



American Funds®

date visited 5/7/13

CollegeAmerica® Program Description

Your guide to
the CollegeAmerica
529 savings plan

March 15, 2013

Virginia**529**SM

date visited 5/7/13

This Program Description incorporates by reference the current prospectuses of the American Funds available in CollegeAmerica. Investors in CollegeAmerica will receive the current summary prospectus for the individual American Funds selected for their Account.

This Program Description is designed to comply with the Disclosure Principles Statement No. 5 adopted by the College Savings Plan Network on May 3, 2011. You should carefully read and understand this Program Description and the prospectus(es) of the American Funds in which you are investing before making contributions to CollegeAmerica. Please keep this Program Description and the applicable prospectus(es) for future reference.

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 particular circumstances.

CollegeAmerica Accounts are not deposits or obligations of, or insured or guaranteed by, the Commonwealth of Virginia or any agency or instrumentality thereof, the U.S. government, the Program Manager, any financial institution, the Federal Deposit Insurance Corporation or any other federal or state governmental agency, entity or person.

In addition to CollegeAmerica, Virginia529 administers prePAIDSM (formerly known as the Virginia Prepaid Education ProgramSM [VPEPSM]), a prepaid tuition plan, inVESTSM (formerly known as the Virginia Education Savings TrustSM [VESTSM]), a second college savings option and CollegeWealth[®], a third college savings option available at participating banks. The prePAID, inVEST and CollegeWealth options are not described in this Program Description. These plans offer different investment options with different investment advisers or different benefits. prePAID, inVEST and CollegeWealth are distributed differently from CollegeAmerica and may assess different fees, withdrawal penalties and sales commissions, if any, relative to those assessed by CollegeAmerica. For more information about these programs, please call the plans directly at 888/567-0540 or log on to Virginia529's website at www.virginia529.com.

For residents of states other than Virginia: Your state or the Beneficiary's state of residence (if different) may sponsor a 529 plan that offers state income tax and other benefits not available to you through CollegeAmerica. Please consult your tax adviser. Additional information for residents of states other than Virginia can be found in the Tax Considerations section under "state income tax."

CollegeAmerica is a registered trademark of Virginia529.

Table of contents

4	CollegeAmerica summary	11	Program risks and special considerations
6	Governance and administration	11	Program Description
6	About the Program	11	No guarantee of principal
6	Program Administrator	11	Limited investor rights
6	Program Manager	11	Possible change or termination of CollegeAmerica
6	Investment options	11	Meeting college expenses not guaranteed
6	Available American Funds	11	Admission to, continuation at or graduation from college not guaranteed
7	Fund investment objectives, investment strategies and risks	11	Changing legal regulations
7	Opening and contributing to an Account	12	Treatment of Accounts for financial aid purposes
7	Opening an Account	12	Medicaid eligibility
7	Designating a Beneficiary	12	Changes in Program Manager
7	Contributing to an Account	12	Limit on Account duration
8	Successor Owner	12	Claims against Accounts
8	Contribution limits	13	Other considerations
8	Changes to an Account	13	Federal securities laws
8	Changing investments	13	Exemption from registration
8	Changing the Beneficiary	13	Continuing disclosure
8	Changing the Account Owner	13	Tax considerations
9	Rollovers and transfers	13	Federal income tax
9	Qualified Tuition Programs	14	Federal gift, estate and generation-skipping transfer taxes
9	Coverdell Education Savings Accounts	15	State income tax
9	Qualified U.S. Savings Bonds	16	Tax reporting
9	UGMA or UTMA contributions	16	Coordination with other education tax incentives
9	Withdrawals	16	Coverdell Education Savings Accounts
9	Withdrawals in general	16	Education tax credits
10	Qualified Withdrawals	16	Education tax deduction
10	Qualified Higher Education Expenses	16	Exclusion of interest on Qualified U.S. Savings Bonds
10	Non-Qualified Withdrawals	16	Glossary of terms
10	Losses on investments	19	Appendix A: Summary of fees and expenses
10	Account statements and confirmations	26	Appendix B: Approximate cost of a \$10,000 investment
10	Fees and expenses	30	Appendix C: Sales charges
		34	Appendix D: Investment results
		36	American Funds Privacy Policy
		38	Virginia529 Privacy Policy

Program Administrator. Page 6

Virginia529 is the Program Administrator and sponsor of CollegeAmerica.

