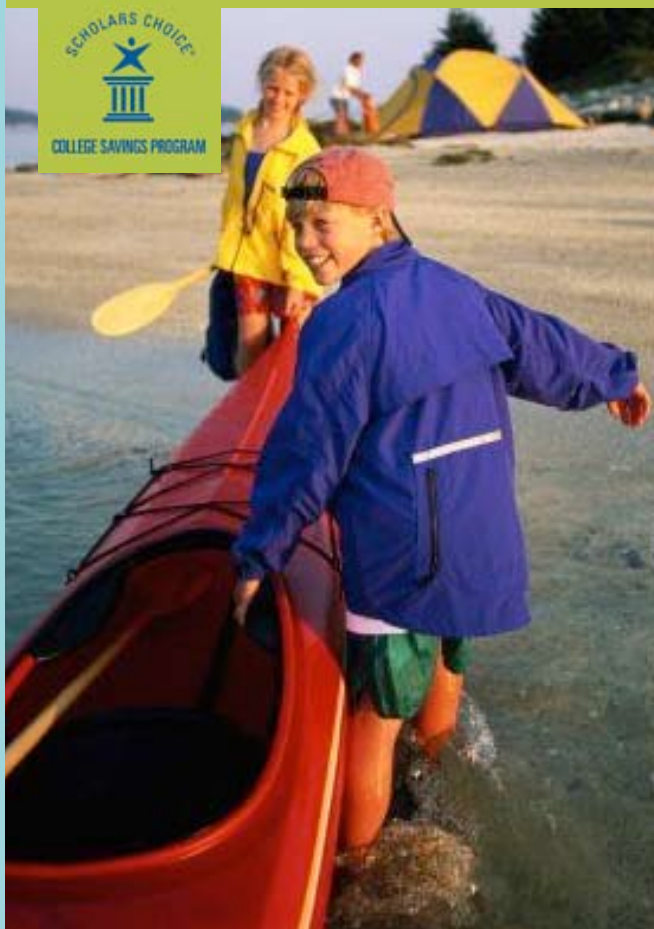


SCHOLARS CHOICE® US TREASURY ZERO COUPON BOND TARGET MATURITY PORTFOLIOS: MAY 2015, MAY 2020, MAY 2025

Smart options to help you save
for college



INVESTMENT PRODUCTS: NOT FDIC INSURED • NO BANK GUARANTEE • MAY LOSE VALUE

Scholars Choice is a 529 college savings plan offering attractive tax and estate planning benefits, high levels of flexibility, complete account control, and experienced, disciplined asset management.

And now Scholars Choice offers a series of portfolios whose underlying securities are backed by the full faith and credit of the US government and whose return is highly predictable if held to maturity.

For investors seeking to increase their portfolio's credit safety and reduce stock market exposure, the Scholars Choice US Treasury Zero Coupon Bond Target Maturity Portfolios may be the perfect complement to an existing plan — or a great way to get started with Scholars Choice.

An investor should consider the Program's investment objectives, risks, charges and expenses before investing. The program disclosure statement at www.scholars-choice.com, which contains more information, should be read carefully before investing. If an investor or an investor's beneficiary is not a Colorado taxpayer, they should consider before investing whether their home states offer 529 plans that provide state tax and other benefits only available to state taxpayers investing in such plans.

TAX SAVVY AND IN-LINE WITH YOUR RISK TOLERANCE



Saving and investing for higher education for loved ones, or for yourself, is probably one of your most important financial commitments. But are you saving and investing in a way that makes sense for your goals and tolerance for risk?

Perhaps you've been missing out on the tax benefits of the Scholars Choice 529 College Savings Program, thinking that a regular savings account with no tax advantages would be enough. Perhaps you've always been apprehensive about investing in the stock market. Or maybe you are already benefiting from the tax advantages offered through Scholars Choice, but the recent high levels of market volatility have you wondering if you should reduce your stock market exposure.

MAKE THE MOST OF YOUR COLLEGE SAVINGS OPTIONS



At Legg Mason, we believe that Scholars Choice offers tax advantages too attractive to ignore and that Scholars Choice is an excellent way to save for college. We also believe that market volatility should not derail a well-thought-out investment plan.

But if you find that your concerns about the market are greater than ever, or if your tolerance for risk is not quite as high as you once believed, you may want to consider a smart, new approach offered by Scholars Choice — US Treasury Zero Coupon Bond Target Maturity Portfolios.

