

Virginia Education Savings Trust<sup>SM</sup>

# Program Description & Application



As of January 1, 2012



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# Virginia Education Savings Trust<sup>SM</sup>

## PROGRAM DESCRIPTION

As of January 1, 2012



This Program Description contains important information you should review before participating in the Virginia Education Savings Trust (VEST<sup>SM</sup>). Please read it carefully and keep it for future reference. No one is authorized to provide information that is different from the information contained in this Program Description. If you speak with an interpreter provided by the Virginia College Savings Plan (VCSP<sup>SM</sup>), please be advised that VCSP is not responsible for any miscommunication of facts concerning VEST during such conversations. The information in this Program Description is believed to be accurate as of the date of issuance and is subject to change without notice. VEST Accounts are not deposits or obligations of, or insured or guaranteed by, the VCSP, the Commonwealth of Virginia or any agency or instrumentality thereof, the United States government, any financial institution, the Federal Deposit Insurance Corporation (FDIC) or any other federal or state governmental agency, entity or person. Neither the Board of the VCSP nor the Commonwealth of Virginia has a legal or moral obligation to insure the payout of any amount of any Contribution or earnings to an Account, or guarantees that there will be any investment return, or investment return at any particular level, with respect to any Account.

VEST Accounts involve investment risk, including the possible loss of principal. The value of your Account may vary depending on market conditions and the performance of the investment option you select, and it may be more or less than the amount you deposited. You could lose money – including the principal you invest – or not make money if you invest in VEST. Past performance of investments is not an indicator of future returns.

**The VCSP cannot provide legal, financial or tax advice concerning individual investment decisions.**

VEST has been designed and is administered to comply with all requirements for treatment as a Qualified Tuition Program

(QTP) under Section 529 of the Internal Revenue Code of 1986, as amended. As of the date of this printing, the Internal Revenue Service has not issued final regulations concerning the application of Section 529 to QTPs. Final regulations, changes to the Internal Revenue Code, changes to the Code of Virginia or state or federal court decisions could affect the tax consequences of participation in a QTP like VEST. Such changes could be retroactive. The Board may modify VEST as necessary in the future to comply with any such changes in order to preserve, if possible, favorable tax treatment.

VEST Accounts have not been registered with the U.S. Securities and Exchange Commission (SEC) or with any state securities commission, based in part on assurances received from staff of the SEC in a No Action Letter to the effect that it would not recommend enforcement action if the Accounts are not registered based on the representations in the letter. The Virginia State Corporation Commission has issued an order stating that VEST Accounts and Portfolios are exempt from Virginia state registration.

In addition to VEST, VCSP administers the Virginia Prepaid Education Program<sup>SM</sup> (VPEP<sup>SM</sup>), a prepaid tuition plan, CollegeAmerica<sup>®</sup>, a college savings option offered exclusively through authorized brokers and financial advisers, and CollegeWealth<sup>®</sup>, a college savings option in partnership with participating banks to provide FDIC-insured deposit accounts. VPEP, CollegeAmerica and CollegeWealth are not described in this Program Description. For more information about VPEP or CollegeWealth, please call toll free at 1-888-567-0540, or visit VCSP's website at Virginia529.com. For information on CollegeAmerica, please contact your financial adviser or the American Funds<sup>®</sup> at 1-800-421-0180, ext. 529, or visit Americanfunds.com.

For residents of states other than Virginia: If your state or the Beneficiary's state of residence (if different) sponsors a 529

plan, that plan may offer state income tax or other benefits not available to you through VEST.

The Virginia individual income tax deduction for contributions to VEST is available only to Virginia taxpayers who are Account Owners. Please consult your financial or tax adviser for further information.

## Glossary of Terms

**“Account”** means the separate VEST account set up for each investment by a different Account Owner in a Portfolio. The same Account Owner may have multiple Accounts for the same Beneficiary in different Portfolios, and each investment by the same Account Owner will establish a separate Account as long as the Account Owner, the Beneficiary or the Portfolio is different. The same Account Owner may not establish multiple Accounts for the same Beneficiary in the same Portfolio.

**“Account Owner”**, defined as “Contributor” in Section 23-38.75 of the Code of Virginia (1950), as amended, means a person who is at least 18 years of age and is either a U.S. citizen or a legal U.S. resident, or a corporation, partnership, trust, charitable organization, or any other persons described in Section 7701(a)(1) of the Internal Revenue Code of 1986, as amended (26 U.S.C. Section 7701(a)(1)), and who is reflected on the VCSP’s records as the owner of record of the Account. There may only be one Account Owner per Account. Any person or entity may make Contributions to a VEST Account, but only the Account Owner may execute VEST Account transactions, including Rollovers, transfers, cancellations, distributions, or refund requests. All Contributions are deemed to come from the Account Owner for all state tax reporting and other administrative purposes. Individuals who are not Account Owners have not established a customer relationship with VEST and have no legal rights with regard to a VEST Account. Any requests to change the Account Owner must be signed by both the current Account Owner (or the current Account Owner’s personal representative if appropriate documentation has been submitted to and acknowledged by VCSP) and the substitute Account Owner.

**“Active Management”** means an approach to investment management which aims to outperform a particular market index or benchmark through asset allocation and/or security selection decisions.

**“Agreement”** means the Program Description, as amended from time to time, including the VEST Account Agreement, and the Application. Agreement also refers to a signed Account Owner Change Form, which incorporates the Program Description.

**“Application”** means the form (whether hard copy or online) completed by the Account Owner and submitted to open a VEST Account for a designated Beneficiary.

**“Asset Allocation”** means the way an investment Portfolio is divided among various asset classes, such as cash investments, bonds (also called fixed income), and stocks (also called equity). Also known as investment mix.

**“Asset Classes”** means the general categories of investments. The three major asset classes are cash investments, bonds, and stocks.

**“Balanced Fund”** means a mutual fund that seeks to provide some combination of growth, income, and conservation of capital by investing in a mix of stocks, bonds, and/or money market instruments.

**“Beneficiary”** means an individual who is named as the designated beneficiary on the Application or a Beneficiary Change form as provided for in this Program Description, and who is entitled to receive the benefits from a VEST Account. A Beneficiary must be either a U.S. citizen or a legal U.S. resident. A Beneficiary must have been born at the time the Beneficiary is named. An Account Owner may change the Beneficiary of an Account at any time.

**“Board”** means the Board of the Virginia College Savings Plan.

**“Business Day”** is any day on which VCSP is open for carrying on substantially all of its functions and excludes Saturdays, Sundays, and state holidays. Contributions may not be invested or Distributions may not be withdrawn on normal Business Days that the VCSP is open but the New York Stock Exchange (NYSE) is closed.

**“Contributions”** are funds contributed to an Account for the benefit of a Beneficiary and intended to pay for the Beneficiary’s Qualified Higher Education Expenses (QHEE) at an Eligible Educational Institution. Contributions must be in the form of cash, not property or securities.

**“Disabled”** means that a Beneficiary is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or to be of long-continued and indefinite duration. An individual shall not be considered to be disabled unless proof of the existence thereof in such form and manner as may be required by applicable regulations is furnished.

**“Eligible Educational Institution”** follows the definition of that term as found in Section 529 of the Internal Revenue Code of 1986, as amended. Generally, the term includes 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. Certain proprietary institutions and post-secondary vocational institutions are also Eligible Educational Institutions. The institution must be eligible to participate in a student financial aid program under Title

IV of the Higher Education Act of 1965 (20 U.S.C. Section 1088).

**“Emerging Markets Fund”** means a mutual fund that invests primarily in countries with developing economies (that is, those that are becoming industrialized). Emerging markets funds can be more volatile than domestic stock funds and those that invest in established foreign countries, because of currency fluctuation and political instability.

**“Equities”** In investing, means ownership in a company. Often used as a synonym for stock.

**“Expense Ratio”** means a mutual fund’s annual operating expenses expressed as a percentage of average net assets or a separate account’s weighted average asset based fee. The expense ratio includes management or separate account fees, administrative fees, and any marketing and distribution fees (also known as asset-based sales charges). It does not include loads or purchase or redemption fees, if any. The expense ratio is calculated annually, and directly reduces the fund’s returns to shareholders.

**“Fixed Income Securities”** means investments, such as bonds, that have specific interest rates.

**“Fund”** means the mutual funds or separately managed investment accounts in which assets of the Portfolios are invested.

**“Global Fund”** means a mutual fund that invests in stocks of companies both in the United States and in foreign countries.

**“Growth Fund”** means a mutual fund whose primary investment objective is growth of capital. It invests primarily in common stocks with growth potential.

**“High-Yield Fund”** means a mutual fund that invests primarily in bonds with a credit rating of BB or lower. Because of the speculative nature of high-yield bonds, high-yield funds are subject to greater share price volatility and greater credit risk than other types of bond funds.

**“Index Fund”** means a type of mutual fund that seeks to “track” the performance of a particular market index by buying and holding all or a representative sample of the securities that appear in the index, in the same proportions as their index weightings. Because these funds do not require active management and have low turnover of securities in the portfolio, they often have lower expenses than actively managed funds.

**“Inflation-Indexed Securities”** means bonds issued by the U.S. government, government agencies, or corporations whose principal or interest payments – unlike those of conventional bonds – are adjusted over time to reflect inflation.

**“International Stock Fund”** means a mutual fund that invests in stocks of companies outside of the United States. Foreign markets present additional risks, including currency fluctuation and political instability. In the past, these risks have made prices of foreign stocks more volatile than those of U.S. stocks.

**“Market Capitalization”** means a determination of a company’s value, calculated by multiplying the total number of company stock shares outstanding by the price per share. Also called capitalization.

**“Market Fixed Income”** means a wide spectrum of public investment-grade, taxable, fixed income securities in the United States including government, corporate, and international dollar-denominated bonds, as well as mortgage-backed and asset-backed securities, all with maturities of more than 1 year.

**“Member of the Family”** means the definition of that term in Section 529 of the Internal Revenue Code of 1986, as amended. Member of the Family means an individual who is related to the Beneficiary as follows: 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 Beneficiary or the spouse of any individual described above; or a first cousin of the Beneficiary. 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.

**“Money Market Fund”** means a mutual fund that seeks income, liquidity, and a stable share price by investing in very short-term investments. Money market funds are suitable for the cash reserves portion of a portfolio.

**“Mutual Fund”** means an investment company that pools the money of many shareholders and invests it in a variety of securities. Each investor owns a number of shares of the fund proportionate to his or her investment, and can buy or sell these shares at any time. The fund is professionally managed by an investment company in an effort to achieve a specific investment objective.

**“Net Asset Value”** (NAV) means the value of each Unit in a Portfolio calculated each Business Day the New York Stock Exchange is open. NAV is computed by dividing the total value of each Fund that makes up a Portfolio, plus any receivables and less any liabilities of the Portfolio, by the number of outstanding Units of the Portfolio. The NAV for a Portfolio applicable to calculations related to a VEST Account, including Contributions and both Qualified and Non-qualified Distributions, is the NAV calculated for that

Portfolio for the same Business Day the Contribution is actually invested on behalf of the Account Owner in the Portfolio selected or the amount to be distributed is actually withdrawn from the Portfolio.

**“Non-qualified Distribution”** means a distribution from a VEST Account made for any reason other than for: (1) the properly documented QHEE of the Beneficiary or (2) a qualified Rollover to another QTP, including VPEP. Scholarship distributions are limited to the amount of the scholarship. Non-qualified Distributions will be subject to federal income tax on the earnings and Virginia state income tax on the earnings for Virginia taxpayers, as well as a federal penalty tax of 10% of the earnings, reported on the taxpayer’s federal tax return. Non-qualified Distributions may require the recapture of some or all amounts, if any, that the Account Owner deducted from his or her Virginia taxable income due to Contributions to a VEST Account.

**“Passive Management”** means an approach to investment management which aims to replicate a particular market index or benchmark and does not attempt to actively manage the portfolio.

**“Pending Settlement Period”** means, for either Contributions or Qualified or Non-qualified Distributions, the period of time between when either a Contribution or a request for a distribution is received and the time the Contribution is actually invested on behalf of the Account Owner in the Portfolio selected, or the amount to be distributed is actually withdrawn from the Portfolio. Contributions must be received in time to allow for deposit in order to be credited for a particular Business Day. Contributions in good standing received and deposited by close of business each day will generally be invested in the selected Portfolio within three Business Days of deposit. Distribution requests in good standing received and processed by close of business each day will generally be withdrawn from the applicable Portfolio within three Business Days of receipt. The NAV used to determine the number of Units of a Portfolio purchased or liquidated will be the NAV calculated for the applicable Portfolio on the same Business Day the Contribution is invested in the Portfolio or the distribution amount is withdrawn from the Portfolio. Any interest earned on Contributions during the Pending Settlement Period prior to investment in a Portfolio shall accrue to the VCSP and be used solely to defray administrative and operating expenses. **The VCSP, at its sole discretion, may modify this settlement schedule without prior notice.**

**“Portfolio”** means one of the investment options available to a VEST Account Owner. New Age-Based Evolving Portfolios will be created periodically since the asset allocations of the Age-Based Evolving Portfolios move over time to more conservative asset allocations. The Board reserves the right to make changes to the asset allocations of any Portfolio or to change or add managers or mutual

funds at any time if it deems it appropriate to do so, and is not required to provide advance notice to Account Owners before making such changes. Notice of any material change in the asset allocations of the Portfolios or the investment managers or mutual funds described in this Program Description will be provided to Account Owners as soon as it is reasonably practical to do so. Such notification may be made via the VCSP’s website, Virginia529.com.

**“Qualified Distribution”** means a distribution made for the properly documented QHEE of the designated Beneficiary or a qualified Rollover to another QTP. The taxpayer is solely responsible for determining whether a distribution is a Qualified Distribution or Non-qualified Distribution.

**“Qualified Higher Education Expenses” (QHEE)** means the expenses allowed under Section 529 of the Internal Revenue Code of 1986, as amended. Generally, these include the following: (1) tuition, all mandatory fees, and the costs of textbooks, supplies, and equipment required for the enrollment or attendance of a Beneficiary at an Eligible Educational Institution; (2) expenses for special needs services in the case of a special needs Beneficiary which are incurred in connection with such enrollment or attendance; and (3) the costs of room and board of a Beneficiary during any academic period during which the Beneficiary is enrolled at least half-time in a degree, certificate, or other program that leads to a recognized educational credential awarded by an Eligible Educational Institution. The allowable amount of room and board expenses for students living on campus is the actual amount invoiced by the Eligible Educational Institution. For students who live off campus or at home, the allowable amount for room and board expenses is the applicable room and board amount for that period used by the Eligible Educational Institution in determining its cost of attendance. A student will be considered to be enrolled at least half-time if the student is enrolled for at least half the full-time academic workload for the course of study the student is pursuing as determined under the standards of the institution where the student is enrolled. The institution’s standard for a full-time workload must equal or exceed the standard established by the Department of Education under the Higher Education Act and set forth in 34 Code of Federal Regulations Section 674.2(b).

**“Real Estate Investment Trust”** means a publicly-traded company that invests in real estate and distributes almost all of its taxable income to shareholders. REITs often specialize in a particular kind of property. They can, for example, invest in real estate such as office buildings, shopping centers, or hotels; purchase real estate (an equity REIT); and provide loans to building developers (a mortgage REIT). REITs offer the opportunity for smaller investors to invest in real estate.

**“Rollover”** is a tax-free reinvestment of a distribution, from one QTP to another. Once funds are distributed there is a 60 day time frame in which funds must be deposited into the new QTP. IRS regulations allow only one Rollover during a 12 month period.

NOTE: Requests to move funds among VEST, CollegeAmerica, or CollegeWealth are not considered a Rollover. Please see the section “Changing Investment Options”.

**“Securities”** means stocks, bonds, money market instruments, and other investment vehicles.

**“Stable Value Fund”** means a fund designed to preserve capital while providing steady, positive returns. Stable value funds are invested in a high quality, diversified fixed income portfolio that are protected against interest rate volatility by wrap or investment contracts from banks and insurance companies that guarantee the payment of plan-related benefits at book value (cost plus accrued interest,) which enables the entire investment to be carried at its book value. Stable value funds offer intermediate term returns and liquidity (subject to plan rules) without market value risk or other penalty.

**“Total Return”** means a percentage change, over a specified period, in a mutual fund’s net asset value, with the ending net asset value adjusted to account for the reinvestment of all distributions of dividends and capital gains.

**“Underlying Funds”** means one or more mutual funds or separate accounts managed by a variety of investment managers.

**“Units”** represent an ownership interest in a Portfolio purchased with Contributions to a VEST Account.

*Glossary Footnotes:*

<sup>1</sup> Mercer Investment Consulting, Inc.

<sup>2</sup> The Vanguard Group, Inc. (1995-2010). Glossary. Retrieved October 25, 2010, from <https://personal.vanguard.com/us/glossary/>

## Virginia Education Savings Trust Summary of Key Features

**Program Administrator:** VCSP is the Administrator and sponsor of VEST. VCSP is governed by an 11-member Board, consisting of four members who sit on the Board by virtue of the state offices they hold, four citizen members appointed by the Governor of Virginia, two members appointed by the Virginia House of Delegates and one member appointed by the Senate of Virginia. In addition to VEST, VCSP administers the VPEP, a prepaid tuition plan, CollegeAmerica, a college savings plan option available only through financial advisers, and CollegeWealth, a

college savings plan option in partnership with participating banks to provide FDIC-insured deposit accounts.

**Investment Managers:** Upon consultation with its investment consulting firm and its Investment Advisory Committee, VCSP’s Board select the asset allocations and the team of firms that professionally manage the investments within VEST. Please see the “Investment Portfolios” section for detailed information on the investment managers.

**Investment Options:** Account Owners may choose between Age-Based Evolving Portfolios that include varying degrees of equity and fixed income investments based on the suggested ages of the Beneficiary and adjusts over time, and Non-Evolving Portfolios including a variety of strategies such as U.S. and non-U.S. equities and fixed-income securities in varying allocations from conservative to aggressive, real estate investment trust and inflation-protected securities funds, socially targeted investments, and money market instruments.

**Federal Tax Treatment:** Earnings grow tax deferred while invested in a VEST Account. Earnings on distributions used to pay QHEE are excluded from income for federal tax purposes. Consult your tax adviser for more information. Other education tax incentives may be affected by a VEST distribution. Please see “Coordination with Other Education Tax Incentives” for more information.

**State Tax Treatment:** Virginia taxpayers who are VEST Account Owners may take a state income tax deduction for Contributions to their VEST accounts. Earnings also grow state tax deferred while invested in a VEST Account and are exempt from state income tax when used for QHEE. Other states may offer residents and taxpayers additional tax or other benefits if they invest in their own state plan. Consult your tax adviser for more information.

**Limitations on Participation or Benefits:** You do not need to be a Virginia resident to participate in VEST either as an Account Owner or a Beneficiary. You must, however, be a U.S. citizen or legal U.S. resident. There are no age or income restrictions on participation in VEST, although the designated Beneficiary must have been born at the time the Account is opened. Account Owners must be at least 18. There can only be one Account Owner per Account, but more than one person may contribute to an Account.