Program Manager. Page 6

American Funds Service Company® (AFS), American Funds Distributors® (AFD) and Capital Research and Management CompanySM (CRMC) are the Program Manager.

Account Owner, Beneficiary and Contributor participation. Pages 7–8

- An Account Owner does not need to be a resident of Virginia to establish a CollegeAmerica Account. Any individual who is a U.S. citizen or legal U.S. resident may open a CollegeAmerica Account.
- The Account can be opened for the benefit of any U.S. citizen or legal U.S. resident of any age, including the Account Owner.
- Any person or entity may make contributions to a CollegeAmerica Account for the benefit of a Beneficiary.

Contribution and withdrawal limitations and penalties. Pages 8–10

- A \$350,000-per-Beneficiary contribution limit applies across all plans administered by Virginia529, including CollegeAmerica, inVEST, prePAID and CollegeWealth.
- Withdrawals not used to pay Qualified Higher Education Expenses are subject to federal tax and penalty (see Tax Considerations below).

Investment Options. Pages 6–7

- You may purchase through your financial adviser shares of one or more of the American Funds offered in CollegeAmerica. Each fund share class has different fees and expenses. Please consult your financial adviser to determine which share class is best for you.
- The Account Owner may change the fund or funds in which the Account invests only once per calendar year and upon a change in the Beneficiary of the Account.

Fees and expenses. Pages 10, 19–25

You will be charged a \$10 fee for opening an Account with CollegeAmerica as well as an annual \$10 Account maintenance fee. In addition, you will be charged fees and expenses associated with the applicable American Funds share class.

Tax considerations. Pages 13–16

- Earnings can grow free from federal income tax.
- The earnings on a Qualified Withdrawal used to pay Qualified Higher Education Expenses are free from federal income tax. Earnings on a Non-Qualified Withdrawal are subject to federal income tax and a 10% federal tax penalty.
- Individuals can take advantage of the annual gift tax exclusion by contributing up to \$14,000 (\$28,000 for married couples) per year per Beneficiary.
- Generally, if the Contributor dies while there is still money in the Account, the value of the Account is not included in the Contributor's estate.
- Virginia residents may take a state income tax deduction for CollegeAmerica contributions. Talk to your tax adviser about your specific tax questions or issues.

date visited 5/7/13

Risk factors. Pages 7, 11–13

- An investment in the funds is not a bank deposit and is not insured or guaranteed by the Federal Deposit Insurance Corporation (FDIC) or any other government agency, entity or person. Your investment in the funds may lose value. The likelihood of loss is greater if you invest for a shorter period of time.
- Principal invested in CollegeAmerica is not guaranteed. Total withdrawals from an Account may be worth more or less than the amount invested initially.
- Virginia529 and the Program Manager reserve the right to make changes to CollegeAmerica at any time.
- It is possible that the U.S. Congress, the U.S. Treasury Department, the IRS, the Commonwealth of Virginia and other taxing authorities or the courts may take actions that will adversely affect CollegeAmerica and that such adverse effects may be retroactive.
- CollegeAmerica Accounts may affect a Beneficiary's ability to qualify for federal need-based financial aid.

Investment results. Pages 34–35

The investment results for Accounts invested in the American Funds available through CollegeAmerica are described in Appendix D to this Program Description.

About the Program. The Virginia General Assembly created Virginia529 as an independent state agency in its 1994 session. Its enabling legislation is codified at Chapter 4.9 of Title 23 of the Code of Virginia (1950), as amended (Sections 23–38.75 through 23–38.87:1). In its 1999 session, the General Assembly unanimously passed legislation authorizing the Board to create one or more savings trust investment options in conformance with the provisions of IRC Section 529. In July 2001, the Board determined to offer CollegeAmerica, a 529 savings plan sold exclusively through financial advisers. CollegeAmerica was launched in February 2002.

