



PROGRAM DISCLOSURE STATEMENT *and* ACCOUNT AGREEMENT



OFFERED BY THE
STATE OF ALABAMA

UBT 529 SERVICES, A DIVISION OF

UBT
Union Bank & Trust
PROGRAM MANAGER

The Program is intended to be used only to save for future educational costs as permitted for a “qualified tuition program” as defined by Section 529 of the Internal Revenue Code of 1986, as amended. The Program is not intended to be used, nor should it be used, by any taxpayer for the purpose of evading federal or state taxes or tax penalties. Taxpayers may wish to seek tax advice from an independent tax advisor based on their own particular circumstances.

This Program Disclosure Statement is intended to comply with the College Savings Plans Network Disclosure Principles, Statement No. 6, adopted July 1, 2017.

JUNE 29, 2018

CollegeCountsSM
Alabama's 529 Fund

IMPORTANT LEGAL INFORMATION

Investments in the CollegeCounts 529 Fund are not guaranteed or insured by the State of Alabama, the Board, the State Treasurer of Alabama, Union Bank & Trust Company, the Federal Deposit Insurance Corporation, or any other entity.

The Plan and its associated persons make no representations regarding the suitability of the Plan's investment portfolios for any particular investor. Other types of investments and other types of college savings vehicles may be more appropriate depending on your personal circumstances. You should consult your tax or investment advisor for more information.

No broker, dealer, registered representative, salesperson, or other person has been authorized to give any information or to make any representations other than those contained in this Program Disclosure Statement, and, if any such other information is given or made, such other information or representations must not be relied upon as having been authorized by the CollegeCounts 529 Fund, the State Treasurer of Alabama, the Board, or Union Bank & Trust Company.

The information in this Program Disclosure Statement is subject to change without notice, and neither delivery of this Program Disclosure Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the CollegeCounts 529 Fund since the date of this document.

This Program Disclosure Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of securities by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale.

IMPORTANT INVESTOR INFORMATION—PLEASE READ

Before investing in the CollegeCounts 529 Fund, you should consider carefully the following:

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

FOR ALABAMA INVESTORS

The State of Alabama provides the following income tax advantages when investing in the Plan:

- individuals who file an Alabama state income tax return are eligible to deduct for Alabama state income tax purposes up to:
 - \$5,000 -or-**
 - \$10,000 for married taxpayers filing jointly who each make contributions**for contributions per tax year to the Plan and to other Alabama Section 529 plans during that year;**
- investment earnings on money invested in the Plan are not subject to Alabama state income tax until they are distributed; and**
- when distributed as a Qualified Withdrawal (as defined herein), the earnings are free from Alabama state income tax.**

See "Federal and State Tax Considerations" as defined herein.

Accounts in the Alabama College Education Savings Program are offered and sold as the CollegeCounts 529 Fund and the CollegeCounts 529 Fund Advisor Plan. Alabama also administers a prepaid tuition program called The Alabama Prepaid Affordable College Tuition Program (the "PACT Program"). The PACT Program is closed to enrollment.

This Program Disclosure Statement describes only the Accounts available through the CollegeCounts 529 Fund. The CollegeCounts 529 Fund Advisor Plan may offer different investment options with different investment advisors or different benefits and may be marketed differently from the CollegeCounts 529 Fund described in this Program Disclosure Statement. In addition, the CollegeCounts 529 Fund Advisor Plan may charge different fees, withdrawal penalties, and sales commissions than the CollegeCounts 529 Fund described in this Program Disclosure Statement. You can obtain information regarding the CollegeCounts 529 Advisor Plan by contacting your financial advisor, calling 866.529.2228 or by visiting CollegeCounts529advisor.com.

TABLE OF CONTENTS

OVERVIEW	3	CHOOSING A DESIGNATED BENEFICIARY	13
INTRODUCTION	5	Who May Be a Designated Beneficiary?	13
PLAN HIGHLIGHTS	5	Do I Have to Be Related to the Designated Beneficiary?.....	13
DEFINITIONS OF KEY TERMS	6	May I Change Beneficiaries?.....	13
DESCRIPTION OF THE PROGRAM	8	CONTRIBUTING TO AN ACCOUNT	14
What Is the Program?.....	8	How do I Make Contributions to the Plan?.....	14
What Is the Legal Structure of the Program?	8	How do I Rollover or Transfer Funds to My Account?	15
How Does the Plan Work?.....	9	How do I Make Contributions From a UGMA or UTMA Custodial Account?	15
What Types of Higher Education Expenses May Be Paid With Account Funds?	9	How do I Contribute CollegeCounts Visa Rewards to a CollegeCounts Account?.....	15
RISK FACTORS	9	Can Non-Owners Make Contributions to an Account?.....	15
Plan Risks	9	What is <i>CollegeCounts GiftED</i> ?	15
The Value of Your Account May Decline	9	What Are the Limits on the Amount I Can Contribute?	16
Your Account Is Not Insured or Guaranteed.....	9	What Happens to Contributions Over the Maximum?	16
Not a Direct Investment in Mutual Funds and Underlying Fund Risks.....	9	INVESTMENT PORTFOLIOS	16
Laws Governing 529 Qualified Tuition Programs May Change.....	10	How Are My Plan Contributions Invested?	16
Limitation on Investment Selection	10	Age-Based Portfolios.....	17
Limited Use of Withdrawals Without Penalties...	10	Target Portfolios	19
Limited Operating History of Portfolios	10	Individual Fund Portfolios	20
Fee Changes	10	Can I Change My Investment Election?	22
Changes in Program Manager.....	10	How can I Change the Investment of my Current Balance and Future Contributions?.....	23
Illiquidity of Account	10	How Is the Value of My Account Calculated?	23
Acceptance to an Institution of Higher Education Is Not Guaranteed	10	PERFORMANCE	23
Educational Expenses May Exceed the Balance in Your Account.....	10	How Have the Portfolios Performed?.....	23
Plan Contributions Do Not Create Alabama Residency.....	11	PLAN FEES AND EXPENSES	25
Impact on the Designated Beneficiary's Ability to Receive Financial Aid	11	What Does the Plan Cost?	25
Medicaid and Other Federal and State Benefits.	11	Fee and Expense Table	25
Other Investment Alternatives.....	11	Hypothetical Expense Example	28
Investment Risks.....	11	FEDERAL AND STATE TAX CONSIDERATIONS	30
Each Portfolio Has Risks	11	What Are the Federal Income Tax Consequences of the Plan?	30
Individual Fund Portfolios Not as Diversified as Age-Based and Target Portfolios.....	12	Are Contributions to the Program Tax Deductible? .	30
OPENING AND MAINTAINING AN ACCOUNT	12	What Are the State of Alabama Income Tax Consequences of the Plan?.....	30
Who Can Open an Account?.....	12	How Is the Earnings Portion of My Account Calculated for Tax Purposes?	30
How Do I Open an Account?	12	What Are the Federal Gift and Estate Tax Considerations of the Plan?	30
How Many Accounts Can I Open?.....	13	Can I Contribute to, or Withdraw from, the Plan and a Coverdell Education Savings Account?	31
When Can I Open an Account for an Infant?.....	13		
Who Controls an Account?.....	13		
May I Change Ownership of a Plan Account?.....	13		
Can I Name a Successor to Take Over Ownership of My Account Upon My Death?	13		
Where Can I Obtain Additional Forms and Enrollment Kits?	13		

TABLE OF CONTENTS

DISTRIBUTIONS FROM AN ACCOUNT	31
How Do I Request a Distribution From an Account?	31
What Constitutes a Qualified Withdrawal?	31
Should I Document Qualified Higher Education Expenses?	32
Can I Recontribute Refunded Amounts?	32
When Must Withdrawals Begin?	32
Can I Make Withdrawals for Other Purposes?	32
What Are the Exceptions to the Federal Penalty Tax?	32
May I Roll Over My Account to Another Qualified Tuition Program?	32
What Happens to an Account If the Designated Beneficiary Does Not Attend College?	33
How do I Close an Account?	33
OTHER IMPORTANT WITHDRAWAL CONSIDERATIONS	33
Taxable Portion of a Distribution	33
Coordination With American Opportunity and Lifetime Learning Credits	33
Coordination With Coverdell Education Savings Account Distributions	33
Coordination With Tuition and Fees Deduction	33
LIMITATIONS AND PENALTIES	33
Are There Limits on Investment Changes?	33
Are There Limits on Transfers to Other Alabama Section 529 Programs?	34
Are There Limitations on Transfers Out of the Program?	34
Are There State of Alabama Income Tax Considerations on Transfers Out of the Program? ..	34
Are There Penalties on Withdrawals From the Plan?	34
OTHER INFORMATION	34
How Will Investment in the Plan Affect My Designated Beneficiary's Chances of Receiving Financial Aid?	34
Are Contributions Part of an Account Owner's Bankruptcy Estate?	34
Does Alabama Law Protect Accounts From Creditors?	35
What Kind of Statements Will I Receive?	35
How Can I Have Online Access to My Account?	35
Is the Program Audited?	35
Where Can I Obtain Additional Information?	35
EXHIBIT A – ACCOUNT AGREEMENT	36
EXHIBIT B – TAX INFORMATION	42
EXHIBIT C – INVESTMENT PORTFOLIOS AND MUTUAL FUND INFORMATION	45

<p>Investment Portfolios (See “Investment Portfolios,” page 16)</p>	<ul style="list-style-type: none"> • 3 Age-Based Portfolios (Aggressive, Moderate, Conservative). • 6 Target Portfolios. • 25 Individual Fund Portfolios. • Investment Changes allowed twice per calendar year or upon a change of Designated Beneficiary 																		
<p>Plan Costs (See “Plan Fees and Expenses,” page 25)</p>	<table border="1"> <thead> <tr> <th>Underlying Fund Costs</th> <th>Range</th> <th>Average</th> </tr> </thead> <tbody> <tr> <td>Age-Based Portfolios</td> <td>0.04% - 0.07%</td> <td>0.05%</td> </tr> <tr> <td>Target Portfolios</td> <td>0.04% - 0.07%</td> <td>0.05%</td> </tr> <tr> <td>Individual Fund Portfolios</td> <td>0.02% - 0.63%</td> <td>0.21%</td> </tr> <tr> <td colspan="3">Other Annual Costs</td> </tr> <tr> <td>Program Management Fee</td> <td>0.25%</td> <td></td> </tr> </tbody> </table>	Underlying Fund Costs	Range	Average	Age-Based Portfolios	0.04% - 0.07%	0.05%	Target Portfolios	0.04% - 0.07%	0.05%	Individual Fund Portfolios	0.02% - 0.63%	0.21%	Other Annual Costs			Program Management Fee	0.25%	
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<p>Risk Factors (See “Risk Factors,” page 9)</p>	<ul style="list-style-type: none"> • Investments in the CollegeCounts 529 Fund are not guaranteed or insured by the State of Alabama, the Board, the State Treasurer of Alabama, Union Bank & Trust Company, the Federal Deposit Insurance Corporation, or any other entity. • Opening an Account involves certain risks, including: <ul style="list-style-type: none"> • the risk that the value of your Account may decrease, meaning you could lose money, including the principal you invest; • the risk of state or federal tax law changes; • the risk of Plan changes, including changes in fees; • the risk that an investment in the Plan may adversely affect the Account Owner’s or Designated Beneficiary’s eligibility for financial aid or other benefits. 																		
<p>Qualified Withdrawals (See “Distributions From an Account,” page 31)</p>	<p>Withdrawals from a Plan account used to pay for a Designated Beneficiary’s Qualified Higher Education Expenses (as defined herein) are Qualified Withdrawals and include:</p> <ul style="list-style-type: none"> • tuition, fees, books, supplies, and equipment required for enrollment of, or attendance by, a Designated Beneficiary at an Institution of Higher Education; • expenses for room and board (with certain limitations) incurred by students who are enrolled at least half-time; • expenses for the purchase of computer or peripheral equipment, computer software, or Internet access and related services if it is to be used primarily by the Designated Beneficiary during any of the years the Designated Beneficiary is enrolled at an eligible educational institution; • expenses for special needs services in the case of a special needs Designated Beneficiary which are incurred in connection with such enrollment or attendance. • Note: Certain sections of the Alabama income tax statute refer to definitions in Code Section 529, as amended, including the definition of “Qualified Higher Education Expenses.” For years after 2017, amendments to Code Section 529 treat withdrawals for tuition in connection with enrollment or attendance at an elementary or secondary school, whether public, private or religious, with a limit of \$10,000 per year, per child collectively from all 529 plans to be “Qualified Higher Education Expenses.” Consequently, a Designated Beneficiary may be able to use the amounts in a Plan Account to pay for K-12 Tuition Expenses (as defined herein) without incurring adverse tax consequences. However, the Act (which has not been amended since adoption of the Code Section 529 amendments referred to above) only covers expenses at “eligible educational institutions.” The definition of this term in Code Section 529 does not appear to cover K-12 schools, although Internal Revenue Service Publication 970 provides that an “eligible educational institution” “can be either an eligible postsecondary school or, for amounts paid from distributions made after December 31, 2017, an eligible elementary or secondary school.” Publication 970 does not have the same authority as Code Section 529, and the Program recommends that taxpayers seek tax advice from an independent tax advisor with respect to their ability to use the Program to pay K-12 Tuition Expenses without incurring adverse tax consequences. 																		

COLLEGECOUNTS 529 FUND

INTRODUCTION

The CollegeCounts 529 Fund (the “Plan”) is part of the Alabama College Education Savings Program (the “Program”). The Program is an education savings program authorized by the State of Alabama and is designed to qualify as a tax-advantaged savings program under Section 529 of the Code, as amended. Section 529 permits states and state agencies to sponsor qualified tuition programs under which you can open and contribute to an Account for the benefit of any individual, including adults. The Plan is a convenient and tax-advantaged way to save for the cost of college, graduate and postgraduate programs, vocational schools and other qualifying future educational costs.

You may open and contribute to an Account regardless of your income. The Plan has no minimum initial or subsequent required Contributions to an Account. The Maximum Account Balance Limitation for Accounts for a Designated Beneficiary in the Plan, together with any additional accounts in other State of Alabama 529 programs for such Designated Beneficiary, is \$475,000.

Investment earnings on your Contributions accumulate on a tax-deferred basis, and withdrawals are exempt from federal and Alabama state income tax if they constitute Qualified Withdrawals (as defined herein). Individuals who contribute to the Plan and file a State of Alabama income tax return generally are allowed to deduct from their gross income for Alabama state income tax purposes up to \$5,000 of Contributions per year (\$10,000 for married taxpayers filing jointly if both actually contribute) for total combined contributions to State of Alabama 529 programs.

Under federal law, neither you nor the Designated Beneficiary of your Account may exercise investment discretion, directly or indirectly, over Contributions to an Account or any earnings on such Contributions. However, you may choose an allocation of equity, real estate, fixed income, and/or money market investments relating to your Plan Account based on the available Portfolios described in this Program Disclosure Statement.

This Program Disclosure Statement describes only the CollegeCounts 529 Fund. The Board also offers the CollegeCounts 529 Fund Advisor Plan (“Advisor Plan”), which is sold through brokers or other financial advisors. The investment options the Plan offers and the costs of investing in the Plan are different than the investment options and costs of the CollegeCounts 529 Fund Advisor Plan. For more information on the Advisor Plan contact your financial advisor.

Certain capitalized terms have the meanings given to them in the “Definitions of Key Terms” Section beginning on page 6. Other capitalized terms are defined elsewhere in this Program Disclosure Statement.

PLAN HIGHLIGHTS

Eligibility. The Plan is open to residents of any state who are at least 19 years of age, not just residents of Alabama. There are no income restrictions.

Contribution Amounts. The Plan has no required minimum Contribution and you may make additional Contributions at any time. However, the current Maximum Account Balance Limitation for Accounts for a Designated Beneficiary under the Plan, together with any additional accounts in other State of Alabama 529 programs for such Designated Beneficiary, is \$475,000.

Qualified Withdrawals. Under Section 529 of the Code, money in your Account withdrawn to pay the Designated Beneficiary’s Qualified Higher Education Expenses are considered Qualified Withdrawals. The term Qualified Higher Education Expenses includes tuition, fees, books, supplies and equipment required for the enrollment or attendance of a Designated Beneficiary at an Institution of Higher Education and expenses for special needs services in the case of a special needs beneficiary which are incurred in connection with such enrollment or attendance. Subject to certain limits, Qualified Higher Education Expenses also include the Designated Beneficiary’s room and board expenses if enrolled at least half-time and the purchase of computer or peripheral equipment, computer software, or Internet access and related services if they are to be used primarily by the Designated Beneficiary during any of the years the Designated Beneficiary is enrolled at an eligible educational institution.

Certain sections of the Alabama income tax statute refer to definitions in Code Section 529, as amended, including the definition of “Qualified Higher Education Expenses.” For years after 2017, amendments to Code Section 529 treat withdrawals for tuition in connection with enrollment or attendance at an elementary or secondary school, whether public, private or religious, with a limit of \$10,000 per year, per child collectively from all 529 plans to be “Qualified Higher Education Expenses.” Consequently, a Designated Beneficiary may be able to use the amounts in a Plan Account to pay for K-12 Tuition Expenses (as defined herein) without incurring adverse tax consequences. However, the Act (which has not been amended since adoption of the Code Section 529 amendments referred to above) only covers expenses at “eligible educational institutions.” The definition of this term in Code Section 529 does not appear to cover K-12 schools, although Internal Revenue Service Publication 970 provides that an “eligible educational institution” “can be either an eligible postsecondary school or, for amounts paid from distributions made after December 31, 2017, an eligible elementary or secondary school.” Publication 970 does not have the same authority as Code Section 529, and the Program recommends that taxpayers seek tax advice from an independent tax advisor with respect to their ability to use the Program to pay K-12 Tuition Expenses without incurring adverse tax consequences.

Income Tax Consequences. Under current law, federal and Alabama state income taxes on investment earnings are tax-deferred while held in an Account, and such earnings are generally free from federal and Alabama state income tax if they are used to pay the Designated Beneficiary's Qualified Higher Education Expenses as discussed above. For federal tax purposes if money is withdrawn from your Account, but not used to pay the Designated Beneficiary's Qualified Higher Education Expenses as discussed above (a "Nonqualified Withdrawal"), the earnings portion (if any) of the withdrawal will be treated as ordinary income to the recipient and generally will also be subject to a 10% federal penalty tax.

Individuals who file an Alabama state income tax return are eligible to deduct for Alabama state income tax purposes up to \$5,000 per tax year (\$10,000 for married taxpayers filing jointly if both actually contribute) for total combined contributions to the Plan and other State of Alabama 529 programs. The contributions made to such qualifying plans are deductible on the tax return of the contributing taxpayer for the tax year in which the contributions are made.

In the event of a Nonqualified Withdrawal from the Plan, for Alabama state income tax purposes, an amount must be added back to the income of the contributing taxpayer in an amount of the Nonqualified Withdrawal plus ten (10%) percent of such amount withdrawn. Such amount will be added back to the income of the contributing taxpayer in the tax year that the Nonqualified Withdrawal was distributed.

For this purpose, please note that another amendment to Section 529 permits a rollover from a 529 Plan to a Section 529A ABLE Account to qualify as a non-taxable rollover for federal income tax purposes if made for the benefit of the Designated Beneficiary or a Member of the Family of the Designated Beneficiary and if made after December 22, 2017 and prior to 2026. Alabama income tax statutes as currently interpreted appear to follow the federal tax treatment on such rollover. Nonetheless, Account Owners and their Designated Beneficiaries are cautioned to consult with their own tax advisors before undertaking any such rollover.

Gift Tax Treatment. See "Exhibit B- Tax Information". For federal gift tax purposes, Contributions to an Account are considered a gift from the contributor to the Designated Beneficiary that is eligible for the annual gift tax exclusion. Currently, the annual exclusion is \$15,000 per donee (\$30,000 for a married couple) per calendar year. This means that currently you may contribute up to \$15,000 to an Account without the Contribution being considered a taxable gift (assuming you make no other gifts to the Designated Beneficiary in the same calendar year). In addition, if your total Contributions to an Account during a year exceed the annual exclusion for that year, you may elect to have the amount you contributed that year treated as though you made one-fifth of the Contribution that year, and one-fifth of the Contribution in each of the next four calendar years.

An election to have the contribution taken into account ratably over a five-year period must be made by the donor on a Federal Gift Tax Return, IRS Form 709, for the year of contribution.

This means that you may contribute up to \$75,000 on behalf of a Designated Beneficiary currently without the Contribution being considered a taxable gift, provided that you neither make nor are deemed to make any other gifts to such Designated Beneficiary in the same year or in any of the succeeding four calendar years and that you made no excess contributions treated as gifts subject to the one-fifth rule during any of the previous four years. Moreover, a married contributor whose spouse elects on a Federal Gift Tax Return to have gifts treated as "split" with the contributor may contribute up to twice that amount (\$150,000 currently) without the Contribution being considered a taxable gift, provided that neither spouse makes other gifts to the Designated Beneficiary in the same year or in any of the succeeding four calendar years. The annual exclusion is indexed for inflation and therefore is expected to increase over time.

School Choice. The Designated Beneficiary can attend any United States post-secondary school (and some foreign schools) qualifying as an Institution of Higher Education, including both public and private schools.

Investment Flexibility. The Board and Program Manager have designed 3 Age-Based Portfolios, 6 Target Portfolios, and 25 Individual Fund Portfolios. The Age-Based and Target Portfolios invest in specified allocations of equity, real estate, fixed income, and/or money market funds, and the Individual Fund Portfolios invest in a single mutual fund. Account Owners do not own shares of the underlying mutual funds, but rather own shares in a Portfolio of the Plan. You can choose a Portfolio that is tailored to meet your investment objectives and risk profile. The underlying funds in a Portfolio may be modified from time to time by the Board in its sole discretion.

DEFINITIONS OF KEY TERMS

When the following capitalized terms are used in this Program Disclosure Statement, such terms shall have the meanings ascribed to such terms below:

Account means a separate account within the Plan established by an Account Owner for a named Designated Beneficiary pursuant to an Account Agreement.

Account Agreement means the written agreement between an Account Owner and the Board that governs the operation of each Account established under the Plan by an Account Owner, as amended and supplemented from time to time. The current Account Agreement is attached as Exhibit A to this Program Disclosure Statement.

Account Owner means the person or entity that has entered into an Account Agreement and established an Account on behalf of a Designated Beneficiary, or the person or entity who is the successor in interest to such person or entity in accordance with the Program Rules. The Account Owner controls the Account.

Act means the Wallace Folsom College Savings Investment Plan Act, §16-33C-1 to §16-33C-25 of the Code of Alabama 1975, as amended from time to time, which established and applies to the Program and the Plan.

Age-Based Portfolio means a diversified investment portfolio that invests in equity, real estate, fixed income, and/or money market funds that adjusts based on the age of the Designated Beneficiary.

Board means the Board of Trustees of the Program.

Code means the Internal Revenue Code of 1986, as amended from time to time.

Contribution means cash deposited into an Account for the benefit of a Designated Beneficiary.

Designated Beneficiary means

- The individual designated as the beneficiary of the Account at the time the Account is established;
- The individual who is designated as the new Designated Beneficiary when the Designated Beneficiary of an Account is changed; or
- The individual receiving the benefits of an Account established by any state or local government or organization described in Section 501(c)(3) of the Code, as part of a scholarship program operated by such government or organization.

Enrollment Form means the CollegeCounts 529 Fund Enrollment Form completed and signed by an Account Owner establishing an Account and agreeing to be bound by the terms of the Account Agreement.

Individual Fund Portfolio means an investment Portfolio within the Plan to which an Account may be assigned and that invests in the shares of a single mutual fund.

Institution of Higher Education means an eligible educational institution, as defined in Section 529 of the Code, as amended. This generally includes any accredited postsecondary educational institution in the United States offering credit toward a bachelor's degree, an associate's degree, a graduate level or professional degree, or another recognized postsecondary credential. Certain proprietary institutions, postsecondary vocational institutions, and foreign schools are also Institutions of Higher Education. These institutions must be eligible to participate in U.S. Department of Education student aid programs. For a list of schools, visit www.fafsa.ed.gov and click on "School Code Search".

Investment Portfolios and Allocation Guidelines means the Investment Portfolios and Allocation Guidelines adopted by the Board which set forth the Plan's investment Portfolios, underlying investment funds, fee structures, and asset allocations. The Board may amend the Investment Portfolios and Allocation Guidelines from time to time.

K-12 Tuition Expenses means expenses incurred after 2017 for tuition in connection with enrollment or attendance at an elementary or secondary school, whether public, private or religious, up to the annual limit established by Code Section 529(e).

Member of the Family means an individual who is related to the Designated Beneficiary, as defined in Section 529(e)(2) of the Code, in any of the following ways:

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

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

Nonqualified Withdrawal means any distribution from an Account that is not a Qualified Withdrawal and is not a Qualified Rollover Distribution.

PACT Program means the Alabama Prepaid Affordable College Tuition Program, a prepaid tuition program intended to qualify under Section 529 of the Code, which was established under the Act. The PACT Program is closed to future enrollment.

Plan means the CollegeCounts 529 Fund.

Portfolio means any of the investment portfolios available, and to which Contributions may be made, under the Plan. An Account Owner must designate a Portfolio or Portfolios in the Enrollment Form for each Account.

Program means the Alabama College Education Savings Program established by the Act.

Program Management Agreement means the Program Management Agreement by and between the Program Manager and the Board.

Program Manager means Union Bank & Trust Company of Lincoln, Nebraska. Union Bank & Trust Company does business in Alabama under the name UBT 529 Services, a Division of Union Bank & Trust Company.

Program Rules means the rules governing the Program adopted by the Board, as such Rules may be amended or supplemented from time to time.

Qualified Higher Education Expenses as defined in Section 529(e)(3) of the Code, includes:

- tuition, fees, books, supplies, and equipment required for enrollment of, or attendance by, a Designated Beneficiary at an Institution of Higher Education;
- certain room & board expenses incurred by students who are enrolled at least half-time. The expense for room and board qualifies only to the extent that it isn't more than the greater of the following two amounts: a) The allowance for room and board, as determined by the eligible educational institution, that was included in the cost of attendance (for federal financial aid

purposes) for a particular academic period and living arrangement of the student; b) The actual amount charged if the student is residing in housing owned or operated by the eligible educational institution. You may need to contact the eligible educational institution for qualified room and board costs;

- expenses for special needs services in the case of a special needs beneficiary which are incurred in connection with such enrollment or attendance;
- expenses for the purchase of computer or peripheral equipment, computer software, or Internet access and related services, if such equipment, software, or services are to be used primarily by the Designated Beneficiary during any of the years the beneficiary is enrolled at an eligible educational institution. (This does not include expenses for computer software for sports, games, or hobbies unless the software is predominately educational in nature.)

Qualified Rollover Distribution means a distribution or transfer from an Account that is deposited within sixty (60) days of the distribution or transfer to:

- Another qualified tuition program for the benefit of the Designated Beneficiary, provided that any such transfer does not occur within twelve months from the date of a previous transfer to a qualified tuition program for the benefit of the Designated Beneficiary; or
- Another Account in any other qualified tuition program, for the benefit of an individual who is a Member of the Family of the Designated Beneficiary.

Effective December 22, 2017 and before 2026, under Section 529(c)(3), a rollover distribution from a 529 plan to a Section 529A ABLE account for the same Designated Beneficiary or a Member of the Family of the Designated Beneficiary's is to be treated as a qualified rollover under Section 529 for federal income tax purposes. Alabama income tax statutes as currently interpreted appear to follow the federal tax treatment on such rollover. Nonetheless, Account Owners and their Designated Beneficiaries are cautioned to consult with their own tax advisors before undertaking any such rollover.

Qualified Withdrawal means a withdrawal from an Account that is used to pay the Qualified Higher Education Expenses of the Designated Beneficiary. Certain sections of the Alabama income tax statute refer to definitions in Code Section 529, as amended, including the definition of "Qualified Higher Education Expenses." For years after 2017, amendments to Code Section 529 treat withdrawals for tuition in connection with enrollment or attendance at an elementary or secondary school, whether public, private or religious, with a limit of \$10,000 per year, per child collectively from all 529 plans to be "Qualified Higher Education Expenses." Consequently, a Designated Beneficiary may be able to use the amounts in a Plan Account to pay for K-12 Tuition Expenses (as defined herein) without incurring adverse tax consequences. However, the Act (which has not been amended since adoption of the Code Section 529 amendments referred to above) only covers expenses at "eligible educational institutions." The definition of this term in Code Section 529 does not appear to cover K-12 schools, although Internal Revenue Service Publication 970

provides that an "eligible educational institution" "can be either an eligible postsecondary school or, for amounts paid from distributions made after December 31, 2017, an eligible elementary or secondary school." Publication 970 does not have the same authority as Code Section 529, and the Program recommends that taxpayers seek tax advice from an independent tax advisor with respect to their ability to use the Program to pay K-12 Tuition Expenses without incurring adverse tax consequences.

Statement of Investment Policy means the Investment Policy and Guidelines Statement adopted by the Board. The Investment Policy Statement sets forth the policies, objectives and guidelines that govern the investment of Contributions in the Program. The Board may amend the Statement of Investment Policy from time to time.

Target Portfolio means a diversified investment portfolio within the Plan to which an Account can be assigned that can invest in equity, real estate, fixed income, and/or money market funds.

Treasurer means the State of Alabama Treasurer.

Trust Fund means the fiduciary trust fund created under the Act to hold the assets of the Plan.

DESCRIPTION OF THE PROGRAM

What Is the Program?

The Program is an education savings program established by the State of Alabama and is designed to qualify as a qualified tuition program under Section 529 of the Code, as amended. The purpose of the Program is to assist individuals in paying Qualified Higher Education Expenses at Institutions of Higher Education and to thereby encourage students to attend colleges and universities. Federal and Alabama state income taxes on investment earnings in an Account are deferred until there is a distribution from the Account. In addition, distributions from an Account are generally free from federal and Alabama state income tax if they are made in a Qualified Withdrawal.