**Contributions from non-Account Owners will be deemed to have been made by the Account Owner for VEST record-keeping purposes and for the Virginia state tax deduction.**

**Limitations on Contributions, Distributions and Transfers:** The total value of all accounts for a single Beneficiary in all Section 529 plans administered by the VCSP (VPEP, VEST, College America, and CollegeWealth) is limited to \$350,000. Multiple accounts for the same Beneficiary will be combined to determine if the maximum amount has been reached. Once the aggregate balance on all Virginia 529 accounts for the same Beneficiary reaches \$350,000 (including any earnings), VCSP will not accept additional Contributions or Rollovers.

Earnings on Non-qualified Distributions will be subject to federal and state income tax and a federal penalty tax of 10% of the earnings. Rollovers to other QTPs may be made once every 12 months for the same Beneficiary and at any time if the Beneficiary is changed.

**Risk Factors:** Your investment in VEST is not guaranteed. Total distributions from an Account may be worth more or less than the amount invested initially. It is possible that Congress, the Treasury Department, the IRS, the Commonwealth of Virginia and other taxing authorities or the courts may take actions that will adversely affect VEST and that such adverse effects may be retroactive. A VEST Account is treated like any other non-retirement investment or savings account the Account Owner may have and thus it may affect a Beneficiary's ability to qualify for federal need-based financial aid. VEST Accounts should not affect a Beneficiary's eligibility for either a merit-based scholarship or for a Virginia Tuition Assistance Grant for Virginia Beneficiaries who attend eligible private, nonprofit institutions of higher education in Virginia. Please see the "Risk Considerations of Program Participation" section and the "Investment Risks" section.

## VCSP Administration and Management

The Virginia General Assembly created the VCSP, an independent state agency, during its 1994 session. The VCSP's enabling legislation is codified at Sections 23-38.75 through 23-38.87:1 of the Code of Virginia (1950), as amended. In its 1999 session, the General Assembly unanimously passed legislation authorizing the VCSP's Board to create one or more savings trust investment options in conformance with the provisions of Section 529. The VCSP is a non-reverting fund, and its enabling legislation provides that its money cannot be used by the Commonwealth of Virginia for any other purpose. The General Assembly may amend the VCSP's legislation during any regular or special session of the legislature, subject to the Governor's veto, and the General Assembly's ability to override a veto.

The VCSP is administered by an 11-member board, consisting of the Director of the State Council of Higher Education for Virginia or his designee; the Chancellor of the

Virginia Community College System or his designee; the State Treasurer or his designee; the State Comptroller or his designee; and 7 non-legislative citizens, 4 to be appointed by the Governor, 1 to be appointed by the Senate Committee on Rules and 2 to be appointed by the Speaker of the House of Delegates. State law mandates that the 7 citizen members have significant experience in finance, accounting, law, or investment management. Members of the Board receive no compensation, but are reimbursed for actual expenses incurred in the performance of their duties. The VCSP's Chief Executive Officer is Mary G. Morris. Ms. Morris, a former tax, securities and bond attorney, as well as a former Treasurer of Virginia and Senior Assistant Attorney General for Virginia, oversees the daily administration and operations of the VCSP. VEST maintains separate records for each Account. Contributions to an Account will be commingled for purposes of investment only. VEST funds are invested with one or more outside investment managers or mutual funds, depending on the investment Portfolio selected by the Account Owner. Mercer Investment Consulting, Inc. serves as the Board's investment consultant, and assists in the selection of outside investment managers and mutual funds along with the Board's Investment Advisory Committee. Please see the "Investment Options" section for more detailed information.

The VCSP is required to submit an annual statement of the receipts, disbursements, and current investments for the preceding year to the Governor of the Commonwealth of Virginia, the Virginia Senate Committee on Finance, and the Virginia House Committees on Appropriations and Finance. The report includes a complete operating and financial statement covering the operation of the VCSP during the year. The Virginia Auditor of Public Accounts, or his legally authorized representative, audits VEST and the VCSP's accounts annually.

## Opening and Contributing to an Account

**Opening an Account.** To open an Account, you must complete an Application—online at Virginia529.com or hard copy— and submit it along with a nonrefundable Application processing fee of \$25 and your initial Contribution. The VCSP may waive fees and offer special marketing incentives from time to time. There are no state residency or income restrictions, and the Account Owner does not have to be related to the Beneficiary. Any individual who is a U.S. citizen or legal U.S. resident and who is at least 18 years old may open a VEST Account. VEST Accounts cannot have joint ownership. In addition, under current regulations, U.S. trusts, corporations, partnerships, nonprofit organizations, custodians, guardians and other entities may open an Account. Trustees and other fiduciaries are responsible for determining whether the terms of a trust are consistent with the requirements of Section 529 and thus allow ownership of a VEST Account. If, after investing in a VEST Account,

the trustee determines that the trust cannot be administered in a manner consistent with the requirements of Section 529, the trustee may be liable for any market losses or other charges imposed in connection with any withdrawals from the Account. The VCSP will not review trust or other legal documents and the trustee or other fiduciary bears all liability for a determination that a VEST Account is an appropriate investment.

**Designating a Beneficiary.** When you open an Account, you must designate a Beneficiary, who may be a relative, friend or yourself. A Beneficiary must be either a U.S. citizen or legal U.S. resident. The Beneficiary must have been born at the time the Account is established, but there are no other restrictions on the Beneficiary's age. Nonprofit organizations are not required to designate a Beneficiary at the time the Account is opened. Trusts, corporations, partnerships and other persons described in Section 7701(a)(1) of the Internal Revenue Code may open VEST Accounts for designated Beneficiaries, or for undesignated Beneficiaries as scholarships either directly (if the Account Owner has 501(c)(3) status) or through the VCSP.

**Designated Survivor.** The Account Owner must designate an individual or entity to become the owner of a VEST Account in the event of the Account Owner's death. Individuals designated must be at least 18 years old at the time of designation. Account Owners may change this designation at any time by written request. Custodial Accounts under Uniform Gifts to Minors/Uniform Transfers to Minors statutes shall name the Beneficiary's estate as the designated survivor. Accounts owned by trusts, corporations or other entities do not need a designated survivor, but should provide a successor trustee or other contact. If an Account does not have a valid designated survivor at the time of the Account Owner's death, the VCSP reserves the right to designate the current Beneficiary of the Account as the new Owner. If the current Beneficiary is under the age of 18, the VCSP may designate the deceased Account Owner's executor or administrator, if any, as the custodian under the appropriate Uniform Gifts to Minors/Uniform Transfers to Minors statute for the current Beneficiary until the current Beneficiary reaches the age of 18. If no executor or administrator was named or appointed, the VCSP, in its sole discretion, may designate a parent or other close relative of the current Beneficiary as the custodian.

**Contributing to an Account.** There can only be one Account Owner (joint ownership is not permitted), and only the Account Owner may request transfers, investment direction changes, Rollovers, distributions, or cancellations. Other individuals or entities may contribute funds to the Account at any time, but will have no subsequent control over such Contributions. All Contributions to an Account are deemed to come from the Account Owner for record-keeping purposes and for the Virginia state tax deduction. Non-Account Owners have not established a customer relationship with VEST and VEST has no obligation to

provide non-Account Owners with any continuing disclosure or required notices. The Account Owner may designate by written authorization other individuals who may have access to Account information, and may revoke such authorization at any time. For the Account Access Authorization Form, please visit [Virginia529.com](http://Virginia529.com) or call 1-888-567-0540.

**Form of Contributions.** All Contributions must be in cash or cash equivalents in U.S. dollar denominations. The VCSP cannot accept securities or other property. Contributions may be made by check, automatic withdrawal from your bank account, or payroll deduction if your employer offers this option. You may set up one-time or ongoing contributions from your bank account online at [Virginia529.com](http://Virginia529.com). Instructions will be included in the Welcome Kit you receive by mail after you submit your Application or apply online. An authorization to make automatic withdrawals from your bank will remain in effect until the VCSP has received notification of its termination and has had a commercially reasonable amount of time to implement the change. Account Owners or the VCSP may terminate automatic withdrawals at any time. Please contact VCSP to determine when the termination will be effective. Please have your payroll office contact us if your employer is interested in offering payroll deduction.

**Minimum Initial Contributions.** The minimum Contribution required to open an Account is \$25. Contributions to the Account must bring the amount contributed to at least \$250 within one year from the date the Account was opened. Failure to attain the minimum balance requirement may result in the cancellation of an Account.

**Subsequent Contributions.** Additional Contributions to an existing Portfolio may be made at any time. A separate Account must be set up in order to invest money in a different Portfolio. In order to be a separate Account, the Account Owner, the Beneficiary or the Portfolio must be different. Unless you open a separate Account, any additional Contributions you make for that Beneficiary will be invested in your current Portfolio.

**Maximum Account Balances.** The combined total balance of all accounts for a single Beneficiary in all Virginia 529 programs (which includes VEST, as well as VPEP, CollegeAmerica, and CollegeWealth) is limited to \$350,000. Multiple accounts for the same Beneficiary will be combined for purposes of determining whether the maximum amount has been reached. This maximum amount may be recalculated each year based on the estimated cost of 5 years of QHEE at the most expensive Eligible Educational Institution in the United States. Contribution of the maximum amount does not guarantee that the VEST Account balance will be adequate to cover the QHEE of a particular Beneficiary. See the Virginia 529 Program Guide for more information about VPEP, CollegeAmerica and CollegeWealth.

**Pending Settlement Period.** All VEST Contributions will be subject to a Pending Settlement Period, which is the period of time between when a Contribution is received and the time the Contribution is actually invested on behalf of the Account Owner in the Portfolio selected. Contributions in good order received in time to allow for deposit on any Business Day of the week, will generally be invested within three Business Days of deposit. The NAV used to determine the number of Units purchased in a selected Portfolio will be the NAV calculated for the applicable Portfolio the same Business Day funds are invested in the Portfolio. Any interest earned on Contributions during the Pending Settlement Period shall accrue to the VCSP and be used solely to defray administrative and operating expenses. The VCSP, at its sole discretion, may modify this settlement schedule without prior notice.

## Changes to an Account

**Changing the Beneficiary.** The Account Owner must complete a Beneficiary Change Form indicating the relationship of the new Beneficiary to the previous Beneficiary. VCSP may deny or limit a Beneficiary change if it causes the cumulative value of all the accounts administered by VCSP (including VEST, VPEP, CollegeAmerica and CollegeWealth accounts) for the new Beneficiary to exceed the \$350,000 maximum account balance limit. An Account Owner may change the Beneficiary of a VEST Account at any time. A change of Beneficiary is a non-taxable event for federal income tax purposes if the new Beneficiary is a Member of the Family of the current Beneficiary. If the new Beneficiary is a Member of the Family of the prior Beneficiary and is in the same generation as the former Beneficiary, the change is not subject to federal gift tax or generation-skipping transfer tax. If the new Beneficiary is in a lower generation than the previous Beneficiary, the transfer will be subject to federal gift tax and may be subject to generation-skipping transfer taxation even if the new Beneficiary is a Member of the Family of the previous Beneficiary. Please contact a tax professional for specific information on these provisions and how they may affect you.

**Changing the Account Owner.** The Account Owner may transfer the ownership of a VEST Account to another individual or entity, provided that no consideration is given or accepted for the transfer. To transfer an Account to another individual or entity, the Account Owner must submit an Account Owner Change Form. Once ownership is transferred, the previous Account Owner loses all control over the Account, which includes but is not limited to, the power to change the designated Beneficiary, change the investment direction and to cancel the Account. All transfers shall be construed and administered to comply in all respects with any applicable state or federal statutes or regulations, including, but not limited to, Section 529 and any regulations promulgated thereunder. The transfer of a VEST Account to another individual may have federal gift tax consequences.

Please contact a tax professional to determine the effect of any such transfer on your individual situation.

**Changing Investment Options.** The Account Owner may change the investment options in which the Account is invested only once per calendar year for the same Beneficiary. Additionally, the investment option may be changed whenever the Beneficiary of the Account is changed. For purposes of the investment change rule, all Virginia 529 savings accounts, which include VEST, CollegeAmerica and CollegeWealth, owned by the Account Owner for the same Beneficiary will be aggregated. This means that only one investment option change request will be accepted per calendar year for all of the accounts. The investment option change request can be for one or more of the individual accounts the Account Owner holds for the same Beneficiary so long as requests for multiple accounts are submitted at the same time. Once an investment change is made, any future subsequent investment change in any account owned by the Account Owner for the same Beneficiary in VEST, CollegeAmerica or CollegeWealth within the same calendar year will be treated as a Distribution. Transfers to or from VEST and CollegeAmerica or CollegeWealth are considered investment option changes. Systematic changes in Portfolio allocations in the individual Age-Based Evolving Portfolios are not considered investment option changes by the Account Owner. In order to change your investment option, you must complete a Rollover & Investment Direction Form. Only the Account Owner can request an investment option change.

The NAV used to determine the number of Units of a Portfolio to be liquidated will be the NAV calculated for the applicable Portfolio the same Business Day funds are withdrawn from the Portfolio and reinvested into the new Portfolio. The VCSP is not responsible for market fluctuations during the Pending Settlement Period. The VCSP, at its sole discretion, may modify this settlement schedule without prior notice.

**The VCSP may accept and rely conclusively on any instructions or other communications reasonably believed to have been given by an Account Owner or another authorized person and may assume that the authority of any other authorized person continues in effect until receipt of written notice to the contrary.**

## Transferring Funds

**Rollovers.** VEST will accept Rollovers from other QTPs. You will need to provide appropriate documentation that shows the basis and earnings portion of the Rollover. If such documentation is not provided, the entire Rollover will be treated as earnings. Please note that if you withdraw funds from a QTP with the intention of contributing these funds to a VEST Account, you must do so within 60 days of the initial withdrawal in order to retain the tax-free treatment of

the Rollover. The NAV applicable to all incoming Rollovers will be the NAV calculated for the applicable Portfolio on the same Business Day funds are invested in the Portfolio. Please refer to the section on Pending Settlement for more information.

An Account Owner may roll over a VEST Account to another QTP provided that a Rollover has not been processed in the previous 12 months for the same Beneficiary. VCSP will provide to the new program manager or administrator a statement providing the earnings portion of the Rollover. Rollovers of Accounts to another QTP may be made at any time if the Beneficiary is changed to a Member of the Family of the current Beneficiary. If you wish to roll over from VEST to VPEP, VPEP's eligibility requirements and enrollment period limits still apply. Rollovers that meet IRS requirements are not subject to the 10% federal penalty tax and any earnings are not includible in federal adjusted gross income. Rollover distribution information will be reported on IRS Form 1099-Q.

To request a Rollover to a non-Virginia QTP, the Account Owner must contact VCSP and the new account administrator to determine what documentation is required to process the Rollover. All Rollover payments issued to a non-Virginia QTP shall be issued in a lump sum directly to the designated QTP within 60 days from the date of the Rollover request. **A Rollover to a non-Virginia QTP will require the Account Owner to add back to his or her Virginia taxable income any amounts previously deducted from the Account Owner's Virginia taxable income as a result of VEST Contributions.** All Rollovers shall be construed and administered to comply in all respects with any applicable state or federal statutes or regulations, including, but not limited to, Section 529 and any regulations promulgated pursuant thereto.

Depending upon market conditions at the time a Rollover is requested, the amount rolled over may be more or less than the amounts contributed. The VCSP is not responsible for market fluctuations between the time of the Rollover request and the time the Rollover amount is determined and processed.

**UGMA/UTMA Accounts.** Depending on the applicable state legislation, you may be able to fund a VEST Account with existing Uniform Gifts to Minors Act (UGMA) or Uniform Transfers to Minors Act (UTMA) funds, although these types of accounts involve additional restrictions that do not apply to regular VEST Accounts, **such as the inability to change the Beneficiary.** If you are using UGMA or UTMA funds to establish a VEST Account, you must indicate that the Account is custodial by checking the appropriate box on your Application. The VCSP is not liable for any consequences related to a custodian's improper use, transfer, or characterization of custodial funds. UGMA or UTMA custodians must establish VEST Accounts in their custodial capacity separate from any Accounts they may hold in their individual capacity in order to contribute

UGMA/UTMA assets. If UGMA or UTMA assets are currently invested in securities, these investments must first be liquidated before cash can be contributed to a VEST Account, and any tax liability related to the liquidation will have to be paid. UGMA/UTMA custodians may not change the Beneficiary for custodial Accounts except as may be permitted by applicable law, and must notify the VCSP when the custodianship terminates, at which time the Beneficiary will become the owner of the Account. Custodians will need to complete an Account Owner Change Form to document the termination of the custodianship. Please contact a legal or tax professional to determine how to create an UGMA or UTMA account if you wish to open one or how to transfer an existing UGMA or UTMA account, and what the implications of such a transfer may be for your specific situation.

**Coverdell Education Savings Accounts.** VEST will accept transfers from a Coverdell Education Savings Account (Coverdell ESA). If you are funding your VEST Account with funds from a Coverdell ESA, you must provide the breakdown of the amount you contributed and the amount of interest earnings. The transfer is considered a nontaxable withdrawal from the Coverdell ESA. You will need to complete a Coverdell/U.S. Savings Bond Transfer Form and a VEST Account Application, and provide appropriate documentation from the trustee or custodian of the Coverdell ESA that shows the earnings portion of the transfer. **If such documentation is not provided, the entire transfer will be treated as earnings.** Please provide an account statement showing basis and earnings (or losses) in the account. IRS Publication 970, "Tax Benefits for Education" is one publication that provides information on Coverdell ESAs and other tax-advantaged higher education accounts, and is available at IRS.gov.

**Qualified U.S. Savings Bonds.** VEST will accept transfers from qualified U.S. Savings Bonds. If you are funding your VEST Account with funds from certain Series EE or I U.S. Savings Bonds you must provide the breakdown of the amount you contributed and the amount of interest earnings. You will need to complete a Coverdell/U.S. Savings Bond Transfer Form and a VEST Account Application, and provide appropriate documentation that shows the earnings portion of the transfer, such as a statement, a Form 1099-INT issued by the financial institution that redeemed the bonds, or an IRS Form 8815. **If such documentation is not provided, the entire transfer will be treated as earnings.** Please ensure that you redeem the bonds in the same calendar year that you fund the VEST Account. Please contact the Bureau of Public Debt at Treasurydirect.gov for eligibility criteria for the Savings Bond Education Tax Exclusion, or the Internal Revenue Service at 1-800-829-1040. IRS Publication 970, "Tax Benefits for Education" is one publication that provides information on Education Savings Bonds and other tax-advantaged higher education accounts, and is available at IRS.gov.

