

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

Enrollment Handbook & Participation Agreement

March 30, 2012



Program Trustee



PLAN HIGHLIGHTS

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

Overview	The Plan is sponsored by the State of Nebraska and administered by the Nebraska State Treasurer. First National Bank of Omaha is the Program Manager pursuant to a contract that extends to December 17, 2017. OFI Private Investments Inc. is the Servicing Agent and OppenheimerFunds Distributor, Inc. is the sole distributor for the Plan pursuant to contracts that extend to November 2, 2013. State Farm offers classes of shares of the Trust for sale pursuant to a contract that extends to October 1, 2018.
Minimum contribution	\$250 per Account with subsequent investments of at least \$50 per Portfolio (with an Automatic Investment Plan—\$50 per Portfolio and subsequent investments of \$50 per Portfolio). See “Contributions” on page 4 for more details.
Maximum contribution per Designated Beneficiary	\$360,000. See “Maximum Contribution Limit” on page 4 for details.
Eligible Account Owners	Any adult person with a valid Social Security number or an entity with a valid federal taxpayer identification number. See “Introduction” on page 2 for details.
Eligible Designated Beneficiaries	Any individual who has a valid Social Security number. See “Introduction” on page 2 for details.
Age limitations for Account Owners	Must be of legal age to enter into a contract. See “Introduction” on page 2 for details.
Federal income tax benefits	Earnings on a Qualified Withdrawal that are used to pay Qualified Higher Education Expenses are free from federal income tax. Earnings on a Nonqualified Withdrawal are subject to federal income tax and in most cases an additional 10% federal tax. See “Federal and State Tax Considerations” on page 25 for details.
Nebraska state tax benefits	Contributions by Account Owners may be deductible up to \$5,000 per tax return (\$2,500 if married filing separately). See “Federal and State Tax Considerations” on page 25 for details.
Use of withdrawn funds	Withdrawals used to pay for the Designated Beneficiary’s Qualified Higher Education Expenses constitute Qualified Withdrawals. See “Federal and State Tax Considerations” on page 25 for details.
Investment options	The Plan offers: <ul style="list-style-type: none"> ■ 5 Enrollment-based Portfolios ■ 4 Static Portfolios ■ Account Owners can change how previous Contributions (and any earnings thereon) have been allocated among the available investment options for all Nebraska 529 accounts for the same Designated Beneficiary once per calendar year or upon a change of the Designated Beneficiary. See “Investment Options” on page 7 for details.
Investment Performance	Performance information for the Portfolios is updated each trading day on the Plan’s website at www.statefarm.com . Past Performance is not a guarantee of future performance. Investment results may be better or worse than the performance shown. See “Investment Performance” on page 11 for details.

		<u>Class A shares</u>	<u>Class B shares*</u>
Total Plan expenses	Enrollment-based Portfolios Static Portfolios See "Plan Fees and Expenses" on page 12 for details.	0.86% to 1.23% 0.39% to 1.23%	1.61% to 1.98% 0.39% to 1.98%
Maximum initial sales charge	5.50% on Class A shares. See "Plan Fees and Expenses" on page 12 for details.		
Maximum contingent deferred sales charge	5.00% on Class B shares. See "Plan Fees and Expenses" on page 12 for details.		
Risk Factors	<p>An investment in the Portfolios is subject to investment risks. You could lose money, including the principal you invest.</p> <p>There is no guarantee or assurance that the investment objective of any Portfolio will be achieved or that you will have sufficient assets in your account to meet your Beneficiary's Qualified Higher Education Expenses or that your investment goals will be realized.</p> <p>Portfolio asset allocation and investment guidelines, Underlying Investments, fees, and applicable federal or state tax laws may change from time to time.</p> <p>Contributions to the Plan may adversely affect the eligibility of the Beneficiary or the Account Owner for financial aid or other state and federal tax benefits.</p> <p>The Enrollment Handbook contains a description of various risks associated with an investment in the Plan. See "Certain Risks to Consider" on page 23 for details.</p>		

*Class B shares are no longer offered by the Plan.

IMPORTANT LEGAL INFORMATION

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

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

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

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

SECTION 529 QUALIFIED TUITION PROGRAMS ARE INTENDED TO BE USED ONLY TO SAVE FOR QUALIFIED HIGHER EDUCATION EXPENSES. THESE PROGRAMS ARE NOT INTENDED TO BE USED, NOR SHOULD THEY BE USED, BY ANY TAXPAYER FOR THE PURPOSE OF EVADING FEDERAL OR STATE TAXES OR TAX PENALTIES. TAXPAYERS MAY WISH TO SEEK TAX ADVICE FROM AN INDEPENDENT TAX ADVISOR BASED ON THEIR OWN PARTICULAR CIRCUMSTANCES.

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

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

Plan Accounts are not bank deposits, are not insured by the Federal Deposit Insurance Corporation or the National Credit Union Association, are not debt or obligations of, or guaranteed by, any bank or other financial institution or the Program Parties

or any financial advisor or broker, and involve investment risk, including the possible loss of the principal amount invested.

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

Account Owners and Designated Beneficiaries do not have access or rights to any assets of the State of Nebraska or any assets of the Trust other than assets credited to the Account of that Account Owner for that Designated Beneficiary. (See "CERTAIN RISKS TO CONSIDER" on page 23 for details.)

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

This Enrollment Handbook is designed to comply with the College Savings Plans Network Disclosure Principles, Statement No. 5, adopted May 3, 2011.

THIS ENROLLMENT HANDBOOK DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY, NOR SHALL THERE BE ANY SALE OF SECURITIES BY ANY PERSON IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL FOR SUCH PERSON TO MAKE SUCH OFFER, SOLICITATION OR SALE.

PRIVACY POLICY

Except as otherwise required by law, information regarding a Plan Account Owner or Beneficiary will not be shared with anyone other than the Account Owner, an authorized representative, or those employees and/or service providers who access such information to provide services to the Account Owner or Beneficiary.

BUSINESS CONTINUITY PLAN DISCLOSURE FOR STATE FARM VP MANAGEMENT CORP.

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

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

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

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

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

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

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

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

Table of Contents

DEFINITIONS OF KEY TERMS	1
INTRODUCTION	2
INVESTMENTS IN THE PLAN	3
ALLOCATION OF CONTRIBUTIONS	3
CONTRIBUTIONS	4
REQUIRED INFORMATION UPON CERTAIN CONTRIBUTIONS TO THE PLAN	5
CONTRIBUTION POLICIES AND RELATED FEES	6
INVESTMENT OPTIONS	7
ENROLLMENT-BASED PORTFOLIOS	8
STATIC PORTFOLIOS	9
INVESTMENT PERFORMANCE	10
PLAN FEES AND EXPENSES	12
CHANGING THE DESIGNATED BENEFICIARY	19
WITHDRAWALS	20
RESIDUAL ACCOUNT BALANCES	22
SPECIAL BENEFITS FOR NEBRASKA RESIDENTS	23
STATUS OF ACCOUNTS UPON DEATH, DISABILITY, OR DESIGNATED BENEFICIARY'S LOSS OF INTEREST OF PURSUIT OF HIGHER EDUCATION	23
CERTAIN RISKS TO CONSIDER	23
FEDERAL AND STATE TAX CONSIDERATIONS	25
STATE FARM COLLEGE SAVINGS PLAN PARTICIPATION AGREEMENT	28
ADDITIONAL INFORMATION REGARDING THE UNDERLYING INVESTMENTS	31

DEFINITIONS OF KEY TERMS

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

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

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

AIP means an automatic investment plan.

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

Contribution means an amount invested in an Account.

Coverdell ESA means a Coverdell Education Savings Account.

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

Documents in Good Order In order to timely process any transaction in the Plan, all necessary documents must be in good order. Documents are in good order when they are fully, properly and accurately completed, executed (where necessary) and returned to the proper party for processing. For instance, in order for contributions to be received in good order, certain account information must be provided. Where account information is missing, a contribution is not received in good order and processing may be delayed or the contribution may be returned to you.

EFT means electronic funds transfer.

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

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

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

IRS means the Internal Revenue Service.

Interest means the security issued by the Trust.

Nonqualified Withdrawal means a withdrawal from an Account that is not used to pay for Qualified Higher Education Expenses. The earnings portion of a Nonqualified Withdrawal will be treated as income to the distributee and taxed at the distributee’s tax rate. In addition, an additional 10% federal tax will apply to the earnings portion of a Nonqualified Withdrawal, unless an exception applies.

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

Plan means The State Farm College Savings Plan.

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

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

Program Manager means First National Bank of Omaha, which serves as Program Manager of the Plan.

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

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

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

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

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

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

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

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

Trust means the Nebraska Educational Savings Plan Trust.

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

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

INTRODUCTION

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

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

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

The Internal Revenue Service ("IRS") has issued proposed regulations under Section 529 of the Code, but has not yet issued final regulations thereunder. Additionally, the proposed regulations do not reflect changes made to Section 529 of the Code or guidance issued by the IRS since their promulgation. The Plan as described in this Enrollment Handbook is operated so as to comply with Section 529 of the Code as currently in effect. However, the Plan's operations may need to be modified to comply with final regulations, when issued, and such final regulations may alter the tax treatment of Account Owners and Designated Beneficiaries as discussed herein. When considering an investment in the Plan, you should be aware that the laws affecting your investment may change or expire while your Account is open. (See "FEDERAL AND STATE TAX CONSIDERATIONS—Federal Gift, Estate and Generation-Skipping Transfer Taxes" on page 27 and "CERTAIN RISKS TO CONSIDER—Risks Related to Possible Future Changes in State and Federal Tax Law" on page 24 for details.)

The rate of return on Accounts, if any, may be less than the rate of increase in the costs of Qualified Higher Education Expenses over the same period. There are no performance

guarantees with the Plan and the value of your Account may fluctuate over time. Investments under the Plan are not guaranteed or insured by the Federal Deposit Insurance Corporation or other governmental agency, or by the Program Parties or any other entity. No one can predict the returns from the Portfolios, or the Underlying Investment in which the Portfolios invest. Past performance of any Portfolio or Underlying Investment is no guarantee of future results.

Service Providers

As Program Manager, First National Bank of Omaha provides administrative services to the Plan under a contract that extends to December 17, 2017. Prior to close of business on December 17, 2010, the Nebraska State Treasurer, as trustee for the Nebraska Educational Savings Plan Trust, and the State Investment Officer, on behalf of the Nebraska Investment Council, operated the Plan with a different program manager.

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

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

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

The Application Process

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

The Designated Beneficiary

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

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

Control of the Account

The Account and all rights under the Participation Agreement belong to you as Account Owner and not to the Designated Beneficiary. You retain control of how and when Account assets are used. You may change the Designated Beneficiary if the proposed Designated Beneficiary is a Member of the Family of the Designated Beneficiary to be replaced. See “Member of the Family” on page 19 for details. See “UGMA/UTMA Custodial Accounts” below for a discussion of the treatment of Accounts established by UGMA/UTMA custodian Account Owners. You may also take Nonqualified Withdrawals, subject to applicable federal and state income taxes on earnings and an additional 10% federal tax on earnings.

INVESTMENTS IN THE PLAN

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

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

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

UGMA/UTMA Custodial Accounts

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

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

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

- The UGMA/UTMA custodian will be permitted to make withdrawals only in accordance with the rules applicable to withdrawals under the applicable UGMA/UTMA and the Plan;
- The custodian will not be able to change the Account Owner to anyone other than a successor custodian during the term of the custodianship under UGMA/UTMA;

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

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

Personal Information

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

ALLOCATION OF CONTRIBUTIONS

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

CONTRIBUTIONS

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

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

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

Third-party Contributions

Individuals (including the Designated Beneficiary) or entities who are not the Account Owner may make Contributions to an Account; *however*, the Account Owner will retain control over the Account (including the ability to make withdrawals) and will have control over the monies contributed by such third-party contributors. Such Contributions may have gift or other tax consequences. (See “FEDERAL AND STATE TAX CONSIDERATIONS—Federal Gift, Estate and Generation-Skipping Transfer Taxes” on page 27 for details.)

Minimum Initial Contributions

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

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

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

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

Maximum Contribution Limit

Contributions to an Account will be permitted if the aggregate balance, including the proposed Contribution amount, of all Trust

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

Excess Contributions

The Servicing Agent may return all or any part of a Contribution, rollover or transfer that would cause the market value of the Accounts held on behalf of a particular Designated Beneficiary in the aggregate to exceed the maximum account balance limit (“Excess Contribution”). If a contribution is applied to an account and it is later determined that the contribution resulted in exceeding the maximum account balance limit, the excess contribution will be refunded to the account owner. Any refund of an excess contribution may be treated as a Non-Qualified Withdrawal.

Methods of Contribution

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

Automatic Investment Plan (AIP)

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

Electronic Funds Transfer (EFT)

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

Payroll Deduction

An Account Owner may make an automatic periodic Contribution to his or her Account(s) by an electronic transfer in connection with a payroll deduction relationship between the Account Owner and the Account Owner's employer, if their employer offers such a service and is able to meet the Plan Distributor's operational and administrative requirements. You should verify with your employer that the employer is willing to process Contributions through payroll direct deposit. Contributions by payroll deduction will only be permitted through employers able to meet the Plan's operational and administrative requirements for Section 529 Plan payroll Contributions.

