Please file this Supplement to the Vermont Higher Education Investment Plan Disclosure Booklet and Participation Agreement with your records.

SUPPLEMENT DATED OCTOBER 2018 TO UPDATE THE VERMONT HIGHER EDUCATION INVESTMENT PLAN DISCLOSURE BOOKLET AND PARTICIPATION AGREEMENT DATED SEPTEMBER 2015

***This supplement describes important changes to the Vermont Higher Education Investment Plan Disclosure Booklet and Participation Agreement (the "Disclosure Booklet"). Capitalized Terms used in this Supplement but not defined herein have the meaning assigned to them in the Disclosure Booklet. For Plan updates in between Supplements please see the Plan website at** www.vheip.org.*

A. Changes Related to the Recent Federal Tax Law Revisions Generally

The Disclosure Booklet is supplemented by inserting the following as the first paragraph of page 4:

"Important Federal and State Tax Law Revisions.

Withdrawals for K-12 Schools – Federal Tax Law. As a result of federal tax law changes signed into law on December 22, 2017, Qualified Higher Education Expenses are treated as including up to $10,000 per year per beneficiary of tuition expenses for K-12 Schools. K-12 Schools are elementary or secondary public, private, or religious schools as determined under State law (K-12 Schools). Effective January 1, 2018, this expansion of Qualified Higher Education Expenses permits Account Owners to withdraw up to $10,000 from a Section 529 college savings account for tuition expenses for K-12 Schools free of federal taxes. This limitation applies on a per-student basis, rather than a per-account basis. Although an individual may be the designated beneficiary of multiple accounts, that individual may receive a maximum of $10,000 in distributions free of federal tax, regardless of whether the funds are distributed from multiple accounts.

Withdrawals for K-12 Schools – Potential State Tax Credit Recapture. The Vermont 529 plan statute is written differently, however, and may impose negative Vermont income tax consequences on withdrawals for K-12 tuition. See the definition of 'Vermont State Tax Credit Recapture' added by this Supplement to the section entitled Important Defined Terms on page 10 for more information.

Before using the Plan to save for tuition expenses at K-12 Schools, or making withdrawals from the Plan for tuition expenses at K-12 Schools, Account Owners should consider that: the Investment Options within the Plan were designed for college savers (e.g., persons saving for undergraduate and graduate school) and not for saving for tuition expenses at K-12 Schools, and therefore Account Owners should take into account (i) their investment horizon before making contributions to the Plan, (ii) that the withdrawal may be subject to Vermont State Tax Credit Recapture, and (iii) the information presented is based on a good faith interpretation of the statutory language.

The recent tax law changes also permit tax-free transfers from a Section 529 account to an account in an ABLE program established under IRC Section 529A (a 'Qualified ABLE Program') provided certain conditions are met. As of the date of this Disclosure Booklet, the IRS has not issued regulations on the recent tax law changes. If, and when, material updates become available we will update the Plan's website and this Disclosure Booklet. Please consult with your tax advisor for more information."

B. Changes Related to the Expansion of Qualified Higher Education Expenses to Include Tuition Expenses for K-12 Schools

1. The Disclosure Booklet is amended by deleting the description of Withdrawals in the Key Features of the Plan table on page 6 in its entirety and replacing it with the following:

   "• Qualified Withdrawals must be used to pay for Qualified Higher Education Expenses such as tuition, certain room and board expenses, fees, and the costs of books, supplies and equipment required for the enrollment or attendance of the Beneficiary at an Eligible Educational Institution.

- Non-Qualified Withdrawals are withdrawals used for any other expenses. Non-Qualified Withdrawals will be subject to income tax on earnings, and an additional 10% federal tax unless an exception applies.

- Withdrawals used for costs related to K-12 Schools may be subject to Vermont State Tax Credit Recapture. See the definition of 'Vermont State Tax Credit Recapture' added by this Supplement to the Important Defined Terms table on page 10 for more information.