The Program consists of the CollegeCounts 529 Fund and the CollegeCounts 529 Fund Advisor Plan. This Program Disclosure Statement only pertains to Accounts in the CollegeCounts 529 Fund, which is referred to in this Program Disclosure Statement as the "Plan." Accounts in the Plan are offered directly to Account Owners. Before investing in the Plan, you should consider whether an investment in the Plan is appropriate in light of your overall financial goals and whether an investment in the Plan is an appropriate vehicle for you to use to save for Qualified Higher Education Expenses. You can obtain additional information about the CollegeCounts 529 Fund by visiting CollegeCounts529.com or calling 866.529.2228.

What Is the Legal Structure of the Program?

The Program was established by the Act. Funds contributed to Plan Accounts established pursuant to the Program are held in the Trust Fund for the sole benefit of the Account Owner and the Designated Beneficiary. The Board acts as trustee of the Trust Fund and is responsible for the overall administration of the Program. The Board has delegated day-to-day administration of the Program to the Treasurer.

The Board has selected Union Bank & Trust Company, doing business in Alabama as UBT 529 Services, a Division of Union Bank & Trust Company, to serve as Program Manager and advise the Board

on the investment of Contributions to the Plan and to provide day-to-day administrative and marketing services to the Plan. The Program Manager has engaged Wilshire Associates, Inc. to advise it with respect to the structure and asset allocations of the Portfolios and the underlying investment funds the Portfolios utilize.

How Does the Plan Work?

To begin saving for college or other post-high school education you must open an Account for a named Designated Beneficiary. Money contributed to your Account, will be invested in the Portfolio(s) you choose. When the Designated Beneficiary of your Account incurs Qualified Higher Education Expenses, you may withdraw money from your Account to pay those Qualified Higher Education Expenses.

What Types of Qualified Higher Education Expenses May Be Paid With Account Funds?

Account funds may be used to pay the Qualified Higher Education Expenses of the Account's Designated Beneficiary. These generally include tuition, fees, books, supplies, and equipment required for the Designated Beneficiary's enrollment or attendance at an Institution of Higher Education and the purchase of computer or peripheral equipment, computer software, or Internet access and related services if they are to be used primarily by the Designated Beneficiary during any of the years the Designated Beneficiary is enrolled at an eligible educational institution. Subject to certain limitations, these also generally include the room and board expenses of a student enrolled on at least a half-time basis. In addition, Qualified Higher Education Expenses include expenses for special needs services in the case of a special needs beneficiary.

Institutions of Higher Education generally include accredited, postsecondary educational institutions offering credit toward a bachelor's degree, an associate's degree, a graduate level or professional degree, or another recognized postsecondary credential, including certain proprietary, postsecondary vocational, and foreign institutions. The institution must be eligible to participate in U.S. Department of Education student aid programs.

Certain sections of the Alabama income tax statute refer to definitions in Code Section 529, as amended, including the definition of "Qualified Higher Education Expenses." For years after 2017, amendments to Code Section 529 treat withdrawals for tuition in connection with enrollment or attendance at an elementary or secondary school, whether public, private or religious, with a limit of \$10,000 per year, per child collectively from all 529 plans to be "Qualified Higher Education Expenses." Consequently, a Designated Beneficiary may be able to use the amounts in a Plan Account to pay for K-12 Tuition Expenses (as defined herein) without incurring adverse tax consequences. However, the Act (which has not been amended since adoption of the Code Section 529 amendments referred to above) only covers expenses at "eligible educational institutions." The definition of this term in Code Section 529 does not appear to cover K-12 schools, although Internal Revenue Service Publication 970 provides that an "eligible educational institution" "can be either an eligible postsecondary school or, for amounts paid from distributions made after December 31,

2017, an eligible elementary or secondary school." Publication 970 does not have the same authority as Code Section 529, and the Program recommends that taxpayers seek tax advice from an independent tax advisor with respect to their ability to use the Program to pay K-12 Tuition Expenses without incurring adverse tax consequences.

The tax benefits afforded to 529 Plans must be coordinated with other programs designed to provide tax benefits for meeting higher education expenses in order to avoid the duplication of such benefits. **You should consult with a qualified tax advisor with respect to the various education benefits.**

RISK FACTORS

Certain risk factors relating to participation in the Plan are described below.

Plan Risks

The Value of Your Account May Decline

As with many investment programs, there can be no assurance that the value of your Account will grow at any particular rate or that it will not decline. The value of the securities in which the Portfolios invest will change due to a number of factors, most of which will not be in the control of the Board or the Program Manager. If the value of these securities declines, you may lose some or all of the principal balance in your Account.

Your Account Is Not Insured or Guaranteed

Balances in your Account are not guaranteed or insured by the State of Alabama, the Board, or any instrumentality of the State of Alabama, the Treasurer, the Program Manager or any of its affiliates, the FDIC, or any other party. You could lose money (including amounts contributed to your Account), or not make money, if you participate in the Plan.

Not a Direct Investment in Mutual Funds and Underlying Fund Risks

Although money contributed to the Accounts will be invested in Portfolios that hold mutual funds (among other types of investments), none of the Trust, the Plan, or any of the Plan's Portfolios is a mutual fund, and an investment in the Plan is not an investment in shares of any mutual fund. When you invest money in a Portfolio, you will receive Portfolio units. Your money will be used to purchase shares of underlying funds. However, the settlement date for the Portfolio's purchase of shares of an underlying fund typically will be one to three business days after the trade date for your purchase of Portfolio units. Depending on the amount of cash flow into or out of the Portfolio and whether the underlying fund is going up or down in value, this timing difference will likely cause the Portfolio's performance either to trail or exceed the underlying fund's performance. An investment in the Plan is an investment in municipal fund securities that are issued and offered by the Trust. These securities are not registered with the SEC or any state, nor are the Trust, the Plan, or the Portfolios registered as investment companies with the SEC or any state. The Portfolios invest in underlying funds so the Portfolio's investment performance and risks are directly related to the performance and risks of the underlying funds. The Accounts will indirectly bear the expenses charged by the underlying funds.

Laws Governing 529 Qualified Tuition Programs May Change

There is a risk that federal and state laws and regulations governing 529 programs could change in the future.

The proposed Federal Treasury regulations that have been issued under Section 529 of the Code provide guidance and requirements for the establishment and operation of the Program but do not provide guidance on all aspects of the Program. Final regulations or other administrative guidance or court decisions might be issued that could adversely impact the federal tax consequences or requirements with respect to the Plan or Contributions to or withdrawals from your Account. In addition, Section 529 or other federal law could be amended in a manner that materially changes the federal tax treatment of Contributions to and withdrawals from your Account.

You should understand that changes in the law governing the federal and/or state tax consequences described in this Program Disclosure Statement might necessitate material changes to the Program and the Plan for the anticipated tax consequences to apply. No representation is made nor assurance given that any such changes may or will be made or that such changes can be made in a manner to allow Account Owners or the Designated Beneficiary to utilize those changes.

Furthermore, the Program has been established pursuant to Alabama law, the Program Rules, the Code, and applicable securities laws. Changes to any of those laws or regulations may also affect the operation and tax treatment of the Program, as described in this Program Disclosure Statement.

Certain sections of the Alabama income tax statute refer to definitions in Code Section 529, as amended, including the definition of "Qualified Higher Education Expenses." For years after 2017, amendments to Code Section 529 treat withdrawals for tuition in connection with enrollment or attendance at an elementary or secondary school, whether public, private or religious, with a limit of \$10,000 per year, per child collectively from all 529 plans to be "Qualified Higher Education Expenses." Consequently, a Designated Beneficiary may be able to use the amounts in a Plan Account to pay for K-12 Tuition Expenses (as defined herein) without incurring adverse tax consequences. However, the Act (which has not been amended since adoption of the Code Section 529 amendments referred to above) only covers expenses at "eligible educational institutions." The definition of this term in Code Section 529 does not appear to cover K-12 schools, although Internal Revenue Service Publication 970 provides that an "eligible educational institution" "can be either an eligible postsecondary school or, for amounts paid from distributions made after December 31, 2017, an eligible elementary or secondary school." Publication 970 does not have the same authority as Code Section 529, and the Program recommends that taxpayers seek tax advice from an independent tax advisor with respect to their ability to use the Program to pay K-12 Tuition Expenses without incurring adverse tax consequences.

Limitation on Investment Selection

The Account Owner may only change the investment election for an Account twice per calendar year, or upon a change in Designated Beneficiary. If an Account Owner has Accounts in the Plan and the CollegeCounts 529 Fund Advisor Plan for the

same Designated Beneficiary, the Account Owner may change the Portfolios in all such Accounts without tax consequences, so long as the changes to all of the Accounts are made at the same time and no more frequently than twice per calendar year or upon a change of Designated Beneficiary.

Limited Use of Withdrawals Without Penalties

Other than payment of the Qualified Higher Education Expenses of the Designated Beneficiary, the circumstances under which a withdrawal may be made from an Account without a penalty or adverse tax consequences are limited. See "Exhibit B – Tax Information."

Limited Operating History of Portfolios

The Plan's investment Portfolios have a limited operating history. Although the underlying investment funds have longer operating histories, past performance of a Portfolio's underlying investment fund(s) should not be viewed as a future prediction of that Portfolio's or its underlying investment fund's future performance.

Fee Changes

The Plan's fees and expenses and the amount of the specified fees described in this Program Disclosure Statement, including the fees the Plan imposes and the underlying investment funds' fees and expenses, may change from time to time during your participation in the Plan. There can be no assurance that the Plan's fees and expenses will not increase in the future.

Changes in Program Manager

A new program manager may be appointed either upon expiration of the Program Management Agreement or earlier in the event the Program Manager or Board terminates the agreement prior to the end of the term.

In such case, the fee or compensation structure for the successor program manager may differ from and/or be higher than the fee and compensation structure of the current Program Manager. Additionally, upon a change in program manager, the Board may change the asset allocation of Portfolios and/or mutual funds included in any Portfolio and/or eliminate or change Portfolios. The Plan with such changes may achieve performance results that are different than those achieved by the current Plan.

Illiquidity of Account

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

Acceptance to an Institution of Higher Education Is Not Guaranteed

An Account in the Plan or Program will not have any effect on whether a Designated Beneficiary will be admitted to, or permitted to continue to attend, any college or other Institution of Higher Education or any other institution.

Educational Expenses May Exceed the Balance in Your Account

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

Plan Contributions Do Not Create Alabama Residency

Contributions to the Plan do not create Alabama residency status for you or a Designated Beneficiary for purposes of determining the rate of tuition charged by an Alabama educational institution or any other purpose.

Impact on the Designated Beneficiary's Ability to Receive Financial Aid

The eligibility of the Designated Beneficiary for financial aid may depend upon the circumstances of the Designated Beneficiary's family at the time the Designated Beneficiary enrolls in an Institution of Higher Education, as well as on the policies of the governmental agencies, school, or private organizations to which the Designated Beneficiary and/or the Designated Beneficiary's family applies for financial assistance. Because saving for college will increase the financial resources available to the Designated Beneficiary and the Designated Beneficiary's family, it most likely will have some effect on the Designated Beneficiary's eligibility. These policies vary at different institutions and can change over time. Therefore, no person or entity can say with certainty how the federal aid programs, or the school to which the Designated Beneficiary applies, will treat your Account for these purposes.

Medicaid and Other Federal and State Benefits

The effect of an Account on eligibility for Medicaid or other state and federal benefits is uncertain. It is possible that an Account will be viewed as a "countable resource" in determining an individual's financial eligibility for Medicaid. Withdrawals from an Account during certain periods also may have the effect of delaying the disbursement of Medicaid payments. You should consult a qualified advisor to determine how an Account may affect eligibility for Medicaid or other state and federal benefits.

Other Investment Alternatives

Neither the Board nor the Program Manager make any representations regarding the appropriateness of the Plan or any Portfolio of the Plan as an investment alternative. Other qualified tuition programs and other education savings and investment programs, including Coverdell Education Savings Accounts, are currently available to prospective Account Owners. These programs may offer benefits, including state tax benefits, other investment options and investment control, to some Account Owners or Designated Beneficiaries that are not available under the Plan. These programs may also have lower fees and expenses than the Plan. Prospective Account Owners should also consider whether investing directly in the underlying investment funds would be a better option than investing in the Plan, especially if they are considering investing in the Individual Fund Portfolios. A direct investment in the underlying investment funds may involve lower fees and expenses than are available under the Plan. A direct investment in the underlying investment funds would not, however, be eligible for certain tax benefits available under the Plan.

Investment Risks

Each Portfolio Has Risks

Each of the Portfolios are subject to certain risks that may affect Portfolio performance. Set forth below is a list of the major risks applicable to the Portfolios. Such list is not an exhaustive list and there are other risks which are not defined below. See "Exhibit C — Investment Portfolios and Underlying

Fund Information" and the respective prospectuses of the underlying mutual funds for a description of the risks associated with the underlying mutual funds in which the Portfolios invest.

Market risk. Market risk is the risk that the prices of securities will decline overall. Securities markets tend to move in cycles, with periods of rising and falling prices. Securities prices change every business day, based on investor reactions to economic, political, market, industry, corporate and other developments. At times, these price changes may be rapid and dramatic. Some factors may affect the market as a whole, while others affect particular industries, firms, or sizes or types of securities.

Interest rate risk. Interest rate risk is the risk that securities prices will decline due to rising interest rates. A rise in interest rates typically causes bond prices to fall. Bonds with longer maturities and lower credit quality tend to be more sensitive to changes in interest rates, as are mortgage-backed bonds. Short- and long- term interest rates do not necessarily move the same amount or in the same direction.

Money market investments are also affected by interest rates, particularly short-term rates, but in the opposite way: when short-term interest rates fall, money market yields usually fall as well. Bonds that can be paid off before maturity, such as mortgage-backed and other asset-backed securities, tend to be more volatile than other types of debt securities with respect to interest rate changes.

Income risk. Income risk is the chance that a fund's income will decline because of falling interest rates. Income risk is generally high for short-term bond funds, so investors should expect the fund's monthly income to fluctuate.

Income fluctuations. Income distributions on the inflation-protected funds are likely to 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. Overall, investors can expect income fluctuations to be high for an inflation-protected fund.

Foreign investment risk. Investment in foreign stocks and bonds may be more risky than investments in domestic stocks and bonds. Foreign stocks and bonds tend to be more volatile, and may be less liquid, than their U.S. counterparts. The reasons for such volatility can include greater political and social instability, lower market liquidity, higher costs, less stringent investor protections, and inferior information on issuer finances. In addition, the dollar value of most foreign currencies changes daily. All of these risks tend to be higher in emerging markets than in developed markets.

Asset-Backed Securities risk. A Portfolio's performance could suffer to the extent the underlying funds in which it invests are exposed to asset-backed securities, including mortgage-backed securities. Asset-backed securities are subject to early amortization due to amortization or payout events that cause the security to payoff prematurely. Under those circumstances, an underlying fund may not be able to reinvest the proceeds

of the payoff at a yield that is as high as that which the asset-backed security paid. In addition, asset-backed securities are subject to fluctuations in interest rates that may affect their yield or the prepayment rates on the underlying assets.

Derivatives risk. Certain of the underlying investment funds may utilize derivatives. There are certain investment risks in using derivatives, including futures contracts, options on futures, interest rate swaps and structured notes. If an underlying investment fund incorrectly forecasts interest rates in using derivatives, the underlying investment fund and any Portfolio invested in it could lose money. Price movements of a futures contract, option or structured notes may not be identical to price movements of portfolio securities or a securities index, resulting in the risk that, when an underlying investment fund buys a futures contract or option as a hedge, the hedge may not be completely effective. The use of these management techniques also involves the risk of loss if the advisor to an underlying investment fund is incorrect in its expectation of fluctuations in securities prices, interest rates or currency prices. Investments in derivatives may be illiquid, difficult to price, and result in leverage so that small changes may produce disproportionate losses for the underlying fund. Investments in derivatives may be subject to counterparty risk to a greater degree than more traditional investments. Please see the underlying mutual fund prospectus for complete details.

Concentration risk. To the extent that an underlying investment fund or a Portfolio is exposed to securities of a single country, region, industry, structure, or size, its performance may be unduly affected by factors common to the type of securities involved.

Index sampling risk. Index sampling risk is the chance that the securities selected for an underlying fund, in the aggregate, will not provide investment performance matching that of the underlying fund's target index.

Issuer risk. Changes in an issuer's business prospects or financial condition, including those resulting from concerns over accounting or corporate governance practices, could significantly affect a Portfolio's performance if the Portfolio has sufficient exposure to those securities.

Credit risk. The value or yield of a bond or money market security could fall if its credit backing deteriorates. In more extreme cases, default or the threat of default could cause a security to lose most or all of its value. Credit risks are higher in high-yield bonds.

Management risk. A Portfolio's performance could suffer if the investment fund or funds in which it invests underperform.

Individual Fund Portfolios Not as Diversified as Age-Based and Target Portfolios

The Individual Fund Portfolios are designed to invest in a single mutual fund. Individual Fund Portfolios, by design, are not as diverse as the Age-Based and Target Portfolios which are invested in a number of different mutual funds. Since each Individual Fund Portfolio is invested in one mutual fund, the performance of the Individual Fund Portfolio is dependent on

the performance of the underlying mutual fund. Consequently, the performance of each of the Individual Fund Portfolios may be more volatile than the Age-Based and Target Portfolios.

The Program has designed the Age-Based Portfolios on the understanding that assets in a Plan Account will be used to pay for Qualified Higher Education Expenses by a Designated Beneficiary beginning at or after college age. Consequently, Aged-Based Portfolios are probably not an appropriate investment choice for Designated Beneficiaries using the amounts in an Account before reaching college age. Therefore, after consulting an independent tax advisor, if a Plan Participant concludes that an Account can be used to pay for K-12 Tuition Expenses without incurring adverse tax consequences and such Plan Participant intends to use the Account for such purpose, then such Plan Participant should carefully weigh whether an Age-Based Portfolio would be an appropriate investment choice for the Account.

OPENING AND MAINTAINING AN ACCOUNT

Who Can Open an Account?

An Account may be established by an individual, certain legal entities, a custodian under a State's UGMA or UTMA statute, or the trustee of a trust. The Account Owner must be at least 19 years of age and be a U.S. citizen, resident alien or legal entity with a valid Social Security number or taxpayer identification number. The Account Owner must also have a valid, permanent address in the U.S. (not a P.O. Box). There are no income limitations for the Account Owner to participate in, or benefit from, the Plan. In addition, an Account may be established by a State or local government or a tax-exempt organization described in Section 501(c)(3) of the Code with a valid taxpayer identification number as part of a scholarship program operated by such government or organization.

You do not have to be a resident of Alabama to open an account. There may be only one Account Owner per Account (joint ownership is not allowed).

If the prospective Account Owner is a trust, the trustee should consult with his or her legal and tax advisors before establishing an Account. This Program Disclosure Statement does not address the income or transfer tax consequences of investments in the Plan made by a trust or the propriety of such an investment under state trust law.

How Do I Open an Account?

To open an Account, you must complete and sign an Enrollment Form, agreeing to be bound by the terms and conditions of the Account Agreement, which governs your rights, benefits, and obligations as an Account Owner. The current form of the Account Agreement is included as Exhibit A to this Program Disclosure Statement.

To open an Account:

- **Online:** complete the online application at CollegeCounts529.com.
- **By Mail:** complete, sign and mail the Enrollment Form to the CollegeCounts 529 Fund.

If you wish to make Contributions for more than one Designated Beneficiary, you must complete an Enrollment Form and open a separate Account for each Designated Beneficiary.

How Many Accounts Can I Open?

There is no limit on the number of Accounts you can establish. An Account Owner or multiple Account Owners can open more than one Account for the same Designated Beneficiary as long as the total of the balances in all such Accounts and accounts for the Designated Beneficiary in the other State of Alabama 529 programs, do not exceed \$475,000 in the aggregate.

When Can I Open an Account for an Infant?

There are no age limitations for a Designated Beneficiary. However, at the time you open an Account, you must designate a Designated Beneficiary. If you open an Account for a newborn for whom a Social Security number has not yet been obtained, you may still designate that individual as the Designated Beneficiary, however, you must provide the Designated Beneficiary's Social Security number within ninety (90) days after opening the Account.

Who Controls an Account?

As Account Owner, you control the Account, including any Contributions made to the Account by third parties. The Account Owner may change the Designated Beneficiary of the Account, transfer money in the Account to another account in the Program or another qualified tuition program, or withdraw money from the Account, in each case subject to any applicable taxes or other rules as described in this Program Disclosure Statement and under applicable law.

May I Change Ownership of a Plan Account?

You may change ownership of your Account to another individual or entity that is eligible to be an Account Owner. When you transfer ownership of your Account, you may, but are not required to, change the Designated Beneficiary. A change of ownership of an Account will only be effective if the assignment is irrevocable and transfers all ownership rights.

To be effective, a transfer of ownership of your Account requires the current Account Owner and the new Account Owner to complete the Change of Account Owner Form. By signing the Change of Account Owner Form, the new Account Owner will be entering into an Account Agreement with the Plan and will be subject to the terms and conditions of the Plan's then-current Account Agreement. The current Account Owner's signature on the Change of Account Owner Form must be medallion signature guaranteed, or it will not be processed. You should consult your tax advisor regarding the potential gift and/or generation-skipping transfer tax consequences of changing ownership of your Account.

Can I Name a Successor to Take Over Ownership of My Account Upon My Death?

On your Enrollment Form, you may designate a successor Account Owner to take ownership of your Account in the event of your death. If you have already established an Account, you may designate a successor Account Owner or change your designation by completing the appropriate form available at CollegeCounts529.com.

If you do not designate a successor Account Owner, then your estate, acting through your personal representative, will become the successor Account Owner. Before the successor Account Owner will be permitted to transact business with respect to your Account, he or she will be required to provide a certified copy of the death certificate and documentation reflecting his or her appointment to act on behalf of the estate, and to execute a Change of Account Owner Form, thereby entering into a new Account Agreement.

Where Can I Obtain Additional Forms and Enrollment Kits?

You can obtain forms, additional enrollment kits, account maintenance forms and the Program Disclosure Statement by visiting the Plan's website at CollegeCounts529.com, or by contacting the Plan at 866.529.2228.

CHOOSING A DESIGNATED BENEFICIARY

Who May Be a Designated Beneficiary?

Any individual who is a U.S. citizen or resident alien with a valid Social Security number, can be a Designated Beneficiary. A Designated Beneficiary can be of any age and need not be a resident of the State of Alabama. Each Account may have only one Designated Beneficiary, but different Account Owners may establish different Accounts for the same Designated Beneficiary, provided that the total balances in such Accounts and all other accounts in other State of Alabama 529 programs do not exceed \$475,000 in the aggregate. An Account Owner may also name himself or herself as the Designated Beneficiary.

If an Account is established by a State or local government (or agency or instrumentality thereof) or an organization described in Section 501(c)(3) of the Code as part of a scholarship program operated by such government or organization, the Designated Beneficiary is not required to be identified on the Enrollment Form at the time the Account is established. Such government or organization must designate the Designated Beneficiary prior to any distributions for Qualified Higher Education Expenses from the Account.

Do I Have to Be Related to the Designated Beneficiary?

You do not have to be related to the Designated Beneficiary to establish an Account. However, if you change the named Designated Beneficiary in the future, the new Designated Beneficiary must be a Member of the Family of the current Designated Beneficiary in order to avoid potentially adverse tax consequences.

May I Change Beneficiaries?

As the Account Owner, you may change the Designated Beneficiary at any time without adverse federal income tax consequences if the new Designated Beneficiary is a Member of the Family of the current Designated Beneficiary. You may also change the Portfolios in which your Account is invested when you change the Designated Beneficiary. If the new Designated Beneficiary is not a Member of the Family of the current Designated Beneficiary, then the change is treated as a Nonqualified Withdrawal that is subject to taxes and a penalty. A Member of the Family is anyone who is related to the current Designated Beneficiary in one of the following ways:

- A son or daughter, or a descendant of either;
- A stepson or stepdaughter;

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

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

If the source of Contributions to an Account was a State UGMA or UTMA account, the Designated Beneficiary of the Account may not be changed until the minor attains the legal age necessary to control the UGMA or UTMA assets.

When you change the Designated Beneficiary, unless you direct otherwise, any money invested in a Target Portfolio or Individual Fund Portfolio will remain in such Portfolio, and any money invested in an Age-Based Portfolio will be transferred to the applicable Age-Based Portfolio based on the new Designated Beneficiary's age.

The Program has designed the Age-Based Portfolios on the understanding that assets in a Plan Account will be used to pay for Qualified Higher Education Expenses by a Designated Beneficiary beginning at or after college age. Consequently, Aged-Based Portfolios are probably not an appropriate investment choice for Designated Beneficiaries using the amounts in an Account before reaching college age. Therefore, after consulting an independent tax advisor, if a Plan Participant concludes that an Account can be used to pay for K-12 Tuition Expenses without incurring adverse tax consequences and such Plan Participant intends to use the Account for such purpose, then such Plan Participant should carefully weigh whether an Age-Based Portfolio would be an appropriate investment choice for the Account.

A change of the Designated Beneficiary of an Account or a transfer to an Account for another Designated Beneficiary may have federal gift tax or generation-skipping transfer tax consequences. You should consult your tax advisor under such circumstances.

If you change the Designated Beneficiary of your Account, the Program Manager will ask you to certify the relationship between the new Designated Beneficiary and the current Designated Beneficiary. To change the Designated Beneficiary of your Account, you must complete and submit the appropriate form.

CONTRIBUTING TO AN ACCOUNT

How do I Make Contributions to the Plan?

All Contributions to your Account must be in cash. You can make Contributions to your Account by:

- **check;**
- **automatic investment plan (“AIP”)** - You may establish an AIP by logging on to your account at CollegeCounts529.com or downloading and completing and submitting the appropriate form. If your AIP contribution cannot be processed because of insufficient funds or because of incomplete or inaccurate information, the Plan reserves the right to suspend future AIP contributions.
- **electronic funds transfer (“EFT”)** - You may complete EFT contributions by logging on to your account at CollegeCounts529.com. If your EFT contribution cannot be processed because of insufficient funds or because of incomplete or inaccurate information, the Plan reserves the right to suspend future EFT contributions.
- **payroll contribution** - Payroll contributions allow you to set up automatic contributions in the form of paycheck deductions. Check with your employer to see if it offers this service;
- **CollegeCounts GiftED** - You can send an email invitation to family and friends to allow them to contribute to your Account. Log in to your account and follow the on-screen instructions.
- **wire transfer** - please be aware that your bank may charge a fee for wire transfers;
- **“Rewards”** from your CollegeCounts 529 Rewards Visa® Card - Once you've accumulated \$50 in rewards with the CollegeCounts 529 Rewards Visa® Card, those amounts will be automatically transferred at the end of each calendar quarter to the Account(s) you designate; or
- **a transfer or rollover** from another 529 qualified tuition program, Coverdell Education Savings Account (“CESA”), or a qualified U.S. Savings Bond. Amounts distributed from a CESA and contributed to an Account may be treated as a tax-free distribution from the CESA. In addition, subject to certain limitations, redemption of certain qualified U.S. Savings Bonds may be tax-free if the proceeds are contributed to an Account. Certain rules and requirements must be met. For more information consult IRS Publication 970 and your financial, tax, or legal advisor.

Checks should be made payable to “CollegeCounts 529 Fund” and sent to the following address:

Mailing Address:

CollegeCounts 529 Fund
P.O. Box 85290
Lincoln, NE 68501-5290

Overnight or Courier Address:

CollegeCounts 529 Fund
6811 South 27th Street
Lincoln, NE 68512

How do I Rollover or Transfer Funds to My Account?

You may open an Account or contribute to an existing Account in the Plan by rolling over or transferring funds from another 529 qualified tuition program, a CESA or certain qualified U.S. Savings Bonds. A rollover transaction from another 529 qualified tuition program is free from federal income tax if it constitutes a Qualified Rollover Distribution. A Qualified Rollover Distribution:

- is a rollover for the same Designated Beneficiary as long as there were no prior rollovers for that Designated Beneficiary in the last 12 months; or
- is a rollover if the Designated Beneficiary of the Account is changed to a Member of the Family of the current Designated Beneficiary.

The program from which you are transferring funds may impose fees or other restrictions on such a transfer, so you should investigate this option thoroughly before requesting a transfer.

The Program Manager will assume that the entire rollover contribution from another 529 qualified tuition program, a CESA or a qualified U.S. Savings Bond is earnings in the Account receiving the Contribution until the Program Manager receives appropriate documentation showing the actual earnings portion of the Contribution. This assumption is required by the Internal Revenue Service. See “Exhibit B – Tax Information” herein.

How do I Make Contributions From a UGMA or UTMA Custodial Account?

A custodian for a minor under a State UGMA or UTMA statute may use the assets held in the UGMA or UTMA account to open an Account in the Plan, subject to the laws of the state under which the UGMA or UTMA account was established.

If the custodian of a UGMA or UTMA account establishes an Account, the minor for whose benefit the assets are held must be the Designated Beneficiary of the Account, and the custodian will not be permitted to change the Designated Beneficiary of the Account. When the Designated Beneficiary reaches the age of majority under the applicable UGMA or UTMA statute and the custodianship terminates, the Designated Beneficiary will become the sole Account Owner with complete control over the Account. **The custodian is required to notify the Program Manager when the minor attains the age of majority under the applicable UGMA or UTMA statute.**

The conversion of non-cash UGMA or UTMA assets to cash for contribution to an Account may be a taxable transaction. Before liquidating assets in a UGMA or UTMA account in order to contribute them to an Account, you should review the potential tax and legal consequences with your tax and legal advisors. Moreover, neither the Board, the Treasurer, the Program Manager, the Plan nor the Program assumes responsibility to insure, or will incur any liability for failing to insure, that a custodian applies assets held under a UGMA or UTMA custodianship for proper purposes.

How do I Contribute CollegeCounts Visa Rewards to a CollegeCounts Account?

The CollegeCounts 529 Rewards Visa® Card allows cardholders to earn rewards that are contributed to a designated Account. Currently, CollegeCounts 529 Rewards Visa® Card cardholders earn a 1.529% reward on qualifying purchases that accumulates and is automatically contributed to the Account the cardholder designates. A cardholder may designate up to three (3) Accounts into which rewards can be contributed. If you designate more than one Account, rewards Contributions will be split equally among the Accounts you designate. In order to obtain a CollegeCounts 529 Rewards Visa® Card, you must submit an application and be approved to receive the card. The CollegeCounts 529 Rewards Visa® Card is offered by Union Bank & Trust Company.