Plan Transfers for the Account of a New Designated Beneficiary

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

Plan Transfers for the Same Designated Beneficiary

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

Transfer into a Plan Account from Another Plan Within the Trust for the Benefit of a New Designated Beneficiary

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

Transfer into a Plan Account from Another Plan Within the Trust for the Benefit of the Same Designated Beneficiary

A direct transfer into a Plan Account from an account in another plan within the Trust for the benefit of the same Designated

Beneficiary will be treated as a nontaxable investment reallocation allowable only once per calendar year rather than as a tax-free rollover or transfer. This transfer counts towards the Account Owner's once per calendar year investment reallocation. However, if an Account Owner takes a distribution (i.e., receives a withdrawal check from the transferring Account), the withdrawal will be treated as a Nonqualified Withdrawal subject to federal and applicable state income tax and the additional 10% federal tax on earnings (even if the amount is subsequently redeposited).

Rollovers from Another State's Section 529 Plan

An Account Owner may roll over all or part of the balance of an account in another state's Section 529 plan to an Account in the Plan without subjecting the rollover amount to federal income tax if (i) the rollover is for a new Designated Beneficiary who is a Member of the Family of the current Designated Beneficiary or (ii) the rollover is for the same Designated Beneficiary and does not occur within twelve months from the date of a previous transfer to a qualified tuition program for the same Designated Beneficiary. (See "FEDERAL AND STATE TAX CONSIDERATIONS—Federal Income Tax Treatment of the Trust, Contributions and Withdrawals" on page 26 for details.)

Rollovers from Coverdell ESAs and Series EE and Series I Bonds

Tax-free transfers into a Plan Account may be made from a Coverdell ESA or in connection with the redemption of Series EE or Series I U.S. savings bonds under certain circumstances. (See "FEDERAL AND STATE TAX CONSIDERATIONS—Federal Income Tax Treatment of the Trust, Contributions and Withdrawals" on page 26 for details.)

REQUIRED INFORMATION UPON CERTAIN CONTRIBUTIONS TO THE PLAN

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

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

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

CONTRIBUTION POLICIES AND RELATED FEES

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

Account Transactions

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

Confirmations, Statements and Reporting

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

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

Protecting Your Account

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

Systematic Exchange Feature

The Plan allows Account Owners the ability to invest Contributions in the Plan and take advantage of dollar cost averaging via monthly,

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

Ownership of Account Assets

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

Certain Transfers Prohibited

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

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

No Assignments or Pledges

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

Bankruptcy and Related Matters

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

Contributions to all Accounts for a single Designated Beneficiary made between 365 days and 720 days before the filing of a bankruptcy petition by an Account Owner are not considered part of the Account Owner's bankruptcy estate to the extent the aggregate of such Contributions does not exceed \$5,850, and thus such Contributions that do not exceed \$5,850 are not available to creditors (this figure is subject to a periodic adjustment for inflation); *provided* that (i) such Contributions do not exceed the Plan's maximum Account balance limit, and (ii) the Designated Beneficiary of such Accounts is a child, stepchild, grandchild or step grandchild of the Account Owner (a legally adopted child or a foster child of an Account Owner is treated as a child of such Account Owner by blood).

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

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

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

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

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

Successor Account Owner

An Account Owner may designate a Successor Account Owner to succeed to all of the current Account Owner's rights, titles and

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

INVESTMENT OPTIONS

General

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

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

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

- Enrollment-based Portfolios
- Static Portfolios

Account Owners should periodically assess, and if appropriate, adjust their investment choices with their time horizon, risk tolerance and investment objectives in mind.

Contributions to the Plan are invested in Portfolios selected by the Account Owner. The Servicing Agent and the Nebraska Investment Council have designed each Portfolio with a different investment objective and asset allocation mix because investors have different investment goals, savings needs, investment time horizons, risk tolerances and financial and tax situations. Each Portfolio invests in one or more Underlying Investments. The actual mix of assets in Portfolios that invest in more than one Underlying Investment will vary over time due to market performance and will be rebalanced at least quarterly in order to maintain the Portfolio's target asset allocation. In addition, from time to time a Portfolio may not be fully invested and may hold a limited amount of cash as needed to avoid overdrafts due to redemption requests, securities settlements or similar situations. Portfolios with higher allocations in fixed income and money market Underlying Investments tend to be less volatile than those with higher equity Underlying Investment allocations. None of the Portfolios is designed to provide any particular total return over any particular time period or investment time horizon. Account Owners own Interests in a Portfolio; they do not have a direct beneficial interest in the Underlying Investments or the other instruments. Because the Portfolios have different investment objectives, Account Owners have the opportunity to diversify their investment in the Plan. When investing in the Plan, an Account Owner should consider, among other factors, when Contributions will be made to the Account, the Contribution amounts, the time Contributions will be held in the Account before withdrawals are directed, other resources expected to be available to fund the Designated Beneficiary's Qualified Higher Education Expenses, the age of the Designated Beneficiary and the limited ability to change investment options for Contributions (and any earnings thereon) that have already been invested in an Account. There is no assurance that the strategy of any Portfolio will be successful. Participation in the Plan is not considered to be part of an investment advisory service.

The Nebraska Investment Council reserves the right to change the investment objectives and policies of the Portfolios, to change the type and number of Portfolios that are available, and to change or eliminate target allocations and Underlying Investments at its discretion. The Underlying Investments in which a Portfolio invests and a Portfolio's target allocations may be modified by the Nebraska Investment Council at any time without prior notice to Account Owners.

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

Under federal tax law, once a Portfolio selection has been made, an Account Owner may only change how previous Contributions (and any earnings thereon) have been allocated among the available Portfolio options for all Accounts in the Trust for the same Designated Beneficiary (including Trust accounts not in the Plan) once per calendar year or upon a change of the Designated Beneficiary. None of the Program Parties, the Federal Deposit Insurance Corporation or any government agency insures any Account or guarantees any rate of return or any interest rate on any Contribution, and none of the Program Parties is liable for any loss incurred by any person as a result of participating in the Plan. An Account may fluctuate in value and may be worth more or less than the amounts contributed at any given time.

ENROLLMENT-BASED PORTFOLIOS

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

If you invest in the Enrollment-based Portfolios, the Servicing Agent will reallocate your investments as your Designated Beneficiary nears enrollment in college. In this case, you will be asked to provide (on the Enrollment Application) your Designated Beneficiary's estimated year of enrollment in college. The Servicing Agent will make the determination as to whether your investments are scheduled to move to the next Portfolio on an annual basis. Thus, if you open an Account in 2010 and indicate on your Enrollment Application that your Designated Beneficiary is expected to begin enrollment in 2014, the Servicing Agent will reallocate your investments on a schedule which will have you invested in the College Now Portfolio before September 1, 2014. If you elect to invest in the Enrollment-based Portfolios in an Account for a Designated Beneficiary who is under age 18, and you do not provide an estimated time to enrollment, your initial investment will be made based on the assumption that enrollment will begin in the year in which the Designated Beneficiary turns 18 years of age. The investment objective of each Enrollment-based Portfolio is as follows. For additional information regarding the Underlying Investments, see "ADDITIONAL INFORMATION REGARDING THE UNDERLYING INVESTMENTS" beginning on page 31.

13+ Years to College Portfolio

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

7-12 Years to College Portfolio

The 7-12 Years to College Portfolio is an investment Portfolio that invests in a combination of equity and fixed income investments

in order to seek capital appreciation and income. This Portfolio has a target allocation of 80% equity investments and 20% fixed-income investments.

4-6 Years to College Portfolio

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

1-3 Years to College Portfolio

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

College Now Portfolio

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

STATIC PORTFOLIOS

The Underlying Investments in which each Static Portfolio invests remains the same and does not change based on the age of the Designated Beneficiary. The investment objective of each Static Portfolio is as follows. For additional information regarding the

Underlying Investments, see "ADDITIONAL INFORMATION REGARDING THE UNDERLYING INVESTMENTS" beginning on page 31.

OppenheimerFunds Growth Portfolio

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

OppenheimerFunds Moderate Growth Portfolio

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

OppenheimerFunds Balanced Portfolio

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

OppenheimerFunds Money Market Portfolio

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

Underlying Investments and Target Allocations for each Portfolio¹

Enrollment-Based Portfolios	13+ Years to College Portfolio	7-12 Years to College Portfolio	4-6 Years to College Portfolio	1-3 Years to College Portfolio	College Now Portfolio	N/A
	Growth Portfolio	Moderate Growth Portfolio	Balanced Portfolio	N/A	N/A	Money Market Portfolio
Oppenheimer Capital Appreciation Fund	27.5%	22.5%	20.0%	15.0%	5.0%	0.0%
Oppenheimer Value Fund	27.5	22.5	20.0	15.0	5.0	0.0
Oppenheimer Main Street Small- & Mid-Cap Fund [®]	20.0	15.0	7.5	2.5	0.0	0.0
Oppenheimer International Growth Fund	20.0	16.0	10.0	7.5	0.0	0.0
Oppenheimer Developing Markets Fund	5.0	4.0	2.5	0.0	0.0	0.0
Oppenheimer Global Strategic Income Fund	0.0	20.0	15.0	0.0	0.0	0.0
Federated U.S. Government Securities Fund: 1-3 Years	0.0	0.0	0.0	17.5	32.5	0.0
State Farm Bond Fund	0.0	0.0	25.0	32.5	42.5	0.0
Oppenheimer Institutional Money Market Fund ²	0.0	0.0	0.0	10.0	15.0	100.0
Total Allocation	100.0	100.0	100.0	100.0	100.0	100.0

1. Each Portfolio invests in the Y class of shares of the applicable Underlying Investment, except that the Portfolios invest in the institutional class of shares of the State Farm Bond Fund and the L class of shares of the Oppenheimer Institutional Money Market Fund.
2. A Portfolio's investment in the Oppenheimer Institutional Money Market Fund is neither insured nor guaranteed by the Federal Deposit Insurance Corporation or any other governmental agency. Although this Underlying Investment seeks to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in this Underlying Investment.

Changes in Investment Guidelines or Underlying Investments

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

How the Value of an Account is Calculated

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

INVESTMENT PERFORMANCE

The following table presents Average Annual Total Returns for each Portfolio for the period shown to December 31, 2011. The Portfolio performance information represents past performance and is no guarantee of future results. The Average Annual Total Returns presented below reflect past performance and are net of Annual Asset-based Fees (including Underlying Investment Expenses and Plan Fees) and do not consider the impact of any federal or state taxes. Applicable sales charges, which may be waived for certain Accounts, are not included in the returns excluding sales charges.

For evaluating the Portfolio performance information, the Account Owner should consider that the Portfolios are relatively new and do not have a significant operating or investment performance history. Performance information for the Portfolios should not be viewed as a prediction of future performance of any particular Portfolio. Moreover, in view of anticipated periodic revisions of allocations and possible changes in the Underlying Investments, the future investment results of any particular Portfolio cannot be expected, for any period, to be similar to the past performance of any Underlying Investment or group of Underlying Investments.

Performance differences between a Portfolio and its Underlying Investments may also result from differences in the timing of purchases. Under normal circumstances, on days when Contributions are made to an Account, the Portfolios will not use that money to purchase shares of an Underlying Investment until the next business day. This timing difference, depending on how the markets are moving, will cause the Portfolio's performance to either trail or exceed the Underlying Investment's performance.

Updated Portfolio performance information current to the most recent month-end is available online at statefarm.com or by calling **1-800-321-7520**. For more information, including performance information, on the underlying Federated mutual fund in which the Portfolios invest, please visit federatedinvestors.com or call Federated at **1-800-245-5051** and obtain a free prospectus or Annual or Semi-Annual Report. For more information, including performance information, on the underlying Oppenheimer mutual funds in which the Portfolios invest, please visit oppenheimerfunds.com or call OppenheimerFunds at **1-800-525-7048** and obtain a free prospectus or Annual or Semi-Annual Report for any Oppenheimer mutual fund used in connection with the Plan. For more information, including performance information, on the underlying State Farm mutual fund in which the Portfolios invest, please visit statefarm.com or call State Farm at **1-800-447-4930** and obtain a free prospectus or Annual or Semi-Annual Report.

Past performance—and especially short-term past performance—for the Portfolios should not be viewed as an indication of future performance of any particular Portfolio.

Customized Portfolio Performance Benchmarks

The benchmarks for the Portfolios represent customized composites of market indices for the available Underlying Investments weighted by the relative target asset allocation for such Portfolio.

Investors can not directly invest in the compilation of the benchmark indices.