- A tax-free Rollover to another qualified tuition program for the same Beneficiary or a tax-free Rollover to another Account or another qualified tuition program or a Qualified ABLE Program for a person who is a Member of the Family of the Beneficiary may occur under certain circumstances.

For your protection, withdrawals made after certain changes to your Account may be held for fifteen (15) days (e.g., change in mailing address)."

2. The Disclosure Booklet is amended by deleting the description of Vermont Income Tax Benefits in the Key Features of the Plan table on page 7 in its entirety and replacing it with the following:

   "• Earnings grow tax-deferred from state income tax.

   - Qualified Withdrawals (except for Withdrawals for K-12 Schools) and Rollovers are not subject to Vermont income tax.

   - A Vermont income tax credit is available for 10% of the first $2,500 ($5,000 if filing jointly) contributed to an Account annually, for contributions on and after January 1, 2007. A repayment of this credit may be required if a Non-Qualified Withdrawal or a withdrawal for a K-12 School is made.

   - State tax benefits are available only to Vermont income tax payers. If you or your Beneficiary reside in, or have taxable income in, a state other than Vermont, see 'Taxes Imposed by Other Jurisdictions.'"

3. The Disclosure Booklet is amended by deleting the definition of Qualified Higher Education Expenses in the Important Defined Terms table on page 10 in its entirety and replacing it with the following:

   "Generally, (i) tuition, certain room and board expenses, fees, computers, laptops, books, supplies and equipment required for the enrollment or attendance of a Beneficiary at an Eligible Educational Institution, and (ii) up to $10,000 per year per beneficiary of tuition expenses for K-12 Schools. Please note: withdrawals used for costs related to K-12 Schools may be subject to Vermont State Tax Credit Recapture. See the definition of 'Vermont State Tax Credit Recapture' added by this Supplement to the Frequently Used Terms table on page 10 for more information."

4. The Disclosure Booklet is amended by deleting the definition of Qualified Withdrawals in the Frequently Used Terms table on page 10 in its entirety and replacing it with the following:

   "Any withdrawal from an Account used to pay for the Qualified Higher Education Expenses of the Beneficiary. Please note that withdrawals used for costs related to K-12 Schools may be subject to Vermont State Tax Credit Recapture. See the definition of 'Vermont State Tax Credit Recapture' added by this Supplement to the Frequently Used Terms table on page 10 for more information."

5. The Disclosure Booklet is amended by adding a definition of Vermont State Tax Credit Recapture in the Frequently Used Terms table on page 10 as follows:

   "Where a distribution is a Non-Qualified Withdrawal, a taxpayer who previously received a tax credit for a contribution to an Account must repay ten percent (10%) of the distribution, up to a maximum of the total credits received by the taxpayer, less the amount of any repayment of the credits in prior tax years. In addition, withdrawals used for costs related to K-12 Schools may be subject to Vermont State Tax Credit Recapture."

6. The Disclosure Booklet is amended by adding a definition of Withdrawals for K-12 Schools in the Frequently Used Terms table on page 10 as follows:

   "Please note that withdrawals used for costs related to K-12 Schools may be subject to Vermont State Tax Credit Recapture. See the definition of 'Vermont State Tax Credit Recapture' added by this Supplement to the Frequently Used Terms table on page 10 for more information."

7. The Disclosure Booklet is amended by deleting the second bullet in the section entitled "Federal Income Tax Information" on page 29 in its entirety and replacing it with the following:

   "If the investment earnings are distributed as part of a Qualified Withdrawal, they are free from federal income tax."