Program Administrator. Virginia529, the Program Administrator of CollegeAmerica, 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 citizen members appointed by the Virginia House of Delegates and one citizen member appointed by the Senate of Virginia. The ex officio members are the Director of the State Council of Higher Education for Virginia, the Chancellor of the Virginia Community College System, the State Treasurer and the State Comptroller. The Virginia Auditor of Public Accounts or its legally authorized representative annually audits Virginia529, including CollegeAmerica. Virginia529 is also subject to oversight from the Joint Legislative Audit and Review Commission (JLARC). The fee paid to Virginia529 on CollegeAmerica assets is not used for any purpose other than program administration and operation of Virginia529. In a March 20, 2008 amendment, the parties agreed to breakpoints to the 0.10% fee paid to Virginia529. The first breakpoint will apply once CollegeAmerica assets reach \$30 billion, at which point the fee paid to Virginia529 will decrease to 0.09% for assets in excess of \$30 billion but less than \$60 billion. Additional breakpoints apply to assets in excess of \$60 billion.

Program Manager. Consistent with Virginia law, Virginia529 selected American Funds Service Company, American Funds Distributors and Capital Research and Management Company (collectively, the “Program Manager”) to manage CollegeAmerica following an extensive search of mutual fund managers. As a result of this search, the Investment Advisory Committee of the Board recommended, and the full Board approved, the selection of the Program Manager. On July 20, 2001, Virginia529 entered into a 15-year agreement with the Program Manager. In a May 1, 2006 amendment, Virginia529 and the Program Manager extended the term of the agreement for an additional 10-year period. American Funds Service Company is responsible for the recordkeeping and administration of the program. American Funds Distributors is the distributor of CollegeAmerica and is responsible for marketing and distributing the program exclusively through financial advisers. Capital Research and Management Company serves as the investment adviser to CollegeAmerica as well as the investment adviser to the American Funds.

Investment options

The investment options offered by CollegeAmerica are managed by Capital Research and Management Company. You may choose to invest your contribution to CollegeAmerica in one or more of the American Funds listed below.

Available American Funds. The following American Funds have been approved by the Virginia529 Board to be offered in CollegeAmerica. The Board may, at any time and without prior notice to Account Owners, change the investment options that are available for future contributions and existing Accounts.

Growth funds

AMCAP Fund® (AMCAP)
EuroPacific Growth Fund® (EUPAC)
The Growth Fund of America® (GFA)
The New Economy Fund® (NEF)
New Perspective Fund® (NPF)
New World Fund® (NWF)
SMALLCAP World Fund® (SCWF)

Growth-and-income funds

American Mutual Fund® (AMF)
Capital World Growth and Income Fund® (WGI)
Fundamental InvestorsSM (FI)
International Growth and Income FundSM (IGI)
The Investment Company of America® (ICA)
Washington Mutual Investors FundSM (WMIF)

Equity-income funds

Capital Income Builder® (CIB)
The Income Fund of America® (IFA)

Balanced funds

American Balanced Fund® (AMBAL)
American Funds Global Balanced FundSM (GBAL)

Bond funds

American Funds Mortgage Fund® (AFMF)
American High-Income Trust® (AHIT)
The Bond Fund of America® (BFA)
Capital World Bond Fund® (WBF)
Intermediate Bond Fund of America® (IBFA)
Short-Term Bond Fund of America® (STBF)
U.S. Government Securities Fund® (GVT)

Money market fund

American Funds Money Market Fund® (MMF)

American Funds College Target Date SeriesSM

American Funds College 2030 FundSM (CF30)
American Funds College 2027 FundSM (CF27)
American Funds College 2024 FundSM (CF24)
American Funds College 2021 FundSM (CF21)
American Funds College 2018 FundSM (CF18)
American Funds College 2015 FundSM (CF15)
American Funds College Enrollment FundSM (CEF)

American Funds Portfolio SeriesSM

American Funds Global Growth PortfolioSM (PSGG)
American Funds Growth PortfolioSM (PSG)
American Funds Growth and Income PortfolioSM (PSGI)
American Funds Balanced PortfolioSM (PSB)
American Funds Income PortfolioSM (PSI)
American Funds Preservation PortfolioSM (PSP)

Fund investment objectives, investment strategies and risks. Information may be obtained from the applicable prospectuses. You may obtain copies of prospectuses by calling **800/421-4225** or by visiting americanfunds.com.