## Distributions

**Qualified Distributions.** The Account Owner may authorize distributions from the Account for the QHEE of the designated Beneficiary at any time. In an Advance Notice of Proposed Rulemaking issued on January 17, 2008, the Department of the Treasury and the IRS indicated that they are considering proposing a rule that would require distributions and expenses to be matched up in the same tax year, or by March 31st of the following tax year. While there is no final rule on this issue, you should consider this possible requirement when making decisions concerning your Account(s). Distributions may be used at any Eligible Educational Institution, as defined in the Glossary of Terms. Generally, this includes any accredited two- or four-year college or university in the United States that is eligible to participate in federal student financial aid programs, as well as certain accredited private career or technical schools that are eligible to participate in federal student financial aid programs. Distributions may also be applied toward graduate or professional school QHEE at an Eligible Educational Institution. VEST distributions may be applied at certain foreign institutions of higher education on a case-by-case basis. Please contact us toll free at 1-888-567-0540 for specific information on using VEST distributions at foreign schools. The VCSP will make requested distributions upon receipt of a signed Distribution Request Form. Any distributions that must be made on an expedited basis due to lack of advance notice may result in the imposition of an administrative fee. VEST is not responsible for any late fees imposed by educational institutions, nor is VEST responsible for payment of any higher education expenses that exceed the current balance of a VEST Account at the time a distribution is requested or made. All distributions from VEST Accounts will be made subject to the Pending Settlement Period as described in the Glossary of Terms.

Distribution requests in good standing received on any Business Day of the week prior to the close of business will generally be withdrawn from the applicable Portfolio within three Business Days of receipt.

The NAV used to determine the number of Units of a Portfolio to be liquidated will be the NAV calculated for the applicable Portfolio the same Business Day the distribution amount is withdrawn from the Portfolio. The VCSP is not responsible for market fluctuations during the Pending Settlement Period. The VCSP, at its sole discretion, may modify this settlement schedule without prior notice. **Please refer to our website, [Virginia529.com](http://Virginia529.com), for any modifications to the Pending Settlement Period.**

**Non-qualified Distributions.** Account Owners may request Non-qualified Distributions from a VEST Account at any time. Non-qualified Distributions will be subject to federal income tax on the earnings and Virginia state income tax for Virginia taxpayers, as well as a federal penalty tax of 10% of the earnings, reported on the taxpayer's federal tax return. An Account Owner may also be required to recapture part

or all of any deductions taken from the Account Owner's Virginia taxable income in previous years related to VEST Contributions. Non-qualified Distributions resulting from the Beneficiary's death, disability or receipt of a scholarship will be subject to federal income tax on the earnings, but will not be subject to the 10% federal penalty tax on earnings and, for Virginia taxpayers, will not be subject to Virginia income tax. Penalty-free scholarship distributions are capped at the amount of the scholarship received. Attendance at United States' military academies will be treated as receipt of a scholarship for distribution purposes. Account Owners should retain proof of death, disability or receipt of scholarship for their records. The VCSP also may require any documentation necessary in order to establish compliance with 26 U.S.C. Section 529 and any regulations promulgated thereunder.

**Note: The taxpayer is solely responsible for determining whether a distribution is a Qualified Distribution or a Non-qualified Distribution. VCSP will issue an IRS Form 1099-Q (Qualified Tuition Program Payments) reflecting the earnings amount for tax purposes. The taxpayer is solely responsible for any necessary tax reporting.**

## Account Termination

**Cancellations.** Only the Account Owner may cancel a VEST Account and receive a refund of the Account balance. In order to cancel all or part of a VEST Account and receive a refund, the Account Owner must provide a written request specifying the Account Owner's name, the Beneficiary's name, the VEST Account number, and any additional supporting documentation as may be required by the VCSP. The amount of a refund in the event of a cancellation is the Account balance on the day the funds are withdrawn from the Portfolio. Non-qualified Distributions (except for distributions due to the Beneficiary's death, disability or receipt of a scholarship) will be subject to an additional federal penalty tax of 10% of the earnings, reported on the taxpayer's federal tax return, in addition to federal and Virginia income tax (for Virginia taxpayers) on the earnings. The NAV applicable to all cancellation refunds will be the NAV calculated for the applicable Portfolio on the same Business Day the distribution amount is withdrawn from the Portfolio. Depending upon market conditions at the time a refund is requested, the amount of the refund may be more or less than Contributions to the Account. The VCSP is not responsible for market fluctuations during the Pending Settlement Period. All refunds shall be issued in a lump sum within 30 days from the date of the cancellation request. The VCSP will consider all written requests for expedited refunds in cases constituting hardship, as determined by the VCSP in its sole discretion.

All cancellations and refunds shall be construed and administered to comply in all respects with any applicable state or federal statutes or regulations, including, but not limited to, Section 529 of the Internal Revenue Code

of 1986, as amended, and any regulations promulgated pursuant thereto.

**Limits on Account Length.** Beneficiaries who have not graduated from high school at the time the Account is opened have at least ten years after the projected date of their high school graduation to use all funds from their VEST Account. This time period may be extended upon request. Requests for extension will be considered beginning in the tenth year after high school graduation. Beneficiaries who have graduated from high school at the time the Account is opened have at least ten years after the date the VEST Account was opened to use all funds from their VEST Account. This time period may be extended upon request. Requests for extension will be considered beginning in the tenth year after Account opening. The VCSP will use information provided in the Application, or subsequent Beneficiary Change Form in the event the original Beneficiary was changed, to determine the projected date of high school graduation. Any time spent by a Beneficiary as an active-duty member of any branch of the United States Armed Services will be added to the ten year period. If an Account is rolled over to a qualified substitute Beneficiary, the applicable ten year time limit will be based on the new Beneficiary's age.

If, after the ten year period specified above, an Account has a remaining balance, no extension has been requested and the VCSP cannot locate the Account Owner, the Beneficiary, or any designated survivor, the VCSP shall report the unclaimed amounts to the State Treasurer as unclaimed property pursuant to Section 55-210.12 of the Code of Virginia (1950), as amended.

The value of any such Account reported as unclaimed property and remaining unclaimed for an additional five years shall be the then-current Account balance less any applicable administrative fees.

## Risk Considerations of Program Participation

VEST is designed to facilitate tax-advantaged savings for the QHEE of a Beneficiary. However, as with most investment products, there are various risks associated with an investment in VEST. This section describes some of the principal risks associated with participating in the VEST program, but it does not constitute an exhaustive list of the factors you should consider before opening an Account and making Contributions to it. An Account Owner may wish to consult a financial or tax adviser before investing in VEST. VCSP may change the terms and conditions of VEST at any time or from time to time and there is no assurance that the current state and/or federal laws and regulations will remain the same.

**Program Description.** You should carefully read and understand this Program Description before making Contributions to VEST and you should keep this document for future reference. The information contained in this Program Description is believed to be accurate as of the date of the Program Description and is subject to change without prior notice. Account Owners should rely only on the information contained in this Program Description. No one is authorized to provide information about VEST that is different from the information contained in this Program Description.

The VCSP cannot provide legal, financial or tax advice concerning individual investment decisions.

**No Guarantees.** VEST Accounts are not deposits or obligations of, or insured or guaranteed by, the Commonwealth of Virginia or any agency or instrumentality thereof, the United States government, any financial institution, the FDIC, or any other agency, entity, instrumentality or person. No entity guarantees the return of principal invested or that a particular investment return will be achieved.

**Investment Risk.** VEST Account investment returns will vary. VEST Accounts involve investment risk, including the possible loss of principal. When you redeem Units of a Portfolio, they may be worth more or less than the amount you invested. Many factors may cause fluctuations in the value of a Portfolio. Past investment results offer no assurance of future returns. The Age-Based Evolving Portfolios are designed to provide targeted asset allocations for investors saving for the QHEE of a Beneficiary of a given age. An investment in a particular Portfolio, however, may not provide an appropriate balanced investment program for all investors. You should evaluate the Portfolios in the context of your overall individual financial situation, investment goals, risk tolerance, and other investments. See **“Investment Risks”** for a more specific description of various investment risks that could affect the Portfolios.

**No Guarantee of Admission to, Continuation at, or Graduation from College and In-State Residency Status.** Having a VEST Account does not guarantee that: (1) a Beneficiary will be admitted to any institution of higher education; (2) a Beneficiary will be allowed to continue enrollment at any institution of higher education after admission; (3) a Beneficiary will be graduated from any institution of higher education; or (4) a Beneficiary will qualify for in-state tuition rates at any Virginia state-supported public college or university.

**No Guarantee of Meeting College Expenses.** Even if an Account balance for a Beneficiary reaches the maximum limit allowed in VEST, there is no assurance that the value of the Account will be sufficient to cover all the higher education expenses a Beneficiary may incur or that the rate of return on an Account will equal or exceed the rate at

which higher education expenses may rise each year. The rate of inflation for higher education expenses is uncertain and could exceed the rate of return on an Account. VCSP is not responsible for paying any higher education expenses that exceed the balance of a VEST Account when a distribution is requested.

**Impact on Financial Aid.** VEST Accounts may affect a Beneficiary's ability to qualify for need-based financial aid. A VEST Account is treated like any other non-retirement investment or savings the Account Owner may have. The market value of a VEST Account must be included on the FAFSA as a parental asset if the Beneficiary is a dependent student (regardless of whether the owner of the Account is the student or the parent), or a student asset if the student is independent. VEST Distributions are not considered income to the student in the following year's need calculation. VEST Accounts should not affect a student's eligibility for merit-based scholarships. If a student receives a full or partial athletic scholarship that is governed by NCAA or conference regulations, a payment from VEST may affect that scholarship. VEST Accounts do not affect a student's eligibility for a Virginia Tuition Assistance Grant for Virginia residents who attend an eligible, independent, nonprofit institution of higher education in Virginia. Please note that this is only summary information and is not intended to be advice. You should contact the financial aid office of your local community college, college or university for more information on the effect of a VEST Account on financial aid determinations, or go to [Finaid.gov](http://Finaid.gov) for additional information.

**Eligibility for Medicaid or other Benefits.** A VEST Account may adversely affect an Account Owner's eligibility for federal and state assistance programs, particularly Medicaid. Federal legislation excludes tax-qualified education savings, including Section 529 college savings accounts such as VEST, from allowable financial resources for purposes of qualifying for the federal Supplemental Nutrition Assistance Program (formerly the Food Stamp Program). Please consult the agency or entity that administers the specific benefit program for additional information.

**No Shareholder Rights.** Although Account Owners will own Units in a specified Portfolio, they do not have a direct beneficial interest in the mutual funds and other investments held by the Portfolio. Therefore, Account Owners do not have the rights of an owner or shareholder of such mutual funds or other investments, such as the right to vote proxies.

**Limits on Account Length.** Beneficiaries who have not graduated from high school at the time their VEST Account is opened have ten years after the projected date of their high school graduation to use all assets in the VEST Account. Beneficiaries who have graduated from high school at the time the Account is opened have ten years after the date the Account was opened to use all assets in the Account. Any

time spent by a Beneficiary as an active duty member of any branch of the U.S. Armed Services will be added to the ten year period. If the Beneficiary of an Account is changed, the applicable ten year time limit will be based on the new Beneficiary's age and the date of the Beneficiary change. Account Owners may request an extension of this Account duration limit. Requests for extension will be considered beginning in the tenth year after high school graduation or Account opening, as applicable. If the VEST Account is not depleted within the ten year limit, VCSP will contact the Account Owner regarding the status of the Account. If VCSP, after diligent efforts, is unable to locate the Account Owner, the Beneficiary, or any designated survivor, the Board shall report the unclaimed amounts to the Virginia State Treasurer as unclaimed property pursuant to Section 55-210.12 of the Code of Virginia (1950), as amended.

**Future Program Changes.** The Board may offer enhancements to VEST in the future. Account Owners who have established Accounts prior to the time an enhancement is made available may be precluded by federal tax law from participating in such enhancement. The Board is not required by law to continue VEST, to accept additional Contributions to existing Accounts, or to allow new Accounts to be opened, although the Board currently has no plans for any such limitations. If the Board were to terminate VEST, such termination may result in a Non-qualified Distribution for which tax and penalties as described herein may be assessed.

**Changing Legal Regulations.** It is possible that the U.S. Congress, the Treasury Department, the IRS, the Commonwealth of Virginia, and other taxing authorities or the courts may take actions that will adversely affect VEST and that such adverse effects may be retroactive. In addition, the IRS proposed regulations under Section 529 in 1998 but it has not issued final income tax regulations concerning QTPs. On January 18, 2008, the IRS and the Treasury Department issued an Advance Notice of Proposed Rulemaking, which described what re-proposed regulations may contain. When issued, such regulations or any published ruling may alter the tax consequences summarized in this Program Description, may require that changes be made to VEST to achieve the tax benefits described or may have a significant effect on VEST and your Account. Possible legislative action could diminish or even terminate VEST's tax advantages. VCSP is not obligated to continue to offer VEST in the event that a change in the tax or other federal or state law makes continued operation not in the best interests of Account Owners or Beneficiaries. There can be no assurance that a change will not adversely affect VEST and/or the value of your investment in an Account.

**Claims Against Accounts.** Under Virginia law and depending on the specific circumstances, VEST accounts are protected from creditors of either the Account Owner or the Beneficiary. Additionally, the United States Bankruptcy Code provides protection in federal bankruptcy proceedings for Section 529 accounts, including VEST accounts.

Under the Bankruptcy Code, VEST accounts should be protected in federal bankruptcy proceedings if the designated Beneficiary is the bankruptcy debtor’s child, stepchild, grandchild, or step-grandchild subject to the following limits:

Contributions made to a VEST account for the same designated Beneficiary at least 720 days before a federal bankruptcy filing are protected;

Contributions made to a VEST account for the same designated Beneficiary more than 365 days but less than 720 days before a federal bankruptcy filing are protected up to an amount set, typically every 3 years, by the Judicial Conference of the United States; and

Contributions made to a VEST account for the same designated Beneficiary less than 365 days before a federal bankruptcy filing are typically not protected against creditor claims in federal bankruptcy proceedings.

You should consult a legal adviser about the application of these laws to your particular situation.

**Other Considerations.** An investment in VEST – or any QTP – may not be the appropriate investment program for everyone. You should evaluate other tax-advantaged education savings programs and consult with your tax or financial adviser.

### Investment Portfolios

Account Owners may choose from among Age-Based Evolving Portfolios and Non-Evolving Portfolios (collectively, the “Investment Portfolios” or the “Portfolios”). Each Portfolio invests Account Contributions in one or more mutual funds or separate accounts managed by one or more investment managers (the “Funds”). The Funds are mutual funds, commingled funds, or professionally managed separate accounts. As an Account Owner you will not directly own shares of the Funds, but will instead own Units of the Portfolios in which you invest. The value of Units in each Portfolio will vary from day to day, reflecting changes in the values of the Funds. The performance of each Portfolio depends on the performance of the Funds, which in turn depends on the performance of the stock, bond and money markets in the United States and abroad.

Account Owners should periodically assess, and if appropriate, adjust their investment choices with their time horizon, risk tolerance and investment objectives in mind. IRS rules allow only one investment direction change per calendar year. Your one annual investment direction change applies to all VCSP savings Accounts you own for the same Beneficiary.

The following are the Investment Portfolios currently offered in VEST:

### Chart I

Age-Based Evolving Portfolios	Non-Evolving Portfolios
James River	Aggressive
Eastern Shore	Moderate
Alleghany	Conservative
Chesapeake	Money Market
Potomac	Socially Targeted Investment
Southside	Total Stock Market Index
Piedmont	Total Bond Market Index
	Total International Stock Index
	Inflation-Protected Securities
	Real Estate Investment Trust Index
<p>Additional Investment Portfolios may be added in the future. The Board reserves the right to change the asset allocation of the Portfolios and the Funds in which the Portfolios invest as it deems necessary or prudent at any time. Notice of changes will be provided on Virginia529.com.</p>	

### Age-Based Evolving Portfolios

VEST offers Age-Based Evolving Portfolios, each of which is designed to take into account the Beneficiary’s current age and the Account Owner’s investing time horizon or the number of years before the Beneficiary is expected to need funds from the Account for higher education expenses. The following Anticipated Asset Allocations chart summarizes the targeted current Beneficiary ages for each Age-Based Evolving Portfolio. You are not required to select the Portfolio that corresponds to the Beneficiary’s current age.

Each Fund in the Age-Based Evolving Portfolios will fall into one of the broad categories, i.e., equity (stock), fixed income (bond) or stable value. Each Age-Based Evolving Portfolio is diversified in an effort to meet its long-term investment strategy. By investing in a varied combination of Funds invested in different asset classes, each Age-

Based Evolving Portfolio seeks to control risk and provide returns consistent with the ages of the target Beneficiaries and the expected time until moneys in the Accounts are needed for higher education. Portfolios designed for younger Beneficiaries are more heavily invested in equities, which carry a higher risk or volatility but also may have a higher return potential and reflect what is assumed to be a longer investment horizon. Portfolios designed for older Beneficiaries are more heavily invested in fixed income securities in order to try to preserve principal as the time for distributions approaches. See “Investments of the Age-Based Evolving Portfolios” for more information.

Although the asset allocation of each Age-Based Evolving Portfolio is designed to correspond with the Beneficiary’s current age, Account Owners may choose to invest in a Portfolio other than the one that corresponds to the Beneficiary’s current age. No VEST Portfolios, however, are protected from market volatility and there is no guarantee that VEST Portfolios will not lose value, including principal. As the Anticipated Asset Allocations chart shows, the asset allocation for each Age-Based Evolving Portfolio will become increasingly weighted in fixed income investments over time, until it reaches the same asset allocation as the Piedmont Portfolio, which is invested entirely in a stable value fund. The asset allocation strategy of each Age-Based Evolving Portfolio, except the Piedmont Portfolio, will evolve over successive three-year periods until a Portfolio reaches the target allocation of the Piedmont Portfolio (a stable value fund with a lower risk of principal loss).

A new Age-Based Evolving Portfolio will be created approximately one year prior to the change of the current most aggressive Portfolio to the next most aggressive Portfolio to accommodate Account Owners who seek the maximum return/risk allocation for new Accounts, or for Beneficiaries born in subsequent years. VEST Account Owners have the option of opening multiple Accounts for the same Beneficiary in different Portfolios.

Account Owners may also change their Portfolio selection once per calendar year for the same Beneficiary. The same Account Owner may not have more than one Account for the same Beneficiary in the same Portfolio.

Each Age-Based Evolving Portfolio seeks to achieve its investment objective by investing in a combination of Funds. The Board selects the investment managers or mutual funds and an asset allocation for each of the Portfolios with the assistance of its investment consultant and its Investment Advisory Committee.

**Depending upon market conditions and other factors, VCSP may alter the rate of change in the allocation strategy of any Portfolio and/or create a new Portfolio or Portfolio allocation when it deems it to be, in its sole discretion, in the best interests of current and potential Account Owners to do so.**

**Fully Evolved Age-Based Evolving Portfolios:** A fully evolved Age-Based Evolving Portfolio is characterized as a VEST Age-Based Evolving portfolio that has gone through each of the asset allocations and reached 100% fixed income. Once each Age-Based Evolving Portfolio is fully evolved, it is closed to new investors. The Piedmont Portfolio is an exception to this process as it is VEST’s permanent 100% stable value option.

Beginning January 1, 2012, Portfolios that are fully evolved will experience a more gradual transition from the 25% stock, 75% fixed income allocation into the 100% stable value allocation. During the first two years, the Portfolios will be comprised of a 100% fixed income mix with a target allocation as follows: 65% stable value, in the Invesco Advisers, Inc. stable value separate account; 20% market fixed income, in the Vanguard Total Bond Market Index Fund; 10% emerging markets debt in the Stone Harbor Emerging Market Debt Fund; and 5% in the Prudential Investment Management high yield bond separate account. After this two year transition period, the Portfolios will be transferred to the Piedmont Portfolio (100% stable value). As of January 1, 2012, the Blue Ridge Portfolio entered the two year 100% fixed income transition phase. Blue Ridge Portfolio assets will be transferred to the Piedmont Portfolio on January 1, 2014.

