and/or ETFs in which its assets may be invested, including the following main investment risks of such funds: banking industry; concentration; convertible securities; credit; debt securities ratings; depositary receipts; derivative instruments; developing markets/emerging markets; dividend-oriented companies; equity-linked notes; extension; floating rate corporate investments; floating rate corporate loans; focus/sector focus; foreign securities; Ginnie Maes; gold and precious metals; growth style investing; health care companies; high-yield debt securities; income; industrials; inflation-indexed securities; initial public offerings; interest rate; investing style; liquidity; management; market; merger arbitrage securities and distressed companies; mortgage dollar rolls; mortgage-backed securities and asset-backed securities; non-diversification; portfolio turnover; prepayment; repurchase agreements; risk associated with holding cash; smaller companies; smaller and midsize companies; technology and telecommunications companies; unrated debt securities; U.S. government securities; utilities industry emphasis; value/value style investing; variable rate securities; and when-issued and delayed delivery transactions.

Franklin Age-Based Moderate Allocation Newborn–8 Years 529 Portfolio

This portfolio is subject to the investment risks of the underlying mutual funds and/or ETFs in which its assets may be invested, including the following main investment risks of such funds: banking industry; concentration; convertible securities; credit; debt securities ratings; depositary receipts; derivative instruments; developing markets/emerging markets; dividend-oriented companies; equity-linked notes; extension; floating rate corporate investments; floating rate corporate loans; focus/sector focus; foreign securities; Ginnie Maes; gold and precious metals; growth style investing; health care companies; high-yield debt securities; income; industrials; inflation-indexed securities; initial public offerings; interest rate; investing style; liquidity; management; market; merger arbitrage securities and distressed companies; mortgage dollar rolls; mortgage-backed securities and asset-backed securities; non-diversification; portfolio turnover; prepayment; repurchase agreements; risk associated with holding cash; smaller companies; smaller and midsize companies; technology and telecommunications companies; unrated debt securities; U.S. government securities; utilities industry emphasis; value/value style investing; variable rate securities; and when-issued and delayed delivery transactions.

Franklin Age-Based Moderate Allocation Age 9–12 Years 529 Portfolio.

This portfolio is subject to the investment risks of the underlying mutual funds and/or ETFs in which its assets may be invested, including the following main investment risks of such funds: banking industry; concentration; convertible securities; credit; debt securities ratings; depositary receipts; derivative instruments; developing markets/emerging markets; dividend-oriented companies; equity-linked notes; extension; floating rate corporate investments; floating rate corporate loans; focus/sector focus; foreign securities; Ginnie Maes; gold and precious metals; growth style investing; health care companies; high-yield debt securities; income; industrials; inflation-indexed securities; initial public offerings; interest rate; investing style; liquidity; management; market; merger arbitrage securities and distressed companies; mortgage dollar rolls; mortgage-backed securities and asset-backed securities; non-diversification; portfolio turnover; prepayment; repurchase agreements; risk associated with holding cash; smaller companies; smaller and midsize companies; technology and telecommunications companies; unrated debt securities; U.S. government securities; utilities industry emphasis; value/value style investing; variable rate securities; and when-issued and delayed delivery transactions.

Franklin Age-Based Moderate Allocation Age 13–16 Years 529 Portfolio.

This portfolio is subject to the investment risks of the underlying mutual funds and/or ETFs in which its assets may be invested, including the following main investment risks of such funds: banking industry; concentration; convertible securities; credit; debt securities ratings; depositary receipts; derivative instruments; developing markets/emerging markets; dividend-oriented companies; equity-linked notes; extension; floating rate corporate investments; floating rate corporate loans; focus/sector focus; foreign securities; Ginnie Maes; gold and precious metals; growth style investing; health care companies; high-yield debt securities; income; industrials; inflation-indexed securities; initial public offerings; interest rate; investing style; liquidity; management; market; merger arbitrage securities and distressed companies; mortgage dollar rolls; mortgage-backed securities and asset-backed securities; non-diversification; portfolio turnover; prepayment; repurchase agreements; risk associated with holding cash; smaller companies; smaller and midsize companies; technology and telecommunications companies; unrated debt securities; U.S. government securities; utilities industry emphasis; value/value style investing; variable rate securities; and when-issued and delayed delivery transactions.

Franklin Age-Based Moderate Allocation Age 17+ Years 529 Portfolio

This portfolio is subject to the investment risks of the underlying mutual funds in which it currently invests, including the following main investment risks of such funds: banking industry; convertible securities; credit; debt securities ratings; derivative instruments; developing markets/emerging markets; dividend-oriented companies; extension; floating rate corporate investments; floating rate corporate loans; focus/sector focus; foreign securities; Ginnie Maes; high-yield debt securities; income; inflation; inflation-indexed securities; interest rate; liquidity; management; market; mortgage dollar rolls; mortgage-backed securities and asset-backed securities; non-diversification; portfolio turnover; prepayment; repurchase agreements; risk associated with holding cash; unrated debt securities; U.S. government securities; and variable rate securities.

Franklin Age-Based Conservative Allocation Newborn–8 Years 529 Portfolio

This portfolio is subject to the investment risks of the underlying mutual funds and/or ETFs in which its assets may be invested, including the following main investment risks of such funds: banking industry; concentration; convertible securities; credit; debt securities ratings; depositary receipts; derivative instruments; developing markets/emerging markets; dividend-oriented companies; equity-linked notes; extension; floating rate corporate investments; floating rate corporate loans; focus/sector focus; foreign securities; Ginnie Maes; gold and precious metals; growth style investing; health care companies; high-yield debt securities; income; industrials; inflation-indexed securities; initial public offerings; interest rate; investing style; liquidity; management; market; merger arbitrage securities and distressed companies; mortgage dollar rolls; mortgage-backed securities and asset-backed securities; non-diversification; portfolio turnover; prepayment; repurchase agreements; risk associated with holding cash; smaller companies; smaller and midsize companies; technology and telecommunications companies; unrated debt securities; U.S. government securities; utilities industry emphasis; value/value style investing; variable rate securities; and when-issued and delayed delivery transactions.

Franklin Age-Based Conservative Allocation Age 9–12 Years 529 Portfolio

This portfolio is subject to the investment risks of the underlying mutual funds and/or ETFs in which its assets may be invested, including the following main investment risks of such funds: banking industry; concentration; convertible securities; credit; debt securities ratings; depositary receipts; derivative instruments; developing markets/emerging markets; dividend-oriented companies; equity-linked notes; extension; floating rate corporate investments; floating rate corporate loans; focus/sector focus; foreign securities; Ginnie Maes; gold and precious metals; growth style investing; health care companies; high-yield debt securities; income; industrials; inflation-indexed securities; initial public offerings; interest rate; investing style; liquidity; management; market; merger arbitrage securities and distressed companies; mortgage dollar rolls; mortgage-backed securities and asset-backed securities; non-diversification; portfolio turnover; prepayment; repurchase agreements; risk associated with holding cash; smaller companies; smaller and midsize companies; technology and telecommunications companies; unrated debt securities; U.S. government securities; utilities industry emphasis; value/value style investing; variable rate securities; and when-issued and delayed delivery transactions.

Franklin Age-Based Conservative Allocation Age 13–16 Years 529 Portfolio

This portfolio is subject to the investment risks of the underlying mutual funds in which it currently invests, including the following main investment risks of such funds: banking industry; convertible securities; credit; debt securities ratings; derivative instruments; developing markets/emerging markets; dividend-oriented companies; extension; floating rate corporate investments; floating rate corporate loans; focus/sector focus; foreign securities; Ginnie Maes; high-yield debt securities; income; inflation; inflation-indexed securities; interest rate; liquidity; management; market; mortgage dollar rolls; mortgage-backed securities and asset-backed securities; non-diversification; portfolio turnover; prepayment; repurchase agreements; risk associated with holding cash; unrated debt securities; U.S. government securities; and variable rate securities.

Franklin Age-Based Conservative Allocation Age 17+ Years 529 Portfolio

This portfolio is subject to the investment risks of the underlying mutual funds in which it currently invests, including the following main investment risks of such funds: banking industry; convertible securities; credit; debt securities ratings; derivative instruments; developing markets/emerging markets; dividend-oriented companies; extension; floating rate corporate investments; floating rate corporate loans; focus/sector focus; foreign securities; Ginnie Maes; high-yield debt securities; income; inflation; inflation-indexed securities; interest rate; liquidity; management; market; mortgage dollar rolls; mortgage-backed securities and asset-backed securities; non-diversification; portfolio turnover; prepayment; repurchase agreements; risk associated with holding cash; unrated debt securities; U.S. government securities; and variable rate securities.

Type 3 Investment Options: Individual Portfolios

Templeton Global Bond 529 Portfolio

This portfolio is subject to the investment risks of the securities in which it currently invests, including the following main investment risks of such securities: credit; debt securities ratings; derivative instruments; developing markets; focus; foreign securities; high-yield debt securities; income; inflation-indexed securities; interest rate; liquidity; management; market; non-diversification; and unrated debt securities.

Templeton Growth 529 Portfolio

This portfolio is subject to the investment risks of the underlying mutual fund in which it currently invests, including the following main investment risks of such fund: country, sector or industry focus; credit; depositary receipts; focus/sector focus; foreign securities; interest rate; management; market; and value/value style investing.

Franklin Growth 529 Portfolio

This portfolio is subject to the investment risks of the underlying mutual fund in which it currently invests, including the following main investment risks of such fund: focus/sector focus; foreign securities; health care companies; industrials; management; market; smaller and midsize companies; and technology and telecommunications companies.

Franklin Money 529 Portfolio

This portfolio is subject to the investment risks of the securities in which it currently invests, including the following main investment risks of such securities: banking industry; credit; foreign securities; income; interest rate; liquidity; master/feeder structure; possible regulatory changes; repurchase agreements; risk associated with holding cash; and U.S. Government Securities.

Franklin Small-Mid Cap Growth 529 Portfolio

This portfolio is subject to the investment risks of the underlying mutual fund in which it currently invests, including the following main investment risks of such fund: focus/sector focus; foreign securities; growth style investing; liquidity; management; market; and smaller and midsize companies.

Franklin Mutual Global Discovery 529 Portfolio

This portfolio is subject to the investment risks of the securities in which it currently invests, including the following main investment risks of such securities: credit; foreign securities; high-yield debt securities; market; merger arbitrage securities and distressed companies; portfolio turnover; smaller and midsize companies; unrated debt securities; and value style investing.

Franklin Mutual Shares 529 Portfolio

This portfolio is subject to the investment risks of the underlying mutual fund in which it currently invests, including the following main investment risks of such fund: credit; foreign securities; high-yield debt securities; market; merger arbitrage securities and distressed companies; portfolio turnover; smaller and midsize companies; and value/value style investing.

S&P 500 Index 529 Portfolio

This portfolio is subject to the investment risks of the underlying mutual fund or ETF in which it invests, including the following main investment risks: asset class; concentration; consumer discretionary sector; equity-securities; financials sector; healthcare companies; index-related; information technology; issuer; management; market; market trading; passive investment; risk of investing in the United States; securities lending; and tracking error.

Franklin Income 529 Portfolio

This portfolio is subject to the investment risks of the underlying mutual fund in which it currently invests, including the following main investment risks of such fund: convertible securities; credit; derivative instruments; equity-linked notes; floating rate corporate loans; focus/sector focus; foreign securities; high-yield debt securities; income; interest rate; management; market; mortgage securities, mortgage-backed securities and asset-backed securities; prepayment; and value/value style investing.

B. Types of Investment Risk (listed alphabetically)

Asset-Backed Securities – see "Mortgage Securities, Mortgage-Backed Securities and Asset-Backed Securities"

Asset Class

The securities in the Underlying Index or in a fund's portfolio may underperform the returns of other securities or indexes that track other industries, groups of industries, markets, asset classes or sectors. Various types of securities or indexes tend to experience cycles of outperformance and underperformance in comparison to the general securities markets.

Banking Industry

Funds which invest in the obligations of banks and other financial institutions that provide liquidity guarantees or credit enhancements, may be vulnerable to setbacks in that industry. Banks and other financial institutions are highly dependent on short-term interest rates and can be adversely affected by downturns in the U.S. and foreign economies or changes in banking regulations.

Concentration

A fund may be more susceptible to an increased risk of loss due to adverse occurrences to the extent that a fund's investments are concentrated in the securities of a particular issuer or issuers, country, region, market, industry, group of industries, sector or asset class. A fund may be more adversely affected by the underperformance of those securities, may be subjected to increased price volatility and may be more susceptible to adverse economic, market, political or regulatory occurrences affecting those securities than a fund that does not concentrate its investments.

Consumer Discretionary Sector

The success of consumer product manufacturers and retailers is tied closely to the performance of domestic and international economies, interest rates, exchange rates, competition, consumer confidence, changes in demographics and consumer preferences. Companies in the consumer discretionary sector depend heavily on disposable household income and consumer spending, and may be strongly affected by social trends and marketing campaigns. These companies may be subject to severe competition, which may have an adverse impact on their profitability.

Convertible Securities

A convertible security is generally a debt obligation, preferred stock or other security that pays interest or dividends and may be converted by the holder within a specified period of time into common stock. The value of convertible securities may rise and fall with the market value of the underlying stock or, like a debt security, vary with changes in interest rates and the credit quality of the issuer. A convertible security tends to perform more like a stock when the underlying stock price is high relative to the conversion price (because more of the security's value resides in the option to convert) and more like a debt security when the underlying stock price is low relative to the conversion price (because the option to convert is less valuable). Because its value can be influenced by many different factors, a convertible security is not as sensitive to interest rate changes as a similar non-convertible debt security, and generally has less potential for gain or loss than the underlying stock.

Country, Sector or Industry Focus

To the extent a fund invests a large portion of its assets in one or more countries, sectors or industries at any time, the fund will face a greater risk of loss due to factors affecting a single country, sector or industry than if the fund always maintained wide diversity among the countries, sectors and industries in which it invests. For example, technology companies involve risks due to factors such as the rapid pace of product change, technological developments and new competition. Their stocks have historically been volatile in price, especially over the short term, often without regard to the merits of individual companies. Banks and financial institutions are subject to potentially restrictive governmental

controls and regulations that may limit or adversely affect profitability and share price. In addition, securities in that sector may be very sensitive to interest rate changes throughout the world. Also see risks associated with particular industries/sectors described under "Focus/ Sector Focus" below.

Credit

A fund could lose money on a debt security if an issuer or borrower is unable or fails to meet its obligations, including failing to make interest payments and/or to repay principal when due. Changes in an issuer's financial strength, the market's perception of the issuer's financial strength or in a security's credit rating, which reflects a third party's assessment of the credit risk presented by a particular issuer, may affect debt securities' values. A fund may incur substantial losses on debt securities that are inaccurately perceived to present a different amount of credit risk by the market, the investment manager or the rating agencies than such securities actually do.

Debt Securities Ratings

The use of credit ratings in evaluating debt securities can involve certain risks, including the risk that the credit rating may not reflect the issuer's current financial condition or events since the security was last rated by a rating agency. Credit ratings may be influenced by conflicts of interest or based on historical data that no longer apply or are accurate.

Depositary receipts

Depositary receipts are subject to many of the risks of the underlying security. For some depositary receipts, the custodian or similar financial institution that holds the issuer's shares in a trust account is located in the issuer's home country. In these cases if the issuer's home country does not have developed financial markets, a fund could be exposed to the credit risk of the custodian or financial institution and greater market risk. In addition, the depository institution may not have physical custody of the underlying securities at all times and may charge fees for various services, including forwarding dividends and interest and corporate actions. A fund would be expected to pay a share of the additional fees, which it would not pay if investing directly in the foreign securities. A fund may experience delays in receiving its dividend and interest payments or exercising rights as a shareholder. Depositary receipts will be issued under sponsored or unsponsored programs. In sponsored programs, an issuer has made arrangements to have its securities traded in the form of depositary receipts. In unsponsored programs, the issuer may not be directly involved in the creation of the program. Although regulatory requirements with respect to sponsored and unsponsored programs are generally similar, in some cases it may be easier to obtain financial information about an issuer that has participated in the creation of a sponsored program. There may be an increased possibility of untimely responses to certain corporate actions of the issuer, such as stock splits and rights offerings, in an unsponsored program. Accordingly, there may be less information available regarding issuers of securities underlying unsponsored programs and there may not be a correlation between this information and the market value of the depositary receipts. If a fund's investment depends on obligations being met by the arranger as well as the issuer of an unsponsored program, the fund will be exposed to additional credit risk.

Derivative Instruments

The performance of derivative instruments depends largely on the performance of an underlying currency security or index and such instruments often have risks similar to the underlying instrument in addition to other risks. Derivative instruments involve costs and can create leverage in a fund's portfolio which may result in significant volatility and cause a fund to participate in losses (as well as gains) in an amount that significantly exceeds a fund's initial investment. Certain derivatives have the potential for unlimited loss, regardless of the size of the initial investment. Other risks include illiquidity, mispricing or improper valuation of the derivative instrument, and imperfect correlation between the value of the derivative and the underlying instrument so that a fund may not realize the intended benefits. Their successful use will usually depend on the investment manager's ability to accurately forecast movements in the market relating to the underlying instrument. Should a market or markets, or prices of particular classes of investments move in an unexpected manner, especially in unusual or extreme market conditions, a fund may not achieve the anticipated benefits of the transaction, and it may realize losses, which could be significant. If the investment manager is not successful in using such derivative instruments, a fund's performance may be worse than if the investment manager did not use such derivative instruments at all. When used for hedging, the change in value of the derivative instrument also may not correlate specifically with the currency, security or other risk being hedged. There is also the risk, especially under extreme market conditions, that an instrument, which usually would operate as a hedge, provides no hedging benefits at all.

Use of these instruments could also result in a loss if the counterparty to the transaction (particularly with respect to OTC instruments, such as certain swap agreements and forward currency contracts) does not perform as promised, including because of such counterparty's bankruptcy or insolvency. This risk may be heightened during volatile market conditions. Other risks include the inability to close out a position because the trading market becomes illiquid (particularly in the OTC markets) or the availability of counterparties becomes limited for a period of time. In addition, the presence of speculators in a particular market could lead to price distortions. To the extent that a fund is unable to close out

a position because of market illiquidity, a fund may not be able to prevent further losses of value in its derivatives holdings and a fund's liquidity may be impaired to the extent that it has a substantial portion of its otherwise liquid assets marked as segregated to cover its obligations under such derivative instruments. A fund may also be required to take or make delivery of an underlying instrument that the investment manager would otherwise have attempted to avoid. Some derivatives can be particularly sensitive to changes in interest rates or other market prices. Investors should bear in mind that, while the fund intends to use derivative strategies on a regular basis, it is not obligated to actively engage in these transactions, generally or in any particular kind of derivative, if the investment manager elects not to do so due to availability, cost or other factors.

The use of derivative strategies may also have a tax impact on a fund. The timing and character of income, gains or losses from these strategies could impair the ability of the investment manager to utilize derivatives when it wishes to do so.

Developing Markets/Emerging Markets

Developing market countries. A fund's investments in developing market countries are subject to all of the risks of foreign investing generally, and have additional heightened risks due to a lack of established legal, political, business and social frameworks to support securities markets. Some of the additional significant risks include:

- less social, political and economic stability;
- a higher possibility of the devaluation of a country's currency, a downgrade in the credit ratings of issuers in such country, or a decline in the value and liquidity of securities of issuers in that country if the United States, other nations or other governmental entities (including supranational entities) impose sanctions on issuers that limit or restrict foreign investment, the movement of assets or other economic activity in the country due to political, military or regional conflicts or due to terrorism or war;
- smaller securities markets with low or nonexistent trading volume and greater illiquidity and price volatility;
- more restrictive national policies on foreign investment, including restrictions on investment in issuers or industries deemed sensitive to national interests;
- less transparent and established taxation policies;
- less developed regulatory or legal structures governing private and foreign investment or allowing for judicial redress for injury to private property;
- less familiarity with a capital market structure or market-oriented economy and more widespread corruption and fraud;
- less financial sophistication, creditworthiness and/or resources possessed by, and less government regulation of, the financial institutions and issuers with which the Fund transacts;
- less government supervision and regulation of business and industry practices, stock exchanges, brokers and listed companies than in the U.S.;
- greater concentration in a few industries resulting in greater vulnerability to regional and global trade conditions;
- higher rates of inflation and more rapid and extreme fluctuations in inflation rates;
- greater sensitivity to interest rate changes;
- increased volatility in currency exchange rates and potential for currency devaluations and/or currency controls;
- greater debt burdens relative to the size of the economy;
- more delays in settling portfolio transactions and heightened risk of loss from share registration and custody practices; and

Because of the above factors, a fund's investments in developing market countries may be subject to greater price volatility and illiquidity than investments in developed markets.

Dividend-Oriented Companies

Issuers that have paid regular dividends or distributions to shareholders may not continue to do so in the future. An issuer may reduce or eliminate future dividends or distributions at any time and for any reason. The value of a security of an issuer that has paid dividends in the past may decrease if the issuer reduces or eliminates future payments to its shareholders. If the dividends or distributions received by a fund decreases, a fund may have less income to distribute to a fund's shareholders.

Emerging Markets – see "Developing Markets/Emerging Markets"

Equity-Linked Notes (ELNs)

Investments in ELNs often have risks similar to their underlying securities, which could include management risk, market risk and, as applicable, foreign securities and currency risks. In addition, since ELNs are in note form, ELNs are also subject to certain debt securities risks, such as interest rate and credit risks. Should the prices of the underlying securities move in an unexpected manner, a fund may not achieve the anticipated benefits of an investment in an ELN, and may realize losses, which could be significant and could include the fund's entire principal investment. An investment in an ELN is also subject to counterparty risk, which is the risk that the issuer of the ELN will default or become bankrupt and a fund will have difficulty being repaid, or fail to be repaid, the principal amount of, or income from, its investment. Investments in ELNs are also subject to liquidity risk, which may make ELNs difficult to sell and value. In addition, ELNs may exhibit price behavior that does not correlate with the underlying securities or a fixed-income investment.

Extension

The market value of some debt securities (such as certain asset-backed and mortgage-backed securities) will be adversely affected when bond calls or prepayments on underlying mortgages or other assets are less or slower than anticipated. When that occurs, the effective maturity date of a fund's investment is extended, resulting in an increase in interest rate sensitivity to that of a longer-term instrument. Such extension may also effectively lock-in a below market interest rate and reduce the value of the debt security.

Equity Securities

A fund invests in equity securities, which are subject to changes in value that may be attributable to market perception of a particular issuer or to general stock market fluctuations that affect all issuers. Investments in equity securities may be more volatile than investments in other asset classes.

Financials Sector

Companies in the financials sector of an economy are often subject to extensive governmental regulation and intervention, which may adversely affect the scope of their activities, the prices they can charge and the amount of capital they must maintain. Governmental regulation may change frequently and may have significant adverse consequences for companies in the financial sector, including effects not intended by such regulation. The impact of recent or future regulation in various countries on any individual financial company or on the sector as a whole cannot be predicted. Certain risks may impact the value of investments in the financials sector more severely than those of investments outside this sector, including the risks associated with companies that operate with substantial financial leverage. Companies in the financials sector may also be adversely affected by increases in interest rates and loan losses, decreases in the availability of money or asset valuations, credit rating downgrades and adverse conditions in other related markets. Insurance companies, in particular, may be subject to severe price competition and/or rate regulation, which may have an adverse impact on their profitability. In the recent past, deterioration of the credit markets impacted a broad range of mortgage, asset- backed, auction rate, sovereign debt and other markets, including U.S. and non-U.S. credit and interbank money markets, thereby affecting a wide range of financial institutions and markets. A number of large financial institutions have failed, have merged with stronger institutions or have had significant government infusions of capital. Instability in the financial markets has caused certain financial companies to incur large losses. Some financial companies experienced declines in the valuations of their assets, took actions to raise capital (such as the issuance of debt or equity securities), or even ceased operations. Some financial companies borrowed significant amounts of capital from government sources and may face future government-imposed restrictions on their businesses or increased government intervention. Those actions caused the securities of many financial companies to decline in value. The financials sector is particularly sensitive to fluctuations in interest rates.

Floating Rate Corporate Investments

The senior secured corporate loans and corporate debt securities in which a fund invests are often issued in connection with highly leveraged transactions. Such transactions include leveraged buyout loans, leveraged recapitalization loans, and other types of acquisition financing. Loan investments issued in such transactions are subject to greater credit risks than other investments including a greater possibility that the borrower may default or enter bankruptcy. Although loan investments are generally subject to certain restrictive covenants in favor of the investors, many of these loans may from time to time be "covenant lite" loans which generally entail higher risk, since they tend to have fewer or no financial maintenance covenants and restrictions that would normally serve as early warning signs of a borrower's financial troubles.

In the event of a breach of a covenant in non-covenant lite loans or debt securities, lenders may have the ability to obtain concessions from the borrowers in exchange for a waiver or amendment of covenants. In contrast, covenant lite loans do not necessarily offer the same ability to obtain additional concessions from borrowers. This risk is offset to varying degrees by the fact that the same financial and performance information is available with or without covenants to lenders and the public alike and can be used to detect such early warning signs as deterioration of a borrower's financial condition or results. With such information, the portfolio managers are normally able to take appropriate action without

the help of covenants in the loan agreements or debt securities. Covenant lite borrowers typically have a lower credit quality, making them more likely to default. Covenant lite corporate loans and debt securities, however, may foster a capital structure designed to avoid defaults by giving borrowers or issuers increased financial flexibility when they need it the most.

As is typical with higher risk investments, covenant lite corporate loans and debt securities have a historical track record of outperformance in terms of total return, and recent literature indicates they have outperformed in their default rate in some instances. The combination of potentially higher total return and low default rate may give them the ability to offer an attractive risk-adjusted return. The substantially increased issuance of covenant-lite loans and high-yield bonds with weak investor protections in the current market may signal the emergence of a "covenant bubble" that potentially could leave investors vulnerable if a credit cycle downturn in the market occurs.

Floating Rate Corporate Loans

Floating rate corporate loans may be issued in connection with highly leveraged transactions. Such transactions include leveraged buyout loans, leveraged recapitalization loans, and other types of acquisition financing. These obligations are subject to greater credit risks than other investments including a greater possibility that the borrower may default or go into bankruptcy.

Focus/Sector Focus

The greater a fund's exposure to any single type of investment – including investment in a given industry, sector, region, country, issuer, or type of security – the greater the losses a fund may experience upon any single economic, business, political, regulatory, or other occurrence. As a result, there may be more fluctuation in the price of a fund's shares. There are also the following risks associated with particular industries/sectors:

Technology and Telecommunications Companies. The technology and telecommunications sector has historically been volatile due to the rapid pace of product change and development within the sector. For example, their products may not prove commercially successful or may become obsolete quickly. The activities of these companies may also be adversely affected by changes in government regulations. The stock prices of companies operating within this sector may be subject to abrupt or erratic movements.

Financial Services Companies. Financial services companies are subject to extensive government regulation, which may affect their profitability in many ways, including by limiting the amount and types of loans and other commitments they can make, and the interest rates and fees they can charge. A financial services company's profitability, and therefore its stock price, is especially sensitive to interest rate changes throughout the world, as well as the ability of borrowers to repay their loans. Changing regulations, continuing consolidations, and development of new products and structures are all likely to have a significant impact on financial services companies.

Health Care Companies. The activities of health care companies may be funded or subsidized by federal and state governments. If government funding and subsidies are reduced or discontinued, the profitability of these companies could be adversely affected. Health care companies may also be affected by government policies on health care reimbursements, regulatory approval for new drugs and medical instruments, and similar matters. They are also subject to legislative risk, i.e., the risk of a reform of the health care system through legislation.

Industrials. The stock prices of companies in the industrials sector are affected by supply and demand both for their specific product or service and for industrials sector products in general. Companies in the industrials sector may be adversely affected by changes in government regulation, world events and economic conditions. In addition, these companies are at risk for environmental damage and product liability claims. Companies in this sector could be adversely affected by commodity price volatility, changes in exchange rates, imposition of export or import controls, increased competition, depletion of resources, technological developments and labor relations.

Utilities Industry. Utility company equity securities, which are generally purchased for their dividend yield, historically have been sensitive to interest rate movements: when interest rates have risen, the stock prices of these companies have tended to fall. In some states, utility companies and their rates are regulated; other states have moved to deregulate such companies thereby causing non-regulated companies' returns to generally be more volatile and more sensitive to changes in revenue and earnings. In general, all utility companies may face additional regulation and litigation regarding emissions from their power plants; increased costs from new or greater regulation of greenhouse gas emissions; and the need to purchase expensive emissions control equipment due to regulations, all of which may lower their earnings.

Foreign Securities

Investing in foreign securities typically involves more risks than investing in U.S. securities. Certain of these risks also may apply to securities of U.S. companies with significant foreign operations.

Currency exchange rates. Foreign securities may be issued and traded in foreign currencies. As a result, their market values in U.S. dollars may be affected by changes in exchange rates between such foreign currencies and the U.S. dollar, as well as between currencies of countries other than the U.S. For example, if the value of the U.S. dollar goes up compared to a foreign currency, an investment traded in that foreign currency will go down in value because it will be worth fewer U.S. dollars. A fund accrues additional expenses when engaging in currency exchange transactions, and valuation of a fund's foreign securities may be subject to greater risk because both the currency (relative to the U.S. dollar) and the security must be considered.

Currency management strategies. Currency management strategies may substantially change a fund's exposure to currency exchange rates and could result in losses to the fund if currencies do not perform as the investment manager expects. In addition, currency management strategies, to the extent that they reduce a fund's exposure to currency risks, may also reduce the fund's ability to benefit from favorable changes in currency exchange rates. There is no assurance that the investment manager's use of currency management strategies will benefit a fund or that they will be, or can be, used at appropriate times. Furthermore, there may not be perfect correlation between the amount of exposure to a particular currency and the amount of securities in the portfolio denominated in that currency. Investing in foreign currencies for purposes of gaining from projected changes in exchange rates, as opposed to hedging currency risks applicable to a fund's holdings, further increases a fund's exposure to foreign investment losses.