Opening and contributing to an Account

Opening an Account. Any individual who is a U.S. citizen or legal U.S. resident may open a CollegeAmerica Account. In addition, U.S. trusts, corporations, partnerships, Non-Profit Organizations and other entities may open an Account. Only a trust whose terms are consistent with the requirements of Section 529 should open a CollegeAmerica Account. It is the responsibility of the trustee of a trust to determine whether any provision of the trust is inconsistent with the requirements of Section 529. If, after investing in a CollegeAmerica Account, the trustee determines that the trust cannot be administered in a manner consistent with the requirements of Section 529, the Program Manager will not be liable for any market losses or other charges imposed in connection with any withdrawals from the Account.

To open a CollegeAmerica Account, you must complete a CollegeAmerica Account application. You do not have to be a Virginia resident to open an Account. There are no age or income restrictions to open an Account. There may be only one Account Owner (joint ownership is not permitted).

Designating a Beneficiary. When you open an Account, you must designate a Beneficiary, who may be a relative, friend or even yourself. A Beneficiary must be either a U.S. citizen or legal U.S. resident. Non-Profit Organizations are not required to designate a Beneficiary.

Contributing to an Account. Any person or entity may make contributions to a CollegeAmerica Account for the benefit of a Beneficiary at any time. Individuals or entities other than the Account Owner that contribute funds to the Account will have no subsequent control over the contributions and may not receive state tax benefits from the contributions. Only the Account Owner may request transfers, rollovers, investment changes, withdrawals and Beneficiary changes.

- **Form of contribution.** All contributions must be in cash or cash equivalent and cannot be in the form of securities or other property. Contributions may be made by check or automatic withdrawal from a bank account.

- **Automatic contributions.** An authorization to make contributions by automatic withdrawal from a bank account will remain in effect until the Program Manager has received written notification of its termination. The Account Owner or the Program Manager may terminate contributions by automatic withdrawals at any time.

Successor Owner. The Account Owner is strongly encouraged to designate a successor owner at the time the CollegeAmerica Account is established. The successor owner must be a U.S. citizen or legal U.S. resident. If the original Account Owner dies or is declared legally incompetent, the successor owner becomes the Account Owner. If the Account Owner dies and there is no successor owner, the beneficiary will become the account owner if 18 or older. If the beneficiary is younger than 18, the individual(s) responsible for the estate of the Account Owner will be authorized to name a new account owner. The Account Owner can change the successor owner by written notification to the Program Manager.

Contribution limits

- **Maximum.** Once the total Account balance (including any earnings) reaches \$350,000, we will not accept additional contributions or rollovers. If the Account value is below \$350,000, you can contribute regardless of how much you have already contributed. For purposes of this limit, the Program Manager will consider other CollegeAmerica Accounts opened for the same Beneficiary and accounts in the other Qualified Tuition Programs administered by Virginia529 — inVEST, prePAID and CollegeWealth. If a Non-Profit Organization does not designate a Beneficiary for an Account, the Account will not be subject to the \$350,000 maximum contribution limit.

The Board may increase the \$350,000 maximum contribution limit based on the estimated cost of Qualified Higher Education Expenses at Eligible Educational Institutions in the United States.

- **Minimum.** To open an Account, you must invest at least the minimum amount required by each of the American Funds you select. Please refer to the applicable fund prospectus for minimum contribution and subsequent investment information.

Changes to an Account

Changing investments. The Account Owner may change the fund or funds in which the Account invests only once per calendar year and upon a change in the Beneficiary of the Account. For purposes of the investment change rule, all accounts maintained by the Account Owner for the same Beneficiary in CollegeAmerica, inVEST and CollegeWealth will be aggregated. Once an investment change is made in one account, a subsequent investment change in that account or in another account maintained for the same Beneficiary in inVEST, CollegeAmerica or CollegeWealth within the same calendar year will be treated as a withdrawal. The Account Owner may, however, change the investments in more than one account for the same beneficiary once per calendar year without tax consequences, provided that the change to all accounts is made at the same time.