The Tidewater, Shenandoah and Highlands portfolios have already fully evolved and their assets have been transferred to the Piedmont Portfolio effective January 1, 2012.

The transition phase is part of the evolution of the Portfolios and will not require the use of an Account Owner’s once per year investment direction.

**NOTE:** Please visit our website, [Virginia529.com](http://Virginia529.com), for updated information on the VEST Age-Based Evolving Portfolios.

## Chart II

### Anticipated Asset Allocation of the Age-Based Evolving Portfolios

	Current Allocation	Anticipated Asset Allocation					
Age-Based Evolving Portfolios	January 2012- January 2015	January 2015- January 2018	January 2018- January 2021	January 2021- January 2024	January 2024- January 2027	January 2027- January 2030	January 2030
<b>James River</b> (Ages 0–3)	80% Equity 20% Fixed Income	70% Equity 30% Fixed Income	60% Equity 40% Fixed Income	50% Equity 50% Fixed Income	40% Equity 60% Fixed Income	25% Equity 75% Fixed Income	0% Equity 100% Fixed Income <sup>1</sup>
<b>Eastern Shore</b> (Ages 4–6)	70% Equity 30% Fixed Income	60% Equity 40% Fixed Income	50% Equity 50% Fixed Income	40% Equity 60% Fixed Income	25% Equity 75% Fixed Income	0% Equity 100% Fixed Income <sup>1</sup>	
<b>Alleghany</b> (Ages 7–9)	60% Equity 40% Fixed Income	50% Equity 50% Fixed Income	40% Equity 60% Fixed Income	25% Equity 75% Fixed Income	0% Equity 100% Fixed Income <sup>1</sup>		
<b>Chesapeake</b> (Ages 10–12)	50% Equity 50% Fixed Income	40% Equity 60% Fixed Income	25% Equity 75% Fixed Income	0% Equity 100% Fixed Income <sup>1</sup>			
<b>Potomac</b> (Ages 13–15)	40% Equity 60% Fixed Income	25% Equity 75% Fixed Income	0% Equity 100% Fixed Income <sup>1</sup>				
<b>Southside</b> (Ages 16–18)	25% Equity 75% Fixed Income	0% Equity 100% Fixed Income <sup>1</sup>					
<b>Piedmont<sup>2</sup></b> (Over 18)	0% Equity 100% Fixed Income / Stable Value						

<sup>1</sup>The Portfolios will have an initial target allocation of 100% fixed income (65% stable value, 20% market fixed income, 10% emerging market debt, and 5% high yield bonds) and experience a gradual transition to 100% stable value over a two-year transition period. At the end of the two year transition, assets in the Portfolio will be transferred to the Piedmont Portfolio.

<sup>2</sup>The Tidewater, Shenandoah and Highlands Portfolios have already fully evolved and their assets have been transferred to the Piedmont Portfolio effective January 1, 2012.

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The following chart summarizes the target asset allocations of the Age-Based Evolving Portfolios as of January 1, 2012, as well as the diversification of the investment managers of the Funds and investments that make up each Portfolio. These allocations and managers are subject to change.

Depending upon market conditions and other factors, the dates of the Age-Based Evolving Portfolio evolutions and the rate of change in the allocation strategy of any Portfolio may be altered without notice when it is deemed to be in the best interests of current and potential Account Owners in the sole discretion of the VCSP.

### Chart III Target Asset Allocation of the Age-Based Evolving Portfolios

Investment Manager	Asset Class	James River	Eastern Shore	Alleghany	Chesapeake	Potomac	Southside	Blue Ridge <sup>1</sup>	Piedmont
Aberdeen Asset Management Inc.	Emerging Markets Equity	15.00%	12.50%	10.00%	7.50%	5.00%	2.50%	0.00%	0.00%
Capital Research & Management Co.	International Equity	8.75%	8.75%	7.50%	6.875%	6.25%	3.75%	0.00%	0.00%
Invesco Advisers, Inc.	Stable Value	2.50%	7.50%	15.00%	20.00%	27.50%	40.00%	65.00%	100.00%
Morgan Stanley	Global Real Estate	15.00%	10.00%	10.00%	7.50%	5.00%	5.00%	0.00%	0.00%
Prudential Investment Management, Inc.	High Yield Bonds	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	0.00%
Rothschild Asset Management Inc.	Small-/Mid-Cap Domestic Equity	11.25%	8.33%	6.67%	3.75%	2.50%	1.25%	0.00%	0.00%
Stone Harbor Investment Partners	Emerging Markets Debt	5.00%	7.50%	7.50%	10.00%	10.00%	10.00%	10.00%	0.00%
Templeton Institutional Funds, Inc.	International Equity	8.75%	8.75%	7.50%	6.875%	6.25%	3.75%	0.00%	0.00%
The Vanguard Group, Inc. <sup>2</sup>	Market Fixed Income	7.50%	10.00%	12.50%	15.00%	17.50%	20.00%	20.00%	0.00%
The Vanguard Group, Inc. <sup>2</sup>	Large-Cap Domestic Equity	17.50%	17.50%	15.00%	13.75%	12.50%	7.50%	0.00%	0.00%
The Vanguard Group, Inc. <sup>2</sup>	Small-Cap Domestic Equity	3.75%	4.17%	3.33%	3.75%	2.50%	1.25%	0.00%	0.00%
<b>Total</b>		<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

<sup>1</sup>The Blue Ridge Portfolio is closed to new participants as of January 1, 2012.

<sup>2</sup>Vanguard and The Vanguard Group are trademarks of The Vanguard Group, Inc.

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The assets of VEST’s Age-Based Evolving Portfolios are invested in a combination of mutual funds and separate accounts according to each Age-Based Evolving Portfolio’s target asset allocations. The managers of these Funds and accounts and the investments managed by them currently include the following:

## **Chart IV Underlying Investments of the Age-Based Evolving Portfolios**

<b>Investment Manager</b>	<b>Asset Class</b>	<b>Fund or Separate Account</b>	<b>Symbol<sup>1</sup></b>
Aberdeen Asset Management	Emerging Markets Equity	Aberdeen Emerging Market Fund	ABEMX
Capital Research and Management Co.	International Equity	American Funds EuroPacific Growth Fund	RERGX
Invesco Advisers, Inc.	Stable Value	Separate investment account for VEST	N/A
Morgan Stanley	Global Real Estate	Morgan Stanley Institutional Global Real Estate Fund	MRLAX
Prudential Investment Management, Inc.	High Yield Bonds	Separate investment account for VEST	N/A
Rothschild Asset Management Inc.	Small-/Mid-Cap Domestic Equity	Separate investment account for VEST	N/A
Stone Harbor Investment Partners	Emerging Markets Debt	Stone Harbor Emerging Market Debt Fund	SHMDX
Templeton Institutional Funds, Inc.	International Equity	Templeton Foreign Equity Series	TFEQX
The Vanguard Group, Inc.	Market Fixed Income	Total Bond Market Index Fund	VBMPX
The Vanguard Group, Inc.	Small-Cap Domestic Equity	Small-Cap Index Fund	VSCIX
The Vanguard Group, Inc.	Large-Cap Domestic Equity	Institutional Index Fund	VINIX

<sup>1</sup>Ticker symbols provided are for the Fund and may show some variance from the individual Portfolio return. This is due in part to differences in the expense ratios of the Funds and the VEST Portfolios, since the Portfolios include the VEST administrative fee of 0.20%. See “Investment Performance” for more details.

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## Large-Cap Domestic Equity

**Vanguard®** Institutional Index Fund seeks to track the performance of a benchmark index that measures the investment return of large-capitalization stocks. The Institutional Index Fund employs a “passive management” – or indexing – investment approach designed to track the performance of the Standard & Poor’s (S&P) 500 Index, a widely recognized benchmark of U.S. stock market performance that is dominated by the stocks of large U.S. companies. The Institutional Index Fund attempts to replicate the target index by investing all, or substantially all, of its assets in the stocks that make up the index, holding each stock in approximately the same proportion as its weighting in the index. Vanguard Institutional Index Fund is primarily subject to stock market risk and investment style risk, and has a low level of derivatives risk. See “Investment Risks” for a description of these risks.

## Small-Cap Domestic Equity

**Vanguard®** Small-Cap Index Fund seeks to track the performance of a benchmark index that measures the investment return of small-capitalization stocks. The Small-Cap Index Fund employs a “passive management” – or indexing – investment approach designed to track the performance of the MSCI US Small Cap 1750 Index, a broadly diversified index of stocks of smaller U.S. companies. The Fund attempts to replicate the target index by investing all, or substantially all, of its assets in the stocks that make up the index, holding each stock in approximately the same proportion as its weighting in the index. Vanguard Small-Cap Index Fund is primarily subject to stock market risk and investment style risk, and has a low level of derivatives risk. See “Investment Risks” for a description of these risks.

## Small-/Mid-Cap Domestic Equity

**Rothschild Asset Management Inc.** manages an investment portfolio on behalf of VEST that seeks capital appreciation by investing primarily in the equity securities of small- to mid-sized companies with market capitalizations similar to those of the Russell 2500 Index (approximately \$100 million to \$10 billion). In managing portfolios, the firm uses a disciplined investment process that blends a proprietary stock-ranking system with fundamental research by its experienced team of portfolio managers to identify stocks it believes are likely to outperform the market because they are attractively valued, with improving fundamentals. Because investments are subject to a number of risks such as market and style risk, the firm emphasizes risk controls throughout its entire process to minimize the potential impact of these factors and to earn consistent, long-term results. The separate account managed by Rothschild for VEST is primarily subject to stock market risk, investment style risk and manager risk. See “Investment Risks” for a description of these risks.

## International Equity

**The American Funds’** EuroPacific Growth Fund’s investment objective is to provide you with long-term growth of capital.

The fund invests primarily in common stocks of issuers in Europe and the Pacific Basin that the investment adviser believes have the potential for growth. Growth stocks are stocks that the investment adviser believes have the potential for above-average capital appreciation.

Normally, the fund will invest at least 80% of its net assets in securities of issuers in Europe and the Pacific Basin. A country will be considered part of Europe if it is part of the MSCI European indexes and part of the Pacific Basin if any of its borders touches the Pacific Ocean.

Securities are assigned to a particular country consistent with the issuer’s classification by the MSCI. If an issuer is not classified by the MSCI, the investment adviser will classify the issuer based on the country in which the issuer is headquartered, the issuer’s country of domicile and/or the country in which the issuer primarily lists its securities. The fund may invest a portion of its assets in common stocks and other securities of companies in countries with developing economies and/or markets. The investment adviser uses a system of multiple portfolio counselors in managing the fund’s assets. Under this approach, the portfolio of the fund is divided into segments managed by individual counselors who decide how their respective segments will be invested.

The fund relies on the professional judgment of its investment adviser to make decisions about the fund’s portfolio investments. The basic investment philosophy of the investment adviser is to seek to invest in attractively valued companies that, in its opinion, represent good, long-term investment opportunities. The investment adviser believes that an important way to accomplish this is through fundamental analysis, which may include meeting with company executives and employees, suppliers, customers and competitors. Securities may be sold when the investment adviser believes that they no longer represent relatively attractive investment opportunities.

Investors in the fund should have a long-term perspective and be able to tolerate potentially sharp declines in value.

The following risk definitions are supplied for assistance in evaluating the American Funds’ EuroPacific Growth Fund:

*Market risks* — The prices of the common stocks and other securities held by the fund may decline in response to certain events taking place around the world, including those directly involving the issuers whose securities are owned by the fund; conditions affecting the general economy; overall market changes; local, regional or global political, social or economic instability; governmental or governmental agency

responses to economic conditions; and currency, interest rate and commodity price fluctuations.

*Growth stock risks* — The growth-oriented common stocks and other equity-type securities, such as preferred stocks, convertible preferred stocks and convertible bonds, generally purchased by the fund may involve large price swings and potential for loss.

*Risks of investing outside the U.S.* — Investments in securities issued by entities based outside the United States may also be affected by currency controls; different accounting, auditing, financial reporting, disclosure, and regulatory and legal standards and practices; expropriation; changes in tax policy; greater market volatility; different securities market structures; higher transaction costs; and various administrative difficulties, such as delays in clearing and settling portfolio transactions or in receiving payment of dividends. These risks may be heightened in connection with investments in developing countries. Investments in securities issued by entities domiciled in the United States may also be subject to many of these risks.

*Developing countries risks* — Developing countries may have less developed legal and accounting systems. The governments of these countries may be more unstable and more likely to impose capital controls, nationalize a company or industry, place restrictions on foreign ownership and on withdrawing sale proceeds of securities from the country, and/or impose punitive taxes that could adversely affect security prices. In addition, the economies of these countries may be dependent on relatively few industries that are more susceptible to local and global changes. Securities markets in these countries are also relatively small and have substantially lower trading volumes. As a result, securities issued in these countries may be more volatile and less liquid than securities issued in countries with more developed economies or markets.

**The Templeton Foreign Equity Series** investment goal is to provide long-term growth of capital. The Foreign Equity Series (“FES”) seeks to provide diversification through investments in stocks of issuers based outside the U.S. The FES employs a flexible policy of investing in equity securities of companies outside the U.S., including emerging markets securities. Under normal market conditions, FES will invest at least 80% of its net assets in foreign equity securities. The FES managers seek to outperform the MSCI EAFE Index. FES may also invest in debt securities. In selecting securities for FES, the manager attempts to identify those companies that offer above-average opportunities for capital appreciation in various countries and industries where economic and political factors, including currency movements, are favorable to capital growth. When choosing equity investments for this Fund, the manager applies a “bottom up,” value-oriented, long-term approach, focusing on the market price of a company’s securities relative to the

manager’s evaluation of the company’s long-term earnings, asset value and cash flow potential. The Templeton Foreign Equity Series is subject primarily to foreign securities risks, including currency and country risks. Also, the Fund is subject to manager risk. See “Investment Risks” for a description of these risks.

## **Emerging Markets Equity**

**Aberdeen Asset Management’s** Emerging Markets Fund will invest primarily in common stocks, but may also invest in other types of equity securities, including preferred stocks, convertible securities, depositary receipts and rights and warrants to buy common stocks. As a nonfundamental policy, under normal circumstances, the Fund invests at least 80% of the value of its net assets, plus any borrowings for investment purposes, in equity securities of issuers that:

1. Have their principal securities trading market in an emerging market country
2. Alone or on a consolidated basis derive 50% or more of their annual revenue or assets from goods produced, sales made or services performed in emerging market countries; or
3. Are organized under the laws of, and have their principal office in, an emerging market country

If the Fund changes its 80% investment policy, it will notify shareholders at least 60 days before the change and will change the name of the Emerging Markets Fund. An “emerging market” country is any country determined by the Adviser or the Fund’s subadvisers to have an emerging market economy, considering factors such as the country’s credit rating, its political and economic stability and the development of its financial and capital markets. Typically, emerging markets are in countries that are in the process of industrialization, with lower gross national products (“GNP”) than more developed countries. There are currently over 130 countries that the international financial community considers to be emerging or developing, approximately 40 of which currently have stock markets. These countries generally include every nation in the world except the United States, Canada, Japan, Australia, New Zealand and most nations located in Western Europe. The Fund’s investments are ordinarily diversified among regions, countries and currencies, as determined by the Fund’s subadvisers. The Fund may invest in securities denominated in major currencies, including U.S. dollars, and currencies of emerging market countries in which it is permitted to invest. The Fund typically has full currency exposure to those markets in which it invests. However, from time to time, the Fund may hedge a portion of its foreign currency exposure.

Aberdeen’s Emerging Markets Fund is primarily subject to foreign risk, emerging markets risk, stock market risk, manager risk, small and mid cap securities risk and valuation risk. See “Investment Risks” for a description of these risks.

## **Market Fixed Income**

**Vanguard®** Total Bond Market Index Fund seeks to track a broad, market weighted, bond index. The Total Bond Market Index Fund employs a “passive management”—or indexing—investment approach designed to track the performance of the Barclays Capital U.S. Aggregate Float Adjusted Index. This Index represents a wide spectrum of public, investment-grade, taxable, fixed income securities in the United States—including government, corporate, and international dollar-denominated bonds, as well as mortgage-backed and asset-backed securities—all with maturities of more than 1 year. The Fund invests by sampling the Index, meaning that it holds a broadly diversified collection of securities that, in the aggregate, approximates the full Index in terms of key risk factors and other characteristics. All of the Fund’s investments will be selected through the sampling process, and at least 80% of the Fund’s assets will be invested in bonds held in the Index. The Fund maintains a dollar-weighted average maturity consistent with that of the Index, which generally ranges between 5 and 10 years.

Vanguard Total Bond Market Index Fund is subject to interest rate risk, income risk, credit risk, call risk, index sampling risk, and a low level of derivatives risk. See “Investment Risks” for a description of these risks.

## **High Yield Bonds**

**Prudential Fixed Income** manages an investment portfolio on behalf of VEST that seeks to outperform its benchmark by investing primarily in higher quality high yield securities. The firm believes that actively managed higher quality high yield bond portfolios, constructed from the bottom up using methodical, research-based subsector and security selection, can lead to consistent outperformance versus the broad high yield market with a lower return volatility. Prudential attempts to achieve this through a well-diversified portfolio of performing credits that are carefully researched. Intensive fundamental research is conducted by a large and experienced internal credit research staff to identify strong and improving credits. The size and experience of the research organization permit them to apply intense focus on individual securities identified from a broad pool of investment opportunities. Portfolios are then actively managed to capture the best opportunities and minimize credit losses, within an environment of disciplined risk management oversight. Prudential does not take extremely large positions, either on an absolute basis or relative to benchmarks, in any single issuer or industry as a primary means to achieve outperformance, nor do they hold a significant portion of the portfolio in an asset class other than US high yield bonds, such as common stocks or emerging markets.

The portfolio is primarily subject to credit risk. Political and geopolitical risk, as applicable, is also assessed on a daily basis to help identify potential shifts in investor sentiment. See “Investment Risks” for a description of these risks.

## **Emerging Markets Debt**

**Stone Harbor Investment Partners’** Emerging Market Debt Fund normally will invest at least 80% of its net assets (plus any borrowings made for investment purposes) in Emerging Markets Fixed Income Securities. “Emerging Markets Fixed Income Securities” include fixed income securities and derivative instruments (including, but not limited to, spot and currency contracts, futures, options and swaps) that economically are tied to countries with emerging securities markets or whose performance is linked to those countries’ markets, economies or ability to repay loans. Emerging Markets Fixed Income Securities may be denominated in non-U.S. currencies or the U.S. dollar. A security or instrument is economically tied to an emerging market country if it is principally traded on the country’s securities markets or the issuer is organized or principally operates in the country, derives a majority of its income from its operations within the country or has a majority of its assets within the country. Emerging Markets Fixed Income Securities also include derivatives and other instruments used to hedge or gain exposure to emerging securities markets (for example, futures or other derivatives whose return is based on specific emerging markets securities or indices). The Fund may use derivatives to a significant extent.