These portfolios invest in US Treasury zero coupon bonds, with maturity dates of May 2015, May 2020, and May 2025. They are backed by the full faith and credit of the US government, thereby offering the highest credit rating possible. They may provide you with an attractive complement, or perhaps alternative, to Scholars Choice age-based, years-to-enrollment, and select portfolios as a way to save for college.

WHAT ARE ZERO COUPON BONDS?



Zero coupon bonds are purchased at a discount to their face, or par, value. At maturity, an investor receives full par value. These bonds do not make any periodic interest payments; the difference between the initial price paid and the value received at maturity represents the full return, or gain, on the bond. For example, a zero coupon bond with a 15-year maturity, with a \$1,000 par value and priced to yield 4.7%, would sell initially for \$500. The \$500 difference, less any fees and expenses, represents the bond's return at maturity.

If, however, the bond is sold prior to maturity, it is subject to market volatility and the market price of the bond may be less than the price paid at the time of purchase.

Unlike standard bonds, which pay interest periodically, zero coupon bonds have a predictable return if held to maturity. This is because periodic interest payments must be reinvested at prevailing interest rates, which can fluctuate widely. Zero coupon bonds eliminate this reinvestment risk.

SCHOLARS CHOICE US TREASURY ZERO COUPON BOND TARGET MATURITY PORTFOLIOS

BALANCING TAX ADVANTAGES WITH A MORE PREDICTABLE RETURN



You could purchase US Treasury zero coupon bonds outside of your Scholars Choice 529 plan to save for college. But doing so would mean forfeiting important tax breaks like federal income-tax-free gains while the account grows, and federal tax-free withdrawals for qualified higher education expenses.¹ Because of these important benefits, investing in Scholars Choice US Treasury Zero Coupon Bond Target Maturity Portfolios may produce higher net yields, that is, after fees are deducted, than net yields associated with direct investment in US zero coupon bonds outside of a 529 plan.

¹ The earnings portion of a non-qualified withdrawal is subject to federal income taxes, applicable state income tax, and an additional 10% federal tax.

These benefits may be especially important for college savers in higher tax brackets. For example, an investor in the 33% tax bracket (taxable income \$209,000 - \$373,000) purchasing the Zero Coupon Portfolio with the May 2025 target maturity date would enjoy a higher annual net yield (after deducting the annual fee of 1.09%) than if he or she were to purchase the same US Treasury zero coupon bonds that comprise the portfolio directly, outside of a 529 plan. And for investors in the 35% tax bracket, the difference in net yields would be somewhat greater.²

² Bond yields as of 6/30/09. Net yields of US Treasury Zero Coupon Portfolios may not always be greater than the yields of the same bonds purchased outside of a 529 plan. Differences in net yields may be higher or lower based on changing bond yields.

Investors who hold their units to maturity should have an investment experience comparable to direct investment in US Treasury zero coupon bonds, which have a predictable rate of return. However, a precise forecast of a portfolio's final maturity value, yield to maturity, as well as tax equivalent yield, is not possible due to the nature of a pooled investment vehicle, including factors such as the impact of investor purchases and redemptions, fees, and the fact that some assets may be held in cash to pay fees and handle routine redemptions.



The Price Impact of Interest Rate Increases

All fixed-income investments are subject to interest rate risk. As rates rise, the price of fixed-income securities falls. Further, the market value of zero coupon bonds is generally more volatile than the market value of bonds that pay interest periodically. Therefore, these portfolios are likely to respond to a greater degree to increases in interest rates than do portfolios composed of non-zero coupon bonds having similar maturities and yields.

For perspective, the greatest four-year rise in interest rates over the past forty years (1969-2009) was an 8.5% increase. If this increase were to occur again, a 15-year zero coupon bond that started with a 4% yield would fall 50.7% in price as a result. Stable and falling yields, however, cause bond prices to rise.

This chart shows the price impact of interest rate increases, in two percentage point increments, on a 15-year zero coupon bond over a four-year period. It starts with interest rates at 4% and shows what would happen if they rose to 12%. For example, if interest rates were to rise by four percentage points over the next three years, the bond's market price would decline by 28.5% over that time. However, investors who hold their bond to maturity would experience no loss and would enjoy a guaranteed rate of return over the life of the bond.