Political and economic developments. The political, economic and social policies or structures of some foreign countries may be less stable and more volatile than those in the United States. Investments in these countries may be subject to greater risks of internal and external conflicts, expropriation, nationalization of assets, foreign exchange controls (such as suspension of the ability to transfer currency from a given country), restrictions on removal of assets, political or social instability, military action or unrest, diplomatic developments, currency devaluations, foreign ownership limitations, and punitive or confiscatory tax increases. It is possible that a government may take over the assets or operations of a company or impose restrictions on the exchange or export of currency or other assets. Some countries also may have different legal systems that may make it difficult or expensive for a fund to vote proxies, exercise shareholder rights, and pursue legal remedies with respect to its foreign investments. Diplomatic and political developments (including rapid and adverse political changes, social instability, regional conflicts, sanctions imposed by the United States, other nations or other governmental entities [including supranational entities], terrorism and war) could affect the economies, industries and securities and currency markets of the countries in which a fund is invested. In addition, such developments could contribute to the devaluation of a country's currency, a downgrade in the credit ratings of issuers in such country, or a decline in the value and liquidity of securities of issuers in that country. An imposition of sanctions upon certain issuers in a country could result in an immediate freeze of that issuer's securities, impairing the ability of a fund to buy, sell, receive or deliver those securities. These factors would affect the value of a fund's investments and are extremely difficult, if not impossible, to predict and take into account with respect to a fund's investments.

Trading practices. Brokerage commissions, withholding taxes, custodial fees, and other fees generally are higher in foreign markets. The policies and procedures followed by foreign stock exchanges, currency markets, trading systems and brokers may differ from those applicable in the United States, with possibly negative consequences to a fund. The procedures and rules governing foreign trading, settlement and custody (holding of a fund's assets) also may result in losses or delays in payment, delivery or recovery of money or other property. Foreign government supervision and regulation of foreign securities markets and trading systems may be less than or different from government supervision in the United States, and may increase a fund's regulatory and compliance burden and/or decrease a fund's investor rights and protections.

Availability of information. Foreign issuers may not be subject to the same disclosure, accounting, auditing and financial reporting standards and practices as U.S. issuers. Thus, there may be less information publicly available about foreign issuers than about most U.S. issuers.

Limited markets. Certain foreign securities may be less liquid (harder to sell) and their prices may be more volatile than many U.S. securities. Illiquidity tends to be greater, and valuation of a fund's foreign securities may be more difficult, due to the infrequent trading and/or delayed reporting of quotes and sales.

Regional. Adverse conditions in a certain region or country can adversely affect securities of issuers in other countries whose economies appear to be unrelated. To the extent that a fund invests a significant portion of its assets in a specific geographic region or a particular country, the fund will generally have more exposure to the specific regional or country economic risks. In the event of economic or political turmoil or a deterioration of diplomatic relations in a region or country where a substantial portion of a fund's assets are invested, a fund may experience substantial illiquidity or reduction in the value of the Fund's investments.

Sovereign Debt Securities. A foreign country may be unwilling or unable to repay the principal and/or interest on its sovereign debt because of insufficient foreign reserves, the relative size of the debt service burden to the economy as a whole, the government's policy towards supranational agencies such as the International Monetary Fund, or the political constraints to which the government may be subject. If a foreign country defaults (or threatens to default) on its sovereign debt obligations, the indebtedness may be restructured. Restructuring may include obtaining additional credit to finance outstanding obligations, reduction and rescheduling of payments of interest and principal, or negotiation of new or amended credit agreements. In the event of a default on sovereign debt, a fund may have limited legal recourse against the defaulting government. In certain cases, remedies must be pursued in the courts of the defaulting country itself, which may further limit a fund's ability to obtain recourse.

Gold and Precious Metals

By concentrating in the industries in a single sector, a fund carries a much greater risk of adverse developments than a fund that invests in companies from a wide variety of industries. Also, there currently are a limited number of platinum and palladium operation companies, which restricts a fund's ability to diversify its investments in those companies.

The prices of gold and precious metals operation companies are affected by the prices of gold and other precious metals such as platinum, palladium and silver, as well as other prevailing market conditions. These prices may fluctuate substantially over short periods of time, so the fund's share price may be more volatile than other types of investments. In times of stable economic growth, traditional equity and debt investments could offer greater appreciation potential and the prices of gold and other precious metals may be adversely affected, which could in turn affect the fund's returns. The prices of gold and other precious metals are affected by such factors as: (1) how much of the worldwide supply is held by large holders, such as governmental bodies and central banks; for example, if Russia or another large holder decided to sell some of its gold or other precious metals reserves, the supply would go up, and the price would generally go down; (2) unpredictable monetary policies and economic and political conditions in countries throughout the world; (3) supply and demand for gold bullion as an investment, including in bar form, particularly by institutional investors such as exchange-traded funds; and (4) government policies meant to influence demand for gold and other precious metals, as exemplified by the Government of India's ongoing attempts to curb demand for gold through tax policy.

Some gold and precious metals mining companies have hedged, to varying degrees, their exposure to decreases in the prices of gold or precious metals by selling forward future production. Such hedging also limits a company's ability to benefit from future increases in the price of gold or precious metals. In addition, hedging techniques introduce their own risks, including the possible inability of a mining company or another party to meet its contractual obligations and potential margin requirements.

The prices of gold and precious metals operation companies are directly affected by: (1) declines in the prices of gold and precious metals; (2) capital, labor, and other costs in mining and production; (3) adverse currency fluctuations in the countries where these companies operate; (4) changes in laws relating to environmental permits, mining, production, or sales; (5) labor disruptions; (6) operational issues and failures; and (7) access to reliable energy and equipment supplies. These factors may result in deviations between the prices of the underlying metals and the securities of the operation companies in which a fund invests. A fund generally invests a substantial portion of its assets in the securities of mining companies. Mining operations have varying expected life spans. Securities of mining companies that have mines with a short expected life span may experience greater price volatility than those that have mines with a long expected life span.

Changes in U.S. or foreign tax, currency or mining laws may make it more expensive and/or more difficult to pursue a fund's investment strategies. In addition, a fund may invest in securities of foreign entities that could be deemed for tax purposes to be passive foreign investment companies (PFICs). PFIC investments may affect the fund's income distributions as capital gains on the sale of a PFIC will be deemed ordinary income regardless of how long the fund held the PFIC.

Government National Mortgage Association Obligations ("Ginnie Maes")

Ginnie Maes differ from conventional debt securities, such as Treasury securities, because principal is paid back monthly over the life of the security rather than at maturity. A fund may receive unscheduled payments of principal due to voluntary prepayments, refinancing or foreclosure on the underlying mortgage loans. During periods of declining interest rates, the volume of principal prepayments generally increases as borrowers refinance their mortgages at lower rates. A fund may be forced to reinvest returned principal at lower interest rates, reducing a fund's income. For this reason, Ginnie Maes may be less effective than some other types of securities as a means of "locking in" long-term interest rates and may have less potential for capital appreciation during periods of falling interest rates than some other investments with similar maturities. A reduction in the anticipated rate of principal prepayments, especially during periods of rising interest rates, may increase the effective maturity of Ginnie Maes, making them more susceptible than some other debt securities to a decline in market value when interest rates rise. This could increase the volatility of a fund's performance and share price.

Growth Style Investing

Growth stock prices reflect projections of future earnings or revenues, and can, therefore, fall dramatically if the company fails to meet those projections. Growth stocks may be more expensive relative to their current earnings or assets compared to value or other stocks, and if earnings growth expectations moderate, their valuations may return to more typical norms, causing their stock prices to fall. Prices of these companies' securities may be more volatile than other securities, particularly over the short term.

High-Yield Debt Securities

High-yield debt securities (including loans) and unrated securities of similar credit quality ("high-yield debt instruments" or "junk bonds") involve greater risk of a complete loss of a fund's investment, or delays of interest and principal payments, than higher-quality debt securities. Issuers of high-yield debt instruments are not as strong financially as those issuing securities of higher credit quality. High-yield debt instruments are generally considered predominately speculative by the applicable rating agencies as these issuers are more likely to encounter financial difficulties and are more vulnerable to changes in the relevant economy, such as a recession or a sustained period of rising interest rates, that could affect their ability to make interest and principal payments when due. If an issuer stops making interest and/or principal payments, payments on the securities may never resume. These instruments may be worthless and a fund could lose its entire investment.

The prices of high-yield debt instruments generally fluctuate more than higher-quality securities. Prices are especially sensitive to developments affecting the issuer's business or operations and to changes in the ratings assigned by rating agencies. In addition, the entire high-yield debt market can experience sudden and sharp price swings due to changes in economic conditions, stock market activity, large sustained sales by major investors, a high-profile default, or other factors. Prices of corporate high-yield debt instruments often are closely linked with the company's stock prices and typically rise and fall in response to factors that affect stock prices.

High-yield debt instruments are generally less liquid than higher-quality securities. Many of these securities are not registered for sale under the federal securities laws and/or do not trade frequently. When they do trade, their prices may be significantly higher or lower than expected. At times, it may be difficult to sell these securities promptly at an acceptable price, which may limit a fund's ability to sell securities in response to specific economic events or to meet redemption requests. As a result, high-yield debt instruments generally pose greater illiquidity and valuation risks.

Substantial declines in the prices of high-yield debt instruments can dramatically increase the yield of such bonds or loans. The decline in market prices generally reflects an expectation that the issuer(s) may be at greater risk of defaulting on the obligation to pay interest and principal when due. Therefore, substantial increases in yield may reflect a greater risk by a fund of losing some or part of its investment rather than any increase in income from the higher yield that the debt security or loan may pay to a fund on its investment.

Income

Because a fund can only distribute what it earns, the fund's distributions to shareholders may decline when prevailing interest rates fall or when the fund experiences defaults on debt securities it holds. A fund's income generally declines during periods of falling interest rates because the fund must reinvest the proceeds it receives from existing investments (upon their maturity, prepayment, amortization, call, or buy-back) at a lower rate of interest or return.

Because certain funds limit their investments to high-quality, short-term securities, their portfolios generally will earn lower yields than portfolios with lower-quality, longer-term securities subject to more risk.

Index-Related

A fund seeks to achieve a return which corresponds generally to the price and yield performance, before fees and expenses, of the the S&P 500® (the "Underlying Index") as published by the provider of the Underlying Index (the "Index Provider"). There is no assurance that the Index Provider will compile the Underlying Index accurately, or that the Underlying Index will be determined, composed or calculated accurately. While the Index Provider provides descriptions of what the Underlying Index is designed to achieve, the Index Provider does not provide any warranty or accept any liability in relation to the quality, accuracy or completeness of data in respect of its indices, and does not guarantee that the Underlying Index will be in line with the Index Provider's methodology.

The fund investment manager's mandate is to manage a fund consistently with the Underlying Index provided to such investment manager. Consequently, such investment manager does not provide any warranty or guarantee for Index Provider errors. Errors in respect of the quality, accuracy and completeness of the data may occur from time to time and may not be identified and corrected by the Index Provider for a period of time, particularly where the indices are less commonly used. Therefore, gains, losses or costs associated with Index Provider errors will generally

be borne by a fund and its shareholders. For example, during a period where the Fund's Underlying Index contains incorrect constituents, a fund would have market exposure to such constituents and would be underexposed to the Underlying Index's other constituents. Such errors may negatively or positively impact a fund and its shareholders. Any gains due to Index Provider errors will be kept by a fund and its shareholders and any losses resulting from Index Provider errors will be borne by a fund and its shareholders.

Apart from scheduled rebalances, the Index Provider may carry out additional ad hoc rebalances to the Underlying Index in order, for example, to correct an error in the selection of index constituents. Where the Underlying Index of a fund is rebalanced and a fund in turn rebalances its portfolio to attempt to correlate to the Underlying Index, any transaction costs and market exposure arising from such portfolio rebalancing will be borne directly by a fund and its shareholders. Unscheduled rebalances to the Underlying Index may also expose a fund to tracking error risk, which is the risk that a fund's returns may not track those of the Underlying Index. Therefore, errors and additional ad hoc rebalances carried out by the Index Provider to the Underlying Index may increase the costs and market exposure risk of a fund.

Inflation

The market price of debt securities generally falls as inflation increases because the purchasing power of the future income and repaid principal is expected to be worth less when received by a fund. Debt securities that pay a fixed rather than a variable interest rate are especially vulnerable to inflation risk because variable-rate debt securities may be able to participate, over the long term, in rising interest rates which have historically corresponded with long-term inflationary trends.

Inflation-Indexed Securities

Inflation-indexed securities have a tendency to react to changes in real interest rates. Real interest rates represent nominal (stated) interest rates lowered by the anticipated effect of inflation. In general, the price of an inflation-indexed security decreases when real interest rates increase, and increases when real interest rates decrease. Interest payments on inflation-indexed securities will fluctuate, as the principal and/or interest is adjusted for inflation and can be unpredictable. Any increase in the principal amount of an inflation-protected debt security will be considered taxable ordinary income, even though investors, such as a fund, do not receive their principal until maturity.

Information Technology Sector

Information technology companies face intense competition, both domestically and internationally, which may have an adverse effect on profit margins. Like other technology companies, information technology companies may have limited product lines, markets, financial resources or personnel. The products of information technology companies may face obsolescence due to rapid technological developments, frequent new product introduction, unpredictable changes in growth rates and competition for the services of qualified personnel. Companies in the information technology sector are heavily dependent on patent and intellectual property rights. The loss or impairment of these rights may adversely affect the profitability of these companies.

Initial Public Offerings

Initial public offerings (IPOs) of securities issued by unseasoned companies with little or no operating history are risky and their prices are highly volatile, but they can result in very large gains in their initial trading. Attractive IPOs are often oversubscribed and may not be available to a fund, or may be available only in very limited quantities. Thus, when a fund's size is smaller, any gains from IPOs will have an exaggerated impact on the fund's performance than when the fund is larger. Although IPO investments have had a positive impact on some funds' performance in the past, there can be no assurance that a fund will have favorable IPO investment opportunities in the future.

Interest Rate

Interest rate changes can be sudden and unpredictable, and are influenced by a number of factors including government policy, monetary policy, inflation expectations, perceptions of risk, and supply and demand of bonds. Changes in government monetary policy, including changes in tax policy or changes in a central bank's implementation of specific policy goals, may have a substantial impact on interest rates. There can be no guarantee that any particular government or central bank policy will be continued, discontinued or changed nor that any such policy will have the desired effect on interest rates. Debt securities generally tend to lose market value when interest rates rise and increase in value when interest rates fall. A rise in interest rates also has the potential to cause investors to rapidly move out of fixed-income securities, which may increase redemptions in a fund. A substantial increase in interest rates may also have an adverse impact on the liquidity of a security, especially those with longer maturities. Securities with longer maturities or lower coupons or that make little (or no) interest payments before maturity tend to be more sensitive to these interest rate changes. The longer a fund's average weighted portfolio maturity, the greater the impact a change in interest rates will have on its share price.

Investing in Exchange-Traded Funds ("ETFs")

Investing in an ETF may be more costly than if a Trust Portfolio, or a mutual fund within a Trust Portfolio that invests in an ETF, had owned the underlying securities directly. A Trust Portfolio or mutual fund that invests in ETFs, and indirectly, Account Owners whose contributions are invested in the applicable Trust Portfolio or mutual fund, bear a proportionate share of the ETF's expenses, which include management and advisory fees and other expenses. A Trust Portfolio or mutual fund that invests in ETFs also pays brokerage commissions in connection with the purchase and sale of shares of ETFs. In addition, a Trust Portfolio or mutual fund's investment in ETFs may subject the applicable Trust Portfolio to additional risks than if the Trust Portfolio or the mutual fund in which such Trust Portfolio invests had invested directly in the ETFs' underlying securities. These risks include the possibility that an ETF may experience a lack of liquidity that can result in greater volatility than its underlying securities, an ETF may trade at a premium or discount to its net asset value. or an investment in an ETF may not achieve its intended purpose or may reduce the diversification benefits to a Trust Portfolio or mutual fund.

Investing Style

A fund investment manager's investment selection process may focus on growth-oriented companies and incorporate value-oriented analysis. Such a strategy may result in investments in both growth and value stocks, or in stocks with characteristics of both. Growth stock prices reflect projections of future earnings or revenues and can fall dramatically if the company fails to meet those projections. With respect to value stocks, if other investors fail to recognize the company's value, or favor investing in faster-growing companies, value stocks may not increase in value as anticipated by the fund's investment manager or may decline even further.

Issuer

The performance of a fund depends on the performance of individual securities to which a fund has exposure. Any issuer of these securities may perform poorly, causing the value of its securities to decline. Poor performance may be caused by poor management decisions, competitive pressures, changes in technology, expiration of patent protection, disruptions in supply, labor problems or shortages, corporate restructurings, fraudulent disclosures or other factors. Issuers may, in times of distress or at their own discretion, decide to reduce or eliminate dividends, which may also cause their stock prices to decline.

Liquidity (other than money funds)

Liquidity risk exists when the markets for particular securities or types of securities are or become relatively illiquid so that a fund is unable, or it becomes more difficult for the fund, to sell the security at the price at which the fund has valued the security. Illiquidity may result from political, economic or issuer-specific events or overall market disruptions. Securities with reduced liquidity or that become illiquid involve greater risk than securities with more liquid markets. Market quotations for such securities may be volatile and/or subject to large spreads between bid and ask prices. Reduced liquidity may have an adverse impact on market price and the fund's ability to sell particular securities when necessary to meet the fund's liquidity needs or in response to a specific economic event.

Liquidity (money fund only)

Liquidity risk exists when the markets for particular securities or types of securities are or become relatively illiquid so that a fund is unable or it becomes more difficult for the fund to sell the security at the price at which the fund has valued the security. Illiquidity may result from political, economic or issuer-specific events or overall market disruptions. Securities with reduced liquidity or that become illiquid involve greater risk than securities with more liquid markets. While a fund endeavors to maintain a high level of liquidity in its portfolio, the liquidity of portfolio securities can deteriorate rapidly due to credit events affecting issuers or guarantors or due to general market conditions and a lack of willing buyers. When there is no willing buyer and investments cannot be readily sold at the desired time or price, a fund may have to accept a lower price or may not be able to sell the instrument at all. An inability to sell one or more portfolio positions can adversely affect a fund's ability to maintain a $1.00 share price or prevent the fund from being able to take advantage of other investment opportunities.

Lower-Rated Securities and Lower-Rated Debt Securities – see "High-Yield Debt Securities"

Management

Funds that are actively managed and could experience losses if the investment manager's judgments about markets, interest rates or the attractiveness, relative values, liquidity, or potential appreciation of particular investments made for the fund's portfolio prove to be incorrect. There can be no guarantee that these techniques or the investment manager's investment decisions will produce the desired results. Additionally, legislative, regulatory, or tax developments may affect the investment techniques available to the investment manager in connection with managing a fund and may also adversely affect the ability of the fund to achieve its investment goal.

Market

The market values of securities owned by a fund will go up or down, sometimes rapidly or unpredictably. Securities or other investments may decline in value due to factors affecting individual issuers, securities markets generally or sectors within the securities markets. The value of a security may go up or down due to general market conditions which are not specifically related to a particular issuer, such as real or perceived adverse economic conditions, changes in interest rates or exchange rates, or adverse investor sentiment generally. They may also go up or down due to factors that affect an individual issuer or a particular sector. During a general downturn in the securities markets, multiple asset classes may decline in value. When markets perform well, there can be no assurance that securities held by a fund will participate in or otherwise benefit from the advance. Stock prices tend to go up and down more dramatically than those of debt securities. A slower-growth or recessionary economic environment could have an adverse effect on the prices of the various stocks held by a fund.

Market Trading Risk

A fund faces numerous market trading risks, including the potential lack of an active market for fund shares, losses from trading in secondary markets, periods of high volatility and disruption in the creation/redemption process of a fund. Any of these factors, among others, may lead to a fund's shares trading at a premium or discount to NAV.

Master/Feeder Structure

A fund (the "feeder fund") may seek to achieve its investment goal by investing all of its assets in shares of another fund (the "master fund"). The master fund has the same investment goal and policies as the feeder fund. The feeder fund buys shares of the master fund at net asset value. An investment in the feeder fund is an indirect investment in the master fund. It is possible that the feeder fund may have to withdraw its investment in the master fund if the master fund changes its investment goal or if the feeder fund's board of trustees, at any time, considers it to be in the feeder fund's best interest.

Merger Arbitrage Securities and Distressed Companies

A merger or other restructuring, or a tender or exchange offer, proposed or pending at the time the Fund invests in merger arbitrage securities may not be completed on the terms or within the time frame contemplated, which may result in losses to a fund. Debt obligations of distressed companies typically are unrated, lower-rated, in default or close to default. Also, securities of distressed companies are generally more likely to become worthless than the securities of more financially stable companies.

Mortgage Dollar Rolls

In a mortgage dollar roll, a fund takes the risk that the market price of the mortgage-backed securities will drop below their future purchase price. A fund also takes the risk that the mortgage-backed securities that it repurchases at a later date will have less favorable market characteristics than the securities originally sold (e.g., greater prepayment risk). When a fund uses a mortgage dollar roll, it is also subject to the risk that the other party to the agreement will not be able to perform. Mortgage dollar rolls add leverage to a fund's portfolio and increase the fund's sensitivity to interest rate changes. In addition, investment in mortgage dollar rolls may increase a fund's portfolio turnover rate.

Mortgage Securities, Mortgage-Backed Securities and Asset-Backed Securities

Mortgage-backed securities differ from conventional debt securities because principal is paid back over the life of the security rather than at maturity. A fund may receive unscheduled prepayments of principal due to voluntary prepayments, refinancing or foreclosure on the underlying mortgage loans. To a fund, this means a loss of anticipated interest and a portion of its principal investment represented by any premium the fund may have paid. Mortgage prepayments generally increase when interest rates fall. Because of prepayments, mortgage-backed securities may be less effective than some other types of debt securities as a means of "locking in" long-term interest rates and may have less potential for capital appreciation during periods of falling interest rates. When a fund reinvests the prepayments of principal it receives, it may receive a rate of interest that is lower than the rate on the existing security.

Mortgage-backed securities also are subject to extension risk. An unexpected rise in interest rates could reduce the rate of prepayments on mortgage-backed securities and extend their lives. This could cause the price of the mortgage-backed securities and a fund's share price to fall and would make the mortgage-backed securities more sensitive to interest rate changes.

In September 2008, the Federal Housing Finance Agency (FHFA), an agency of the U.S. government, placed Fannie Mae and Freddie Mac into conservatorship, a statutory process with the objective of returning the entities to normal business operations. FHFA acts as the conservator to operate Fannie Mae and Freddie Mac until they are stabilized. It is unclear how long the conservatorship will last or what effect this conservatorship will have on the securities issued or guaranteed by Fannie Mae or Freddie Mac for the long term.

Issuers of asset-backed securities may have limited ability to enforce the security interest in the underlying assets, and credit enhancements provided to support the securities, if any, may be inadequate to protect investors in the event of default. Like mortgage-backed securities, asset-backed securities are subject to prepayment and extension risks.

Non-Diversification

A fund that is "non-diversified" may invest a greater portion of its assets in the securities of one or more issuers and may invest overall in a smaller number of issuers than a diversified fund. Such a fund may be more sensitive to a single economic, business, political, regulatory or other occurrence than a more diversified portfolio might be, which may result in greater fluctuation in the value of the fund's shares and to a greater risk of loss.

Passive Investment Risk

A fund is not actively managed and may be affected by a general decline in market segments related to the Underlying Index. A fund invests in securities included in, or representative of, the Underlying Index, regardless of their investment merits. A fund's investment manager generally does not attempt to take defensive positions under any market conditions, including declining markets.

Portfolio Turnover

A fund investment manager will sell a security when it believes it is appropriate to do so, regardless of how long the fund has held the security. Because of the anticipated use of certain investment strategies, a fund's turnover rate may exceed 100% per year. The rate of portfolio turnover will not be a limiting factor for a fund investment manager in making decisions on when to buy or sell securities, including entering into mortgage dollar rolls. High turnover will increase a fund's transaction costs.

Possible Regulatory Changes

The Securities and Exchange Commission ("SEC") or another agency may adopt regulations that change in very important respects the operation of money market funds, including a fund in which a Trust Portfolio invests or in which such a fund invests. Any such regulatory changes could impact important characteristics of a money market fund, including liquidity of an investment in the fund and the fund's ability to maintain a stable net asset value per share. These changes may result in reduced yields from money market funds. In July 2014, the SEC adopted regulations that, following a two-year transition period, require certain institutional money market funds to have a floating net asset value instead of using an amortized cost methodology to adhere to a $1.00 net asset value.

Prepayment

Debt securities are subject to prepayment risk when the issuer can "call" the security, or repay principal, in whole or in part, prior to the security's maturity. When a fund reinvests the prepayments of principal it receives, it may receive a rate of interest that is lower than the rate on the existing security, potentially lowering the fund's income, yield and its distributions to shareholders. Securities subject to prepayment may offer less potential for gains during a declining interest rate environment and have greater price volatility. Prepayment risk is greater in periods of falling interest rates.

Repurchase Agreements

A repurchase agreement exposes a fund to the risk that the party that sells the securities may default on its obligation to repurchase them.

Risk Associated with a Fund Holding Cash

Although a fund seeks to be fully invested, it may at times hold some of its assets in cash, which may hurt the fund's performance.

Risk of Investing in the United States

A fund has significant exposure to U.S. issuers. Decreasing imports or exports, changes in trade regulations and/or an economic recession in the United States may have a material adverse effect on the U.S. economy and the securities listed on U.S. exchanges. The financial crisis that began in 2007 caused a significant decline in the value and liquidity of issuers in the United States. Policy and legislative changes in the United States are changing many aspects of financial and other regulation and may have a significant effect on the U.S. markets generally, as well as the value of certain securities. In addition, a continued rise in the U.S. public debt level or U.S. austerity measures may adversely affect U.S. economic growth and the securities to which a fund has exposure.

Sector Focus – see "Focus/Sector Focus"

Securities Lending

A fund may engage in securities lending. Securities lending involves the risk that a fund may lose money because the borrower of the loaned securities fails to return the securities in a timely manner or at all. A fund could also lose money in the event of a decline in the value of the collateral provided for the loaned securities or a decline in the value of any investments made with cash collateral. These events could also trigger adverse tax consequences for a fund.

Smaller Companies

While investments in smaller companies may offer substantial opportunities for capital growth, they also involve substantial risks and should be considered speculative. Historically, securities issued by smaller companies have been more volatile in price than larger company securities, especially over the short term. Among the reasons for the greater price volatility are the less certain growth prospects of smaller companies, the lower degree of liquidity in the markets for such securities, and the greater sensitivity of smaller companies to changing economic conditions.

In addition, smaller companies may lack depth of management, be unable to generate funds necessary for growth or development, have limited product lines or be developing or marketing new products or services for which markets are not yet established and may never become established. Smaller companies may be particularly affected by interest rate increases, as they may find it more difficult to borrow money to continue or expand operations, or may have difficulty in repaying any loans which are floating rate.

Smaller and Midsize Companies

While smaller and midsize companies may offer substantial opportunities for capital growth, they also involve substantial risks and should be considered speculative. Historically, smaller and midsize company securities have been more volatile in price than larger company securities, especially over the short term. Among the reasons for the greater price volatility are the less certain growth prospects of smaller and midsize companies, the lower degree of liquidity in the markets for such securities, and the greater sensitivity of smaller and midsize companies to changing economic conditions.

In addition, smaller and midsize companies may lack depth of management, be unable to generate funds necessary for growth or development, have limited product lines or be developing or marketing new products or services for which markets are not yet established and may never become established. Smaller and midsize companies may be particularly affected by interest rate increases, as they may find it more difficult to borrow money to continue or expand operations, or may have difficulty in repaying any loans which are floating rate.

Tracking Error

Tracking error is the divergence of a fund's performance from that of the Underlying Index. Tracking error may occur because of differences between the securities held in a fund's portfolio and those included in the Underlying Index, pricing differences, transaction costs, a fund holding uninvested cash, differences in timing of the accrual of dividends, changes to the Underlying Index or the costs of complying with various new or existing regulatory requirements. This risk may be heightened during times of increased market volatility or other unusual market conditions. Tracking error also may result because a fund incurs fees and expenses, while the Underlying Index does not.

U.S. Government Securities

Not all obligations of the U.S. Government, its agencies and instrumentalities are backed by the full faith and credit of the U.S. Treasury. Some obligations are backed only by the credit of the issuing agency or instrumentality, and in some cases there may be some risk of default by the issuer. Any guarantee by the U.S. Government or its agencies or instrumentalities of a security held by a fund does not apply to the market value of such security or to shares of the fund itself. A security backed by the U.S. Treasury or the full faith and credit of the United States is guaranteed only as to the timely payment of interest and principal when held to maturity.

Unrated Debt Securities

A fund is also subject to risks when investing in securities or issuers for which credit ratings have not been published. Unrated debt securities determined by the investment manager to be of comparable quality to rated securities which a fund may purchase may pay a higher interest rate than such rated debt securities and be subject to a greater risk of illiquidity or price changes. Less public information is typically available about unrated securities or issuers.

Utilities Industry Emphasis

Utility company equity securities, which are generally purchased for their dividend yield, historically have been sensitive to interest rate movements: when interest rates have risen, the stock prices of these companies have tended to fall. In some states, utility companies and their rates are regulated; other states have moved to deregulate such companies, thereby causing non-regulated companies' returns to generally be more volatile and more sensitive to changes in revenue and earnings. Certain utilities companies face risks associated with the operation of nuclear facilities for electric generation, including, among other considerations, litigation, the problems associated with the use of radioactive materials and the effects of natural or man-made disasters. In general, all utility companies may face additional regulation and litigation regarding their power plant operations; increased costs from new or greater regulation of these operations; the need to purchase expensive emissions control equipment or new operations due to regulations; and the availability and cost of fuel, all of which may lower their earnings.

The performance of a fund that invests significantly in public utility companies may be closely tied to conditions affecting the public utilities industry. These conditions may change rapidly. Regulatory changes in certain states have led to greater competition in the industry and the emergence of non-regulated providers as a significant part of the industry, and could impact the operations of regulated providers and increase cost of compliance. While regulated providers tend to have regulated returns, non-regulated providers' returns are not regulated and generally are more volatile. These developments have reduced stability of cash flows in those states with non-regulated providers and could impact the short-term earnings potential of some in this industry. These trends have also made shares of some utility companies less sensitive to interest rate changes but more sensitive to changes in revenue and earnings and caused them to reduce the ratio of their earnings they pay out as dividends.