The Fund’s investment adviser, Stone Harbor Investment Partners LP (the “Adviser”), has broad discretion to identify and invest in countries that it considers to qualify as emerging securities markets. It is anticipated that the Fund will focus most of its investments in Asia, Africa, the Middle East, Latin America and the developing countries of Europe. The Fund’s investments may include, among other things, sovereign debt securities, corporate debt securities, structured notes, convertible securities, securities issued by supranational organizations, floating rate commercial loans, securitized loan participations, Rule 144A securities and derivatives related to these types of securities. The Fund seeks capital appreciation through country selection, sector selection and security selection.

The Fund is “non-diversified,” which means that it can invest a higher percentage of its assets in any one issuer or in a smaller number of issuers than a diversified fund.

Stone Harbor’s Emerging Market Debt Fund is primarily subject to emerging markets securities risk, foreign securities risk, currency risk, interest rate risk, derivatives risk, credit risk, high yield securities risk, manager risk and non-diversification risk. See “Investment Risks” for a description of these risks.

## **Global Real Estate**

Under normal circumstances, at least 80% of the **Morgan Stanley Institutional Fund, Inc.** Global Real Estate Portfolio's (the GREP Fund) assets (plus any borrowings for investment purposes) will be invested in equity securities of companies in the real estate industry, including real estate operating companies ("REOCs"), real estate investment trusts ("REITs") and similar entities established outside the United States ("foreign real estate companies"). The equity securities in which the GREP Fund may invest include common stock, preferred stock, convertible securities, depositary receipts and rights and warrants.

The GREP Fund will invest primarily in companies located in the developed countries of North America, Europe and Asia, but may also invest in emerging markets.

The GREP Fund Adviser and the "Sub-Advisers," Morgan Stanley Investment Management Limited ("MSIM Limited") and Morgan Stanley Investment Management Company ("MSIM Company"), respectively, employ an approach that emphasizes a bottom-up stock selection with a top-down global allocation. The Adviser's and Sub-Advisers' proprietary models drive the bottom-up value-driven approach for stock selection. The top-down portion seeks diversified exposure to all major asset classes with an overweighting to property markets that offer the best relative valuation. The bottom-up research process strongly influences the Adviser's and Sub-Advisers' perspective on which property markets they believe provide better relative value and growth prospects and, consequently, affects their decision to overweight or underweight a given region, sector and/or country. The Adviser and Sub-Advisers generally consider selling a GREP Fund holding if the holding's share price shifts to the point where the position no longer represents an attractive relative value opportunity versus the underlying value of its assets or versus other securities in the investment universe.

The GREP Fund is primarily subject to equity securities risk, REITs, REOCs and foreign real estate companies risk, foreign securities risk, emerging market risk and non-diversification risk. See "Investment Risks" for a description of these risks.

## **Stable Value**

**Invesco Advisers, Inc.** (Invesco) manages a separate investment account for VEST that invests in investment contracts seeking to preserve principal and deliver stable investment returns (the "Stable Value Fund"). The investment contracts utilized provide for minimal fluctuation in principal values but the Stable Value Fund is not guaranteed by Invesco or any other entity. Invesco may invest in (a) high-quality insurance company or bank investment contracts that provide for the repayment of principal plus interest credited at fixed or variable rates; (b) other investment contracts that are supported by fixed-income obligations of the U.S. Government or its agencies and other high-quality fixed-income investments, where the repayment of principal and interest from such supporting investments are paid to the Stable Value Fund; and (c) bank short-term investment funds, cash, and cash equivalents. Investments in the Stable Value Fund earn a composite rate of return received under all investments of the Stable Value Fund. As individual investments and contracts mature, the Stable Value Fund will make new investments at new rates that generally reflect then-current interest rates. Consequently, the composite returns provided by the Stable Value Fund are expected to follow, with some amount of lag, the general trends of interest rates. The Stable Value Fund is primarily subject to a moderate level of income risk. The Stable Value Fund is also subject to low levels of credit risk, derivatives risk and interest rate risk. See "Investment Risks" for a description of these risks.

## Age-Based Evolving Portfolios

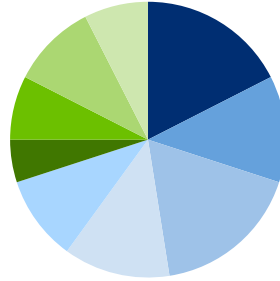
### James River

80% Equity, 20% Fixed Income



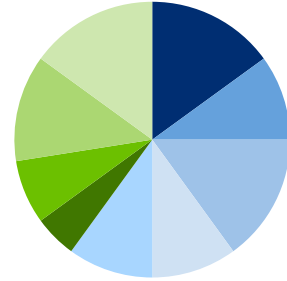
### Eastern Shore

70% Equity, 30% Fixed Income



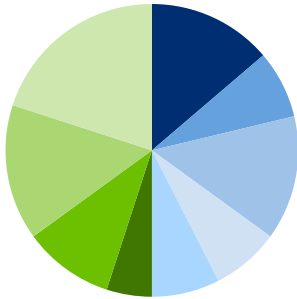
### Alleghany

60% Equity, 40% Fixed Income



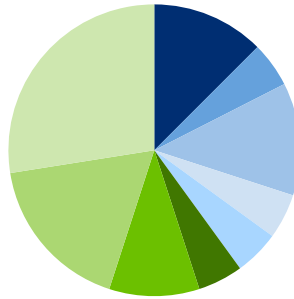
### Chesapeake

50% Equity, 50% Fixed Income



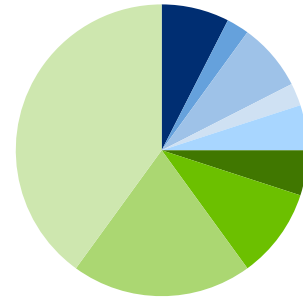
### Potomac

40% Equity, 60% Fixed Income



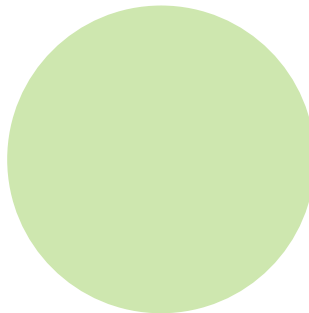
### Southside

25% Equity, 75% Fixed Income



### Piedmont

100% Fixed Income/Stable Value



#### Asset Class

#### Investment Manager

#### Fund or Separate Account

Large-Cap Domestic Equity	The Vanguard Group, Inc.	Institutional Index Fund
Small-Cap Domestic Equity	The Vanguard Group, Inc.	Small-Cap Index Fund
Small-/Mid-Cap Domestic Equity	Rothschild Asset Management Inc.	Separate investment account for VEST
International Equity	Capital Research and Management Co.	American Funds EuroPacific Growth Fund
International Equity	Templeton Institutional Funds, Inc.	Templeton Foreign Equity Series
Emerging Markets Equity	Aberdeen Asset Management	Aberdeen Emerging Market Fund
Global Real Estate	Morgan Stanley	Morgan Stanley Institutional Global Real Estate Fund
High Yield Bonds	Prudential Investment Management, Inc.	Separate investment account for VEST
Emerging Markets Debt	Stone Harbor Investment Partners	Stone Harbor Emerging Market Debt Fund
Market Fixed Income	The Vanguard Group, Inc.	Total Bond Market Index Fund
Stable Value	Invesco Advisers, Inc.	Separate investment account for VEST

## Non-Evolving Portfolios

VEST offers Non-Evolving Portfolios, each of which is intended to address various investment strategies and risk tolerances. Non-Evolving Portfolios do not change their strategic allocations at predetermined times. Contributions to your Account buy Units in a Non-Evolving Portfolio. These are in turn invested in a Fund, as shown in Chart V. The value of the Units in each Portfolio will vary from day to day, reflecting changes in the values of the Funds. The performance of each Non-Evolving Portfolio depends on the performance of the Fund, which in turn depends on the performance of the Funds' holdings.

VEST Account Owners have the option of opening multiple Accounts for the same Beneficiary in different Portfolios. Account Owners may also change their Portfolio selection once per calendar year for the same Beneficiary. The same Account Owner may not have more than one Account for the same Beneficiary in the same Portfolio.

Depending upon market conditions and other factors, VCSP may alter the allocation strategy of any Portfolio and/or create a new Portfolio or Portfolio allocation when it deems it to be, in its sole discretion, in the best interests of current and potential Account Owners to do so.

The following chart and discussion summarizes those Funds in which the VEST Non-Evolving Portfolios directly invest. The assets of VEST's Non-Evolving Portfolios are invested in a combination of mutual funds and separate accounts according to each Non-Evolving Portfolio's target asset allocation. The investment managers of these Funds and accounts and the underlying investments and their ticker symbols are:

### Chart V

VEST Portfolio	Fund	Symbol <sup>1</sup>
Aggressive	Vanguard LifeStrategy Growth Fund	VASGX
Moderate	Vanguard LifeStrategy Moderate Growth Fund	VSMGX
Conservative	Vanguard LifeStrategy Income Fund	VASIX
Money Market	Vanguard Prime Money Market Fund <sup>2</sup>	VMRXX
Total Stock Market Index	Vanguard Total Stock Market Index Fund	VITSX
Total Bond Market Index	Vanguard Total Bond Market Index Fund	VBMPX
Total International Stock Index	Vanguard Total International Stock Index Fund	VTSNX
Inflation-Protected Securities	Vanguard Inflation-Protected Securities Fund	VIPIX
REIT Index	Vanguard REIT Index Fund	VGSNX
Socially Targeted Investment	Parnassus Equity Income Fund	PRILX

<sup>1</sup>Ticker symbols provided are for the Fund and may show some variance from the individual Portfolio return. This is due in part to differences in the expense ratios of the Funds and the VEST Portfolios, since the Portfolios include the VEST administrative fee of 0.20%. See "Investment Performance" for more details.

<sup>2</sup>The Money Market Portfolio's investments in the Vanguard Prime Money Market Fund are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the Vanguard Prime Money Market Fund seeks to preserve the value of an investment in the Vanguard Prime Money Market Fund at \$1 per share, it is possible that the VEST Money Market Portfolio may lose money by investing in the Vanguard Prime Money Market Fund.

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The fund managers for the Funds of the Aggressive, Moderate, and Conservative Portfolios seek to achieve the Funds’ investment objectives by investing in a combination of other mutual funds representing different asset classes.

## The Aggressive Portfolio

### Investment Objective

The Aggressive Portfolio seeks to provide capital appreciation and some current income.

### Investment Strategy

The Aggressive Portfolio invests entirely in the Vanguard LifeStrategy Growth Fund (the “Growth Fund”). The Growth Fund invests in other Vanguard mutual funds according to a fixed formula that over time should reflect an allocation of approximately 80% of the Growth Fund’s assets to common stocks and 20% to bonds. The percentages of the Growth Fund’s assets allocated to each of the underlying funds are presented in Chart VI.

The Growth Fund’s indirect stock holdings consist substantially of large-capitalization U.S. stocks and, to a lesser extent, mid- and small-cap U.S. stocks and foreign stocks. Its indirect bond holdings are a diversified mix of short-, intermediate-, and long-term U.S. government, U.S. agency, and investment-grade corporate bonds, as well as mortgage-backed and asset-backed securities. The Growth Fund’s board of trustees allocates the Growth Fund’s assets among the underlying funds based on the Growth Fund’s investment objectives and policies. The Growth Fund’s board of trustees may change these allocations from time to time without shareholder approval. **Important Note:** On September 30, 2011, Vanguard announced that the Growth Fund, which previously contained both passively and actively managed funds, would adopt an all-index approach. The Growth Fund will invest solely in its three broad market component funds (Vanguard Total Stock Market Index Fund, Vanguard Total International Stock Index Fund, and Vanguard Total Bond Market II Index Fund) and gradually eliminate exposure to its actively managed component fund (Vanguard Asset Allocation Fund). This transition is expected to be completed by the end of 2011.

### Investment Risks

Because the Aggressive Portfolio invests entirely in the Vanguard LifeStrategy Growth Fund, the Portfolio is primarily subject to a high level of stock market risk and a moderate level of foreign securities risk, currency risk, and emerging markets risk. The Portfolio is also subject to low levels of derivatives risk and bond risks, including interest rate, credit, income, and call/prepayment risks.

Through the Growth Fund’s limited investment in an actively managed fund, the Portfolio is subject to manager risk. See “Investment Risks” for a description of these risks.

## Chart VI

The following table shows the expected allocation of moneys in Vanguard LifeStrategy Funds that make up the investments of the Aggressive, Moderate and Conservative VEST Portfolios. The allocations may change based on the particular Fund manager’s determination.

	VEST Portfolio		
	Aggressive	Moderate	Conservative
Vanguard LifeStrategy Fund	LifeStrategy Growth	LifeStrategy Moderate Growth	LifeStrategy Income
Expected Long-Term Allocation	80% Equity 20% Fixed Income	60% Equity 40% Fixed Income	20% Equity 80% Fixed Income

**Important Note:** On September 30, 2011, Vanguard announced that the LifeStrategy Funds discussed in this chart, which previously contained both passively and actively managed funds, would adopt an all-index approach. The Funds will invest solely in the three broad market component funds (Vanguard Total Stock Market Index Fund, Vanguard Total International Stock Index Fund, and Vanguard Total Bond Market II Index Fund) and gradually eliminate exposure to the actively managed component fund (Vanguard Asset Allocation Fund). This transition is expected to be completed by the end of 2011.

## The Moderate Portfolio

### Investment Objective

The Moderate Portfolio seeks to provide capital appreciation and a low to moderate level of current income.

### Investment Strategy

The Moderate Portfolio invests entirely in the Vanguard LifeStrategy Moderate Growth Fund (the “Moderate Growth Fund”). The Moderate Growth Fund invests in other Vanguard mutual funds according to a fixed formula that over time should reflect an allocation of approximately 60% of the Moderate Growth Fund’s assets to common stocks and 40% to bonds. The percentages of the Moderate Growth Fund’s assets allocated to each of the underlying funds are presented in Chart VI. The Moderate Growth Fund’s indirect stock holdings consist substantially of large-capitalization U.S. stocks and, to a lesser extent, mid- and small-cap U.S. stocks and foreign stocks. Its indirect bond holdings are a diversified mix of short-, intermediate-, and long-term U.S. government, U.S. agency, and investment-grade corporate bonds, as well as mortgage-backed and asset-backed securities. The Moderate Growth Fund’s board of trustees

allocates the Moderate Growth Fund's assets among the underlying funds based on the Moderate Growth Fund's investment objectives and policies. The Moderate Growth Fund's board may change these allocations from time to time without shareholder approval. **Important Note:** On September 30, 2011, Vanguard announced that the Moderate Growth Fund, which previously contained both passively and actively managed funds, would adopt an all-index approach. The Moderate Growth Fund will invest solely in its three broad market component funds (Vanguard Total Stock Market Index Fund, Vanguard Total International Stock Index Fund, and Vanguard Total Bond Market II Index Fund) and gradually eliminate exposure to its actively managed component fund (Vanguard Asset Allocation Fund). This transition is expected to be completed by the end of 2011.

### Investment Risks

Because the Moderate Portfolio invests entirely in the Vanguard LifeStrategy Moderate Growth Fund, the Portfolio is primarily subject to stock market risk, a moderate level of foreign securities risk, currency risk, and emerging markets risk, and a low level of derivatives risk. The Portfolio is also subject to moderate levels of bond risks, including interest rate, credit, income, and call/prepayment risks. Through its limited investment in an actively managed fund, the Portfolio is subject to manager risk. See "Investment Risks" for a description of these risks.

## The Conservative Portfolio

### Investment Objective

The Conservative Portfolio seeks to provide current income and some capital appreciation.

### Investment Strategy

The Conservative Portfolio invests entirely in the Vanguard LifeStrategy Income Fund (the "Income Fund"). The Income Fund invests in other Vanguard mutual funds according to a fixed formula that over time should reflect an allocation of approximately 60% of the Income Fund's assets to bonds, 20% to short-term fixed income investments, and 20% to common stocks. The percentages of the Income Fund's assets allocated to each of the underlying funds are presented in Chart VI.

The Income Fund's indirect bond holdings are a diversified mix of short-, intermediate-, and long-term U.S. government, U.S. agency, and investment-grade corporate bonds, as well as mortgage-backed and asset-backed securities. Its indirect stock holdings consist substantially of large-capitalization U.S. stocks and, to a lesser extent, mid- and small-cap U.S. stocks. The Income Fund's board of trustees allocates Income Fund assets among the underlying funds based on the Income Fund's investment objectives and policies. The board may change these allocations from time to time without shareholder approval. **Important Note:** On September 30, 2011, Vanguard announced that the Income Fund, which

previously contained both passively and actively managed funds, would adopt an all-index approach. The Income Fund will invest solely in its three broad market component funds (Vanguard Total Stock Market Index Fund, Vanguard Total International Stock Index Fund, and Vanguard Total Bond Market II Index Fund) and gradually eliminate exposure to its actively managed component funds (Vanguard Asset Allocation Fund and Vanguard Short-Term Investment-Grade Fund). This transition is expected to be completed by the end of 2011.

### Investment Risks

Because the Conservative Portfolio invests entirely in the Vanguard LifeStrategy Income Fund, the Portfolio is primarily subject to bond risks, including interest rate, credit, income, and call/prepayment risks. The Portfolio is also subject to a low to moderate level of stock market risk, and low levels of foreign securities risk, currency risk, emerging markets risk and derivatives risk. Through its limited investment in actively managed underlying funds, the Portfolio is subject to manager risk. See "Investment Risks" for a description of these risks.

## The Money Market Portfolio

### Investment Objective

The Money Market Portfolio seeks to provide current income while maintaining liquidity and preserving principal.

### Investment Strategy

The Money Market Portfolio invests entirely in the Vanguard Prime Money Market Fund (the "Money Market Fund"). The Money Market Fund invests primarily in high-quality, short-term money market instruments, including certificates of deposit, banker's acceptances, commercial paper, and other money market securities. To be considered high quality, a security generally must be rated in one of the two highest credit-quality categories for short-term securities by at least two nationally recognized rating services (or by one, if only one rating service has rated the security). If unrated, the security must be determined to be of quality equivalent to those in the two highest credit-quality categories. The Money Market Fund invests more than 25% of its assets in securities issued by companies in the financial services industry, and it will maintain a dollar-weighted average maturity of 60 days or less and a dollar-weighted average life of 120 days.

### Investment Risks

Because the Money Market Portfolio invests entirely in the Vanguard Prime Money Market Fund, the Portfolio is subject to a high level of income risk. The Portfolio is also subject to a moderate to high level of industry concentration risk and low levels of credit risk and manager risk. See "Investment Risks" for a description of these risks.

**The Money Market Portfolio’s investments in the Vanguard Prime Money Market Fund are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the Vanguard Prime Money Market Fund seeks to preserve the value of an investment in the Vanguard Prime Money Market Fund at \$1 per share, it is possible that the VEST Money Market Portfolio may lose money by investing in the Vanguard Prime Money Market Fund.**

## **The Total Stock Market Index Portfolio**

### **Investment Objective**

The Total Stock Market Index Portfolio seeks to track the performance of a benchmark index that measures the investment return of the overall stock market.