Underlying Investment	Benchmark
Oppenheimer Capital Appreciation Fund	Russell 1000® Growth Index
Oppenheimer Value Fund	Russell 1000® Value Index
Oppenheimer Main Street Small- & Mid-Cap Fund®	Russell 2500™ Index
Oppenheimer International Growth Fund	MSCI EAFE Index
Oppenheimer Developing Markets Fund	MSCI Emerging Markets Index
Oppenheimer Global Strategic Income	Barclays Capital U.S. Aggregate Bond Index
Federated U.S. Government Securities Fund: 1-3 Years	Bank of America Merrill Lynch 1-3 Year Treasury Index
State Farm Bond Fund	Barclays Capital U.S. Aggregate Bond Index
Oppenheimer Institutional Money Market Fund	iMoney Net First Tier Institutional Index

Average Annual Total Returns (%)

Period Ended December 31, 2011	Unit Class	Excluding Sales Charge ¹			Including Sales Charge ^{2,3}			Inception Date
		1-Year	3-Year	Since Inception ^{4,5}	1-Year	3-Year	Since Inception ^{4,5}	
13+ Years to College Portfolio								
	A	-7.73	12.19	9.30	-12.80	10.10	7.36	11/3/2008
	B	-8.39	11.42	8.50	-12.97	10.61	7.70	
		<i>Customized Performance Benchmark</i>	-3.12	14.46	12.00	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>
7-12 Years to College Portfolio								
	A	-3.89	13.24	10.69	-9.18	11.12	8.73	11/3/2008
	B	-4.64	12.36	9.86	-9.41	11.56	9.08	
		<i>Customized Performance Benchmark</i>	-0.70	13.22	11.70	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>
4-6 Years to College Portfolio								
	A	-0.11	11.88	8.34	-5.60	9.79	6.42	11/3/2008
	B	-0.88	11.06	7.55	-5.83	10.24	6.73	
		<i>Customized Performance Benchmark</i>	2.11	11.82	11.14	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>
1-3 Years to College Portfolio								
	A	1.77	8.99	6.08	-3.83	6.95	4.20	11/3/2008
	B	0.96	8.14	5.27	-4.04	7.28	4.42	
		<i>Customized Performance Benchmark</i>	2.56	8.38	8.15	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>
College Now Portfolio								
	A	3.65	5.71	3.03	-2.05	3.73	1.20	11/3/2008
	B	2.87	4.88	2.24	-2.13	3.96	1.33	
		<i>Customized Performance Benchmark</i>	4.09	5.00	5.71	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>
Growth Portfolio								
	A	-4.90	13.50	10.51	-10.14	11.38	8.55	11/3/2008
	B	-5.59	12.67	9.71	-10.31	11.88	8.93	
		<i>Customized Performance Benchmark</i>	-3.12	14.46	12.00	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>
Moderate Growth Portfolio								
	A	-3.69	13.36	10.80	-8.98	11.24	8.84	11/3/2008
	B	-4.42	12.48	9.97	-9.20	11.69	9.19	
		<i>Customized Performance Benchmark</i>	-0.70	13.22	11.70	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>
Balanced Portfolio								
	A	-0.21	11.86	8.27	-5.70	9.77	6.35	11/3/2008
	B	-0.88	11.03	7.47	-5.84	10.21	6.65	
		<i>Customized Performance Benchmark</i>	2.11	11.82	11.14	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>
Money Market Portfolio⁶								
	A	0.00	0.10	0.19	0.00	0.10	0.19	11/3/2008
	B	0.00	0.13	0.19	0.00	0.13	0.19	
		<i>Customized Performance Benchmark</i>	0.05	0.16	0.24	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>

1. Performance is not load adjusted.

2. Reported performance for Class A Units Including Sales Charge is load adjusted based upon the current maximum 5.50% initial sales charge applied to the Portfolio's net asset value at the beginning of the investment period, except the Money Market Portfolio which has no sales charge.

3. Reported performance for Class B Units Including Sales Charge is load adjusted by applying the maximum 5.00% contingent deferred sales charge ("CDSC") to the lesser of the Portfolio's beginning or ending net asset value for the calculated period. Class B Units will convert to A Units after the eighth year.

4. Since Inception returns of less than 12 months are cumulative returns. Since Inception returns of greater than 12 months are annualized returns based upon a true day count and a 365-day/year calculation.

5. Benchmark returns for the period Since Inception begin on December 1, 2008 for all Portfolios. See "Customized Portfolio Performance Benchmarks" on page 10 for a list of the Customized Portfolio Performance Benchmarks.

6. Investments in the Money Market Portfolio are neither insured nor guaranteed by the Federal Deposit Insurance Corporation or any other governmental agency. Although this Portfolio seeks to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in this Portfolio.

PLAN FEES AND EXPENSES

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

Management Fee

The Servicing Agent receives a management fee of 0.15% for Plan administration and investment management services. The Servicing Agent or its affiliate also receives compensation directly from the Underlying Investments in which the Portfolios invest for serving as the investment adviser of those funds. The Program Manager also receives a management fee of 0.02% for Plan management services.

State Administrative Fee

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

Annual Asset-based Charge

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

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

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

Underlying Investment Expenses

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

Owner. For more information about the fees and expenses of the Underlying Investments, see "Investment Options."

Payments Among Service Providers

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

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

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

Initial Sales Charges

Class A Shares

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

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

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

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

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

- by any current or retired officer, director or employee (or a member of their immediate or extended family) of the Servicing Agent and its affiliates, the Underlying Investments, or of any foundation, trust or employee benefit plan established exclusively for the benefit of, or by, such persons (see "Servicing Agent" on page 1 for more information); or

- by any current or retired State Farm Agents, Employees, or State Farm VP Management Corp. Registered Representatives who work for a State Farm Agent, or a member of their immediate or extended family.
- as a rollover with amounts representing the proceeds of a Coverdell Education Savings Account held through State Farm Mutual Funds upon notice to the Servicing Agent

For purposes of the above the following definitions apply:

Immediate family is defined as:

- Spouse, which means the person to whom you legally are married under the laws of the state in which you reside
- Parents
- step parents
- children (natural born children, stepchildren, court appointed foster children or legally adopted children)

Extended family is defined as:

- grandparents
- step grandparents
- great grandparents
- step great grandparents
- grandchildren
- step grandchildren
- great grandchildren
- step great grandchildren

If you are eligible to purchase Class A shares without an initial sales charge as an Immediate family member of a current or retired agent or employee of the State Farm Insurance Companies and if that person dies, you continue to be a person who, without paying an initial sales charge, may establish new registrations and add to existing registrations.

If you are eligible to purchase Class A shares without an initial sales charge as an Extended family member of a current or retired agent or employee of the State Farm Insurance Companies and if that person dies, you may no longer establish new registrations without paying an initial sales charge.

If you hold Class A shares that were purchased without an initial sales charge but you no longer qualify to establish new registrations without paying an initial sales charge, you may nevertheless maintain and add to your existing registration(s) without paying an initial sales charge.

You may be asked to provide documentation to the Servicing Agent in order to confirm your qualification for the initial sales charge waivers discussed above.

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

Letter of Intent

Under a Letter of Intent (a "Letter"), you may be able to reduce the sales charge rate that applies to your purchases of Class A shares of the Plan if you purchase Class A shares of the Plan or

Class A, Class B or Class C shares of mutual funds advised by OppenheimerFunds, Inc. A Letter is an investor's statement in writing to the Plan Distributor of his or her intention to purchase a specified value of Class A shares in all his or her Accounts in the Plan along with contributions to any other advisor-sold Section 529 Plans (within or outside of Nebraska) that are managed by OFI Private Investments Inc. or its affiliates and purchases of Class A, B and C shares of mutual funds advised by OppenheimerFunds, Inc. (except Class A shares of Oppenheimer Money Market Fund, Inc. and Oppenheimer Cash Reserves for which no initial sales charge was paid) during a 13-month period (the "Letter period"), which begins on the date of the Account Owner's first share purchase following the establishment of the Letter. The sales charge on each purchase of Class A shares during the Letter period will be at the rate that would apply to a single lump-sum purchase of shares in the amount intended to be purchased under the Letter. In submitting a Letter, the Account Owner makes no commitment to purchase Units. However, if the Account Owner does not fulfill the terms of the Letter by the end of the Letter period, he or she agrees to pay the additional initial sales charges that would have been applicable to the Class A share purchases that were made. The Account Owner agrees that shares equal in value to 2% of the intended purchase amount will be held in escrow by the Plan Distributor for that purpose, as described in "Terms of Escrow" below. It is the responsibility of the dealer of record and/or the Account Owner to advise the Plan Distributor about the Letter when placing purchase orders during the Letter period.

To determine whether an investor has fulfilled the terms of a Letter, the Plan Distributor will count purchases of Class A shares of the Plan along with contributions to any other advisor-sold Section 529 Plans (within or outside of Nebraska) that are managed by OFI Private Investments Inc. or its affiliates and purchases of Class A, B and C shares of mutual funds advised by OppenheimerFunds, Inc. (except Class A shares of Oppenheimer Money Market Fund, Inc. and Oppenheimer Cash Reserves for which no initial sales charge was paid) during the Letter period. In addition, the Account Owner will be considered to have fulfilled the Letter if the value of the Account Owner's total holdings of shares on the last day of the Letter period, calculated at the net asset value on that day, equals or exceeds the intended purchase amount. You must notify the Plan Distributor or your current intermediary of any qualifying mutual fund holdings.

If the terms of the Letter are not fulfilled by the end of the Letter period, the concessions previously paid by the Plan Distributor to the dealer of record for your Account and the amount of initial sales charges retained by the Plan Distributor will be adjusted on the first business day following the expiration of the Letter period to reflect the initial sales charge rates that apply to the actual total purchases of Units. If total eligible purchases during the Letter period exceed the intended purchase amount and exceed the amount needed to qualify for the next sales charge rate reduction set forth in this Plan Description, the sales charges paid may be adjusted to the lower rate. That adjustment will only be made if and when the dealer returns to the Plan Distributor the excess of

the amount of concessions allowed or paid to the dealer over the amount of concessions that apply to the actual amount of purchases. The reduced sales charge adjustment will be made by adding to your Account(s) the number of additional Units that would have been purchased if the lower sales charge rate had been used. Those additional Units will be determined using the net asset value per share in effect on the date of such adjustment.

By establishing a Letter, the Account Owner agrees to be bound by the terms of this Plan Description and the application used for a Letter, and if those terms are amended to be bound by the amended terms and that any amendments by the Plan Distributor will apply automatically to existing Letters.

Terms of Escrow That Apply to Letters of Intent.

1. Out of the initial purchase, and out of subsequent purchases if necessary, the Plan Distributor will hold in escrow Units equal to 2% of the intended purchase amount specified in the Letter. For example, if the intended purchase amount is \$50,000, the escrow amount would be Units valued at \$1,000 (computed at the offering price for a \$50,000 Unit purchase). Escrowed Units are not eligible for either Qualified or Non-Qualified Withdrawals during the Letter period unless the Account Owner terminates the Letter.
2. If the Letter applies to more than one Account, the Account Owner can designate the Account from which shares will be escrowed. If no Account is selected, the Plan Distributor will escrow shares in the Account that has the highest dollar balance on the date of the first purchase under the Letter. If there are not sufficient shares to cover the escrow amount, the Plan Distributor will escrow shares in the Account(s) with the next highest balance(s). If there are not sufficient shares in the Accounts to which the Letter applies, the Plan Distributor may escrow shares in other Accounts that are linked for Right of Accumulation purposes. Additionally, if there are not sufficient shares available for escrow at the time of the first purchase under the Letter, the Plan Distributor will escrow future purchases until the escrow amount is met.
3. If the total purchases under the Letter are less than the intended purchases specified, on the first business day after the end of the Letter period the Plan Distributor will redeem escrowed shares equal in value to the difference between the dollar amount of sales charges actually paid and the amount of sales charges which would have been paid if the total purchases had been made at a single time. Any shares remaining after such redemption will be released from escrow.
4. If the terms of the Letter are fulfilled, the escrowed shares will be promptly released to the Account Owner at the end of the Letter period.
5. By signing the Letter, the investor irrevocably constitutes and appoints the Plan Distributor as attorney-in-fact to surrender for redemption any or all escrowed Units.

Rights of Accumulation

A Right of Accumulation permits certain Account Owners to combine the value of assets in their Accounts within the Plan (regardless of the service class selected) to reduce the initial sales charge applicable to the purchase of Class A shares. Account Owners may also count the value of assets in other advisor-sold Section 529 Plans (within or outside of Nebraska) that are managed by OFI Private Investments Inc. or its affiliates and purchases of Class A, B and C shares of mutual funds advised by OppenheimerFunds, Inc. (except Class A shares of Oppenheimer Money Market Fund, Inc. and Oppenheimer Cash Reserves for which no initial sales charge was paid) to reduce the initial sales charge applicable to the purchase of Class A Shares. The Program Distributor will determine the value of 529 Plan units you currently own based on the greater of aggregate net contributions or total shares multiplied by the current Net Asset Value and the value of mutual fund shares you currently own as described in such fund's prospectus.

The reduced initial sales charges described above resulting from Rights of Accumulation apply if the Plan Distributor is notified that a Contribution qualifies for a reduced initial sales charge at the time the Contribution is made. The reduced initial sales charge will be granted upon confirmation of the aggregate Contributions to the applicable Accounts. Such reduced initial sales charges generally will not be applied retroactively to Contributions made prior to the Contribution that qualifies for the applicable reduced initial sales charge.

Reinstatement Privilege. If all or a part of an Account Owner's (a) Class A shares in the Plan or any other OFI Private Investments Inc. administered Section 529 Plan (including Section 529 Plans administered by affiliates of the Plan Distributor) that were purchased subject to an initial sales charge or on which a contingent deferred sales charge was paid, or (b) Class B shares in the Plan or any other OFI Private Investments Inc. administered Section 529 Plan on which a contingent deferred sales charge was paid are redeemed or transferred, the Account Owner may reinvest an amount equal to all or a portion of the redemption or transfer proceeds in Class A shares of the same Plan Portfolio or any other Plan Portfolio at the net asset value, without the imposition of an initial sales charge, next determined after receipt in good order of the Contribution, provided that such reinvestment is made within six (6) months of the redemption or transfer. The Reinstatement Privilege described above only applies if the Plan Distributor is notified that a Contribution qualifies for a reduced initial sales charge at the time the Contribution is made.

The reduced initial sales charge will be granted upon confirmation that an initial sales charge or contingent deferred sales charge was paid in connection with the redeemed or transferred amount. The Trustee or the Plan Distributor may amend, suspend or cease offering this Reinstatement Privilege at any time as to shares redeemed or transferred after the date of such amendment, suspension or cessation.