Changing the Beneficiary. An Account Owner may change the Beneficiary of the CollegeAmerica Account at any time. To avoid treatment of the change as a withdrawal, the new Beneficiary must be a Member of the Family of the previous Beneficiary. The Account Owner must complete a Beneficiary change form indicating the relationship of the new Beneficiary to the previous Beneficiary. A Beneficiary change may be denied or limited if it causes one or more Qualified Tuition Program accounts administered by Virginia529 for the same Beneficiary to exceed the \$350,000 maximum contribution limit.

Changing the Account Owner. The Account Owner may transfer the ownership of a CollegeAmerica Account, provided that no consideration is given or accepted for the transfer. Please consult your tax adviser regarding the tax consequences of any such transfer.

Rollovers and transfers

Qualified Tuition Programs. We will accept rollovers from other Qualified Tuition Programs to CollegeAmerica. To transfer your funds from your current Qualified Tuition Program to CollegeAmerica, please complete the CollegeAmerica Account application. You will need to provide appropriate documentation from the transferring institution that shows the 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 Qualified Tuition Program with the intention of contributing these funds to CollegeAmerica, you must do so within 60 days of the initial withdrawal in order to retain the tax-free treatment of the rollover.

If you are not changing the Beneficiary, you may roll over a CollegeAmerica Account to another Qualified Tuition Program provided that the Account has not been rolled over in the previous 12 months. The Program Manager must provide to a transferee 529 program manager a statement providing the earnings portion of the rollover by the earlier of: (1) 30 days after the rollover or (2) January 10 of the calendar year following the calendar year in which the rollover occurred.

Coverdell Education Savings Accounts. We will accept transfers from a Coverdell Education Savings Account to CollegeAmerica. The transfer is considered a nontaxable withdrawal from the Coverdell Education Savings Account. You will need to complete a CollegeAmerica Account application and provide appropriate documentation from the trustee or custodian of the Coverdell Education Savings Account that shows the earnings portion of the transfer. If such documentation is not provided, the entire transfer will be treated as earnings.

Qualified U.S. Savings Bonds. We will accept transfers of Qualified U.S. Savings Bonds to CollegeAmerica. You will need to complete a CollegeAmerica Account application and provide appropriate documentation, such as a 1099-INT form or a written statement from the financial institution that redeemed the Qualified U.S. Savings Bonds, that shows the earnings portion of the transfer. If such documentation is not provided, the entire transfer will be treated as earnings. Please consult your tax adviser regarding the tax consequences of such a transfer.

UGMA or UTMA contributions. A CollegeAmerica Account may be opened with UGMA/UTMA funds. These types of accounts involve additional restrictions. Generally, UGMA/UTMA custodians/Account Owners may not change the Beneficiary of a custodial CollegeAmerica Account. Account owners wishing to change beneficiaries should seek legal advice as funds held in UGMA/UTMA accounts represent an irrevocable gift to a specific individual.

At the time the Program Manager is notified by either the UGMA/UTMA custodian or the Beneficiary that the Beneficiary has reached the age of majority, the Beneficiary may assume control of the Account. Additional contributions to the CollegeAmerica Account holding UGMA/UTMA funds will be subject to these restrictions.

Neither Virginia529 nor the Program Manager is liable for any consequences related to a custodian's improper use or transfer of UGMA/UTMA custodial funds. Transfers from UGMA/UTMA accounts create significant legal considerations and may be restricted by your financial adviser's firm. Please consult your adviser before making such a transfer.

A transfer of assets or rollover may be denied or limited if it causes one or more Qualified Tuition Program accounts administered by Virginia529 for the same Beneficiary to exceed the \$350,000 maximum contribution limit.

Withdrawals

Withdrawals in general. Only the Account Owner may request withdrawals from an Account. The Account Owner may use the funds in the Account for any purpose and may make withdrawals at any time.

date visited 5/7/13

Generally, each withdrawal from an Account comprises two pro rata components: (1) a return of principal and (2) earnings. The return of principal portion of any withdrawal, whether Qualified or Non-Qualified, is not taxable. As explained in more detail below, the earnings portion of a withdrawal may be subject to taxation, and possibly penalties, depending upon whether the withdrawal is Qualified or Non-Qualified. The Account Owner or the Beneficiary is responsible for determining whether a withdrawal is Qualified or Non-Qualified and whether a penalty applies.