In addition, the industry is subject to a variety of risks specific to this industry: utilities may find it difficult to obtain adequate returns on invested capital in spite of rate increases or because rate increases become increasingly difficult to obtain; they may face difficulty in financing large construction programs during inflationary and rising interest rate periods; utilities are subject to many restrictions on operations and increased costs due to environmental and safety regulations; utilities may face difficulties in obtaining fuel sources, such as coal, for electric generation at reasonable prices; utilities may face risks associated with the operation of nuclear power plants (including litigation, issues associated with the use of radioactive materials and the effects of natural or man-made disasters); utilities may face greater demands in providing reliable service with the increasing complexity of the power grid; utilities also may be subject to adverse effects of the results of energy conservation programs as well as other factors affecting the level of demand for services. State and other regulators monitor and control utility revenues and costs, and therefore may limit utility profits and dividends paid to investors. Regulatory authorities also may restrict a utility company's access to new markets, thereby diminishing the company's long-term prospects.

Value/Value-Style Investing

Value securities may not increase in price as anticipated by the investment manager, and may even decline further in value, if other investors fail to recognize the company's value, or favor investing in faster-growing companies, or if the events or factors that the investment manager believes will increase a security's market value do not occur.

A fund's bargain-driven focus may result in the fund choosing securities that are not widely followed by other investors. Securities that are considered "cheaply" priced also may include those of companies reporting poor earnings, companies whose share prices have declined sharply (such as growth companies that have recently stumbled to levels considered "cheap" in the investment manager's opinion), turnarounds, cyclical companies, or companies emerging from bankruptcy, all of which may have a higher risk of being ignored or rejected, and therefore undervalued, by the market or decreasing further in value.

Variable Rate Securities

Variable rate securities (which include floating rate debt securities) generally are less sensitive to interest rate changes than fixed rate debt securities. However, the market value of variable rate debt securities may decline when prevailing interest rates rise if their interest rates do not rise as much, or as quickly, as interest rates in general. Conversely, variable rate securities will not generally increase in market value if interest rates decline. However, when interest rates fall, there will be a reduction in the payments of interest received by a fund from its variable rate securities.

The net asset value of a fund may decline during periods of rising interest rates until the interest rates on these securities reset to market rates. You could lose money if you sell your shares of a fund before these rates reset.

When-Issued and Delayed Delivery Transactions

Mortgage-backed securities may be issued on a when-issued or delayed delivery basis, where payment and delivery take place at a future date. Since the market price of the security may fluctuate during the time before payment and delivery, a fund assumes the risk that the value of the security at delivery may be more or less than the purchase price.

Variability in Underlying Investments in Trust Portfolios

The Investment Policy for most of the Trust Portfolios (other than the Individual Portfolios) provides the Investment Manager with flexibility as to the particular mutual funds in which assets of the applicable Trust Portfolio allocated to a particular asset class are invested from time to time, permits the Investment Manager to use ETFs instead of or in addition to mutual funds from time to time and permits the Investment Manager to vary the allocations to particular mutual funds or ETFs within any applicable asset class targets for the applicable Trust Portfolio. Accordingly, the specific underlying investments, and the portion of a Trust Portfolio allocated to a specific underlying investment, may vary from time to time, and may vary from the composition of the Trust Portfolio during any period for which historical performance or projected expense information is provided in this Investor Handbook. Past performance should not be viewed as predictive of future results even if the underlying investments remain unchanged from period to period, and particularly so when the underlying investments differ or may differ from those in effect during any applicable historic performance period. Similarly, projected expenses based on a weighting of the historic expenses of a Trust Portfolio's underlying investments as of a particular date should not be viewed as predictive of future expenses, particularly so when the specific underlying investments during any future period and their weighting within the Trust Portfolio differ or may differ from those on which the projected expenses were based.

Change in Investment Policy, Program Manager or Investment Manager

Each Investment Option must be invested in accordance with the Investment Policy. HESAA may change the Investment Policy applicable to the Program at any time, with the approval of the Division of Investment and subject to the provisions of HESAA's contract with FTDI. In addition, the Services Agreement, under which investment management, administrative, distribution and marketing services for the Program are provided, expires in March 2021. There can be no assurance that HESAA and FTDI will renew the Services Agreement after its term, and under certain circumstances, either HESAA or FTDI may terminate the Services Agreement prior to its expiration date. You do not control the investment instruments or asset allocation selected by the Program under each Investment Option. The specific investment instruments in which the assets that determine the value of your Account are invested, as well as the allocation among asset categories, are subject to change without the consent of Account Owners, and HESAA is not obligated to continue investing in investment instruments selected by Franklin Mutual Advisers or in investment companies sponsored or managed by affiliates of Franklin Templeton. HESAA may eliminate, consolidate or otherwise change Investment Options without the consent of Account Owners. Regardless of whether FTDI or another entity is the Program Manager, the fee structure for the Program Manager may change during the term of your Account. In the event that a Program Manager fee structure that is more favorable to Account Owners were to be implemented in the future, it might be necessary for existing Account Owners to open new Program Accounts to take advantage of such structure with respect to new contributions or existing Program Account balances. If the Investment Policy, the Program Manager, the Investment Manager or the fee structure changes during the term of your Program Account in a way that is not to your liking, you may choose to withdraw the assets in your Program Account, but any earnings you withdraw from the Account generally will be subject to income tax and to an additional federal income tax of 10% of earnings unless you reinvest the withdrawn amount through a Rollover Distribution in compliance with federal requirements. In addition, any such withdrawal may be subject to charges assessed in connection with the withdrawal. See "Fees and Expenses."

Restriction on Changes among Investment Options

Federal tax rules restrict the frequency of the reallocation of Account balances among the Investment Options. In accordance with an announcement by the IRS, an Account Owner may reallocate assets in a Program Account among Investment Options once per calendar year, or in connection with a change of the Beneficiary of the Account. If an Account Owner has more than one Program Account for the same Beneficiary, all reallocations of assets among the Investment Options in all such Program Accounts must occur on the same day of the applicable calendar year, with the exception of reallocations in connection with a change of the Beneficiary of the applicable Program Account. Unless reallocated in accordance with the provisions described above, amounts in your Account invested under a particular Investment Option must remain invested under that Investment Option until withdrawn from the Program, even if at some point prior to withdrawal you would prefer to switch such assets to another Investment Option.

Financial Aid

Federal Financial Aid

Being the Account Owner or Beneficiary of an Account may impact eligibility for financial aid. If the Account Owner is the student's parent, the available balance may be treated as a parental asset, as is the case with other financial assets of the parent that are considered in determining federal financial aid eligibility. As a general matter, a smaller percentage of such parental assets (under current law, a maximum of 5.64%) than

of student assets (under current law, 20%) is deemed available to the student, and accordingly parental assets generally have a lesser impact than student assets for purposes of determining federal financial aid eligibility. If a dependent student is the Account Owner, whether through an UTMA/UGMA custodian or directly, the available balance in the Account is treated as a parental asset. If an independent student is the Account Owner, whether through an UTMA/UGMA custodian or directly, the available balance in the Account is treated as a student asset. Assets in an Account not owned by the applicable student or the student's parent (such as non-UTMA/UGMA accounts opened by a grandparent as Account Owner) generally are not considered in the student's need analysis for federal financial aid purposes. Being the Account Owner or Beneficiary of an Account may impact eligibility for non-federal financial aid opportunities. You should consult a financial aid advisor for further information on your particular circumstances.

New Jersey Financial Aid

The Act provides that an amount to be annually determined by HESAA, which shall not be less than $25,000, of all Program Accounts shall be excluded from consideration in evaluating the financial need of a Beneficiary for the purpose of determining the eligibility of a Beneficiary for any scholarship, grant or monetary assistance awarded by the State. The currently applicable amount is $25,000. The Beneficiary may be required to verify the dollar amount in the Program Account(s) to the satisfaction of the entity or agency awarding the State funds. You should consult with your financial aid advisor to determine the impact of an Account on financial aid in another state.

Tax Risks

The federal and state tax benefits and related tax implications of an investment in an Account depend on qualification of the Program as a "qualified tuition program" within the meaning of Section 529. Section 529 sets forth numerous requirements and the Program has been designed to comply with these requirements as understood by HESAA. HESAA has not obtained a private letter ruling from the IRS determining that the Program satisfies the requirements of Section 529. The United States Treasury Department (the "Treasury Department") has published proposed regulations under Section 529, but those regulations do not provide guidance on various changes to Section 529 implemented by the 2001 Tax Act. Final regulations have not been issued. The Treasury Department also has published certain notices that may be relied upon pending issuance of final regulations, concerning investment reallocations affecting amounts contributed to a qualified tuition program and certain other matters arising under Section 529. On January 17, 2008, the Treasury Department released an advance notice of proposed rulemaking (the "2008 Advance Notice") relating to qualified tuition programs under Section 529. The 2008 Advance Notice indicated that the Treasury Department intends to repropose the initial Section 529 regulations proposed in 1998. The reproposed regulations have not yet been published, and although the 2008 Advance Notice indicated certain changes and clarifications that will be included in the reproposed regulations, the exact content of the new proposed regulations, and the ultimate content of the final regulations, is not known. The reproposed regulations could limit or require changes to, and affect tax consequences of, certain features of the Program described in this Investor Handbook.

HESAA and the Program Manager intend to modify the Program from time to time in accordance with applicable federal tax law and administrative guidance to maintain Program compliance with the requirements of Section 529. There can be no assurance, however, that the IRS or any state tax regulator will agree that the Program, in its current form or as it may be modified, satisfies the current and any future requirements of Section 529 or that, if challenged by the IRS or a state tax regulator, the status of the Program as a qualified tuition program under Section 529 would be sustained in court. If the Program as currently structured or as subsequently modified does not meet the requirements of Section 529 for any reason, the tax consequences to Account Owners, Third-Party Contributors and Beneficiaries are uncertain and it is possible that Account Owners or Beneficiaries could become subject to taxes on undistributed earnings in their Accounts as well as to other adverse tax consequences. In addition, changes in the law governing any of the federal or state tax consequences described in this Investor Handbook might require material changes to the Program for the anticipated tax consequences to apply, or might change the federal or state tax consequences from those described in this Investor Handbook.

None of the Program, the State, HESAA, the Division of Investment, the Investment Manager or any other party assumes any responsibility for the tax treatment of any withdrawal from an Account or for the adequacy of the documentation obtained and maintained by an Account Owner or Beneficiary to support favorable federal and state tax treatment. It is the responsibility of the Account Owner and the Beneficiary to identify, obtain and retain such documentation. HESAA and the Program Record-Keeper reserve the right to report the earnings components of all withdrawals from an Account without characterizing the purpose of the withdrawals or the treatment of such earnings for federal or state income tax purposes, except as may be required by applicable federal tax requirements. See "Tax Information" for more information.

Program Changes

HESAA may change the terms and conditions of the Program without the consent of the Account Owners or Beneficiaries to the extent required to achieve or preserve the Program's status as a "qualified tuition program" or to the extent otherwise deemed necessary or appropriate by HESAA. Such changes may impose additional requirements on your participation in the Program, limit the flexibility of the Program or otherwise change terms and conditions of the Program that you consider important. Although the consent of the Account Owners or Beneficiaries to such changes is not required, if the Account Owner does not wish to continue participating in the Program after such changes, under current law, the Account Owner has the ability to transfer the Account balance to another qualified tuition program through a Rollover Distribution. See "Withdrawals – Non-Qualified Distributions – Rollover Distributions."

Amount of and Inflation in Qualified Higher Education Expenses

Even if the balance in your Account has reached the Maximum Contribution Limit, the Account may not be sufficient to pay the Beneficiary's qualified higher education expenses. This could be the case if the Beneficiary attends Eligible Educational Institutions at which the qualified higher education expenses of students for the period of attendance by the Beneficiary are greater than the Maximum Contribution Limit plus the earnings thereon in the Account. In addition, the level of future inflation in qualified higher education expenses is uncertain. In the recent past, qualified higher education expenses often have grown at a rate which substantially exceeds the rate of return on many investments, including investments similar to the Investment Options, as well as the rate of increase in the general cost of living. The rate of future increases in qualified higher education expenses over any period could exceed the rate of investment return earned by any or all the Investment Options over the corresponding periods.

Non-Use by Beneficiary of Account for Qualified Higher Education Expenses

If the Beneficiary of an Account (or any successor Beneficiary you may designate) does not apply for admission to attend any Eligible Educational Institution, is not accepted for admission to an Eligible Educational Institution, does not achieve satisfactory academic performance or is otherwise not permitted to continue to attend an Eligible Educational Institution, or otherwise does not need all or a portion of the balance in the Account to pay for qualified higher education expenses then, except in the case of a Rollover Distribution to an account in a qualified tuition program for a member of the family of the Beneficiary, the earnings portion of amounts withdrawn from the Account would be subject to federal income tax and, unless the withdrawal is due to the Beneficiary's permanent disability paid to the Beneficiary's estate upon death of the Beneficiary, or on account of a qualified scholarship awarded to the Beneficiary or attendance by the Beneficiary at a U.S. military academy, a 10% additional federal income tax. State and local income taxes may also be applicable to the withdrawn earnings.

Risks Related to Illiquidity

Investment in the Program involves the risk of reduced liquidity of the amounts invested. The circumstances under which funds may be withdrawn from the Account without a tax penalty are limited. See "Withdrawals" for further information about these restrictions. Besides these restrictions, you may not assign or pledge any part of an Account as security for a loan or otherwise.

Impact on Medicaid Eligibility and Other Non-Educational Benefits

Account Owners and Third-Party Contributors should be aware that ownership of an Account in the Program could have an impact on eligibility for Medicaid and other federal and state non-educational benefits. Although the result may vary from state to state, assets in your Account may be considered available assets for determining eligibility. You should consult qualified financial and tax advisors for advice on your particular situation.

Alternative Investment Products

A variety of other savings and investment products are available to parents and other persons who wish to provide for the future payment of tuition and other higher education costs for their children or other beneficiaries. There are substantial differences in the structure, benefits, tax treatment, risks and liquidity provided by each such product, and the appropriateness of any such product, and the relative benefits of investing in any particular product, may depend on the product, the individual, the time frame and other factors. No assurance can be provided that the performance of investments in the Program in general or for any specific Account Owner or Beneficiary will compare favorably with existing alternative savings and investment products or ones that may be developed in the future. You may wish to consider other currently available and proposed investment alternatives before establishing or making additional contributions to an Account and from time to time thereafter.

Fees and Expenses

Each of the mutual funds and ETFs in which the Trust may invest assets contributed under an Investment Option charges investment management fees and other expenses. These fees and expenses are taken into account in valuing the mutual fund shares or ETF shares owned by the applicable Trust Portfolio and accordingly indirectly affect the investment returns on amounts invested under the applicable Investment Option. In addition, there may be brokerage fees associated with the purchase or sale of ETFs that also affect the investment return on amounts invested under the applicable Investment Option.

In addition, the Program currently charges a Program management fee of 25 basis points (0.25 percent) per annum assessed daily against the assets of each Trust Portfolio except the Franklin Money 529 Portfolio; though that fee is currently not imposed for the Franklin Money 529 Portfolio, it may be imposed in whole or in part at any time, increasing expenses and reducing performance. The Program management fee is used to pay for the services of FTDI, Franklin Mutual Advisers and other FTDI affiliates under the Services Agreement, as well as to pay HESAA for its services in connection with the Program. The Program management fee is subject to change by HESAA.

Investments made through the purchase of Class A Trust Shares, Class B Trust Shares or Class C Trust Shares also are subject to sales charges (including annual "trailing fees" and either initial sales charges or contingent deferred sales charges) as described below except that currently no sales charges are applicable to purchases of Trust Shares in the Franklin Money 529 Portfolio. The contingent deferred sales charge imposed on certain withdrawals of amounts invested in an Account in Class A, Class B or Class C during the periods described under "Fees and Expenses – Class A," "Fees and Expenses – Class B" and "Fees and Expenses – Class C" will be assessed in the case of all distributions, including Qualified Distributions and all Non-Qualified Distributions, including Rollover Distributions, unless the Rollover Distribution is a direct transfer to another Account in the Program invested in the same class of Trust Shares as the Account from which the distribution was made.

Considerations Relating to Classes A, B and C

Account Owners who are considering directing that contributions to their Accounts be applied to the purchase of Class A Trust Shares, Class B Trust Shares (available only to Account Owners exchanging Class B Trust Shares in a different Trust Portfolio that were acquired prior to April 1, 2012) or Class C Trust Shares (referred to herein as contributions under Class A, Class B or Class C) should take into consideration the age of the Beneficiary, the period of time during which such contribution is likely to remain invested in the Account and the charges and fees applicable to each structure, including any available waiver or reduction of the initial sales charge for Class A Trust Shares. While a variety of factors may influence the relative impact of the fees and charges imposed under each fee structure on the investment return on contributions to an Account, as a general matter, Class A or Class B may be more cost-effective than Class C for longer-term investments, Class C may be more cost-effective than Class A or Class B for shorter-term investments, and, if the transaction qualifies for a waiver of the initial sales charge on Class A Trust Shares, Class A is more cost-effective than Class B or Class C. Please consult with your Financial Advisor as to the fee structure that may be most appropriate for you in light of the anticipated duration of the investment and any available waiver or reduction of the initial sales charge on Class A Trust Shares. Please note that, as described under the heading "Class A" below, contributions resulting from a rollover of assets from another qualified tuition program are eligible for a waiver of the initial sales charge on Class A Trust Shares (a "Rollover Waiver"), but that such waiver of the initial sales charge is available only if: (i) the Financial Advisor through which the Trust Shares are purchased has informed FTDI of its election to participate in the offering of Class A Trust Shares with a Rollover Waiver; or (ii) the rollover is to an Account established with FTDI without use of a third-party Financial Advisor. If you are considering such a rollover, you should consult with your Financial Advisor as to the availability of a waiver of the initial sales charge.

Please note that all contributions to an Account must be invested under the same class. Accordingly, once you select a particular class for an Account, you will be required to open a new Account if you subsequently decide to make contributions under a different Class.

Account Owners may direct that contributions to their Accounts be applied to the purchase of Class C Trust Shares only for Accounts for which they have appointed a Financial Advisor of record. Account Owners who have not appointed a Financial Advisor of record for Accounts already investing in Class C Trust Shares may not make additional contributions to those Accounts.

All contributions directed to Accounts investing in Class B Trust Shares, or to Accounts investing in Class C Trust Shares that do not have a Financial Advisor of record, will be returned to the Account Owner pending further instruction.

The Fees and Expenses Chart below includes, for each Trust Portfolio, annual asset-based fees assessed by the Program and additional investor expenses. It also includes estimated expenses assessed by the underlying investments of the applicable Trust Portfolio. Such estimated expenses are based on the expenses associated with the Trust Portfolio's underlying investments reported in the applicable fund's most recent publicly available financial statements as of August 31, 2014. For a Trust Portfolio with multiple underlying investments, the estimated underlying expenses are weighted in accordance with each applicable underlying investment's average monthly percentage of the aggregate value of the underlying investments in the applicable Trust Portfolio for the 12-month period ended August 31, 2014. Such reported expenses and weighting in accordance with each applicable underlying investment's percentage of the aggregate value of the underlying investments in the applicable Trust Portfolio as of August 31, 2014, also are used in the "Approximate Cost of a $10,000 Investment" table immediately following the Fees and Expenses Chart. It should be noted that, effective April 5, 2013, the Investment Policy for most of the Trust Portfolios (other than the Individual Portfolios) was revised to provide the Investment Manager with greater flexibility as to the particular mutual funds in which assets of the applicable Trust Portfolio allocated to a particular asset class are invested from time to time, to permit the Investment Manager to use ETFs instead of or in addition to mutual funds from time to time, and to permit the Investment Manager to vary the allocations to particular mutual funds or ETFs within any applicable asset class targets for the applicable Trust Portfolio. Accordingly, the specific underlying investments, and the portion of a Trust Portfolio allocated to a specific underlying investment, may vary from time to time, and may vary from the composition of the Trust Portfolio on which the estimated expense information in the tables below is based. Any such variation could increase or decrease the actual underlying investment expenses affecting the applicable Trust Portfolio in comparison to the estimated underlying expenses and could increase or decrease the cost of a $10,000 investment from the amount shown below. In addition, the actual expenses of an underlying investment may differ from those in the financial statements for any period that does not coincide with the period reported on by such financial statements.

Fees and Expenses Chart

CLASS A		Annual Asset-Based Fees			Additional Investor Expenses	
Investment Option	Estimated Underlying Fund Expenses[1]	Program Management Fee	Annual Sales Fee	Total Annual Asset-Based Fees[2]	Maximum Initial Sales Charge[3]	Maximum Deferred Sales Charge[4]
OBJECTIVE-BASED ASSET ALLOCATIONS						
Franklin Founding Funds 529 Portfolio	0.63%	0.25%	0.25%	1.13%	5.75%	None
Franklin Corefolio® 529 Portfolio	0.70%	0.25%	0.25%	1.20%	5.75%	None
Franklin Growth Allocation 529 Portfolio	0.81%	0.25%	0.25%	1.31%	5.75%	None
Franklin Growth & Income Allocation 529 Portfolio	0.68%	0.25%	0.25%	1.18%	5.75%	None
Franklin Income Allocation 529 Portfolio	0.54%	0.25%	0.25%	1.04%	4.25%	None
AGE-BASED ALLOCATIONS						
Franklin Age-Based Growth Allocations						
Newborn–8 years	0.81%	0.25%	0.25%	1.31%	5.75%	None
Age 9–12 years	0.69%	0.25%	0.25%	1.19%	5.75%	None
Age 13–16 years	0.67%	0.25%	0.25%	1.17%	5.75%	None
Age 17+ years	0.62%	0.25%	0.25%	1.12%	5.75%	None
Franklin Age-Based Moderate Allocations						
Newborn–8 years	0.74%	0.25%	0.25%	1.24%	5.75%	None
Age 9–12 years	0.68%	0.25%	0.25%	1.18%	5.75%	None
Age 13–16 years	0.60%	0.25%	0.25%	1.10%	5.75%	None
Age 17+ years	0.54%	0.25%	0.25%	1.04%	5.75%	None
Franklin Age-Based Conservative Allocations						
Newborn–8 years	0.69%	0.25%	0.25%	1.19%	5.75%	None
Age 9–12 years	0.62%	0.25%	0.25%	1.12%	5.75%	None
Age 13–16 years	0.53%	0.25%	0.25%	1.03%	5.75%	None
Age 17+ years	0.31%	0.25%	0.25%	0.81%	5.75%	None

CLASS A		Annual Asset-Based Fees			Additional Investor Expenses	
Investment Option	Estimated Underlying Fund Expenses[1]	Program Management Fee	Annual Sales Fee	Total Annual Asset-Based Fees[2]	Maximum Initial Sales Charge[3]	Maximum Deferred Sales Charge[4]
INDIVIDUAL PORTFOLIOS						
Global						
Franklin Mutual Global Discovery Fund 529 Portfolio	0.97%	0.25%	0.25%	1.47%	5.75%	None
Templeton Growth 529 Portfolio	0.78%	0.25%	0.25%	1.28%	5.75%	None
Growth						
Franklin Growth 529 Portfolio	0.64%	0.25%	0.25%	1.14%	5.75%	None
Franklin Small-Mid Cap Growth 529 Portfolio	0.71%	0.25%	0.25%	1.21%	5.75%	None
Value						
Franklin Mutual Shares 529 Portfolio	0.79%	0.25%	0.25%	1.29%	5.75%	None
International Income						
Templeton Global Bond 529 Portfolio	0.64%	0.25%	0.25%	1.14%	5.75%	None
Income						
Franklin Income 529 Portfolio	0.47%	0.25%	0.25%	0.97%	4.25%	None
Franklin Money 529 Portfolio[5]	0.08%[5]	0.00%	0.00%	0.08%[5]	0.00%	None
Index Style						
S&P 500 Index 529 Portfolio	0.07%	0.25%	0.25%	0.57%	5.75%	None

CLASS B[6]		Annual Asset-Based Fees			Additional Investor Expenses	
Investment Option	Estimated Underlying Fund Expenses[1]	Program Management Fee	Annual Sales Fee	Total Annual Asset-Based Fees[2]	Maximum Initial Sales Charge	Maximum Deferred Sales Charge[7]
OBJECTIVE-BASED ASSET ALLOCATIONS						
Franklin Founding Funds 529 Portfolio	0.63%	0.25%	1.00%	1.88%	None	4.00%
Franklin Corefolio® 529 Portfolio	0.70%	0.25%	1.00%	1.95%	None	4.00%
Franklin Growth Allocation 529 Portfolio	0.81%	0.25%	1.00%	2.06%	None	4.00%
Franklin Growth & Income Allocation 529 Portfolio	0.68%	0.25%	1.00%	1.93%	None	4.00%
Franklin Income Allocation 529 Portfolio	0.54%	0.25%	1.00%	1.79%	None	4.00%
AGE-BASED ALLOCATIONS						
Franklin Age-Based Growth Allocations						
Newborn–8 years	0.81%	0.25%	1.00%	2.06%	None	4.00%
Age 9–12 years	0.69%	0.25%	1.00%	1.94%	None	4.00%
Age 13–16 years	0.67%	0.25%	1.00%	1.92%	None	4.00%
Age 17+ years	0.62%	0.25%	1.00%	1.87%	None	4.00%
Franklin Age-Based Moderate Allocations						
Newborn–8 years	0.74%	0.25%	1.00%	1.99%	None	4.00%
Age 9–12 years	0.68%	0.25%	1.00%	1.93%	None	4.00%
Age 13–16 years	0.60%	0.25%	1.00%	1.85%	None	4.00%
Age 17+ years	0.54%	0.25%	1.00%	1.79%	None	4.00%
Franklin Age-Based Conservative Allocations						
Newborn–8 years	0.69%	0.25%	1.00%	1.94%	None	4.00%
Age 9–12 years	0.62%	0.25%	1.00%	1.87%	None	4.00%
Age 13–16 years	0.53%	0.25%	1.00%	1.78%	None	4.00%
Age 17+ years	0.31%	0.25%	1.00%	1.56%	None	4.00%

CLASS B[6]		Annual Asset-Based Fees			Additional Investor Expenses	
Investment Option	Estimated Underlying Fund Expenses[1]	Program Management Fee	Annual Sales Fee	Total Annual Asset-Based Fees[2]	Maximum Initial Sales Charge	Maximum Deferred Sales Charge[7]
INDIVIDUAL PORTFOLIOS						
Global						
Templeton Growth 529 Portfolio	0.78%	0.25%	1.00%	2.03%	None	4.00%
Growth						
Franklin Growth 529 Portfolio	0.64%	0.25%	1.00%	1.89%	None	4.00%
Franklin Small-Mid Cap Growth 529 Portfolio	0.71%	0.25%	1.00%	1.96%	None	4.00%
Value						
Franklin Mutual Shares 529 Portfolio	0.79%	0.25%	1.00%	2.04%	None	4.00%
Income						
Franklin Income 529 Portfolio	0.47%	0.25%	1.00%	1.72%	None	4.00%
Franklin Money 529 Portfolio[5]	0.08%[5]	0.00%[5]	0.00%	0.08%[5]	None	None
Index Style						
S&P 500 Index 529 Portfolio	0.07%	0.25%	1.00%	1.32%	None	4.00%

CLASS C		Annual Asset-Based Fees			Additional Investor Expenses	
Investment Option	Estimated Underlying Fund Expenses[1]	Program Management Fee	Annual Sales Fee	Total Annual Asset-Based Fees[2]	Maximum Initial Sales Charge	Maximum Deferred Sales Charge[8]
OBJECTIVE-BASED ASSET ALLOCATIONS						
Franklin Founding Funds 529 Portfolio	0.63%	0.25%	1.00%	1.88%	None	1.00%
Franklin Corefolio® 529 Portfolio	0.70%	0.25%	1.00%	1.95%	None	1.00%
Franklin Growth Allocation 529 Portfolio	0.81%	0.25%	1.00%	2.06%	None	1.00%
Franklin Growth & Income Allocation 529 Portfolio	0.68%	0.25%	1.00%	1.93%	None	1.00%
Franklin Income Allocation 529 Portfolio	0.54%	0.25%	1.00%	1.79%	None	1.00%
AGE-BASED ALLOCATIONS						
Franklin Age-Based Growth Allocations						
Newborn–8 years	0.81%	0.25%	1.00%	2.06%	None	1.00%
Age 9–12 years	0.69%	0.25%	1.00%	1.94%	None	1.00%
Age 13–16 years	0.67%	0.25%	1.00%	1.92%	None	1.00%
Age 17+ years	0.62%	0.25%	1.00%	1.87%	None	1.00%
Franklin Age-Based Moderate Allocations						
Newborn–8 years	0.74%	0.25%	1.00%	1.99%	None	1.00%
Age 9–12 years	0.68%	0.25%	1.00%	1.93%	None	1.00%
Age 13–16 years	0.60%	0.25%	1.00%	1.85%	None	1.00%
Age 17+ years	0.54%	0.25%	1.00%	1.79%	None	1.00%
Franklin Age-Based Conservative Allocations						
Newborn–8 years	0.69%	0.25%	1.00%	1.94%	None	1.00%
Age 9–12 years	0.62%	0.25%	1.00%	1.87%	None	1.00%
Age 13–16 years	0.53%	0.25%	1.00%	1.78%	None	1.00%
Age 17+ years	0.31%	0.25%	1.00%	1.56%	None	1.00%

CLASS C		Annual Asset-Based Fees			Additional Investor Expenses	
Investment Option	Estimated Underlying Fund Expenses[1]	Program Management Fee	Annual Sales Fee	Total Annual Asset-Based Fees[2]	Maximum Initial Sales Charge	Maximum Deferred Sales Charge[8]
INDIVIDUAL PORTFOLIOS						
Global						
Franklin Mutual Global Discovery Fund 529 Portfolio	0.97%	0.25%	1.00%	2.22%	None	1.00%
Templeton Growth 529 Portfolio	0.78%	0.25%	1.00%	2.03%	None	1.00%
Growth						
Franklin Growth 529 Portfolio	0.64%	0.25%	1.00%	1.89%	None	1.00%
Franklin Small-Mid Cap Growth 529 Portfolio	0.71%	0.25%	1.00%	1.96%	None	1.00%
Value						
Franklin Mutual Shares 529 Portfolio	0.79%	0.25%	1.00%	2.04%	None	1.00%
International Income						
Templeton Global Bond 529 Portfolio	0.64%	0.25%	1.00%	1.89%	None	1.00%
Income						
Franklin Income 529 Portfolio	0.47%	0.25%	1.00%	1.72%	None	1.00%
Franklin Money 529 Portfolio[5]	0.08%[5]	0.00%[5]	0.00%	0.08%[5]	None	None
Index Style						
S&P 500 Index 529 Portfolio	0.07%	0.25%	1.00%	1.32%	None	1.00%

1. Based on most recent fiscal annual or semiannual period reported upon in the applicable fund's most recent financial statements that were publicly available by August 31, 2014, and for Investment Options invested in multiple registered mutual funds, based on a weighted average of each fund's expense ratio, in accordance with the Investment Option's average monthly asset allocation among the applicable funds for the 10-month period ended Augusts 31, 2014. Underlying fund expenses will vary and in some cases have been, and may from time to time be, reduced by fee and expense waivers or reimbursements, which may be ended at any time, increasing future expenses.
2. This total is assessed against assets over the course of the year and does not include sales charges or account maintenance fees. As of December 16, 2013, no account maintenance fee is in effect. Refer to the table below that shows the total assumed costs of a $10,000 investment over various periods of time.
3. See table entitled "Contribution Impact on Initial Sales Charges under Class A" below.
4. There is a contingent deferred sales charge that applies to investments of $1 million or more. See "Fees and Expenses – Class A."
5. The Program Management Fee has been reduced from 0.25% to 0.00% for the Franklin Money 529 Portfolio since its inception date of October 8, 2014; the Program Management Fee may be increased at any time, which would increase future expenses. "Total Annual Asset Based Fees" for the Franklin Money 529 Portfolio reflects the reduced Program Management Fee in effect as of the date of this Investor Handbook. The expenses of the underlying funds of the Franklin Money 529 Portfolio have been waived or reimbursed from an estimated 0.36% to 0.08% for the period from June 30, 2014 to the date of this Investor Handbook; such waivers and reimbursements may be reduced or ended at any time.
6. After 8 years from the applicable purchase, these Trust Shares convert to Class A Trust Shares.
7. The contingent deferred sales charge declines to 3% after 3 years, 2% after 5 years, and 1% after 6 years. The contingent deferred sales charge is 0% after 7 years. Also see the "Approximate Cost of a $10,000 Investment" table below.
8. This charge applies to Trust Shares redeemed in connection with a withdrawal during the first 12 months after the investment.