Contingent Deferred Sales Charges

Class A Shares

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

Class B Shares

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

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

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

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

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

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

Closure of Class B Shares

Beginning on February 27, 2012, Class B Units will no longer be offered by the Plan. Any Contributions for Class B Units received by the Plan Distributor after the close of business on

February 24, 2012 will automatically be directed to Class A Units and will be subject to current Annual Asset-based Fees and sales charges associated with Class A Shares. Account Owners are permitted to remain invested in Class B Units that were purchased prior to February 24, 2012 until such time as Class B Units convert to Class A Units. For administrative purposes, any Account Owners with Automatic Investment Program ("AIP") instructions to purchase Class B Units on February 23, 2012 or later will be automatically redirected to Class A Units. Under certain circumstances this will result in a new Class A Account being opened for Account Owners holding an existing Class A Account prior to the effective date.

Selling Compensation

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

Selling agents will be paid the following commissions and service fees by the Distributor in connection with the sale of shares of each Portfolio and the maintenance of your Account (due to rounding, the actual sales charge for a particular transaction may be higher or lower than the rates listed):

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

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

- Class B shares—State Farm VP Management Corp. will be paid an amount equal to 0.25% of the average daily net assets in your Account which remain invested in Class B shares for more than twelve months.

Additional Fees

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

Fees and Expenses Associated with an Investment in Shares

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

Fee Structure for Class A Shares¹

Portfolio Name	Annual Asset-based Fees				Total of Underlying Investment Expenses and Plan Fees ⁵	Additional Investor Expenses Maximum Initial Sales Charge ⁶
	Weighted Average Expense Ratio Related to Underlying Investments ²	Management Fee ³	Plan Fees State Administrative Fee ⁴	Annual Asset-based Charge		
Enrollment-based Portfolios						
13+ Years to College Portfolio	0.75%	0.17%	0.05%	0.25%	1.22%	5.50%
7-12 Years to College Portfolio	0.76	0.17	0.05	0.25	1.23	5.50
4-6 Years to College Portfolio	0.67	0.17	0.05	0.25	1.14	5.50
1-3 Years to College Portfolio ⁷	0.50	0.17	0.05	0.25	0.97	5.50
College Now Portfolio ⁷	0.39	0.17	0.05	0.25	0.86	5.50
Static Portfolios						
Growth Portfolio	0.75	0.17	0.05	0.25	1.22	5.50
Moderate Growth Portfolio	0.76	0.17	0.05	0.25	1.23	5.50
Balanced Portfolio	0.67	0.17	0.05	0.25	1.14	5.50
Money Market Portfolio ⁸	0.17	0.17	0.05	None	0.39	None

- There is no guarantee that actual expenses will be the same as those shown in the table.
- For Portfolios that invest in more than one Underlying Investment, based on a weighted average of each Underlying Investment's expense ratio in accordance with the Portfolio's target asset allocation among the applicable Underlying Investments as of [February 16, 2012]; and for Portfolios that invest in one Underlying Investment, based on the most recent expense ratio for the Underlying Investment as of [February 16, 2012]. Underlying Investment Expenses include investment advisory fees, which may be paid to the Servicing Agent or its affiliates, administrative and other expenses.
- The Servicing Agent receives a fee of 0.15% and the Program Manager receives a fee of 0.02%.
- The Nebraska State Treasurer receives a fee of 0.05% for administering and marketing the Plan and Trust.
- This total is assessed against assets over the course of the year and does not include sales charges. See "Investment Cost Chart" on page 18 for the approximate cost of investing in each of the Portfolios over 1-, 3-, 5- and 10-year periods.
- Payable at the time of Contribution. Lower initial sales charges are available for larger aggregate Contributions. Waived for certain Account Owners. See "Initial Sales Charges" on page 12 for more details. A maximum contingent deferred sales charge of 1.00% may be charged, and partially waived in limited circumstances, for Contributions not subject to an initial sales charge that are withdrawn, transferred or rolled over from an Account within 18 months of the Contribution. See "Contingent Deferred Sales Charges—Class A Shares" on page 15 for more details.
- The manager of the Federated U.S. Government Securities Fund: 1-3 Years has voluntarily agreed to waive their fees and/or reimburse expenses so that the total annual fund operating expenses (excluding Acquired Fund Fees and Expenses) paid by the Fund's Class Y shares (after the voluntary waivers and/or reimbursements) will not exceed 0.30% (the "Fee Limit"), up to but not including the later of (the "Termination Date"): (a) May 1, 2012; or (b) the date of the Fund's next effective Prospectus. Without this expense limitation arrangement, the Class A Units of the 1-3 Years to College Portfolio's "Weighted Average Expense Ratio Related to Underlying Investments" and "Total of Underlying Investment Expenses and Plan Fees" would have been 0.53% and 1.00%, respectively; the Class A Units of the College Now Portfolio's "Weighted Average Expense Ratio Related to Underlying Investments" and "Total of Underlying Investment Expenses and Plan Fees" would have been 0.43% and 0.90%, respectively; Without this expense limitation arrangement, the impact to the other Portfolios would be less than 0.01%.
- The Servicing Agent has voluntarily undertaken to waive its fees (but not below zero) and/or reimburse expenses to the extent necessary to assist the Money Market Portfolio in attempting to maintain at least a 0.00% return. There is no guarantee that the Money Market Portfolio will maintain this return. This undertaking may be amended or withdrawn at any time.

Fee Structure for Class B Shares (closed to new investment)¹

Portfolio Name	Annual Asset-based Fees					Additional Investor Expenses
	Weighted Average Expense Ratio Related to Underlying Investments ²	Management Fee ³	Plan Fees State Administrative Fee ⁴	Annual Asset-based Charge	Total of Underlying Investment Expenses and Plan Fees ⁵	Maximum Deferred Sales Charge ⁶
Enrollment-based Portfolios						
13+ Years to College Portfolio	0.75%	0.17%	0.05%	1.00%	1.97%	5.00%
7-12 Years to College Portfolio	0.76	0.17	0.05	1.00	1.98	5.00
4-6 Years to College Portfolio	0.67	0.17	0.05	1.00	1.89	5.00
1-3 Years to College Portfolio ⁷	0.50	0.17	0.05	1.00	1.72	5.00
College Now Portfolio ⁷	0.39	0.17	0.05	1.00	1.61	5.00
Static Portfolios						
Growth Portfolio	0.75	0.17	0.05	1.00	1.97	5.00
Moderate Growth Portfolio	0.76	0.17	0.05	1.00	1.98	5.00
Balanced Portfolio	0.67	0.17	0.05	1.00	1.89	5.00
Money Market Portfolio ⁸	0.17	0.17	0.05	None	0.39	None

1. There is no guarantee that actual expenses will be the same as those shown in the table. Class B shares automatically convert to Class A shares after eight years. See “Contingent Deferred Sales Charges—Class B Shares” on pages 15-17 for more details.
2. For Portfolios that invest in more than one Underlying Investment, based on a weighted average of each Underlying Investment’s expense ratio in accordance with the Portfolio’s target asset allocation among the applicable Underlying Investments as of February 16, 2012; and for Portfolios that invest in one Underlying Investment, based on the most recent expense ratio for the Underlying Investment as of February 16, 2012. Underlying Investment Expenses include investment advisory fees, which may be paid to the Servicing Agent or its affiliates, administrative and other expenses.
3. The Servicing Agent receives a fee of 0.15% and the Program Manager receives a fee of 0.02%.
4. The Nebraska State Treasurer receives a fee of 0.05% for administering and marketing the Plan and Trust.
5. This total is assessed against assets over the course of the year and does not include sales charges. See “Investment Cost Chart” on page 18 for the approximate cost of investing in each of the Portfolios over 1-, 3-, 5- and 10-year periods.
6. Payable with respect to each Contribution if you direct a Withdrawal, transfer or rollover from your Account within six years of a Contribution. Partially waived in limited circumstances. See “Contingent Deferred Sales Charge—Class B Shares” on page 15 for more details.
7. The manager of the Federated U.S. Government Securities Fund: 1-3 Years has voluntarily agreed to waive their fees and/or reimburse expenses so that the total annual fund operating expenses (excluding Acquired Fund Fees and Expenses) paid by the Fund’s Class Y shares (after the voluntary waivers and/or reimbursements) will not exceed 0.30% (the “Fee Limit”), up to but not including the later of (the “Termination Date”): (a) May 1, 2012; or (b) the date of the Fund’s next effective Prospectus. Without this expense limitation arrangement, the Class B Units of the 1-3 Years to College Portfolio’s “Weighted Average Expense Ratio Related to Underlying Investments” and “Total of Underlying Investment Expenses and Plan Fees” would have been 0.53% and 1.75%, respectively; the Class B Units of the College Now Portfolio’s “Weighted Average Expense Ratio Related to Underlying Investments” and “Total of Underlying Investment Expenses and Plan Fees” would have been 0.43% and 1.65%, respectively. Without this expense limitation arrangement, the impact to the other Portfolios would be less than 0.01%.
8. The Servicing Agent has voluntarily undertaken to waive its fees (but not below zero) and/or reimburse expenses to the extent necessary to assist the Money Market Portfolio in attempting to maintain at least a 0.00% return. There is no guarantee that the Money Market Portfolio will maintain this return. This undertaking may be amended or withdrawn at any time.

INVESTMENT COST CHART

The following chart compares the approximate cost of investing in each Portfolio and share class of the Plan over different periods of time. However, your actual costs may be higher or lower. The examples assume:

- A \$10,000 initial investment invested for the time periods shown in a particular Portfolio
- A 5% annually compounded rate of return on the amount invested throughout the time periods shown
- All redemptions are made for Qualified Higher Education Expenses and, therefore, does not reflect the impact of potential federal, state or local taxes
- Total Plan Fees (including weighted average expense ratios for the Underlying Investments) remain the same as those shown on pages 15-16
- Account Owner pays the maximum initial sales charge (without regard to possible breakpoints) for Class A shares. With respect to Class B shares, the chart illustrates both what you would pay assuming that you held your shares and did not incur a CDSC and what you would pay if you were to redeem your shares and incur the applicable CDSC
- In the case of the 10-year investment period, the annual costs shown for the Class B Shares assume such Shares are converted to the Class A Shares after the eighth year

Cost of a \$10,000 investment in each Portfolio:

	1-Year	3-Year	5-Year	10-Year
Enrollment-based Portfolios				
13+ Years to College Portfolio				
Class A	\$668	\$918	\$1,187	\$1,954
Class B ¹	\$202	\$624	\$1,073	\$2,121
Class B ²	\$702	\$924	\$1,273	\$2,121
7-12 Years to College Portfolio				
Class A	\$669	\$921	\$1,192	\$1,965
Class B ¹	\$203	\$627	\$1,078	\$2,132
Class B ²	\$703	\$927	\$1,278	\$2,132
4-6 Years to College Portfolio				
Class A	\$660	\$894	\$1,146	\$1,867
Class B ¹	\$194	\$599	\$1,031	\$2,034
Class B ²	\$694	\$899	\$1,231	\$2,034
1-3 Years to College Portfolio				
Class A	\$644	\$843	\$1,059	\$1,680
Class B ¹	\$176	\$546	\$ 941	\$1,846
Class B ²	\$676	\$846	\$1,141	\$1,846
College Now Portfolio				
Class A	\$633	\$810	\$1,002	\$1,557
Class B ¹	\$165	\$512	\$ 883	\$1,723
Class B ²	\$665	\$812	\$1,083	\$1,723
Static Portfolios				
Oppenheimer Growth Portfolio				
Class A	\$668	\$918	\$1,187	\$1,954
Class B ¹	\$202	\$624	\$1,073	\$2,121
Class B ²	\$702	\$924	\$1,273	\$2,121

	1-Year	3-Year	5-Year	10-Year
Oppenheimer Moderate Growth Portfolio				
Class A	\$669	\$921	\$1,192	\$1,965
Class B ¹	\$203	\$627	\$1,078	\$2,132
Class B ²	\$703	\$927	\$1,278	\$2,132
Oppenheimer Balanced Portfolio				
Class A	\$660	\$894	\$1,146	\$1,867
Class B ¹	\$194	\$599	\$1,031	\$2,034
Class B ²	\$694	\$899	\$1,231	\$2,034
Oppenheimer Money Market Portfolio				
Class A	\$ 40	\$126	\$ 219	\$ 494
Class B ¹	\$ 40	\$126	\$ 219	\$ 494
Class B ²	\$ 40	\$126	\$ 219	\$ 494

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

CHANGING THE DESIGNATED BENEFICIARY

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

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

An Account Owner may choose to reinvest amounts currently held in an Account to any of the available Portfolio(s) when changing the Designated Beneficiary for an Account. Account Owners who have chosen the Enrollment-based Portfolios should note that the Servicing Agent will automatically change the particular Portfolio the Account is invested in upon a change in the Designated Beneficiary unless the new Designated Beneficiary has the same estimated year of enrollment in college as the original Designated Beneficiary. This Portfolio change will be made by the Servicing Agent so that the Portfolio is appropriate for the estimated year of enrollment in college of the new Designated Beneficiary, and because it is automatic, this change will not count as an investment reallocation for the purposes of the once per calendar year limitation.

Member of the Family

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

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

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

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

WITHDRAWALS

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

Procedures for Withdrawals

You may request a withdrawal from your Account by completing and submitting the appropriate form available from your State Farm Registered Representative at statefarm.com or by calling The State Farm College Savings Plan at **1-800-321-7520**. The Servicing Agent reserves the right to delay remittance of redemption proceeds for units purchased by check or via direct deposit or Automatic Investment Program (AIP) for up to 5 business days. In addition, the withdrawal request may take up to 5 business days to be processed. Distributions from the Plan will not be processed without valid Social Security numbers or federal taxpayer identification numbers.