Qualified Withdrawals. If the Account Owner withdraws funds to pay for Qualified Higher Education Expenses of the Beneficiary, the withdrawal will be Qualified. The earnings on Qualified Withdrawals used to pay Qualified Higher Education Expenses are free from federal income tax and are not subject to a 10% federal tax penalty. The earnings on a withdrawal made as a result of the Beneficiary's death, disability or receipt of a scholarship (to the extent of the scholarship award) will be subject to federal income tax. However, the earnings will not be subject to the 10% federal tax penalty.

Qualified Higher Education Expenses. Qualified Higher Education Expenses are expenses that are incurred by a Beneficiary attending an Eligible Educational Institution. Generally, these expenses include:

- tuition;
- all mandatory fees;
- textbooks, supplies and required equipment;
- room and board 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; and
- special needs services for a special needs beneficiary.

To be considered Qualified Higher Education Expenses, room and board costs may not exceed the following amounts:

- on-campus: actual invoice amount for room and board; or
- off-campus: up to the applicable room and board portion of the Cost of Attendance as determined by the Eligible Educational Institution.

Non-Qualified Withdrawals. Those withdrawals that are not Qualified Withdrawals are Non-Qualified Withdrawals. Any earnings on Non-Qualified Withdrawals are subject to a 10% federal tax penalty in addition to federal and, if applicable, state income tax. The Account Owner or the Beneficiary is responsible for determining whether a withdrawal is Non-Qualified, making the appropriate filings with the IRS and paying the 10% federal tax penalty on earnings.

Losses on investments. If you have an investment loss in your CollegeAmerica Account, you can take the loss as a deduction on your income tax return but only when all amounts from that Account and any inVEST and CollegeWealth accounts that you maintain for the same Beneficiary have been withdrawn and the total withdrawals are less than the total contributions made. You can claim the loss as a miscellaneous itemized deduction, subject to the 2%-of-adjusted-gross-income limit.

Account statements and confirmations

Account Owners will receive a confirmation of all American Funds transactions in their CollegeAmerica Account. The Program Manager will issue quarterly statements to all Account Owners reflecting activity in their CollegeAmerica Account. The Account Owner or the Beneficiary will have 120 days after a confirmation or Account statement is sent to the Account Owner to correct any error made by the Program Manager that may be reflected on that confirmation or Account statement. Investors can sign up for e-delivery of statements, transaction confirmations and fund reports at americanfunds.com/paperless.

Fees and expenses

The fees relating to the Account's investment in one or more American Funds will vary, depending on the class of shares and the American Funds selected.

At the time an Account is opened, it will incur a \$10 Account setup fee. Thereafter, the Account will be charged an annual \$10 Account maintenance fee. These fees may be increased without prior notice to Account Owners. Shares of the American Funds held in a CollegeAmerica Account will be redeemed automatically to pay these fees or the Account Owner may pay these fees separately.

These fees and expenses are described in Appendices A, B and C to this Program Description.

Program risks and special considerations

Program Description. You should carefully read and understand this Program Description before making contributions to CollegeAmerica. Please keep this Program Description 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 CollegeAmerica that is different from the information contained in the Program Description.

No guarantee of principal. Total withdrawals from an Account may be worth more or less than the amount invested initially.

Limited investor rights. Account Owners do not have a direct ownership interest in the American Funds held in an Account and do not have the rights of an investor of the American Funds, including the right to vote any proxies relating to fund shares.

Possible change or termination of CollegeAmerica. Virginia529 and the Program Manager reserve the right to make changes to CollegeAmerica at any time. Neither Virginia529 nor the Program Manager is required by law to continue offering CollegeAmerica Accounts, to accept additional contributions to existing CollegeAmerica Accounts or to allow new CollegeAmerica Accounts to be opened.