The Effect of Rising Interest Rates on 15-Year Zero Coupon Bond Prices

	YEARS			
	1	2	3	4
4.0%	4.0%	8.2%	12.5%	17.0%
6.0%	-20.3%	-15.6%	-10.5%	-5.1%
8.0%	-38.7%	-33.8%	-28.5%	-22.8%
10.0%	-52.6%	-47.8%	-42.6%	-36.9%
12.0%	-63.1%	-58.7%	-53.8%	-48.2%

So if an investor buys a 15-year zero coupon bond for \$500 with a par value of \$1000 and holds to maturity, he or she will receive that par value, enjoying a guaranteed interest rate of 4.7%, less any fees and expenses. **(THIS NUMBER NEEDS TO BE CHECKED.)**

For investors in the Scholars Choice US Treasury Zero Coupon Target Maturity Portfolios, this means that the market value of the investor's units will fluctuate over time, depending upon changes in prevailing market interest rates. If an investor redeems his or her units prior to maturity, those units may be worth more or less than the amount initially invested.



Benefit from Higher Gift Tax Exclusions

Now you can contribute up to \$13,000 (per individual) or \$26,000 (per couple) to each beneficiary without incurring federal gift tax. What's more, you may make a lump-sum contribution to a Scholars Choice 529 plan and use up to five years of your gift tax exclusion — meaning that an individual may contribute up to \$65,000 per beneficiary and a couple may contribute as much as \$130,000, without incurring any federal gift tax, provided that no additional contributions are made for the subsequent five-year period. And contributions up to \$280,000 per beneficiary may be deducted from the account owner's estate — making Scholars Choice an ideal estate planning vehicle.³

³ If the account owner dies before the end of the five-year period, a prorated portion of the contribution will be included in his or her taxable estate. If you contribute less than the \$65,000 maximum, additional contributions can be made without incurring federal gift taxes, up to a prorated level of \$13,000 per year. Federal gift taxation may result if a contribution exceeds the available annual gift tax exclusion amount remaining for a given beneficiary in the year of contribution. See page X for important tax information.

SCHOLARS CHOICE OFFERS A WIDE RANGE OF INVESTMENT OPTIONS DESIGNED FOR YOUR GOALS AND TOLERANCE FOR RISK

Scholars Choice offers the ability to access all the benefits of US Treasury zero coupon bonds directly through Scholars Choice. Each portfolio — whether maturing in 2015, 2020, or 2025 — is designed to provide an experience comparable to direct investment in a US Treasury zero coupon bond with the same term to maturity as the portfolio when held until maturity.

These portfolios offer all the tax benefits of a 529 as well as the convenience of investing through Scholars Choice, providing the ability to also invest in the popular automatic or selected allocations, which invest in a mix of stocks and bonds. While US Treasury zero coupon bonds are prized for their high level of credit safety, they are unlikely to keep up with the rising costs of higher education. For many investors, these portfolios will serve as an attractive addition to a broader college savings plan. Your financial advisor can help you determine what mix makes the most sense for your time horizon and tolerance for risk.

To find out more about the Scholars Choice US Treasury Zero Coupon Bond Target Maturity Portfolios and how they may help you begin a Scholars Choice investment strategy or complement one already in place, visit scholars-choice.com or contact your financial advisor.

Investments in the Scholars Choice College Savings Program are not insured by the FDIC or any other government agency and are not deposits or other obligations of any depository institution. Investments are not guaranteed by the State of Colorado, CollegenInvest, Legg Mason Global Asset Allocation, LLC, Legg Mason Investor Services, LLC, or Legg Mason, Inc. or its affiliates and are subject to investment risks, including loss of principal amount invested.

Legg Mason, Inc., its affiliates, and its employees are not in the business of providing tax or legal advice to taxpayers. These materials and any tax-related statements are not intended or written to be used, and cannot be used or relied upon, by any such taxpayer for the purpose of avoiding tax penalties. Tax-related statements, if any, may have been written in connection with the "promotion or marketing" of the transaction(s) or matter(s) addressed by these materials, to the extent allowed by applicable law. Any such taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

Scholars Choice is a registered service mark of CollegenInvest. CollegenInvest and the CollegenInvest logo are registered trademarks. Administered and issued by CollegenInvest. Legg Mason Global Asset Allocation, LLC, Investment Manager, Legg Mason Investor Services, LLC is the primary distributor of interest in the Program. Legg Mason Global Asset Allocation, LLC and Legg Mason Investor Services, LLC are Legg Mason Inc. affiliated companies.



Investment Manager
LEGG MASON
Global Asset Allocation, LLC

www.scholars-choice.com

©2009 Legg Mason Investor Services, LLC. Member FINRA, SIPC.

Legg Mason Investor Services, LLC is a subsidiary of Legg Mason, Inc.

SCHX011924 9/09 FN00000000

SBE0000000