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

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

If any withdrawal check is returned as undeliverable, efforts will be made to locate the Account Owner or Designated Beneficiary based on information available to the Trust. If the Account Owner or Designated Beneficiary is not located within 90 days following the return of the check to the Trust, the amount of the check will

be deposited back into the Account. No interest will be paid during the 90-day search period.

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

Qualified Withdrawals

In general, a Qualified Withdrawal is any distribution that is used to pay for the Qualified Higher Education Expenses of a Designated Beneficiary. If a Designated Beneficiary or an Account Owner receives a refund from an Eligible Institution of Higher Education, or otherwise, of amounts paid from an Account, any such refund will generally be a Nonqualified Withdrawal and subsequently subject to the tax consequences described below unless it is used for the Designated Beneficiary's Qualified Higher Education Expenses in the same taxable year.

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

You may request a withdrawal at any time (subject to a 5-business day hold following each Contribution). A separate withdrawal form must be submitted for each withdrawal.

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

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

Qualified Higher Education Expenses

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

charged by the Eligible Institution of Higher Education for room and board costs for the applicable period.

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

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

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

Eligible Institutions of Higher Education

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

Education Credits

The use of a Hope Scholarship tax credit (also known as the American Opportunity tax credit for 2011 and 2012) or a Lifetime Learning tax credit (together, "Education Tax Credits") by an Account Owner or Designated Beneficiary will not affect receipt of benefits from an Account as long as any Qualified Withdrawal from the Account is not used for the same expenses for which the Education Tax Credit was claimed.

Nonqualified Withdrawals

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

- A withdrawal by reason of the death (if paid to the Designated Beneficiary's estate) or disability (within the meaning of Section 72(m)(7) of the Code) of the Designated Beneficiary of the Account

- A withdrawal by reason of the Designated Beneficiary's receipt of a qualified scholarship (to the extent of the scholarship amount)
- A withdrawal by reason of the Designated Beneficiary's attendance at certain specified military academies
- A withdrawal that would otherwise be a Qualified Withdrawal but for the use of Education Tax Credits as allowed under federal income tax law
- A qualifying rollover distribution that is rolled into another state's Section 529 plan with appropriate documentation, or a qualifying transfer to an account for another Designated Beneficiary within the Trust. Qualified rollover distributions are not subject to taxation or additional tax at the federal level, but they are subject to any applicable CDSCs. In addition, if you roll over assets in your Account to another state's Section 529 plan, you will be deemed to have canceled your Participation Agreement with respect to such assets. Canceling your Participation Agreement may subject you to a recapture of any Nebraska State income tax deduction you may have claimed.

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

In accordance with Section 529 of the Code, the earnings portion of a Nonqualified Withdrawal is treated as income to the distributee and is subject to federal and applicable state income tax, as well as an additional 10% federal tax on earnings unless an exception to the additional tax applies as described above. The Servicing Agent will report the earnings portion of all distributions as required under federal tax law, but it is the responsibility of the Account Owner to determine the extent to which the withdrawal is a Qualified Withdrawal and to calculate and report any resulting tax liability.

Other Withdrawals

Death of Designated Beneficiary

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

Disability of Designated Beneficiary

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

Receipt of Scholarship

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

Appointment at Certain Specified Military Academies

If the Designated Beneficiary attends the United States Military Academy, the United States Naval Academy, the United States Air Force Academy, the United States Coast Guard Academy, or the United States Merchant Marine Academy, the Account Owner may withdraw an amount up to an amount equal to the costs of advanced education attributable to the Designated Beneficiary's attendance at the institution without incurring the additional 10% federal tax on earnings. The earnings portion of the withdrawal will be subject to federal and any applicable state income tax at the recipient's tax rate unless the distribution is rolled over to another account for a Member of the Family of the current Designated Beneficiary.

Use of Education Tax Credits

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

Rollover Distributions to Another State's Section 529 Plan

An Account Owner may roll over all or part of the balance of an Account to another Section 529 plan account without adverse federal tax consequences so long as the amount withdrawn is placed in the other plan account within 60 days of the withdrawal, and the Designated Beneficiary of the new account is (i) a Member of the Family of the Designated Beneficiary of the current Account or (ii) the same Designated Beneficiary as for the current Account, provided in the latter case that such rollover does not occur within twelve months from the date of a previous transfer to a Section 529 plan for the same Designated Beneficiary. (See "FEDERAL AND STATE TAX CONSIDERATIONS—Qualified Rollover Distributions" on page 26 for details.) In certain cases, at the Account Owner's direction, the Plan may directly transfer a Rollover Distribution to another Account or another state's Section 529 plan. See "UGMA/UTMA Custodial Accounts" on page 3 for a discussion of the treatment of Accounts established by UGMA/UTMA custodian Account Owners. Qualified rollover distributions are not subject to taxation or additional tax at the federal level, but they are subject to any applicable CDSCs. In addition, if you roll over assets in your Account to another state's Section 529 plan, you will be deemed to have canceled your Participation Agreement with respect to such assets. Canceling your Participation Agreement may subject you to a recapture of any Nebraska State income tax deduction you may have claimed.

Exchanges to Another Plan Within the Trust

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

Records Retention

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

RESIDUAL ACCOUNT BALANCES

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

- Request that the remaining funds (including earnings) be paid to the Account Owner or Designated Beneficiary and treated as a Nonqualified Withdrawal. Earnings will be subject to any federal and applicable state income tax and an additional 10% federal tax.
- Authorize a change of Designated Beneficiary for the Account to a Member of the Family of the current Designated Beneficiary. See "UGMA/UTMA Custodial Accounts" on page 3 and "CHANGING THE DESIGNATED BENEFICIARY" on page 19 for a discussion of

the treatment of Accounts established by UGMA/UTMA custodian Account Owners.

- Keep the funds in the Account to pay future Qualified Higher Education Expenses (such as graduate or professional school expense) of the Designated Beneficiary.

SPECIAL BENEFITS FOR NEBRASKA RESIDENTS

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

Nebraska law currently provides for the partial recapture of the Nebraska State tax benefits in certain circumstances. See "Certain Nebraska State Tax Consequences" on page 25 for more details.

STATUS OF ACCOUNTS UPON DEATH, DISABILITY, OR DESIGNATED BENEFICIARY'S NON-PURSUIT OF HIGHER EDUCATION

If the Designated Beneficiary of an Account dies, you may (i) withdraw the Account balance, (ii) distribute the Account balance to the Designated Beneficiary's estate, or (iii) change the Designated Beneficiary of the Account.

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

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

If the Designated Beneficiary of an Account becomes disabled within the meaning of Section 72(m)(7) of the Code, you may withdraw the Account balance, distribute the Account balance to the Designated Beneficiary, or change the Designated Beneficiary of the Account. To the extent that you direct a Nonqualified Withdrawal or distribution from the Account, any earnings portion of such Nonqualified Withdrawal will be includible in your income or the Designated Beneficiary's income for federal income

tax purposes. However, the 10% federal additional tax will not apply. A change of the Designated Beneficiary of the Account will not result in any income tax consequences so long as the new Designated Beneficiary is a Member of the Family of the disabled Designated Beneficiary.

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

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

For more information, see "Federal and State Tax Considerations," on page 25.

CERTAIN RISKS TO CONSIDER

Opening an Account involves certain risks. Among other things discussed in this Enrollment Handbook, you should carefully consider the following risks before completing an Enrollment Application. You also should read this Enrollment Handbook carefully before making a decision to open an Account. See pages 35-38 for investment risks of the Underlying Investments.

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

Each Portfolio Invests its Assets in Underlying Investments.

Each Portfolio's investment performance depends on the investment performance of its Underlying Investment(s). Therefore, the risks associated with an investment in a Portfolio are also the risks associated with an investment in the Underlying Investments. There is a risk that an Underlying Investment's investment adviser's evaluations and assumptions regarding the Underlying Investments asset classes or the investments in which they invest may be incorrect based on actual market conditions. There is a risk that the Underlying Investments will vary from the target weightings due to factors such as market

fluctuations. There can be no assurance that the Underlying Investments will achieve their investment objectives, and the performance of the Underlying Investments may be lower than the asset class that they were selected to represent. The Underlying Investments may change their investment objectives or policies. If that were to occur, a Portfolio might be forced to withdraw its investment from the Underlying Investment at a time that is unfavorable to the Portfolio.

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

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

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

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

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

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

Treatment for Federal, State, and Institutional Financial Aid Purposes. The treatment of Account assets may have a material adverse effect on the Designated Beneficiary's eligibility to receive assistance under various federal, state, and institutional financial aid programs. For federal financial aid purposes beginning July 1, 2009, Account assets will be considered (i) assets of a student's parent, if the student is a dependent student and Account Owner is the parent or the student, or (ii) assets of the student, if the student is the Account Owner and not a dependent student. For purposes of financial aid programs offered by states and educational institutions, the treatment of Account assets may or may not follow the treatment described above for federal financial aid purposes. However, financial aid programs administered by agencies of the State of Nebraska will not take Account assets into consideration, except as may be otherwise provided by federal law. Account Owners and Designated Beneficiaries are advised to consult a financial aid professional and/or the state or educational institution offering a particular financial aid program to determine how assets held in an Account may affect eligibility for financial aid.

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

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

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

Medicaid and other federal and state benefits. The effect of an Account on eligibility for Medicaid or other state and federal benefits is uncertain. It is possible that an Account will be viewed as a "countable resource" in determining an individual's financial eligibility for Medicaid. Withdrawals from an Account during

certain periods also may have the effect of delaying the disbursement of Medicaid payments. You should consult a qualified advisor to determine how an Account may affect eligibility for Medicaid or other state and federal benefits.

FEDERAL AND STATE TAX CONSIDERATIONS

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

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

This section and all other statements in this Enrollment Handbook are (i) provided as general information in connection with the promotion or marketing of the Plan , (ii) not intended as individual tax advice to any person (including any Account Owner or Designated Beneficiary), and (iii) not provided or intended to be used, and cannot be used by any taxpayer, for the purpose of avoiding U.S. federal tax penalties.

Federal Income Tax Advantages of the Plan

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

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

There are also potential federal income tax disadvantages to an investment in the Plan. To the extent that a distribution from an Account is a Nonqualified Withdrawal, the portion of the Nonqualified Withdrawal attributable to investment earnings will

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

Certain Nebraska State Tax Consequences

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

Contributions by an Account Owner are deductible in computing the Account Owner's Nebraska taxable income for Nebraska income tax purposes in an amount not to exceed \$5,000 (\$2,500 for married taxpayers filing separate returns) in the aggregate for all Contributions to all accounts within the Trust in any taxable year. For Contributions to be deductible for a given calendar year, they must be post-marked prior to the end of that year. You should obtain and retain receipts or other documentation that is adequate to substantiate that your Contribution was received prior to the end of the year.

Nebraska state law indicates that only Account Owners are eligible to take a Nebraska State tax deduction for contributions to an Account. The Designated Beneficiary on an UTMA/UGMA Account is also considered the Account Owner. Therefore, only minors filing a Nebraska state income tax return are eligible to take deductions for contributions into his or her Account. Custodians that contribute to UTMA/UGMA Accounts are not eligible to take the Nebraska tax deduction on their Nebraska income tax return."

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

Nebraska law currently provides for the partial recapture of the Nebraska State tax benefits in the event a Participation Agreement

is canceled. If you roll over assets in your Account to a qualified tuition program sponsored by another state or entity, you will be deemed to have canceled your Participation Agreement with respect to such assets. Additionally, to the extent that a distribution constitutes a Nonqualified Withdrawal, the Nebraska Department of Revenue will treat the distribution as an account cancellation. In general, a canceling Account Owner's taxable income will be increased by the amount of the cancellation distribution but only to the extent previously deducted by the Account Owner. Before canceling a Participation Agreement, rolling assets to another qualified tuition program or requesting a Nonqualified Withdrawal, you should consult with your legal and tax advisors.

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

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

Considerations for Non-Nebraska Residents

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

Federal Income Tax Treatment of the Trust, Contributions and Withdrawals¹

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

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

Qualified Withdrawals

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

Qualified Rollover Distributions

A qualified rollover distribution is a withdrawal from an Account that is transferred or re-deposited within sixty (60) days to: (i) an account in a different state's qualified tuition program for the benefit of the same Designated Beneficiary, provided that any such rollover does not occur within twelve months from the date of a previous transfer to a qualified tuition program for the same Designated Beneficiary; or (ii) another account in the Trust, or another account in a different qualified tuition program, for a Designated Beneficiary who is a Member of the Family of the current Designated Beneficiary. No portion of a qualified rollover distribution is includible in the gross income of either the Designated Beneficiary or the Account Owner.

Non-Qualified Withdrawals

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

1. See page 24 "Risks Related to Possible Future Changes in State and Federal Tax Law."

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

- If the Designated Beneficiary of the Account dies, a distribution from the account to the Designated Beneficiary’s estate will not be subject to the additional tax.
- If the Designated Beneficiary of the Account becomes disabled within the meaning of Section 72(m)(7) of the Code, a withdrawal by the Account Owner or distribution to the Designated Beneficiary will not be subject to the additional tax.
- If the Designated Beneficiary of the Account receives a scholarship, allowance, or payment described in Section 25A(g)(2) of the Code, a withdrawal by the Account Owner or distribution to the Designated Beneficiary will not be subject to the additional tax to the extent that the amount of the withdrawal does not exceed the amount of the scholarship, allowance, or payment.
- If a Hope Scholarship Credit (also known as the American Opportunity tax credit for 2009 and 2010) and/or Lifetime Learning Credit is allowed to any person for payment of the Designated Beneficiary’s Qualified Higher Education Expenses, the Earnings Portion of the part of the Nonqualified Withdrawal equal to such expenses will not be subject to the additional tax.
- If the Designated Beneficiary attends the United States Military Academy, the United States Naval Academy, the United States Air Force Academy, the United States Coast Guard Academy, or the United States Merchant Marine Academy, a Nonqualified Withdrawal from an Account will not be subject to the additional tax to the extent that the Nonqualified Withdrawal does not exceed the costs of “advanced education,” as that term is defined in 10 U.S.C. Section 2005(e)(3), attributable to such attendance.