The following table compares the approximate cost of investing in the different classes within the Plan 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 net amount invested throughout the period.
- The proceeds of all Trust Shares that are assumed to be redeemed for the purpose of a distribution at the end of the period shown are used 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 tables above.
- The investor pays the maximum applicable initial sales charge (without regard to possible breakpoints or any contingent deferred sales charges) in Class A and any contingent deferred sales charges applicable to Trust Shares invested for the applicable periods in Classes B and C.
- In the case of the ten-year investment period, the annual costs shown for Class B assume Trust Shares are converted to Class A after 8 years.
- In the case of the Franklin Money 529 Portfolio, the annual costs assume the continuation of the reduced Program Management Fee described in footnote 4; however, such Program Management Fee may be increased at any time, which would increase the applicable annual costs.

Approximate Cost of a $10,000 Investment[1]

					One Year					Three Years
Investment Option	**Class**	**A**	**B[2]**	**B[3]**	**C[2]**	**C[3]**	**A**	**B[2]**	**B[3]**	**C[2]**	**C[3]**
OBJECTIVE-BASED ASSET ALLOCATIONS											
Franklin Founding Funds 529 Portfolio		$684	$591	$191	$291	$191	$913	$891	$591	$591	$591
Franklin Corefolio® 529 Portfolio		$690	$598	$198	$298	$198	$934	$912	$612	$612	$612
Franklin Growth Allocation 529 Portfolio		$701	$609	$209	$309	$209	$966	$946	$646	$646	$646
Franklin Growth & Income Allocation 529 Portfolio		$688	$596	$196	$296	$196	$928	$906	$606	$606	$606
Franklin Income Allocation 529 Portfolio		$527	$582	$182	$282	$182	$742	$863	$563	$563	$563
AGE-BASED ALLOCATIONS											
Franklin Age-Based Growth Allocations											
Newborn–8 years		$701	$609	$209	$309	$209	$966	$946	$646	$646	$646
Age 9–12 years		$689	$597	$197	$297	$197	$931	$909	$609	$609	$609
Age 13–16 years		$687	$595	$195	$295	$195	$925	$903	$603	$603	$603
Age 17+ years		$683	$590	$190	$290	$190	$911	$888	$588	$588	$588
Franklin Age-Based Moderate Allocations											
Newborn–8 years		$694	$602	$202	$302	$202	$946	$924	$624	$624	$624
Age 9–12 years		$688	$596	$196	$296	$196	$928	$906	$606	$606	$606
Age 13–16 years		$681	$588	$188	$288	$188	$905	$882	$582	$582	$582
Age 17+ years		$675	$582	$182	$282	$182	$887	$863	$563	$563	$563
Franklin Age-Based Conservative Allocations											
Newborn–8 years		$689	$597	$197	$297	$197	$931	$909	$609	$609	$609
Age 9–12 years		$683	$590	$190	$290	$190	$911	$888	$588	$588	$588
Age 13–16 years		$674	$581	$181	$281	$181	$884	$860	$560	$560	$560
Age 17+ years		$653	$559	$159	$259	$159	$819	$793	$493	$493	$493
INDIVIDUAL PORTFOLIOS											
Global											
Franklin Mutual Global Discovery 529 Portfolio		$716	NA	NA	$325	$225	$1,013	NA	NA	$694	$694
Templeton Growth 529 Portfolio		$698	$606	$206	$306	$206	$958	$937	$637	$637	$637
Growth											
Franklin Growth 529 Portfolio		$685	$592	$192	$292	$192	$916	$894	$594	$594	$594
Franklin Small-Mid Cap Growth 529 Portfolio		$691	$599	$199	$299	$199	$937	$915	$615	$615	$615
Value											
Franklin Mutual Shares 529 Portfolio		$699	$607	$207	$307	$207	$960	$940	$640	$640	$640
International Income											
Templeton Global Bond 529 Portfolio		$685	NA	NA	$292	$192	$916	NA	NA	$594	$594
Income											
Franklin Income 529 Portfolio		$520	$575	$175	$275	$175	$721	$842	$542	$542	$542
Franklin Money 529 Portfolio[4]		$8	$8	$8	$8	$8	$26	$26	$26	$26	$26
Index Style											
S&P 500 Index 529 Portfolio		$630	$534	$134	$234	$134	$747	$718	$418	$418	$418

					Five Years					Ten Years
Investment Option	**Class**	**A**	**B[2]**	**B[3]**	**C[2]**	**C[3]**	**A**	**B[2]**	**B[3]**	**C[2]**	**C[3]**
OBJECTIVE-BASED ASSET ALLOCATIONS											
Franklin Founding Funds 529 Portfolio		$1,161	$1,216	$1,016	$1,016	$1,016	$1,871	$2,005	$2,005	$2,201	$2,201
Franklin Corefolio® 529 Portfolio		$1,197	$1,252	$1,052	$1,052	$1,052	$1,946	$2,080	$2,080	$2,275	$2,275
Franklin Growth Allocation 529 Portfolio		$1,252	$1,308	$1,108	$1,108	$1,108	$2,063	$2,197	$2,197	$2,390	$2,390
Franklin Growth & Income Allocation 529 Portfolio		$1,187	$1,242	$1,042	$1,042	$1,042	$1,924	$2,059	$2,059	$2,254	$2,254
Franklin Income Allocation 529 Portfolio		$975	$1,170	$970	$970	$970	$1,642	$1,908	$1,908	$2,105	$2,105
AGE-BASED ALLOCATIONS											
Franklin Age-Based Growth Allocations											
Newborn–8 years		$1,252	$1,308	$1,108	$1,108	$1,108	$2,063	$2,197	$2,197	$2,390	$2,390
Age 9–12 years		$1,192	$1,247	$1,047	$1,047	$1,047	$1,935	$2,070	$2,070	$2,264	$2,264
Age 13–16 years		$1,182	$1,237	$1,037	$1,037	$1,037	$1,914	$2,048	$2,048	$2,243	$2,243
Age 17+ years		$1,156	$1,211	$1,011	$1,011	$1,011	$1,860	$1,995	$1,995	$2,190	$2,190
Franklin Age-Based Moderate Allocations											
Newborn–8 years		$1,217	$1,273	$1,073	$1,073	$1,073	$1,989	$2,123	$2,123	$2,317	$2,317
Age 9–12 years		$1,187	$1,242	$1,042	$1,042	$1,042	$1,924	$2,059	$2,059	$2,254	$2,254
Age 13–16 years		$1,146	$1,201	$1,001	$1,001	$1,001	$1,838	$1,973	$1,973	$2,169	$2,169
Age 17+ years		$1,116	$1,170	$970	$970	$970	$1,773	$1,908	$1,908	$2,105	$2,105
Franklin Age-Based Conservative Allocations											
Newborn–8 years		$1,192	$1,247	$1,047	$1,047	$1,047	$1,935	$2,070	$2,070	$2,264	$2,264
Age 9–12 years		$1,156	$1,211	$1,011	$1,011	$1,011	$1,860	$1,995	$1,995	$2,190	$2,190
Age 13–16 years		$1,111	$1,164	$964	$964	$964	$1,762	$1,897	$1,897	$2,095	$2,095
Age 17+ years		$999	$1,050	$850	$850	$850	$1,519	$1,655	$1,655	$1,856	$1,856
INDIVIDUAL PORTFOLIOS											
Global											
Franklin Mutual Global Discovery 529 Portfolio		$1,332	NA	NA	$1,190	$1,190	$2,231	NA	NA	$2,554	$2,554
Templeton Growth 529 Portfolio		$1,237	$1,293	$1,093	$1,093	$1,093	$2,031	$2,166	$2,166	$2,358	$2,358
Growth											
Franklin Growth 529 Portfolio		$1,167	$1,221	$1,021	$1,021	$1,021	$1,881	$2,016	$2,016	$2,212	$2,212
Franklin Small-Mid Cap Growth 529 Portfolio		$1,202	$1,257	$1,057	$1,057	$1,057	$1,957	$2,091	$2,091	$2,285	$2,285
Value											
Franklin Mutual Shares 529 Portfolio		$1,242	$1,298	$1,098	$1,098	$1,098	$2,042	$2,176	$2,176	$2,369	$2,369
International Income											
Templeton Global Bond 529 Portfolio		$1,167	NA	NA	$1,021	$1,021	$1,881	NA	NA	$2,212	$2,212
Income											
Franklin Income 529 Portfolio		$938	$1,133	$933	$933	$933	$1,564	$1,831	$1,831	$2,030	$2,030
Franklin Money 529 Portfolio[4]		$45	$45	$45	$45	$45	$103	$103	$103	$103	$103
Index Style											
S&P 500 Index 529 Portfolio		$875	$923	$723	$723	$723	$1,248	$1,384	$1,384	$1,590	$1,590

1. Includes estimated underlying expenses, which are based on the most recent fiscal annual or semiannual period reported upon in the applicable fund's most recent financial statements that were publicly available by August 31, 2014 and for Investment Options invested in multiple registered mutual funds, are based on a weighted average of each fund's expense ratio, in accordance with the Investment Option's average monthly asset allocation among the applicable funds for the 12-month period ended August 31, 2014. Underlying fund expenses will vary and in some cases have been, and may from time to time be, reduced by fee and expense waivers or reimbursements, which may be ended at any time, increasing future expenses.
2. Assumes redemption at the end of the period.
3. Assumes no redemption at the end of the period.
4. Cost estimates for the Franklin Money 529 Portfolio do not include a Program Management Fee, since that fee (which is 0.25% for other Trust Portfolios) is not in effect for the Franklin Money 529 Portfolio as of the date of this Investor Handbook; the Program Management Fee may be imposed in whole or in part at any time in the future, which would increase future expenses. The above expenses reflect expense and fee waivers or reimbursements in effect as of the date of this Investor Handbook that have reduced the underlying fund expenses from an estimated 0.36% to 0.08%.

Class A

If you select Class A, generally you will pay a sales charge at the time of your contribution (the "initial sales charge"). As detailed in the overview chart above, the maximum amount of the initial sales charge is 5.75% for all of the Investment Options, except that a maximum initial sales charge of 4.25% applies to the Franklin Income Allocation 529 Portfolio and the Franklin Income 529 Portfolio and that no sales charge applies to the Franklin Money 529 Portfolio. The Franklin Money 529 Portfolio does not charge an initial sales charge nor does it assess an annual sales fee; the Program Management Fee is currently waived to the portfolio. Lower initial sales charges apply for larger purchases in the case of all Investment Options under Class A, as shown in the table below. The initial sales charge is included in the price that you pay for the Trust Shares you acquire when you make your contribution. The initial sales charge is paid to FTDI, which in turn compensates Financial Advisors as described below under "Fees Payable by FTDI to Financial Advisors."

In addition, the portion of the applicable Trust Portfolio attributable to Trust Shares purchased under Class A is subject to an ongoing "trailing fee" (or "sales fee") of 0.25% per annum of the aggregate average daily NAV of such portion of the Trust Portfolio, except that no such trailing fee applies to the Franklin Money 529 Portfolio. The purpose of the sales fee is to pay for the distribution of Trust Shares and servicing of Accounts. The sales fee is accrued daily and paid quarterly to the Program Manager. The Program Manager pays some portion or the entire amount received to others, such as your Financial Advisor, that provide distribution and related services. The sales fee is not deducted from your Account. Rather, it is an expense of the relevant Trust Portfolio that correspondingly reduces the value of the applicable Trust Shares. Accounts established under Class A are not subject to a contingent deferred sales charge.

Contribution Impact on Initial Sales Charges under Class A

When you invest this amount...	the sales charge makes up this % of the offering price[1]...	which equals this % of your net investment[1]
Franklin Income Allocation 529 Portfolio, Franklin Income 529 Portfolio and Templeton Global Bond 529 Portfolio		
Under $100,000	4.25	4.44
$100,000 but under $250,000	3.50	3.63
$250,000 but under $500,000[2]	2.50	2.56
$500,000 but under $1 million[2]	2.00	2.04
$1 million and above[2]	0.00	0.00
All Other Trust Portfolios, except for the Franklin Money 529 Portfolio		
Under $50,000	5.75	6.10
$50,000 but under $100,000	4.50	4.71
$100,000 but under $250,000	3.50	3.63
$250,000 but under $500,000[2]	2.50	2.56
$500,000 but under $1 million[2]	2.00	2.04
$1 million and above[2]	0.00	0.00

1. The dollar amount of the sales charge is the difference between the offering price of the Trust Shares purchased (which factors in the applicable sales charge in this table) and the net asset value of those Trust Shares. Since the offering price is calculated to two decimal places using standard rounding criteria, the number of Trust Shares purchased and the dollar amount of the sales charge as a percentage of the offering price and of your net investment may be higher or lower depending on whether there was a downward or upward rounding.
2. Amounts in excess of Maximum Contribution Limit applicable only in connection with exercise of Cumulative Quantity Discounts for Accounts with different Beneficiaries. See "Cumulative Quantity Discounts and Reduced Initial Sales Charges for Trust Shares Purchased Under Class A."

The reduced initial sales charges for aggregate contributions to one or more Accounts under Class A shall apply if the Program Manager is notified at the time a contribution is made that the contribution qualifies for the reduced initial sales charge on the basis of previous or current contributions to one or more Accounts. The reduced initial sales charge will be granted upon confirmation of the aggregate contributions to the applicable Account or Accounts. Such reduced initial sales charges generally are not retroactive to contributions made prior to the contribution that qualifies for the applicable reduced initial sales charge. See "Cumulative Quantity Discounts and Reduced Initial Sales Charges for Trust Shares Purchased under Class A" below for a description of when reduced initial sales charges may apply.

The Account Owner also may purchase Class A Trust Shares at a reduced initial sales charge by completing a letter of intent ("LOI"). An LOI is a commitment by the Account Owner that a specified dollar amount will be invested in the Account during a 13-month period. The amount the Account Owner agrees to invest determines the applicable initial sales charge. If the Account Owner invests the committed amount within the applicable period, the applicable initial sales charge will be the same as would be applicable if the entire amount that the Account Owner agreed to invest were invested at the same time. See "Contribution Impact on Initial Sales Charges under Class A" above. By requesting an LOI, the Account Owner acknowledges and agrees to the following:

- If the Account Owner does not fulfill the terms of the LOI, the applicable waiver of the otherwise applicable initial sales charges will be revoked and the unpaid balance of the fee assessed to the Account, unless otherwise paid by the Account Owner within 20 days of written notice.
- If an Account Owner directs a distribution from the Account before the terms of the LOI are fulfilled and, as a result of such distribution, a balance that is less than 5% of the aggregate value of Trust Shares to which the LOI at any prior time applied would remain in the Account, the applicable waiver of the otherwise applicable initial sales charges will be revoked and the unpaid balance of the fee assessed to the Account and to the redeemed Trust Shares prior to distribution, unless otherwise paid by the Account Owner within 20 days of written notice.

Upon execution of an LOI for an Account, Class A Trust Shares may be purchased for such Account at the reduced initial sales charge applicable to the investment amount specified in the LOI.

If the amount of total purchases of Class A Trust Shares during the applicable period is less than the amount specified in the LOI, the initial sales charge will be adjusted upward, depending on the actual net amount of such purchases during such period. In such event, the Account Owner will be required to send the Program Manager an amount equal to the difference between (x) the aggregate amount of initial sales charges that would have applied, without regard to the LOI, to the total net purchases under the applicable Investment Option(s) to which the LOI applied if all transactions within the applicable period had been made at one time and (y) the aggregate dollar amount of initial sales charges actually paid during such period. If, within 20 days after written request, this difference in the amount of initial sales charges due is not paid, the Account and, as applicable, any withheld distribution, will be assessed to pay the amount due, as described above.

The contingent deferred sales charge under Class A does not apply to withdrawals: (a) used to pay annual Account fees; (b) resulting from liquidation of your Account for failure to meet minimum contribution requirements; and (c) due to the death or permanent disability of the Beneficiary.

A contingent deferred sales charge of 0.75% is applicable to Class A Trust Shares of the Income 529 Portfolio and Franklin Income 529 Portfolio purchased without an initial sales charge and redeemed within 18 months of purchase.

The initial sales charge under Class A does not apply to: (a) contributions resulting from a direct transfer of assets from a Franklin Templeton mutual fund if the assets represent the proceeds of shares on which a sales charge was paid; (b) contributions resulting from a direct rollover of assets from another qualified tuition program if (i) the Financial Advisor through which the Trust Shares are purchased has informed FTDI of its election to participate in the offering of Class A Trust Shares with a Rollover Waiver; or (ii) the rollover is to an Account established with FTDI without use of a third-party Financial Advisor; (c) contributions by current and former officers, trustees, directors and full-time employees of Franklin Templeton Investments, and their family members, consistent with then-current policies; (d) contributions by individuals or entities that have entered into an investment advisory agreement with Fiduciary Trust Company International or one of its subsidiaries; (e) contributions by employees of a broker-dealer that has entered into a selling agreement with FTDI and their family members; (f) contributions to an Account when the Financial Advisor on the Account is a registered investment adviser and has entered into an asset-based fee arrangement with the Account Owner; and (g) buying Trust Shares using the redemption proceeds from the sale of Trust Shares, if that purchase occurs within 90 days of the sale and as described under "Temporary Waiver Privilege" below. Trust Shares purchased with the proceeds from a money market fund or from Class A shares of a Franklin Templeton mutual fund without an initial sales charge may be subject to a sales charge. Trust Shares exchanged from the Franklin Money 529 Portfolio into another Trust Portfolio will be subject to a sales charge, unless Trust Shares exchanged had previously paid a sales charge. Trust Shares redeemed from the Franklin Money 529 Portfolio that were invested in that portfolio through an exchange from another Trust Portfolio that charged a sales charge are not assessed a sales charge if within 90 days they are reinvested in a Trust Portfolio. The Program Manager reserves the right to modify or terminate any of the above waivers of the initial sales charge on Class A Trust Shares at any time.

Class B

Class B Trust Shares are limited to Class B Trust Shares owned by an Account Owner prior to April 1, 2012 or issued upon an exchange of such Class B Trust Shares for Class B Trust Shares in a different Trust Portfolio. New or additional investments in Class B Trust Shares, including by existing owners of Class B Trust Shares, are not permitted.

Existing owners of Class B Trust Shares may exchange such Class B Trust Shares of any Trust Portfolio for Class B Trust Shares of any other Trust Portfolio to the extent permitted by the exchange privileges set forth in this Investor Handbook, which are subject to modification or elimination.

Class B Trust Shares are subject to a contingent deferred sales charge upon a withdrawal from an Account, other than in connection with a direct Rollover Distribution to another Account invested under Class B, within six years after the Trust Shares redeemed in connection with such withdrawal were purchased. For this purpose, withdrawals of amounts invested under a particular Investment Option will be treated as paid first from the redemption of Trust Shares held for more than six years, followed by Trust Shares held longest during the six-year period. The contingent deferred sales charge is assessed against the lesser of the NAV at the time of purchase of the Trust Shares being redeemed or the NAV of such Trust Shares at the time of redemption. The maximum contingent deferred sales charge is 4%. Contingent deferred sales charges decrease on a percentage basis the longer the contribution remains invested.

In addition, the portion of the applicable Trust Portfolio attributable to Trust Shares purchased under Class B is subject to an ongoing sales fee of 1.00% per annum of the aggregate average daily NAV of such portion of the Trust Portfolio. The purpose of the sales fee is to pay for the distribution of Trust Shares and servicing of Accounts. The sales fee is accrued daily and paid quarterly to the Program Manager. The Program Manager pays some portion or all of the amount received to others, such as your Financial Advisor, that provide distribution and related services. The sales fee is not deducted from your Account. Rather, it is an expense of the relevant Trust Portfolio that correspondingly reduces the value of the applicable Trust Shares. After approximately eight years, Trust Shares purchased under Class B will automatically convert into Class A Trust Shares, and will thereafter be subject to the lower ongoing sales fee applicable to Class A. See "Class A."

The contingent deferred sales charge under Class B does not apply to withdrawals: (a) used to pay annual Account fees; (b) resulting from liquidation of your Account for failure to meet minimum contribution requirements; and (c) due to the death or permanent disability of the Beneficiary.

Class C

If you select Class C, you will not pay an initial sales charge. You will, however, pay a contingent deferred sales charge if you withdraw any contribution within 12 months after you make it, except that no such contingent deferred sales charge applies to the Franklin Money 529 Portfolio except for sales of shares exchanged into the Franklin Money 529 Portfolio from another Trust Portfolio if these shares would have been assessed a CDSC in that Trust Portfolio. The contingent deferred sales charge is 1.00% of the lesser of the NAV at the time of purchase of the Trust Shares being redeemed or the NAV of such Trust Shares at the time of redemption. As there is no initial sales charge, the entire amount of your contribution is invested.

In addition, the portion of the applicable Trust Portfolio attributable to Trust Shares purchased under Class C is subject to an ongoing sales fee of 1.00% per annum of the aggregate average daily NAV of such portion of the Trust Portfolio, except that no such ongoing sales fee applies to the Franklin Money 529 Portfolio. The purpose of the sales fee is to pay for the distribution of Trust Shares and servicing of Accounts. The sales fee is accrued daily and paid quarterly to the Program Manager. The Program Manager pays some portion or all of the amount received to others, such as your Financial Advisor, that provide distribution and related services. The sales fee is not deducted from your Account. Rather, it is an expense of the relevant Trust Portfolio that correspondingly reduces the value of the applicable Trust Shares. Unlike Trust Shares purchased under Class B, Trust Shares purchased under Class C do not convert into another class.

The contingent deferred sales charge under Class C does not apply to withdrawals: (a) used to pay annual Account fees; (b) resulting from liquidation of your Account for failure to meet minimum contribution requirements; and (c) due to the death or permanent disability of the Beneficiary.

Cumulative Quantity Discounts and Reduced Initial Sales Charges for Trust Shares Purchased under Class A

Cumulative Quantity Discounts permit certain Account Owners to combine their aggregate contributions to Accounts under the Program as well as holdings of certain unrelated mutual fund shares described below to reduce the initial sales charge under Class A. Although Cumulative Quantity Discounts do not affect sales charges on contributions made under Class B and Class C, contributions to eligible Accounts established under Class B and Class C may be taken into account for purposes of reducing initial sales charges on subsequent contributions under Class A.

There are two situations in which an Account Owner, or more than one Account Owner, may be eligible to reduce the Class A initial sales charge applicable to contributions by combining, for the purposes of assessment of such charge, the aggregate contributions to different Accounts. The first situation is when an Account Owner establishes separate Accounts for the same or different Beneficiaries. The second situation is when a married couple or domestic partners, as recognized by applicable state law, are Account Owners of separate Accounts. In each of these two situations, contributions to the Accounts involved may be aggregated for purposes of assessment of the initial sales charge.

Account Owners may own directly, separate from the Program, shares of mutual funds affiliated with Franklin Templeton Investments ("Franklin Templeton Funds"). If an Account Owner owns shares of a Franklin Templeton Fund that are "cumulative quantity discount eligible shares" as defined in the prospectus for such Franklin Templeton Fund, the Account Owner can combine the value of such shares with the value of Trust Shares that are eligible for purposes of the Cumulative Quantity Discount applicable to Class A Trust Shares (described above) for purposes of assessment of the Class A initial sales charge—potentially reducing that initial sales charge.

The value of eligible Trust Shares and of Franklin Templeton Fund cumulative quantity discount eligible shares for purposes of the Cumulative Quantity Discount equals the cost or current value of those shares. The current value of Trust Shares or Franklin Templeton Fund shares is determined by multiplying the number of such shares by their highest current public offering price. You should retain any records necessary to substantiate historical share costs because your current Financial Advisor may not have or maintain this information.

If there are Cumulative Quantity Discount-eligible Trust Shares or Franklin Templeton Fund cumulative quantity discount-eligible shares that would qualify for combining with your current purchase and you do not tell your current Financial Advisor at the time of your current purchase or any future purchase, you may not receive the benefit of a reduced sales charge that might otherwise be available.

FTDI reserves the right to waive the initial sales charge under Class A for certain categories of Account Owners and certain categories of transactions.

Temporary Waiver Privilege

If you sell Trust Shares, you may use all or a portion of the proceeds from that sale to buy Trust Shares within 90 days of the sale without an initial sales charge. This privilege (the "Temporary Waiver Privilege") does not apply to a purchase of Trust Shares made through a regularly scheduled automatic investment plan such as a purchase by a regularly scheduled payroll deduction or transfer from a bank account.

In order to take advantage of this Temporary Waiver Privilege, you must inform your Financial Advisor of your eligibility to exercise this privilege at the time of your investment. With the exception of Class B Trust Shares, the Trust Share Class purchased with the proceeds from previously sold Trust Shares must match the Trust Share class of the previously sold Trust Shares, provided that you have appointed a Financial Advisor of record at the time of the new purchase. If you have not appointed a Financial Advisor of record at the time of the new purchase, the proceeds from the previously sold Trust Shares may only be used to purchase Class A Trust Shares.

If a contingent deferred sales charge was paid at the time of sale of Class B Trust Shares or Class C Trust Shares and the purchase amount is invested in Class A Trust Shares at net asset value, you will not be credited with any contingent deferred sales charge paid at the time of sale. In the case of a sale of Class B Trust Shares, all purchases under the Temporary Waiver Privilege must be invested in Class A Trust Shares regardless of whether there is a Financial Advisor on the account at the time of purchase.

If you paid a contingent deferred sales charge when you sold Class C Trust Shares and you have a Financial Advisor of record at the time of investment for the Account(s) in which the purchased Trust Shares will be held, we will credit back to you the contingent deferred sales charge paid on the amount you are buying within 90 days of the sale by adding it to the amount of your purchase (for example, if you are investing $10,000 within 90 days of an earlier $10,000 sale on which you paid a $100 contingent deferred sales charge, the amount of your investment will equal $10,100). The new Trust Shares issued with your investment **will be** subject to any otherwise applicable contingent deferred sales charge.

Please note that the Temporary Waiver Privilege does not change the tax treatment of a withdrawal from your Account, which may be treated as a Non-Qualified Distribution unless the withdrawn amount is reinvested within 60 days in Trust Shares in a different Program Account in compliance with the requirements applicable to Rollover Distributions. Please see "Opening, Maintaining and Contributing to a Plan Account – Non-Qualified Distributions – Rollover Distributions."

	Class of Trust Shares Sold		
	A Shares	**B Shares**	**C Shares**
Period in Which Waiver Applies	Within 90 days of sale	Within 90 days of sale	Within 90 days of sale
Class That May Be Purchased Under the Temporary Waiver Privilege	A Shares	A Shares	C Shares if there is a Financial Advisor on the Account at the time of purchase of the new Trust Shares A Shares if there is no Financial Advisor on the Account at the time of purchase of the new Trust Shares
Benefit of Temporary Waiver Privilege	No initial sales charge	No initial sales charge (no CDSC credit)	C Shares: your Account will be credited for the amount of any CDSC paid and a new CDSC period will begin A Shares: no initial sales charge (no CDSC credit)

Other Compensation to Program Manager

In connection with the sale by a mutual fund (or ETF) of its shares to the Trust, the Program Manager and/or its affiliates may be compensated by the mutual fund (or ETF) for administrative and other services provided to such fund.