If you are a cardholder and your CollegeCounts 529 Rewards Visa® Card account is in good standing, after you have accumulated at least \$50 in rewards those amounts will be automatically transferred at the end of each calendar quarter to the Account(s) you designate. Rewards can only be redeemed as a Contribution to the designated Account(s) and have no cash value except as a Contribution or as described in the “Rewards Program” Terms and Conditions. This Program Disclosure Statement is not intended to provide detailed information about the card and the “Rewards Program”. The card and the Rewards Program are administered in accordance with the terms of the credit card agreement and “Rewards Program” Terms and Conditions, as they may be amended from time to time. For additional information, please visit CollegeCounts529.com.

Can Non-Owners Make Contributions to an Account?

Currently, anyone can make Contributions to an Account, including the Designated Beneficiary. The Alabama state income tax deduction is available to any individual who contributes to an Account and files an Alabama state income tax return. However, the Account Owner maintains control over all Contributions to an Account, including the right to change Portfolios, change the Designated Beneficiary, and make withdrawals. In addition, under current law, the federal gift and generation-skipping transfer tax consequences of a Contribution by anyone other than the Account Owner are unclear. Accordingly, if a person other than the Account Owner wishes to make a Contribution to an Account, such person should consult his or her own tax or legal advisors as to the consequences of such a Contribution.

What is *CollegeCounts GiftED*?

You may invite family and friends to contribute to your CollegeCounts Account through *CollegeCounts GiftED*. After your CollegeCounts Account is established, log in to your Account online at CollegeCounts529.com and Select “Gifting”. Follow the online instructions to send email invitations to family and friends. Any gift contributions will be invested according to the investment allocation currently on file for your Account. The individual making the gift Contribution does not maintain any control over the Contribution after the funds have been invested.

What Are the Limits on the Amount I Can Contribute?

A minimum Contribution is not required, nor do you have to contribute to your Account every year. The Plan has no minimum initial and subsequent required Contributions to an Account.

The Maximum Account Balance Limitation is \$475,000.

Accounts that have reached the Maximum Account Balance Limitation may continue to accrue earnings, but additional Contributions will not be accepted and will be returned. Additional Contributions may be made in the future if the Account value falls below the Maximum Account Balance Limitation or the Maximum Account Balance Limitation is increased.

The Maximum Account Balance Limitation is based on the aggregate market value of the Account(s) for a Designated Beneficiary and not on the aggregate Contributions made to the Account(s). Contributions cannot be made to any Account for a Designated Beneficiary if the aggregate Account balance, including any proposed Contribution, for that Designated Beneficiary (including accounts for the same Designated Beneficiary in other State of Alabama 529 programs) would exceed the Maximum Account Balance Limitation. The Board may periodically review and adjust the Maximum Account Balance Limitation as needed.

What Happens to Contributions Over the Maximum?

The Program Manager will notify you if you have made a Contribution to an Account that exceeds the Maximum Account Balance Limitation. The Program Manager will not knowingly accept and may reject Contributions in excess of the Maximum Account Balance Limitation. If the Program Manager determines that you have made Contributions in excess of the Maximum Account Balance Limitation, the excess Contributions and any earnings thereon will be promptly refunded and may be treated as a Nonqualified Withdrawal that is subject to income tax and a federal penalty tax.

INVESTMENT PORTFOLIOS

How Are My Plan Contributions Invested?

Contributions to an Account will be invested in the Portfolio or Portfolios you select on the Enrollment Form. The Portfolios may invest in one or more mutual funds or other investment vehicles in accordance with the Statement of Investment Policy. These may include investment funds investing in domestic equity, international equity, real estate, fixed income, money market, or other asset classes.

Account Owners should periodically assess, and if appropriate, adjust their investment choices with their time horizon, risk tolerance and investment objectives in mind. The Portfolios described in this Program Disclosure Statement allow Account Owners to direct funds to specific investment categories and strategies established by the Board and as set forth in the Alabama College Education Savings Program (ACES) Trust Fund Statement of Investment Policy.

Requesting Additional Information: Information on the various Portfolios and a summary description of the underlying mutual funds is included in “Exhibit C - Investment Portfolios and Mutual Fund Information.” Additional information regarding the underlying mutual funds’ investment strategies and their related risks can be found in the prospectus and statement of additional information (“SAI”) of each underlying mutual fund. More information about the underlying mutual funds, including copies of their prospectuses, SAIs, and annual reports, are available by contacting the underlying mutual fund company.

The Plan has the following Portfolios available:

- 3 Age-Based Portfolios;
- 6 Target Portfolios; and
- 25 Individual Fund Portfolios.

The three Age-Based Portfolios are designed to reduce the Account’s exposure to principal loss the closer the Designated Beneficiary gets to college age. The six Target Portfolios keep the asset allocation between equity, real estate, fixed income, and money market investments as determined by the Statement of Investment Policy over the life of your Account. The Individual Fund Portfolios each invest in a single mutual fund. The Age-Based, Target and Individual Fund Portfolios have been created by the Board upon recommendation by the Program Manager and Wilshire Associates, Inc.

Under federal law, neither you nor the Designated Beneficiary of your Account may exercise investment discretion, directly or indirectly, over Contributions to an Account or any earnings on such Contributions. As a result, you will not be able to select the securities in which your Account is invested. Instead, Contributions will be invested in the Portfolio or Portfolios you select in your Enrollment Form in accordance with the Investment Portfolios and Allocation Guidelines. Generally, an Account Owner may only change the Portfolio or Portfolios in which their Account is invested twice per calendar year or upon a change of Designated Beneficiary. If an Account Owner has multiple accounts in the Plan for the same Designated Beneficiary or multiple accounts in other State of Alabama 529 programs for the same Designated Beneficiary, the Account Owner may change the Portfolios in all of these accounts without tax consequences, so long as the changes to all of the accounts are made at the same time and no more frequently than twice per calendar year or upon a change of Designated Beneficiary.

In allocating Contributions to the Portfolios, the Program Manager will follow the Alabama College Education Savings Program (ACES) Trust Fund Statement of Investment Policy. The Statement of Investment Policy can be viewed and downloaded at CollegeCounts529.com.

The Board may amend or supplement the Statement of Investment Policy at any time which may change the Portfolios, the asset allocation within the Portfolios, and the underlying investment funds in which the Portfolios invest, including the underlying mutual funds in which the Individual Fund Portfolios invest.

Age-Based Portfolios

You may choose from 3 Age-Based Options:

- Aggressive Age-Based Option
- Moderate Age-Based Option
- Conservative Age-Based Option

The Age-Based Portfolios generally invest in a mix of equity, real estate, fixed income, and money market funds allocated based on the current age of the Designated Beneficiary. The Age-Based Portfolios adjust over time so that as the Designated Beneficiary nears college age each Age-Based Portfolio's allocation between equity, real estate, fixed income, and money market funds becomes more conservative relative to the allocation in earlier years. For each Age-Based Portfolio, the Plan will automatically exchange assets from one Portfolio to another during the month the Designated Beneficiary attains the next age-band based as set forth in the following table.

Within the Age-Based Portfolios you may choose from among an aggressive, moderate or conservative asset allocation based on, among other factors, your investment goals and objectives, and your tolerance for market volatility and investment risk. The Aggressive Age-Based Portfolio is intended for Account Owners with a higher tolerance for investment risk and market volatility, relative to the moderate and conservative asset allocations but with the potential for higher returns. The Moderate Age-Based Portfolio is intended for Account Owners with a moderate tolerance for investment risk and market volatility, but with the potential for higher returns relative to the conservative allocation. The Conservative Age-Based Portfolio, in comparison to the Age-Based Aggressive and Moderate Portfolios, is intended for Account Owners with the lowest tolerance for investment risk and market volatility. For example, the Aggressive Age-Based Portfolio is invested primarily in equity investment funds when the Designated Beneficiary is young.

Each Age-Based Option has nine age-based portfolios for Beneficiaries of varying ages (ages 0-2; ages 3-5; ages 6-8; ages 9-10; ages 11-12; ages 13-14; ages 15-16; ages 17-18; and, ages 19 and over). For the detailed asset allocation, mix of underlying funds, and the age ranges for each of the Portfolios, see "Exhibit C - Investment Portfolios and Mutual Fund Information." The current targeted asset allocation of each Age-Based Portfolio is set forth in the following table.

The Program has designed the Age-Based Portfolios on the understanding that assets in a Plan Account will be used to pay for Qualified Higher Education Expenses by a Designated Beneficiary beginning at or after college age. Consequently, Aged-Based Portfolios are probably not an appropriate investment choice for Designated Beneficiaries using the amounts in an Account before reaching college age. Therefore, after consulting an independent tax advisor, if a Plan Participant concludes that an Account can be used to pay for K-12 Tuition Expenses without incurring adverse tax consequences and such Plan Participant intends to use the Account for such purpose, then such Plan Participant should carefully weigh whether an Age-Based Portfolio would be an appropriate investment choice for the Account.

COLLEGCOUNTS 529 FUND AGE-BASED OPTIONS

Beneficiary Age	Aggressive Age-Based Option	Moderate Age-Based Option	Conservative Age-Based Option
0–2 Years	56% Domestic Equity 8% Real Estate 36% International Equity	54% Domestic Equity 6% Real Estate 30% International Equity 10% Fixed Income	49% Domestic Equity 5% Real Estate 26% International Equity 20% Fixed Income
3-5 Years	54% Domestic Equity 6% Real Estate 30% International Equity 10% Fixed Income	49% Domestic Equity 5% Real Estate 26% International Equity 20% Fixed Income	40% Domestic Equity 7% Real Estate 23% International Equity 30% Fixed Income
6-8 Years	49% Domestic Equity 5% Real Estate 26% International Equity 20% Fixed Income	40% Domestic Equity 7% Real Estate 23% International Equity 30% Fixed Income	36% Domestic Equity 5% Real Estate 19% International Equity 40% Fixed Income
9-10 Years	40% Domestic Equity 7% Real Estate 23% International Equity 30% Fixed Income	36% Domestic Equity 5% Real Estate 19% International Equity 40% Fixed Income	32% Domestic Equity 3% Real Estate 15% International Equity 50% Fixed Income
11-12 Years	36% Domestic Equity 5% Real Estate 19% International Equity 40% Fixed Income	32% Domestic Equity 3% Real Estate 15% International Equity 50% Fixed Income	25% Domestic Equity 3% Real Estate 12% International Equity 60% Fixed Income
13-14 Years	32% Domestic Equity 3% Real Estate 15% International Equity 50% Fixed Income	25% Domestic Equity 3% Real Estate 12% International Equity 60% Fixed Income	19% Domestic Equity 3% Real Estate 8% International Equity 70% Fixed Income
15-16 Years	25% Domestic Equity 3% Real Estate 12% International Equity 60% Fixed Income	19% Domestic Equity 3% Real Estate 8% International Equity 70% Fixed Income	13% Domestic Equity 3% Real Estate 4% International Equity 71% Fixed Income 9% Money Market
17–18 Years	19% Domestic Equity 3% Real Estate 8% International Equity 70% Fixed Income	13% Domestic Equity 3% Real Estate 4% International Equity 71% Fixed Income 9% Money Market	7% Domestic Equity 1% Real Estate 2% International Equity 67% Fixed Income 23% Money Market
19 and over	13% Domestic Equity 3% Real Estate 4% International Equity 71% Fixed Income 9% Money Market	7% Domestic Equity 1% Real Estate 2% International Equity 67% Fixed Income 23% Money Market	50% Fixed Income 50% Money Market

Target Portfolios

The Target Portfolios are asset allocation portfolios that invest in a set or “static” mix of equity, real estate, fixed income, or money market funds. The allocation between equity, real estate, fixed income, and money market investments within the Target Portfolios does not change as the Designated Beneficiary gets older.

The six Target Portfolios, including their target asset allocations and ranging from the most aggressive to conservative, are briefly described below. For a detailed asset allocation and the composition of the underlying mutual funds, see “Exhibit C - Investment Portfolios and Mutual Fund Information.”

	Domestic Equity	Real Estate	International Equity	Fixed Income	Money Market
Fund 100	56%	8%	36%		
Fund 80	49%	5%	26%	20%	
Fund 60	36%	5%	19%	40%	
Fund 40	25%	3%	12%	60%	
Fund 20	13%	3%	4%	71%	9%
Fixed Income Fund				50%	50%

Fund 100 seeks maximum capital appreciation by investing 100% of its net assets in domestic equity, international equity and real estate funds. This strategy may be appropriate for investors with longer time horizons and who are comfortable with an increased level of risk in an effort to obtain potentially higher long-term returns.

Fund 80 seeks a high level of capital appreciation and some income by investing 80% of its net assets in domestic equity, international equity and real estate funds, with the remaining 20% in fixed income investments.

Fund 60 seeks moderate capital appreciation and income by investing 60% of its net assets in domestic equity, international equity, and real estate funds with the remaining 40% invested in fixed income investments.

Fund 40 seeks moderate income and capital appreciation by investing 40% of its net assets in domestic equity, international equity and real estate funds with the remaining 60% of its net assets in fixed income funds.

Fund 20 seeks income and some capital appreciation by investing 20% of its net assets in domestic equity, international equity, and real estate funds, with the remaining 80% of its net assets in fixed income and money market investments.

Fixed Income Fund seeks to preserve your principal investment with less volatility than an all bond portfolio, while providing modest current income by investing 50% of its net assets in money market mutual funds and 50% in fixed income funds.

Attached to this Program Disclosure Statement as “Exhibit C - Investment Portfolios and Mutual Fund Information” is a listing of the various mutual funds the Board has approved for use and the relative weighting of each underlying fund within the Age-Based and Target Portfolios. The actual weightings of any of these Portfolios may vary as well as the funds selected for such Portfolio may change. The Program Manager will rebalance the weightings in each Portfolio in the underlying funds on an ongoing basis.

Individual Fund Portfolios

The Plan also offers 25 Individual Fund Portfolios. Each Individual Fund Portfolio invests solely in shares of a single underlying mutual fund. You may allocate your Contributions to an Account among one or more Individual Fund Portfolios according to your investment objective and risk tolerance. Since the Individual Fund Portfolios invest in a single mutual fund, their performance is based solely on the performance of the individual mutual funds in which each of the Individual Fund Portfolios invest. Consequently, the performance of each of the Individual Fund Portfolios may be more volatile than the Target or Age-Based Portfolios.

Account Owners do not own shares of the underlying mutual funds directly, but rather own shares in a Portfolio of the Plan. The underlying mutual funds in which each Individual Fund Portfolio is invested are set forth in “Exhibit C – Investment Portfolios and Mutual Fund Information.” The Individual Fund Portfolios are designed for Account Owners seeking a more focused investment strategy.

Additional information about the investment strategies and risks of each Underlying Fund is available in its current prospectus and Statement of Additional Information. You can request a copy of the current prospectus, the Statement of Additional Information, or the most recent semiannual or annual report of any Underlying Fund by contacting the underlying mutual fund company and visiting CollegeCounts529.com. Please read it carefully before investing.

The Individual Fund Portfolios are briefly described as follows:

Money Market 529 Portfolio

Vanguard Prime Money Market 529 Portfolio – invests solely in Vanguard Prime Money Market Fund.

Investment Objective: The fund seeks to provide current income while maintaining liquidity and a stable share price of \$1.

Primary Risks: Income risk, Manager risk, Credit risk, Industry concentration risk.

Fixed Income 529 Portfolios

PIMCO Short-Term 529 Portfolio – invests solely in the PIMCO Short-Term Fund.

Investment Objective: The fund seeks maximum current income, consistent with preservation of capital and daily liquidity.

Principal Risks: Interest Rate Risk, Call Risk, Credit Risk, High Yield Risk, Market Risk, Issuer Risk, Liquidity Risk, Derivatives Risk, Equity Risk, Mortgage-Related and Other Asset-Backed Securities Risk, Foreign (Non-U.S.) Investment Risk, Currency Risk, Leveraging Risk, Management Risk, Short Exposure Risk.

Vanguard Short-Term Bond Index 529 Portfolio – invests solely in the Vanguard Short-Term Bond Index Fund.

Investment Objective: The fund seeks to track the performance of a market-weighted bond index with a short-term dollar-weighted average maturity.

Primary Risks: Income risk, Interest rate risk, Credit risk, Index sampling risk, Liquidity risk.

Vanguard Total Bond Market Index 529 Portfolio – invests solely in the Vanguard Total Bond Market Index Fund.

Investment Objective: The fund seeks to track the performance of a broad, market-weighted bond index.

Primary Risks: Interest rate risk, Income risk, Call risk, Prepayment risk, Extension risk, Credit risk, Index sampling risk, Liquidity risk.

Fidelity Advisor Investment Grade Bond 529 Portfolio – invests solely in the Fidelity Advisor Investment Grade Bond Fund.

Investment Objective: The fund seeks a high level of current income.

Principal Investment Risks: Interest Rate Changes, Foreign Exposure, Prepayment, Issuer-Specific Changes, Leverage Risk.

MainStay Total Return Bond 529 Portfolio – invests solely in the MainStay Total Return Bond Fund.

Investment Objective: The fund seeks total return.

Principal Risks: Loss of Money Risk, Market Risk, Portfolio Management Risk, Debt Securities Risk, Zero-Coupon Bond Risk, Municipal Bond Risk, Loan Participation Interest Risk, High-Yield Securities Risk, TBA Securities Risk, Foreign Securities Risk, Mortgage-Related and Other Asset-Backed Securities Risk, Floaters and Variable Rate Notes Risk, Derivatives Risk, Mortgage Dollar Roll Transaction Risk, Liquidity and Valuation Risk, Money Market/Short-Term Securities Risk.

Vanguard Short-Term Inflation-Protected Securities Index 529 Portfolio – invests solely in the Vanguard Short-Term Inflation-Protected Securities Index Fund.

Investment Objective: The fund seeks to track the performance of a benchmark index that measures the investment return of inflation-protected public obligations of the U.S. Treasury with remaining maturities of less than 5 years.

Primary Risks: Income fluctuations, Interest rate risk.

Vanguard Inflation-Protected Securities 529 Portfolio – invests solely in the Vanguard Inflation-Protected Securities Fund.

Investment Objective: The fund seeks to provide inflation protection and income consistent with investment in inflation-indexed securities.

Primary Risks: Income fluctuations, Interest rate risk, Manager risk, Derivatives risk, Liquidity risk.

Balanced 529 Portfolio

T. Rowe Price Balanced 529 Portfolio – invests solely in the T. Rowe Price Balanced Fund.

Investment Objective: The fund seeks to provide capital growth, current income, and preservation of capital through a portfolio of stocks and fixed income securities.

Principal Risks: Active management risk, Risks of stock investing, Market capitalization risk, Investment style risk, Interest rate risk, Credit risk, Liquidity risk, Prepayment and extension risk, International investing risk, Emerging markets risk, Sector concentration risks.

Real Estate 529 Portfolio

Vanguard Real Estate Index 529 Portfolio – invests solely in the Vanguard Real Estate Index Fund.

Investment Objective: The fund 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 and other real estate-related investments.

Principal Risks: Industry concentration risk, Stock market risk, Interest rate risk, Investment style risk, Nondiversification risk, Asset concentration risk.

Domestic (U.S.) Equity 529 Portfolios

Vanguard Value Index 529 Portfolio – invests solely in the Vanguard Value Index Fund.

Investment Objective: The fund seeks to track the performance of a benchmark index that measures the investment return of large-capitalization value stocks.

Primary Risks: Stock market risk, Investment style risk.

DFA U.S. Large Cap Value 529 Portfolio – invests solely in the DFA U.S. Large Cap Value Portfolio.

Investment Objective: The investment objective of the portfolio is to achieve long-term capital appreciation.

Principal Risks: Equity Market Risk, Value Investment Risk, Derivatives Risk, Securities Lending Risk, Cyber Security Risk.

Vanguard 500 Index 529 Portfolio – invests solely in the Vanguard Institutional Index Fund.

Investment Objective: The fund seeks to track the performance of a benchmark index that measures the investment return of large-capitalization stocks.

Primary Risks: Stock Market Risk, Investment Style Risk.

Vanguard Total Stock Market Index 529 Portfolio – invests solely in the Vanguard Total Stock Market Index Fund.

Investment Objective: The fund seeks to track the performance of a benchmark index that measures the investment return of the overall stock market.

Primary Risks: Stock market risk, Index sampling risk.

Vanguard Growth Index 529 Portfolio – invests solely in the Vanguard Growth Index Fund.

Investment Objective: The fund seeks to track the performance of a benchmark index that measures the investment return of large-capitalization growth stocks.

Primary Risks: Stock market risk, Investment style risk.

T. Rowe Price Large-Cap Growth 529 Portfolio – invests solely in the T. Rowe Price Institutional Large-Cap Growth Fund.

Investment Objective: The fund seeks to provide long-term capital appreciation through investments in common stocks of growth companies.

Principal Risks: Active management risk, Risks of stock investing, Emerging markets risk, Investment style risk, Market capitalization risk, Sector concentration risks, Nondiversification risk, Foreign investing risk.

Vanguard Mid-Cap Index 529 Portfolio – invests solely in the Vanguard Mid-Cap Index Fund.

Investment Objective: The fund seeks to track the performance of a benchmark index that measures the investment return of mid-capitalization stocks.

Primary Risks: Stock market risk, Investment style risk.

Vanguard Extended Market Index 529 Portfolio – invests solely in the Vanguard Extended Market Index Fund.

Investment Objective: The fund seeks to track the performance of a benchmark index that measures the investment return of small- and mid-capitalization stocks.

Primary Risks: Stock market risk, Investment style risk, Index sampling risk

Vanguard Small-Cap Value Index 529 Portfolio – invests solely in the Vanguard Small-Cap Value Index Fund.

Investment Objective: The fund seeks to track the performance of a benchmark index that measures the investment return of small-capitalization value stocks.

Primary Risks: Stock market risk, Investment style risk.

DFA U.S. Small Cap Value 529 Portfolio – invests solely in the DFA U.S. Small Cap Value Portfolio.

Investment Objective: The investment objective of the portfolio is to achieve long-term capital appreciation.

Principal Risks: Equity Market Risk, Small Company Risk, Value Investment Risk, Derivatives Risk, Securities Lending Risk, Cyber Security Risk.

Vanguard Small-Cap Index 529 Portfolio – invests solely in the Vanguard Small-Cap Index Fund.

Investment Objective: The fund seeks to track the performance of a benchmark index that measures the investment return of small-capitalization stocks.

Primary Risks: Stock market risk, Investment style risk.

Vanguard Small-Cap Growth Index 529 Portfolio – invests solely in the Vanguard Small-Cap Growth Index Fund.

Investment Objective: The fund seeks to track the performance of a benchmark index that measures the investment return of small-capitalization growth stocks.

Primary Risks: Stock market risk, Investment style risk.

Vanguard Explorer 529 Portfolio – invests solely in the Vanguard Explorer Fund.

Investment Objective: The fund seeks to provide long-term capital appreciation.

Principal Risks: Stock market risk, Investment style risk, Manager risk.

International Equity 529 Portfolio

Vanguard Total International Stock Index 529 Portfolio – invests solely in the Vanguard Total International Stock Index Fund.

Investment Objective: The fund 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.

Primary Risks: Stock market risk, Investment style risk, Country/regional risk, Currency risk, Emerging markets risk.

Dodge & Cox International Stock 529 Portfolio – invests solely in the Dodge & Cox International Stock Fund.

Investment Objective: The fund seeks long-term growth of principal and income.

Principal Risks: Manager risk, Equity risk, Market risk, Liquidity risk, Non-U.S. currency risk, Non-U.S. investment risk, Emerging market risk, Derivatives risk.

For additional information on the individual mutual funds underlying the Individual Fund Portfolios you can request a copy of the current prospectus, the Statement of Additional Information, or the most recent semiannual or annual report of any Underlying Fund by contacting the underlying mutual fund company. “Exhibit C - Investment Portfolios and Mutual Fund Information” includes limited information from the prospectus of each underlying mutual fund.

The descriptions above are taken from the most recent prospectuses (dated on or prior to June 1, 2018) of the relevant funds and are intended to provide general information regarding the mutual funds’ respective investment objectives and strategies.

You should consult each mutual fund’s prospectus for more complete information. You can obtain the prospectus for any of the funds from the underlying mutual fund company and at CollegeCounts529.com.

It is important to remember that none of the Plan, the State of Alabama or its officials/employees, the Board, the Treasurer, nor the Program Manager or any of its affiliates can guarantee a minimum rate of return nor can any of them guarantee that an investment will not lose value. Furthermore, funds deposited in an Account are not guaranteed or insured by the State of Alabama, the Board, the Treasurer, the Program Manager or its affiliates, the FDIC, or any other party. See “Risk Factors.”

Can I Change My Investment Election?

The Account Owner may change the Portfolio or Portfolios in which his or her Account is invested twice per calendar year, or upon a change of the Designated Beneficiary. If an Account Owner has multiple Accounts in the Plan for the same Designated Beneficiary, or multiple Accounts in the Plan and other State of Alabama 529 programs, the Account Owner may change the Portfolios in all such accounts without tax consequences, so long as the changes to all of the Accounts are made at the same time and no more frequently than twice per calendar year or upon a change of Designated Beneficiary.

A transfer from another State of Alabama 529 program to the CollegeCounts 529 Fund Direct Plan (or vice versa) for the same Designated Beneficiary, is treated as an investment change. Investment changes are permissible only twice per calendar year or upon a change of Designated Beneficiary.

A transfer from the CollegeCounts 529 Fund Advisor Plan to the CollegeCounts 529 Fund Direct Plan (or vice versa), with a change of the Designated Beneficiary to a Member of the Family of the Designated Beneficiary, is not treated as an investment change for the twice per calendar year limitation.

Account Owners should periodically assess, and if appropriate, adjust their investment choices with their time horizon, risk tolerance and investment objectives in mind. To change the Portfolio or Portfolios in which your Account is invested, you may log in to your account at CollegeCounts529.com to complete an investment change online. You may also download the Change of Investment Option Form and complete and submit the form as directed, or call the Plan at 866.529.2228 for instructions.

The Program Manager employs procedures it considers to be reasonable to confirm that instructions communicated by telephone or Internet are genuine, including requiring certain personal identifying information prior to acting upon telephone or internet instructions. None of the Program Manager, the Plan, the Program or the Board will be liable for following telephone or internet instructions that are reasonably believed to be genuine.

How Can I Change the Investment of my Current Balance and Future Contributions?

You can make an investment change twice per calendar year or upon a change of Designated Beneficiary. You may change the investment of current or future contributions by logging into your Account at CollegeCounts529.com. If you complete a paper Change of Investment Option Form your current balance and all future contributions will be invested as directed on the form.

How Is the Value of My Account Calculated?

The assets in your Account represent a portion of each Portfolio you have selected, expressed as a number of units. The net asset value ("NAV") of each unit of a Portfolio is based on the underlying funds in which a Portfolio invests, and is calculated by multiplying the net asset value per share of the underlying fund shares held in that Portfolio by the number of underlying fund shares held in that Portfolio, adding any receivables attributable to that Portfolio, subtracting any liabilities (including accrued fees and expenses) attributable to that Portfolio, dividing by the number of outstanding units for that Portfolio, and rounding to the nearest cent.

The NAV for each Portfolio offered by the Program is calculated each business day the New York Stock Exchange is open after the value of each underlying fund is determined. If the NAV of an underlying fund is not determined for a given day, the NAV for a Portfolio holding that underlying fund may not be able to be determined. Updated NAVs are available each day on the Plan's website. The value of your Account will increase or decrease depending on the aggregate value of the underlying funds. The value of each underlying mutual fund is determined in accordance with procedures described in its current prospectus.

PERFORMANCE

How Have the Portfolios Performed?

The following table shows the past performance for each of the Portfolios. Performance figures are shown reflecting the Plan's expenses and the expenses of the underlying investment funds. The information in the tables reflects the performance of the Portfolios, some of which have changed over time. If the Portfolios had been invested in the investment funds in which they are currently invested throughout the periods for which performance is shown, the Portfolio's total returns would have been different.

All of the performance data shown represents past performance, which is not a guarantee or indication of future results. Investment returns and principal value will fluctuate so that your Account may be worth less than the sum of your Contributions. For actual performance data of the Investment Portfolios current to the most recent month-end, visit the Plan's website at CollegeCounts529.com, or call 866.529.2228.

Account Owners do not own shares of the underlying mutual funds directly, but rather own shares in a Portfolio of the Plan. As a result, the performance of the Portfolios will differ from the performance of the underlying mutual funds, even in circumstances where a Portfolio invests in an individual mutual fund. This is due in part to the differences in the expense ratios of the underlying funds and the Portfolios.

Performance differences between a Portfolio and its underlying mutual funds may also result from differences in the timing of purchases. On days when Contributions are made to an Account, shares will be purchased in the underlying mutual fund(s) the next business day. This timing difference, depending on how the markets are moving, will cause the Portfolio's performance to either trail or exceed the underlying mutual fund's performance.