Change of Beneficiaries

A change in the Designated Beneficiary of an Account is not treated as a distribution if the new Designated Beneficiary is a Member of the Family of the current Designated Beneficiary. However, if the new Designated Beneficiary is not a Member of the Family of the current Designated Beneficiary, the change is treated as a Nonqualified Withdrawal by the Account Owner.

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

Federal Gift, Estate and Generation-Skipping Transfer Taxes

Contributions to an Account are considered completed gifts to the Designated Beneficiary of the Account for federal estate, gift and generation-skipping transfer (“GST”) tax purposes. Except as described below, if an Account Owner dies while there is a balance in the Account, the value of the Account is not includible in the Account Owner’s gross estate for federal estate tax purposes. However, amounts in an Account at the death of the Designated Beneficiary are includible in the Designated Beneficiary’s gross estate to the extent such amounts are paid to the Designated Beneficiary’s estate or as otherwise provided by the Code.

A donor’s gifts to a donee in any given year will not be taxable if the gifts are eligible for, and do not in total exceed, what is known as the gift tax “annual exclusion” for such year. For 2012, the annual exclusion is \$13,000 per donee, or twice that amount for a married donor whose spouse elects on a federal gift tax return to “split” gifts with the donor. The annual exclusion is indexed for inflation and is therefore expected to increase over time.

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

In addition, if an Account Owner’s total Contributions to Accounts for a Designated Beneficiary in a single year exceed the annual exclusion for such year, the Account Owner may elect to treat Contributions that total up to five times the annual exclusion (or up to ten times if the donor and his or her spouse split gifts) as having been made ratably over a five-year period. Consequently, a single donor may contribute up to \$65,000 in a single year without incurring federal gift tax, so long as the donor makes no other gifts to the same Designated Beneficiary during the calendar year in which the Contribution is made and each of the following four calendar years. (Note that an election to have the Contribution taken into account over a five-year period must be made by the donor on a federal gift tax return.)

For example, an Account Owner who makes a \$65,000 Contribution to an Account for a Designated Beneficiary in 2012 may elect to have that Contribution treated as a \$13,000 gift in 2012 and a \$13,000 gift in each of the following four calendar years. If the Account Owner makes no other Contributions or gifts to the Designated Beneficiary before January 1, 2017, the Account Owner will not be treated as making any taxable gifts to the Designated Beneficiary during that five-year period. As a result, the \$65,000 Contribution will not be treated as a taxable gift and will be excludible for purposes of the GST tax. However, if the Account Owner dies before the first day of the fourth calendar year following the calendar year of the prorated gift, the portion of the Contributions allocable to calendar years after the year of death will be includible in the Account Owner’s gross estate for federal estate tax purposes.

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

STATE FARM COLLEGE SAVINGS PLAN PARTICIPATION AGREEMENT

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

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

Section 1. Accounts and Beneficiaries

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

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

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

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

(d) *Trusts.* A trust which has a valid federal taxpayer identification number may establish an Account, but neither the State of Nebraska, the Trust, the Trustee, the Nebraska Investment Council, the Servicing Agent, the Program Manager, the Plan Distributor, State Farm VP Management Corp., nor any of their respective affiliates, directors, officers or agents will assume the responsibility to ensure or incur liability for failing to ensure that

the ownership and maintenance of the Account is consistent with the trust document or applicable state trust law, nor will they be responsible for advising the trustee on any issues related to the application of state or federal tax and/or probate laws to the trust’s investment in the Plan.

Section 2. Contributions

- (a) *Contributions To Be in Cash.* All Contributions must be in cash. Cash means only (i) checks, (ii) AIP, (iii) EFT, (iv) payroll deduction, (v) funds wired through the Federal Reserve system, or (vi) redemption funds from a Coverdell ESA, another qualified tuition program, an UGMA or UTMA account, or a State Farm account. Third party checks will only be accepted at the Plan Distributor’s discretion. Money orders will not be accepted.
- (b) *Minimum Contributions and Account Size Limit.* The minimum initial Contribution is \$250 per Account with subsequent investments of at least \$50 per Portfolio.

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

- (c) *Right to Refuse Contributions.* A Contribution, rollover or transfer may be refused if the Servicing Agent reasonably believes that (i) the purpose is for other than funding the Qualified Higher Education Expenses of the Designated Beneficiary of an Account, (ii) there appears to be an abuse of the Plan, or (iii) such transaction is unlawful. The Plan may not be able to determine that a specific Contribution, rollover or transfer is for other than funding the Qualified Higher Education Expenses of a Designated Beneficiary, abusive or unlawful. The Plan therefore makes no representation that all such Contributions, rollovers or transfers can or will be rejected.
- (d) *Acceptable Contribution Methods.* Contributions to an Account may be made by check, automatic payment from the Account Owner’s bank account or other financial institution, EFT, federal funds wire or payroll deduction if the Account Owner’s employer offers this option, or any other method permitted by Nebraska law and the Code. An authorization to make automatic payments will remain in effect until the Servicing Agent has received written notification of its termination. Account Owners or the Servicing Agent may terminate automatic payments at any time. Any termination of automatic payments authorization initiated by an Account Owner must either be made in writing, by calling The State Farm College Savings Plan at 1-800-321-7520, or by completing the appropriate section online and will become effective as soon as the Plan has had a reasonable amount of time to implement the change. All Contributions must be in cash. The Plan cannot accept securities or other property. Rollover Contributions to an Account from another qualified tuition plan must be accompanied by the Rollover Form and any other required documentation.

Section 3. Withdrawals

- (a) You may direct the Servicing Agent, as agent for the Trustee, to distribute part or all of the money in your Account at any time. References to the Servicing Agent in this Section 3 refer to the Servicing Agent acting on behalf of, or as agent for, the Trustee.
- (b) If the proposed distribution is to be paid directly to you or the Designated Beneficiary, then the Servicing Agent will distribute the entire amount requested by you, less any applicable CDSCs. The Servicing Agent can provide you with notice of any CDSC assessed.
- (c) Notwithstanding any other provision of this agreement, the Servicing Agent may terminate a Participation Agreement and distribute the balance of an Account to you upon its determination that you or the Designated Beneficiary has provided false or misleading information to the Trust, the Servicing Agent, State Farm VP Management Corp., the Servicing Agent or an Eligible Institution of Higher Education. Upon such a finding and a termination, the Servicing Agent will assess any applicable CDSCs. The Servicing Agent will pay you the balance remaining in the Account after any such assessment.

Section 4. Your Representations and Acknowledgments

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

- (a) You have received and read the Enrollment Handbook for The State Farm College Savings Plan and have carefully reviewed all the information contained therein, including information provided by or with respect to the Trust, the Servicing Agent, the Program Manager, the Plan Distributor and State Farm VP Management Corp.
- (b) You acknowledge and agree that the value of your Account will increase or decrease based on the investment performance of the investment Portfolios of the Trust in which the Account is then invested. You understand that the value of any Account may be more or less than the amount invested in the Account. You agree that all investment decisions will be made by the Nebraska Investment Council or any other adviser hired by the Trust, including OFI Private Investments Inc. and that neither you nor the Designated Beneficiary will control the investment of any funds invested in the Trust, either directly or indirectly. You also acknowledge and agree that neither the State of Nebraska, the Trust, the Trustee, the Investment Council, the Program Manager, the Plan Distributor, the Servicing Agent, nor State Farm VP Management Corp., nor any of their respective affiliates, directors, officers or agents makes any guarantee that you will not suffer a loss of the amount invested in any Account.
- (c) You understand that so long as the Program Manager, Servicing Agent, Plan Distributor, State Farm VP Management Corp., or any of their respective affiliates, directors, officers or agents are performing services for the Trust, it may follow the directives of the Trustee and the Investment Council, and when acting in such capacity, it will have no liability to you or any other intended or unintended third-party beneficiary of this agreement.

- (d) You acknowledge and agree that participation in the Plan does not guarantee that any Designated Beneficiary: (i) will be accepted as a student by an Eligible Institution of Higher Education; (ii) if accepted, will be permitted to continue as a student; (iii) will be treated as a state resident of any state for tuition purposes; (iv) will graduate from any Eligible Institution of Higher Education; (v) will achieve any particular treatment under applicable state or federal financial aid programs; or (vi) will have his/her Qualified Higher Education Expenses at any Eligible Institution of Higher Education covered in full by amounts invested by an Account Owner. You also acknowledge and agree that neither the State of Nebraska, the Trust, the Trustee, the Investment Council, the Program Manager, the Servicing Agent, the Plan Distributor, nor State Farm VP Management Corp., nor any of their respective affiliates, directors, officers or agents makes any such representation or guarantee.
- (e) You acknowledge and agree that no Account will be used as collateral for any loan. Any attempted use of an Account as collateral for a loan will be void.
- (f) You acknowledge and agree that the Trust will not loan any assets to you or the Designated Beneficiary.
- (g) You acknowledge and agree that the Trust is established and maintained by the Treasurer of the State of Nebraska, pursuant to state law, and is intended to qualify for certain federal income tax benefits under Section 529 of the Code. You further acknowledge that such federal and state laws are subject to change, sometimes with retroactive effect, and that neither the State of Nebraska, the Trust, the Trustee, the Investment Council, the Program Manager, the Servicing Agent, the Plan Distributor, nor State Farm VP Management Corp., nor any of their respective affiliates, directors, officers or agents makes any representation that such state or federal laws will not be changed or repealed.
- (h) You acknowledge that the Plan Distributor or one of its affiliates will pay the Program Manager certain fees, as described in the Enrollment Handbook, for services rendered in connection with the administration of the Plan.
- (i) You acknowledge that the Trust is the record owner of the shares of the Oppenheimer Funds in which each Portfolio is invested and that you will have no right to vote, or direct the voting of, any proxy with respect to such shares.
- (j) You acknowledge that any discussion of federal and state income tax consequences in the Enrollment Handbook is (i) provided as general information in connection with the promotion or marketing of the Plan, (ii) is not intended as individual tax advice to any person (including any Account Owner or Designated Beneficiary), and (iii) not provided or intended to be used, and cannot be used by any taxpayer, for the purpose of avoiding U.S. federal tax penalties.

Section 5. Fees and Expenses

The Trust will make certain charges against the Portfolios and each Account in order to provide for the costs of administration

of the Accounts and such other purposes as the Nebraska Investment Council shall determine appropriate.

- (a) *Investment Management Fees.* You acknowledge that each of the Underlying Investments in which the Portfolios invests will have investment management fees and other expenses associated with them.
- (b) *Sales Charges, State Administrative Fees, and Annual Asset Based Fees.* Applicable sales charges, state administrative fees, and annual asset based fees are set forth in the Enrollment Handbook.
- (c) *Change in Fees.* You acknowledge and agree that the charges described above may be increased or decreased as the Trustee or the Nebraska Investment Council shall determine to be appropriate.

Section 6. Necessity of Qualification

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

Section 7. Audit

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

Section 8. Reporting

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

Section 9. Account Owner's Indemnity

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

Section 10. Limited Investment Direction.

No Account Owner, Designated Beneficiary or contributor may direct the investment of any Contributions or any earnings thereon either directly or indirectly, other than to select from the

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

Section 11. Separate Accounting.

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

Section 12. Factual Determinations.

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

Section 13. Severability.

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

Section 14. Extraordinary Events.

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

Section 15. Complete Agreement.

This Participation Agreement, and the Enrollment Handbook that is hereby incorporated into this Participation Agreement, is the complete and exclusive statement of the agreement between the parties hereto, which supersedes any prior agreement, oral or written, and any other communications between the parties hereto relating to the subject matter of this Participation

Agreement. This Participation Agreement is offered by the Trustee and will be deemed a binding agreement upon acceptance by the Trustee of the Account Owner's Enrollment Application. The Account Owner has not relied on any representations or other information, whether oral or written, other than as set forth in the Enrollment Handbook and in this Participation Agreement.

Section 16. Amendment and Termination

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

Section 17. Governing Law

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

ADDITIONAL INFORMATION REGARDING THE UNDERLYING INVESTMENTS

Following are descriptions of the principal investment strategies and risks associated with investments that the Plan utilizes as Underlying Investments. These descriptions are taken from the Underlying Investments' prospectus, statement of additional information, or other offering documents, as applicable. To obtain complete offering materials for any of the Mutual funds, please visit openheimerfunds.com or call OppenheimerFunds at **1-800-525-7048**, visit federatedinvestors.com or call Federated at **1-800-245-5051** or visit statefarm.com or call State Farm at **1-800-447-4930** and obtain a free prospectus or Annual or Semi-Annual Report.

State Farm Bond Fund

Investment Objective

The State Farm Bond Fund (the "Bond Fund") seeks to realize over a period of years the highest yield consistent with investing in investment grade bonds.