Fees Payable by FTDI to Financial Advisors

FTDI will compensate Financial Advisors through which contributions are received under Classes A, B and C except with respect to Franklin 529 Money Portfolio,for which no compensation will be paid. No compensation is paid to Financial Advisers for transfers of contributions to the Franklin Money 529 Portfolio from other Trust Portfolios. With respect to transfers of contributions from the Franklin Money 529 Portfolio to other Trust Portfolios, compensation is paid to Financial Advisers with respect to such other Trust Portfolio as provided with respect to that Trust Portfolio. Payment of compensation to Financial Advisors will not affect the charges paid by the Account Owners or Third-Party Contributors. Financial Advisors will be compensated as set forth in the following charts:

Financial Advisor Compensation – Class A

		Selling Commission[1]	Ongoing Sales Fee[2]
Amount Contributed	**Income 529 Portfolio, Franklin Income 529 Portfolio and Templeton Global Bond 529 Portfolio**	**All Other Trust Portfolios (except Franklin Money 529 Portfolio)**	**All Trust Portfolios (except Franklin Money 529 Portfolio)**
Less than $50,000	4.00%	5.00%	0.25%
$50,000 but under $100,000	4.00%	3.75%	0.25%
$100,000 but under $250,000	2.80%	2.80%	0.25%
$250,000 but under $500,000[3]	2.00%	2.00%	0.25%
$500,000 but under $1 million[3]	1.60%	1.60%	0.25%
$1 million and above[3]	up to 0.75%[4]	up to 1.00%[4]	0.25%[4]

1. Based upon the amount contributed (does not apply to Franklin Money 529 Portfolio).
2. Based on the average daily net assets in the Account (does not apply to Franklin Money 529 Portfolio).
3. Amounts in excess of Maximum Contribution Limit applicable only in connection with exercise of Cumulative Quantity Discounts to Accounts with different Beneficiaries.
4. For purchases above $1,000,000, additional breakpoints may apply and a 1% contingent deferred sales charge may apply if shares are redeemed within 18 months. For a full schedule, please call (866) 362-1597.

Notwithstanding the above, if no initial sales charge is assessed in connection with the sale of such Trust Shares, FTDI will not pay a Selling Commission to the Financial Advisor, but will pay an Ongoing Sales Fee as described in the above chart.

Financial Advisor Compensation – Classes B and C

Class	Selling Commission[1]	Ongoing Sales Fee[2]
B	4.00%	0.25%[3]
C	1.00%[4]	1.00%[5]

1. Based upon the amount contributed.
2. Based upon the average daily net assets in the Account.
3. Financial Advisors may be eligible to receive up to this amount from the date of purchase. After eight years, Class B Trust Shares convert to Class A Trust Shares and Financial Advisors may then receive the fees applicable to Class A.
4. Commission includes advance of a portion of the first year's sales fee. For purchases at NAV, FTDI may pay a prepaid commission.
5. Financial Advisors may be eligible to receive these fees starting in the 13th month. During the first 12 months, the full sales fee will be paid to FTDI to partially offset the commission and the prepaid service fee paid at the time of purchase. If an initial sales charge is not paid on a purchase, and FTDI does not pay a prepaid commission, Financial Advisors may start to receive the fee at the time of purchase.

FTDI reserves the right to revise these fee arrangements at its discretion. FTDI and/or its affiliates also may provide additional compensation to Financial Advisors that sell Trust Shares. This compensation may be based on the amount of sales of Trust Shares and/or total assets with the Trust. Such compensation to Financial Advisors may be made by payments from FTDI's portion of the Program management fee or any sales charges or from FTDI's own resources.

No compensation is paid by FTDI to Financial Advisors with respect to contributions invested in the Franklin Money 529 Portfolio.

FTDI also may compensate Financial Advisors that enable FTDI to participate in and/or present at college savings plan conferences or seminars, sales or training programs for registered representatives and other employees, client and investor education programs, and other Financial Advisor-sponsored educational events relating to college savings plans. These payments may vary depending on the nature of the event. Other compensation may be offered to the extent not prohibited by federal or state laws and regulations or rules of self-regulatory organizations. FTDI makes payments for events it deems appropriate, subject to FTDI guidelines and applicable law.

Please contact your Financial Advisor for information about any payments it receives from FTDI and any services provided.

Transition Provisions under Services Agreement

If the Services Agreement expires or is terminated, FTDI may have the option to continue to serve as Program Manager with respect to Program Accounts established prior to the expiration or termination of the Services Agreement (the "Grandfathered Accounts"). In such event, Franklin Mutual Advisers may continue to serve as the Investment Manager for the Grandfathered Accounts, and Account Owners and Third-Party Contributors, as applicable, may continue to make contributions to such Accounts. The sales fees and any contingent deferred sales charges applicable to each Trust Share acquired under Class B or Class C with contributions to an Account shall continue to be applicable to such Trust Shares in accordance with the terms described above, whether or not Franklin Mutual Advisers continues to serve as Investment Manager for the applicable Account at the time the sales fee or contingent deferred sales charge becomes due. See "Risk Factors – Change in Investment Policy, Program Manager or Investment Manager" and "Fees and Expenses."

NJBEST Scholarship

The Program provides a tax-free scholarship to Beneficiaries who attend college in New Jersey. To qualify for the scholarship the Program Account must have been open for at least four years prior to the scholarship award, during which time total contributions must equal at least $1,200; the Account Owner must submit a certification to HESAA demonstrating the Beneficiary's attendance at an Eligible New Jersey Higher Educational Institution; the Account Owner must take a qualified withdrawal from the Program Account; and the Account Owner (if an individual) or Beneficiary must be a resident of New Jersey at the time the Beneficiary attends college. In addition, the availability of the scholarship is subject to the appropriation of sufficient funds by the State legislature for such purpose. The scholarship may be awarded only once to an eligible Beneficiary and only for the Beneficiary's first semester of attendance at any institution of post-secondary education. Beginning in the 2015-2016 academic year, the NJBEST Scholarship application must be completed and received by HESAA by October 1 of each year for scholarships for the fall academic term and by March 1 of each year for scholarships for the spring academic term.

The scholarship amount is at least $500. The amount of the scholarship increases by $250 for every two years, in excess of four years, for which the Program Account has been open, up to a maximum amount of $1,500, depending on the number of years and the level of contributions. However, the scholarship fund may not exceed the Beneficiary's actual cost of attendance. The table below indicates the possible scholarship amounts.

Contribution	Full Years Account Open	Scholarship Amount
$1,200	4	$500
$1,800	6	$750
$2,400	8	$1,000
$3,000	10	$1,250
$3,600	12	$1,500

The Beneficiary must be enrolled at least half-time in an Eligible New Jersey Higher Educational Institution to be eligible for the scholarship. Scholarships are not awarded for study at out-of-state institutions or for graduate study.

Program Management

The New Jersey Higher Education Student Assistance Authority

HESAA administers the Program for the State of New Jersey. HESAA's Board is composed of public members and members representing various sectors of higher education appointed by the Governor of New Jersey, the State Treasurer, the Executive Director of the Authority, students, and representatives of other public boards with a mission in higher education. Originally founded in 1959, and expanded in 1999, HESAA's mission is to provide students and families with the financial and informational resources for students to pursue their education beyond high school. In addition to the Program, HESAA administers a variety of state grant and scholarship programs, serves as a guarantor and lender for federal student loans and offers a state supplemental student loan program.

Under the Act, HESAA acts as trustee for the Trust, selects Investment Managers for the Program, adopts regulations and carries out other functions necessary for the operation of the Program.

New Jersey Division of Investment and State Investment Council

The Division of Investment is among the 50 largest public or private money managers in the United States. The State Investment Council oversees the administration of the Division of Investment. It is composed of public members appointed by the Governor of New Jersey and representatives of pension funds' boards. State law requires that no State Investment Council member shall hold any office, position or employment with any political party, and that no one can benefit from the transactions of the Division of Investment. The State Investment Council is required to approve the Investment Policy.

Franklin Templeton Investments

Franklin Templeton Investments ("Franklin Templeton") is the name used to refer to a group of affiliated companies owned directly or indirectly by Franklin Resources, Inc. Franklin Templeton is a global organization with many world-class investment management groups. With headquarters just south of San Francisco in San Mateo, California, offices in 35 countries across the globe, and more than 65 years of experience, Franklin Templeton is a recognized leader in international and domestic stock investments as well as innovative fixed income investments, serving clients in more than 150 countries.

Franklin Templeton has been a pioneer in worldwide investing and fundamental securities analysis since 1947. Franklin Templeton offers a diversified range of equity and fixed income investment products, as well as comprehensive client services, to individual and institutional investors. Franklin Templeton's primary business is to provide investment management services to mutual funds and other institutional investors and individual clients. Franklin Resources, Inc. is a publicly traded company (NYSE: BEN).

FTDI, a subsidiary of Franklin Resources, Inc., has been retained by HESAA to provide certain distribution, administrative and record-keeping services for the NJBEST Program and investment management services for the Investment Options. FTDI is not responsible for the investment management of the Division Investment Options. FTDI has retained its affiliate, Franklin Mutual Advisers, to serve as the Investment Manager for the Investment Options.

FTIS has been retained by FTDI to provide the administrative and record-keeping services for which FTDI is responsible under the Services Agreement. In some cases, Trust Shares may be held by a broker in an "omnibus account" on behalf of Account Owners, and FTIS may enter into agreements with such brokers under which such brokers maintain and share the applicable Account records and provide Account statements to the applicable Account Owners. FTIS may compensate such brokers for such services.

Tax Information

The discussion below is based on the Program's current understanding of Section 529. **This discussion is not exhaustive and is not intended as individual tax advice. In addition, there can be no assurance that the IRS or a state tax regulator will agree with the Program's understanding, or that it would be sustained in court if challenged. The applicable federal and New Jersey tax rules are complex, certain of the rules are at present uncertain, and their application to any particular person may vary according to the facts and circumstances specific to that person. You should consult a qualified tax advisor regarding the application of federal, state and local tax law to your circumstances.** See "Risk Factors – Tax Risks" for additional information.

Federal Tax Treatment

The following discussion summarizes certain aspects of federal income, gift, estate and generation-skipping transfer tax consequences relating to the Program and contributions to, earnings on and distributions from Accounts and reflects guidance provided in certain IRS notices regarding the content of final regulations that to date have not been promulgated.

The Program has been designed to meet the requirements of a qualified tuition program under Section 529. Accordingly, Account Owners and Beneficiaries are expected to be exempt from federal income tax on undistributed earnings allocated to Accounts established under the Program. In order to be eligible for such tax treatment and for Account Owners, Third-Party Contributors and Beneficiaries to receive the favorable federal income, estate, gift and generation-skipping transfer tax treatment described below, the Program is required to implement certain restrictions and procedures applicable to the operation of the Program. Certain of these restrictions and procedures are described below.

- **Contributions.** Contributions to an Account by an Account Owner or a Third-Party Contributor do not result in taxable income to the Beneficiary. Neither the Account Owner nor a Third-Party Contributor may deduct the contribution from income for purposes of determining federal income taxes (i.e., contributions to an Account are made on an after-tax basis).

Contributions to an Account for a specific Beneficiary must be rejected (or, if accepted, returned) to the extent that the amount of the contribution would cause the aggregate amount held in Program Accounts for that Beneficiary to exceed the Maximum Contribution Limit established by HESAA. This limitation on contributions is intended to comply with the federal tax law requirement that the Program have adequate safeguards to prevent contributions to a Program Account in excess of those necessary to provide for the reasonably anticipated qualified higher education expenses of the Beneficiary. For purposes of this limit, amounts on deposit in all Program Accounts for the same Beneficiary are taken into account, regardless of the Account Owner. While not now expected, it is possible that federal law might impose a lower limit on aggregate contributions to Program Accounts for the same Beneficiary than the current Maximum Contribution Limit.

An Account Owner may generally transfer into a Program Account, without adverse federal income tax consequences, all or part of the funds held in another Program Account, the Beneficiary of which is a member of the family of the Beneficiary of the receiving Account, if the funds are deposited to the receiving Program Account within 60 days of the distribution from the distributing Program Account. In addition, all or part of the funds held in a Coverdell ESA may be transferred without adverse tax consequences into a Program Account with a Beneficiary who is the same as the Coverdell ESA beneficiary. A person (whether the Account Owner or a Third-Party Contributor) who meets certain age and income limitations and who makes contributions to an Account, the Beneficiary of which is such person or such person's spouse or eligible dependent, may be allowed to exclude all or a portion of income from certain United States savings bonds issued after 1989 in computing such person's federal taxable income for the year in which a contribution to the Account is made. In those circumstances, some or all of the excluded savings bond income may be recognized at the time of a subsequent distribution from the Account. See "Opening, Maintaining and Contributing to an Account – Transfers and Rollovers."

- **Taxation of Account Earnings.** Earnings from the investment of contributions to a Program Account will not be included in computing the federal taxable income of the Account Owner or Beneficiary until funds are distributed, in whole or in part, from the Program Account. Qualified Distributions and Rollover Distributions are tax-exempt for federal income tax purposes. Except in the case of tax-exempt Qualified Distributions and Rollover Distributions, the earnings portion of any other distribution from an Account will be includable in computing the taxable income, for the year in which the distribution is paid, of the person receiving, or treated as receiving, the distribution, as described below. Any income which is not tax-exempt will be taxed at ordinary income tax rates.
- **Taxation of Distributions.** The earnings portion of Non-Qualified Distributions, other than Rollover Distributions, is treated as taxable income of the person receiving the distribution. For this purpose, in the case of a distribution to the Beneficiary's estate on account of the Beneficiary's death, the Beneficiary's estate will be treated as the person receiving the distribution. Except as described in the next sentence, a Non-Qualified Distribution is subject to the imposition of an additional federal income tax of 10% of the earnings portion. A distribution that is a Rollover Distribution, a distribution to the Beneficiary's estate on account of the death of the Beneficiary, a distribution on account of the disability of the Beneficiary, or a distribution to the extent of a qualified scholarship received by the Beneficiary or the costs of advanced education for a Beneficiary who attends a U.S. military academy is not subject to the 10% additional income tax as a federal tax matter. For this purpose, a qualified scholarship also includes certain educational assistance allowances under federal law and certain payments for education expenses or attributable to attendance at certain educational institutions that are exempt from federal income tax. Account Owners and Beneficiaries should contact their tax advisors for more information.

Any distribution will be treated as consisting in part of contributions to the Account and in part of earnings, which latter part, to the extent it is taxable, is included in computing the taxable income of the recipient. For this purpose, calculations of the earnings portions of a distribution generally will be made as of the date of distribution. The taxable portion, if any, is based on the relative proportions of earnings and contributions in the Program Account. Currently for federal tax purposes, all Program Accounts with the same Account Owner for the same Beneficiary are considered one Program Account. Thus, if an Account Owner has one or more Program Accounts for the same Beneficiary, an amount withdrawn from assets invested under one Program Account or Investment Option may carry with it a greater or lesser amount of earnings than the earnings attributable to the specific Program Account or Investment Option from which the distribution is made. Apportionments of distributions between a return of contributions and earnings will be made in accordance with Section 529.

- **Qualified Higher Education Expenses.** Pursuant to Section 529, qualified higher education expenses include the costs of tuition, fees, books, supplies and equipment required for the enrollment or attendance of a Beneficiary at an Eligible Educational Institution. "Eligible Educational Institutions" are defined under Section 529 generally as accredited post-secondary educational institutions located in the United States offering credit toward a bachelor's degree, an associate's degree, a graduate level or professional degree, or another recognized post-secondary credential; however, certain proprietary institutions and post-secondary vocational institutions and certain institutions located in foreign countries may be Eligible Educational Institutions. To be an Eligible Educational Institution for purposes of Section 529, the institution must be eligible to participate in U.S. Department of Education student financial aid and student loan programs under Title IV of the Higher Education Act of 1965, as amended. You also can use money in your Account to pay for costs associated with a non-accredited institution, but if you do so the amount will be treated as a Non-Qualified Distribution, the earnings portion of which is subject to federal income tax as well as the 10% additional federal income tax. You should consult your tax and financial aid advisor for further information.

Reasonable expenses for room and board of a Beneficiary incurred during an academic period while enrolled or accepted for enrollment in a degree, certificate or other program (including a program of study abroad approved for credit by the Eligible Educational Institution) at an Eligible Educational Institution at least half-time may also be considered qualified higher education expenses. A student will be considered to be enrolled at least half-time if the student is enrolled for at least half the full-time academic workload for the course of study the student is pursuing as determined under the standards of the institution where the student is enrolled. The institution's standard for a full-time workload must equal or exceed a standard established by the U.S. Department of Education under the Higher Education Act of 1965, as amended. The amount of room and board treated as a qualified higher education expense cannot exceed the room and board allowance (applicable to the Beneficiary) included, for the period to which the withdrawal relates, in calculating the "cost of attendance" (as defined under the Higher Education Act of 1965, as in effect on the date of enactment of the 2001 amendments to that act, for purposes of federal financial aid programs) at the applicable Eligible Educational Institution, or, in the case of students living in housing owned or operated by the Eligible Educational Institution, the actual invoice amount, if higher than the "cost of attendance" figure. The Beneficiary need not be enrolled at least half-time for a distribution to pay for expenses relating to tuition, fees, books, supplies and equipment to be a Qualified Distribution.

Qualified higher education expenses also include expenses for special needs services incurred by a Beneficiary who is a special needs beneficiary in connection with enrollment or attendance at the Eligible Educational Institution.

- **Other Higher Education Expense Benefit Programs.** The tax benefits afforded to qualified tuition programs must be coordinated with other programs designed for meeting higher education expenses in order to avoid the duplication of such benefits. The coordinated programs include Coverdell ESAs under Section 530 of the Code and the Hope Scholarship and Lifetime Learning Credits under Section 25A of the Code.

Under Section 529 as currently in effect, the amount of a Beneficiary's qualified higher education expenses in any tax year will be reduced by the aggregate of (i) the amount of the Beneficiary's expenses used for such tax year to qualify for the Hope Scholarship Credit and/or Lifetime Learning Credit; and (ii) the amount received by the Beneficiary from certain qualified scholarships, allowances or payments.

A taxpayer may contribute to or direct the distribution from both a Program Account and a Coverdell ESA in the same year. However, if distributions for the benefit of a Beneficiary from the Program, any other qualified tuition program and/or one or more Coverdell ESAs in any tax year exceed the Beneficiary's qualified higher education expenses for the year (after the reduction described in the previous paragraph), then the taxpayer will be required to allocate the expenses among such distributions. The same expenses cannot count both for Coverdell ESA purposes and as qualified higher education expenses for purposes of the Program.

- **Account Transfers and Rollover Distributions.** The earnings portion of a distribution from an Account will not be treated as taxable income and will not be subject to the 10% additional federal income tax to the extent that, within 60 days of the distribution, the Account Owner transfers some or all of the distribution to another Program Account, or an account established with another "qualified tuition program" under Section 529, as long as the Beneficiary of the transferee Account or of such other account is a new Beneficiary who is a "member of

the family" of the Beneficiary of the Account from which the distribution was made. The earnings portion of a distribution from an Account also will not be treated as taxable income and will not be subject to the 10% additional federal income tax if, within 60 days of the distribution, the distribution is transferred to another account established with another qualified tuition program for the same Beneficiary, provided that the transfer does not occur within twelve months from the date of any previous similar Rollover Distribution to any qualified tuition program for the benefit of the same Beneficiary.

An Account Owner may not change the Beneficiary of an Account or transfer funds between Program Accounts to the extent that the change or transfer would result in contributions in excess of the Maximum Contribution Limit for the applicable Beneficiary.

- **Distributions on Account of Death or Permanent Disability of, or Qualified Scholarship Awarded to or Attendance at a U.S. Military Academy by, Beneficiary.** A distribution due to the death or permanent disability of the Beneficiary or to the extent of a qualified scholarship received for the benefit of, or on account of attendance at a U.S. military academy by, the Beneficiary will not be subject to the 10% additional federal income tax on earnings that is generally applicable to Non-Qualified Distributions. The earnings portion of such distributions will, however, be treated as taxable income of the recipient. For this purpose, a qualified scholarship also includes certain educational assistance allowances under federal law and certain payments for education expenses or attributable to attendance at certain educational institutions that are exempt from federal income tax. For a discussion of the procedures for distributions on account of death, permanent disability, qualified scholarship or attendance at a U.S. military academy, see "Withdrawals – Non-Qualified Distributions – Distributions on Account of Death or Permanent Disability of, or Qualified Scholarship Awarded to **or Attendance at a U.S. Military Academy by**, the Beneficiary."
- **Record Retention.** You should retain records, invoices or other documents and information adequate to substantiate: (i) particular expenses which you claim to be qualified higher education expenses; (ii) distributions due to death or permanent disability of, or receipt of a qualified scholarship or attendance at a U.S. military academy by, a Beneficiary; (iii) the earnings component of and compliance with the timing requirements applicable to Rollover Distributions; and (iv) the earnings component of contributions funded from qualified savings bonds or Coverdell ESAs, because it is your responsibility to substantiate contributions to, and transfers from, any qualified tuition program account if the IRS or any state taxing authority requires you to do so. You should consult with your tax advisor as to what documentation may be required.
- **Federal Gift, Estate and Generation-Skipping Transfer Taxes.** Contributions to the Program, including certain Rollover Distributions, are generally considered completed gifts to the Beneficiary for federal gift, estate and generation-skipping transfer tax purposes and are, therefore, potentially subject to federal gift tax and generation-skipping transfer tax. Under current tax law, if contributions made by an Account Owner or Third-Party Contributor to Accounts of a Beneficiary, together with all other gifts by the Account Owner or Third-Party Contributor who makes the contribution to the Beneficiary, including contributions to all qualified tuition program accounts, do not exceed $14,000 during a year ($28,000 for married filers electing gift splitting on their federal tax return), no federal gift tax or generation-skipping transfer tax will be imposed on the Account Owner or Third-Party Contributor, as applicable, for gifts to the Beneficiary during that year. (These annual exclusion amounts are periodically adjusted for inflation.) In cases where contributions to a qualified tuition program account exceed the applicable annual exclusion amount for a single Beneficiary, the contributions may be subject to federal gift tax and possibly generation-skipping transfer tax in the year of contribution. However, an individual currently can make a gift to an Account for a Beneficiary of up to five times the annual exclusion amount. For example, for 2014, the maximum contribution that may be made using this rule would be $70,000 in one year (or married filers electing gift splitting can make a joint gift of up to $140,000 in one year) without triggering the tax. To do this, the person making the contribution must elect to treat the entire gift as a series of five equal annual gifts. The five-year prorating is elected by filing a gift tax return for the year in which the gift is made. Once this election is made, any additional gifts by the person making the contribution to the same Beneficiary during the applicable five years that will, when combined with the gift spread over five years under Section 529, result in a gift in any year of more than the annual exclusion amount may be subject to gift tax or generation-skipping transfer tax and will require a separate federal gift tax return.

Amounts in an Account that were considered completed gifts by the Account Owner or Third-Party Contributor who makes the contribution will not be included in such person's gross estate for federal estate tax purposes. However, if such person elects to treat the gifts as having been made over a five-year period and dies before the end of the five-year period, the portion of the contribution allocable to the remaining years in the five-year period (not including the year of death) would be includable in computing such person's gross estate for federal estate tax purposes.

Each individual currently has a $5,340,000 (indexed for inflation) lifetime exemption equivalent that may be applied to gifts in excess of the gift tax annual exclusion amounts referred to above, and the maximum gift tax rate imposed on gifts not sheltered by the annual exclusion or lifetime exemption is 40%. A person making or contemplating a contribution to a Program Account should consult with his or her own tax advisor regarding the applicability of gift, estate and generation-skipping transfer tax to their Program Account transactions, the current lifetime exemptions and the gift tax filing requirements.

Under Section 529, amounts distributed on account of the death of a Beneficiary will be included in the Beneficiary's gross estate for federal estate tax purposes. The proposed U.S. Treasury regulations provide, however, that all amounts in an Account at the death of a Beneficiary will be included in the Beneficiary's gross estate for federal estate tax purposes without regard to whether any distribution results from the Beneficiary's death. A change of the Beneficiary of an Account or a transfer to an Account for another Beneficiary will potentially be subject to 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 (discussed below). Under the proposed U.S. Treasury regulations, these taxes are imposed on the prior Beneficiary. Account Owners should consult their own tax advisors for guidance when considering a change of Beneficiary or a transfer to another qualified tuition program account and should evaluate the potential gift tax implications to an existing Beneficiary when considering such a change. Furthermore, Account Owners who transfer Account assets to the qualified tuition program account of another Account Owner, as well as the recipient Account Owner, should consult their tax advisors regarding the potential applicability of gift tax or generation-skipping transfer tax as a result of such transfer.

Because contributions to an Account are treated as completed gifts for federal transfer tax purposes, an Account Owner or Third-Party Contributor making a contribution to an Account may also need to evaluate the effect of the generation-skipping transfer tax. This tax may apply to contributions in excess of the amount that may be elected to be ratably spread over the above-referenced five-year period where the Beneficiary is deemed to be a member of a generation that is two or more generations younger than the generation of the individual making the contribution. Each individual currently has a $5,340,000 generation-skipping transfer tax exemption (subject to annual upwards adjustment for inflation) that will be allocated to transfers that are subject to generation-skipping transfer tax unless certain elections are made. For this reason, this tax is unlikely to apply to many individuals making a contribution to Program Accounts or Beneficiaries. However, where it does apply, it is imposed at a 40% rate. A person making or contemplating a contribution to a Program Account who is concerned about application of the generation-skipping transfer tax should consult with his or her own tax advisor.

Accounts Established by Business Entities

Corporations, limited liability companies, partnerships, trusts and other entities that wish to contribute to or own Accounts should seek counsel on how tax rules will apply to their transfer of funds and to Accounts that they own. Business entities should be aware that their contributions to an Account or withdrawals from the Account to pay qualified higher education expenses may constitute employment compensation (if the Beneficiary is or was an employee or a family member of an employee) or constructive dividends or distributions (if the Beneficiary is an owner or a family member of an owner of the entity).

Unrelated Business Taxable Income

Under Section 529, the Program is generally exempt from taxation, but is subject to taxation on unrelated business taxable income of charitable organizations under Section 511 of the Code ("UBTI"). UBTI includes, among other items, debt-financed investment income and certain income from interest rate swap and other types of investment transactions. The Investment Managers generally are not expected to engage in transactions that would generate UBTI. If any UBTI is generated with respect to any investment or other income of the Program, any tax payable in connection therewith will be treated as an expense of the Program and will be allocated among the applicable Investment Options in accordance with the income allocated thereto from the applicable transaction.

Future Regulatory Changes

The 2008 Advance Notice released by the Treasury Department on January 17, 2008 indicates that the Treasury Department intends to repropose the initial Section 529 regulations proposed in 1998. The reproposed regulations described in the 2008 Advance Notice have not yet been published, and the exact content of such new proposed regulations, and the ultimate content of the final Section 529 regulations, is not known. The 2008 Advance Notice indicates that the new regulations, when promulgated, will generally apply prospectively and that there will be a grace period of no less than 15 months for programs to implement most of the regulatory changes. There is no certainty that the specific provisions described in the 2008 Advance Notice will become effective nor is it clear whether, if and when any such provisions become effective, any of such provisions will be applicable to Accounts established prior to the effective date of the regulations or to amounts contributed to Accounts prior to such effective date. The specific provisions in the Advance Notice include, among others:

- A distribution for the payment of qualified higher education expenses must occur in the same calendar year as the applicable qualified higher education expenses are incurred; in the case of qualified higher education expenses incurred on or before March 31 of a calendar year, the distribution may also occur in the calendar year preceding such expenses.

- Investment losses in Section 529 accounts may be deducted only as miscellaneous itemized deductions, which are deductible only if in excess of 2% of adjusted gross income.
- Amounts withdrawn by an account owner that correspond to contributions to the Section 529 account by a person other than the account owner may be taxed as income to the account owner, even if they would otherwise be treated as a non-taxable return of the investment.
- A new anti-abuse regulation will deny favorable gift tax, estate tax and generation-skipping tax treatment to contributions to 529 accounts that are deemed to be made for purposes other than providing for the qualified higher education expenses of the designated beneficiary.
- Liability for payment of gift tax due upon an account owner's designation of a new beneficiary of a lower generation than the prior beneficiary will be shifted from the prior beneficiary to the account owner.
- In the case of Section 529 accounts for which the contributor is also the designated beneficiary, any subsequent change in the designated beneficiary will be treated as a distribution to the contributor and a gift by the contributor to the new beneficiary.
- Account ownership may be restricted to individuals.

The only specified circumstance under which, upon the death of the beneficiary of a Section 529 account, amounts in such account will be included in the beneficiary's estate for estate tax purposes will be if the account owner makes a distribution from the account to the beneficiary's estate within six months of the beneficiary's death.

State Income Tax Treatment

- **In General.** The tax benefits described in this Investor Handbook are federal tax benefits. State and local tax treatment may differ based on the state or states in which you pay taxes. **If you pay state taxes in states other than New Jersey, you should evaluate whether any state in which you or your Beneficiary pays taxes will tax any earnings withdrawn from your Account. You should also consider whether any state in which you, a Third-Party Contributor or your Beneficiary resides or pays taxes offers special tax incentives or other benefits in connection with any qualified tuition program sponsored by such state that may not be available to you, a Third-Party Contributor or your Beneficiary under the Program. You should consider this state tax treatment and other benefits, if any, before making an investment decision.** You should also consult with your tax advisor about any state or local taxes, including income, gift, estate and generation-skipping transfer taxes.
- **State of New Jersey.** Contributions to an Account by an Account Owner or a Third-Party Contributor do not result in income to the Beneficiary for purposes of New Jersey personal income tax. Neither an Account Owner nor a Third-Party Contributor may deduct the contribution from gross income for purposes of determining New Jersey personal income tax (i.e., contributions to an Account are made on an after-tax basis). Account Owners and Beneficiaries are exempt from New Jersey personal income tax on undistributed earnings allocated to Accounts established under the Program. Upon distribution from an Account the earnings portion of the amount distributed will be recognized as taxable income of the distributee unless such distribution: (i) is used to pay for qualified higher education expenses pursuant to Section 529; (ii) is a Rollover Distribution; or (iii) involves a change in the Beneficiary of an Account to a "member of the family" of the prior Beneficiary of the Account. The portion of a distribution that is attributable to earnings is determined in accordance with the principles applied in determining the amount of a distribution attributable to earnings under Section 529.