Meeting college expenses not guaranteed. Even if an Account balance for a Beneficiary reaches the maximum limit allowed in CollegeAmerica, 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 on education expenses is uncertain and could exceed the rate of return on an Account. Neither Virginia529 nor the Program Manager is responsible for paying any higher education expenses that exceed the balance of a CollegeAmerica Account at the time a withdrawal is requested.

Admission to, continuation at or graduation from college not guaranteed. Having a CollegeAmerica 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 graduate 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.

Changing legal regulations. It is possible that the U.S. Congress, the U.S. Treasury Department, the IRS, the Commonwealth of Virginia and other taxing authorities or the courts may take actions that will adversely affect CollegeAmerica and that such adverse effects may be retroactive. The Program Manager is under no obligation to continue to market and administer CollegeAmerica 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 CollegeAmerica and/or the value of your investment in an Account.

Treatment of Accounts for financial aid purposes. CollegeAmerica Accounts may affect a Beneficiary's ability to qualify for federal need-based financial aid. A 529 account, such as a CollegeAmerica Account, is regarded as an asset of the student if the student is an independent student and an asset of the parent if the student is a dependent student. An independent student generally includes an individual who:

- is age 24 by December 31 of the award year,
- is an orphan, in foster care or a ward of the court (other rules may apply),
- is an emancipated minor,
- is a war veteran,
- is a graduate or professional student,
- is married,
- has legal dependents other than a spouse,
- is homeless (other rules may apply), or
- has special and unusual circumstances which can be documented to his or her financial aid administrator.

CollegeAmerica Accounts should not affect a Beneficiary's eligibility for merit-based scholarships. In addition, CollegeAmerica Accounts do not affect a Beneficiary's eligibility for a Virginia Tuition Assistance Grant for Virginia Beneficiaries who attend an eligible private, nonprofit institution of higher education in Virginia.

Medicaid eligibility. A CollegeAmerica Account may adversely affect an Account Owner's eligibility for federal and state assistance programs, particularly Medicaid. Please consult your financial adviser for additional information.

Changes in Program Manager. On July 20, 2001, Virginia529 and the Program Manager entered into a 15-year agreement. In a May 1, 2006 amendment, Virginia529 and the Program Manager extended the term of the agreement for an additional 10-year period. The term of the agreement is automatically extended for successive additional terms of one year each unless either party provides notice in writing to the other party that the agreement will terminate at the end of the term. Virginia529 and the Program Manager may terminate the agreement at any time by mutual consent during the initial or an extension term. In addition, both Virginia529 and the Program Manager have the right to terminate the agreement under specified circumstances. In the event that the agreement is terminated, Virginia529 may select another program manager for CollegeAmerica without prior notice to Account Owners.

Limit on Account duration. For beneficiaries who have not graduated from high school at the time a CollegeAmerica Account is opened, the Account Owner has 30 years after the projected date of the Beneficiary's high school graduation to use all assets in their CollegeAmerica Account. For beneficiaries who have graduated from high school at the time an Account is opened, the Account Owner has 30 years after the date the CollegeAmerica Account was opened to use all assets in their CollegeAmerica 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 30-year period. If an Account is rolled over to a new Beneficiary, the applicable 30-year time limit will begin again, based on the new Beneficiary's age and date of Account inception. Requests for extensions of this Account duration limit will be considered by the Program Manager on a case-by-case basis.

If the CollegeAmerica Account is not depleted within the 30-year Account duration limit, the Program Manager will contact the Account Owner regarding the status of the CollegeAmerica Account. If neither the Virginia529 Board nor the Program Manager, after diligent commercial efforts, is able to locate the Account Owner, the Beneficiary or any designee of survivorship rights, 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.

Claims against Accounts. Federal bankruptcy law may protect from creditors contributions to an Account made on behalf of a Beneficiary who was a child, stepchild, grandchild, or stepgrandchild of the debtor in the year in which the contribution was made. All contributions made at least two years prior to the filing of the bankruptcy petition are protected. Contributions up to \$5,850 that are made more than 365 days, but less than 720 days, before the filing of the bankruptcy petition are protected. Contributions made less than one year before the filing of the bankruptcy petition are not protected.