### **Investment Strategy**

The Total Stock Market Index Portfolio invests entirely in the Vanguard Total Stock Market Index Fund (the “Total Stock Market Index Fund”), which employs a “passive management” – or indexing – investment approach designed to track the performance of the MSCI US Broad Market Index. The Index represents 99.5% or more of the total market capitalization of all the U.S. common stocks regularly traded on the New York Stock Exchange and the NASDAQ over-the-counter market. The Total Stock Market Index Fund typically holds 1,200–1,300 of the stocks in its target index (covering nearly 95% of the Index’s total market capitalization) and a representative sample of the remaining stocks. The Total Stock Market Index Fund holds a broadly diversified collection of securities that, in the aggregate, approximates the full Index in terms of key characteristics. These key characteristics include industry weightings and market capitalization, as well as certain financial measures, such as price/earnings ratio and dividend yield.

### **Investment Risks**

Because the Total Stock Market Index Portfolio invests entirely in the Vanguard Total Stock Market Index Fund, the Portfolio is primarily subject to stock market risk and has low levels of index sampling risk and derivatives risk. See “Investment Risks” for a description of these risks.

## **The Total Bond Market Index Portfolio**

### **Investment Objective**

The Total Bond Market Index Portfolio seeks to track the performance of a broad, market-weighted bond index.

### **Investment Strategy**

The Total Bond Market Index Portfolio invests entirely in the Vanguard Total Bond Market Index Fund (the “Total Bond Market Index Fund”), which employs a “passive management” – or indexing – investment strategy designed to track the performance of the Barclay’s Capital U.S. Aggregate Float Adjusted Index. This Index represents

a wide spectrum of public, investment-grade, taxable, fixed-income securities in the United States – including government, corporate, and international dollar-denominated bonds, as well as mortgage-backed and asset-backed securities, all with maturities of more than 1 year. The Total Bond Market Index Fund invests by sampling the Index, meaning that it holds a broadly diversified collection of securities that, in the aggregate, approximates the full Index in terms of key risk factors and other characteristics. All of the Total Bond Market Index Fund’s investments will be selected through the sampling process, and at least 80% of the Fund’s assets will be invested in bonds held in the Index. The Fund maintains a dollar-weighted average maturity consistent with that of the Index, which currently ranges between 5 and 10 years.

### **Investment Risk**

Because the Total Bond Market Index Portfolio invests entirely in the Vanguard Total Bond Market Index Fund, the Portfolio is subject to a moderate level of interest rate risk, income risk, and call/prepayment risk. The Portfolio is also subject to low levels of credit risk, index sampling risk and derivatives risk. See “Investment Risks” for a description of these risks.

## **The Total International Stock**

### **Index Portfolio**

### **Investment Objective**

The Total International Stock Index Portfolio seeks to track the performance of a benchmark index that measures the investment return of stocks issued by companies located in developed and emerging markets, excluding the United States.

### **Investment Strategy**

The Total International Stock Index Portfolio invests entirely in the Vanguard Total International Stock Index Fund (the “Total International Stock Index Fund”), which employs a “passive management” – or indexing – investment approach designed to track the performance of the MSCI All Country World ex USA Investable Market Index. This Index is designed to measure equity market performance of companies located in developed and emerging markets, excluding the United States. The Index includes approximately 6,000 stocks of companies located in 44 countries. The Total International Stock Index Fund invests all, or substantially all, of its assets in the common stocks included in its target index.

### **Investment Risks**

Because the Total International Stock Index Portfolio invests entirely in the Vanguard Total International Stock Index Fund, the Portfolio is subject to stock market risk, foreign securities risk, investment style risk, emerging markets risk, and currency risk. The Portfolio also has a low level of derivatives risk. See “Investment Risks” for a description of these risks.

## **The Inflation-Protected Securities Portfolio**

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### **Investment Objective**

The Inflation-Protected Securities Portfolio seeks to provide inflation protection and income consistent with investment in inflation-indexed securities.

### **Investment Strategy**

The Inflation-Protected Securities Portfolio invests entirely in the Vanguard Inflation-Protected Securities Fund (the “Inflation-Protected Securities Fund”), which invests at least 80% of its assets in inflation-indexed bonds issued by the U.S. government, its agencies and instrumentalities, and corporations. The Inflation-Protected Securities Fund may invest in bonds of any maturity; however, its dollar-weighted average maturity is expected to be in the range of 7 to 20 years. All bonds purchased by the Inflation-Protected Securities Fund will be rated “investment grade.”

### **Investment Risk**

Because the Inflation-Protected Securities Portfolio invests entirely in the Inflation-Protected Securities Fund, the Portfolio is subject to a high level of income fluctuation risk. The Portfolio has low to moderate levels of interest rate risk and manager risk and a low level of derivatives risk. See “Investment Risks” for a description of these risks.

**The Vanguard Inflation-Protected Securities Fund seeks to provide protection from inflation as measured by the Consumer Price Index (CPI). It is possible that the costs of higher education may increase at a rate that exceeds the rate of increase of the CPI. There is no guarantee that the Vanguard Inflation-Protected Securities Fund will protect investors from the rising costs of higher education.**

## **The Real Estate Investment Trust (REIT)**

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### **Index Portfolio**

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### **Investment Objective**

The Real Estate Investment Trust (REIT) Index Portfolio seeks to provide a high level of income and moderate long-term capital appreciation by tracking the performance of a benchmark index that measures the performance of publicly traded equity REITs.

### **Investment Strategy**

The REIT Index Portfolio invests entirely in the Vanguard REIT Index Fund (the “REIT Index Fund”), which employs a “passive management” – or indexing – investment approach designed to track the performance of the MSCI US REIT Index. The Index is composed of stocks of publicly traded equity real estate investment trusts (known as REITs). The REIT Index Fund attempts to replicate the Index by investing all, or substantially all, of its assets in the stocks that make up the Index, holding each stock in approximately the same proportion as its weighting in the Index.

### **Investment Risk**

Because the REIT Index Portfolio invests entirely in the Vanguard REIT Index Fund, the Portfolio is subject to a high level of industry concentration risk and interest rate risk. The Portfolio is also subject to stock market risk, investment style risk, and a low level of derivatives risk. See “Investment Risks” for a description of these risks.

## **The Socially Targeted Investment Portfolio**

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### **Investment Objective**

The investment objective of the Socially Targeted Investment Portfolio is to achieve both capital appreciation and current income by investing primarily in a diversified portfolio of large-cap equity securities using financial, environmental, social, and governance (ESG) criteria.

### **Investment Strategy**

The Socially Targeted Investment Portfolio invests entirely in the Parnassus Equity Income Fund. In general, Parnassus Investments will choose to invest in companies that it believes will generate attractive risk-adjusted returns over the long term while taking ESG factors into account. The key criteria the investment team looks for in its company-specific investment process are: future relevancy of a company’s products or services, competitive moat, strong management and attractive valuation. The Fund invests principally in undervalued equity securities of large-cap companies. At least 75% of the Parnassus Equity Income Fund’s total assets will be invested in equity securities that pay dividends. The remaining 25% of the Fund’s total assets may be invested in non-dividend paying equity securities. Up to 20% of the Parnassus Equity Income Fund’s total assets can be invested in foreign securities (typically through American Depository receipts).

### **Responsible Investment Policy**

Parnassus Investments conducts fundamental research to determine a company’s financial health and its business prospects, and also takes ESG factors into account in making investment decisions. By incorporating ESG factors into its fundamental investment process, Parnassus Investments often identifies risks and opportunities that the market may have ignored. Parnassus Investments looks for companies that respect the environment, treat their employees well, and have effective equal-employment-opportunity policies and good community relations. Companies also must have strong corporate governance policies and ethical business dealings. Parnassus Investments will not invest in companies that derive significant revenues from the manufacture of alcohol, tobacco, or weapons, companies that have direct gambling operations, and companies that generate electricity from nuclear power facilities. The spirit of these exclusionary screens is to avoid investment in companies with negative impacts that outweigh any potential benefits from their business activities.

### Investment Risks

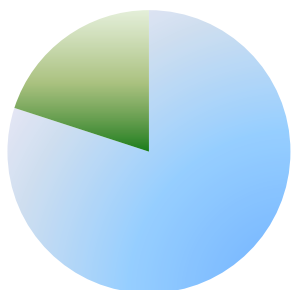
The Socially Targeted Investment Portfolio invests entirely in the Parnassus Equity Income Fund. Because it invests entirely in an actively managed Fund it is subject to manager risk. The Portfolio is also subject to investment style risk. The Fund's share price may change daily based on the value of its security holdings. Stock markets can be volatile, and stock values fluctuate in response to the asset levels of individual companies and in response to general domestic and international market and economic conditions. In addition to large-cap companies, the Fund strategy may invest in small- and/or mid-cap companies, which can be more volatile than large-cap firms. Security holdings in the Fund can vary significantly from broad market indexes. See "Investment Risks" for a description of specific risks.

## Non-Evolving Portfolios

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**NOTE:** The following charts are for illustrative purposes only and should not be the sole source of information used in making your investment decisions. In addition to your own research, please read the complete Program Description and review each Fund's official website to learn more. Please also note the investment allocations represented here are only target allocations for each portfolio. Actual allocations may vary. In addition, the board of trustees for each of the Aggressive, Moderate, and Conservative Portfolios' Funds allocate each Funds' assets amongst underlying funds based on the particular Fund's investment objectives and policies. Each Fund's board of trustees may change these allocations from time to time without shareholder approval.

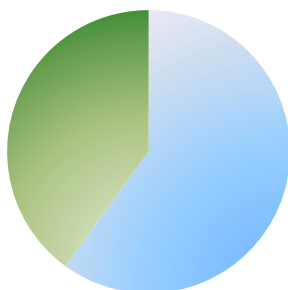
### Aggressive



**Vanguard LifeStrategy  
Growth Fund**

Approx. 80% Equity  
Approx. 20% Fixed Income

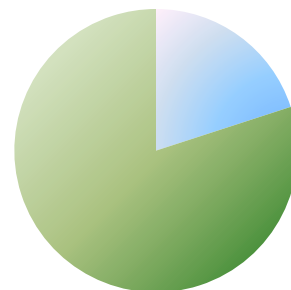
### Moderate



**Vanguard LifeStrategy  
Moderate Growth Fund**

Approx. 60% Equity  
Approx. 40% Fixed Income

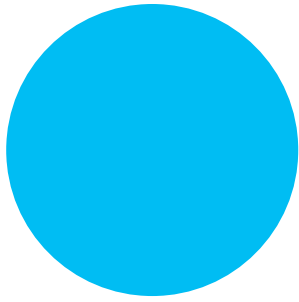
### Conservative



**Vanguard LifeStrategy  
Income Fund**

Approx. 20% Equity  
Approx. 80% Fixed Income

### Money Market



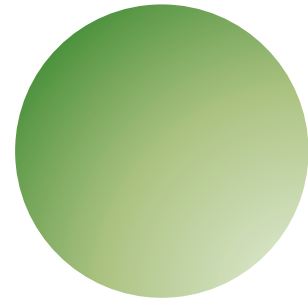
**Vanguard Prime Money Market Fund**  
100% Cash & cash equivalents

### Total Stock Market Index



**Vanguard Total Stock Market Index Fund**  
100% Domestic Equity

### Total Bond Market Index



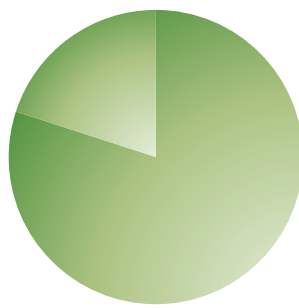
**Vanguard Total Bond Market Index Fund**  
100% Fixed Income

### Total International Stock Index



**Vanguard Total Int'l Stock Index Fund**  
100% International & Emerging Markets Equity

### Inflation-Protected Securities



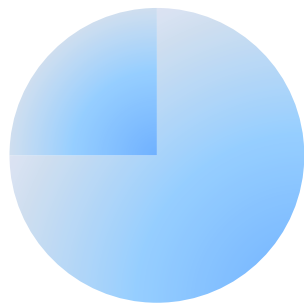
**Vanguard Inflation-Protected Securities Fund\***  
80% Inflation-Indexed Fixed Income  
20% Fixed Income/Cash

### Real Estate Investment Trust (REIT) Index



**Vanguard REIT Index Fund**  
100% Equity REIT's

### Socially Targeted Investment



**Parnassus Equity Income Fund**  
75% Dividend Paying Equity Securities  
25% Non-Dividend Paying Equity,  
Short Term or Money Market Instruments

\*At least 80% or more of the Fund will be invested in inflation-indexed securities

## Investment Risks

This section describes some of the principal investment risks associated with the VEST program, but it does not constitute an exhaustive list of the factors you should consider before opening an Account and making Contributions to it. Other risks associated with participating in the VEST program are found in the “Risk Considerations of Program Participation” section. In addition, an Account Owner may wish to consult a financial or tax adviser before investing in VEST.

**Asset-Backed Securities Risk** – see “Special Risks of Mortgage-Backed and Asset-Backed Securities”

**Bond Risk** – see “Interest Rate Risk”, “Credit Risk”, “Income Risk”, and “Call/Prepayment Risk” for descriptions of specific Bond Risks.

**Call/Prepayment Risk** – This is the risk that during periods of falling interest rates issuers of callable bonds may call (redeem) securities with higher coupons or interest rates before their maturity dates. A Fund containing callable bonds that are called would lose any price appreciation above the bond’s call price and the Fund would be forced to reinvest the unanticipated proceeds at lower interest rates, resulting in a decline in the Fund’s income. For mortgage-backed securities, this risk is known as prepayment risk.

**Credit Risk** – This is the risk that an issuer of a bond owned by a Fund will fail to pay interest and principal in a timely manner, or that negative perceptions of the issuer’s ability to make such payments will cause the price of that bond to decline.

**Currency Risk** – This is the risk that, for Funds that invest in foreign securities, the value of a foreign investment, measured in U.S. dollars, will decrease because of unfavorable changes in currency exchange rates.

**Derivatives Risk** – This is the risk that arises when there is an investment in futures and options contracts, straddles, warrants, convertible securities, swap agreements, or other derivatives. Generally speaking, a derivative is a financial contract whose value is based on the value of a financial asset (such as a stock, bond, or currency), a physical asset (such as gold), or a market index (such as the S&P 500 Index). Investments in derivatives may subject the underlying funds to risks different from, and possibly greater than, those of the underlying securities, assets, or market indexes.

**Emerging Markets Risk** – Funds that invest in foreign securities may be subject to emerging markets risk, which is the risk that the stocks of companies located in emerging markets will be substantially more volatile, and substantially less liquid, than the stocks of companies located in more developed foreign markets.

**Equity Securities Risk** – In general, prices of equity securities are more volatile than those of fixed income

securities. The prices of equity securities will rise and fall in response to a number of different factors, including events that affect particular issuers as well as events that affect entire financial markets or industries. To the extent that the Fund invests in convertible securities, and the convertible security’s investment value is greater than its conversion value, its price will be likely to increase when interest rates fall and decrease when interest rates rise. If the conversion value exceeds the investment value, the price of the convertible security will tend to fluctuate directly with the price of the underlying equity security.

**Foreign Real Estate Companies Risk** – see “REITs, REOCs and Foreign Real Estate Companies Risk”.

**Foreign Securities Risk** – Funds that invest in foreign securities are subject to country/regional risk- which is the chance that world events, such as political upheaval, financial troubles, or natural disasters- will adversely affect the value of securities issued by companies in foreign countries or regions. They are also subject to currency risk, which is the chance that the value of a foreign investment, measured in U.S. dollars, will decrease because of unfavorable changes in currency exchange rates. In addition, investments in foreign stock markets can be riskier than U.S. stock investments. The prices of international stocks and the prices of U.S. stocks have, at times, moved in opposite directions.

**High Yield Securities Risk** – High yield securities and securities of similar quality (whether or not rated), because of their speculative nature, price sensitivity, potential illiquidity and greater risk of default, present added risks compared to investing in other types of securities.

**Income Risk** – This is the risk that falling interest rates will cause the income of a Fund with bond exposure to decline. A fund holding bonds will experience a decline in income when interest rates fall, because the fund must then invest in lower-yielding bonds. Income risk is generally higher for short-term bond funds and lower for long-term bond funds.

**Income Fluctuation Risk** – This is the risk that the Vanguard Inflation-Protected Securities Fund’s quarterly income distributions will fluctuate considerably more than the income distributions of a typical bond fund. Income fluctuations associated with changes in interest rates are expected to be low; however, income fluctuations associated with changes in inflation are expected to be high.

**Index Sampling Risk** – This is the risk that the securities selected for a Fund that uses the sampling method of indexing will not, in the aggregate, provide investment performance matching that of the Fund’s target index.

**Industry Concentration Risk**– This is the risk that there will be overall problems affecting a particular industry. For example, adverse developments affecting the real estate industry and real property values or the financial services

industry will cause the respective Fund's performance to decline.

**Interest Rate Risk** – This is the risk that bond prices overall will decline because of rising interest rates. Interest rate risk is higher for long-term bond funds and lower for short-term bond funds.

**Investment Style Risk** – This is the risk that returns from the types of stocks in which a Fund invests will trail returns from the overall stock market. Specific types of stocks tend to go through cycles of doing better – or worse – than the stock market in general. These periods have, in the past, lasted for as long as several years.

**Issuer-Specific Risk** – This risk refers to changes in the financial condition of an issuer, changes in specific economic or political conditions that affect a particular type of security or issue, and changes in general economic or political conditions that can affect the credit quality or value of an issuer's securities. Entities providing credit support or a maturity-shortening structure can also be affected by these changes. If the structure of a security fails to function as intended, the security could decline in value.

**Liquidity Risk** – This is the risk that particular investments are difficult to sell. The manager may not be able to sell these illiquid investments at the best prices. Investments in derivatives, non-U.S. investments, restricted securities, securities having small market capitalization, and securities having substantial market and/or credit risk tend to involve greater liquidity risk.

**Manager Risk** – This is the risk that poor security selection or focus on securities in a particular sector, category, or group of companies will cause the Fund to underperform relevant benchmarks or other funds with a similar investment objective.

**Mortgage-Backed Securities Risk** – see “Special Risks of Mortgage-Backed and Asset-Backed Securities”

**Non-Diversification Risk** – Being non-diversified may magnify a Fund's losses from adverse events affecting a particular issuer.

**Prepayment Risk** – See “Call/Prepayment Risk”.

**Political and Geopolitical Risk**– These are the risks associated with the political environment in both the United States and Europe, and the impact such an environment has on current market conditions and investor confidence. Such conditions make the need for daily risk monitoring even more vital.

**REITs, REOCs and Foreign Real Estate Companies Risk** – Investing in REITs, REOCs and foreign real estate companies exposes investors to the risks of owning real

estate directly, as well as to risks that relate specifically to the way in which REITs, REOCs and foreign real estate companies are organized and operated. Operating REITs and foreign real estate companies requires specialized management skills and the Portfolio indirectly bears REIT and foreign real estate company management expenses along with the direct expenses of the Portfolio. REITs are also subject to certain provisions under federal tax law and the failure of a company to qualify as a REIT could have adverse consequences for the Portfolio. In addition, foreign real estate companies may be subject to the laws, rules and regulations governing those entities and their failure to comply with those laws, rules and regulations could negatively impact the performance of those entities.