  New Jersey currently has both an estate tax and an inheritance tax. New Jersey's estate tax, which is imposed upon the estates of New Jersey resident decedents, generally follows the federal estate tax rules in determining the taxable estate, and therefore generally excludes an Account from the Account Owner's estate to the same extent that it is excluded for federal estate tax purposes. For New Jersey inheritance tax purposes, the New Jersey Division of Taxation takes the position that Accounts are included in the gross estate of an Account Owner who is a New Jersey resident decedent. Accordingly, the transfer of an Account to a new Account Owner upon the death of an Account Owner may be subject to New Jersey inheritance tax if the new Account Owner is someone other than a lineal descendant of the decedent. Transfers made to an Account by a Third-Party Contributor who was a New Jersey resident within three years of such Third-Party Contributor's death may be subject to New Jersey inheritance tax if they were made to a non-lineal descendant and if the contribution is determined both to constitute a material part of the decedent's estate, or to be in the nature of a final disposition or distribution of the estate, and to have been made in contemplation of death. Account Owners and Third-Party Contributors should consult their own tax advisors about the potential applicability of New Jersey estate and inheritance taxes, and the liability for the payment of such taxes when due.
- **Other States.** Potential Account Owners and Third-Party Contributors should consider the potential impact of taxes which may be imposed by jurisdictions other than the State. It is possible that an Account Owner or recipient of money distributed from Program Accounts may be subject to income tax on Account earnings or distributions by a state other than New Jersey, where he or she lives or pays taxes. It is also possible that Rollover Distributions to Program Accounts from another qualified tuition program may be subject to a tax imposed on the Rollover Distributions by another state. Other state or local taxes may also apply.

Account Owners, Third-Party Contributors and Beneficiaries should consult their own tax advisors about the applicability, if any, of state or local taxes in other jurisdictions and the applicability of the New Jersey personal income tax on Account Owners and Beneficiaries who are not New Jersey residents.

Tax Reporting

The Program will report distributions and other matters to the IRS, distributees and other persons, if any, to the extent required pursuant to applicable federal, state or local law, regulation or ruling or requested by a taxing authority entitled to such information. Under federal law, a separate return will be filed by the Program with the IRS reporting distributions from an Account to each distributee reflecting, among other information, the earnings portion withdrawn during the calendar year to which the report pertains. By January 31 of the following year, the distributee (which in the case of Qualified Distributions is deemed to be the Beneficiary whose qualified higher education expenses are paid thereby) will receive a copy of the return or a corresponding statement.

Reporting and Other Matters

Account Statements

The Program Record-Keeper will send quarterly Account statements to Account Owners.

Audited Financial Statements

An annual audit report will be prepared for the Program by an independent accountant in accordance with generally accepted accounting principles.

Tax Withholding

Under the proposed U.S. Treasury regulations, distributions from Accounts are not subject to backup withholding.

Continuing Disclosure

HESAA has executed a Continuing Disclosure Agreement for the benefit of Account Owners in accordance with Rule 15c2-12(b)(5) under the Securities Exchange Act of 1934, as amended. Under the Continuing Disclosure Agreement, HESAA is required to provide certain updated financial information and operating data relating to the Program ("Annual Information") within 200 days of each June 30, and notices of the occurrence of certain enumerated events set forth in the Continuing Disclosure Agreement. The Annual Information is required to be filed by or on behalf of HESAA with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access (EMMA) website.

Securities Investor Protection Corporation (SIPC)

Account Owners may obtain information about the Securities Investor Protection Corporation ("SIPC"), including the SIPC brochure, by contacting SIPC at its website, **www.sipc.org**, or its telephone number, (202) 371-8300. The inclusion of this information is not intended to suggest that Accounts are subject to SIPC protection or that any losses sustained in an Account would be covered by SIPC.

Obtaining Additional Information; Program Contacts

Other documents and reports, including prospectuses for any mutual fund which is referenced in this Investor Handbook, are available upon request from the Program Record-Keeper. The toll-free phone number for the Program is 1-866/362-1597. The website for the Plan is **franklintempleton.com**.

Appendix A

Participation Agreement

ARTICLE I – General Provisions

By signing and submitting the application for an Account, you (the original "Account Owner") agree, on behalf of yourself, each Beneficiary of your Account, any Third-Party Contributors to your Account and any successor Account Owner, to the terms and conditions set forth in this Participation Agreement and in the Investor Handbook, subject to the requirements of the Act and of regulations adopted by HESAA under the Act. Copies of the Act, and of such regulations, may be obtained from HESAA or the Program Record-Keeper upon request. As used in this Participation Agreement, "Investor Handbook" refers to the Investor Handbook to which this Participation Agreement is attached, and any revised, supplemented or replacement version applicable to Class A, B or C Trust Shares from time to time, and "Class A, B or C Trust Shares" means interests in the Trust purchased for an Account under Class A, B or C, as described in the Investor Handbook. Other capitalized terms used, but not defined, in this Participation Agreement have the meaning ascribed to such terms in the Investor Handbook.

The Act authorizes and directs HESAA to establish and administer the Program in a manner that qualifies the Program as a "qualified tuition program" as defined in Section 529 of the Internal Revenue Code, as amended. The Program is established and maintained so that the Account Owners and Third-Party Contributors may make contributions to the Account for the purpose of meeting the qualified higher education expenses of the Beneficiary of such Account. HESAA has retained the Program Manager to provide, directly or through affiliates and sub-contractors, certain investment management, administrative and marketing services for the Program pursuant to a contract between HESAA and FTDI.

The Program has been structured so as to provide several Investment Options under which amounts contributed to an Account are invested by the Trust in one or more of the investment portfolios established within the Trust.

The terms and conditions under which Accounts are established and contributions to Accounts are invested are set forth in the Investor Handbook.

ARTICLE II – Opening an Account

1. General.

In order to open an Account, the prospective Account Owner must sign and submit by mail, electronic or other acceptable means to the Program Manager the appropriate completed application for the Program, and make an initial contribution.

2. Account Designations.

A. Beneficiary Designation. The Account Owner must designate the Beneficiary in the application at the time an Account is established, unless the Account Owner is eligible to open a scholarship Account under the Program and Section 529 without designating a Beneficiary. The Program Record-Keeper, on behalf of HESAA, shall establish a separate Account for each separate Beneficiary designated by the Account Owner. The Beneficiary of the Account may be changed as described in the Investor Handbook.

B. Investment Option Designation. The Account Owner must designate on the application or other authorized form the Investment Option(s) under which the initial and each subsequent contribution will be invested by the Trust.

C. Successor Account Owner. The Account Owner may transfer ownership of the Account to a successor Account Owner upon completion of the appropriate form, which includes submission of a signature guaranty from a banking institution. In addition, the Account Owner may designate any person as the successor Account Owner in the event of his or her death. If such designation is not made on the application form, the Account Owner may make such designation at a later time through written notification to the Program Record-Keeper. The Account Owner should consult a probate lawyer as to the effect of the designation of a successor owner in the Account Owner's state of residence. If a successor Account Owner has not been properly designated, or if the successor Account Owner does not survive the Account Owner, ownership of the Account shall be transferred as described in the Investor Handbook, subject to the requirements of applicable law.

3. Accounts Established by Fiduciaries.

Accounts may be established as fiduciary accounts. An Account may be opened for a minor under UTMA or UGMA. The Account Owner should review the Investor Handbook about special restrictions applicable to Accounts established for a minor under UTMA or UGMA, and should review the Investor Handbook and consult a tax advisor and probate lawyer about the advisability of transferring UTMA/UGMA funds to an Account.

4. Accounts Established by Business Entities.

Certain types of legal entities, including corporations, partnerships, limited liability companies, limited liability partnerships, limited and general partnerships, and non-profit corporations, may establish Accounts.

ARTICLE III – Contributions and Withdrawals

Contributions to, and withdrawals from, an Account may be made as described in the Investor Handbook.

ARTICLE IV – Fees and Charges

1. General.

HESAA and/or the Program Manager shall charge such fees in such amounts as HESAA and the Program Manager may determine are necessary. HESAA may change the services and functions for which it or the Program Manager charges fees as well as the amount of such fees. Fees charged by HESAA or the Program Manager may be payable by the Account Owner or a Third-Party Contributor or may be payable out of the assets of the applicable portfolio of the Trust. HESAA and/or the Program Manager reserves the right to waive any fee upon finding that such waiver would be appropriate due to extenuating circumstances.

2. Specific Fees and Expenses.

A. Fees. The fees, which are subject to change, that are currently charged or imposed by HESAA or the Program Manager are: a Program management fee; initial sales charges; contingent deferred sales charges; and ongoing sales fees. The initial sales charges, contingent deferred charges and ongoing sales fees vary depending on whether you select Class A, B (available only to Account Owners exchanging Class B Trust Shares acquired prior to April 1, 2012 for Class B Trust Shares of a different Trust Portfolio) or C and the particular Investment Option(s) you select for your Account contributions. All contributions to a particular Account must be invested under the same Class. The initial sales charge may be reduced or waived under the circumstances described in the Investor Handbook. All of the fees and charges, including the methods by which such fees are paid or payable, are described in detail in the Investor Handbook. In addition, HESAA or the Program Manager may, at its option, charge a "Rollover Fee" of $75 for a distribution from the Account that is transferred to an account in a "qualified tuition program" other than the Program in accordance with the requirements applicable to a "rollover distribution" under Section 529.

B. Expenses. Each of the investment companies or ETF in which assets are invested under each Investment Option also has investment management fees and other expenses, and, in the case of certain Investment Options, additional charges described in the Investor Handbook, which fees, expenses and charges will be deducted by the applicable investment company or ETF and result in a reduction of the net asset value of such investments, thereby correspondingly decreasing the net asset value of the applicable Trust Shares.

ARTICLE V – Representations, Warranties and Acknowledgments

The original Account Owner, by execution of an Account application, each successor Account Owner, by succession to ownership of the Account, and each Third-Party Contributor, by contributing to the Account, represents and warrants to, acknowledges for the benefit of and agrees with HESAA and the Program Manager as follows:

A. The Account Owner or Third-Party Contributor, as applicable, has received, read and understands the Investor Handbook and this Participation Agreement, including the appropriate application form. In making a decision to establish or contribute to an Account, such person has not relied on any representations or other information about the Program, whether oral or written, other than as set forth in the Investor Handbook and this Participation Agreement. Each such person will be deemed to certify, at the time of each contribution, that such contribution, together with the earnings thereon, is intended to be applied to pay for the qualified higher education expenses of the Beneficiary. All information provided by an Account Owner in the application form and in any form or other notice requesting a distribution from an Account or other form submitted in connection with the Account is and will be true and correct. The Account Owner will promptly notify the Program Record-Keeper of any changes to any such information.

B. Each Account Owner and Third-Party Contributor understands that the Trust will invest contributions made to the Account under each of the Investment Options selected by the Account Owner pursuant to the Program's then applicable Investment Policy adopted by HESAA, and that HESAA may change such Investment Policy at any time without the consent of Account Owners, Third-Party Contributors or Beneficiaries. Each Account Owner and Third-Party Contributor agrees that such person has no authority to direct the investment of any contributions made to the Account, or any earnings thereon, either directly or indirectly; provided that the Account Owner is permitted to select among Investment Options and reallocate assets among Investment Options to the extent permitted under the Code, the Investor Handbook and this Participation Agreement. Each Account Owner and Third-Party Contributor understands and acknowledges that HESAA will retain the right to change the investment instruments in which each Trust Portfolio corresponding to an Investment Option is invested and to consolidate Trust Portfolios or close Trust Portfolios and substitute replacement Trust Portfolios, and that, in accordance with the requirements of Section 529, none of the Account Owner, any Third-Party Contributor or any Beneficiary shall have any right to consent or object to such changes or own or have any voting rights as to any investment made by the Trust with contributions received under this Participation Agreement.

C. The original Account Owner is opening, each successor Account Owner is succeeding to ownership of and each Account Owner or Third-Party Contributor making a contribution is contributing to, the Account for the sole purpose of providing funds for qualified higher education expenses of the Beneficiary of the Account, and no such person will make any contributions in excess of the limitations described in the Investor Handbook. Contributions to an Account that cause the balance in all Accounts established on behalf of a Beneficiary under the Program to exceed the amount described in the Investor Handbook will be returned to the person making the applicable contribution, subject to any investment losses or applicable liabilities and tax penalties.

D. Each Account Owner and Third-Party Contributor understands that participation in the Program does not guarantee, and that none of the State of New Jersey, HESAA, the Trust, the Plan, the Division of Investment, the Program Manager or any other person makes any promise, that: (i) contributions and the investment return on contributions, if any, will be adequate to cover future tuition and other qualified higher education expenses of a Beneficiary; (ii) the Beneficiary of the Account will be admitted to any institution (including any Eligible Educational Institution); (iii) upon admission to an institution, the Beneficiary will be permitted to continue to attend; (iv) the Beneficiary will receive a degree from any institution; or (v) New Jersey residency will be created for tax, financial aid eligibility or any other purpose for the Beneficiary solely because the individual is a Beneficiary of an Account under the Program. Each Account Owner and Third-Party Contributor acknowledges that the Beneficiary of the Account has not been given any rights or legal interest with respect to the Account unless the Beneficiary is the Account Owner.

E. NONE OF: 1) THE STATE OF NEW JERSEY; 2) HESAA; 3) FRANKLIN TEMPLETON INVESTMENTS OR ANY ENTITY AFFILIATED THEREWITH; 4) ANY CONSULTANT OR ADVISER RETAINED BY ANY SUCH PARTY; OR 5) ANY OTHER PERSON GUARANTEES OR INSURES ANY ACCOUNTS ESTABLISHED UNDER THE PLAN, THE PRINCIPAL DEPOSITED OR THE INVESTMENT RETURN. EACH ACCOUNT OWNER AND THIRD-PARTY CONTRIBUTOR UNDERSTANDS THAT THE VALUE OF ANY ACCOUNT AT ANY TIME MAY BE MORE OR LESS THAN THE AMOUNT INVESTED IN THE ACCOUNT. Each Account Owner and Third-Party Contributor understands that returns on contributions or investments in the Program are not guaranteed by the State of New Jersey, HESAA, the Trust, the Program Manager or any other contractor, consultant or adviser retained by any such party, that none of such parties assumes any risk or liability for funds contributed to or invested in the Program and that the Account Owner assumes all investment risk of an investment in or contribution to the Program, including the potential loss of principal and liability for income tax surcharges or penalties that are assessable in connection with a distribution of amounts invested under the Program. Neither the Account, nor any amount contributed thereto or on deposit therein, is a bank deposit or is insured by the Federal Deposit Insurance Corporation. Each Account Owner and Third-Party Contributor recognizes that the investment of contributions to the Account and of Account balances involves certain risks, and has taken into consideration and understands the risk factors relating to investments of contributions to the Account and Account balances, including, but not limited to, those set forth in the Investor Handbook under the caption "Risk Factors."

F. Each Account Owner and Third-Party Contributor recognizes that none of the Account Owner, any Third-Party Contributor or the Beneficiary is or will be permitted to have any role in the selection or retention of the Program Manager or to direct the investment of contributions to the Account and of Account balances, either directly or indirectly, other than the Account Owner's selection, and potential later revision, of the Investment Option(s) for the contributions to the Account. Each Account Owner and Third-Party Contributor understands and acknowledges that once invested under a particular Investment Option, contributions and earnings thereon may only be transferred by the Account Owner to another Investment Option once per calendar year, or otherwise when the Account Owner changes the Beneficiary of the Account as provided in the Investor Handbook.

G. Each Account Owner and Third-Party Contributor acknowledges and agrees that no Account can be used by the Account Owner, Third-Party Contributor or the Beneficiary as collateral for any loan. Any attempted use of an Account as collateral for a loan shall be void.

H. Each Account Owner and Third-Party Contributor acknowledges and agrees that no Account Owner, Third-Party Contributor or Beneficiary may assign or transfer any interest in any Account except, to the extent described in the Investor Handbook, to any person designated by the Account Owner to assume ownership of the Account in accordance with the Investor Handbook and this Participation Agreement or as required by law (including transfers of record ownership from a custodian of an Account established for a minor under UTMA or UGMA when the minor for whom such Account was established reaches the age specified by applicable law). Any other attempted assignment or transfer of such interest shall be void.

I. Each Account Owner and Third-Party Contributor acknowledges and agrees that the Program shall not loan any assets on deposit in any Account established under the Program to any Account Owner, Third-Party Contributor or Beneficiary.

J. Each Account Owner and Third-Party Contributor acknowledges and agrees that the Program is established and maintained by the State of New Jersey and HESAA pursuant to applicable state laws and is intended to qualify for certain federal income tax consequences under Section 529. Each Account Owner and Third-Party Contributor further acknowledges that such federal and state laws are subject to change, sometimes with retroactive effect, and that none of the State of New Jersey, HESAA, the Trust, the Program Manager or any contractor,

adviser or consultant retained by any such party makes any representation that such state or federal laws will not be changed or repealed or that the terms and conditions of the Program will remain as currently described in the Investor Handbook and this Participation Agreement.

K. The Account Owner acknowledges and agrees that he or she will, or will cause the Beneficiary to, provide, if required by HESAA or Program Manager in order to comply with Section 529, a signed statement identifying the amount of distributions, if any, received from an Eligible Educational Institution at the end of each calendar year in which distributions for qualified higher education expenses are made and at the end of the subsequent calendar year, and/or any other information that may be required in order to comply with Section 529.

L. If the Account Owner is establishing an Account as a custodian for a minor under UTMA or UGMA, the Account Owner acknowledges and agrees that he or she has reviewed the portion of the Investor Handbook entitled "Opening, Maintaining and Contributing to an Account – Accounts Established under UTMA or UGMA," and acknowledges and agrees that such Account Owner assumes responsibility for any adverse consequences resulting from the establishment of an Account under UTMA or UGMA.

M. If a person is executing this Agreement in a representative or fiduciary capacity, such person represents that such person has full power and authority to enter into and perform this Participation Agreement on behalf of the entity or individual named as the Account Owner.

N. Each Account Owner and Third-Party Contributor understands that FTDI will not necessarily continue as Program Manager for the entire period the Account is open, that, even if it does, there is no assurance that the terms and conditions of the current Services Agreement between HESAA and FTDI would continue without material change, and that there are, accordingly, various potential consequences Account Owners and Third-Party Contributors should take into consideration as discussed in the Investor Handbook under the caption "Risk Factors – Change in Investment Policy, Program Manager or Investment Manager," including: (i) changes in the Investment Manager of the Investment Options; and (ii) changes in the current Program management fee or other fees.

O. Each Account Owner and Third-Party Contributor acknowledges that no such person has been advised by the State of New Jersey, HESAA, the Trust, the Program Manager or any of their affiliates, officers or employees to invest, or to refrain from investing, in a particular Investment Option or in a particular Class of Trust Shares. Each Account Owner and Third-Party Contributor acknowledges that such person is not relying on the State of New Jersey, HESAA, the Trust, the Program Manager or any of their affiliates, officers or employees as such person's tax consultant or financial planner.

ARTICLE VI – Miscellaneous Provisions

1. **Limitation of Liability.** The original Account Owner, by execution of an Account application, each successor Account Owner, by succession to ownership of the Account, and each Third-Party Contributor, by contributing to the Account, acknowledges that the payment of obligations under this Participation Agreement will be made only from the applicable investment portfolio(s) of the Trust. Any claim against the Program or HESAA pursuant to a Participation Agreement may be made solely against the assets of the applicable investment portfolio(s) of the Trust and not against any other funds or sources of funds of HESAA or the State of New Jersey. Each Account Owner and Third-Party Contributor further acknowledges that neither HESAA nor the Trust may pledge the credit or taxing power of the State of New Jersey.

2. **Contract Modifications.** HESAA reserves the right to modify this Participation Agreement, as deemed necessary by HESAA in its sole discretion, for such reasons as, but not limited to, assuring compliance with state or federal laws and regulations or preserving the fiscal integrity of the Program. To the extent, if any, that this Participation Agreement references procedures, HESAA reserves the right to change those procedures.

3. **Necessity of Qualification.** The Program is established with the intent that it shall qualify for favorable federal tax treatment under Section 529. Each Account Owner and Third-Party Contributor agrees and acknowledges that qualification under Section 529 is vital, and agrees that this Participation Agreement may be amended by HESAA at any time without the Account Owner's or Third-Party Contributor's consent or prior notice if HESAA determines that such an amendment is required to maintain qualification of the Program under Section 529 or to comply with other applicable laws.

4. **Reporting.** HESAA shall provide, or cause to be provided, quarterly statements to Account Owners with respect to each Account, and tax reporting with respect to each Account as required by federal tax law.

5. **Account Owner's Indemnity.** The Account Owner recognizes that the establishment of any Account will be based upon the statements, agreements, representations, warranties and covenants set forth in this Participation Agreement, and the Account Owner agrees to indemnify and to hold harmless the State of New Jersey, HESAA, the Trust, the Program Manager and any representatives or contractors of any such party from and against any and all loss, damage, liability or expense, including costs of reasonable attorney's fees, to which they may be put or which they may incur by reason of, or in connection with, any misstatement or misrepresentation made by the Account Owner, any Third-Party Contributor or any Beneficiary, any breach by any such person of the acknowledgments, representations or warranties contained herein, any failure of any such person to fulfill any covenants or agreements set forth herein or any action taken by such person other than in accordance with the terms of this Participation Agreement. All statements, representations, warranties or covenants of any such person, and this paragraph, shall survive the termination of this Participation Agreement.

6. **Finality of Decisions and Interpretations.** All decisions and interpretations by HESAA and the Program Manager in connection with the operation of the Program shall be final and binding on each Account Owner, Third-Party Contributor, Beneficiary and other person affected thereby.
7. **Binding Nature; Third-Party Beneficiaries.** This Participation Agreement shall survive the Account Owner's death and shall be binding upon the Account Owner's personal representatives, heirs, successors and assigns. Each of the Program Manager and HESAA is a Third-Party beneficiary of, and can rely upon and enforce, any agreements, representations and warranties in this Participation Agreement. Neither a Third-Party Contributor nor any Beneficiary is an intended beneficiary of or may enforce the provisions of this Participation Agreement.
8. **Amendment and Termination.** HESAA may at any time, and from time to time, amend this Participation Agreement, or suspend or terminate the Program, by giving written notice of such action to the Account Owner (including, without limitation, through the inclusion of an amended form of Participation Agreement in a revised Investor Handbook distributed to the Account Owner or the separate distribution of an amended form of Participation Agreement to the Account Owner) but, except as otherwise expressly provided herein or permissible under applicable law, the Account Owner's Account may not be diverted from the Account Owner's or the Beneficiary's exclusive benefit. Nothing contained in this Participation Agreement shall constitute an agreement or representation by HESAA or any other party that HESAA will continue to maintain the Program indefinitely.
9. **Effective Date.** The Participation Agreement shall become effective between HESAA and an original Account Owner upon the Account Owner's execution of an appropriate application form for the establishment of an Account, the acceptance of such application form by the Program Record-Keeper on behalf of HESAA and the receipt of an initial contribution to the Account established for such Account Owner. The Participation Agreement shall become effective as between HESAA and any successor Account Owner upon the successor Account Owner's succession to ownership of the Account, without the need for other action. The Participation Agreement shall become effective with respect to the representations, warranties, and acknowledgments of any Third-Party Contributor immediately upon receipt by or on behalf of HESAA of any contribution from such Third-Party Contributor, without the need for other action.
10. **Factual Determinations.** All factual determinations regarding residency, whether a false statement by an Account Owner, Third-Party Contributor or Beneficiary relating to a substantial fact regarding the Program was made with the intention to deceive and any other factual determinations regarding this Participation Agreement will be at the sole discretion of HESAA.
11. **Governing Law.** The Participation Agreement will be construed in accordance with the laws of the State of New Jersey.
12. **Construction.** In the event that any clause or portion of this Participation Agreement is found to be invalid or unenforceable by a court of competent jurisdiction, at the option of HESAA, this Participation Agreement may be deemed void or that clause or portion found to be invalid will be severed from this Participation Agreement and the remainder of this Participation Agreement will continue in full force and effect as if such clause or portion had never been included.
13. **Exclusivity.** Subject to all applicable state and federal laws, rules, and regulations, the Investor Handbook, including the most recent Participation Agreement included therein, and the related application form, constitute the complete and exclusive statement of the agreement between HESAA and the Account Owner, and supersede any prior agreement, oral or written, and any other communications between HESAA (through any means and by any individuals) relating to the subject matter of this Participation Agreement. If, however, there is a conflict between any such documentation and this Participation Agreement, the terms described in the then current Investor Handbook shall take precedence.
14. **Actions by Program Manager and Program Record-Keeper.** The Program Manager and Program Record-Keeper may act, as stated in the Investor Handbook or otherwise authorized from time to time by HESAA, as HESAA's, the Trust's or the Program's agents for purposes of effecting actions, instructions or determinations by HESAA, the Trust or the Program under this Participation Agreement.
15. **Arbitration.** The original Account Owner, by execution of an Account application, each successor Account Owner, by succession to ownership of the Account, and each Third-Party Contributor, by contributing to the Account, agrees (on behalf of themselves and the Beneficiary of the Account) that all controversies which may arise between any Account Owner, Third-Party Contributor or Beneficiary and HESAA or the Program Manager involving any transaction in the Account, or the construction, performance or breach of this Participation Agreement, shall be determined by arbitration.

    This agreement to arbitrate all controversies does not constitute an agreement to arbitrate the arbitrability of any controversy, unless otherwise clearly and unmistakably required by the arbitration rules of the forum elected, as set forth below.

    - Arbitration is final and binding on the parties.
    - Each Account Owner, Third-Party Contributor and Beneficiary of the Account, HESAA and the Program Manager are waiving their right to seek remedies in court, including the right to a jury trial.
    - Pre-arbitration discovery is generally more limited than and different from court proceedings.

- The arbitrators' award is not required to include factual findings or legal reasoning and any party's right to appeal or to seek modification of rulings by the arbitrators is strictly limited.
- The panel of arbitrators will typically include a minority of arbitrators who are affiliated with the securities industry.

Any arbitration under this Participation Agreement shall be conducted only before the New York Stock Exchange, Inc., an arbitration facility provided by any other exchange of which the Program Manager is a member, or the Financial Industry Regulatory Authority, and in accordance with its arbitration rules then in force. An Account Owner, Third-Party Contributor or Beneficiary may elect in the first instance whether arbitration shall be conducted before the New York Stock Exchange, Inc., or the Financial Industry Regulatory Authority, but if the Account Owner, Third-Party Contributor or Beneficiary fails to make such election, by registered letter or telegram addressed to the office of HESAA or the Program Manager, as applicable, or such other address that HESAA or the Program Manager may advise such person of from time to time, before the expiration of five days after receipt of a written request from HESAA or the Program Manager to make such election, then HESAA or the Program Manager may make such election. Judgment upon the award of the arbitrators may be entered in any court, state or federal, having jurisdiction.

Nothing contained herein shall limit the ability of the arbitrators to make an award under the rules of the arbitration forum and applicable law. Nothing contained herein is intended: (i) to cause any Third-Party Contributor or Beneficiary to have, or to imply that any such person may have, any contractual rights under this Participation Agreement; or (ii) to cause any such person to be, or to imply that any such person may be intended Third-Party beneficiaries of this Participation Agreement.

No person who is a member of a putative class who has not opted out of the class with respect to any claims encompassed by the putative class action shall bring a putative or certified class action to arbitration, or seek to enforce any pre-dispute arbitration, or seek to enforce any pre-dispute arbitration agreement against any person who has initiated in court a putative class action until:

(i) the class certification is denied;

(ii) the class is decertified; or

(iii) such person is excluded from the class by the court.

Such forbearance to enforce an agreement to arbitrate shall not constitute a waiver of any rights under this Participation Agreement except to the extent stated herein.

Appendix B

Historical Performance of the Trust Portfolios

The table on the following pages shows total returns for Class A, B and C Trust Shares. The investment return and principal value will fluctuate so that an investor's Trust Shares, when redeemed, may be worth more or less than the original cost. See "Risk Factors – General Risks" and "Risk Factors – General Investment Risks." Performance shown is past performance and includes periods with unusually favorable conditions in some markets. No assurances can be given that such performance or market conditions will be repeated in the future. Ongoing market volatility can dramatically impact short-term returns. Current performance may differ from figures shown. Moreover, the Plan did not become operational until March 2003 and certain of the Trust Portfolios or classes of Trust Shares were not made available until later in 2003 or in later years. Accordingly, historical performance information of the Trust Portfolios is only available for the applicable period. The Franklin Money 529 Portfolio did not become operational until October, 2014 and accordingly no historical performance information is provided for such Trust Portfolio. See "Risk Factors – Limited Operating History."

The returns shown under "All Sales Charges" are net of applicable fees, expenses and sales charges of the Plan, including: (1) Program management fee of 40 basis points per annum prior to April 1, 2014 and of 25 basis points thereafter assessed against the assets of the applicable Trust Portfolio; (2) current annual sales fees of 25 basis points per annum for Class A Trust Shares and 100 basis points per annum for Class B Trust Shares and Class C Trust Shares, assessed in each case against the allocable assets of the applicable Trust Portfolio; (3) expenses applicable to the share classes of the underlying mutual funds in which the applicable Trust Portfolio invests, and (4) sales loads or sales charges as described in the next sentence. Such returns reflect: (i) in the case of Class A Trust Shares, a maximum front-end sales load of 5.75% or 4.25%, as applicable, of the amount invested; (ii) in the case of Class B Trust Shares, a maximum contingent deferred sales charge of 4% of the NAV of the Trust Shares at the beginning of the applicable investment period that is assessed at the end of the applicable investment period; and (iii) in the case of Class C Trust Shares, a maximum contingent deferred sales charge of 1% of the NAV of the Trust Shares at the beginning of the applicable investment period that is assessed at the end of the applicable investment period (unless the applicable investment period exceeds one year, in which case no contingent deferred sales charge is assessed). A contingent deferred sales charge of 0.75% is applicable to Class A Trust Shares of the Income 529 Portfolio and Franklin Income 529 Portfolio purchased without an initial sales charge and redeemed within 18 months of purchase.