Portfolio Performance	Average Annual Total Returns					
	as of March 29, 2018					
Portfolio	Inception Date	Year to Date	1 Year	3 Year	5 Year	Since Inception
Age-Based Portfolios						
Aggressive Age-Based						
Ages 0-2	9/28/2016	-1.16%	13.21%	n/a	n/a	13.75%
Ages 3-5	9/28/2016	-1.08%	12.11%	n/a	n/a	12.51%
Ages 6-8	9/28/2016	-1.04%	10.85%	n/a	n/a	11.06%
Ages 9-10	9/28/2016	-1.22%	9.00%	n/a	n/a	8.98%
Ages 11-12	9/28/2016	-1.12%	7.98%	n/a	n/a	7.76%
Ages 13-14	9/28/2016	-1.08%	6.91%	n/a	n/a	6.48%
Ages 15-16	9/28/2016	-1.01%	5.52%	n/a	n/a	4.96%
Ages 17-18	9/28/2016	-1.04%	4.06%	n/a	n/a	3.43%
Ages 19+	9/28/2016	-0.96%	2.61%	n/a	n/a	1.99%
Moderate Age-Based						
Ages 0-2	9/28/2016	-1.08%	12.11%	n/a	n/a	12.51%
Ages 3-5	9/28/2016	-1.04%	10.85%	n/a	n/a	11.06%
Ages 6-8	9/28/2016	-1.22%	9.00%	n/a	n/a	8.98%
Ages 9-10	9/28/2016	-1.12%	7.98%	n/a	n/a	7.76%
Ages 11-12	9/28/2016	-1.08%	6.91%	n/a	n/a	6.48%
Ages 13-14	9/28/2016	-1.01%	5.52%	n/a	n/a	4.96%
Ages 15-16	9/28/2016	-1.04%	4.06%	n/a	n/a	3.43%
Ages 17-18	9/28/2016	-0.96%	2.61%	n/a	n/a	1.99%
Ages 19+	9/28/2016	-0.68%	1.70%	n/a	n/a	1.06%
Conservative Age-Based						
Ages 0-2	9/28/2016	-1.04%	10.85%	n/a	n/a	11.06%
Ages 3-5	9/28/2016	-1.22%	9.00%	n/a	n/a	8.98%
Ages 6-8	9/28/2016	-1.12%	7.98%	n/a	n/a	7.76%
Ages 9-10	9/28/2016	-1.08%	6.91%	n/a	n/a	6.48%
Ages 11-12	9/28/2016	-1.01%	5.52%	n/a	n/a	4.96%
Ages 13-14	9/28/2016	-1.04%	4.06%	n/a	n/a	3.43%
Ages 15-16	9/28/2016	-0.96%	2.61%	n/a	n/a	1.99%
Ages 17-18	9/28/2016	-0.68%	1.70%	n/a	n/a	1.06%
Ages 19+	9/28/2016	-0.09%	0.65%	n/a	n/a	0.25%
Target Portfolios						
Fund 100	8/2/2010	-1.16%	13.21%	8.11%	9.93%	10.96%
Fund 80	8/2/2010	-1.04%	10.85%	6.88%	8.24%	9.41%
Fund 60	8/2/2010	-1.12%	7.98%	5.24%	6.35%	7.65%
Fund 40	8/2/2010	-1.01%	5.52%	3.92%	4.75%	6.04%
Fund 20	8/2/2010	-0.96%	2.61%	2.18%	2.61%	3.87%
Fixed Income Fund	8/2/2010	-0.09%	0.65%	0.56%	0.17%	0.97%
Individual Fund Portfolios						
Vanguard Prime Money Market 529 Portfolio	8/2/2010	0.32%	1.01%	0.52%	0.32%	0.23%
PIMCO Short-Term 529 Portfolio	8/2/2010	0.18%	1.83%	1.76%	1.36%	1.43%
Vanguard Short-Term Bond Index 529 Portfolio	9/26/2013	-0.58%	0.00%	0.45%	n/a	0.79%
Vanguard Total Bond Market Index 529 Portfolio	8/2/2010	-1.55%	0.84%	0.87%	1.49%	2.45%
Fidelity Advisor Investment Grade Bond 529 Portfolio	10/10/2012	-1.53%	0.92%	1.15%	1.73%	1.71%
MainStay Total Return Bond 529 Portfolio	12/17/2014	-1.76%	1.34%	1.39%	n/a	1.82%
Vanguard Short-Term Inflation-Protected Securities Index 529 Portfolio	9/26/2013	0.20%	0.10%	0.84%	n/a	0.24%
Vanguard Inflation-Protected Securities 529 Portfolio	8/2/2010	-0.99%	0.25%	0.90%	-0.30%	2.46%
T. Rowe Price Balanced 529 Portfolio	8/2/2010	-0.10%	11.89%	6.72%	8.34%	9.15%
Vanguard Real Estate Index 529 Portfolio	8/2/2010	-8.17%	-4.78%	0.49%	5.51%	8.82%
Vanguard Value Index 529 Portfolio	8/2/2010	-2.36%	10.54%	9.79%	11.91%	12.86%
DFA U.S. Large Cap Value 529 Portfolio	8/1/2014	-2.40%	11.99%	9.83%	n/a	8.42%
Vanguard 500 Index 529 Portfolio	8/2/2010	-0.81%	13.68%	10.48%	12.98%	13.79%
Vanguard Total Stock Market Index 529 Portfolio	8/2/2010	-0.66%	13.53%	9.91%	12.71%	13.80%
Vanguard Growth Index 529 Portfolio	8/2/2010	1.12%	17.66%	10.75%	13.97%	14.79%
T. Rowe Price Large-Cap Growth 529 Portfolio	8/1/2014	4.78%	30.21%	15.43%	n/a	15.78%
Vanguard Mid-Cap Index 529 Portfolio	8/2/2010	-0.04%	12.03%	7.59%	11.97%	13.32%
Vanguard Extended Market Index 529 Portfolio	8/2/2010	0.12%	12.93%	7.82%	11.57%	13.39%
Vanguard Small-Cap Value Index 529 Portfolio	8/2/2010	-2.14%	7.01%	7.64%	11.35%	12.81%
DFA U.S. Small Cap Value 529 Portfolio	8/1/2014	-2.39%	5.68%	6.10%	n/a	6.62%
Vanguard Small-Cap Index 529 Portfolio	8/2/2010	-0.31%	11.53%	7.74%	11.36%	13.29%
Vanguard Small-Cap Growth Index 529 Portfolio	8/2/2010	2.03%	17.10%	7.85%	11.16%	13.64%
Vanguard Explorer 529 Portfolio	8/1/2014	4.12%	20.42%	8.54%	n/a	10.44%
Vanguard Total International Stock Index 529 Portfolio	8/2/2010	-0.51%	16.83%	6.59%	6.10%	5.87%
Dodge & Cox International Stock 529 Portfolio	8/1/2014	-2.29%	10.57%	3.40%	n/a	1.79%

PLAN FEES AND EXPENSES

What Does the Plan Cost?

A program management fee is accrued by each Portfolio on a daily basis. The program management fee is at an annual rate of 0.25% based on the average daily net assets of each Portfolio. The program management fee is not reflected as a direct charge against your Account on your account statements, but rather is reflected as an expense in the daily NAV calculation for each Portfolio, as discussed in “How is the Value of my Account Calculated” above. Under certain circumstances, the Program Manager, in its sole discretion, may waive a portion of its program management fee with respect to a Portfolio. Any such waiver would be voluntary and may be discontinued at any time.

Each Portfolio will also indirectly bear its pro rata share of the fees and expenses of the underlying mutual funds. Although these expenses and fees are not charged to Program Accounts, they will reduce the investment returns realized by each Portfolio.

Asset-Based Fees*	
Program Management Fee	0.25%
State Administrative Fee	none
Additional Fees	
Annual Account Fee.....	none
Cancellation Fee.....	none
Change in Designated Beneficiary	none
Investment Option Change	none

*Deducted from Portfolio assets.

The Program Manager may receive and retain from the underlying mutual funds an amount up to 0.15% of Program assets invested in such underlying mutual funds for certain administration or other shareholder services associated with maintaining an investment in such underlying mutual funds. These amounts are paid directly to the Program Manager by the mutual funds and do not affect the value of your Account or the NAV.

Fee and Expense Table

The following tables set forth the Plan's estimate of the fees and expenses applicable to the Age-Based, Target and Individual Fund Portfolios. The actual expenses of each Portfolio may be different. The “Total Annual Asset-Based Fees” estimated below include the Program Management Fee and the underlying mutual fund expense ratios.

Fees & Expense Table

	Annual Asset-Based Fees				
	Estimated Underlying Fund Expenses ¹	Program Management Fees	State Fee	Total Annual Asset-Based Fees	Account Fee
Target Portfolios					
Fund 100	0.05%	0.25%	None	0.30%	None
Fund 80	0.05%	0.25%	None	0.30%	None
Fund 60	0.05%	0.25%	None	0.30%	None
Fund 40	0.04%	0.25%	None	0.29%	None
Fund 20	0.05%	0.25%	None	0.30%	None
Fixed Income Fund	0.07%	0.25%	None	0.32%	None
Age Based Portfolios					
Aggressive Age-Based					
Ages 0-2	0.05%	0.25%	None	0.30%	None
Ages 3-5	0.05%	0.25%	None	0.30%	None
Ages 6-8	0.05%	0.25%	None	0.30%	None
Ages 9-10	0.05%	0.25%	None	0.30%	None
Ages 11-12	0.05%	0.25%	None	0.30%	None
Ages 13-14	0.04%	0.25%	None	0.29%	None
Ages 15-16	0.04%	0.25%	None	0.29%	None
Ages 17-18	0.04%	0.25%	None	0.29%	None
Ages 19+	0.05%	0.25%	None	0.30%	None
Moderate Age-Based					
Ages 0-2	0.05%	0.25%	None	0.30%	None
Ages 3-5	0.05%	0.25%	None	0.30%	None
Ages 6-8	0.05%	0.25%	None	0.30%	None
Ages 9-10	0.05%	0.25%	None	0.30%	None
Ages 11-12	0.04%	0.25%	None	0.29%	None
Ages 13-14	0.04%	0.25%	None	0.29%	None
Ages 15-16	0.04%	0.25%	None	0.29%	None
Ages 17-18	0.05%	0.25%	None	0.30%	None
Ages 19+	0.06%	0.25%	None	0.31%	None
Conservative Age-Based					
Ages 0-2	0.05%	0.25%	None	0.30%	None
Ages 3-5	0.05%	0.25%	None	0.30%	None
Ages 6-8	0.05%	0.25%	None	0.30%	None
Ages 9-10	0.04%	0.25%	None	0.29%	None
Ages 11-12	0.04%	0.25%	None	0.29%	None
Ages 13-14	0.04%	0.25%	None	0.29%	None
Ages 15-16	0.05%	0.25%	None	0.30%	None
Ages 17-18	0.06%	0.25%	None	0.31%	None
Ages 19+	0.07%	0.25%	None	0.32%	None

Fees & Expense Table

	Annual Asset-Based Fees				
	Estimated Underlying Fund Expenses ¹	Program Management Fees	State Fee	Total Annual Asset-Based Fees	Account Fee
Individual Fund Portfolios					
Vanguard Prime Money Market 529 Portfolio	0.10%	0.25%	None	0.35%	None
PIMCO Short-Term 529 Portfolio	0.53%	0.25%	None	0.78%	None
Vanguard Short-Term Bond Index 529 Portfolio	0.05%	0.25%	None	0.30%	None
Vanguard Total Bond Market Index 529 Portfolio	0.04%	0.25%	None	0.29%	None
Fidelity Advisor Investment Grade Bond 529 Portfolio	0.50%	0.25%	None	0.75%	None
MainStay Total Return Bond 529 Portfolio	0.60%	0.25%	None	0.85%	None
Vanguard Short-Term Inflation-Protected Securities Index 529 Portfolio	0.04%	0.25%	None	0.29%	None
Vanguard Inflation-Protected Securities 529 Portfolio	0.10%	0.25%	None	0.35%	None
T. Rowe Price Balanced 529 Portfolio	0.46%	0.25%	None	0.71%	None
Vanguard Real Estate Index 529 Portfolio	0.10%	0.25%	None	0.35%	None
Vanguard Value Index 529 Portfolio	0.05%	0.25%	None	0.30%	None
DFA U.S. Large Cap Value 529 Portfolio	0.27%	0.25%	None	0.52%	None
Vanguard 500 Index 529 Portfolio	0.035%	0.25%	None	0.285%	None
Vanguard Total Stock Market Index 529 Portfolio	0.02%	0.25%	None	0.27%	None
Vanguard Growth Index 529 Portfolio	0.04%	0.25%	None	0.29%	None
T. Rowe Price Large-Cap Growth 529 Portfolio	0.56%	0.25%	None	0.81%	None
Vanguard Mid-Cap Index 529 Portfolio	0.04%	0.25%	None	0.29%	None
Vanguard Extended Market Index 529 Portfolio	0.08%	0.25%	None	0.33%	None
Vanguard Small-Cap Value Index 529 Portfolio	0.07%	0.25%	None	0.32%	None
DFA U.S. Small Cap Value 529 Portfolio	0.52%	0.25%	None	0.77%	None
Vanguard Small-Cap Index 529 Portfolio	0.05%	0.25%	None	0.30%	None
Vanguard Small-Cap Growth Index 529 Portfolio	0.06%	0.25%	None	0.31%	None
Vanguard Explorer 529 Portfolio	0.32%	0.25%	None	0.57%	None
Vanguard Total International Stock Index 529 Portfolio	0.09%	0.25%	None	0.34%	None
Dodge & Cox International Stock 529 Portfolio	0.63%	0.25%	None	0.88%	None

¹For registered mutual funds, in the absence of a change that would materially affect the information, based on the most recent fiscal year reported upon in the applicable fund's most recent prospectus dated on or prior to June 1, 2018, and for Portfolios invested in multiple registered mutual funds, based on a weighted average of each fund's total annual operating expenses, in accordance with the Portfolio's asset allocation as of the date of this Program Disclosure Statement.

HYPOTHETICAL EXPENSE EXAMPLE

The following table compares the approximate cost of investing in the Plan over different periods of time. Your actual costs may be higher or lower. The hypothetical chart assumes an initial \$10,000 investment in a Plan Portfolio and a 5% annual rate of return, compounded annually. All expense ratios and asset allocations are assumed to remain the same for the duration of the periods.

The chart assumes that all withdrawals are made for Qualified Higher Education Expenses and, therefore, does not reflect the impact of potential federal, state, or local taxes or penalties. This hypothetical does not reflect actual expenses or performance from the past or future. Actual expenses may be higher or lower than those shown.

Approximate Cost of a \$10,000 Investment				
HYPOTHETICAL EXPENSE EXAMPLE	One Year	Three Years	Five Years	Ten Years
Target Portfolios				
Fund 100	\$32	\$100	\$174	\$394
Fund 80	\$31	\$97	\$169	\$381
Fund 60	\$31	\$97	\$169	\$381
Fund 40	\$31	\$97	\$169	\$381
Fund 20	\$32	\$100	\$174	\$394
Fixed Income Fund	\$34	\$106	\$186	\$419
Age Based Portfolios				
Aggressive Age-Based				
Ages 0-2	\$32	\$100	\$174	\$394
Ages 3-5	\$31	\$97	\$169	\$381
Ages 6-8	\$31	\$97	\$169	\$381
Ages 9-10	\$31	\$97	\$169	\$381
Ages 11-12	\$31	\$97	\$169	\$381
Ages 13-14	\$31	\$97	\$169	\$381
Ages 15-16	\$31	\$97	\$169	\$381
Ages 17-18	\$31	\$97	\$169	\$381
Ages 19+	\$32	\$100	\$174	\$394
Moderate Age-Based				
Ages 0-2	\$31	\$97	\$169	\$381
Ages 3-5	\$31	\$97	\$169	\$381
Ages 6-8	\$31	\$97	\$169	\$381
Ages 9-10	\$31	\$97	\$169	\$381
Ages 11-12	\$31	\$97	\$169	\$381
Ages 13-14	\$31	\$97	\$169	\$381
Ages 15-16	\$31	\$97	\$169	\$381
Ages 17-18	\$32	\$100	\$174	\$394
Ages 19+	\$32	\$100	\$174	\$394
Conservative Age-Based				
Ages 0-2	\$31	\$97	\$169	\$381
Ages 3-5	\$31	\$97	\$169	\$381
Ages 6-8	\$31	\$97	\$169	\$381
Ages 9-10	\$31	\$97	\$169	\$381
Ages 11-12	\$31	\$97	\$169	\$381
Ages 13-14	\$31	\$97	\$169	\$381
Ages 15-16	\$32	\$100	\$174	\$394
Ages 17-18	\$32	\$100	\$174	\$394
Ages 19+	\$34	\$106	\$186	\$419

Approximate Cost of a \$10,000 Investment

HYPOTHETICAL EXPENSE EXAMPLE	One Year	Three Years	Five Years	Ten Years
Individual Fund Portfolios				
Vanguard Prime Money Market 529 Portfolio	\$36	\$113	\$197	\$444
PIMCO Short-Term 529 Portfolio	\$74	\$231	\$402	\$897
Vanguard Short-Term Bond Index 529 Portfolio	\$32	\$100	\$174	\$394
Vanguard Total Bond Market Index 529 Portfolio	\$31	\$97	\$169	\$381
Fidelity Advisor Investment Grade Bond 529 Portfolio	\$77	\$241	\$418	\$933
MainStay Total Return Bond 529 Portfolio	\$87	\$272	\$473	\$1,052
Vanguard Short-Term Inflation-Protected Securities Index 529 Portfolio	\$31	\$97	\$169	\$381
Vanguard Inflation-Protected Securities 529 Portfolio	\$36	\$113	\$197	\$444
T. Rowe Price Balanced 529 Portfolio	\$76	\$237	\$413	\$921
Vanguard Real Estate Index 529 Portfolio	\$36	\$113	\$197	\$444
Vanguard Value Index 529 Portfolio	\$34	\$106	\$186	\$419
DFA U.S. Large Cap Value 529 Portfolio	\$53	\$167	\$291	\$654
Vanguard 500 Index 529 Portfolio	\$30	\$93	\$163	\$369
Vanguard Total Stock Market Index 529 Portfolio	\$28	\$87	\$152	\$344
Vanguard Growth Index 529 Portfolio	\$33	\$103	\$180	\$406
T. Rowe Price Large-Cap Growth 529 Portfolio	\$83	\$260	\$451	\$1,005
Vanguard Mid-Cap Index 529 Portfolio	\$33	\$103	\$180	\$406
Vanguard Extended Market Index 529 Portfolio	\$35	\$109	\$191	\$431
Vanguard Small-Cap Value Index 529 Portfolio	\$34	\$106	\$186	\$419
DFA U.S. Small Cap Value 529 Portfolio	\$79	\$247	\$429	\$957
Vanguard Small-Cap Index 529 Portfolio	\$34	\$106	\$186	\$419
Vanguard Small-Cap Growth Index 529 Portfolio	\$32	\$100	\$174	\$394
Vanguard Explorer 529 Portfolio	\$62	\$193	\$336	\$752
Vanguard Total International Stock Index 529 Portfolio	\$36	\$113	\$197	\$444
Dodge & Cox International Stock 529 Portfolio	\$91	\$285	\$495	\$1,100

FEDERAL AND STATE TAX CONSIDERATIONS

What Are the Federal Income Tax Consequences of the Plan?

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

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

There are potential federal income tax disadvantages to an investment in the Plan when withdrawals are not used for Qualified Higher Education Expenses. To the extent that a distribution from an Account is a Nonqualified Withdrawal, the portion of the Nonqualified Withdrawal attributable to investment earnings will be ordinary income to the recipient; no part of such earnings portion will be treated as capital gain. Under current law, the tax rates on ordinary income are generally greater than the tax rates on capital gain. Additionally, to the extent that a distribution is a Nonqualified Withdrawal, the federal income tax liability of the recipient will be increased by an amount equal to 10% of any earnings portion of the distribution. However, this 10% federal penalty tax will not apply if the Nonqualified Withdrawal is paid to a Designated Beneficiary (or the estate of a Designated Beneficiary) on or after the death of the Designated Beneficiary, is made on account of the disability of the Designated Beneficiary, or to the extent of the amount of certain scholarships or other allowances or payments received by the Designated Beneficiary. A Qualified Rollover Distribution is not subject to federal income tax or the 10% federal penalty tax. For a more detailed description of federal tax aspects of the Plan, see "Exhibit B - Tax Information" herein.

Are Contributions to the Program Tax Deductible?

Federal law does not allow a tax deduction for Contributions to the Program. However, Contributions may be deductible up to certain limits for Alabama state income tax purposes, see Exhibit B and below.

What Are the State of Alabama Income Tax Consequences of the Plan?

Any investment earnings on money invested in the Plan will not be subject to Alabama income tax until distributed, and if investment earnings are distributed as part of a Qualified Withdrawal, such earnings are generally free from Alabama state income tax. In addition, for Alabama state income tax purposes, a deduction is allowed up to \$5,000 per taxpayer per year for contributions. This deduction is increased up to \$10,000 for married taxpayers filing a joint return where both taxpayers make such contributions.

There are also Alabama state income tax disadvantages to an investment in the Plan. If a Nonqualified Withdrawal occurs, the amount of the Nonqualified Withdrawal, plus 10% of the amount withdrawn (not just earnings), is added back to the income of the contributing taxpayer in the year the Nonqualified Withdrawal is distributed. See definition of Nonqualified Withdrawal under "DEFINITION OF KEY TERMS."

Before investing in the CollegeCounts 529 Fund you should consider carefully the following:

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

How Is the Earnings Portion of My Account Calculated for Tax Purposes?

For any year there is a withdrawal from your Account, the Program Manager will provide you a Form 1099-Q. This form sets forth the total amount of the withdrawal and identifies the earnings portion and the contribution portion of any such withdrawal. See "Exhibit B - Tax Information" herein.

What Are the Federal Gift and Estate Tax Considerations of the Plan?

If an Account Owner dies while there is a balance in the Account, the value of the Account is generally not includible in the Account Owner's estate for federal estate tax purposes. However, amounts in an Account at the death of the Designated Beneficiary are includible in the Designated Beneficiary's gross estate. For federal gift tax purposes, Contributions to an Account are considered a gift from the contributor to the Designated Beneficiary. An Account Owner's contributions to an Account are eligible for the annual gift tax exclusion. Currently, the annual exclusion is \$15,000 per donee (\$30,000 for a married couple) per calendar year. This means that currently you may contribute up to \$15,000 to an Account, without the Contribution being considered a taxable gift if you make no other gifts to the Designated Beneficiary in the same calendar year. In addition, if your total Contributions to an Account during a year exceed the annual exclusion for that year, you may elect to have the amount you contributed that year treated as though you made one-fifth of the Contribution that year, and one-fifth of the Contribution in each of the next four calendar years.

An election to have the contribution taken into account ratably over a five-year period must be made by the donor on a Federal Gift Tax Return, IRS Form 709, for the year of contribution.

This means that you may contribute up to \$75,000 on behalf of a Designated Beneficiary currently without the Contribution being considered a taxable gift, provided that you neither make nor are deemed to make any other gifts to such Designated Beneficiary in the same year or in any of the succeeding four calendar years, and that you made no excess contributions treated as gifts subject to the one-fifth rule during any of the previous

four years. Moreover, a married contributor whose spouse elects on a Federal Gift Tax Return to have gifts treated as “split” with the contributor may contribute up to twice that amount (\$150,000 currently) without the Contribution being considered a taxable gift, provided that neither spouse makes other gifts to the Designated Beneficiary in the same year or in any of the succeeding four calendar years. If the Account Owner dies before the end of the five year period, the portion of the Contributions allocable to years after the year of death will be includible in the Account Owner’s gross estate for federal estate tax purposes. The annual exclusion is indexed for inflation and therefore is expected to increase over time. See “Exhibit B - Tax Information.”

Can I Contribute to, or Withdraw from, the Plan and a Coverdell Education Savings Account?

An individual may contribute to (subject to the annual gift tax exclusion), or withdraw money from, both a 529 qualified tuition program account and a Coverdell Education Savings Account in the same year. However, if the total withdrawals from both accounts exceed the amount of education expenses that qualify for tax-free treatment under Section 529 of the Code, as amended, the recipient must allocate his or her qualifying education expenses between both such withdrawals in order to determine how much may be treated as tax-free under each program.

DISTRIBUTIONS FROM AN ACCOUNT

How Do I Request a Distribution From an Account?

Distribution requests may be made online, in writing or by telephone. An Account Owner may establish telephone and internet transaction privileges for an Account through the Plan’s web site (CollegeCounts529.com) or by calling 866.529.2228.

The Program Manager employs procedures it considers to be reasonable to confirm that instructions communicated by telephone or internet are genuine, including requiring certain personal identifying information prior to acting upon telephone or internet instructions. None of the Program Manager, the Board, or the Treasurer will be liable for following telephone or internet instructions that the Program Manager reasonably believed to be genuine.

The Program Manager will review each withdrawal request to determine that all information needed to process such request has been received. Withdrawal requests will be satisfied as soon as practicable following the Program Manager’s receipt and review of a properly completed Withdrawal Request. The Plan typically will process the withdrawal and initiate payment of a distribution within three business days. During periods of market volatility and at year-end, however, withdrawal requests may take up to five business days to process.

Contributions made by check, EFT or AIP will not be available for withdrawal for 5 business days.

Although the Program Manager will report the earnings portion of a withdrawal to the Internal Revenue Service, it is solely the responsibility of the person receiving the withdrawal to calculate and report any resulting tax liability.

What Constitutes a Qualified Withdrawal?

Under Section 529 of the Code, as amended, Qualified Withdrawals from your Account are generally free from federal income tax. A Qualified Withdrawal is a distribution that is used to pay the Qualified Higher Education Expenses of the Designated Beneficiary. Qualified Higher Education Expenses include:

- tuition, fees, books, supplies, and equipment required for enrollment or attendance of a Designated Beneficiary at an Institution of Higher Education;
- certain room & board expenses incurred by students who are enrolled at least half-time. The expense for room and board qualifies only to the extent that it isn’t more than the greater of the following two amounts: a) The allowance for room and board, as determined by the eligible educational institution, that was included in the cost of attendance (for federal financial aid purposes) for a particular academic period and living arrangement of the student; b) The actual amount charged if the student is residing in housing owned or operated by the eligible educational institution. You may need to contact the eligible educational institution for qualified room and board costs;
- expenses for special needs services in the case of a special needs beneficiary which are incurred in connection with such enrollment or attendance;
- expenses for the purchase of computer or peripheral equipment, computer software, or Internet access and related services, if such equipment, software, or services are to be used primarily by the Designated Beneficiary during any of the years the Designated Beneficiary is enrolled at an eligible educational institution. (This does not include expenses for computer software for sports, games, or hobbies unless the software is predominately educational in nature.)

Certain sections of the Alabama income tax statute refer to definitions in Code Section 529, as amended, including the definition of “Qualified Higher Education Expenses.” For years after 2017, amendments to Code Section 529 treat withdrawals for tuition in connection with enrollment or attendance at an elementary or secondary school, whether public, private or religious, with a limit of \$10,000 per year, per child collectively from all 529 plans to be “Qualified Higher Education Expenses.” Consequently, a Designated Beneficiary may be able to use the amounts in a Plan Account to pay for K-12 Tuition Expenses (as defined herein) without incurring adverse tax consequences. However, the Act (which has not been amended since adoption of the Code Section 529 amendments referred to above) only covers expenses at “eligible educational institutions.” The definition of this term in Code Section 529 does not appear to cover K-12 schools, although Internal Revenue Service Publication 970 provides that an “eligible educational institution” “can be either an eligible postsecondary school or, for amounts paid from distributions made after December 31, 2017, an eligible elementary or secondary school.” Publication 970 does not have the same authority as Code Section 529, and the Program recommends that taxpayers seek tax advice from an independent tax advisor with respect to their ability to use the Program to pay K-12 Tuition Expenses without incurring adverse tax consequences.

A Qualified Withdrawal may be distributed as follows:

- To the Account Owner;
- To the Account Owner's bank account;
- To the Designated Beneficiary; or
- Directly to the Institution of Higher Education

Should I Document Qualified Higher Education Expenses?

You should retain documentation of all of the Designated Beneficiary's Qualified Higher Education Expenses for your records since money in your Account may be withdrawn free from federal and Alabama state income tax only if it is used to pay the Designated Beneficiary's Qualified Higher Education Expenses. The Account Owner or Designated Beneficiary is responsible for determining whether a distribution from an Account is a Qualified or Nonqualified Withdrawal and for paying any applicable taxes or penalties. Please be aware that the Internal Revenue Service or state tax officials may subject you to audit and require proof of the use of a withdrawal to pay the Designated Beneficiary's Qualified Higher Education Expenses.

Can I Recontribute Refunded Amounts?

In the case of a Designated Beneficiary who receives a refund of any Qualified Higher Education Expenses from an eligible educational institution, the amount refunded will not be subject to federal income tax to the extent it is recontributed to a 529 plan account for the same Designated Beneficiary, but only to the extent such contribution is made no later than 60 days after the date of such refund and does not exceed the refunded amount. It is the responsibility of the Account Owner to keep all records of the refunds and subsequent recontributions. A qualified tax advisor should be consulted to determine your eligibility for this treatment.

When Must Withdrawals Begin?

There is no Designated Beneficiary age or other deadline by which distributions from your Account must begin. It is important to match payment of expenses and the corresponding withdrawal in the same calendar year for tax purposes. If after a period of sixty years from the effective date of the Account Agreement, the Account has not been closed, the Account Agreement has not been terminated, and the Account has been dormant for three years, the Board, after making a reasonable effort to contact the Account Owner and the Designated Beneficiary, will close the Account and presume the Account monies, if any, constitute unclaimed and abandoned property. The monies are available to be claimed by visiting moneyquestalabama.com. The Account Owner may request that the Account remain in effect beyond the sixty (60) year period by filing a written request with the Board.

Can I Make Withdrawals for Other Purposes?

You may withdraw money from your Account at any time subject to Plan procedures. However, to the extent that the withdrawal is a Nonqualified Withdrawal, any earnings portion of such Nonqualified Withdrawal will be includible in your income for federal income tax purposes, and will generally also be subject to a 10% federal penalty tax. Certain exceptions to the imposition of the penalty tax apply.

For Alabama state income tax purposes, the amount of the Nonqualified Withdrawal, plus 10% of the amount of the

Nonqualified Withdrawal, will be included in the contributor's income for the year in which such Nonqualified Withdrawal is made. For more information, see "Exhibit B - Tax Information."

The Account Owner or Designated Beneficiary is responsible for determining whether a distribution from an Account is a Qualified or Nonqualified Withdrawal and for paying any applicable taxes or penalties.

What Are the Exceptions to the Federal Penalty Tax?