8. The Disclosure Booklet is amended by deleting the paragraph under the subheading "No Guarantee of Attendance or Expense" on page 24 in its entirety and replacing it with the following:

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

9. The Disclosure Booklet is amended by adding the following after the section entitled "Qualified Higher Education Expenses" on page 29:

   "As a result of federal tax law changes signed into law on December 22, 2017, Qualified Higher Education Expenses are treated as including up to $10,000 per year per beneficiary of tuition expenses for K-12 Schools. K-12 Schools are elementary or secondary public, private, or religious schools as determined under State law. Effective January 1, 2018, this expansion of Qualified Higher Education Expenses permits Account Owners to withdraw up to $10,000 from a Section 529 college savings account for tuition expenses for K-12 Schools free of federal taxes. This limitation applies on a per-student basis, rather than a per-account basis. Although an individual may be the designated beneficiary of multiple accounts, that individual may receive a maximum of $10,000 in distributions free of federal tax, regardless of whether the funds are distributed from multiple accounts.

   Before using the Plan to save for tuition expenses at K-12 Schools, or making withdrawals from the Plan for tuition expenses at K-12 Schools, Account Owners should consider that: the Investment Options within the Plan were designed for college savers (e.g., persons saving for undergraduate and graduate school) not saving for tuition expenses at K-12 Schools, and therefore Account Owners should take into account (i) their investment horizon before making contributions to the Plan, (ii) that the withdrawal may be subject to Vermont State Tax Credit Recapture, and (iii) the information presented is based on a good faith interpretation of the statutory language."

C. Changes Related to the New 529 to ABLE Rollover Federal Tax Law Provisions

The Disclosure Booklet is amended by deleting the text under the sections entitled "Rollovers Out of the Plan" on page 15 and page 26, respectively, in their entirety and replacing both with the following:

"• a direct transfer from your Account for a Beneficiary to an account in another qualified tuition program, or before January 1, 2026, to a Qualified ABLE Program, for (i) the same Beneficiary (provided that you have not made a similar transfer to any qualified tuition program for the benefit of that Beneficiary within the previous twelve (12) months) or (ii) a person who is a Member of the Family of that Beneficiary, or

• a withdrawal of funds from your Account for a Beneficiary, followed within sixty (60) days of that withdrawal by a contribution of those funds to an account in another qualified tuition program; or before January 1, 2026, to a Qualified ABLE Program, for (i) the same Beneficiary (provided that you have not made a similar transfer to any qualified tuition program for the benefit of that Beneficiary within the previous twelve (12) months) or (ii) a person who is a Member of the Family of that Beneficiary.

To the extent that a Rollover from the Plan would exceed the annual contribution limit for the receiving Qualified ABLE Plan, it would be subject to income tax and potentially a 10% additional tax, if applicable. Therefore, before initiating a Rollover to a Qualified ABLE Plan, Account owners are strongly encouraged to contact the Qualified ABLE Plan to make sure the Rollover contribution will not violate the annual contribution limit.

Rollovers made from a Section 529 Plan to a Qualified ABLE Program after December 31, 2025, shall be subject to federal tax unless the provision is extended by an Act of the U.S. Congress signed by the President of the United States.

Otherwise, no portion of a Rollover from an Account is subject to federal taxation (including the Additional 10% Tax on Earnings)."

D. Changes Related to the Increase in the Gift Tax Exclusion

1. The Disclosure Booklet is amended by deleting the reference to "$14,000" in the fourth bullet of the key feature "Federal Tax Benefits" on page 7 and replacing it with "$15,000."
2. The Disclosure Booklet is amended by deleting the two references to "$14,000" on page 30 and on page 31 under the subheading "ESTATE AND GIFT TAX" and replacing each reference with "$15,000." The Disclosure Booklet is amended by deleting the reference to "$28,000" on page 30, in the second paragraph, under the subheading "ESTATE AND GIFT TAX" and replacing it with "$30,000."
3. The Disclosure Booklet is amended by deleting the references to "$70,000" on page 30 and page 31 under the subheading "ESTATE AND GIFT TAX" and replacing each reference with "$75,000."
4. The Disclosure Booklet is amended by deleting the reference to "$140,000" on page 30 under the subheading "ESTATE AND GIFT TAX" and replacing it with "$150,000."