Investment Process

The Bond Fund invests primarily in investment grade bonds issued by U.S. companies, U.S. government and agency obligations, and mortgage backed securities. Under normal circumstances, the Bond Fund invests at least 80% of its net assets plus any borrowings in investment grade bonds or in bonds that are not rated, but that the Manager has determined to be of comparable quality. A bond is investment grade if Moody's Investors Service, Inc. ("Moody's") or Standard & Poor's ("S&P") has rated the bond in one of their respective four highest rating categories. Non-investment grade bonds are commonly referred to as "junk bonds." The Bond Fund may invest in any of the following instruments:

- Corporate Debt Securities: investment grade securities issued by domestic and foreign corporations and to a limited extent (up to 20% of its assets), in lower rated securities
- U.S. Government Debt Securities: securities issued or guaranteed by the U.S. Government or its agencies or instrumentalities
- Foreign Government Debt Securities: investment grade securities issued or guaranteed by a foreign government or its agencies or instrumentalities, payable in U.S. dollars
- Asset Backed and Mortgage Backed Securities: investment grade securities backed by mortgages, consumer loans and other assets
- Other Issuer Debt Securities: the Fund may invest up to 20% of its assets in investment grade debt securities and preferred stocks that are convertible into common stocks as well as non-convertible preferred stocks or securities.

Principal Risks

The Fund is primarily subject to management risk, interest rate risk, call risk, prepayment risk, credit risk, high yield, high risk securities risk, liquidity risk and income risk.

Federated U.S. Government Securities Fund: 1-3 Years

Investment Objective

The Fund's investment objective is to provide current income.

Investment Process

The Fund's overall strategy is to invest in a portfolio consisting primarily of U.S. Treasury securities, U.S. government agency securities with maturities of not less than one year and not more than three years, and related derivative contracts. The Fund buys and sells portfolio securities based primarily on its market outlook and analysis of how securities may perform under different market conditions. The Fund evaluates its investment strategy by comparing the performance and composition of the Fund's portfolio to the performance and composition of an index composed of U.S. Treasury notes and bonds with maturities greater than or equal to one year and less than three years.

The Fund intends to invest in government securities that are issued or guaranteed by a federal agency or instrumentality acting under federal authority. These include government securities that are not backed by the full faith and credit of the U.S. government. Some government securities, including those issued by Government National Mortgage Association (Ginnie Mae), are supported by the full faith and credit of the United States. Other government securities receive support through federal subsidies, loans and other benefits. A few government securities have no explicit financial support, but are regarded as having implied support because the federal government sponsors their activities. The Fund may also invest in bonds issued by banks and guaranteed by the Federal Deposit Insurance Corporation (FDIC).

Principal Risks

The Fund is primarily subject to interest rate risk, liquidity risk, leverage risk and derivative investment risk.

Oppenheimer Capital Appreciation Fund

Investment Objective

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

Investment Process

The Fund mainly invests in common stocks of "growth companies." Growth companies are companies whose earnings and stock prices are expected to increase at a faster rate than the overall market. These may be newer companies or established companies of any capitalization range that the portfolio manager market sectors, the portfolio manager focuses on a number of factors that may vary in particular cases and over time. Currently, the portfolio manager looks for:

- attractive growth opportunities across sectors and strategically sets sector weights
- companies in business areas that have above-average growth potential,
- companies with growth rates that the portfolio manager believes are sustainable over time,
- stocks with reasonable valuations relative to their growth potential.

The Fund may sell the stocks of companies that the portfolio manager believes no longer meet the above criteria, but is not required to do so.

Principal Risks

The Fund is primarily subject to investing in stock risk and growth investing risk.

Oppenheimer Value Fund

Investment Objective

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

Investment Process

The Fund mainly invests in common stocks of companies that the portfolio managers believe are undervalued. The Fund may also invest in other equity securities, such as preferred stock, rights, warrants and securities convertible into common stock. The Fund may buy securities issued by companies of any size or market capitalization range and at times might increase its emphasis on securities of issuers in a particular capitalization range. While the Fund does not limit its investments to issuers in a particular capitalization range, the portfolio managers currently focus on securities of larger-size companies. The Fund may invest up to 25% of its total assets in foreign securities of companies or governments in any country, including in developed and emerging market countries. The Fund may invest up to 10% of its net assets in debt securities. In selecting investments for the Fund's portfolio, the portfolio managers look for companies they believe have been undervalued by the market. A security may be undervalued because the market is not aware of the issuer's intrinsic value, does not yet recognize its future potential, or the issuer may be temporarily out of favor. The Fund seeks to realize gains in the

prices of those securities when other investors recognize their real or prospective worth. The portfolio managers use a "bottom up" approach to select securities one at a time before considering industry trends. The portfolio managers use fundamental analysis to select securities based on factors such as a company's long-term earnings and growth potential. The portfolio managers currently focus on companies with the following characteristics, which may vary in particular cases and may change over time:

- Future supply/demand conditions for its key products,
- Product cycles,
- Quality of management,
- Competitive position in the market place,
- Reinvestment plans for cash generated,
- Better-than-expected earnings reports, and
- Attractive valuation.

The portfolio managers also monitor individual issuers for changes in their business fundamentals or prospects that may trigger a decision to sell a security, but does not require a decision to do so. The portfolio managers may consider selling a stock for one or more of the following reasons:

- the stock price is approaching its price target,
- the company's fundamentals are deteriorating, or
- alternative investment ideas have been developed.

Principal Risks

The Fund is primarily subject to investing in stock risk, small- and mid-sized company risk value investing risk, foreign investing risk and time-zone arbitrage risk.

Oppenheimer Main Street Small- & Mid-Cap Fund®

Investment Objective

The Fund seeks capital appreciation. The Fund uses fundamental research and quantitative models to invest mainly in common stocks of companies that are within the market capitalization range of the Russell 2500™ Index.

Investment Process

The Fund mainly invests in common stocks of "small-cap" and "mid-cap" companies. A company's "market capitalization" is the value of its outstanding common stock. Under normal market conditions, the Fund will invest at least 80% of its net assets, including any borrowings for investment purposes, in securities of companies having a market capitalization in the range of the Russell 2500™ Index (currently approximately \$25 million to \$6 billion dollars). That capitalization range is subject to change due to market activity or changes in the composition of the index. The Fund measures a company's capitalization at the time the Fund buys a security and is not required to sell a security if the company's capitalization moves outside of the Fund's capitalization definition.

The portfolio managers use both fundamental research and quantitative models to identify investment opportunities. While the process may change over time or vary in particular cases, in general the selection process currently:

- aims to maintain broad diversification across all major economic sectors;

- uses quantitative models, including sector-specific factors, to rank securities within each economic sector;
- uses a fundamental approach to analyze issuers based on factors such as a company's financial performance, competitive strength, industry position, business practices and management; and
- considers market trends, current industry outlooks and general economic conditions.

In constructing the portfolio, the Fund seeks to limit exposure to so-called "top-down" or "macro" risks, such as overall stock market movements, economic cycles, and interest rate or currency fluctuations. Instead, the portfolio managers seek to add value by selecting individual securities with superior company-specific fundamental attributes or relative valuations that they expect to outperform their industry and sector peers. This is commonly referred to as a "bottom-up" approach to portfolio construction.

The portfolio managers consider stock rankings, benchmark weightings and capitalization outlooks in determining security weightings for individual issuers. Although the Fund mainly invests in U.S. companies, it can invest in securities issued by companies or governments in any country, including in developing or emerging market countries. The portfolio managers might sell a security if the stock price is approaching their price target, if the company's competitive position has deteriorated or the company's management has performed poorly, or if they have identified more attractive investment prospects.

Principal Risks

The Fund is primarily subject to investing in stock risk, small- and mid-sized companies risk, small and unseasoned companies risk and foreign investing risk.

Oppenheimer International Growth Fund

Investment Objective

The Fund seeks long-term capital appreciation.

Investment Process

The Fund mainly invests in the common stock of growth companies that are domiciled or have their primary operations outside of the United States. It may invest 100% of its assets in securities of foreign companies. The Fund may invest in emerging markets as well as in developed markets throughout the world. From time to time it may place greater emphasis on investing in one or more particular regions such as Asia, Europe or Latin America. Under normal market conditions the Fund will:

- invest at least 65% of its total assets in common and preferred stocks of issuers in at least three different countries outside of the United States, and
- emphasize investments in common stocks of issuers that the portfolio manager considers to be "growth" companies.

The Fund does not limit its investments to issuers within a specific market capitalization range and at times may invest a substantial portion of its assets in one or more particular capitalization ranges. The Fund can also buy securities convertible into common stock

and other securities having equity features. The Fund can use hedging and certain derivative instruments to seek capital appreciation or to try to manage investment risks.

In selecting investments for the Fund's portfolio, the portfolio manager evaluates investment opportunities on a company-by-company basis. The portfolio manager looks primarily for foreign companies with high growth potential using a "bottom up" investment approach, that is, by looking at the investment performance of individual stocks before considering the impact of general or industry specific economic trends. This approach includes fundamental analysis of a company's financial statements and management structure and consideration of the company's operations, product development, and industry position.

The portfolio manager currently focuses on the following factors, which may vary in particular cases and may change over time:

- companies that enjoy a strong competitive position and high demand for their products or services;
- companies with accelerating earnings growth and cash flow; and
- diversity among companies, industries and countries to help reduce the risks of foreign investing, such as currency fluctuations and stock market volatility.

The portfolio manager also considers the effect of worldwide trends on the growth of particular business sectors and looks for companies that may benefit from those trends. The trends currently considered include: mass affluence, new technologies, restructuring and aging. The portfolio manager does not invest any fixed amount of the Fund's assets according to these criteria and the trends that are considered may change over time. The portfolio manager monitors individual issuers for changes in the factors above, which may trigger a decision to sell a security, but does not require a decision to do so.

Principal Risks

The fund is primarily subject to the risks of investing in stock, foreign investing, developing and emerging markets, time zone arbitrage and growth investing.

Oppenheimer Developing Markets Fund

Investment Objective

The Fund aggressively seeks capital appreciation.

Investment Process

The Fund mainly invests in common stocks of issuers in emerging and developing markets throughout the world and at times it may invest up to 100% of its total assets in foreign securities.

- Under normal market conditions, the Fund will invest at least 80% of its net assets, plus borrowings for investment purposes, in equity securities of issuers whose principal activities are in at least three developing markets.
- The Fund primarily seeks companies with high growth potential.

In general, developing markets are countries outside the United States, most of Western Europe, Canada, Japan, Australia and New Zealand that have economies, industries and stock markets that the portfolio manager believes are growing and gaining more stability. In selecting investments for the Fund, the portfolio manager evaluates investment opportunities on a company-by-company basis. This approach includes fundamental analysis of a company's financial statements, management record and structure, operations, product development, and competitive position in its industry. The portfolio manager also looks for newer or established businesses that are entering into a growth cycle, accelerating earnings growth and cash flow, and reasonable stock prices. The portfolio manager considers the effect of worldwide trends on the growth of particular business sectors and looks for companies that may benefit from those trends and seeks a diverse mix of industries and countries to help reduce the risks of foreign investing, such as currency fluctuations and stock market volatility. The portfolio manager does not focus on geographic criteria and may invest in growth companies of different capitalization ranges in any developing market country. The portfolio manager monitors individual issuers for changes in the factors above, which may trigger a decision to sell a security.

Principal Risks

The fund is primarily subject to the risks of investing in stock, foreign investing, developing and emerging markets, regional focus, globalization, small- and mid-sized companies and growth investing.

Oppenheimer Global Strategic Income Fund

Investment Objective

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

Investment Process

The Fund invests mainly in debt securities of issuers in three market sectors: Foreign governments and companies, U.S. Government securities, and lower-grade, high-yield securities of U.S. and foreign companies (commonly referred to as "junk bonds"). A debt security is a security representing money borrowed by the issuer that must be repaid. The terms of a debt security specify the amount of principal, the interest rate or discount, and the time or times at which payments are due. Under normal market conditions, the Fund invests in each of the three market sectors. However, it is not required to invest in all three sectors at all times, and the amount of its assets in each of the three sectors will vary. The Fund can invest up to 100% of its assets in any one sector at any time. The Fund's foreign investments may include debt securities of issuers in both developed and emerging markets. The Fund has no limitations regarding the range of maturities of the debt securities it can buy or the market capitalization of the issuers of those securities.

The Fund's investments typically include foreign and U.S. Government bonds and notes, collateralized mortgage obligations, other mortgage-related securities, corporate debt obligations, including lower-grade, high-yield domestic and foreign corporate

debt obligations, "structured" notes, participation interests in loans, investments in loan pools, asset-backed securities and "zero coupon" and "stripped" securities.

The Fund can invest in investment grade or lower-grade, high-yield debt securities. "Investment grade" debt securities are rated in one of the top four categories by nationally recognized statistical rating organizations such as Moody's or Standard & Poor's. The Fund may also invest in unrated securities, in which case the portfolio managers may internally assign ratings to certain of those securities, after assessing their credit quality, in categories similar to those of nationally recognized statistical rating organizations. Although the Fund normally invests a substantial portion of its assets in lower-grade, high-yield debt securities, it can buy investment-grade debt securities without limit.

The Fund may also use derivatives for investment purposes or hedging, including options, futures, forward contracts, swaps and "structured" notes.

The portfolio managers analyze the overall investment opportunities and risks among the three market sectors in which the Fund invests and seek to moderate the special risks of investing in lower-grade, high-yield debt instruments and foreign securities by building a broadly diversified portfolio. The Fund's diversification strategies are intended to help reduce share price volatility while seeking current income. The portfolio managers currently focus on securities offering high current income, securities whose market prices tend to move in different directions (to seek overall portfolio diversification), and relative values among the three market sectors in which the Fund invests. These factors may vary in particular cases and may change over time. The Fund may sell securities that the portfolio managers believe are no longer favorable with regard to these factors.