The additional 10% federal penalty tax does not apply to all Nonqualified Withdrawals. Generally, Nonqualified Withdrawals are not subject to the 10% federal penalty tax if they are:

1. Paid to a Designated Beneficiary (or to the estate of the Designated Beneficiary) on or after the death of the Designated Beneficiary.
2. Made because the Designated Beneficiary is disabled. A person is considered to be disabled if he or she shows proof that he or she cannot do any substantial gainful activity because of his or her physical or mental condition. A physician must determine that his or her condition can be expected to result in death or to be of long-continued and indefinite duration.
3. Included in income because the Designated Beneficiary received a tax-free scholarship or fellowship; Veteran's educational assistance; employer-provided educational assistance; or any other nontaxable payments (other than gifts or inheritances) received as educational assistance.
4. Made on account of the attendance of the Designated Beneficiary at a U.S. military academy (such as the Naval Academy at Annapolis). This exception applies only to the extent that the amount of the distribution does not exceed the costs of advanced education (as defined in Section 2005(d)(3) of Title 10 of the U.S. Code) attributable to such attendance.
5. Included in income only because the qualified education expenses were taken into account in determining the American Opportunity, Hope, or Lifetime Learning Credit.
6. Before January 1, 2026, to an ABL account (as defined in Section 529A(e)(6)) of the Designated Beneficiary or a Member of the Family of the Designated Beneficiary.

Exception (3) above applies only to the extent the distribution is not more than the scholarship, allowance, or payment.

You should consult your tax advisor regarding the application of any of the above exceptions. See also "Exhibit B - Tax Information."

May I Roll Over My Account to Another Qualified Tuition Program?

You may direct a transfer of money from your Account to an account in another 529 qualified tuition program for the same or another Designated Beneficiary. Alternatively, you may make a withdrawal from your Account and re-deposit the withdrawn balance within 60 days into an account in another 529 qualified tuition program for the same or another Designated Beneficiary without penalty.

If the Designated Beneficiary stays the same, the transfer will be treated as an income tax-free Qualified Rollover Distribution

as long as the transfer does not occur within 12 months from the date of a previous rollover to another 529 qualified tuition program for the Designated Beneficiary. If you change beneficiaries, the transfer will be treated as a Qualified Rollover Distribution only if the new Designated Beneficiary is a Member of the Family of the current Designated Beneficiary.

What Happens to an Account If the Designated Beneficiary Does Not Attend College?

If the Designated Beneficiary does not pursue an education, at an Institution of Higher Education you may withdraw the Account balance or change the Designated Beneficiary of the Account. A change of the Designated Beneficiary of the Account will not result in any income tax consequences so long as the new Designated Beneficiary is a Member of the Family of the current Designated Beneficiary.

To the extent that you make a Nonqualified Withdrawal from the Account, any earnings portion of such Nonqualified Withdrawal will be includible in your income for federal income tax purposes and will be subject to a 10% federal penalty tax.

For Alabama state income tax purposes, the amount of the Nonqualified Withdrawal, plus 10% of the amount of the Nonqualified Withdrawal, will be included in the contributor's income for the year in which such Nonqualified Withdrawal is made. For more information, see "Exhibit B - Tax Information."

How do I Close an Account?

To withdraw all of the funds and close your Account, download the Withdrawal Form and complete and submit the form as directed, or call the Plan at 866.529.2228 for instructions.

The Plan does not charge any surrender or other withdrawal fees. Contributions made by check, EFT, or AIP will not be available for withdrawal for 5 business days.

If the withdrawal to close the Account is a Nonqualified Withdrawal, any earnings portion of such Nonqualified Withdrawal will be includible in your income for federal income tax purposes and will be subject to a 10% federal penalty tax. For Alabama state income tax purposes, the amount of the Nonqualified Withdrawal, plus 10% of the amount of the Nonqualified Withdrawal, will be included in the contributor's income for the year in which such Nonqualified Withdrawal is made. For more information, see "Exhibit B - Tax Information."

OTHER IMPORTANT WITHDRAWAL CONSIDERATIONS

The tax benefits afforded to 529 Plans must be coordinated with other programs designed to provide tax benefits for meeting higher education expenses in order to avoid the duplication of such benefits. You should consult with a qualified tax advisor with respect to the various education benefits.

Taxable Portion of a Distribution

The part of a distribution representing the amount paid or contributed to a qualified tuition program doesn't have to be included in income. This is a return of the investment in the plan. The Designated Beneficiary generally doesn't have to

include in income any earnings distributed from a qualified tuition program if the total distribution is less than or equal to adjusted qualified education expenses. To determine if total distributions for the year are more or less than the amount of adjusted qualified education expenses, you must compare the total of all qualified tuition program distributions for the tax year to the adjusted qualified education expenses. Adjusted qualified education expenses is the total Qualified Higher Education Expenses reduced by any tax-free educational assistance. Tax-free educational assistance includes: the tax-free part of scholarships and fellowship grants; Veterans' educational assistance; the tax-free part of Pell grants; Employer-provided educational assistance; and any other nontaxable (tax-free) payments (other than gifts or inheritances) received as educational assistance.

Coordination With American Opportunity and Lifetime Learning Credits

An American Opportunity or Lifetime Learning Credit can be claimed in the same year the Designated Beneficiary takes a tax-free distribution from a qualified tuition program, as long as the same expenses aren't used for both benefits. This means that after the Designated Beneficiary reduces qualified education expenses by tax-free educational assistance, he or she must further reduce them by the expenses taken into account in determining the credit.

Coordination With Coverdell Education Savings Account Distributions

If a Designated Beneficiary receives distributions from both a qualified tuition program and a Coverdell Education Savings Account in the same year, and the total of these distributions is more than the Designated Beneficiary's adjusted Qualified Higher Education Expenses, the expenses must be allocated between the distributions. For purposes of this allocation, disregard any qualified elementary and secondary education expenses.

Coordination With Tuition and Fees Deduction

A tuition and fees deduction can be claimed in the same year the Designated Beneficiary takes a tax-free distribution from a qualified tuition program, as long as the same expenses aren't used for both benefits.

LIMITATIONS AND PENALTIES

Are There Limits on Investment Changes?

Under federal law, neither you nor the Designated Beneficiary may exercise investment discretion, directly or indirectly, over Contributions to an Account or any earnings on such Contributions. As a result, federal law only allows you to change the Portfolio or Portfolios in which Contributions or any earnings on such Contributions are invested twice per calendar year, or upon a change of Designated Beneficiary.

If an Account Owner has multiple accounts in the Plan for the same Designated Beneficiary, or multiple accounts in the Plan and other State of Alabama 529 programs, the Account Owner may change the Portfolios in all such accounts without tax

consequences, so long as the changes to all of the accounts are made at the same time and no more frequently than twice per calendar year or upon a change of Designated Beneficiary.

Are There Limits on Transfers to Other State of Alabama 529 Programs?

Accounts in the Program are also offered through the CollegeCounts 529 Fund Advisor Plan. You may transfer money from your Plan Account to the CollegeCounts 529 Fund Advisor Plan or from the CollegeCounts 529 Fund Advisor Plan to your Plan Account without the imposition of any penalties, other than any applicable contingent deferred sales charges for Fee Structure B Accounts in the CollegeCounts 529 Fund Advisor Plan. However, any such transfer constitutes an investment change and therefore may only occur twice per calendar year, or upon a change of Designated Beneficiary.

Are There Limitations on Transfers Out of the Program?

You may roll over your Account to another 529 qualified tuition program without potentially adverse federal income tax consequences if, within 60 days of the withdrawal from the distributing account, such funds are transferred to or deposited into an account at another 529 qualified tuition program and only if:

1. the rollover does not occur within 12 months from the date of a previous rollover to another 529 qualified tuition program for the Designated Beneficiary; or
2. such funds are transferred to or deposited into an account at another 529 qualified tuition program for the benefit of an individual who is a "Member of the Family" of the former Designated Beneficiary.

Are There State of Alabama Income Tax Considerations on Transfers Out of the Program?

Qualified Withdrawals on transfers out of the Program are treated the same for Alabama state income tax purposes as for federal income tax purposes. If a rollover out of the Plan is treated as a Nonqualified Withdrawal, then the amount of such Nonqualified Withdrawal, plus an amount equal to 10% of the amount of the Nonqualified Withdrawal, shall be added to the income of the contributing taxpayer in the year of the withdrawal. If a rollover out of the Plan is treated as a Qualified Withdrawal, the Qualified Withdrawal would not be subject to Alabama state income tax.

Are There Penalties on Withdrawals From the Plan?

The Plan does not charge a withdrawal fee. If an Account Owner withdraws funds as a Nonqualified Withdrawal, the earnings portion of the withdrawal will be includible in your federal gross income and subject to a 10% federal penalty tax.

The 10% additional federal penalty tax doesn't apply to distributions:

1. paid to a Designated Beneficiary (or to the estate of the Designated Beneficiary) on or after the death of the Designated Beneficiary;
2. made because the Designated Beneficiary is disabled;
3. included in income because the Designated Beneficiary received a tax-free scholarship or fellowship grant, Veterans' educational assistance, employer-provided educational assistance, or any other nontaxable (tax-free) payments (other than gifts or inheritances) received as educational

assistance (applies only to the extent the distribution isn't more than the scholarship, allowance, or payment);

4. made on account of the attendance of the Designated Beneficiary at a U.S. military academy (such as the USNA at Annapolis). This exception applies only to the extent that the amount of the distribution doesn't exceed the costs of advanced education attributable to such attendance;
5. included in income only because the qualified education expenses were taken into account in determining the American opportunity or lifetime learning credit.

For Alabama state income tax purposes, if an Account Owner withdraws funds as a Nonqualified Withdrawal, then the amount of the Nonqualified Withdrawal, plus an amount equal to 10% of the amount of the Nonqualified Withdrawal, shall be included in income for the Account Owner for the year in which the withdrawal was made.

OTHER INFORMATION

How Will Investment in the Plan Affect My Designated Beneficiary's Chances of Receiving Financial Aid?

The eligibility of the Designated Beneficiary for financial aid may depend upon the circumstances of the Designated Beneficiary's family at the time the Designated Beneficiary enrolls in an Institution of Higher Education, as well as on the policies of the governmental agencies, school, or private organizations to which the Designated Beneficiary and/or the Designated Beneficiary's family applies for financial assistance. These policies vary at different institutions and can change over time. Therefore, no person or entity can say with certainty how the federal aid programs, or the school to which the Designated Beneficiary applies, will treat your Account for purposes of receiving financial aid. Discuss this with school officials at the institutions to which your Designated Beneficiary applies.

Are Contributions Part of an Account Owner's Bankruptcy Estate?

The Bankruptcy Abuse Prevention and Consumer Protection Act of 2005 protects many Section 529 accounts in federal bankruptcy proceedings subject to certain limits. Your Account will be protected if the Designated Beneficiary is your child, stepchild, grandchild, or step grandchild (including a child, stepchild, grandchild, or step grandchild through adoption or foster care) subject to the following limits:

- Contributions made to all Section 529 accounts for the same Designated Beneficiary at least 720 days before a federal bankruptcy filing are completely protected;
- Contributions made to all Section 529 accounts for the same Designated Beneficiary more than 365 days, but less than 720 days before a federal bankruptcy filing are protected up to \$6,425; and
- Contributions made to all Section 529 accounts for the same Designated Beneficiary less than 365 days before a federal bankruptcy filing are not protected against creditor claims in federal bankruptcy proceedings.

Your own state law may offer additional creditor protections. You should consult your legal advisor regarding the effect of any bankruptcy filing on your Account.

Does Alabama Law Protect Accounts From Creditors?

The Act provides, notwithstanding any provision of any law to the contrary, money in the ACES Program shall be exempt from creditor process and shall not be liable to attachment, garnishment, or other process, nor shall it be seized, taken, appropriated, or applied by any legal or equitable process or operation of law to pay any debt or liability of any contributor or Designated Beneficiary.

What Kind of Statements Will I Receive?

You will receive quarterly statements showing:

- Contributions made to the Account for that period;
- Change in Account value for the period;
- Withdrawals made from the Account for that period;
- The total value of the Account at the end of that time period; and
- Information concerning the Maximum Account Balance Limitation.

Carefully review all confirmations and account statements to verify the accuracy of the transactions. Any discrepancies must be reported to the Program Manager within 30 days of the date of the confirmation or statement, whichever is earliest to occur. If you fail to notify us of any error, you will be considered to have approved the transaction.

To reduce the amount of duplicate mail that is sent to a household, the Program Manager will combine Account statements that have the same Account Owner and mailing address in the same mailing. The Program Manager will send one copy of the Program Disclosure Statement and other Plan communications to Account Owners at each respective household address. The Plan periodically matches and updates addresses of record against the U.S. Postal Service's change of address database to minimize undeliverable items.

You can view quarterly statements online at CollegeCounts529.com. To do so, you will need to create an online user name and password and provide additional identifying information to establish your online account.

Information including prospectuses and other disclosures of all fees and expenses associated with mutual funds and other investments made by the Program is available at CollegeCounts529.com and the respective underlying mutual fund web sites.

How Can I Have Online Access to My Account?

You can access information about your Account 24 hours a day by logging in to your Account at CollegeCounts529.com. You will need to select a user name and password and follow the online steps. The Program Manager employs procedures it considers to be reasonable to confirm that instructions communicated by internet are genuine, including certain identifying information prior to acting upon internet instructions. None of the Program Manager, the Board, or the Treasurer will be liable for following internet instructions that the Program Manager reasonably believed to be genuine. To safeguard your Account, please keep your information confidential.

Is the Program Audited?

Each year an independent public accountant selected by the Program Manager will audit the Plan. The auditors will examine financial statements for the Plan and provide other audit, tax, and related services. The Board may also conduct audits of the Program and the Trust. The Plan's audited financial statements are available online at CollegeCounts529.com.

Where Can I Obtain Additional Information?

To obtain answers to your questions or request an Enrollment Form, please visit CollegeCounts529.com, call 866.529.2228 or write to CollegeCounts 529 Fund, P.O. Box 85290, Lincoln, NE 68501-5290.

In order to comply with Rule 15c 2-12(b)(5) promulgated in the Securities Exchange Act of 1934, as amended, (herein referred to as the "Rule"), the Board, on behalf of the Plan, has entered into a continuing disclosure agreement for the benefit of the Account Owners. Under the continuing disclosure agreement, the Board, on the Plan's behalf as permitted by law, will in compliance with the Rule provide the Plan's annual audited financial statement when available in conformity with the Rule and will provide notices of the occurrence of certain material events under the Rule and the continuing disclosure agreement, when applicable to the Plan. The Plan's audited financial statements for the fiscal year ended September 30, 2017 have been posted with the Municipal Securities Rulemaking Board.

EXHIBIT A — ACCOUNT AGREEMENT

For The CollegeCounts 529 Fund

Pursuant to the terms and conditions of this Account Agreement, the Account Owner, by completing and signing an Enrollment Form, hereby requests the Alabama College Education Savings Program, marketed as the CollegeCounts 529 Fund, (hereinafter, the “Program”) to open (or in the case of a successor Account Owner, to maintain) an Account in the CollegeCounts 529 Fund (hereinafter, the “Plan”) for the individual designated on the Enrollment Form as the Designated Beneficiary (hereinafter, “Designated Beneficiary”).

SECTION 12 OF THIS AGREEMENT IS AN ARBITRATION PROVISION. YOU SHOULD READ THE ARBITRATION PROVISION CAREFULLY. IT MAY HAVE A SUBSTANTIAL IMPACT ON YOUR RIGHTS.

GENERAL TERMS AND CONDITIONS

This Account Agreement among you, the Board and the Program Manager, as amended and supplemented from time to time, governs the terms of each Account you establish pursuant to your submission to the Program Manager of a properly completed Enrollment Form. By signing an Enrollment Form, you agree to be bound by the terms of this Account Agreement, as amended or supplemented from time to time, the Program Rules and the Act, as each may be amended from time to time.

The Program was established by the State under the Act to allow Account Owners to save for the Qualified Higher Education Expenses of a Designated Beneficiary at an Institution of Higher Education. Under the Act, the Board of the Program oversees administration of the Program and its members act as trustees of the Program Trust Fund. Pursuant to the Act, the Board has delegated day-to-day administration of the Program to the Treasurer. Under the Act, the Board is authorized to employ private sector firms to provide investment management services, marketing services and administrative services for the Program. Pursuant to the Program Management Agreement, the Board has retained Union Bank & Trust Company to act as Program Manager for the Program.

The Program Disclosure Statement for the Plan describes the terms and conditions of the Plan in greater detail and is incorporated in its entirety into this Account Agreement. Before making any investment in the Plan, you should read carefully the Program Disclosure Statement in its entirety.

Capitalized terms not defined in this Account Agreement shall have the meanings assigned to them in the Program Disclosure Statement.

The Account Owner, the Board and the Program Manager agree as follows:

Section 1. Accounts and Beneficiaries.

- (a) **Opening an Account.** To establish an Account on behalf of a Designated Beneficiary under the Program, a prospective Account Owner must execute and submit a completed Enrollment Form to the Program Manager.

- (b) **Separate Accounts.** The Program will maintain a separate Account for each Designated Beneficiary. Each Account will be governed by an Account Agreement, the Act, the Program Disclosure Statement and the Program Rules. An Account Owner may establish multiple separate Accounts for the same Designated Beneficiary. All assets held in your Account will be held for the exclusive benefit of you and the Designated Beneficiary as provided by applicable law.
- (c) **Ownership.** The Account Owner is the sole owner of all Contributions to an Account and any earnings thereon. Different rules may apply if the source of any Contribution to an Account is a custodial account established under a state’s Uniform Gifts to Minors Act or Uniform Transfers to Minors Act.
- (d) **Naming and Changing Beneficiaries.** You will name the Designated Beneficiary for an Account on the Enrollment Form. You can change the Designated Beneficiary at any time, subject to federal and state law and the Program Rules. In order to avoid certain adverse tax consequences, a new Designated Beneficiary must be a “Member of the Family” of the replaced Designated Beneficiary, as that term is defined under Section 529(e)(2) of the Internal Revenue Code of 1986, as amended (the “Code”), or any other corresponding provision of future law. The designation of the new Designated Beneficiary will be effective upon the Program Manager’s receipt of the appropriate form, properly completed.
- (e) **Selection of Investment Portfolios.** Money invested in an Account will be invested in the Investment Portfolio or Portfolios the Account Owner selects in the Enrollment Form. The Account Owner may change the Investment Portfolio or Portfolios in which money is invested twice every calendar year, or with such other frequency as the Internal Revenue Service may provide, or upon a change of the Designated Beneficiary. The Board may change the asset allocation of any Age-Based Portfolio or Target Portfolio, add, eliminate or change the Underlying Investment Fund(s) for an Investment Portfolio, create additional Investment Portfolios, or eliminate Investment Portfolios without regard to prior selections made by Account Owners. **The Board is not obligated to provide prior notice of such changes or to update the Program Disclosure Statement prior to any such change, but may do so in the Board’s sole discretion.**

If an Account Owner has multiple accounts in the Program for the same Designated Beneficiary, the Account Owner may change the Portfolio in all such accounts without tax consequences, so long as the changes to all of the accounts are made at the same time and no more frequently than twice per calendar year or upon a change of Designated Beneficiary. You are responsible for ensuring that your Account has been assigned or reassigned to the correct Investment Portfolio and that each Contribution has been credited to the correct Account. You must notify the Program Manager within thirty (30) days of any errors.

Section 2. Contributions.

- (a) **Contributions To Be in Cash.** All Contributions must be in cash. Cash means Contributions in U.S. Dollars made by (i) checks, (ii) money order, (iii) payroll contributions made by your employer, (iv) electronic funds transfers from your bank, (v) an automatic investment plan, (vi) wire transfers, (vii) *CollegeCounts GiftED* contributions, (viii) Rewards from the CollegeCounts 529 Rewards Visa® Card, or (ix) a rollover from another 529 qualified tuition plan.
- (b) **Minimum Contributions.** There is no minimum contribution amount. A Contribution need not be made every year.
- (c) **Additional Contributions.** You may make additional Contributions at any time, subject to the overall limit described in the next paragraph.
- (d) **Maximum Account Balance Contribution Limitation.** The Board will set a Maximum Account Balance Limitation for the Program. No Contribution to an Account for a Designated Beneficiary will be permitted if the aggregate balance of all Accounts for the Designated Beneficiary, including for this purpose all accounts in State of Alabama 529 programs for the Designated Beneficiary, equals \$475,000. Any Contribution in excess of the Maximum Account Balance Limitation will be returned to the Account Owner. The Board will determine the Maximum Account Balance Limitation for each year and such determination shall be deemed a part of this Agreement.

Section 3. Distribution From Accounts.

You may direct the Program Manager to distribute part or all of the money in your Account at any time.

- (a) You must complete a withdrawal request form, an online withdrawal form or follow such other procedures for the withdrawal of money in an Account as the Board may designate. The Board may change the withdrawal request form or modify the procedures for withdrawing money from an Account from time to time.
- (b) You acknowledge that the earnings portion of a Nonqualified Withdrawal, as defined in the Program Disclosure Statement, will be included in your income for federal tax purposes and may be subject to an additional 10% federal penalty tax. There may be additional state tax consequences associated with a Nonqualified Withdrawal and you should consult with your tax advisor.
- (c) Notwithstanding any other provision of this Agreement, the Board may terminate an Account upon a determination that you or the Account's Designated Beneficiary has provided false or misleading information to the Program or the Program Manager. The Board will pay you the balance remaining in the Account, less any state or federal taxes to be withheld, if applicable.
- (d) If you terminate your Account Agreement and close your Account, you will receive the fair market value of the Account on the date the Account is redeemed.

- (e) If an Account Agreement has not been terminated and the Account closed after a period of sixty (60) years from its effective date, and the Account has been dormant for three years, the Board or the Program Manager, after making reasonable efforts to contact the Account Owner, will close the Account and presume that the Account balance, if any, is abandoned property. The Account Owner may request that an Account remain in effect beyond the sixty (60) year period by filing a written request with the Board.

Section 4. Your Representations and Acknowledgments.

You hereby represent and warrant to, and agree with the Program, the Board, and the Program Manager as follows:

- (a) You acknowledge that the creation of an Account under the Program subjects your Contributions to ongoing fees.
- (b) You have received and read the Program Disclosure Statement for the CollegeCounts 529 Fund and have carefully reviewed all the information contained therein, including information provided by or with respect to the Board and the Program Manager. You have been given an opportunity, within a reasonable time prior to the date of this Agreement, to ask questions and receive answers concerning (i) an investment in the Program, (ii) the terms and conditions of the Program, (iii) this Agreement, the Program Disclosure Statement, the Program Rules and the Enrollment Form, and (iv) the Investment Portfolios that are available for your Account and to obtain such additional information necessary to verify the accuracy of any information furnished. You also agree that you have had the opportunity to review and hereby approve and consent to all compensation paid or received by any party connected with the Program or any of its investments.
- (c) You acknowledge and agree that if the Program Disclosure Statement is in any way amended, modified or supplemented after you enter into this Account Agreement, that the terms of the Program Disclosure Statement, as amended, modified or supplemented, will be automatically incorporated into this Account Agreement as if fully set forth herein.
- (d) You acknowledge and agree that the value of any Account will increase or decrease based on the investment performance and expenses of the Investment Portfolio or Portfolios in which the Account is then invested. **YOU UNDERSTAND THAT THE VALUE OF ANY ACCOUNT MAY BE MORE OR LESS THAN THE AMOUNT INVESTED IN THE ACCOUNT.** You agree (i) that the Board, as required by the Code, determines from time to time the underlying funds and the types of investment portfolios made up of those funds offered by the Program, relying upon advice from investment consultants in doing so, and that (ii) you will only be permitted to select an investment portfolio offered by the Program and may only change that selection at the limited times permitted

by the Program, and (iii) except for the selection of an investment Portfolio offered by the Program, you are not permitted to direct, nor will you direct, the investment of any funds contributed to the Program, either directly or indirectly. You also acknowledge and agree that neither the State of Alabama, the Board, the Treasurer, the Program Manager, nor any other advisor or consultant retained by or on behalf of the Program makes any guarantee that you will not suffer a loss of the amount invested in any Account nor do any of them provide you with investment advice.

- (e) You understand that so long as Union Bank & Trust Company serves as Program Manager for the Program and is performing services for the Program it may be required to follow certain specific directives of the Board. When acting in such a specific directed capacity, Union Bank & Trust Company will not have any liability to you or any Designated Beneficiary of this Agreement.
- (f) You acknowledge and agree that participation in the Program does not guarantee that any Designated Beneficiary: (i) will be accepted as a student by an Institution of Higher Education; (ii) if accepted, will be permitted to continue as a student; (iii) will be treated as a state resident of any state for tuition or any other purposes; (iv) will graduate from any Institution of Higher Education; or (v) will achieve any particular treatment under applicable state or federal financial aid program. You also acknowledge and agree that neither the State of Alabama, the Board, the Treasurer, the Program Manager, nor any other advisor or consultant retained by or on behalf of the Program makes any such representation or guarantee.
- (g) You acknowledge and agree that no Account will be used as collateral for any loan. Any attempted use of an Account as collateral for a loan will be void.
- (h) You acknowledge and agree that the Program will not loan any assets to you or the Designated Beneficiary.
- (i) You understand and acknowledge that the Program is established and maintained under Alabama law with the intent that it will meet with certain requirements in order to qualify as a qualified tuition program under Section 529 of the Internal Revenue Code. You further acknowledge that such federal and state laws are subject to change, sometimes with retroactive effect, and that neither the State of Alabama, the Board, the Treasurer, the Program Manager, nor any advisor or consultant retained by the Program makes any representation that such state or federal laws will not be changed or repealed, or, if changed, that such changes may not have adverse tax consequences. If the Program fails to qualify as a qualified tuition program under Section 529 of the Code, such failure may have adverse tax and other consequences to you.
- (j) You acknowledge that the Program is the record owner of the shares of the mutual funds in which each Portfolio

is invested and that you will have no right to vote, or direct the voting of, any proxy with respect to such shares.

- (k) If you are not, or your Designated Beneficiary is not, an Alabama resident, you understand that if your or your Designated Beneficiary's state of residence offers a qualified tuition program, it may offer tax advantages or other benefits that may not be available to you or your Designated Beneficiary under the Program and that you are responsible for determining which qualified tuition program is best suited to your investment needs based on your investment objectives, time horizon, tax status and other investment holdings.
- (l) You understand that with respect to residents of Alabama, contributions to your Account may be entitled to an Alabama state income tax deduction and that the earnings portion of a distribution from an Account for Qualified Higher Education Expenses will not be subject to Alabama state income tax and your participation in the Program generally will have the Alabama income tax consequences described in the Program Disclosure Statement. Such Alabama tax laws are subject to change, sometimes with retroactive effect.

Section 5. Fees and Expenses.

The Program will make certain charges against each Account in order to provide for the costs of administration of the Accounts and such other purposes as the Board shall determine appropriate.

- (a) **Program Management Fee.** Each Portfolio is subject to a maximum program management fee at an annual rate of 0.25%.
- (b) **Investment Management Fees.** You agree and acknowledge that each of the mutual funds or other investments also will have investment management fees and other expenses, which will be disclosed or made available on an annual basis.
- (c) **Change in Fees.** You acknowledge and agree that the charges described above may be increased or decreased as the Board shall determine to be appropriate.

Section 6. Necessity of Qualification. The Program intends to qualify for favorable federal tax treatment under Section 529 of the Code. You agree and acknowledge that qualification under Section 529 of the Code is vital and agree that the Board may amend this Account Agreement upon a determination that such an amendment is required to maintain such qualification.

Section 7. Audit. The Program Manager shall cause the Program and its assets to be audited at least annually by a certified public accountant. A copy of the annual report can be obtained by calling the Program at 866.529.2228, or by going to CollegeCounts529.com.

Section 8. Reporting. The Program, through the Program Manager, will make quarterly reports of Account activity and the value of each Account. Account information can also be obtained via the Program's website at CollegeCounts529.com.

Section 9. Account Owner's Indemnity. You recognize that each Account will be established based upon your statements, agreements, representations, and warranties set forth in this Account Agreement and the Enrollment Form. You agree to indemnify and to hold harmless the Board, the Program, the Treasurer, the Program Manager and its affiliates, and any representatives of the Program from and against any and all loss, damage, liability, or expense, including costs of reasonable attorneys' fees to which they may be put or which they may incur by reason of, or in connection with, any breach by you of your acknowledgments, representations, or warranties or any failure of you to fulfill any covenants or agreements set forth herein. You agree that all statements, representations, and warranties will survive the termination of your Account.

Section 10. Amendment and Termination. Nothing contained in the Program or this Account Agreement shall constitute an agreement or representation by the Board, the Treasurer or anyone else that the Program will continue in existence. At any time, the Board may amend the Program Rules, the Program Disclosure Statement, this Account Agreement and other Program documents, and may change the Program Manager and the Investment Portfolios under the Program. In addition, the legislature of the State of Alabama may dissolve the Program at any time and dissolution of the Program may result in a distribution from your Account that may be subject to income taxes and additional tax penalties.

Section 11. Governing Law, Jurisdiction and Venue, Waiver of Jury Trial. This Agreement shall be governed by and interpreted in accordance with the laws of the State of Alabama. Subject to Section 12 below, you agree (on behalf of yourself and your Designated Beneficiary) that the courts located in Montgomery, Alabama, shall have exclusive jurisdiction over any legal proceedings between you (and/or your Designated Beneficiary) and the Board that arise out of or relate to this Account Agreement. In any such proceeding, you (on behalf of yourself and your Designated Beneficiary) agree to waive any right you may have to a trial by jury.

Section 12. Arbitration.

YOU SHOULD READ THIS ARBITRATION PROVISION CAREFULLY. IT MAY HAVE A SUBSTANTIAL IMPACT ON YOUR RIGHTS.