**REOCs Risk** – See “REITs, REOCs and Foreign Real Estate Companies Risk”

**Small- and Mid-Cap Securities Risk** – in general, stocks of small- and mid-cap companies may be more volatile and less liquid than larger company stocks.

**Special Risks of Mortgage-Backed and Asset-Backed Securities** – Mortgage-backed securities represent an interest in a pool of mortgages. When market interest rates decline, many mortgages are refinanced, and mortgage-backed securities are paid off earlier than expected. Prepayments may also occur on a scheduled basis or be due to foreclosure. In this situation, the effect on the Portfolio's return is similar to that discussed for call risk.

When market interest rates increase, the market values of mortgage-backed securities decline. At the same time, however, mortgage refinancing and prepayments slow, which lengthens the effective maturities of these securities. As a result, the negative effect of the rate increase on the market value of mortgage-backed securities is usually more pronounced than it is for other types of fixed income securities, potentially increasing the volatility of the Portfolio.

The underlying assets of asset-backed securities may include such items as motor vehicle installment sales or installment loan contracts, leases of various types of real and personal property, and receivables from credit card agreements. The ability of an issuer of asset-backed securities to enforce its security interest in the underlying assets may be limited. Asset-backed securities are subject to many of the same risks as mortgage-backed securities.

**Stock Market Risk** – This is the risk that stock prices overall will decline. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices.

**Valuation Risk** – This is the risk that the lack of active trading markets may make it difficult to obtain an accurate price for a security held by the Fund.

## Fees and Expenses

VEST's general operating expenses and investment costs will be deducted from Account balances based on the average daily net assets in an Account. VCSP receives no state appropriation and is entirely self-funding. Its general operating expenses include operating and payroll costs, investment management and custodial fees, lockbox fees, software maintenance and development costs, marketing and printing expenses, and fees for other services. The effect of these operating expenses and investment costs associated with the Funds in the Portfolios is to reduce the daily Unit value of each Portfolio. The following table shows the fees and expenses associated with each Portfolio and allocated pro rata to each Account. These expenses may be increased or decreased at VCSP's sole discretion.

### Chart VII VEST Program Fees

Asset-based charges effective June 30, 2011.

VEST Investment Options	Estimated Fund Expense Ratio	VCSP Administrative Fee	Total Fees
<b>Age-Based Evolving Portfolios</b>			
James River	0.59%	0.20%	0.79%
Eastern Shore	0.59%	0.20%	0.79%
Alleghany	0.52%	0.20%	0.72%
Chesapeake	0.47%	0.20%	0.67%
Potomac	0.41%	0.20%	0.61%
Southside	0.35%	0.20%	0.55%
Blue Ridge <sup>1</sup>	0.29%	0.20%	0.49%
Highlands <sup>1</sup>	0.10%	0.20%	0.30%
Shenandoah <sup>1</sup>	0.10%	0.20%	0.30%
Tidewater <sup>1</sup>	0.10%	0.20%	0.30%
Piedmont	0.10%	0.20%	0.30%
<b>Non-Evolving Portfolios</b>			
Aggressive	0.20%	0.20%	0.40%
Moderate	0.19%	0.20%	0.39%
Conservative	0.18%	0.20%	0.38%
Money Market	0.09%	0.10%	0.19%
Socially Targeted Investment	0.78%	0.20%	0.98%
Total Stock Market Index	0.06%	0.20%	0.26%
Total Bond Market Index	0.05%	0.20%	0.25%
Total International Stock Index	0.15%	0.20%	0.35%
Inflation-Protected Securities	0.07%	0.20%	0.27%
REIT Index	0.08%	0.20%	0.28%

<sup>1</sup>This Portfolio is closed to new participants. Visit [Virginia529.com](http://Virginia529.com) for updated VEST information.

**Other Charges.**

VCSP will assess a \$25 application fee when each VEST Account is opened. VCSP does not charge an annual Account maintenance fee, but reserves the right to charge Account Owners other administrative fees, including fees for Rollovers, Account cancellations, Beneficiary and Account Owner changes, among others. Current fees are set out in the following table, which may be amended by VCSP from time to time. The most current fee schedule is available on the web at Virginia529.com. Whole or fractional Units in VEST Accounts may be liquidated to pay any fees, expenses or liabilities owed to VCSP. VCSP, in its sole discretion, reserves the right to waive certain fees in circumstances where it deems a waiver appropriate or for marketing or other purposes.

**Chart VIII**

Type of Fee	Amount
Application	\$25
Account Cancellation <sup>1</sup>	\$25
Rollover to Another QTP <sup>2</sup>	\$25
Change of Account Owner <sup>3</sup>	\$10
Non-sufficient Funds	\$25
Expedited Distribution	\$50
Other Administrative Fees	Set by Board

<sup>1</sup> Waived in case of Beneficiary's death, disability or receipt of scholarship

<sup>2</sup> Waived for Rollovers to VPEP

<sup>3</sup> Waived in case of Account Owner's death or disability

Visit [Virginia529.com](http://Virginia529.com) for updated VEST information.

**Investment Cost Example.** The following table is a hypothetical example and compares the approximate cost of investing in VEST over different periods of time. Your actual cost may be higher or lower. The table is based upon the following assumptions:

A \$10,000 Contribution invested for the time periods shown.

A 5% annualized rate of return is achieved on the amount invested throughout the calculation periods. Income earned is accrued and compounded on a daily basis (which more closely replicates the daily NAV per share calculation used by mutual funds).

Total annual asset-based fees remain the same as those shown in the asset-based charges table in Chart VII throughout the calculation periods. The investment expense is calculated and accrued on a daily basis (which more closely replicates the daily NAV per share calculation used by mutual funds).

There are no annual Account maintenance fees assessed on VEST Accounts. Therefore it is not necessary to provide for any such charges in the projected investment cost calculations. The hypothetical example does not include any of the potential tax benefits associated with Contributions or tax penalties associated with Non-qualified Distributions related to an investment in VEST. This hypothetical example does not represent actual past or future performance. Actual expenses and performance may be different than those included here.

## Chart IX

Effective June 30, 2011.

VEST Investment Options	Approximate Cost of \$10,000 Investment			
	One Year	Three Years	Five Years	Ten Years
<b>Age-Based Evolving Portfolios</b>				
James River	\$81	\$253	\$440	\$983
Eastern Shore	\$81	\$253	\$440	\$983
Alleghany	\$74	\$231	\$402	\$899
Chesapeake	\$69	\$215	\$375	\$839
Potomac	\$63	\$196	\$342	\$766
Southside	\$57	\$177	\$309	\$693
Blue Ridge <sup>1</sup>	\$51	\$158	\$275	\$620
Highlands <sup>1</sup>	\$31	\$97	\$170	\$383
Shenandoah <sup>1</sup>	\$31	\$97	\$170	\$383
Tidewater <sup>1</sup>	\$31	\$97	\$170	\$383
Piedmont	\$31	\$97	\$170	\$383
<b>Non-Evolving Portfolios</b>				
Aggressive	\$41	\$129	\$225	\$508
Moderate	\$40	\$126	\$220	\$496
Conservative	\$39	\$123	\$214	\$484
Money Market	\$20	\$62	\$108	\$245
Socially Targeted Investment	\$100	\$313	\$543	\$1,207
Total Stock Market Index	\$27	\$84	\$147	\$333
Total Bond Market Index	\$26	\$81	\$142	\$321
Total International Stock Index	\$36	\$113	\$198	\$446
Inflation-Protected Securities	\$28	\$88	\$153	\$346
REIT Index	\$29	\$91	\$158	\$358

<sup>1</sup>This Portfolio is closed to new participants. Visit [Virginia529.com](http://Virginia529.com) for updated VEST information.

## Investment Performance

Investment performance of the VEST Portfolios as of June 30, 2011 are in Chart X below. Current performance information is at [Virginia529.com](http://Virginia529.com)

VEST investors should keep in mind that the net performance of the VEST Portfolios will differ from the performance of the Funds in which the Portfolios are invested, even where a Portfolio invests in a single Fund. This is due in part to the differences in the expense ratios of the Funds and the VEST Portfolios. While the Funds' expense ratios are a part of the expense ratios of the Portfolios, the Portfolios also include the VEST administrative fee of 0.20%. Thus, in the case of a Portfolio that invests in a single Fund, the Portfolio's performance will be lower than the performance of the Fund itself.

Performance differences between the Portfolios and the Funds also result from differences in the timing of purchases. Money invested in a Portfolio will not be invested in the Funds on the same day. The timing difference may cause the Portfolio's performance to trail or exceed the performance of the Fund.

### Chart X

VEST Investment Options	Investment Performance as of June 30, 2011						
	Inception Date	One Year	Three Years	Five Years	Ten Years	Since Inception	Estimated Expense Ratio
<b>Age-Based Evolving Portfolios</b>							
<b>James River</b>	January 2011	N/A	N/A	N/A	N/A	4.35%	0.79%
James River Benchmark		N/A	N/A	N/A	N/A	4.73%	
<b>Eastern Shore</b>	January 2008	26.15%	4.61%	N/A	N/A	2.86%	0.79%
Eastern Shore Benchmark		25.77%	4.26%	N/A	N/A	2.82%	
<b>Alleghany</b>	August 2005	23.70%	4.34%	4.22%	N/A	4.97%	0.72%
Alleghany Benchmark		22.80%	3.10%	3.50%	N/A	4.25%	
<b>Chesapeake</b>	January 2002	21.16%	4.32%	4.24%	N/A	5.95%	0.67%
Chesapeake Benchmark		19.92%	3.24%	3.81%	N/A	5.29%	
<b>Potomac</b>	January 2000	18.29%	4.77%	4.41%	5.25%	4.42%	0.61%
Potomac Benchmark		16.94%	3.41%	3.90%	4.19%	2.83%	
<b>Southside</b>	January 2000	15.68%	5.18%	4.71%	5.23%	4.45%	0.55%
Southside Benchmark		14.13%	3.42%	4.06%	4.25%	3.05%	
<b>Blue Ridge</b>	January 2000	11.85%	4.80%	4.38%	5.04%	4.45%	0.49%
Blue Ridge Benchmark		9.70%	2.56%	3.52%	3.92%	3.09%	
<b>Highlands</b>	January 2000	3.67%	-0.98%	0.85%	3.02%	2.89%	0.30%
Highlands Benchmark		0.94%	-1.71%	0.95%	2.50%	2.00%	
<b>Shenandoah</b>	January 2000	3.67%	3.91%	4.24%	4.44%	4.14%	0.30%
Shenandoah Benchmark		0.94%	1.51%	2.58%	3.05%	2.79%	
<b>Tidewater</b>	January 2000	3.67%	3.91%	4.24%	3.74%	3.93%	0.30%
Tidewater Benchmark		0.94%	1.51%	2.58%	2.58%	2.71%	
<b>Piedmont</b>	January 2000	3.67%	3.91%	4.24%	4.29%	4.53%	0.30%
Piedmont Benchmark		0.94%	1.51%	2.58%	3.22%	3.54%	

<b>Non-Evolving Portfolios</b>							
<b>Aggressive</b>	January 2002	26.50%	3.03%	3.34%	N/A	4.68%	0.40%
Aggressive Benchmark		26.09%	4.02%	3.98%	N/A	5.05%	
<b>Moderate</b>	January 2002	20.74%	4.05%	4.18%	N/A	4.85%	0.39%
Moderate Benchmark		20.28%	4.94%	4.79%	N/A	5.23%	
<b>Conservative</b>	January 2002	9.42%	4.89%	4.98%	N/A	4.41%	0.38%
Conservative Benchmark		8.32%	4.95%	5.05%	N/A	4.49%	
<b>Money Market</b>	January 2002	0.10%	0.57%	2.15%	N/A	1.80%	0.19%
Money Market Benchmark		-0.01%	0.13%	1.64%	N/A	1.56%	
<b>Socially Targeted Investment</b>	October 2009	22.73%	N/A	N/A	N/A	13.30%	0.98%
Socially Targeted Investment Benchmark		30.49%	N/A	N/A	N/A	17.80%	
<b>Total Stock Market Index</b>	July 2005	32.31%	4.10%	3.42%	N/A	3.77%	0.26%
Total Stock Market Index Benchmark		32.32%	4.05%	3.39%	N/A	3.76%	
<b>Total Bond Market Index</b>	August 2005	3.55%	6.23%	6.35%	N/A	5.14%	0.25%
Total Bond Market Index Benchmark		3.70%	6.23%	6.28%	N/A	5.11%	
<b>Total International Stock Index</b>	August 2005	30.79%	-0.58%	3.08%	N/A	5.80%	0.35%
Total International Stock Index Benchmark		30.17%	-2.02%	1.22%	N/A	4.19%	
<b>Inflation-Protected Securities</b>	August 2005	7.09%	4.49%	6.40%	N/A	5.12%	0.27%
Inflation-Protected Securities Benchmark		7.54%	5.05%	6.67%	N/A	5.32%	
<b>REIT Index</b>	August 2005	33.80%	5.98%	2.72%	N/A	4.92%	0.28%
REIT Index Benchmark		33.89%	5.10%	2.13%	N/A	4.43%	

Past performance is no guarantee of future results. Please review the entire VEST Program Description before making any investment decisions.

All investment return information is calculated by BNY Mellon Asset Servicing. Returns are presented net of management fees and VEST administrative fees. Returns for periods greater than one year are annualized.

Newer VEST offerings do not yet have an established performance history for all categories listed.

The Portfolio Benchmark is a blended composite benchmark that reflects the asset strategic benchmark index components for each underlying investment manager, and an adjustment reflecting the VEST administrative fee for the Portfolio.

Performance returns are calculated beginning with the first full month that funds were invested.

The Blue Ridge, Highlands, Shenandoah and Tidewater Portfolios are closed to new participants.

VEST Accounts will not be registered under the Securities Act of 1933, based in part on assurances received from the staff of the U.S. Securities and Exchange Commission in a No Action Letter to the effect that it would not recommend enforcement action if the Accounts are not registered based on the representations in the letter. The Virginia State Corporation Commission has issued an order stating that the Accounts and Portfolios are exempt from Virginia state registration. VEST Accounts have not been registered with the securities regulatory authorities of any state. Neither the Accounts nor the Portfolios have been registered as investment companies under the Investment Company Act of 1940 (the “1940 Act”) pursuant to Section 2(b) thereof, which provides that no provision of the 1940 Act applies to any instrumentality of a state. VEST Accounts are not subject to Financial Industry Regulatory Authority (FINRA) oversight.

## Virginia and Federal Tax Considerations

**Tax provisions related to Section 529 plans are complex and each taxpayer’s situation is unique. Please contact a tax professional or the Internal Revenue Service at 1-800-829-1040 or [irs.gov](http://irs.gov), and/or the Virginia Department of Taxation at 804-367-8031 or [tax.virginia.gov](http://tax.virginia.gov) for specific information on these provisions and how they may affect you.**

**Federal Tax Treatment in General.** Section 529 of the Internal Revenue Code (26 U.S.C. Section 529) governs the federal tax treatment of QTPs such as VEST and the tax consequences for Account Owners and Beneficiaries of such plans. As of the date of this Program Description, the Internal Revenue Service had not issued final regulations governing the application of Section 529 to college savings plans. In January 2008, the Internal Revenue Service issued an Advance Notice of Proposed Rulemaking on proposed regulations for Section 529 plans. There is no specific timetable for the release of new or re-proposed Section 529 regulations. Any changes will likely be applicable to existing accounts. The IRS highlighted its intention to impose a broad anti-abuse rule that would apply to the use of Section 529 accounts for tax avoidance or other improper uses. VEST has been structured to meet all current federal requirements, and, therefore, the VCSP itself does not pay federal income tax. **Please check with a tax professional for specific information on these provisions and how they may affect you. Final regulations, changes to the Internal Revenue Code or to the Code of Virginia, or court decisions could affect the tax consequences of participation in a QTP, including, but not limited to, additional restrictions or loss of tax advantages. The Board may modify VEST as necessary in the future without prior notice to comply with any such changes and to preserve, if possible, favorable tax treatment.**

The increase in the value of a VEST Account (the earnings) is tax deferred, and is not taxable at the federal level if the distribution is used for QHEE. Non-qualified Distributions will be subject to federal income tax on the earnings and Virginia state income tax for Virginia taxpayers, as well as a federal penalty tax of 10% of VEST earnings, reported on the taxpayer’s federal tax return. Non-qualified Distributions may also require the recapture of some or all amounts, if any, that the Account Owner deducted from his or her Virginia taxable income due to Contributions to a VEST Account. There is no Virginia state income tax liability for the federally taxable portion of a refund made in the event of the Beneficiary’s death, disability, or receipt of a scholarship, nor are such distributions subject to the 10% of earnings federal penalty tax.

The VCSP will apply a formula to determine the taxable (earnings) and non-taxable (Contributions) portions of each distribution made from an Account. The taxable portion is ordinary income, not capital gains. The taxable portion of a cancellation or other Non-qualified Distribution will be taxed as ordinary income in the year of the refund. The taxable (earnings) portion of Non-qualified Distributions is subject to a 10% federal penalty tax. If you deplete or cancel a VEST Account that has lost principal, those losses may be taken as a miscellaneous itemized deduction if they meet the threshold requirement of 2% of adjusted gross income, and if all VEST, CollegeAmerica or CollegeWealth accounts you own for the same Beneficiary have also been depleted.

VEST Contributions are NOT deductible from federal taxable income at the time of contribution. Please see the discussion below of the limited ability for some participants to deduct a portion of their tuition payments from their federal taxable income at the time those payments are made. The increase in the Account’s value is tax deferred at the federal level, and distributions used for QHEE are not taxed at the federal level. See IRS Publication 970, “Tax Benefits for Education” and Publication 950, “Introduction to Estate and Gift Taxes,” available at [IRS.gov](http://IRS.gov).

**Federal Gift Tax.** Section 529 provides that VEST Contributions are a completed gift of a present interest for federal gift tax purposes. Contributions to QTPs like VEST are not excluded from taxable gifts as tuition payments under IRC Section 2503(e). Section 529 provides a five-year averaging provision for any Contributions in one taxable year that are greater than the current \$13,000 (\$26,000 for married couples) annual exclusion from federal gift and generation-skipping transfer tax. This means that if total Contributions and other gifts by any one Account Owner or other individual to a single Beneficiary in 2012 is greater than \$13,000 (\$26,000 for married couples), the Account Owner or other individual contributing the funds may elect to average the total amount of the gift over a five-year period. This would allow maximum Contributions in 2012 of up to \$65,000 (\$130,000 for married couples) in one tax year without federal gift tax consequences. An Account Owner

or other individual who makes a maximum Contribution of \$65,000 (\$130,000 for married couples), may not make additional gifts to the same Beneficiary until the end of the five-year averaging period without incurring federal gift tax consequences.