E. Clarifications Relating to Re-Contributions

The Disclosure Booklet is amended by deleting paragraph 2 of the Supplement dated October 2016 in its entirety to reflect clarifications made by the Treasury Department and the IRS:

"Refunds from schools can be recontributed.

As a result of changes in Section 529 of the Internal Revenue Code, the law has been amended to allow the amount of any refund of any Qualified Higher Education Expenses from an Eligible

Educational Institution, (if, for example, your beneficiary withdrew from school and a portion of the tuition paid with 529 funds was refunded), to be recontributed to the Account within sixty (60) days of the refund being made without being subject to taxes and the additional 10% federal tax. The Treasury Department and the IRS intend to issue regulations providing that the entire recontributed amount will be treated as principal. This revision is effective for taxable years beginning after December 31, 2014. Please consult with your tax advisor for more information on the application of these changes to your personal taxes."

F. Investment Performance for the period ended December 31, 2017.

The performance data displayed below represents past performance and is net of total annual asset-based fees. The performance does not reflect the deduction of the Annual Print/Mail Fee. Past performance is not a guarantee of future results.

Total returns and the principal value of investments in your Account will fluctuate based on the investment performance of the underlying Mutual Funds in which the Investment Options have been invested, so your investment may be worth more or less than its original value when you withdraw your money. Performance may be substantially affected over time by changes in the allocations and in the underlying Mutual Funds. Current performance may be lower or higher than the performance data cited. For current performance data, visit our website at www.vheip.org/investment-options-performance.

Portfolio Name	1 Year[1]	Since Inception[1]	Inception Date	Expense
VHEIP Age Band 0-3[2]	17.75%	11.62%	9/14/2015	0.39%
VHEIP Age Band 4-7 Years[2]	16.62%	10.97%	9/14/2015	0.39%
VHEIP Age Band 8-11 Years[2]	14.02%	9.36%	9/14/2015	0.39%
VHEIP Age Band 12-14 Years[2]	10.62%	7.36%	9/14/2015	0.39%
VHEIP Age Band 15-17 Years[2]	7.36%	5.18%	9/14/2015	0.39%
VHEIP Age Band 18+[2]	4.66%	3.33%	9/14/2015	0.39%
VHEIP Diversified Equity	21.37%	13.82%	9/14/2015	0.39%
VHEIP Equity Index	22.86%	14.51%	9/14/2015	0.39%
VHEIP Balanced	14.06%	9.55%	9/14/2015	0.39%
VHEIP Fixed Income	3.20%	2.78%	9/14/2015	0.39%
VHEIP Principal Plus Interest Option[3]	NA	0.30%	11/3/2017	0.00%

[1]Returns greater than 1 year are annualized. Performance is provided based on rolling periods.

[2]The Managed Allocation Option's performance reflects changes in asset allocations over time relating to the age of Beneficiaries whose assets are invested in the Managed Allocation Option. Assets invested are automatically transferred to the next Age Band when Beneficiaries reach specified ages up to the Age Band 18+ Years and may not remain invested in the referenced Age Band for a portion of the period reported in the performance chart. Performance prior to November 6, 2017 for the Managed Allocation Option reflects performance attributable to its investment in the Treasury Obligations Fund. Effective November 6, 2017, the assets attributable to the Managed Allocation Option's investment in the Treasury Obligations Fund were transferred to a Funding Agreement issued by TIAA-CREF Life Insurance Company.

[3]Effective October 1, 2018, accumulations under the Funding Agreement for the Principal Plus Interest Option as of September 30, 2018 as well as any contributions received and earnings on those contributions from October 1, 2018 until further notice, will be credited to the Vermont Higher Education Investment Plan with an effective annual interest rate of 1.95% and are guaranteed to earn this rate through September 30, 2019, subject to the claims paying ability of TIAA-CREF Life Insurance Company. Please visit the Plan's website at www.vheip.org for periodic updates of this effective annual interest rate.