- (a) **Agreement to Arbitrate.** Unless prohibited by applicable law, any legal dispute between you and us (as defined below) will be resolved by binding arbitration. In arbitration, a dispute is resolved by an arbitrator instead of a judge or jury. Arbitration procedures are simpler and more limited than court procedures.
- (b) **Coverage and Definitions.** As used in this Section 12 Arbitration Provision, the following terms have the following meanings:
- (i) "You," "your" and "yours" refer to the Account Owner and any successor Account Owner, acting on the Account Owner's own behalf or on behalf of the Designated Beneficiary and any successor Designated Beneficiary.
 - (ii) "We," "us," "our" and "ours" refer to: (A) the Program Manager; (B) any company that owns or controls the Program Manager (a "Parent Company"); and (C) any company that is controlled by a Parent Company or the Program Manager. Also, if either you or we elect to arbitrate any Claim you bring against us, the persons who may benefit by this Arbitration Provision include any other persons or companies you make a Claim against in the same proceeding. It does not include the Board, the Program or the Treasurer.
 - (iii) "Claim" means any legal dispute between you and us that relates to, arises out of or has anything at all to do with: (A) this Account Agreement, this Arbitration Provision or the Program; or (B) any related advertising, promotion, disclosure or notice. This includes a dispute about whether this Arbitration Provision or this Account Agreement is valid or enforceable, about when this Arbitration Provision applies and/or about whether a dispute is arbitrable. It includes disputes about constitutional provisions, statutes, ordinances, and regulations, compliance with contracts and wrongful acts of every type (whether intentional, fraudulent, reckless or negligent). This Arbitration Provision applies to actions, omissions and events prior to, on or after the date of this Account Agreement. It applies to disputes involving requests for injunctions, other equitable relief and/ or declaratory relief. However, notwithstanding any language in this Arbitration Provision to the contrary, the term "Claim" does not include any dispute that is asserted by a party on a class basis; unless and until any such dispute is finally resolved to be inappropriate for class treatment in court, such dispute shall not constitute a "Claim" hereunder, and any such dispute shall be resolved by a court and not by an arbitrator or arbitration administrator.
 - (iv) "Administrator" means JAMS, 620 Eighth Avenue, 34th Floor, New York, NY 10018, www.jamsadr.org; the American Arbitration Association (the "AAA"), 1633 Broadway, 10th Floor, New York, NY 10019, www.adr.org; or any other company selected by mutual agreement of the parties. If both JAMS and AAA cannot or will not serve and the parties are unable to select an Administrator by mutual consent, the Administrator will be selected by a court. You may select the Administrator if you give us written notice of your selection with your notice that you are electing to arbitrate any Claim or within 20 days after we give you notice that we are electing to arbitrate any Claim (or, if you oppose in court our right to arbitrate a matter, within 20 days after the court determination). If you do not select the Administrator on time, we will select the Administrator.

- (c) **Important Notice. IF YOU OR WE ELECT TO ARBITRATE A CLAIM, YOU AND WE WILL NOT HAVE THE RIGHT TO PURSUE THAT CLAIM IN COURT OR HAVE A JURY DECIDE THE CLAIM. ALSO, YOUR AND OUR ABILITY TO OBTAIN INFORMATION AND TO APPEAL IS MORE LIMITED IN AN ARBITRATION THAN IN A LAWSUIT. OTHER RIGHTS THAT YOU AND WE WOULD HAVE IN A LAWSUIT IN COURT MAY ALSO NOT BE AVAILABLE IN ARBITRATION.**
- (d) **Prohibition Against Certain Proceedings.** (i) **NO PARTY MAY PARTICIPATE IN A CLASS-WIDE ARBITRATION, EITHER AS A PLAINTIFF, DEFENDANT OR CLASS MEMBER; (ii) NO PARTY MAY ACT AS A PRIVATE ATTORNEY GENERAL IN ANY ARBITRATION; (iii) CLAIMS BROUGHT BY OR AGAINST YOU MAY NOT BE JOINED OR CONSOLIDATED WITH CLAIMS BROUGHT BY OR AGAINST ANY OTHER PERSON IN ANY ARBITRATION; AND (iv) THE ARBITRATOR SHALL HAVE NO AUTHORITY TO CONDUCT A CLASS-WIDE ARBITRATION, PRIVATE ATTORNEY GENERAL ARBITRATION OR MULTIPLE-PARTY ARBITRATION.**
- (e) **Initiating Arbitration Proceedings.** A party asserting a Claim must first comply with Section 12(k), regarding “Notice and Cure.” Additionally, a party electing arbitration must give written notice of an intention to initiate or require arbitration. This notice can be given after the beginning of a lawsuit and can be given in the papers filed in the lawsuit. If such notice is given, unless prohibited by applicable law any Claim shall be resolved by arbitration under this Arbitration Provision and, to the extent consistent with this Arbitration Provision, the applicable rules of the Administrator that are in effect at the time the Claim is filed with the Administrator. A party who has asserted a Claim in a lawsuit may still elect arbitration with respect to any Claim that is later asserted in the same lawsuit by any other party (and in such case either party may also elect to arbitrate the original Claim). The arbitrator will be selected in accordance with the Administrator’s rules. However, unless both you and we agree otherwise, the arbitrator must be a lawyer with more than 10 years of experience or a retired judge. We promise that we will not elect to arbitrate an individual Claim that you bring in small claims court or an equivalent court. However, we may elect to arbitrate a Claim that is transferred, removed or appealed to any different court.
- (f) **Arbitration Location and Costs.** Any arbitration hearing that you attend will take place in a reasonably convenient location for you. If the amount in controversy is less than \$10,000 and you object to the fees charged by the Administrator and/or arbitrator, we will consider in good faith any reasonable written request for us to bear the fees charged by the Administrator and/or arbitrator. Also, we will pay any fees or expenses we are required to pay by law or are required to pay so that a court will enforce this Arbitration Provision. Each party must pay for that party’s own attorneys, experts and witnesses, provided that we will pay all such reasonable fees and costs you incur if required by applicable law and/or the Administrator’s rules or if you are the prevailing party and we are required to bear such fees and costs so that a court will enforce this Arbitration Provision.
- (g) **Applicable Law.** You and we agree that this Account Agreement and this Arbitration Provision involve interstate commerce, and this Arbitration Provision is governed by the Federal Arbitration Act (“FAA”), 9 U.S.C. § 1, et seq. The arbitrator must follow, to the extent applicable: (i) the substantive law related to any Claim; (ii) statutes of limitations; and (iii) claims of privilege recognized at law, and shall be authorized to award all remedies available in an individual lawsuit under applicable substantive law, including, without limitation, compensatory, statutory and punitive damages (which shall be governed by the constitutional standards applicable in judicial proceedings), declaratory, injunctive and other equitable relief, and attorneys’ fees and costs. Upon the timely request of any party to an arbitration proceeding, the arbitrator must provide a brief written explanation of the basis for the award. The arbitrator will determine the rules of procedure and evidence to apply, consistent with the arbitration rules of the Administrator and this Arbitration Provision. In the event a conflict between this Arbitration Provision, on the one hand, and any other Arbitration Provision between you and us or the rules or policies of the Administrator, on the other hand, this Arbitration Provision shall govern. The arbitrator will not be bound by federal, state or local rules of procedure and evidence or by state or local laws concerning arbitration proceedings.
- (h) **Getting Information.** In addition to the parties’ rights to obtain information under the Administrator’s rules, any party may submit a written request to the arbitrator seeking more information. A copy of such request must be provided to the other parties. Those parties will then have the right to object in writing within 30 days. The objection must be sent to the arbitrator and the other parties. The arbitrator will decide the issue in his or her sole discretion within 20 days thereafter.
- (i) **Effect of Arbitration Award.** Any court with jurisdiction may enter judgment upon the arbitrator’s award. The arbitrator’s decision will be final and binding, except for any appeal right under the FAA and except for Claims involving more than \$100,000. For these Claims, any party may appeal the award within 30 days to a three-arbitrator panel appointed pursuant to the Administrator’s rules. That panel will reconsider from the start any aspect of the initial award that any party asserts was incorrectly decided. The decision of the panel shall be by majority vote and will be final and binding, except for any appeal right under the FAA. Unless applicable law (or Section 120), regarding “Corrective Action; Survivability and Severability of Terms”) requires otherwise, the costs of an appeal to an arbitration panel will be borne by the appealing

party, regardless of the outcome of the appeal. However, we will pay any fees or expenses we are required to pay so that a court will enforce this Arbitration Provision.

- (j) **Corrective Action; Survivability and Severability of Terms.** A party must be given written notice and a reasonable opportunity of at least 30 days to remedy any circumstance that might preclude arbitration of a Claim. This Arbitration Provision shall survive: (i) termination of the Program; and (ii) the bankruptcy of any party. If any portion of this Arbitration Provision is deemed invalid or unenforceable, the remaining portions shall nevertheless remain in force. This Arbitration Provision can only be amended or supplemented by written Arbitration Provision.
- (k) **Notice and Cure.** Prior to initiating litigation or arbitration regarding a Claim, the party asserting the Claim (the "Claimant") shall give the other party or parties written notice of the Claim (a "Claim Notice") and a reasonable opportunity, not less than 30 days, to cure the Claim. Any Claim Notice must explain the nature of the Claim and the relief that is demanded. The Claimant must reasonably cooperate in providing any information about the Claim that the other party or parties reasonably request.
- (l) **Arbitration Notices.** Any notice to us under this Arbitration Provision must be sent to us by registered or certified mail or by a messenger service such as Federal Express, CollegeCounts 529 Fund, 6811 South 27th Street, Lincoln, Nebraska 68512. Any such notice must be signed by you and must provide your name, address and telephone number. Any notice to you under this Arbitration Provision must be sent to you by registered or certified mail or by a messenger service such as Federal Express, at the most recent address for you we have in our records.

EXHIBIT B — TAX INFORMATION

The following discussion summarizes certain aspects of federal and State of Alabama income, gift, estate, and generation-skipping transfer tax consequences relating to the CollegeCounts 529 Fund and Contributions to, earnings of, and withdrawals from the Accounts. The summary is not exhaustive and is not intended as individual tax advice. In addition, there can be no assurance that the Internal Revenue Service (“IRS”) or Alabama Department of Revenue will accept the statements made herein or, if challenged, that such statements would be sustained in court. The applicable tax rules are complex, and certain of the rules are at present uncertain, and their application to any particular person may vary according to facts and circumstances specific to that person. The Internal Revenue Code and regulations thereunder, and judicial and administrative interpretations thereof, are subject to change, retroactively or prospectively, and no one under the Program will be entitled to receive or be obligated to give notice of any such changes or modifications. A qualified tax advisor should be consulted regarding the application of law in individual circumstances.

This summary is based on the current relevant provisions of the Internal Revenue Code of 1986, as amended (the “Code”), Alabama state tax law, and proposed Treasury regulations. It is possible that Congress, the Treasury Department, the IRS, the State of Alabama, and other taxing authorities or the courts may take actions that will adversely affect the tax law consequences described and that such adverse effects may be retroactive. No final tax regulations or rulings concerning the Program have been issued by the IRS and, when issued, such regulations or rulings may alter the tax consequences summarized herein or necessitate changes in the Program to achieve the tax benefits described. The summary does not address the potential effects on Account Owners or Beneficiaries of the tax laws of any state other than Alabama.

Alabama Income Tax Consequences

The undistributed investment earnings in the Plan are exempt from Alabama income tax, and the earnings attributed to an Account will not be includable in the Alabama income of the Account Owner or a Designated Beneficiary until the funds are withdrawn, in whole or in part, from the Account. The Alabama income tax consequences of a withdrawal from the Account will vary depending upon whether the withdrawal constitutes a Qualified Withdrawal or a Nonqualified Withdrawal.

If the distribution constitutes a Qualified Withdrawal from an Account, generally no portion of the distribution is includable in the Alabama income of the Designated Beneficiary or the Account Owner. Similarly, no portion of a Qualified Rollover Distribution is includable in the Alabama income of either the Designated Beneficiary or the Account Owner. However, to the extent that a withdrawal from an Account is a Nonqualified Withdrawal, then the entire amount of the Nonqualified Withdrawal, plus an amount equal to ten (10%) percent of the amount of the Nonqualified Withdrawal, is includable in income of the contributing taxpayer in the year of the withdrawal for Alabama income tax purposes. Whether a distribution from an Account to

pay K-12 Tuition Expenses constitutes a Qualified Withdrawal, please consult your own tax advisor.

The Alabama income tax treatment is different from the treatment for federal income tax purposes. For federal income tax purposes the earnings portion of the Nonqualified Withdrawal is subject to tax, not the contribution amount. No exceptions to the recapture of the amount of the Nonqualified Withdrawal exists for Alabama income tax purposes.

Another difference between the Alabama income tax consequences and federal income tax consequences is that a contribution to the Plan is deductible up to certain limits. Individuals who file an Alabama state income tax return are eligible to deduct for Alabama state income tax purposes up to \$5,000 per tax year (\$10,000 for married taxpayers filing jointly who each make contributions) for total combined contributions to the Plan and other State of Alabama 529 programs, during that year. The contributions made to such qualifying plans are deductible on the tax return of the contributing taxpayer for the tax year in which the contributions are made.

Alabama Gift, Estate, Other Alabama Taxes

The State of Alabama does not have a gift tax, but does have an estate tax and generation skipping tax. Under the provisions of Alabama, the Alabama estate tax and generation skipping tax are based on the federal estate tax provisions.

Federal Income Tax Treatment of the Trust, Contributions, and Withdrawals

The Program is designed to be a “qualified tuition program” under Section 529 of the Code. As such, undistributed investment earnings in the Program are exempt from federal income tax. Earnings of the Program credited to an Account will not be includable in the federal gross income of the Account Owner or Designated Beneficiary until funds are withdrawn, in whole or in part, from the Account. The treatment of a withdrawal from an Account will vary depending on the nature of the withdrawal. Contributions are not deductible for federal income tax purposes.

If there are earnings in an Account, each distribution from the Account consists of two parts. One part is a return of the contributions to the Account (the “Contributions Portion”). The other part is a distribution of earnings in the Account (the “Earnings Portion”). A pro rata calculation is made as of the date of the distribution of the Earnings Portion and the Contributions Portion of the distribution.

Qualified Withdrawals

If a Qualified Withdrawal is made from an Account, generally no portion of the distribution is includable in the gross income of either the Designated Beneficiary or the Account Owner.

Qualified Rollover Distributions

No portion of a Qualified Rollover Distribution is includable in the gross income of either the Designated Beneficiary or the Account Owner.

Nonqualified Withdrawals

To the extent that a withdrawal from an Account is a Nonqualified Withdrawal, the Earnings Portion of such Nonqualified Withdrawal is includable in the federal gross income of the recipient of the

withdrawal for the year in which the withdrawal is made. The Contributions Portion is not includible in gross income. As noted above, it is unclear under Alabama law whether distributions for the payment of K-12 Tuition Expenses would be Qualified Withdrawals or Nonqualified Withdrawals.

Generally, the recipient of a Nonqualified Withdrawal will also be subject to a “federal penalty tax” equal to 10% of the Earnings Portion of the withdrawal.

There are, however, exceptions to the 10% federal penalty tax if they are:

- 1) Paid to a Designated Beneficiary (or to the estate of the Designated Beneficiary) on or after the death of the Designated Beneficiary.
- 2) Made because the Designated Beneficiary is disabled. A person is considered to be disabled if he or she shows proof that he or she cannot do any substantial gainful activity because of his or her physical or mental condition. A physician must determine that the condition can be expected to result in death or to be of long-continued and indefinite duration.
- 3) Included in income because the Designated Beneficiary received a tax-free scholarship or fellowship; Veteran’s educational assistance; employer-provided educational assistance; or any other nontaxable payments (other than gifts or inheritances) received as educational assistance.
- 4) Made on account of the attendance of the Designated Beneficiary at a U.S. military academy (such as the Naval Academy at Annapolis). This exception applies only to the extent that the amount of the distribution does not exceed the costs of advanced education (as defined in Section 2005(d)(3) of Title 10 of the U.S. Code) attributable to such attendance.
- 5) Included in income only because the qualified education expenses were taken into account in determining the American Opportunity, Hope, or Lifetime Learning Credit.

Exception (3) applies only to the extent the distribution is not more than the scholarship, allowance, or payment.

Change of Designated Beneficiary

A change in the Designated Beneficiary of an Account is not treated as a distribution if the new Designated Beneficiary is a Member of the Family of the former Designated Beneficiary. However, if the new Designated Beneficiary is not a Member of the Family of the former Designated Beneficiary, the change is treated as a Nonqualified Withdrawal by the Account Owner. A change of the Designated Beneficiary of an Account or a transfer to an Account for another Designated Beneficiary may have federal gift tax or generation-skipping transfer tax consequences.

Annual Tax Reporting

For any year there are withdrawals from your Account, the Program Manager will send out a Form 1099-Q. This form sets forth the total amount of the distribution and identifies the Earnings Portion and the Contribution Portion of each withdrawal. If the distribution is made to the Account Owner, the Form 1099-Q will be

sent to them. If the distribution is to the Designated Beneficiary or made directly to the Institution of Higher Education, the Form 1099-Q will be sent to the Designated Beneficiary. You should consult with your tax professional for the proper tax reporting and treatment of distributions.

Coordination of Federal Tax Benefits

The tax benefits afforded to qualified tuition programs such as the Program must be coordinated with other programs designed to provide tax benefits for meeting Qualified Higher Education Expenses in order to avoid the duplication of such benefits. The coordinated programs include Coverdell Education Savings Accounts under Section 530 of the Code, the Tuition and Fees Deduction, Qualified U.S. Savings Bonds used to pay higher education tuition and fees, and the American Opportunity and Lifetime Learning Credits under Section 25A of the Code. Consult your tax or legal advisor for advice on these special rules.

Coverdell Education Savings Accounts

An individual may contribute to, or withdraw money from, both a qualified tuition program account and a Coverdell Education Savings Account in the same year. However, to the extent the total withdrawals from both accounts exceed the amount of adjusted Qualified Higher Education Expenses that qualify for tax-free treatment under Section 529 of the Code, the recipient must allocate his or her Qualified Higher Education Expenses between both such withdrawals in order to determine how much may be treated as tax-free under each program.

American Opportunity and Lifetime Learning Tax Credits

The use of an American Opportunity or Lifetime Learning Credit by a qualifying Account Owner and Designated Beneficiary will not affect participation in or receipt of benefits from a qualified tuition program account, so long as any withdrawal from the account is not used for the same expenses for which the credit was claimed.

Federal Gift, Estate, and Generation Skipping Transfer Taxes

Contributions to an Account are considered completed gifts to the Designated Beneficiary of the Account for federal estate, gift, and generation skipping transfer tax purposes. If an Account Owner dies while there is a balance in the Account, the value of the Account is not includible in the Account Owner’s gross estate for federal estate tax purposes except as set forth below. However, amounts in an Account at the death of the Designated Beneficiary are includible in the Designated Beneficiary’s gross estate.

A donor’s gifts to a donee in any given year will not be taxable if the gifts are eligible for, and do not in total exceed, the gift tax “annual exclusion” for such calendar year. Currently, the annual exclusion is \$15,000 per donee per calendar year, or twice that amount (i.e., \$30,000) for a married donor whose spouse elects on a Federal Gift Tax Return to “split” gifts with the donor. The annual exclusion is indexed for inflation and is expected to increase in the future.

Under Section 529, a donor’s contributions to an Account for a Designated Beneficiary are eligible for the gift tax annual exclusion. Contributions that qualify for the gift tax annual exclusion are also excludible for purposes of the Federal generation-skipping transfer (“GST”) tax. Accordingly, so long

as the donor's total contributions to Accounts for the Designated Beneficiary in any year (together with any other gifts made by the donor to the Designated Beneficiary in such year) do not exceed the annual exclusion amount for such year, the donor's contributions will not be considered taxable gifts and will be excludible for purposes of the GST tax.

In addition, if a donor's total contributions to Accounts for a Designated Beneficiary in a single year exceed the annual exclusion for such year, the donor may elect to treat contributions that total up to five times the annual exclusion (or up to ten times if the donor and his or her spouse split gifts) as having been made ratably over a five year period. Consequently, a single donor may contribute up to \$75,000 in a single year without incurring federal gift tax, so long as the donor makes no other gifts to the same Designated Beneficiary during the calendar year in which the Contribution is made or any of the next four calendar years.

An election to have the contribution taken into account ratably over a five-year period must be made by the donor on a Federal Gift Tax Return, IRS Form 709, for the year of contribution.

For example, an Account Owner who in the current year makes a \$75,000 contribution to an Account for a Designated Beneficiary may elect to have that contribution treated as a \$15,000 gift in the current year and a \$15,000 gift in each of the following four years. If the Account Owner makes no other contributions or gifts to the Designated Beneficiary in the current year and each of the following four years, and has made no excess contributions treated as gifts subject to the one-fifth rule during any of the previous four years, the Account Owner will not be treated as making any taxable gifts to the Designated Beneficiary during that five-year period. As a result, the \$75,000 contribution will not be treated as a taxable gift and will be excludible for purposes of the GST tax. However, if the Account Owner dies before the end of the five year period, the portion of the contributions allocable to years after the year of death will be includible in the Account Owner's gross estate for federal estate tax purposes.

A change of the Designated Beneficiary of an Account or a transfer to an Account for another Designated Beneficiary may have federal gift tax consequences. Specifically, if the new Designated Beneficiary is in a younger generation than the replaced Designated Beneficiary, the change or transfer will be treated for federal gift tax purposes as a gift from the replaced Designated Beneficiary to the new Designated Beneficiary. If the new Designated Beneficiary is not a descendant of the replaced Designated Beneficiary, the new Designated Beneficiary will be considered to be in a younger generation than the replaced Designated Beneficiary if the new Designated Beneficiary is more than 12 1/2 years younger than the replaced Designated Beneficiary. Moreover, even if the new Designated Beneficiary is in the same generation as (or in an older generation than) the replaced Designated Beneficiary, the change or transfer may be treated as a gift from the replaced Designated Beneficiary to the new Designated Beneficiary if the new Designated Beneficiary is not a Member of the Family of the replaced Designated Beneficiary. Any change or transfer treated as a gift from the replaced Designated Beneficiary to the new Designated Beneficiary may cause the replaced Designated Beneficiary to be liable for federal gift tax or cause other undesirable tax consequences.

A change of the Designated Beneficiary of an Account or a transfer to an Account for another Designated Beneficiary may also have GST tax consequences. A change or transfer will be considered a generation-skipping transfer if the new Designated Beneficiary is two or more generations younger than the replaced Designated Beneficiary. Any change or transfer treated as a generation-skipping transfer from the replaced Designated Beneficiary to the new Designated Beneficiary may cause the replaced Designated Beneficiary to be liable for GST tax or cause other undesirable tax consequences.

A change of Account ownership may also have gift and/or GST tax consequences. Accordingly, Account Owners should consult their own tax advisors for guidance when considering a change of Designated Beneficiary or Account ownership.

Lack of Certainty of Tax Consequences

At the date of this Program Disclosure Statement, proposed regulations and other guidance have been issued under Code Section 529 upon which taxpayers may rely at least until final regulations are issued. The proposed regulations do not, however, provide guidance on various aspects of the Program. It is uncertain when final regulations will be issued. Moreover, amendments made to Section 529 in 2017, effective for 2018 and thereafter, made significant changes for which more guidance is needed and were not part of the proposed regulations. There can be no assurance that the Federal tax consequences described herein for Account Owners and Beneficiaries will continue to be applicable. Section 529 of the Code or other Federal law could be amended in a manner that would materially change or eliminate the federal tax treatment described above. The Program Manager and Board intend to modify the Program within the constraints of applicable law for the Program to meet the requirements of Section 529 of the Code. In the event that the Program, as currently structured or as subsequently modified, does not meet the requirements of Section 529 of the Code for any reason, the tax consequences to the Account Owner and Beneficiaries are uncertain, and it is possible that Account Owners could be subject to taxes currently on undistributed earnings in their respective Accounts as well as to other adverse tax consequences. A potential Account Owner may wish to consider consulting a tax advisor.

For other changes to the tax consequences of participation in the Program, see "Risk Factors" above.

MUTUAL FUND TICKER SYMBOLS AND EXPENSE RATIOS

The following table sets forth the ticker symbols and the total operating expenses, as disclosed in each fund's most recent prospectus dated on or prior to June 1, 2018, of the underlying investment funds in which the Portfolios invest.

Fund Name (Class)	Ticker Symbol	Expense Ratio
Vanguard Prime Money Market Fund (Admiral)	VMRXX	0.10%
PIMCO Short-Term Fund (Instl)	PTSHX	0.53%
Vanguard Short-Term Bond Index Fund (Instl.)	VBITX	0.05%
Vanguard Total Bond Market Index Fund (Instl)	VBTIX	0.04%
Fidelity Advisor Investment Grade Bond Fund (Instl)	FGBPX	0.50%
MainStay Total Return Bond Fund (Class I)	MTMIX	0.60%
Vanguard Short-Term Inflation-Protected Securities Index Fund (Instl)	VTSPX	0.04%
Vanguard Inflation-Protected Securities Fund (Admiral)	VAIPX	0.10%
T. Rowe Price Balanced Fund (I Class)	RBAIX	0.46%
Vanguard Real Estate Index Fund (Instl)	VGSNX	0.10%
Vanguard Value Index Fund (Admiral)	VVIAX	0.05%
DFA U.S. Large Cap Value Portfolio (Instl)	DFLVX	0.27%
Vanguard Institutional Index Fund (Instl)	VINIX	0.035%
Vanguard Total Stock Market Index Fund (Instl Plus Shares)	VSMPX	0.02%
Vanguard Growth Index Fund (Instl)	VIGIX	0.04%
T. Rowe Price Institutional Large-Cap Growth Fund	TRLGX	0.56%
Vanguard Mid-Cap Index Fund (Instl)	VMCIX	0.04%
Vanguard Extended Market Index Fund (Admiral)	VEXAX	0.08%
Vanguard Small-Cap Value Index Fund (Admiral)	VSIAX	0.07%
DFA U.S. Small Cap Value Portfolio (Instl)	DFSVX	0.52%
Vanguard Small-Cap Index Fund (Admiral)	VSMAX	0.05%
Vanguard Small-Cap Growth Index Fund (Instl)	VSGIX	0.06%
Vanguard Explorer Fund (Admiral)	VEXRX	0.32%
Vanguard Total International Stock Index Fund (Instl)	VTSNX	0.09%
Dodge & Cox International Stock Fund	DODFX	0.63%

Set forth on the following pages are summary descriptions of the funds, selected by the Board in consultation with Callan Associates, the Program Manager and Wilshire Associates, which make up the Target, Age-Based and Individual Fund Portfolios. The descriptions are taken from the most recent prospectuses of the funds dated on or prior to June 1, 2018 and are intended to summarize their respective investment objectives and policies.

Additional information, including the investment strategies and risks of each Underlying Fund, is available in its current prospectus and Statement of Additional Information. You can request a copy of the current prospectus, the Statement of Additional Information, or the most recent semiannual or annual report of any Underlying Fund by visiting the mutual funds website, the CollegeCounts website at CollegeCounts529.com, or by calling 866.529.2228. Please read it carefully before investing. All investments carry some degree of risk which will affect the value of the fund's investments, investment performance, and price of its shares. It is possible to lose money by investing in the Plan.

VANGUARD PRIME MONEY MARKET FUND

Investment Objective

The fund seeks to provide current income while maintaining liquidity and a stable share price of \$1.

Principal Investment Policies

The fund invests primarily in high-quality, short-term money market instruments, including certificates of deposit, banker's acceptances, commercial paper, Eurodollar and Yankee obligations, and other money market securities. To be considered high quality, a security must be determined by Vanguard to present minimal credit risk based in part on a consideration of maturity, portfolio diversification, portfolio liquidity, and credit quality. The fund invests more than 25% of its assets in securities issued by companies in the financial services industry. The fund maintains a dollar-weighted average maturity of 60 days or less and a dollar-weighted average life of 120 days or less.

Principal Risks

The fund is designed for investors with a low tolerance for risk; however, the fund is subject to the following risks, which could affect the fund's performance: *Income risk; Manager risk; Credit risk; Industry concentration risk.* To see a full description of these risks, please refer to the fund's prospectus and the "Vanguard Summary Risk Table" at the end of Exhibit C (page 64).

You could lose money by investing in the fund. Although the fund seeks to preserve the value of your investment at \$1.00 per share, it cannot guarantee it will do so. The fund may impose a fee upon sale of your shares or may temporarily suspend your ability to sell shares if the fund's liquidity falls below required minimums because of market conditions or other factors. An investment in the fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The fund's sponsor has no legal obligation to provide financial support to the fund, and you should not expect that the sponsor will provide financial support to the fund at any time.

Fees & Expenses

(Based on the prospectus dated December 22, 2017)

Total Annual Fund Operating Expenses.....0.10%
Expenses deducted from Fund's assets

PIMCO SHORT-TERM FUND

Investment Objective

The fund seeks maximum current income, consistent with preservation of capital and daily liquidity.

Principal Investment Strategies

The fund seeks to achieve its investment objective by investing under normal circumstances at least 65% of its total assets in a diversified portfolio of Fixed Income Instruments of varying maturities, which may be represented by forwards or deriva-

tives such as options, futures contracts or swap agreements. "Fixed Income Instruments" include bonds, debt securities and other similar instruments issued by various U.S. and non-U.S. public- or private-sector entities. The average portfolio duration of this fund will vary based on Pacific Investment Management Company LLC's ("PIMCO") market forecast and will normally not exceed one year. Duration is a measure used to determine the sensitivity of a security's price to changes in interest rates. The longer a security's duration, the more sensitive it will be to changes in interest rates. In addition, the dollar-weighted average portfolio maturity of the Fund, under normal circumstances, is expected not to exceed three years.

The fund invests primarily in investment grade debt securities, but may invest up to 10% of its total assets in high yield securities ("junk bonds") rated B or higher by Moody's Investors Service, Inc. ("Moody's"), or equivalently rated by Standard & Poor's Ratings Services ("S&P") or Fitch, Inc. ("Fitch"), or, if unrated, determined by PIMCO to be of comparable quality. The fund may invest up to 10% of its total assets in securities denominated in foreign currencies, and may invest beyond this limit in U.S. dollar-denominated securities of foreign issuers. The fund will normally limit its foreign currency exposure (from non-U.S. dollar-denominated securities or currencies) to 20% of its total assets.