The returns shown under "No Sales Charges" are the same as those shown under "All Sales Charges" except that such returns are not net of one-time sales loads or sales charges described in (5) above, which would lower returns. Plan fees, expenses and sales charges are subject to change. Underlying fund expenses will vary and in some cases have been, and may from time to time be, reduced by fee and expense waivers or reimbursements, which may be ended at any time. The implementation and termination of any such waiver or reimbursement would affect future performance. For more recent performance information, please call 1-866/362-1597 or visit ***franklintempleton.com****.*

Trust Portfolio Performance[1]

ALL SALES CHARGES

		Average Annual Total Return as of September 30, 2014					
Trust Portfolio	**Year-to-Date Total Return as of September 30, 2014**	**1 Year**	**3 Years**	**5 Years**	**10 Years**	**Since Inception**	**Inception Date[2]**
FRANKLIN AGE-BASED GROWTH ALLOCATIONS[3]							
Newborn–8 years							
Class A	-3.39%	4.45%	—	10.32%	6.91%	—	03/26/03
Class B	-2.09%	6.02%	—	10.53%	6.90%	—	03/28/03
Class C	0.93%	9.02%	—	10.80%	6.75%	—	03/31/03
Age 9–12 years							
Class A	-3.42%	2.60%	—	8.35%	6.21%	—	03/26/03
Class B	-2.11%	4.03%	—	8.53%	6.20%	—	04/02/03
Class C	0.91%	7.06%	—	8.83%	6.03%	—	03/31/03
Age 13–16 years							
Class A	-3.39%	1.00%	—	6.48%	5.57%	—	03/31/03
Class B	-2.07%	2.40%	—	6.63%	5.56%	—	04/08/03
Class C	0.92%	5.40%	—	6.94%	5.40%	—	04/09/03

ALL SALES CHARGES

Trust Portfolio	Year-to-Date Total Return as of September 30, 2014	Average Annual Total Return as of September 30, 2014					Inception Date[2]
		1 Year	3 Years	5 Years	10 Years	Since Inception	
Age 17+ years							
Class A	-3.28%	-0.77%	—	4.37%	4.36%	—	05/05/03
Class B	-1.91%	0.47%	—	4.49%	4.34%	—	05/01/03
Class C	-1.06%	3.46%	—	4.82%	4.19%	—	04/09/03
FRANKLIN AGE-BASED MODERATE ALLOCATIONS							
Newborn–8 years							
Class A	-3.43%	2.70%	11.91%	—	—	6.86%	04/23/10
Class B	-2.13%	4.08%	12.49%	—	—	7.13%	04/23/10
Class C	0.94%	7.17%	13.26%	—	—	7.45%	04/23/10
Age 9–12 years							
Class A	-3.39%	0.87%	7.91%	—	—	5.15%	04/23/10
Class B	-2.04%	2.22%	8.42%	—	—	5.38%	04/23/10
Class C	0.96%	5.21%	9.24%	—	—	5.79%	04/23/10
Age 13–16 years							
Class A	-3.38%	-0.92%	4.34%	—	—	3.52%	04/23/10
Class B	-2.03%	0.36%	4.74%	—	—	3.74%	04/23/10
Class C	0.97%	3.36%	5.65%	—	—	4.12%	04/23/10
Age 17+ years							
Class A	-3.30%	-2.50%	0.63%	—	—	1.75%	04/23/10
Class B	-1.84%	-1.29%	0.95%	—	—	1.95%	04/23/10
Class C	1.16%	1.71%	1.92%	—	—	2.37%	04/23/10
FRANKLIN AGE-BASED CONSERVATIVE ALLOCATIONS							
Newborn–8 years							
Class A	-3.14%	1.14%	8.33%	—	—	5.54%	04/23/10
Class B	-1.84%	2.52%	8.83%	—	—	5.77%	04/23/10
Class C	1.23%	5.60%	9.67%	—	—	6.14%	04/23/10
Age 9–12 years							
Class A	-3.22%	-0.84%	4.51%	—	—	3.44%	04/23/10
Class B	-1.88%	0.52%	4.92%	—	—	3.68%	04/23/10
Class C	1.13%	3.44%	5.79%	—	—	4.04%	04/23/10
Age 13–16 years							
Class A	-3.30%	-2.66%	0.55%	—	—	1.65%	04/23/10
Class B	-1.93%	-1.47%	0.82%	—	—	1.84%	04/23/10
Class C	1.07%	1.53%	1.77%	—	—	2.26%	04/23/10
Age 17+ years							
Class A	-4.74%	-4.56%	-1.48%	—	—	-1.21%	04/23/10
Class B	-3.48%	-3.38%	-1.28%	—	—	-1.09%	04/23/10
Class C	-0.48%	-0.48%	-0.31%	—	—	-0.66%	04/23/10
OBJECTIVE-BASED ASSET ALLOCATIONS							
Franklin Founding Funds 529 Portfolio							
Class A	-2.16%	4.81%	—	9.67%	—	5.07%	06/27/05
Class B	-0.77%	6.44%	—	9.88%	—	5.06%	06/27/05
Class C	2.30%	9.45%	—	10.16%	—	4.95%	06/27/05
Franklin Corefolio® 529 Portfolio[4]							
Class A	-1.89%	6.85%	—	11.12%	6.40%	—	03/25/03
Class B	-0.49%	8.58%	—	11.36%	6.39%	—	04/08/03
Class C	2.49%	11.53%	—	11.60%	6.24%	—	03/31/03

ALL SALES CHARGES

Trust Portfolio	Year-to-Date Total Return as of September 30, 2014	Average Annual Total Return as of September 30, 2014					Inception Date[2]
		1 Year	3 Years	5 Years	10 Years	Since Inception	
Franklin Growth Allocation 529 Portfolio[3]							
Class A	-3.43%	4.34%	—	10.27%	6.91%	—	03/25/03
Class B	-2.09%	5.91%	—	10.49%	6.90%	—	03/25/03
Class C	0.90%	8.91%	—	10.77%	6.74%	—	03/28/03
Franklin Growth & Income Allocation 529 Portfolio[3]							
Class A	-3.37%	1.02%	—	6.47%	5.47%	—	03/25/03
Class B	-2.05%	2.36%	—	6.63%	5.47%	—	04/03/03
Class C	0.92%	5.34%	—	6.92%	5.31%	—	04/25/03
Franklin Income Allocation 529 Portfolio							
Class A	-1.72%	-1.03%	—	2.53%	3.16%	—	04/08/03
Class B	-1.91%	-1.39%	—	2.30%	3.17%	—	04/22/03
Class C	1.08%	1.60%	—	2.67%	3.00%	—	03/31/03
INDIVIDUAL PORTFOLIOS							
INTERNATIONAL EQUITY							
Templeton Growth 529 Portfolio							
Class A	-5.27%	2.44%	—	9.05%	4.98%	—	03/25/03
Class B	-4.04%	3.93%	—	9.25%	4.96%	—	03/25/03
Class C	-1.04%	6.92%	—	9.52%	4.80%	—	03/28/03
DOMESTIC EQUITY							
Franklin Growth 529 Portfolio[5]							
Class A	1.74%	11.86%	—	12.90%	6.73%	—	04/22/03
Class B	3.27%	13.79%	—	13.15%	6.73%	—	05/12/03
Class C	6.31%	16.75%	—	13.39%	6.58%	—	04/01/03
Franklin Small-Mid Cap Growth 529 Portfolio							
Class A	-3.66%	4.82%	—	13.70%	7.94%	—	03/28/03
Class B	-2.34%	6.39%	—	13.94%	7.94%	—	04/08/03
Class C	0.63%	9.35%	—	14.20%	7.77%	—	03/28/03
VALUE							
Franklin Mutual Shares 529 Portfolio							
Class A	-0.55%	7.10%	—	10.51%	5.99%	—	03/31/03
Class B	0.94%	8.80%	—	10.73%	5.97%	—	04/02/03
Class C	3.96%	11.79%	—	11.01%	5.81%	—	03/28/03
INCOME							
Franklin Income 529 Portfolio							
Class A	1.07%	6.75%	—	9.65%	6.41%	—	04/07/03
Class B	0.96%	6.65%	—	9.52%	6.23%	—	04/01/03
Class C	4.00%	9.68%	—	9.79%	6.07%	—	03/28/03
INDEX STYLE							
S&P 500 Index 529 Portfolio							
Class A	1.87%	12.37%	—	13.45%	6.55%	—	04/08/03
Class B	3.49%	14.30%	—	13.68%	6.53%	—	05/07/03
Class C	6.50%	17.27%	—	13.94%	6.38%	—	04/01/03

NO SALES CHARGES

Trust Portfolio	Year-to-Date Total Return as of September 30, 2014	Average Annual Total Return as of September 30, 2014					Inception Date[2]
		1 Year	3 Years	5 Years	10 Years	Since Inception	
FRANKLIN AGE-BASED GROWTH ALLOCATIONS[3]							
Newborn–8 years							
Class A	2.50%	10.83%	—	11.63%	7.54%	—	03/26/03
Class B	1.91%	10.02%	—	10.80%	6.90%	—	03/28/03
Class C	1.93%	10.02%	—	10.80%	6.75%	—	03/31/03
Age 9–12 years							
Class A	2.48%	8.86%	—	9.65%	6.84%	—	03/26/03
Class B	1.89%	8.03%	—	8.82%	6.20%	—	04/02/03
Class C	1.91%	8.06%	—	8.83%	6.03%	—	03/31/03
Age 13–16 years							
Class A	2.49%	7.18%	—	7.74%	6.20%	—	03/31/03
Class B	1.93%	6.40%	—	6.94%	5.56%	—	04/08/03
Class C	1.92%	6.40%	—	6.94%	5.40%	—	04/09/03
Age 17+ years							
Class A	2.63%	5.28%	—	5.61%	4.98%	—	05/05/03
Class B	2.09%	4.47%	—	4.82%	4.34%	—	05/01/03
Class C	2.06%	4.46%	—	4.82%	4.19%	—	04/09/03
FRANKLIN AGE-BASED MODERATE ALLOCATIONS							
Newborn–8 years							
Class A	2.49%	8.95%	14.12%	—	—	8.31%	04/23/10
Class B	1.87%	8.08%	13.28%	—	—	7.48%	04/23/10
Class C	1.94%	8.17%	13.26%	—	—	7.45%	04/23/10
Age 9–12 years							
Class A	2.50%	7.06%	10.06%	—	—	6.56%	04/23/10
Class B	1.96%	6.22%	9.26%	—	—	5.76%	04/23/10
Class C	1.96%	6.21%	9.24%	—	—	5.79%	04/23/10
Age 13–16 years							
Class A	2.55%	5.15%	6.42%	—	—	4.90%	04/23/10
Class B	1.97%	4.36%	5.64%	—	—	4.14%	04/23/10
Class C	1.97%	4.36%	5.65%	—	—	4.12%	04/23/10
Age 17+ years							
Class A	2.63%	3.44%	2.64%	—	—	3.11%	04/23/10
Class B	2.16%	2.71%	1.92%	—	—	2.37%	04/23/10
Class C	2.16%	2.71%	1.92%	—	—	2.37%	04/23/10
FRANKLIN AGE-BASED CONSERVATIVE ALLOCATIONS							
Newborn–8 years							
Class A	2.75%	7.33%	10.48%	—	—	6.95%	04/23/10
Class B	2.16%	6.52%	9.67%	—	—	6.14%	04/23/10
Class C	2.23%	6.60%	9.67%	—	—	6.14%	04/23/10
Age 9–12 years							
Class A	2.70%	5.22%	6.59%	—	—	4.83%	04/23/10
Class B	2.12%	4.52%	5.82%	—	—	4.07%	04/23/10
Class C	2.13%	4.44%	5.79%	—	—	4.04%	04/23/10
Age 13–16 years							
Class A	2.63%	3.26%	2.54%	—	—	3.02%	04/23/10
Class B	2.07%	2.53%	1.80%	—	—	2.26%	04/23/10
Class C	2.07%	2.53%	1.77%	—	—	2.26%	04/23/10

NO SALES CHARGES

Trust Portfolio	Year-to-Date Total Return as of September 30, 2014	Average Annual Total Return as of September 30, 2014					Inception Date[2]
		1 Year	3 Years	5 Years	10 Years	Since Inception	
Age 17+ years							
Class A	1.11%	1.31%	0.47%	—	—	0.11%	04/23/10
Class B	0.52%	0.62%	-0.27%	—	—	-0.64%	04/23/10
Class C	0.52%	0.52%	-0.31%	—	—	-0.66%	04/23/10
OBJECTIVE-BASED ASSET ALLOCATIONS							
Franklin Founding Funds 529 Portfolio							
Class A	3.84%	11.21%	—	10.98%	—	5.74%	06/27/05
Class B	3.23%	10.44%	—	10.15%	—	5.06%	06/27/05
Class C	3.30%	10.45%	—	10.16%	—	4.95%	06/27/05
Franklin Corefolio® 529 Portfolio[4]							
Class A	4.08%	13.39%	—	12.44%	7.03%	—	03/25/03
Class B	3.51%	12.58%	—	11.62%	6.39%	—	04/08/03
Class C	3.49%	12.53%	—	11.60%	6.24%	—	03/31/03
Franklin Growth Allocation 529 Portfolio[3]							
Class A	2.46%	10.71%	—	11.58%	7.55%	—	03/25/03
Class B	1.91%	9.91%	—	10.76%	6.90%	—	03/25/03
Class C	1.90%	9.91%	—	10.77%	6.74%	—	03/28/03
Franklin Growth & Income Allocation 529 Portfolio[3]							
Class A	2.54%	7.18%	—	7.74%	6.10%	—	03/25/03
Class B	1.95%	6.36%	—	6.93%	5.47%	—	04/03/03
Class C	1.92%	6.34%	—	6.92%	5.31%	—	04/25/03
Franklin Income Allocation 529 Portfolio							
Class A	2.66%	3.35%	—	3.42%	3.78%	—	04/08/03
Class B	2.09%	2.61%	—	2.66%	3.17%	—	04/22/03
Class C	2.08%	2.60%	—	2.67%	3.00%	—	03/31/03
INDIVIDUAL PORTFOLIOS							
INTERNATIONAL EQUITY							
Templeton Growth 529 Portfolio							
Class A	0.52%	8.69%	—	10.36%	5.60%	—	03/25/03
Class B	-0.04%	7.93%	—	9.53%	4.96%	—	03/25/03
Class C	-0.04%	7.92%	—	9.52%	4.80%	—	03/28/03
DOMESTIC EQUITY							
Franklin Growth 529 Portfolio[5]							
Class A	7.93%	18.67%	—	14.25%	7.37%	—	04/22/03
Class B	7.27%	17.79%	—	13.39%	6.73%	—	05/12/03
Class C	7.31%	17.75%	—	13.39%	6.58%	—	04/01/03
Franklin Small-Mid Cap Growth 529 Portfolio							
Class A	2.22%	11.22%	—	15.05%	8.58%	—	03/28/03
Class B	1.66%	10.39%	—	14.18%	7.94%	—	04/08/03
Class C	1.63%	10.35%	—	14.20%	7.77%	—	03/28/03
VALUE							
Franklin Mutual Shares 529 Portfolio							
Class A	5.53%	13.63%	—	11.82%	6.62%	—	03/31/03
Class B	4.94%	12.80%	—	10.99%	5.97%	—	04/02/03
Class C	4.96%	12.79%	—	11.01%	5.81%	—	03/28/03

NO SALES CHARGES

Trust Portfolio	Year-to-Date Total Return as of September 30, 2014	Average Annual Total Return as of September 30, 2014					Inception Date[2]
		1 Year	3 Years	5 Years	10 Years	Since Inception	
INCOME							
Franklin Income 529 Portfolio							
Class A	5.56%	11.49%	—	10.62%	6.87%	—	04/07/03
Class B	4.96%	10.65%	—	9.80%	6.23%	—	04/01/03
Class C	5.00%	10.68%	—	9.79%	6.07%	—	03/28/03
INDEX STYLE							
S&P 500 Index 529 Portfolio							
Class A	8.10%	19.22%	—	14.80%	7.18%	—	04/08/03
Class B	7.49%	18.30%	—	13.92%	6.53%	—	05/07/03
Class C	7.50%	18.27%	—	13.94%	6.38%	—	04/01/03

1. Non-Qualified Distributions from the Program generally are subject to ordinary federal income taxes on earnings and a 10% additional federal tax on earnings, as well as possible state taxes. Performance does not reflect any taxes payable in connection with Non-Qualified Distributions, or, if applicable, Qualified Distributions. Expense or fee waivers and/or reimbursements applicable to underlying funds in which certain Trust Portfolios invest may have increased past performance for such Trust Portfolios relative to their performance if such waivers or reimbursements had not been provided. For periods prior to April 1, 2014, the performance reflects a Program Management Fee of 0.40% per annum; such fee was reduced to 0.25% as of April 1, 2014. Historic performance does not reflect a $25 annual Account fee applicable to certain Accounts prior to April 1, 2014, when such Account fee was discontinued.

2. The inception date of each Trust Portfolio for a particular share class is the date on which shares of such share class were first issued.

3. Performance prior to May 6, 2009, reflects investment in Franklin Capital Growth Fund rather than Franklin Flex Cap Growth Fund.

4. Performance prior to May 6, 2009, reflects an allocation of 25% of portfolio assets to Franklin Capital Growth Fund. From May 6, 2009, to July 14, 2010, that allocation was replaced by an allocation to Franklin Growth Fund; during that time the portfolio had an allocation of 50% of its assets to that fund. Beginning on July 15, 2010, half of the portfolio's allocation to Franklin Growth Fund was replaced with an allocation to Franklin Flex Cap Growth Fund, so that the portfolio currently allocates 25% of its assets to each of four funds.

5. Prior to May 6, 2009, the Trust Portfolio: (i) was named Franklin Capital Growth 529 Portfolio; (ii) invested in the Franklin Capital Growth Fund instead of the Franklin Growth Fund; and (iii) had a different investment strategy. Performance prior to May 6, 2009, reflects investment in the Franklin Capital Growth Fund.

Appendix C

Description of Mutual Funds in Which Trust Portfolio Assets May Be Invested

Set forth below is a summary of the investment goals and main strategies of the mutual funds and ETFs (each of which is referred to as the "Fund") in which one or more of the Trust Portfolios invest. The summary also identifies the main types of risk to which the underlying funds may be subject, which are described in the Investor Handbook under "Risk Factors – Specific Investment Risks." The information set forth below has been summarized for inclusion herein by the Program Manager from the most current prospectus available for the applicable mutual fund or ETF as of the date this Investor Handbook was sent to print. Neither HESAA nor the Program Manager has independently verified the information contained in any such mutual fund or ETF prospectus and no representation is made by HESAA or the Program Manager as to its accuracy or completeness. Additional information regarding each of the underlying funds, and the risks associated with such funds, is set forth in each fund's prospectus and statement of additional information ("SAI"). Copies of the underlying fund prospectuses, SAIs, annual and semiannual shareholder reports and performance information can be obtained from Financial Advisors or by calling Franklin Templeton toll free at (866) 362-1597. No offer is made in this Investor Handbook of shares of any of the underlying funds.

Franklin Flex Cap Growth Fund

- **Investment Goals and Main Strategies.** This Fund's investment goal is capital appreciation. Under normal market conditions, the Fund invests predominantly in equity securities of companies that the manager believes have the potential for capital appreciation. The Fund has the flexibility to invest in companies located, headquartered, or operating inside and outside the United States, across the entire market capitalization spectrum from small, emerging growth companies to well-established, large capitalization companies. A significant to substantial portion of the Fund's investments may be in smaller and midsize companies. Among other things, the Fund may invest in initial public offerings of securities. From time to time the Fund is likely to have significant positions in particular sectors such as technology (including electronic technology, technology services, biotechnology and health care technology).
- **Main Risks.** This Fund is subject to the following types of main investment risks, which are described in the Investor Handbook under "Risk Factors – Specific Investment Risks": focus, foreign securities, growth style investing, initial public offerings, management, market, and smaller and midsize companies.

Franklin Gold and Precious Metals Fund

- **Investment Goals and Main Strategies.** This Fund's principal investment goal is capital appreciation. Its secondary goal is to provide shareholders with current income through dividends or interest received from its investments. Under normal market conditions, the Fund invests at least 80% of its net assets in securities of gold and precious metals operation companies, which include companies that mine, process, or deal in gold or other precious metals, such as silver, platinum, and palladium, including mining finance and exploration companies as well as operating companies with long- or medium-life mines. The Fund may buy securities of gold and precious metals operation companies located anywhere in the world and in general invests predominantly in companies located outside the U.S. The Fund may invest in companies without regard to market capitalization, including companies falling within the small-cap (market capitalization less than $1.5 billion) and medium-cap (market capitalization of $1.5 billion to $8 billion) ranges. The Fund primarily invests in equity securities, primarily common stock. The Fund also invests in American, Global and European Depositary Receipts.
- **Main Risks.** This Fund is subject to the following types of main investment risks, which are described in the Investor Handbook under "Risk Factors – Specific Investment Risks": concentration, foreign securities, gold and precious metals, management, market, non-diversification, and smaller and midsize companies.

Franklin Growth Fund

- **Investment Goals and Main Strategies.** This Fund's investment goal is capital appreciation. Under normal market conditions, the fund invests substantially in the equity securities of companies that are leaders in their industries. Although the Fund normally invests substantially in the equity securities of U.S.-based large and medium market capitalization companies, it may invest in companies in new and emerging industries where growth is expected to be above average and may invest up to 40% of its assets in smaller companies. Although the investment manager will search for investments across a large number of sectors, from time to time, based on economic conditions, the Fund may have significant positions in particular sectors.
- **Main Risks.** This Fund is subject to the following types of main investment risks, which are described in the Investor Handbook under "Risk Factors – Specific Investment Risks": focus, foreign securities, health care companies, industrials, management, market, smaller and midsize companies, and technology and telecommunications companies.

Franklin Growth Opportunities Fund

- **Investment Goals and Main Strategies.** This Fund's investment goal is capital appreciation. Under normal market conditions, the Fund invests predominantly in equity securities of companies demonstrating accelerating growth, increasing profitability, or above-average growth or growth potential as compared with the overall economy. The Fund normally invests predominantly in equity securities, primarily to predominantly common stock. A significant portion of the Fund's investments may be in smaller and midsize companies. The Fund, from time to time, may have significant positions in particular sectors such as technology and health care.
- **Main Risks.** This Fund is subject to the following types of main investment risks, which are described in the Investor Handbook under "Risk Factors – Specific Investment Risks": focus, foreign securities, growth style investing, management, market, and smaller and midsize companies.

Franklin High Income Fund

- **Investment Goals and Main Strategies.** This Fund's principal investment goal is to earn a high level of current income. Its secondary goal is to seek capital appreciation to the extent it is possible and consistent with the Fund's principal goal. Under normal market conditions, the Fund invests predominantly in high-yield, lower-rated debt securities. These include bonds, notes, debentures, convertible securities and senior and subordinated debt securities. The Fund may also invest in preferred stock. The Fund may invest up to 100% of its total assets in debt securities that are rated below investment grade, sometimes called "junk bonds." The Fund may buy both rated and unrated debt securities including securities rated below B by Moody's or S&P®. The Fund may also invest in defaulted debt securities and may, from time to time, have significant investments in certain sectors such as energy. The Fund may invest in securities issued by issuers in any foreign country, developed or developing. The Fund may, from time to time, enter into certain transactions involving derivatives, particularly credit default swap agreements (including on individual reference instruments or an index of instruments) and currency forwards. The Fund may be a buyer or seller of credit default swaps. The Fund also invests in bank loans, corporate loans and loan participations.
- **Main Risks.** This Fund is subject to the following types of main investment risks, which are described in the Investor Handbook under "Risk Factors – Specific Investment Risks": credit, convertible securities, derivative instruments, developing markets, focus, foreign securities, high yield debt securities, income, interest rate, liquidity, management, market, and prepayment.

Franklin Income Fund

- **Investment Goals and Main Strategies.** This Fund's investment goal is to maximize income while maintaining prospects for capital appreciation. Under normal market conditions, the Fund may invest in a diversified portfolio of debt and equity securities (primarily common stock). The Fund seeks income by selecting investments such as corporate, foreign and U.S. Treasury bonds, as well as stocks with dividend yields the manager believes are attractive. In its search for growth opportunities, the Fund maintains the flexibility to invest in common stocks of companies from a variety of industries and may have significant investments in particular sectors or industries at times. The Fund may invest up to 100% of total assets in debt securities that are rated below investment grade (sometimes called "junk bonds") including a portion in defaulted securities, and may invest in convertible securities without regard to the ratings assigned by ratings services. The Fund may invest up to 25% of its assets in foreign securities, either directly or through depository receipts. The Fund may also invest in secured and unsecured corporate bank loans, bonds convertible into common stock, senior floating rate and terms loans, loan participations, mortgage-backed securities and other asset-backed securities. Among other things, the Fund may invest in equity linked notes and various derivative instruments including forward foreign currency exchange contracts, currency futures contracts and purchasing or selling call and put options. The Fund may invest up to 15% of its net assets in equity-linked notes.
- **Main Risks.** This Fund is subject to the following types of main investment risks, which are described in the Investor Handbook under "Risk Factors – Specific Investment Risks": convertible securities, credit, derivative instruments, equity-linked notes, focus, foreign securities, high-yield debt securities, income, interest rate, management, market, prepayment, and value style investing.

Franklin International Small Cap Growth Fund

- **Investment Goals and Main Strategies.** This Fund's investment goal is long-term capital appreciation. Under normal market conditions, the Fund invests at least 80% of its net assets in a diversified portfolio of marketable equity and equity-related securities of smaller international companies. For this Fund, smaller international companies are companies with market capitalizations (the total market value of a company's outstanding stock) not exceeding (i) $5 billion or the equivalent in local currencies or (ii) the highest market capitalization in the Morgan Stanley Capital International (MSCI) EAFE Small Cap Index, whichever is greater, at the time of purchase. The Fund may invest up to 10% of its net assets in developing or emerging market countries. The Fund's investment manager generally intends to maintain a more focused portfolio consisting of approximately 25-45 securities. The Fund, from time to time, may have significant investments in a particular sector or country.

- **Main Risks.** This Fund is subject to the following types of main investment risks, which are described in the Investor Handbook under "Risk Factors – Specific Investment Risks": developing markets, focus, foreign securities, growth style investing, liquidity, management, market, and smaller companies.

Franklin Limited Maturity U.S. Government Securities Fund

- **Investment Goals and Main Strategies.** This Fund's investment goal is to provide as high a level of current income as is consistent with prudent investing, while seeking preservation of shareholders' capital. Under normal market conditions the Fund will invest at least 80% of its net assets in securities with a dollar-weighted average maturity of less than 10 years and issued or guaranteed by the U.S. government, its agencies, or instrumentalities. The Fund generally invests a substantial portion of its assets in mortgage-backed securities including adjustable rate mortgage securities, but the Fund also invests in direct obligations of the U.S. government (such as Treasury bonds, bills and notes) and in securities issued or guaranteed by the U.S. government, its agencies and instrumentalities, including government-sponsored entities. All of the Fund's principal investments are debt securities. Ginnie Maes carry a guarantee as to the timely repayment of principal and interest that is backed by the full faith and credit of the U.S. government. The full faith and credit guarantee does not apply to the market prices and yields of the Ginnie Maes or to the net asset value or performance of the Fund, which will vary with changes in interest rates and other market conditions. Government agency or instrumentality issues have different levels of credit support. Ginnie Mae pass-through mortgage certificates are backed by the full faith and credit of the U.S. government. **Although U.S. government-sponsored entities, such as Fannie Mae and Freddie Mac, are chartered by acts of Congress, their securities are neither issued nor guaranteed by the U.S. government.** Although the U.S. government has provided financial support to Fannie Mae and Freddie Mac, no assurance can be given that the U.S. government will always do so. For example, Fannie Mae and Freddie Mac pass-through mortgage certificates are backed by the credit of the respective instrumentality and are not guaranteed by the U.S. government. The U.S. Department of the Treasury, however, has the authority to support Fannie Mae and Freddie Mac by purchasing limited amounts of their respective obligations. Other securities issued by government agencies or instrumentalities, including government sponsored entities may only be backed by the credit worthiness of the issuing institution, not the U.S. Government, or the issuers may have the right to borrow from the U.S. Treasury to meet its obligations. The Fund may invest in securities with various levels of credit support including, but not limited to, those issued or guaranteed by the Federal Home Loan Banks, Veteran Administration, Federal Housing Authority, Export-Import Bank of the United States, Overseas Private Investment Corporation, Commodity Credit Corporation, Small Business Administration, U.S. Agency for International Development, Tennessee Valley Authority and Farm Credit System. Investors should remember that guarantees of timely repayment of principal and interest do not apply to the market prices and yields of the securities or to the net asset value or performance of the Fund, which will vary with changes in interest rates and other market conditions. The Fund currently maintains the average dollar-weighted maturity of its fixed-rate portfolio in a range of one to five years. The average dollar-weighted maturity of the Fund will vary with market conditions and the outlook for interest rates. The Fund may invest in callable agency securities, which give the issuer (the U.S. government agency) the right to redeem the security prior to maturity and may also invest in inflation-indexed securities issued by U.S. governments and municipal issuers.
- **Main Risks.** This Fund is subject to the following types of main investment risks, which are described in the Investor Handbook under "Risk Factors – Specific Investment Risks": credit, extension, inflation-indexed securities, income, interest rate, management, market, mortgage-backed securities and asset-backed securities, prepayment, and variable rate securities.

Franklin Mutual European Fund

- **Investment Goals and Main Strategies.** This Fund's principal investment goal is capital appreciation, which may occasionally be short-term. Its secondary goal is income. Under normal market conditions, the Fund invests at least 80% of its net assets in securities of European companies that the investment manager believes are available at market prices less than their value based on certain recognized or objective criteria (intrinsic value). Following this value-oriented strategy, the Fund invests primarily in undervalued equity securities (securities trading at a discount to intrinsic value). The equity securities in which the Fund invests are primarily common stock. To a lesser extent, the Fund also invests in merger arbitrage securities and the debt and equity of distressed companies. The Fund normally invests in securities from at least five different countries, although, from time to time, it may invest all of its assets in a single country. The Fund also may invest up to 20% of its total assets in securities of U.S. issuers and of issuers from the Middle East and the remaining regions of the world, including emerging markets. The Fund is not limited to pre-set maximums or minimums governing the size of the companies in which it may invest. However, the Fund currently invests the equity portion of its portfolio primarily to predominantly in mid- and large-cap companies, with the remaining portion of its equity portfolio in smaller companies. The Fund may attempt, from time to time, to hedge (protect) against currency risks, largely using currency forward contracts and currency futures contracts (including currency index futures contracts) when, in the investment manager's opinion, it would be advantageous to the Fund to do so. The Fund may also, from time to time, attempt to hedge against market risk using a variety of derivatives.