Principal Risks

The Fund is primarily subject to debt securities risk, lower-grade securities risk, fixed income market risk, sector allocation risk, foreign investing risk, foreign currency risk, developing and emerging markets risk and derivative investments risk.

Oppenheimer Institutional Money Market Fund

Investment Objective

The Fund's investment objective is to seek current income and stability of principal.

Investment Process

The Fund is a money market fund that invests in a variety of money market instruments to seek current income. Money market instruments are short-term, high-quality, dollar-denominated debt instruments issued by the U.S. government, domestic and foreign corporations and financial institutions, and other entities. Money market instruments include bank obligations, repurchase agreements, commercial paper, other corporate debt obligations and government debt obligations.

To be considered "high-quality," a debt instrument must be rated in one of the two highest credit-quality categories for short-term

securities by a nationally-recognized statistical rating service or, if a security is unrated, it must be determined by the Fund's investment manager under the supervision of the Fund's Board, to be of comparable quality to rated securities in one of those two categories.

Principal Risks

All investments carry risks to some degree. The Fund's investments are subject to changes in their value from a number of factors. However, the Fund's investments must meet strict standards set by its Board of Trustees and special rules for money market funds under Federal law. Those rules include requirements for maintaining high credit quality in the Fund's portfolio, a short average portfolio maturity to reduce the effects of changes in prevailing interest rates and diversification of the Fund's investments among issuers to reduce the effect on the Fund's portfolio of a default by any one issuer on the Fund's portfolio.

Even so, there are risks that an issuer of an obligation that the Fund holds might have its credit rating downgraded or might default on its obligations, or that interest rates might rise sharply, causing the value of the Fund's investments (and its shares prices) to fall. If there is a high demand for the redemption of Fund shares that was not anticipated, the Fund might need to sell portfolio securities prior to their maturity, possibly at a loss. As a result, there is a risk that the Fund's shares could fall below \$1.00 per share. There is also a risk that the value of your investment could be eroded over time by the effects of inflation or that poor security selection by the Manager will cause the Fund to underperform other funds having similar objectives.

An investment in the Fund is neither insured nor guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the Fund seeks to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in the Fund.

The Fund is primarily subject to interest rate risk, credit risk, and fixed income market risk.

Principal Investment Risks of the Underlying Investments

Management Risk

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

Market Risk

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

Leverage Risk

Leverage risk is created when an investment, which includes, for example, an investment in a derivative contract, exposes an

Underlying Investment to a level of risk that exceeds the amount invested. Changes in the value of such an investment magnify an Underlying Investment's risk of loss and potential for gain.

Investments can have these same results if their returns are based on a multiple of a specified index, security, or other benchmark.

Liquidity Risk

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

Investing in Stock Risk

The value of the Fund's portfolio may be affected by changes in the stock markets. Stock markets may experience significant volatility and may fall sharply at times. Adverse events in any part of the equity or fixed-income markets may have unexpected negative effects on other market segments. Different stock markets may behave differently from each other and U.S. stock markets may move in the opposite direction from one or more foreign stock markets.

The prices of individual stocks generally do not all move in the same direction at the same time and a variety of factors can affect the price of a particular company's stock. These factors may include, but are not limited to: poor earnings reports, a loss of customers, litigation against the company, general unfavorable performance of the company's sector or industry, or changes in government regulations affecting the company or its industry.

Income Risk

The risk that the income from the bonds an Underlying Investment holds will decline in value due to falling interest rates.

Growth Investing Risk

If a growth company's earnings or stock price fails to increase as anticipated, or if its business plans do not produce the expected results, its securities may decline sharply. Growth companies may be newer or smaller companies that may experience greater stock price fluctuations and risks of loss than larger, more established companies. Newer growth companies tend to retain a large part of their earnings for research, development or investments in capital assets. Therefore, they may not pay any dividends for some time.

Growth investing has gone in and out of favor during past market cycles and is likely to continue to do so. During periods when growth investing is out of favor or when markets are unstable, it may be more difficult to sell growth company securities at an acceptable price. Growth stocks may also be more volatile than other securities because of investor speculation.

Value Investing Risk

Value investing entails the risk that if the market does not recognize that the securities selected by the Fund are undervalued, the prices of those securities might not appreciate as anticipated. The portfolio managers' value approach could also result in acquiring fewer investments in securities that increase in price rapidly during times of market advances. This could cause the Fund to underperform other funds that seek capital appreciation but that employ only a growth or non-value approach to investing. Value investing has also gone in and out of favor during past market cycles and is likely to continue to do so. During periods when value investing is out of favor or when markets are unstable, the securities of "value" companies may underperform the securities of "growth" companies.

Small- and Mid-Sized Companies Risk

Small- and mid-sized companies may be either established or newer companies, including companies that have been in operations for less than three years. While smaller companies might offer greater opportunities for gain, they also involve greater risk of loss. They may be more sensitive to changes in a company's earnings expectations and may experience more abrupt and erratic price movements. Smaller companies' securities often trade in lower volumes and it might be harder for the fund to dispose of its holdings at an acceptable price when it wants to sell them. Small- and mid-sized companies may not have established markets for their products or services and may have fewer customers and product lines. They may have more limited access to financial resources and may not have the financial strength to sustain them through business downturns or adverse market conditions. Since small- and mid-sized companies typically reinvest a high proportion of their earnings in their business, they may not pay dividends for some time, particularly if they are newer companies. Smaller companies may be unseasoned management or less depth in management skill than larger, more established companies. They may be more reliant on the efforts of particular members of their management team and management changes may pose a greater risk to success of the business. It may take a substantial period of time to realize a gain on an investment in a small- or mid-sized company, if any gain is realized at all.

Small Unseasoned Companies Risk

The Fund can invest in the securities of small unseasoned companies. These are companies that have been in operation for less than three years, including the operations of any predecessors. In addition to the other risks of smaller issuers, these securities may have a very limited trading market, making it harder for the Fund to sell them at an acceptable price. The price of these securities may be very volatile, especially in the short term.

Foreign Investing Risk

Foreign securities are subject to special risks. Foreign issuers are usually not subject to the same accounting and disclosure requirements that U.S. companies are subject to, which may make it difficult for the Fund to evaluate a foreign company's operations or financial condition. A change in the value of a foreign currency against the U.S. dollar will result in a change in the U.S. dollar value of securities denominated in that foreign currency and in the value of any income or distributions the Fund may receive on those securities. The value of foreign investments may be affected by exchange control regulations, foreign taxes, higher transaction and other costs, delays in settlement of transactions, changes in economic or monetary policy in the U.S. or abroad, expropriation or nationalization of a company's assets, or other political and economic factors. These risks may be greater for investments in developing or emerging market countries.

Developing and Emerging Markets Risk

Developing or emerging market countries generally have less developed securities markets or exchanges. Securities of companies in developing or emerging market countries may be more difficult to sell at an acceptable price and their prices may be more volatile than securities of companies in countries with more mature markets. Settlements of trades may be subject to greater delays so that the proceeds of a sale of a security may not be received on a timely basis. The economies of developing or emerging market countries may be more dependent on relatively few industries that may be highly vulnerable to local and global changes. Developing or emerging market countries may have less developed legal and accounting systems, and investments in those countries may be subject to greater risks of government restrictions, including confiscatory taxation, expropriation or nationalization of company assets, restrictions on foreign ownership of local companies and restrictions on withdrawing assets from the country. Their governments may also be more unstable than the governments of more developed countries. The value of the currency of a developing or emerging market country may fluctuate more than the currencies of countries with more mature markets. Investments in companies in developing or emerging market countries may be considered speculative.

Regional Focus

At times, the Fund might increase the relative emphasis of its investments in a particular region of the world. Stocks of issuers in a region might be affected by changes in economic conditions or by changes in government regulations, availability of basic resources or supplies, or other events that affect that region more than others. If the Fund has a greater emphasis on investments in a particular region, it may be subject to greater risks from adverse events that occur in that region than a fund that invests in a different region or that is more geographically diversified. Political, social or economic disruptions in the region may adversely affect the values of the Fund's holdings.

Globalization Risks

The growing inter-relationship of global economies and financial markets has increased the effect of conditions in one country or region on issuers of securities in a different country or region. In particular, the adoption or prolongation of protectionist trade policies by one or more countries, changes in economic or monetary policy in the United States or abroad, or a slowdown in the U.S. economy, could lead to a decrease in demand for products and reduced flows of capital and income to companies in other countries. Those events might particularly affect companies in emerging and developing market countries.

Foreign Currency Risk

Fluctuations in foreign currency values will result in fluctuations in the U.S. dollar value of securities denominated in that foreign currency. If the U.S. dollar rises in value against a foreign currency, a security denominated in that currency will be worth less in U.S. dollars and if the U.S. dollar decreases in value against a foreign currency, a security denominated in that currency will be worth more in U.S. dollars. The dollar value of foreign investments may also be affected by exchange controls.

Foreign Currency and Exchange Rate Risk

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

Time-Zone Arbitrage Risk

The Fund may invest in securities of foreign issuers that are traded in U.S. or foreign markets. If the Fund invests a significant amount of its assets in foreign markets, it may be exposed to "time-zone arbitrage" attempts by investors seeking to take advantage of differences in the values of foreign securities that might result from events that occur after the close of the foreign securities market on which a security is traded and before the Fund's net asset value is calculated. If such time-zone arbitrage were successful, it might dilute the interests of other shareholders. The Fund's use of "fair value pricing" to adjust certain market prices of foreign securities may help deter those activities.

Debt Securities Risk

Debt securities may be subject to credit risk, interest rate risk, prepayment risk and extension risk. Credit risk is the risk that the issuer of a security might not make interest and principal payments on the security as they become due. If an issuer fails to pay interest or repay principal, the Fund's income or share value might be reduced. Adverse news about an issuer or a downgrade in an issuer's credit rating, for any reason, can also reduce the market value of the issuer's securities. Interest rate risk is the risk that when prevailing interest rates fall, the values of already-issued debt securities generally rise; and when prevailing interest rates rise, the values of already-issued debt securities generally fall, and they may be worth less than the amount the Fund paid for them. When interest rates change, the values of longer-term debt securities usually change more than the values of shorter-term debt securities. When interest rates fall, debt securities may be repaid more quickly than expected and the Fund may be required to reinvest the proceeds at a lower interest rate. This is referred to as "prepayment risk." When interest rates rise, debt securities may be repaid more slowly than expected and the value of the Fund's holdings may fall sharply. This is referred to as "extension risk." Interest rate changes normally have different effects on variable or floating rate securities than they do on securities with fixed interest rates.

Lower-Grade Securities Risk

Lower-grade debt securities, whether rated or unrated, have greater risks than investment-grade securities. They may be subject to greater price fluctuations and have a greater risk that the issuer might not be able to pay interest and principal when due. The market for lower-grade securities may be less liquid and therefore they may be harder to value or to sell at an acceptable price, especially during times of market volatility or decline.

Interest Rate Risk

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

Credit Risk

The risk that the issuer of a debt security might not make interest and principal payments on the security as they become due. If the

issuer fails to pay interest, the income of an Underlying Investment investing in such debt security might be reduced, and if the issuer fails to repay principal, the value of that security and of the Underlying Investment's shares might be reduced. Debt securities and preferred stocks issued by domestic and foreign corporations are subject to risks of default. A downgrade in an issuer's credit rating or other adverse news about an issuer can reduce the market value of that issuer's securities.

Fixed Income Market Risk

Developments relating to subprime mortgages have adversely affected fixed-income securities markets in the United States, Europe and elsewhere. The values of many types of debt securities have been reduced, including debt securities that are not related to mortgage loans. In addition, broker-dealers and other market participants have been less willing to make a market in some types of debt instruments, which has impacted the liquidity of those instruments. These developments also have had a negative effect on the broader economy. There is a risk that a lack of liquidity or other adverse credit market conditions may hamper the Fund's ability to sell the debt securities in which it invests or to find and purchase suitable debt instruments.

High Yield, High Risk Securities Risk

Bonds that are in low or below investment-grade categories, or are unrated at the time of purchase (sometimes referred to as "junk bonds" or high yield securities) have a greater risk of default and are more volatile than higher-rated securities of similar maturity. The value of these securities is affected by overall economic conditions, interest rates, and the creditworthiness of the individual issuers. Additionally, these lower-rated or unrated bonds may be less liquid and more difficult to value than higher-rated securities.

Mortgage-backed Securities Risk

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

were anticipated. A prepayment rate that is slower than expected will have the opposite effect of increasing yield to maturity and market value. Conversely, if a fund purchased mortgage-backed securities at a discount, faster than expected prepayments will increase yield to maturity and market values, while slower than expected prepayments will reduce yield to maturity and market values.

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

Derivative Investments Risk

Derivatives may be volatile and may involve significant risks. The underlying security or other instrument on which a derivative is based, or the derivative itself, may not perform the way the Fund expects it to. Some derivatives have the potential for unlimited loss, regardless of the size of the Fund's initial investment. The Fund may also lose money on a derivative investment if the issuer fails to pay the amount due. Certain derivative investments held by the Fund may be illiquid, making it difficult to close out an unfavorable position. Derivative transactions may require the payment of premiums and can increase portfolio turnover. As a result of these risks, the Fund could realize little or no income or lose money from its investment, or the use of a derivative for hedging might be unsuccessful.

Sector Allocation Risk

In allocating investments among its three principal market sectors, the Fund seeks to take advantage of the potential lack of performance correlation between those sectors. There is the risk that the Manager's evaluations regarding the sectors' relative performance may be incorrect and those sectors may all perform in a similar manner under certain market conditions.

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