The fund may invest, without limitation, in derivative instruments, such as options, futures contracts or swap agreements, or in mortgage- or asset-backed securities, subject to applicable law and any other restrictions described in the fund's prospectus or Statement of Additional Information. The fund may purchase or sell securities on a when-issued, delayed delivery or forward commitment basis and may engage in short sales. The fund may, without limitation, seek to obtain market exposure to the securities in which it primarily invests by entering into a series of purchase and sale contracts or by using other investment techniques (such as buy backs or dollar rolls). The fund may also invest up to 10% of its total assets in preferred securities.

Principal Risks

It is possible to lose money on an investment in the fund. The principal risks of investing in the fund, which could adversely affect its net asset value, yield and total return are listed below:

- **Interest Rate Risk:** the risk that fixed income securities will decline in value because of an increase in interest rates; a fund with a longer average portfolio duration will be more sensitive to changes in interest rates than a fund with a shorter average portfolio duration.
- **Call Risk:** the risk that an issuer may exercise its right to redeem a fixed income security earlier than expected (a call). Issuers may call outstanding securities prior to their maturity for a number of reasons (e.g., declining interest rates, changes in credit spreads and improvements in the issuer's credit quality). If an issuer calls a security that the fund has invested in, the fund may not recoup the full amount of its initial investment and may be forced to reinvest in lower-yielding securities, securities with greater credit risks or securities with other, less favorable features.

- **Credit Risk:** the risk that the fund could lose money if the issuer or guarantor of a fixed income security, or the counterparty to a derivative contract, is unable or unwilling to meet its financial obligations.
- **High Yield Risk:** the risk that high yield securities and unrated securities of similar credit quality (commonly known as “junk bonds”) are subject to greater levels of credit, call and liquidity risks. High yield securities are considered primarily speculative with respect to the issuer’s continuing ability to make principal and interest payments, and may be more volatile than higher-rated securities of similar maturity.
- **Market Risk:** the risk that the value of securities owned by the fund may go up or down, sometimes rapidly or unpredictably, due to factors affecting securities markets generally or particular industries.
- **Issuer Risk:** the risk that the value of a security may decline for a reason directly related to the issuer, such as management performance, financial leverage and reduced demand for the issuer’s goods or services.
- **Liquidity Risk:** the risk that a particular investment may be difficult to purchase or sell and that the fund may be unable to sell illiquid securities at an advantageous time or price or achieve its desired level of exposure to a certain sector. Liquidity risk may result from the lack of an active market, reduced number and capacity of traditional market participants to make a market in fixed income securities, and may be magnified in a rising interest rate environment or other circumstances where investor redemptions from fixed income mutual funds may be higher than normal, causing increased supply in the market due to selling activity.
- **Derivatives Risk:** the risk of investing in derivative instruments (such as futures, swaps and structured securities), including leverage, liquidity, interest rate, market, credit and management risks, mispricing or valuation complexity. Changes in the value of the derivative may not correlate perfectly with, and may be more sensitive to market events than, the underlying asset, rate or index, and the fund could lose more than the initial amount invested. The fund’s use of derivatives may result in losses to the fund, a reduction in the fund’s returns and/or increased volatility. Over-the-counter (“OTC”) derivatives are also subject to the risk that a counterparty to the transaction will not fulfill its contractual obligations to the other party, as many of the protections afforded to centrally-cleared derivative transactions might not be available for OTC derivatives. For derivatives traded on an exchange or through a central counterparty, credit risk resides with the fund’s clearing broker, or the clearinghouse itself, rather than to a counterparty in an OTC derivative transaction. Changes in regulation relating to a mutual fund’s use of derivatives and related instruments could potentially limit or impact the fund’s ability to invest in derivatives, limit the fund’s ability to employ certain strategies that use derivatives and/or adversely affect the value of derivatives and the fund’s performance.
- **Equity Risk:** the risk that the value of equity securities, such as common stocks and preferred stocks, may decline due to general market conditions which are not specifically related

to a particular company or to factors affecting a particular industry or industries. Equity securities generally have greater price volatility than fixed income securities.

- **Mortgage-Related and Other Asset-Backed Securities Risk:** the risks of investing in mortgage-related and other asset-backed securities, including interest rate risk, extension risk, prepayment risk, and credit risk.
- **Foreign (Non-U.S.) Investment Risk:** the risk that investing in foreign (non-U.S.) securities may result in the fund experiencing more rapid and extreme changes in value than a fund that invests exclusively in securities of U.S. companies, due to smaller markets, differing reporting, accounting and auditing standards, increased risk of delayed settlement of portfolio transactions or loss of certificates of portfolio securities, and the risk of unfavorable foreign government actions, including nationalization, expropriation or confiscatory taxation, currency blockage, or political changes or diplomatic developments. Foreign securities may also be less liquid and more difficult to value than securities of U.S. issuers.
- **Currency Risk:** the risk that foreign (non-U.S.) currencies will decline in value relative to the U.S. dollar and affect the fund’s investments in foreign (non-U.S.) currencies or in securities that trade in, and receive revenues in, or in derivatives that provide exposure to, foreign (non-U.S.) currencies.
- **Leveraging Risk:** the risk that certain transactions of the fund, such as reverse repurchase agreements, loans of portfolio securities, and the use of when-issued, delayed delivery or forward commitment transactions, or derivative instruments, may give rise to leverage, magnifying gains and losses and causing the fund to be more volatile than if it had not been leveraged. This means that leverage entails a heightened risk of loss.
- **Management Risk:** the risk that the investment techniques and risk analyses applied by PIMCO will not produce the desired results and that legislative, regulatory, or tax restrictions, policies or developments may affect the investment techniques available to PIMCO and the individual portfolio manager in connection with managing the fund. There is no guarantee that the investment objective of the fund will be achieved.
- **Short Exposure Risk:** the risk of entering into short sales, including the potential loss of more money than the actual cost of the investment, and the risk that the third party to the short sale will not fulfill its contractual obligations, causing a loss to the fund.

Please see “Description of Principal Risks” in the fund’s prospectus for a more detailed description of the risks of investing in the fund. An investment in the fund is not a deposit of a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.

Fees & Expenses

(Based on the prospectus dated July 28, 2017)

Total Annual Fund Operating Expenses.....	0.53%
Expenses deducted from Fund’s assets	

VANGUARD SHORT-TERM BOND INDEX FUND

Investment Objective

The fund seeks to track the performance of a market-weighted bond index with a short-term dollar-weighted average maturity.

Principal Investment Strategies

The fund employs an indexing investment approach designed to track the performance of the Bloomberg Barclays U.S. 1–5 Year Government/Credit Float Adjusted Index. This index includes all medium and larger issues of U.S. government, investment-grade corporate, and investment-grade international dollar-denominated bonds that have maturities between 1 and 5 years and are publicly issued.

The fund invests by sampling the index, meaning that it holds a range 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 does not exceed 3 years, and as of December 31, 2017, was 2.8 years.

Principal Risks

The fund is designed for investors with a low tolerance for risk, but you could still lose money by investing in it. The fund is subject to the following risks, which could affect the fund's performance: *Income risk; Interest rate risk; Credit risk; Index sampling risk; Liquidity risk.* To see a full description of these risks, please refer to the fund's prospectus and the "Vanguard Summary Risk Table" at the end of Exhibit C (page 64).

Fees & Expenses

(Based on the prospectus dated April 26, 2018)

Total Annual Fund Operating Expenses.....0.05%
Expenses deducted from Fund's assets

VANGUARD TOTAL BOND MARKET INDEX FUND

Investment Objective

The fund seeks to track the performance of a broad, market-weighted bond index.

Principal Investment Strategies

The fund employs an indexing investment approach designed to track the performance of the Bloomberg Barclays 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, and as of December 31, 2017 was 8.4 years.

Principal Risks

An investment in the fund could lose money over short or long periods of time. You should expect the fund's share price and total return to fluctuate within a wide range. The fund is subject to the following risks, which could affect the fund's performance: *Interest rate risk; Income risk; Call risk; Prepayment risk; Extension risk; Credit risk; Index sampling risk; Liquidity risk.* To see a full description of these risks, please refer to the fund's prospectus and the "Vanguard Summary Risk Table" at the end of Exhibit C (page 64).

Fees & Expenses

(Based on the prospectus dated April 26, 2018)

Total Annual Fund Operating Expenses.....0.04%
Expenses deducted from Fund's assets

FIDELITY ADVISOR INVESTMENT GRADE BOND FUND

Investment Objective

The fund seeks a high level of current income

Principal Investment Strategies

- Normally investing at least 80% of assets in investment-grade debt securities (those of medium and high quality) of all types and repurchase agreements for those securities.
- Managing the fund to have similar overall interest rate risk to the Bloomberg Barclays U.S. Aggregate Bond Index.
- Allocating assets across different market sectors and maturities.
- Investing in domestic and foreign issuers.
- Analyzing the credit quality of the issuer, security-specific features, current and potential future valuation, and trading opportunities to select investments.
- Investing in lower-quality debt securities (those of less than investment-grade quality, also referred to as high yield debt securities or junk bonds).
- Engaging in transactions that have a leveraging effect on the fund, including investments in derivatives - such as swaps (interest rate, total return, and credit default), options, and futures contracts - and forward-settling securities, to adjust the fund's risk exposure.
- Investing in Fidelity's central funds (specialized investment vehicles used by Fidelity funds to invest in particular security types or investment disciplines).

Principal Investment Risks

- Interest Rate Changes. Interest rate increases can cause the price of a debt security to decrease.
- Foreign Exposure. Foreign markets can be more volatile than the U.S. market due to increased risks of adverse issuer, political, regulatory, market, or economic developments and can perform differently from the U.S. market.
- Prepayment. The ability of an issuer of a debt security to repay principal prior to a security’s maturity can cause greater price volatility if interest rates change.
- Issuer-Specific Changes. The value of an individual security or particular type of security can be more volatile than, and can perform differently from, the market as a whole. A decline in the credit quality of an issuer or a provider of credit support or a maturity-shortening structure for a security can cause the price of a security to decrease. Lower-quality debt securities (those of less than investment-grade quality, also referred to as high yield debt securities or junk bonds) involve greater risk of default or price changes due to changes in the credit quality of the issuer. The value of lower-quality debt securities can be more volatile due to increased sensitivity to adverse issuer, political, regulatory, market, or economic developments.
- Leverage Risk. Leverage can increase market exposure, magnify investment risks, and cause losses to be realized more quickly.

An investment in the fund is not a deposit of a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Unlike individual debt securities, which typically pay principal at maturity, the value of an investment in the fund will fluctuate. You could lose money by investing in the fund.

To see a full description of these risks, please refer to the prospectus for the fund.

Fees & Expenses	
(Based on the prospectus dated October 30, 2017)	
Total Annual Fund Operating Expenses.....	0.50%
Expenses deducted from Fund’s assets	

MAINSTAY TOTAL RETURN BOND FUND

Investment Objective

The fund seeks total return.

Principal Investment Strategies

The fund, under normal circumstances, invests at least 80% of its assets (net assets plus any borrowings for investment purposes) in bonds, which include all types of debt securities, such as: debt or debt-related securities issued or guaranteed by the U.S. or foreign governments, their agencies or instrumentalities; obligations of international or supranational entities; debt securities issued by U.S. or foreign corporate entities; zero

coupon bonds; municipal bonds; mortgage-related and other asset-backed securities; and loan participation interests. The fund will generally seek to maintain a weighted average duration within 2.5 years (plus or minus) of the duration of the Bloomberg Barclays U.S. Aggregate Bond Index. Duration is a measure used to determine the sensitivity of a security/portfolio to changes in interest rates. Duration incorporates a bond’s yield, coupon, final maturity and call features into one number, expressed in years, that indicates how price-sensitive a bond or portfolio is to changes in interest rates. The longer the duration of a security/portfolio, the more sensitive it will be to changes in interest rates. As of December 31, 2017, the weighted average duration of the fund and Bloomberg Barclays U.S. Aggregate Bond Index were 5.75 years and 5.98 years, respectively.

At least 65% percent of the fund’s total assets will be invested in investment grade debt securities, as rated by an independent rating agency, such as rated BBB- or better by Standard & Poor’s Ratings Services (“S&P”) or Baa3 or better by Moody’s Investors Service, Inc. (“Moody’s”) when purchased, or if unrated, determined by the Subadvisor to be of comparable quality. The fund may also invest up to 20% of its total assets in securities rated below investment grade by an independent rating agency or, if not rated, determined to be of equivalent quality by the Subadvisor. Securities that are rated below investment grade by independent rating agencies are commonly referred to as “high-yield securities” or “junk bonds.” If independent rating agencies assign different ratings for the same security, the fund will use the higher rating for purposes of determining the credit quality. The fund may invest in mortgage dollar rolls, to-be-announced (“TBA”) securities transactions, variable rate notes and floaters.

The fund may invest up to 20% of its total assets in securities denominated in foreign currencies. To the extent possible, the fund will attempt to protect these investments against risks stemming from differences in foreign exchange rates.

The fund may also invest in derivatives such as futures, options and swap agreements to try to enhance returns or reduce the risk of loss by hedging certain of its holdings. Commercial paper must be, when purchased, rated in the highest rating category by an independent rating agency, such as A-1 by S&P or Prime-1 by Moody’s, or if unrated, determined by the Subadvisor to be of comparable quality. The fund’s principal investments may have fixed or floating rates of interest.

Investment Process: In pursuing the fund’s investment strategy MacKay Shields LLC, the fund’s Subadvisor, conducts a continuing review of yields and other information derived from a database which it maintains in managing fixed-income portfolios.

Fundamental economic cycle analysis, credit quality and interest rate trends are the principal factors considered by the Subadvisor in managing the fund and determining whether to increase or decrease the emphasis placed upon a particular type of security or industry sector within the fund’s investment portfolio. Maturity duration shifts adjustments are based on a set of investment decisions that take into account a broad range of economic, fundamental and technical indicators.

The Subadvisor may sell a security if it no longer believes that the security will contribute to meeting the investment

objective of the fund. In considering whether to sell a security, the Subadvisor may evaluate, among other things, the condition of the economy, meaningful changes in the issuer's financial condition, and changes in the condition and outlook in the issuer's industry.

Principal Risks

You can lose money by investing in the fund. An investment in the fund is not a bank deposit and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other governmental agency. The investments selected by the fund's Subadvisor may underperform the market or other investments. The fund may receive large purchase or redemption orders which may have adverse effects on performance if the fund were required to sell securities, invest cash or hold a relatively large amount of cash at times when it would not otherwise do so.

Market Risk: The value of the fund's investments may fluctuate because of changes in the markets in which the fund invests, which could cause the fund to underperform other funds with similar objectives and strategies. Changes in these markets may be rapid and unpredictable. From time to time, markets may experience periods of stress for potentially prolonged periods that may result in (i) increased market volatility; (ii) reduced market liquidity; and (iii) increased redemptions of fund shares. Such conditions may add significantly to the risk of volatility in the net asset value of the fund's shares.

Portfolio Management Risk: The investment strategies, practices and risk analysis used by the Subadvisor may not produce the desired results. In addition, the fund may not achieve its investment objective including during a period in which the Subadvisor takes temporary positions in response to unusual or adverse market, economic or political conditions, or other unusual or abnormal circumstances.

Debt Securities Risk: The risks of investing in debt or fixed-income securities include (without limitation): (i) credit risk, e.g., the issuer or guarantor of a debt security may be unable or unwilling (or be perceived as unable or unwilling) to make timely principal and/or interest payments or otherwise honor its obligations; (ii) maturity risk, e.g., a debt security with a longer maturity may fluctuate in value more than one with a shorter maturity; (iii) market risk, e.g., low demand for debt securities may negatively impact their price; (iv) interest rate risk, e.g., when interest rates go up, the value of a debt security generally goes down, and when interest rates go down, the value of a debt security generally goes up (long-term debt securities are generally more susceptible to interest rate risk than short-term debt securities); and (v) call risk, e.g., during a period of falling interest rates, the issuer may redeem a security by repaying it early, which may reduce the fund's income if the proceeds are reinvested at lower interest rates.

Interest rates in the United States are near historic lows, and the fund currently faces a heightened level of interest rate risk. To the extent the Federal Reserve Board continues to raise the federal funds rate, there is a risk that interest rates across the financial system may rise, possibly significantly and/or rapidly. Rising interest rates or lack of market participants may lead to decreased liquidity and increased volatility in the fixed-income

or debt markets, making it more difficult for the fund to sell its fixed-income or debt holdings at a time when the Subadvisor might wish to sell. Decreased liquidity in the fixed-income or debt markets also may make it more difficult to value some or all of the fund's fixed-income or debt holdings.

Not all U.S. government debt securities are guaranteed by the U.S. government—some are backed only by the issuing agency, which must rely on its own resources to repay the debt. The fund's yield will fluctuate with changes in short-term interest rates.

Zero Coupon Bond Risk: Because zero-coupon securities bear no interest and compound semi-annually at the rate fixed at the time of issuance, their value generally is more volatile than the value of other fixed-income securities. An investment in zero-coupon and delayed interest securities may cause the fund to recognize income, and therefore the fund may be required to make distributions to shareholders before the fund receives any cash payments on its investment.

Municipal Bond Risk: Municipal bond risks include the inability of the issuer to repay the obligation, the relative lack of information about certain issuers, and the possibility of future tax and legislative changes, which could affect the market for and value of municipal securities. Municipalities continue to experience economic and financial difficulties in the current economic environment. The ability of a municipal issuer to make payments and the value of municipal bonds can be affected by uncertainties in the municipal securities market. Such uncertainties could cause increased volatility in the municipal securities market and could negatively impact the fund's net asset value.

Loan Participation Interest Risk: There may not be a readily available market for loan participation interests, which in some cases could result in the fund disposing of such interests at a substantial discount from face value or holding such interests until maturity. In addition, the fund may be exposed to the credit risk of the underlying corporate borrower as well as the lending institution or other participant from whom the fund purchased the loan participation interests.

High-Yield Securities Risk: Investments in high-yield securities or non-investment grade securities (commonly referred to as "junk bonds") are considered speculative because they present a greater risk of loss than higher quality securities. Such securities may, under certain circumstances, be less liquid than higher rated securities. These securities pay investors a premium (a high interest rate or yield) because of the potential illiquidity and increased risk of loss. These securities can also be subject to greater price volatility. In times of unusual or adverse market, economic or political conditions, these securities may experience higher than normal default rates.

TBA Securities Risk: In a TBA securities transaction, the fund commits to purchase certain securities for a fixed price at a future date. The principal risks are that the counterparty may not deliver the security as promised and/or that the value of the TBA security may decline prior to when the fund receives the security.

Foreign Securities Risk: Investments in foreign securities may be riskier than investments in U.S. securities. Differences between U.S. and foreign regulatory regimes and securities markets,

including less stringent investor protections and disclosure standards of some foreign markets, less liquid trading markets and political and economic developments in foreign countries, may affect the value of the fund's investments in foreign securities. Foreign securities may also subject the fund's investments to changes in currency rates. Changes in the value of foreign currencies may make the return on an investment go up or down, unrelated to the quality or performance of the investment itself. These risks may be greater with respect to securities of companies that conduct their business activities in emerging markets or whose securities are traded principally in emerging markets.

Mortgage-Related and Other Asset-Backed Securities Risk:

Investments in mortgage-related securities (such as mortgage-backed securities) and other asset-backed securities generally involve a stream of payments based on the underlying obligations. These payments, which are often part interest and part return of principal, vary based on the rate at which the underlying borrowers repay their loans or other obligations. Asset-backed securities are subject to the risk that borrowers may default on the underlying obligations and that, during periods of falling interest rates, these obligations may be called or prepaid and, during periods of rising interest rates, obligations may be paid more slowly than expected. Impairment of the underlying obligations or collateral, such as by non-payment, will reduce the security's value. Enforcing rights against such collateral in events of default may be difficult or insufficient. The value of these securities may be significantly affected by changes in interest rates, the market's perception of issuers, and the creditworthiness of the parties involved. The ability of the fund to successfully utilize these instruments may depend on the ability of the Subadvisor to forecast interest rates and other economic factors correctly. These securities may have a structure that makes their reaction to interest rate changes and other factors difficult to predict, making their value highly volatile.

Floater and Variable Rate Notes Risk: Floaters and variable rate notes provide for a periodic adjustment in the interest rate paid on the securities. The rate adjustment intervals may be regular and range from daily up to annually, or may be based on an event, such as a change in the prime rate. Floating and variable rate notes may be subject to greater liquidity risk than other debt securities, meaning that there may be limitations on the fund's ability to sell the securities at any given time. Securities with floating interest rates generally are less sensitive to interest rate changes, but may decline in value if their interest rates do not rise as much or as fast as interest rates in general. Such securities also may lose value.

Derivatives Risk: Derivatives are investments whose value depends on (or is derived from) the value of an underlying instrument, such as a security, asset, reference rate or index. Derivative strategies may expose the fund to greater risk than if it had invested directly in the underlying instrument and often involve leverage, which may exaggerate a loss, potentially causing the fund to lose more money than it originally invested and would have lost had it invested directly in the underlying instrument. Derivatives may be difficult to sell, unwind or value. Derivatives may also be subject to counterparty risk, which is the risk that the counterparty (the party on the other side of the transaction)

on a derivative transaction will be unable to honor its contractual obligations to the fund. Futures may be more volatile than direct investments in the instrument underlying the contract, and may not correlate perfectly to the underlying instrument. Futures and other derivatives also may involve a small initial investment relative to the risk assumed, which could result in losses greater than if they had not been used. Due to fluctuations in the price of the underlying asset, the fund may not be able to profitably exercise an option and may lose its entire investment in an option. Derivatives may also increase the expenses of the fund.

Mortgage Dollar Roll Transaction Risk: A mortgage dollar roll is a transaction in which the fund sells mortgage-related securities from its portfolio to a counterparty from whom it simultaneously agrees to buy a similar security on a delayed delivery basis. Mortgage dollar roll transactions are subject to certain risks, including the risk that securities returned to the fund at the end of the roll, while substantially similar, may be inferior to what was initially sold to the counterparty.

Liquidity and Valuation Risk: Securities purchased by the fund may be illiquid at the time of purchase or liquid at the time of purchase and subsequently become illiquid due to, among other things, events relating to the issuer of the securities, market events, operational issues, economic conditions, investor perceptions or lack of market participants. The lack of an active trading market may make it difficult to sell or to obtain an accurate price for a security. If market conditions or issuer specific developments make it difficult to value securities, the fund may value these securities using more subjective methods, such as fair value pricing. In such cases, the value determined for a security could be different than the value realized upon such security's sale. As a result, an investor could pay more than the market value when buying fund shares or receive less than the market value when selling fund shares. This could affect the proceeds of any redemption or the number of shares an investor receives upon purchase. Liquidity risk may also refer to the risk that the fund may not be able to pay redemption proceeds within the allowable time period because of unusual market conditions, unusually high volume of redemptions, or other reasons. To meet redemption requests or to raise cash to pursue other investment opportunities, the fund may be forced to sell securities at an unfavorable time and/or under unfavorable conditions, which may adversely affect the fund.

Money Market/Short-Term Securities Risk: To the extent the fund holds cash or invests in money market or short-term securities, the fund may be less likely to achieve its investment objective. In addition, it is possible that the fund's investments in these instruments could lose money.

See "More About Investment Strategies and Risks" in the fund's prospectus for more information about the risks associated with the fund.

Fees & Expenses	
(Based on the prospectus dated February 28, 2018)	
Total Annual Fund Operating Expenses	0.60%
Expenses deducted from Fund's assets	

VANGUARD SHORT-TERM INFLATION-PROTECTED SECURITIES INDEX FUND

Investment Objective

The fund seeks to track the performance of a benchmark index that measures the investment return of inflation-protected public obligations of the U.S. Treasury with remaining maturities of less than 5 years.

Principal Investment Strategies

The fund employs an indexing investment approach designed to track the performance of the Bloomberg Barclays U.S. Treasury Inflation-Protected Securities (TIPS) 0-5 Year Index. The index is a market-capitalization-weighted index that includes all inflation-protected public obligations issued by the U.S. Treasury with remaining maturities of less than 5 years.

The fund attempts to replicate the target index by investing all, or substantially all, of its assets in the securities that make up the index, holding each security in approximately the same proportion as its weighting in the index. The fund maintains a dollar-weighted average maturity consistent with that of the target index, which generally does not exceed 3 years.

Principal Risks

The fund is designed for investors with a low tolerance for risk, but you could still lose money by investing in it. The fund is subject to the following risks, which could affect the fund's performance: *Income fluctuations; Interest rate risk*. To see a full description of these risks, please refer to the fund's prospectus and the "Vanguard Summary Risk Table" at the end of Exhibit C (page 64).

Fees & Expenses

(Based on the prospectus dated January 26, 2018)

Total Annual Fund Operating Expenses.....0.04%
Expenses deducted from Fund's assets

VANGUARD INFLATION-PROTECTED SECURITIES FUND

Investment Objective

The fund seeks to provide inflation protection and income consistent with investment in inflation-indexed securities.

Principal Investment Strategies

The fund invests at least 80% of its assets in inflation-indexed bonds issued by the U.S. government, its agencies and instrumentalities, and corporations. The 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. At a minimum, all bonds purchased by the fund will be rated investment-grade or, if unrated, will be considered by the advisor to be investment-grade.

Principal Risks

An investment in the fund could lose money over short or long periods of time. You should expect the fund's share price and

total return to fluctuate within a wide range. The fund is subject to the following risks, which could affect the fund's performance: *Income fluctuations; Interest rate risk; Manager risk; Derivatives risk; Liquidity risk*. To see a full description of these risks, please refer to the fund's prospectus and the "Vanguard Summary Risk Table" at the end of Exhibit C (page 64).

Fees & Expenses

(Based on the prospectus dated April 26, 2018)

Total Annual Fund Operating Expenses.....0.10%
Expenses deducted from Fund's assets

T. ROWE PRICE BALANCED FUND

Investment Objective

The fund seeks to provide capital growth, current income, and preservation of capital through a portfolio of stocks and fixed income securities.

Principal Investment Strategies

The fund normally invests approximately 65% of its total assets in common stocks and 35% in fixed income securities. The fund will invest at least 25% of its total assets in fixed income senior securities and may invest up to 35% of its total assets in foreign securities.

When deciding upon overall allocations between stocks and fixed income securities, the portfolio manager may favor fixed income securities if the economy is expected to slow sufficiently to hurt corporate profit growth. When strong economic growth is expected, the portfolio manager may favor stocks. The fund will invest in bonds, including foreign issues, which are primarily investment grade (i.e., assigned one of the four highest credit ratings by established credit rating agencies) and are chosen from across the entire government, corporate, and asset- and mortgage-backed securities markets. Maturities generally reflect the portfolio manager's outlook for interest rates.

When selecting particular stocks, the portfolio manager will examine relative values and prospects among growth- and value-oriented stocks, domestic and international stocks, small- to large-cap stocks, and stocks of companies involved in activities related to commodities and other real assets. Domestic stocks are drawn from the overall U.S. market and international stocks are selected primarily from large companies in developed countries, although stocks in emerging markets may also be purchased. This process draws heavily upon T. Rowe Price's proprietary stock research expertise. While the fund maintains a well-diversified portfolio, its portfolio manager may at a particular time shift stock selection toward markets or market sectors that appear to offer attractive value and appreciation potential.

A similar security selection process applies to bonds. When deciding whether to adjust duration, credit risk exposure, or allocations among the various sectors (for example, high yield "junk" bonds, mortgage- and asset-backed securities, international bonds, and emerging markets bonds), T. Rowe Price weighs such factors as the outlook for inflation and the

economy, corporate earnings, expected interest rate movements and currency valuations, and the yield advantage that lower-rated bonds may offer over investment-grade bonds.

In pursuing its investment objective, the fund has the discretion to deviate from its normal investment criteria. These situations might arise when the fund's adviser believes a security could increase in value for a variety of reasons, including an extraordinary corporate event, a new product introduction or innovation, a favorable competitive development, or a change in management. The fund may at time invest significantly in certain sectors, such as information technology sector.

Securities may be sold for a variety of reasons, such as to effect a change in asset allocation, secure a gain, limit a loss, or redeploy assets into more promising opportunities.

Principal Risks

As with any mutual fund, there is no guarantee that the fund will achieve its objective. The fund's share price fluctuates, which means you could lose money by investing in the fund. The principal risks of investing in this fund are summarized as follows:

Active management risks The investment adviser's judgments about the attractiveness, value, or potential appreciation of the fund's investments may prove to be incorrect. The fund could underperform in comparison to other funds with a similar benchmark or similar objectives and investment strategies if the fund's overall asset allocation, investment selections or strategies fail to produce the intended results.

Risks of stock investing Stocks generally fluctuate in value more than bonds and may decline significantly over short time periods. There is a chance that stock prices overall will decline because stock markets tend to move in cycles, with periods of rising and falling prices. The value of a stock in which the fund invests may decline due to general weakness in the stock market or because of factors that affect a particular company or industry.

Market capitalization risks Because the fund may invest in companies of any size, its share price could be more volatile than a fund that invests only in large companies. Small- and medium-sized companies often have less experienced management, narrower product lines, more limited financial resources, and less publicly available information than larger companies. Larger companies may not be able to attain the high growth rates of successful smaller companies, especially during strong economic periods, and they may be less capable of responding quickly to competitive challenges and industry changes.

Investment style risks Because the fund invests in stock funds with both growth and value characteristics, its share price may be negatively affected if either investing approach falls out of favor. Growth stocks tend to be more volatile than the overall stock market and are more sensitive to changes in current or expected earnings. Value stocks carry the risk that investors will not recognize their intrinsic value for a long time or that they are actually appropriately priced at a low level.

Interest rate risks The prices of, and the income generated by, debt instruments held by the fund may be affected by changes in

interest rates. A rise in interest rates typically causes the price of a fixed rate debt instrument to fall and its yield to rise. Conversely, a decline in interest rates typically causes the price of a fixed rate debt instrument to rise and the yield to fall. Generally, securities with longer durations carry greater interest rate risk. The fund may face a heightened level of interest rate risk due to historically low interest rates and the potential effect of any government fiscal policy initiatives; for example, the U.S. Federal Reserve System has ended its quantitative easing program and is expected to continue to raise interest rates. Mortgage-backed securities can react somewhat differently to interest rate changes because falling rates can cause losses of principal due to increased mortgage prepayments and rising rates can lead to decreased prepayments and greater volatility.