- **Main Risks.** This Fund is subject to the following types of main investment risks, which are described in the Investor Handbook under "Risk Factors – Specific Investment Risks": credit, derivative instruments, foreign securities, high-yield debt securities, securities, management, market, merger arbitrage securities and distressed companies, smaller and mid-sized companies, unrated debt securities, and value investing.

Franklin Mutual Global Discovery Fund

- **Investment Goals and Main Strategies.** This Fund's principal investment goal is capital appreciation. Under normal market conditions, the Fund invests primarily in equity securities (including securities convertible into, or that the investment manager expects to be exchanged for, common or preferred stock) of U.S. and foreign companies that the investment manager believes are available at market prices less than their value based on certain recognized or objective criteria (intrinsic value). Following this value-oriented strategy, the Fund invests primarily in undervalued securities (securities trading at a discount to intrinsic value). The equity securities in which the Fund invests are primarily common stock. To a lesser extent, the Fund also invests in merger arbitrage securities and the debt and equity of distressed companies.
- **Main Risks.** This Fund is subject to the following types of main investment risks, which are described in the Investor Handbook under "Risk Factors – Specific Investment Risks": credit; foreign securities; high-yield debt securities; market; merger arbitrage securities and distressed companies; portfolio turnover; smaller and midsize companies; and value style investing.

Franklin Mutual Shares Fund

- **Investment Goals and Main Strategies.** This Fund's investment goal is capital appreciation, which may occasionally be short-term. Its secondary goal is income. Under normal market conditions, the Fund invests primarily in equity securities (including securities convertible into, or that the investment manager expects to be exchanged for, common or preferred stock) of U.S. and foreign companies that the investment manager believes are available at market prices less than their value based on certain recognized or objective criteria (intrinsic value). Following this value-oriented strategy, the Fund invests primarily in undervalued securities (securities trading at a discount to intrinsic value). The equity securities in which the Fund invests are primarily common stock. To a lesser extent, the Fund also invests in merger arbitrage securities and the debt and equity of distressed companies. The Fund may invest a significant portion (up to 35%) of its assets in foreign securities, which may include sovereign debt and participations in foreign government debt. The Fund is not limited to pre-set maximums or minimums governing the size of the companies in which it may invest. However, the Fund generally invests the equity portion of its portfolio primarily to predominantly in companies with market capitalizations greater than $5 billion, with a portion or significant amount in smaller companies. The Fund may attempt, from time to time, to hedge (protect) against currency risks, largely using currency forward contracts and currency futures contracts (including currency index futures contracts) when, in the investment manager's opinion, it would be advantageous to the Fund to do so. The Fund may also, from time to time, attempt to hedge against market risk using a variety of derivatives.
- **Main Risks.** This Fund is subject to the following types of main investment risks, which are described in the Investor Handbook under "Risk Factors – Specific Investment Risks": credit, derivative instruments, foreign securities, high-yield debt securities, management, market, merger arbitrage securities and distressed companies, portfolio turnover, smaller and midsize companies, unrated debt securities, and value style investing.

Franklin Rising Dividends Fund

- **Investment Goals and Main Strategies.** This Fund's investment goal is long-term capital appreciation. Preservation of capital, while not a goal, is also an important consideration. Under normal market conditions, the Fund invests at least 80% of its net assets in investments of companies that have paid consistently rising dividends. The Fund invests predominantly in equity securities, primarily common stock. Companies that have paid consistently rising dividends include those companies that currently pay dividends on their common stocks and have maintained or increased their dividend rate during the last four consecutive years. Under normal market conditions, the Fund invests at least 65% of its net assets in securities of companies that have:
  - consistently increased dividends in at least 8 out of the last 10 years and have not decreased dividends during that time;
  - increased dividends substantially (at least 100%) over the last 10 years;
  - reinvested earnings, paying out less than 65% of current earnings in dividends (except for utility companies);
  - either long-term debt that is no more than 50% of total capitalization (except for utility companies) or senior debt that has been rated investment grade by at least one of the major bond rating organizations; and
  - attractive prices, either: (1) in the lower half of the stock's price/earnings ratio range for the past 10 years; or (2) less than price/earnings ratio of the Standard & Poor's® 500 Stock Index (this criterion applies only at the time of purchase).

The Fund typically invests the rest of its assets in equity securities of companies that pay dividends but do not meet all of these criteria. The Fund may invest in companies of any size, across the entire market spectrum. Although the investment manager searches for investments that it believes to meet the criteria across all sectors, from time to time, based on economic conditions, the Fund may have significant positions in particular sectors. The Fund may invest up to 25% of its total assets in foreign securities.

- **Main Risks.** This Fund is subject to the following types of main investment risks, which are described in the Investor Handbook under "Risk Factors – Specific Investment Risks": dividend-oriented companies, focus, foreign securities, health care companies, investing style, management, market, and smaller and midsize companies.

Franklin Small-Mid Cap Growth Fund

- **Investment Goals and Main Strategies.** This Fund's investment goal is long-term capital growth. Under normal market conditions, the Fund invests at least 80% of its net assets in the equity securities of small-capitalization (small-cap) and mid-capitalization (mid-cap) companies. For this Fund, small-cap companies are companies within the market capitalization range of companies in the Russell 2500™ Index, at the time of purchase, and mid-cap companies are companies within the market capitalization range of companies in the Russell Midcap® Index, at the time of purchase. Under normal market conditions, the Fund invests predominantly in equity securities, predominantly in common stock. The Fund, from time to time, may have significant positions in particular sectors such as technology (including healthcare technology, technology services and electronic technology) and healthcare.
- **Main Risks.** This Fund is subject to the following types of main investment risks, which are described in the Investor Handbook under "Risk Factors – Specific Investment Risks": focus, foreign securities, growth style investing, liquidity, management, market, and smaller and midsize companies.

Franklin Strategic Income Fund

- **Investment Goals and Main Strategies.** This Fund's principal investment goal is to earn a high level of current income. Its secondary goal is capital appreciation over the long term. Under normal market conditions, the Fund invests at least 65% of its assets in U.S. and foreign debt securities, including those in emerging markets. The Fund shifts its investments among the following general asset classes, and at any given time may have a substantial amount of its assets invested in any one of these classes:
  - High yield and investment grade corporate bonds and preferred stocks of issuers located in the U.S. and foreign countries, including emerging market countries;
  - Developed country (non-U.S.) government and agency bonds;
  - Emerging market government and agency bonds;
  - U.S. and foreign government and agency securities, including inflation-indexed securities;
  - Mortgage securities and other asset-backed securities;
  - Floating and variable interest rate investments (which may be issued by corporations or governments and may be asset-backed securities) which are debt securities;
  - Bank loans and loan participations;
  - Convertible securities, including bonds and preferred stocks; and
  - Municipal securities.

  The Fund may invest up to 100% of its assets in high yield, lower quality debt securities (also known as "junk bonds"). The Fund may invest a small portion of its net assets in debt securities that are in default. The Fund may invest a portion of its assets in bank loans, corporate loans and loan participations. Derivative investments may be used to help manage interest rate exposure, protect Fund assets, implement a cash or tax management strategy or enhance Fund income and return. Derivatives may include the purchase and sale of credit default swaps and credit-linked securities. The Fund regularly enters into various currency-related transactions involving derivative instruments, including currency and cross currency forwards, currency swaps and currency and currency index futures contracts. The Fund may also enter into interest rate and credit-related transactions involving derivative instruments, including interest rate and credit default swaps and bond/interest rate futures contracts. In addition, the Fund may invest a portion of its assets in, among other things, credit-linked securities as a means of investing more rapidly and efficiently in permitted segments of the debt securities markets.
- **Main Risks.** This Fund is subject to the following types of main investment risks, which are described in the Investor Handbook under "Risk Factors – Specific Investment Risks": convertible securities, credit, derivative instruments, dividend-oriented companies, extension, floating rate corporate investments, focus, foreign securities, high-yield debt securities, income, inflation, interest rate, liquidity, management, market, mortgage-backed securities and asset-backed securities, mortgage dollar rolls, prepayment, and variable rate securities.

Franklin Total Return Fund

- **Investment Goals and Main Strategies.** This Fund's principal investment goal is to provide high current income, consistent with the preservation of capital. Its secondary goal is capital appreciation over the long term. Under normal market conditions, the Fund invests at least 80% of its assets in investment grade debt securities and investments, including government and corporate debt securities, mortgage- and asset-backed securities, floating interest rate corporate loans and debt securities, and municipal securities. The Fund currently focuses on government and corporate debt securities and mortgage- and asset-backed securities. The Fund may also invest up to 20% of its total assets in non-investment grade debt securities, including up to 5% in securities rated lower than B by S&P or Moody's, which may include defaulted securities. The Fund may invest up to 25% of its total assets in foreign securities, including up to 20% of its total assets in non-U.S. dollar denominated securities and up to 10% of its total assets in emerging market securities. The Fund may invest in many different securities issued or guaranteed by the U.S. government or by non-U.S. governments or their respective agencies or instrumentalities, including mortgage-backed securities and inflation-indexed securities issued by the U.S. Treasury. The Fund may invest in mortgage dollar rolls. To pursue its investment goals, the Fund regularly enters into various derivative transactions, including currency and cross-currency forwards, currency, currency index, bond and interest rate futures contracts and options on interest rate futures contracts, and swap agreements, including interest rate, currency and credit default swaps, and options on interest rate and credit default swap agreements.
- **Main Risks.** This Fund is subject to the following types of main investment risks, which are described in the Investor Handbook under "Risk Factors – Specific Investment Risks": credit, derivative instruments, emerging markets, extension, floating rate corporate loans, foreign securities, high-yield debt securities, income, interest rate, management, market, mortgage dollar rolls, mortgage-backed securities and asset-backed securities, portfolio turnover, prepayment, and unrated debt securities.

Franklin U.S. Government Securities Fund

- **Investment Goals and Main Strategies.** This Fund's investment goal is income. Under normal market conditions, the Fund invests at least 80% of its assets in U.S. government securities. The Fund presently invests substantially all of its assets in Government National Mortgage Association obligations ("Ginnie Maes"). Ginnie Maes carry a guarantee backed by the full faith and credit of the U.S. government. The guarantee applies only to the timely repayment of principal and interest and not to the market prices and yields of the Ginnie Maes or to the NAV or performance of the Fund, which will vary with changes in interest rates and other market conditions. The Fund may also invest in other U.S. government securities which are backed by the full faith and credit of the U.S. government, such as U.S. Treasury STRIPS, bills, bonds and notes. The Fund's short-term investments include short-term government securities and cash. Among other things, the Fund may also invest in repurchase agreements collateralized by U.S. government securities and in mortgage dollar rolls.
- **Main Risks.** This Fund is subject to the following types of main investment risks, which are described in the Investor Handbook under "Risk Factors – Specific Investment Risks": credit, Ginnie Maes, income, interest rate, management, market, and mortgage dollar rolls, prepayment, and when-issued and delayed delivery transactions.

Franklin Utilities Fund

- **Investment Goals and Main Strategies.** This Fund's investment goals are capital appreciation and current income. Under normal market conditions, the Fund invests at least 80% of its net assets in the securities of public utilities companies, which are companies that provide electricity, natural gas, water, and communications services to the public and companies that provide services to public utilities companies. The Fund concentrates (invests more than 25% of its total assets) in companies operating in the utilities industry. The Fund searches for the best return opportunities available in the global utilities arena with a specific focus on the U.S. electricity and gas sector. Generally, the Fund seeks to invest in companies producing a high percentage of earnings from regulated power plant operations.
- **Main Risks.** This Fund is subject to the following types of main investment risks, which are described in the Investor Handbook under "Risk Factors – Specific Investment Risks": concentration, foreign securities, income, interest rate, management, market, and utilities industry emphasis.

iShares S&P 500 Index ETF

- **Investment Goals and Main Strategies.** This Fund seeks to track the investment results of the S&P 500® (the "Underlying Index"), which measures the performance of the large capitalization sector of the U.S. equity market. As of March 31, 2014, the Underlying Index included approximately 80% of the market capitalization of all publicly-traded U.S. equity securities. The component stocks are weighted according to the float adjusted market value of their outstanding shares. The Underlying Index consists of stocks from a broad range of industries. Components primarily include consumer discretionary, financials, healthcare and information technology companies. The components of the Underlying Index, and the degree to which these components represent certain industries, may change over time.

The Fund's adviser uses a "passive" or indexing approach to try to achieve the Fund's investment objective. Unlike many investment companies, the Fund does not try to "beat" the index it tracks and does not seek temporary defensive positions when markets decline or appear overvalued.

Indexing may eliminate the chance that the Fund will substantially outperform the Underlying Index but also may reduce some of the risks of active management, such as poor security selection. Indexing seeks to achieve lower costs and better after-tax performance by keeping portfolio turnover low in comparison to actively managed investment companies.

The Fund's adviser uses a representative sampling indexing strategy to manage the Fund. "Representative sampling" is an indexing strategy that involves investing in a representative sample of securities that collectively has an investment profile similar to that of the Underlying Index. The securities selected are expected to have, in the aggregate, investment characteristics (based on factors such as market capitalization and industry weightings), fundamental characteristics (such as return variability and yield) and liquidity measures similar to those of the Underlying Index. The Fund may or may not hold all of the securities in the Underlying Index.

The Fund generally invests at least 90% of its assets in securities of the Underlying Index and in depositary receipts representing securities of the Underlying Index. The Fund may invest the remainder of its assets in certain futures, options and swap contracts, cash and cash equivalents, including shares of money market funds advised by the Fund's adviser or its affiliates, as well as in securities not included in the Underlying Index, but which the Fund's adviser believes will help the Fund track the Underlying Index. The Fund seeks to track the investment results of the Underlying Index before fees and expenses of the Fund.

- **Main Risks.** This Fund is subject to the following types of main investment risks, which are described in the Investor Handbook under "Risk Factors – Specific Investment Risks": asset class, concentration, consumer discretionary sector, equity securities, financials sector, healthcare sector, index-related, information technology sector, issuer, management, market, market trading, passive investment, risk of investing in the United States, securities lending, and tracking error.

Money Market Portfolio

- **Investment Goals and Main Strategies.** This Fund's investment goal is to provide investors with as high a level of current income as is consistent with the preservation of shareholders' capital and liquidity. The Fund also tries to maintain a stable $1 share price. Under normal market conditions, the Fund invests, through The Money Market Portfolio, an affiliated mutual fund, mainly in high quality, short-term U.S. dollar denominated money market securities of domestic and foreign issuers, including bank obligations, certificates of deposit, commercial paper, repurchase agreements, and U.S. government securities including fixed, floating and variable rate securities.
- **Main Risks.** This Fund is subject to the following types of main investment risks, which are described in the Investor Handbook under "Risk Factors – Specific Investment Risks": banking industry, credit, foreign securities, income, interest rate, liquidity, management, master/feeder structure, regulatory changes, repurchase agreements, risk associated with holding cash, and U.S. government securities.

Templeton Foreign Fund

- **Investment Goals and Main Strategies.** This Fund's investment goal is long-term capital growth. Under normal market conditions, the Fund invests at least 80% of its net assets in foreign securities, which may include emerging markets. For this Fund, "foreign securities" means those securities issued by companies: whose principal securities trading markets are outside the U.S.; or that derive 50% or more of their total revenue from either goods or services produced or sales made in markets outside the U.S.; or that have 50% or more of their assets outside the U.S.; or that are linked to non-U.S. dollar currencies; or that are organized under the laws of, or with principal offices in, a country other than the U.S. The Fund may invest in smaller and midsize companies. From time to time, the Fund may have significant investments in one or more countries or in particular sectors. The Fund may invest in debt securities of companies and governments located anywhere in the world. Among other things, the Fund may also invest up to 10% of its net assets in equity-linked notes (ELNs).
- **Main Risks.** This Fund is subject to the following types of main investment risks, which are described in the Investor Handbook under "Risk Factors – Specific Investment Risks": credit, depositary receipts, developing markets, equity-linked notes, focus, foreign securities, interest rate, management, market, and value style investing.

Templeton Global Bond Fund

- **Investment Goals and Main Strategies.** The Fund's investment goal is current income with capital appreciation and growth of income. Under normal market conditions, the Fund invests at least 80% of its net assets in "bonds." Bonds include debt securities of any maturity, such as bonds, notes, bills and debentures. The Fund invests predominantly in bonds issued by governments and government agencies located around the world. The Fund may also invest in inflation-indexed securities and securities or structured products that are linked to or derive their value from another security, asset or currency of any nation. The Fund may invest without limit in developing markets.

Although the Fund may buy bonds rated in any category, it focuses on "investment grade" bonds. The Fund may invest up to 25% of its total assets in bonds that are rated below investment grade. The Fund is a "non-diversified" fund, which means it generally invests a greater portion of its assets in the securities of one or more issuers and invests overall in a smaller number of issuers than a diversified fund. For purposes of pursuing its investment goal, the Fund regularly uses various currency related transactions involving derivative instruments, including currency and cross currency forwards and currency and currency index futures contracts. The Fund maintains significant positions in currency-related derivative instruments as a hedging technique or to implement a currency investment strategy, which could expose a large amount of the Fund's assets to obligations under these instruments. The result of such transactions may represent, from time to time, a large component of the Fund's investment returns. The Fund may also enter into various other transactions involving derivatives, including interest rate/bond futures and interest rate swap agreements. These derivative instruments may be used for hedging purposes, to enhance returns, or to obtain net long or net negative (short) exposure to selected currencies, interest rates, countries or durations.

- **Main Risks.** This Fund is subject to the following types of main investment risks, which are described in the Investor Handbook under "Risk Factors – Specific Investment Risks": credit, debt securities ratings, derivative instruments, developing markets, foreign securities, high-yield debt securities, focus, income, inflation-indexed securities, interest rate, liquidity, management, market, non-diversification, and unrated debt securities.

Templeton Growth Fund, Inc.

- **Investment Goals and Main Strategies.** This Fund's investment goal is long-term capital growth. Under normal market conditions, the Fund invests primarily in the equity securities of companies located anywhere in the world, including emerging markets. Among other things, the Fund also invests in depositary receipts and may invest in convertible securities. In addition to the Fund's main investments, the Fund may invest up to 25% of its total assets in debt securities of companies and governments located anywhere in the world. The Fund may lend certain of its portfolio securities to qualified banks and broker-dealers. Although the Fund seeks investments across a number of countries and sectors, from time to time, based on economic conditions, the Fund may have significant positions in particular countries or sectors.
- **Main Risks.** This Fund is subject to the following types of main investment risks, which are described in the Investor Handbook under "Risk Factors – Specific Investment Risks": credit, depositary receipts, focus, foreign securities, interest rate, management, market, and value investing.

Appendix D

NJBEST Scholarship Regulations

The State regulations in effect as of December 31, 2014 with respect to the NJBEST scholarship are set forth below.

New Jersey Administrative Code
Title 9a. Higher education
Chapter 10. Student Loan and College Savings Programs
Subchapter 7. Policy Governing New Jersey Better Educational Savings Trust (NJBEST) Program

9A: 10-7.15 Eligibility for NJBEST scholarship

(a) An additional amount of $500.00, subject to appropriations available therefore, shall be credited toward the qualified higher education expenses of a designated beneficiary at the time of a qualified withdrawal provided:

1. The contributor demonstrates to the satisfaction of the Authority that the contributor participated in the program by making and not withdrawing a qualifying minimum initial deposit of $1,200.00 or that qualifying minimum annual contributions of $300.00 for a designated beneficiary were made by persons based on the time periods for crediting these contributions in (a) i through iii below. In all cases involving the eligibility of a designated beneficiary for an NJBEST scholarship, the Authority reserves the right to make the final determination as to whether contributions have met the time periods as stated in this paragraph for participation in the NJBEST Program.
   i. For students enrolling for the first time in the fall semester of an academic year, the first contribution to NJBEST must have been credited to the contributor's account more than 48 months prior to September 1st of that academic year;
   ii. For students enrolling for the first time in the spring semester of an academic year, the first contribution to NJBEST must have been credited to the contributor's account more than 48 months prior to February 1st of that academic year; or
   iii. For students enrolling for the first time in any trimester of an academic year at an institution operating on a trimester or other academic schedule, the first contribution to NJBEST must have been credited to the contributor's account more than 48 months prior to the first day of the month in which the student is first enrolled.
2. The designated beneficiary in (a) above demonstrates his or her undergraduate attendance or enrollment in a higher education institution in this State by submitting a certification by the higher education institution at the time of initial attendance or enrollment;
   i. With respect to proprietary institutions, undergraduate attendance or enrollment must be in a degree granting program licensed or approved by the Commission on Higher Education; and
3. Either the contributor, if a person, or the designated beneficiary demonstrates to the satisfaction of the Authority that the contributor or designated beneficiary is a New Jersey resident. Residence for purposes of the NJBEST scholarship is defined in N.J.A.C. 9A:10-7.4(a.)4.

(b) For every two additional years in which the minimum annual contribution of $300.00 is deposited in the account of a designated beneficiary, an additional amount of $250.00, up to a maximum scholarship of $1,500.00, subject to appropriations available therefor, shall be credited toward the qualified higher education expenses of a designated beneficiary at the time of a qualified withdrawal provided the requirements of (a)2 and 3 above are met.

(c) The additional amounts provided under (a) and (b) above shall meet the requirements of a qualified scholarship within the meaning of section 117 of the Federal Internal Revenue Code of 1986, 26 U.S.C. § 117, for a designated beneficiary satisfying the requirements of (a) or (a) and (b) above.

(d) A designated beneficiary satisfying the requirements of (a) or (a) and (b) above shall not be eligible to receive more than one such additional amount provided under (a) or (a) and (b) above.

(e) A student must be enrolled at least half-time in a higher education institution to be eligible for an NJBEST scholarship.

Business Continuity Planning Information Notice

At Franklin Templeton Investments ("FTI" and "we"/"our" in this notice), we recognize how heavily our clients rely on our services. We also recognize that the unexpected can and does occur, from simple outages to major incidents affecting multiple sites. We have successfully supported critical business activities during disruptions of normal business processes from both natural and man-made disasters, including hurricanes, fires, September 11th and other events. We want you to know that we have plans in place to help safeguard your assets and protect vital account information in the event of a business disruption.

Franklin Templeton Investments and its affiliated companies, including Fiduciary Trust Company International, Franklin/Templeton Distributors, Inc., Templeton/Franklin Investment Services, Inc., and Franklin Templeton Financial Services Corp., ("Franklin Templeton") have Crisis Management, Business Continuity and technology Disaster Recovery plans. In addition, Franklin Templeton Investments has dedicated business continuity planners on staff to assist in preparing and testing of plans.

Franklin Templeton Investments (FTI) Contingency Planning Guidelines

Franklin Templeton plans are developed around specific corporate-wide guidelines. As such, FTI has developed plans that include the ability to recover from various situations including but not limited to unplanned evacuations, power outages, fire, severe weather, intentional acts, and facilities failures that may cause interruptions to our business. Our plans address the ability to recover critical functions according to their time criticality. In order to maintain secure and effective plans, FTI does not provide the specific details in this notice, but you should be aware that FTI's corporate disaster recovery planning includes the following:

- Identification and recovery of mission critical systems to include telecommunications.
- Replication, backup and recovery for critical information.
- Alternate and redundant communications between Franklin Templeton and its customers.
- Alternate communications with and alternate locations for employees.
- Regulatory reporting and communications with regulators.
- Review of financial and operational risks.

Franklin Templeton Investments Contingency Planning and Business Recovery

Franklin Templeton actively identifies and seeks to mitigate risks to reduce potential issues and their impact. In the event of an outage or other site-specific problems, Franklin Templeton has plans in place to support recovery of its critical business systems and functions. In addition to the guidelines stated above, Franklin Templeton's recovery plans also include the following:

- **Designated Contingency Sites and Seamless Client Contact** – There are pre-established and tested processes for rerouting of critical telephone and computer systems. Customers should experience minimal downtime in their ability to contact Franklin Templeton. Within a minimal period of time, customers would be able to re-attempt contact via FTI's published toll-free telephone numbers, or the FTI website.
- **Access to Your Funds** – An outage should not impact your ability to have access to your available funds, as Franklin Templeton Investments business continuity plans are designed to help ensure sustained service. However, factors outside Franklin Templeton's control, such as the market closure following the September 11 tragedy, may impact our ability to service our customers.

Please note that Franklin Templeton Investments' Business Continuity Plans are reviewed and tested as necessary, and at least annually, to ensure they account for technology, business and regulatory changes. The plans are subject to change, and material changes to our approach will be reflected in an updated "Business Continuity Planning Information Notice" that will be posted on our website at franklintempleton.com. You may obtain a current written copy of this notice by contacting a Franklin Templeton representative.

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Franklin Templeton Privacy Notice

Your Privacy Is Our Priority

Franklin Templeton Distributors, Inc. ("FTDI" and "we"/"us" in this notice) is committed to safeguarding information provided to us by investors in the Franklin Templeton 529 College Savings Plan and the NJBEST 529 College Savings Plan (together referred to as the "Program"). This notice is designed to provide you with a summary of the non-public personal information we may collect and maintain about current or former investors, our policy regarding the use of that information, and the measures we take to safeguard the information.

Information We Collect

If you invest in the Program directly through FTDI you provide us with your non-public personal information. We collect and use this information to service your accounts and respond to your requests. The non-public personal information we collect falls into the following categories:

- Information we receive from you on applications or other forms, whether we receive the form in writing or electronically. For example, this information includes your name, address, tax identification number, birth date, investment selection, beneficiary information, and possibly your personal bank account information and/or email address if you have provided that information.
- Information about your transactions and account history within the Program. This category also includes your communications to us concerning your investments.
- Other general information that we may obtain about you such as demographic information.

Disclosure Policy

To better service your accounts and process transactions or services you've requested, we may share non-public personal information with other Franklin Templeton companies. From time to time we may also send you information about products/services offered by other Franklin Templeton companies although we will not share your non-public personal information with these companies without first offering you the opportunity to prevent that sharing. We will only share non-public personal information with outside parties in the limited circumstances permitted by law. For example, this includes situations where we need to share information with companies who work on our behalf to service or maintain your account or process transactions you have requested, when the disclosure is to a party representing you, or when required by law (for example, in response to legal process). Additionally, we will ensure that any outside companies working on our behalf, or with whom we have joint marketing agreements, are under contractual obligations to protect the confidentiality of your information, and to use it only to provide the services we have asked them to perform.

Confidentiality and Security

Our employees are required to follow procedures with respect to maintaining the confidentiality of our investors' non-public personal information. Additionally, we maintain physical, electronic, and procedural safeguards to protect the information. This includes performing ongoing evaluations of our systems containing investor information and making changes when appropriate. At all times, you may contact us for a copy of this notice at (866) 362-1597.

New Jersey Higher Education Student Assistance Authority Privacy Notice

HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY

Facts

WHAT DOES: NJ Higher Education Student Assistance Authority ("HESAA") DO WITH YOUR PERSONAL INFORMATION?

Why?

Financial companies choose how they share your personal information. Federal law gives consumers the right to limit some but not all sharing. Federal law also requires us to tell you how we collect, share, and protect your personal information. Please read this notice carefully to understand what we do.

What?

The types of personal information we collect and share depend on the product or service you have with us. This information can include:

- Social Security number, income and assets
- Account balances and payment history
- Account transactions, credit scores and credit history

When you are no longer our customer, we continue to share your information as described in this notice.

How?

All financial companies need to share customers' personal information to run their everyday business. In the section below, we list the reasons financial companies can share their customers' personal information; the reasons HESAA chooses to share; and whether you can limit this sharing.

Reasons we can share your personal information	Does HESAA share?	Can you limit this sharing?
For our everyday business purposes— such as to process your transactions, maintain your account(s), respond to court orders and legal investigations, or report to credit bureaus	YES	No
For our marketing purposes— to offer our products and services to you	YES	No
For joint marketing with other financial companies	YES	No
For our affiliates' everyday business purposes— information about your transactions and experiences	YES	No
For our affiliates' everyday business purposes— information about your creditworthiness	No	We Don't Share
For nonaffiliates to market to you	No	We Don't Share

Questions?

Call (609) 584-4480 or go to www.hesaa.org

Who we are

Who is providing this notice?

This Privacy Notice is being provided by the State of New Jersey Higher Education Student Assistance Authority.

What we do

How does HESAAprotect my personal information?

To protect your personal information from unauthorized access and use, we use security measures that comply with federal law. These measures include computer safeguards and secured files and buildings.

How does HESAA collect my personal information?

We collect your personal information, for example, when you:

- Apply for a loan or give us your contact information
- Open an account or pay your bills
- Provide employment information

We also collect your personal information from others, such as credit bureaus, affiliates, or other companies.

Why can't I limit all sharing?

Federal law gives you the right to limit only:

- sharing for affiliates' everyday business purposes—information about your creditworthiness
- affiliates from using your information to market to you
- sharing for nonaffiliates to market to you

State laws and individual companies may give you additional rights to limit sharing.

Definitions

Affiliates

Companies related by common ownership or control. They can be financial and nonfinancial companies.

- Our affiliates include other State of New Jersey government agencies, authorities, boards and commissions; financial and nonfinancial companies such as contractors, agents, schools, lenders and the U.S. Department of Education.

Nonaffiliates

Companies not related by common ownership or control. They can be financial and nonfinancial companies.

- HESAA does not share with nonaffiliates so they can market to you.

Joint marketing

A formal agreement between nonaffiliated financial companies that together market financial products or services to you.

- Our joint marketing partners include our contractors, agents and schools.

FRANKLIN TEMPLETON INVESTMENTS

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San Mateo, CA 94403-1906
(800) 818-4030
franklintempleton.com

Franklin Templeton Investments
Your Source for:

- Mutual Funds
- Retirement
- 529 College Savings Plans
- Separately Managed Accounts