Section 529, as amended, also provides that distributions from a QTP will not be treated as a taxable gift. If a VEST Account is rolled over to a new Beneficiary who is a Member of the Family of the previous Beneficiary and who is in the same generation as the previous Beneficiary, no federal gift or generation-skipping transfer tax will apply. If, however, the new Beneficiary is in a lower generation than the previous designated Beneficiary, federal gift tax or generation-skipping transfer tax may apply to the amount transferred. The five-year averaging rule may be applied to Rollovers to a new Beneficiary. If an Account Owner later transfers an Account to another individual or entity, that transfer may be deemed a gift and the original Account Owner may have to pay federal gift tax on any amount greater than \$13,000 (\$26,000 for married couples).

**Federal Estate Tax.** Generally, no amount is includible in the Account Owner's gross estate as a result of Contributions to a QTP. If, however, the Account Owner dies before the end of the five-year averaging period discussed above and has elected five-year averaging, the Account Owner's gross estate will include the portion of the Contributions allocable to periods following the Account Owner's death. Section 529 also provides that the gross estate of a designated Beneficiary of a QTP such as VEST includes amounts distributed from a QTP on account of the Beneficiary's death. Please contact a tax professional or the Internal Revenue Service to determine the effect of federal gift and estate tax provisions on your individual situation.

**Federal Generation-Skipping Transfer Tax.** In addition to possible federal gift and estate tax consequences, federal generation-skipping transfer (GST) tax may apply to contributions made to an Account if the Beneficiary is deemed to be a member of a generation that is more than one generation younger than the generation of the Account Owner or other individual contributing to the Account, or if the new Beneficiary is more than one generation below that of the previous Beneficiary. Contributions that qualify for the annual gift tax exclusion are not subject to GST tax. The federal generation-skipping transfer tax lapsed at the end of 2009. However, the 2010 Tax Relief Act retroactively imposed the GST tax for 2010 and increased the federal GST lifetime exemption amount to \$5 million. The \$5 million lifetime exemption amount applies for 2011 and is indexed for inflation in 2012. Absent a change in law, in 2013 the GST tax rates and exemption amounts revert to the levels applicable in 2001. Consult your tax adviser or the Internal Revenue Service regarding the specific application of these rules to your particular circumstances.

**Changes to Federal Estate and Gift Tax Provisions.** The 2001 Economic Growth and Tax Relief Reconciliation Act (EGTRRA) and the 2010 Tax Relief Act made significant changes to the federal estate, gift, and GST taxes. Absent a change in law, these taxes will revert to 2001 rates and exemption levels beginning in 2013. Please consult your tax adviser or the Internal Revenue Service regarding the specific application of these rules to your particular circumstances.

**Virginia Tax Exemption.** The Virginia General Assembly enacted a tax exemption at its 1999 session for income attributable to certain distributions or refunds from a VEST Account. The Virginia state income tax exemption applies to income attributable to VEST distributions used for QHEE of a Beneficiary or refunds in the event of a Beneficiary's death, disability, or receipt of a scholarship. Because earnings on Section 529 account Qualified Distributions are excluded from federal adjusted gross income, these earnings are also automatically excluded from Virginia taxable income. The Virginia state income tax exemption is still applicable to distributions made on account of the Beneficiary's death, disability or receipt of a scholarship. The earnings portion of any amount refunded in one of these cases is subject to federal income tax in the tax year in which the refund is received, but is exempt from Virginia state income tax.

**Virginia Tax Deduction.** VEST Account Owners who file a Virginia state individual income tax return can deduct VEST Contributions from their Virginia taxable income. The deduction is limited to \$4,000 per year per VCSP account (each separate account held within VEST, VPEP, CollegeAmerica and CollegeWealth), or the amount contributed to each VCSP account during the year, whichever is less, with unlimited carry forward until the full amount of the Contributions has been deducted. The \$4,000 per year limit does not apply to Account Owners who are age 70 or above, who may deduct the entire amount of their Contributions in a single tax year. If an Account is cancelled for a reason other than the student's death, disability, receipt of a scholarship, or Rollover to another VCSP account, any amount of the refund previously deducted from the Account Owner's Virginia taxable income as a result of Contributions to the cancelled VEST Account must be added back to the Account Owner's Virginia taxable income in the year the refund is received, in addition to any federal tax consequences. Only the Account Owner of record of a VEST Account as of the end of the calendar year is eligible to take the Virginia state tax deduction for Contributions made to that Account. **Individuals who choose to make Contributions to a VEST Account owned by another individual or entity are not eligible for the Virginia state tax deduction.** The Virginia state tax deduction for UTMA/UGMA VEST Accounts belongs to the Beneficiary, and is reported under the Beneficiary's social security number. UTMA/UGMA custodians are not eligible for the Virginia state tax deduction for Contributions made to an UTMA/UGMA VEST Account.

**If an Account Owner or individual contributing to a VEST Account lives in a state other than Virginia, the state tax consequences may differ from those described here. The Virginia state income tax deduction and exemption are available only to Account Owners in a VCSP plan who file Virginia personal income tax returns. Contributions to other states' QTPs are not eligible for the Virginia state tax deduction. Before investing in VEST, potential Account Owners and other individuals contributing to a VEST Account who do not live or pay taxes in Virginia should determine whether the state in which they live or pay taxes offers a QTP with benefits not available through VEST.**

## Account Reporting

**Confirmations and Account Statements.** Account Owners will receive an initial confirmation of their Portfolio selection and the amount of their initial Contribution. Account Owners will also receive a confirmation of any change in Portfolio selection (allowed once per calendar year or if the Beneficiary of an Account is changed). VEST will issue monthly statements if there has been activity in the VEST Account. All Accounts will receive quarterly statements. Statements will not be sent to individuals who contribute to a VEST Account owned by another individual or entity. If an Account Owner does not provide written notice of any objections to information and transactions reported within ten Business Days after a statement or confirmation has been sent to the Account Owner's last known address, the Account Owner will be deemed to have approved it and to have released the VCSP from all liability for transactions or investment activity reflected on the statement or confirmation.

Account Owners may also access Account information online at [Virginia529.com](http://Virginia529.com) once they have completed the online registration process.

**Tax Reporting.** If an Account Owner has more than one Virginia savings trust account (VEST, CollegeAmerica or CollegeWealth) or VPEP account for the same Beneficiary, the Internal Revenue Service requires that we aggregate the earnings on all such accounts for reporting purposes. Each year there is a distribution from one of your VEST, VPEP, CollegeAmerica or CollegeWealth accounts, you will receive an IRS Form 1099-Q that reflects the aggregated earnings. The Form 1099-Q is sent to the Account Owner unless the distribution is made to the Beneficiary or to an institution of higher education. If the distribution is made to the Beneficiary or to an institution of higher education, VCSP is required to send the Form 1099-Q to the Beneficiary. If the distribution was for a QHEE, no federal or Virginia income tax related to that distribution will be due. If you live in a state other than Virginia, please check to determine your state's treatment of income from another state's QTP that is tax exempt at the federal level. VCSP

**will not determine whether an expense is a Qualified Distribution or a Non-qualified Distribution.** Account Owners will be required to maintain records adequate to prove qualified expenses, such as invoices and textbook receipts. The 10% of earnings federal penalty tax and federal income tax on the earnings for Non-qualified Distributions are reported on the taxpayer's income tax returns, and will not be withheld by VCSP. Please contact a tax professional or the IRS for assistance. IRS Publication 970, "Tax Benefits for Education," is one publication that provides more information and is available from [www.irs.gov](http://www.irs.gov), or by calling 1-800-829-1040.

## Coordination with Other Education Tax Incentives

Distributions from an Account may affect other education tax incentives available to an Account Owner. The coordination between these tax-advantaged programs is complex. Please consult your tax or financial adviser before investing.

**Coverdell Education Savings Accounts.** Depending on your income level, Coverdell Education Savings Accounts (Coverdell ESA) may permit tax-free growth and exclusion from gross income for earnings withdrawn to pay qualified education expenses. The 2010 Tax Relief Act extended certain provisions of Coverdell ESAs. Through 2012, the annual limit on contributions to a Coverdell ESA is \$2,000 per account owner per beneficiary. Contributions may be made to both a VEST Account and a Coverdell ESA in the same calendar year through 2012. If total distributions from a Coverdell ESA and a VEST Account exceed the Beneficiary's QHEE for any calendar year, the expenses must be allocated between the two distributions. Unless Congress acts, annual contribution limits on Coverdell ESAs will revert to \$500 on January 1, 2013. Absent Congressional action, contributions to both a Coverdell ESA and a Section 529 account for the same Beneficiary will not be allowed as of January 1, 2013.

**The American Opportunity Tax and Lifetime Learning Credits.** The American Opportunity Tax Credit (AOTC) replaced the Hope Scholarship Credit in 2009 and 2010 and was extended in the 2010 Tax Relief Act through the end of 2012. The AOTC is also referred to as the American Opportunity Credit in IRS Publication 970. Tax law changes made this credit available to a broader range of taxpayers, including higher wage earners and those who do not owe tax. The new credit adds required course materials to the list of qualifying expenses and allows the credit to be claimed for four post-secondary education years, not only two. The maximum annual credit is \$2,500. There are income phase-outs. The AOTC and Lifetime Learning Credit are available for families who pay qualified expenses, which include the cost of tuition and certain fees. In order to take advantage of the American Opportunity and Lifetime Learning federal

credits, taxpayers must also continue to allocate higher education expenses amongst the various federal higher education tax incentives. For example, if you qualify for an AOTC for tuition paid in a specific year, you cannot also use a tax-free distribution from your VEST Account for that same expense. The coordination of the various federal higher education tax incentives can be complex. Please contact a tax professional or the IRS at 1-800-829-1040 for assistance in determining your eligibility for the various tax incentives and in allocating your higher education expenses. IRS Publication 970, “Tax Benefits for Education,” is one publication that provides more information and is available from [www.irs.gov](http://www.irs.gov), or by calling 1-800-829-1040.

#### **Limited Tax Deduction for Higher Education Expenses.**

At the time of the writing of this document, the Tuition and Fees Deduction tax benefit is set to expire on December 31, 2011. As it may be extended beyond that date by Congress, summary information is being provided for your benefit. The 2010 Tax Relief Act extended the limited federal deduction for tuition and required fees at the time these expenses are paid. This deduction has a number of qualifications and restrictions, including income phase-outs and varying amounts that can be deducted based on income. This deduction is not available for taxpayers in the same year they elect to take the American Opportunity or Lifetime Learning federal tax credits. Further, you cannot claim the tuition and fees tax deduction if anyone else claims the American Opportunity Tax Credit or Lifetime Learning credit for you. For Section 529 participants, there is a special coordination provision that allows the contribution portion of a distribution (the basis) from a Section 529 account to be used for this deduction if the distribution was used to pay for tuition and required fees. This means that you are not allowed a “double” tax benefit by being allowed to deduct the earnings portion of your distribution, which has already received the benefit of being tax-free, but the contribution portion, on which you have already paid tax, may be used to qualify for this limited deduction. Please contact a tax professional or the IRS at 1-800-829-1040 for assistance in determining your eligibility for the various tax incentives and in allocating your higher education expenses. IRS Publication 970, “Tax Benefits for Education,” is one publication that provides more information and is available from [www.irs.gov](http://www.irs.gov), or by calling 1-800-829-1040.

#### **Exclusion of Interest on Qualified U.S. Savings Bonds.**

Redemption proceeds from qualified U.S. Savings Bonds that meet certain eligibility criteria and are either used for qualified tuition and related expenses or contributed to a QTP such as a VEST Account may be excluded from income. Please contact the Bureau of Public Debt at [TreasuryDirect.gov](http://TreasuryDirect.gov) for eligibility criteria for the Savings Bond Education Tax Exclusion.

**Account Owners, other individuals contributing to a VEST Account, and Beneficiaries are encouraged to consult their tax or legal adviser to determine the effect of federal and state tax laws on their specific situation.**

**Individual tax situations vary greatly. Please consult a tax adviser concerning any legal or tax implications arising from opening a VEST Account. The VCSP cannot provide legal, financial or tax advice, and the foregoing summary should not be construed as legal, financial or tax advice with respect to the consequences for any particular individual as a result of Contributions to, investment of, or distributions from a VEST Account.**

**IRS Circular 230 Disclosure: The information concerning the federal tax consequences of participating in VEST is general in nature and does not take into account individual circumstances that may affect the tax treatment for a particular individual taxpayer. In addition, the information concerning tax consequences is not a “covered opinion” as that term is defined in IRS Circular 230 and, therefore, it is not intended or written to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code.**

**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 adviser based on their own particular circumstances.**

## **Virginia College Savings Plan Privacy Policy**

Protecting the privacy of your nonpublic personal information is important to us at the Virginia College Savings Plan. We respect your right to privacy and recognize your trust in us to keep information about you secure and confidential.

1. We collect nonpublic personal information about you from the following sources:

- Information we receive from you on applications, correspondence, forms and through other forms of communication
- Information about your transactions with respect to your account(s)

2. We do not disclose any nonpublic personal information about our customers or former customers to anyone, except as permitted by law. We may disclose all of the information we collect, as described above, to companies that perform marketing and mailing services on our behalf and to other financial institutions with whom we have joint marketing agreements. These companies are required to adhere to our privacy and security standards and to use the information for the limited purpose for which it was shared.
3. We restrict access to nonpublic personal information about you to those employees and persons who need to know the information in order to provide service to you. We maintain physical, electronic, and procedural safeguards in compliance with federal regulations to safeguard your nonpublic personal information.
4. We reserve the right to modify or supplement this Privacy Policy at any time. If we ever decide to share your nonpublic personal information other than as described above, we will provide you with a notice informing you of the change and, when required by applicable law, we will allow time for you to choose whether you want the information shared.

## **Virginia College Savings Plan Web Site Privacy Statement and Disclaimer**

It is the policy of the Commonwealth of Virginia that personal information about citizens will be collected only to the extent necessary to provide the service or benefit desired; that only appropriate information will be collected; that the citizen shall understand the reason the information is collected and be able to examine their personal record which is maintained by a public body.

Our web site does not collect any personally identifiable information automatically simply by your accessing the web site.

Our web site places a computer file, commonly referred to as a “cookie,” on your computer to enhance your experience and so we can track the number of “hits” on our web site. We do not use the “cookie” to collect information about you.

Our web site does not track your movements through the web site.

If you elect to provide us with your email address and/or mailing address, we store this information in an offline database in order to be able to send you the information you requested.

The individual who is the subject of personal information maintained by the Virginia College Savings Plan may have access to that information upon written request. The Virginia Freedom of Information Act contains an exemption that protects all individual personal information in the possession of the Virginia College Savings Plan from mandatory disclosure, except to the individual who is the subject of the information.

The Virginia College Savings Plan, an independent agency of the Commonwealth of Virginia, is established and governed by the provisions of sections 23-38.75 et seq. of the Code of Virginia (1950), as amended. Changes to the law can only be made by the General Assembly. The Virginia College Savings Plan is also designed to meet the requirements of a “qualified state tuition program” under section 529 of the Internal Revenue Code (1986), as amended (26 U.S.C. Section 529) and the proposed regulations promulgated thereunder. These laws and regulations are subject to change at any time.

The Virginia College Savings Plan maintains our web site to enhance public access to Virginia College Savings Plan information. We strive to keep all information on our web site updated and accurate. In the event of any conflict between governing authorities and the information on our web site, the governing authorities shall have precedence. Information on our web site does not supersede the actual written contracts and agreements that establish Virginia College Savings Plan accounts. Our system and related software and equipment are intended solely for the communication, transmission, processing, and storage of Virginia College Savings Plan information.

Our web site includes downloadable documents and forms. Permission to copy or print a personal-use copy of this material is hereby granted; and brief quotations for the purposes of news reporting and education are permitted. Otherwise, no part of this material may be used or reproduced without permission in writing from the Virginia College Savings Plan.

Unauthorized attempts to modify any information stored on this system, to defeat or circumvent security features, or to use our system for other than its intended purposes are prohibited and may result in criminal prosecution.

## Account Agreement

1. The Account Owner understands and acknowledges that VEST Accounts involve investment risk, including the possible loss of principal. The Account Owner understands and acknowledges that VEST Accounts are not deposits or obligations of, or insured or guaranteed by, the Commonwealth of Virginia or any agency or instrumentality thereof, the United States government, any financial institution, the Federal Deposit Insurance Corporation, or any other agency, entity, instrumentality or person. Past investment results of the underlying investment managers and funds in the VEST Portfolios offer no assurance of future returns.
2. Any factual determinations regarding VEST Accounts will be made by the Board based on the facts and circumstances of each case.
3. VEST Accounts shall be construed in accordance with the laws of the Commonwealth of Virginia and applicable federal law, including 26 U.S.C. § 529, as amended. Venue for any action arising from or relating to VEST Accounts opened hereunder shall be in a state or federal court located in Richmond, Virginia.
4. In the event any clause or portion of the Agreement is found to be invalid or unenforceable by a court of competent jurisdiction, that clause or portion shall be severed from the Agreement and the remainder of the Agreement shall continue in full force and effect as if such clause or portion had never been included.
5. The Agreement, which consists of the Application, the VEST Account Agreement and the Program Description, as amended from time to time by the Board, is the complete and exclusive statement of the agreement between the parties hereto related to the subject matter hereof, which supersedes any prior agreement, oral or written, and any other communications between the parties hereto relating to the subject matter of the Agreement. The Account Owner agrees to be bound by any amendments that the Board may make to the VEST Account Agreement and the Program Description. Notification of such amendments may be made via [Virginia529.com](http://Virginia529.com).
6. The Account Owner may, in compliance with the procedures in the Program Description, transfer ownership of a VEST Account to another individual or entity provided no consideration is given for the transfer. Neither a VEST Account, nor any interest, rights or benefits in it, may be sold, nor may any interest in a VEST Account be used as security for any loan.
7. The Board may require that any written documentation, request or any other actions the Board may designate from time to time, be verified under oath.
8. This Agreement is not intended to, nor does it, confer any benefit or legal rights upon any third-party beneficiary. The individual designated as the Beneficiary of a VEST Account has no independent claim, right or access to any funds in a VEST Account solely related to such designation. Payments directly to a Beneficiary will only be made with the Account Owner's specific written authorization for such payments.
9. Account Owners may only change investment options once per calendar year or when the Beneficiary is changed. VEST shall provide a separate accounting for each Account.
10. If the Board determines that there has been any material misrepresentation related to the Agreement or the Account, the Account may be cancelled. The Account Owner will receive a refund of the current Account balance minus any applicable penalty and fees.
11. The Account Owner assumes all liability for any financial losses related to a VEST Account. The Account Owner understands and acknowledges that there is no recourse against the Board's members, committee members or its employees individually, or against the Commonwealth of Virginia or VEST in connection with a VEST Account. Nothing in this Agreement shall be deemed or construed as an express or implied waiver of the sovereign immunity of the Commonwealth of Virginia or a pledge of the full faith and credit of the Commonwealth of Virginia.
12. The Board shall not be liable for any losses or failure to perform its obligations under this Agreement caused, directly or indirectly, by government restrictions, exchange or market rulings, suspension of trading, acts of war, terrorism, strikes, power outages or any other conditions or occurrences beyond its control.
13. The VCSP cannot and will not provide legal, financial or tax advice, and nothing herein or in any other written materials shall be construed as such.



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