Credit risks An issuer of a debt instrument may default (fail to make scheduled interest or principal payments), potentially reducing the fund's income level and share price. This risk is increased when a security is downgraded or the perceived creditworthiness of the issuer deteriorates.

While the fund's bond investments are expected to primarily be investment grade, the fund may invest in bonds that are rated below investment grade, also known as high yield or "junk" bonds, including those with the lowest credit rating. High yield bond issuers are more likely to suffer an adverse change in financial condition that would result in the inability to meet a financial obligation. Accordingly, the securities they issue carry a higher risk of default and should be considered speculative. The fund's exposure to credit risk, in particular, is increased to the extent it invests in high yield bonds.

Liquidity risks The fund may not be able to sell a holding in a timely manner at a desired price. Reduced liquidity in the bond markets can result from a number of events, such as limited trading activity, reductions in bond inventory, and rapid or unexpected changes in interest rates. Less liquid markets could lead to greater price volatility and limit the fund's ability to sell a holding at a suitable price.

Prepayment and extension risks The fund is subject to prepayment risks because the principal on mortgage-backed securities, other asset-backed securities, or any debt instrument with an embedded call option may be prepaid at any time, which could reduce the security's yield and market value. The rate of prepayments tends to increase as interest rates fall, which could cause the average maturity of the portfolio to shorten. Extension risk may result from a rise in interest rates, which tends to make mortgage-backed securities, asset-backed securities, and other callable debt instruments more volatile.

International investing risks Investing in the securities of non-U.S. issuers involves special risks not typically associated with investing in U.S. issuers. International securities tend to be more volatile and less liquid than investments in U.S. securities and may lose value because of adverse local, political, social, or economic developments overseas, or due to changes in the exchange rates between foreign currencies and the U.S. dollar. In addition, international investments are subject to settlement practices and regulatory and financial reporting standards that differ from those of the U.S.

Emerging markets risks The risks of international investing are heightened for securities of issuers in emerging market countries. Emerging market countries tend to have economic structures that are less diverse and mature, and political systems that are less stable, than those of developed countries. In addition to all of the risks of investing in international developed markets, emerging markets are more susceptible to governmental interference, local taxes being imposed on international investments, restrictions on gaining access to sales proceeds, and less liquid and less efficient trading markets.

Sector concentration risks At times, the fund may have a significant portion of its assets invested in securities of companies conducting business in a broadly related group of industries within an economic sector. Companies in the same economic sector may be similarly affected by economic or market events, making the fund more vulnerable to unfavorable developments in that economic sector than funds that invest more broadly. For example, the fund may have a significant portion of its assets invested in securities of companies in the same economic sector may be similarly affected by economic or market events, making the fund more vulnerable to unfavorable developments in that economic sector than funds that invest more broadly. For example, the fund may have a significant portion of its assets invested in securities of companies in the information technology and financials sectors. Companies in the financials sector may be adversely impacted by, among other things, regulatory changes, economic conditions, interest rates, credit rating downgrades, and decreased liquidity in credit markets. Companies in the information technology sector can be adversely affected by, among other things, intense competition, earnings disappointments, and rapid obsolescence of products and services due to technological innovations or changing consumer preferences.

To see a full description of these risks, please refer to the prospectus for the fund.

<p>Fees & Expenses (Based on the prospectus dated May 1, 2018)</p> <p>Total Annual Fund Operating Expenses.....0.46% Expenses deducted from Fund's assets</p>
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VANGUARD REAL ESTATE INDEX FUND

Investment Objective

The fund 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 and other real estate related investments.

Principal Investment Strategies

The fund employs an indexing investment approach designed to track the performance of the MSCI US Investable Market Real Estate 25/50 Transition Index, an interim index that will gradually increase exposure to other real estate-related investments while proportionately reducing exposure to other stocks based on their

weightings in the MSCI US Investable Market Real Estate 25/50 Index. The MSCI US Investable Market Real Estate 25/50 Index is made up of stocks of large, mid-size, and small U.S. companies within the real estate sector, as classified under the Global Industry Classification Standard (GICS). The GICS real estate sector is composed of equity real estate investment trusts (known as REITs), which includes specialized REITs, and real estate management and development companies.

The fund attempts to replicate the Index by investing all, or substantially all, of its assets—either directly or indirectly through a wholly owned subsidiary (the underlying fund), which is itself a registered investment company—in the stocks that make up the Index, holding each stock in approximately the same proportion as its weighting in the Index. The fund may invest a portion of its assets in the underlying fund.

Principal Risks

An investment in the fund could lose money over short or long periods of time. You should expect the fund's share price and total return to fluctuate within a wide range. The fund is subject to the following risks, which could affect the fund's performance: *Industry concentration risk; Stock market risk; Interest rate risk; Investment style risk; Asset concentration risk; Nondiversification risk.* To see a full description of these risks, please refer to the fund's prospectus and the "Vanguard Summary Risk Table" at the end of Exhibit C (page 64).

<p>Fees & Expenses (Based on the prospectus dated May 25, 2018)</p> <p>Total Annual Fund Operating Expenses.....0.10% Expenses deducted from Fund's assets</p>

VANGUARD VALUE INDEX FUND

Investment Objective

The fund seeks to track the performance of a benchmark index that measures the investment return of large-capitalization value stocks.

Principal Investment Strategies

The fund employs an indexing investment approach designed to track the performance of the CRSP US Large Cap Value Index, a broadly diversified index predominantly made up of value stocks of large 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.

Principal Risks

An investment in the fund could lose money over short or long periods of time. You should expect the fund's share price and total return to fluctuate within a wide range. The fund is subject to the following risks, which could affect the fund's performance: *Stock market risk; Investment style risk.* To see a full description of these risks, please refer to the fund's prospectus and the "Vanguard Summary Risk Table" at the end of Exhibit C (page 64).

Fees & Expenses

(Based on the prospectus dated April 25, 2018)

Total Annual Fund Operating Expenses.....0.05%
Expenses deducted from Fund's assets

DFA U.S. LARGE CAP VALUE PORTFOLIO

Investment Objective

The investment objective of the U.S. Large Cap Value Portfolio is to achieve long-term capital appreciation. The U.S. Large Cap Value Portfolio is a Feeder Portfolio and pursues its objective by investing substantially all of its assets in its corresponding Master Fund, The U.S. Large Cap Value Series (the "U.S. Large Cap Value Series") of The DFA Investment Trust Company (the "Trust"), which has the same investment objective and policies as the U.S. Large Cap Value Portfolio.

Principal Investment Strategies

The U.S. Large Cap Value Portfolio pursues its investment objective by investing substantially all of its assets in the U.S. Large Cap Value Series. The U.S. Large Cap Value Series, using a market capitalization weighted approach, purchases a broad and diverse group of readily marketable securities of large U.S. companies that the Advisor determines to be value stocks. A company's market capitalization is the number of its shares outstanding times its price per share. In general, the higher the relative market capitalization of the U.S. large cap company, the greater its representation in the Series. The Advisor may adjust the representation in the Series of an eligible company, or exclude a company, after considering such factors as free float, momentum, trading strategies, liquidity, size, value, profitability, and other factors that the Advisor determines to be appropriate, given market conditions. Securities are considered value stocks primarily because a company's shares have a low price in relation to their book value. In assessing value, the Advisor may consider additional factors such as price to cash flow or price to earnings ratios. In assessing profitability, the Advisor may consider different ratios, such as that of earnings or profits from operations relative to book value or assets. The criteria the Advisor uses for assessing value or profitability are subject to change from time to time.

As a non-fundamental policy, under normal circumstances, the U.S. Large Cap Value Series will invest at least 80% of its net assets in securities of large cap U.S. companies. As of the date of this Prospectus, for purposes of the U.S. Large Cap Value Series, the Advisor considers large cap companies to be companies whose market capitalizations are generally in the highest 90% of total market capitalization or companies whose market capitalizations are larger than the 1,000th largest U.S. company, whichever results in the higher market capitalization break. Total market capitalization is based on the market capitalization of U.S. operating companies listed on the New York Stock Exchange ("NYSE"), NYSE American LLC, Nasdaq Global Market®, Nasdaq Capital Market®, or such other securities exchanges deemed appropriate by the Advisor. Under the Advisor's market capitalization guidelines described above, as of December 31, 2017, the market capitalization of

a large cap company was \$5,282 million or above. This dollar amount will change due to market conditions.

The U.S. Large Cap Value Series and the U.S. Large Cap Value Portfolio each may purchase or sell futures contracts and options on futures contracts for U.S. equity securities and indices, to adjust market exposure based on actual or expected cash inflows to or outflows from the Series or Portfolio. The Series and Portfolio do not intend to sell futures contracts to establish short positions in individual securities or to use derivatives for purposes of speculation or leveraging investment returns.

The U.S. Large Cap Value Series may lend its portfolio securities to generate additional income.

Principal Risks

Because the value of your investment in the Portfolio will fluctuate, there is the risk that you will lose money. An investment in the Portfolio is not a deposit of a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The following is a description of principal risks of investing in the Portfolio.

Equity Market Risk: Even a long-term investment approach cannot guarantee a profit. Economic, market, political, and issuer-specific conditions and events will cause the value of equity securities, and the Portfolio that owns them to rise or fall. Stock markets tends to move in cycles, with periods of rising prices and periods of falling prices.

Value Investment Risk: Value stocks may perform differently from the market as a whole and following a value-oriented investment strategy may cause the Portfolio to at times underperform equity funds that use other investment strategies.

Derivatives Risk: Derivatives are instruments, such as futures contracts, whose value is derived from that of other assets, rates or indices. The use of derivatives for non-hedging purposes may be considered to carry more risk than other types of investments. When the U.S. Large Cap Value Series and U.S. Large Cap Value Portfolio use derivatives, the U.S. Large Cap Value Portfolio will be directly exposed to the risks of those derivatives. Derivative instruments are subject to a number of risks including counterparty, liquidity, interest rate, market, credit and management risks, and the risk of improper valuation. Changes in the value of a derivative may not correlate perfectly with the underlying asset, rate or index, and the Portfolio could lose more than the principal amount invested.

Securities Lending Risk: Securities lending involves the risk that the borrower may fail to return the securities in a timely manner or at all. As a result, the U.S. Large Cap Value Series may lose money and there may be a delay in recovering the loaned securities. The U.S. Large Cap Value Series could also lose money if it does not recover the securities and/or the value of the collateral falls, including the value of investments made with cash collateral. Securities lending also may have certain adverse tax consequences.

Cyber Security Risk: The U.S. Large Cap Value Portfolio's and its service providers' use of internet, technology and information systems may expose the Portfolio to potential

risks linked to cyber security breaches of those technological or information systems. Cyber security breaches, amongst other things, could allow an unauthorized party to gain access to proprietary information, customer data, or fund assets, or cause the Portfolio and/or its service providers to suffer data corruption or lose operational functionality.

To see a full description of these risks, please refer to the prospectus for the fund.

<p>Fees & Expenses (Based on the prospectus dated February 28, 2018)</p> <p>Total Annual Fund Operating Expenses.....0.27% Expenses deducted from Fund's assets</p>
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VANGUARD INSTITUTIONAL INDEX FUND

Investment Objective

The fund seeks to track the performance of a benchmark index that measures the investment return of large-capitalization stocks.

Principal Investment Strategies

The fund employs an indexing investment approach designed to track the performance of the Standard & Poor's 500 Index, a widely recognized benchmark of U.S. stock market performance that is dominated by the stocks of large 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.

Principal Risks

An investment in the fund could lose money over short or long periods. You should expect the fund's share price and total return to fluctuate within a wide range. The fund is subject to the following risks, which could affect the fund's performance: *Stock market risk; Investment style risk*. To see a full description of these risks, please refer to the fund's prospectus and the "Vanguard Summary Risk Table" at the end of Exhibit C (page 64).

<p>Fees & Expenses (Based on the prospectus dated April 26, 2018)</p> <p>Total Annual Fund Operating Expenses.....0.035% Expenses deducted from Fund's assets</p>
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VANGUARD TOTAL STOCK MARKET INDEX FUND

Investment Objective

The fund seeks to track the performance of a benchmark index that measures the investment return of the overall stock market.

Principal Investment Strategies

The fund employs an indexing investment approach designed to track the performance of the CRSP US Total Market Index, which

represents approximately 100% of the investable U.S. stock market and includes large-, mid-, small-, and micro-cap stocks regularly traded on the New York Stock Exchange and Nasdaq. 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 characteristics. These key characteristics include industry weightings and market capitalization, as well as certain financial measures, such as price/earnings ratio and dividend yield.

Principal Risks

An investment in the fund could lose money over short or long periods. You should expect the fund's share price and total return to fluctuate within a wide range. The fund is subject to the following risks, which could affect the fund's performance: *Stock market risk; Index sampling risk*. To see a full description of these risks, please refer to the fund's prospectus and the "Vanguard Summary Risk Table" at the end of Exhibit C (page 64).

<p>Fees & Expenses (Based on the prospectus dated April 25, 2018)</p> <p>Total Annual Fund Operating Expenses.....0.02% Expenses deducted from Fund's assets</p>

VANGUARD GROWTH INDEX FUND

Investment Objective

The fund seeks to track the performance of a benchmark index that measures the investment return of large-capitalization growth stocks.

Principal Investment Strategies

The fund employs an indexing investment approach designed to track the performance of the CRSP US Large Cap Growth Index, a broadly diversified index predominantly made up of growth stocks of large 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.

Principal Risks

An investment in the fund could lose money over short or long periods. You should expect the fund's share price and total return to fluctuate within a wide range. The fund is subject to the following risks, which could affect the fund's performance: *Stock market risk; Investment style risk*. To see a full description of these risks, please refer to the fund's prospectus and the "Vanguard Summary Risk Table" at the end of Exhibit C (page 64).

<p>Fees & Expenses (Based on the prospectus dated April 25, 2018)</p> <p>Total Annual Fund Operating Expenses.....0.04% Expenses deducted from Fund's assets</p>

T. ROWE PRICE INSTITUTIONAL LARGE-CAP GROWTH FUND

Investment Objective

The fund seeks to provide long-term capital appreciation through investments in common stocks of growth companies.

Principal Investment Strategies

In taking a growth approach to stock selection, the fund will normally invest at least 80% of its net assets (including any borrowings for investment purposes) in the common stocks of large-cap companies. The fund defines a large-cap company as one whose market capitalization is larger than the median market capitalization of companies in the Russell 1000 Growth Index, a widely used benchmark of the largest U.S. growth stocks. As of December 31, 2017, the median market capitalization of companies in the Russell 1000 Growth Index was approximately \$11.8 billion. The market capitalizations of the companies in the fund's portfolio and the Russell index change over time; the fund will not automatically sell or cease to purchase stock of a company it already owns just because the company's market capitalization falls below the median market capitalization of companies in the Russell index. The fund may at times invest significantly in certain sectors, such as the information technology sector.

We generally look for companies with an above-average rate of earnings and cash flow growth and a lucrative niche in the economy that gives them the ability to sustain earnings momentum even during times of slow economic growth. As growth investors, we believe that when a company increases its earnings faster than both inflation and the overall economy, the market will eventually reward it with a higher stock price.

The fund is "nondiversified," meaning it may invest a greater portion of its assets in a single issuer and own more of the issuer's voting securities than is permissible for a "diversified" fund.

In pursuing its investment objective, the fund has the discretion to deviate from its normal investment criteria. These situations might arise when the fund's adviser believes a security could increase in value for a variety of reasons, including an extraordinary corporate event, a new product introduction or innovation, a favorable competitive development, or a change in management.

While most assets will typically be invested in U.S. common stocks, the fund may invest in foreign stocks in keeping with the fund's objectives.

The fund may sell securities for a variety of reasons, such as to secure gains, limit losses, or redeploy assets into more promising opportunities.

Principal Risks

As with any mutual fund, there is no guarantee that the fund will achieve its objective. The fund's share price fluctuates, which means you could lose money by investing in the fund. The principal risks of investing in this fund are summarized as follows:

Active management risk The investment adviser's judgments about the attractiveness, value, or potential appreciation of the fund's investments may prove to be incorrect. The fund could underperform in comparison to other funds with a similar benchmark or similar objectives and investment strategies if the fund's overall investment selections or strategies fail to produce the intended results.

Risks of stock investing Stocks generally fluctuate in value more than bonds and may decline significantly over short time periods. There is a chance that stock prices overall will decline because stock markets tend to move in cycles, with periods of rising and falling prices. The value of a stock in which the fund invests may decline due to general weakness in the stock market or because of factors that affect a particular company or industry.

Emerging markets risk The risks of foreign investing are heightened for securities of issuers in emerging market countries. Emerging market countries tend to have economic structures that are less diverse and mature, and political systems that are less stable, than those of developed countries. In addition to all of the risks of investing in foreign developed markets, emerging markets are more susceptible to governmental interference, local taxes being imposed on foreign investments, restrictions on gaining access to sales proceeds, and less liquid and less efficient trading markets.

Investment style risk Different investment styles tend to shift in and out of favor depending on market conditions and investor sentiment. The fund's growth approach to investing could cause it to underperform other stock funds that employ a different investment style. Growth stocks tend to be more volatile than certain other types of stocks, and their prices may fluctuate more dramatically than the overall stock market. A stock with growth characteristics can have sharp price declines due to decreases in current or expected earnings and may lack dividends that can help cushion its share price in a declining market.

Market capitalization risk Investing primarily in issuers within the same market capitalization category carries the risk that the category may be out of favor due to current market conditions or investor sentiment. Securities issued by large-cap companies tend to be less volatile than securities issued by smaller companies. However, larger companies may not be able to attain the high growth rates of successful smaller companies, especially during strong economic periods, and may be unable to respond as quickly to competitive challenges.

Sector concentration risks At times, the fund may have a significant portion of its assets invested in securities of companies conducting business in a broadly related group of industries within an economic sector. Companies in the same economic sector may be similarly affected by economic or market events, making the fund more vulnerable to unfavorable developments in that economic sector than funds that invest more broadly. For example, the fund may have a significant portion of its assets invested in securities of companies in the information technology sector. Companies in the information technology sector can be adversely affected by, among other things, intense competition, earnings disappointments, and rapid obsolescence of products and services due to technological innovations or changing consumer preferences.

Nondiversification risk As a nondiversified fund, the fund has the ability to invest a larger percentage of its assets in the securities of a smaller number of issuers than a diversified fund. As a result, poor performance by a single issuer could adversely affect fund performance more than if the fund were invested in a larger number of issuers. The fund's share price can be expected to fluctuate more than that of a comparable diversified fund.

Foreign investing risk The fund's investments in foreign securities may be adversely affected by local, political, social, and economic conditions overseas, greater volatility, reduced liquidity, or decreases in foreign currency values relative to the U.S. dollar.

To see a full description of these risks, please refer to the prospectus for the fund.

Fees & Expenses	
(Based on the prospectus dated May 1, 2018)	
Total Annual Fund Operating Expenses.....	0.56%
Expenses deducted from Fund's assets	

VANGUARD MID-CAP INDEX FUND

Investment Objective

The fund seeks to track the performance of a benchmark index that measures the investment return of mid-capitalization stocks.

Principal Investment Strategies

The fund employs an indexing investment approach designed to track the performance of the CRSP US Mid Cap Index, a broadly diversified index of stocks of mid-size 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.

Principal Risks

An investment in the fund could lose money over short or long periods. You should expect the fund's share price and total return to fluctuate within a wide range. The fund is subject to the following risks, which could affect the fund's performance: *Stock market risk; Investment style risk*. To see a full description of these risks, please refer to the fund's prospectus and the "Vanguard Summary Risk Table" at the end of Exhibit C (page 64).

Fees & Expenses	
(Based on the prospectus dated April 25, 2018)	
Total Annual Fund Operating Expenses.....	0.04%
Expenses deducted from Fund's assets	

VANGUARD EXTENDED MARKET INDEX FUND

Investment Objective

The fund seeks to track the performance of a benchmark index that measures the investment return of small- and mid-capitalization stocks.

Principal Investment Strategies

The fund employs an indexing investment approach designed to track the performance of the Standard & Poor's Completion Index, a broadly diversified index of stocks of small and mid-size U.S. companies. The S&P Completion Index contains all of the U.S. common stocks regularly traded on the New York Stock Exchange and the Nasdaq over-the-counter market, except those stocks included in the S&P 500 Index. 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 characteristics. These characteristics include industry weightings and market capitalization, as well as certain financial measures, such as price/earnings ratio and dividend yield.

Principal Risks

An investment in the fund could lose money over short or long periods. You should expect the fund's share price and total return to fluctuate within a wide range. The fund is subject to the following risks, which could affect the fund's performance: *Stock market risk; Investment style risk; Index sampling risk*. To see a full description of these risks, please refer to the fund's prospectus and the "Vanguard Summary Risk Table" at the end of Exhibit C (page 64).

Fees & Expenses	
(Based on the prospectus dated April 25, 2018)	
Total Annual Fund Operating Expenses.....	0.08%
Expenses deducted from Fund's assets	

VANGUARD SMALL-CAP VALUE INDEX FUND

Investment Objective

The fund seeks to track the performance of a benchmark index that measures the investment return of small-capitalization value stocks.

Principal Investment Strategies

The fund employs an indexing investment approach designed to track the performance of the CRSP US Small Cap Value Index, a broadly diversified index of value stocks of small 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.

Principal Risks

An investment in the fund could lose money over short or long periods. You should expect the fund's share price and total return to fluctuate within a wide range. The fund is subject to the following risks, which could affect the fund's performance: *Stock market risk; Investment style risk*. To see a full description of these risks, please refer to the fund's prospectus and the "Vanguard Summary Risk Table" at the end of Exhibit C (page 64).

Fees & Expenses

(Based on the prospectus dated April 25, 2018)

Total Annual Fund Operating Expenses.....0.07%
Expenses deducted from Fund's assets

DFA U.S. SMALL CAP VALUE PORTFOLIO

Investment Objective

The investment objective of the U.S. Small Cap Value Portfolio is to achieve long-term capital appreciation.

Principal Investment Strategies

U.S. Small Cap Value Portfolio, using a market capitalization weighted approach, purchases a broad and diverse group of the readily marketable securities of U.S. small cap companies that Dimensional Fund Advisors LP (the "Advisor") determines to be value stocks. A company's market capitalization is the number of its shares outstanding times its price per share. In general, the higher the relative market capitalization of the U.S. small cap company, the greater its representation in the Portfolio. The Advisor may adjust the representation in the U.S. Small Cap Value Portfolio of an eligible company, or exclude a company, after considering such factors as free float, momentum, trading strategies, liquidity, value, profitability, and other factors that the Advisor determines to be appropriate, given market conditions. Securities are considered value stocks primarily because a company's shares have a low price in relation to their book value. In assessing value, the Advisor may consider additional factors such as price to cash flow or price to earnings ratios. In assessing profitability, the Advisor may consider different ratios, such as that of earnings or profits from operations relative to book value or assets. The criteria the Advisor uses for assessing value or profitability are subject to change from time to time.

As a non-fundamental policy, under normal circumstances, the U.S. Small Cap Value Portfolio will invest at least 80% of its net assets in securities of small cap U.S. companies. As of the date of this Prospectus, for purposes of the U.S. Small Cap Value Portfolio, the Advisor considers small cap companies to be companies whose market capitalizations are generally in the lowest 10% of total market capitalization or companies whose market capitalizations are smaller than the 1,000th largest U.S. company, whichever results in the higher market capitalization break. Total market capitalization is based on the market capitalization of U.S. operating companies listed on the New York Stock Exchange ("NYSE"), NYSE American LLC, Nasdaq Global Market®, Nasdaq Capital Market®, or such other securities exchanges deemed appropriate by the Advisor. Under the Advisor's market capitalization guidelines described above, based on market capitalization data as of December 31, 2017, the market capitalization of a small cap company was \$5,282 million or below. This dollar amount will change due to market conditions.

The U.S. Small Cap Value Portfolio may purchase or sell futures contracts and options on futures contracts for U.S. equity securities and indices, to adjust market exposure based on

actual or expected cash inflows to or outflows from the Portfolio. The Portfolio does not intend to sell futures contracts to establish short positions in individual securities or use derivatives for purposes of speculation or leveraging investment returns.

The U.S. Small Cap Value Portfolio may lend its portfolio securities to generate additional income.

Principal Risks

Because the value of your investment in the Portfolio will fluctuate, there is the risk that you will lose money. An investment in the Portfolio is not a deposit of a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The following is a description of principal risks of investing in the Portfolio.

Equity Market Risk: Even a long-term investment approach cannot guarantee a profit. Economic, market, political, and issuer-specific conditions will cause the value of equity securities, and the Portfolio that owns them, to rise or fall. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices.

Small Company Risk: Securities of small companies are often less liquid than those of large companies and this could make it difficult to sell a small company security at a desired time or price. As a result, small company stocks may fluctuate relatively more in price. In general, smaller capitalization companies are also more vulnerable than larger companies to adverse business or economic developments and they may have more limited resources.

Value Investment Risk: Value stocks may perform differently from the market as a whole and following a value-oriented investment strategy may cause the Portfolio to at times underperform equity funds that use other investment strategies.

Derivatives Risk: Derivatives are instruments, such as futures contracts, whose value is derived from that of other assets, rates or indices. The use of derivatives for non-hedging purposes may be considered to carry more risk than other types of investments. When the U.S. Small Cap Value Portfolio uses derivatives, the Portfolio will be directly exposed to the risks of those derivatives. Derivative instruments are subject to a number of risks including counterparty, liquidity, interest rate, market, credit and management risks, and the risk of improper valuation. Changes in the value of a derivative may not correlate perfectly with the underlying asset, rate or index, and the Portfolio could lose more than the principal amount invested.

Securities Lending Risk: Securities lending involves the risk that the borrower may fail to return the securities in a timely manner or at all. As a result, the U.S. Small Cap Value Portfolio may lose money and there may be a delay in recovering the loaned securities. The U.S. Small Cap Value Portfolio could also lose money if it does not recover the securities and/or the value of the collateral falls, including the value of investments made with cash collateral. Securities lending also may have certain adverse tax consequences.

Cyber Security Risk: The U.S. Small Cap Value Portfolio's and its service providers' use of internet, technology and information systems may expose the Portfolio to potential risks linked to cyber security breaches of those technological or information systems. Cyber security breaches, amongst other things, could allow an unauthorized party to gain access to proprietary information, customer data, or fund assets, or cause the Portfolio and/or its service providers to suffer data corruption or lose operational functionality.

To see a full description of these risks, please refer to the prospectus for the fund.

<p>Fees & Expenses (Based on the prospectus dated February 28, 2018)</p> <p>Total Annual Fund Operating Expenses0.52% Expenses deducted from Fund's assets</p>

VANGUARD SMALL-CAP INDEX FUND

Investment Objective

The fund seeks to track the performance of a benchmark index that measures the investment return of small-capitalization stocks.

Principal Investment Strategies

The fund employs an indexing investment approach designed to track the performance of the CRSP US Small Cap Index, a broadly diversified index of stocks of small 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.

Principal Risks

An investment in the fund could lose money over short or long periods. You should expect the fund's share price and total return to fluctuate within a wide range. The fund is subject to the following risks, which could affect the fund's performance: *Stock market risk; Investment style risk*. To see a full description of these risks, please refer to the fund's prospectus and the "Vanguard Summary Risk Table" at the end of Exhibit C (page 64).

<p>Fees & Expenses (Based on the prospectus dated April 25, 2018)</p> <p>Total Annual Fund Operating Expenses0.05% Expenses deducted from Fund's assets</p>
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VANGUARD SMALL-CAP GROWTH INDEX FUND

Investment Objective

The fund seeks to track the performance of a benchmark index that measures the investment return of small-capitalization growth stocks.

Principal Investment Strategies

The fund employs an indexing investment approach designed to track the performance of the CRSP US Small Cap Growth Index, a broadly diversified index of growth stocks of small 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.

Principal Risks

An investment in the fund could lose money over short or long periods. You should expect the fund's share price and total return to fluctuate within a wide range. The fund is subject to the following risks, which could affect the fund's performance: *Stock market risk; Investment style risk*. To see a full description of these risks, please refer to the fund's prospectus and the "Vanguard Summary Risk Table" at the end of Exhibit C (page 64).

<p>Fees & Expenses (Based on the prospectus dated April 25, 2018)</p> <p>Total Annual Fund Operating Expenses0.06% Expenses deducted from Fund's assets</p>
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VANGUARD EXPLORER FUND

Investment Objective

The fund seeks to provide long-term capital appreciation.

Principal Investment Strategies

The fund invests mainly in the stocks of small and mid-size companies. These companies tend to be unseasoned but are considered by the fund's advisors to have superior growth potential. Also, these companies often provide little or no dividend income. The fund uses multiple investment advisors. Each advisor independently selects and maintains a portfolio of stocks for the fund.

Principal Risks

An investment in the fund could lose money over short or long periods. You should expect the fund's share price and total return to fluctuate within a wide range. The fund is subject to the following risks, which could affect the fund's performance: *Stock market risk; Investment style risk; Manager risk*. To see a full description of these risks, please refer to the fund's prospectus and the "Vanguard Summary Risk Table" at the end of Exhibit C (page 64).

<p>Fees & Expenses (Based on the prospectus dated February 23, 2018)</p> <p>Total Annual Fund Operating Expenses0.32% Expenses deducted from Fund's assets</p>

VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND

Investment Objective

The fund 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.

Principal Investment Strategies

The fund employs an indexing investment approach designed to track the performance of the FTSE Global All Cap ex US Index, a float-adjusted market-capitalization-weighted index designed to measure equity market performance of companies located in developed and emerging markets, excluding the United States. The index includes approximately 5,902 stocks of companies located in 46 countries. As of October 31, 2017, the largest markets covered in the Index were Japan, the United Kingdom, Canada, France, Germany, and China (which made up approximately 17%, 13%, 7%, 7%, 7%, and 6%, respectively, of the Index's market capitalization). The fund invests all, or substantially all, of its assets in the common stocks included in its target index.

Principal Risks

An investment in the fund could lose money over short or long periods. You should expect the fund's share price and total return to fluctuate within a wide range. The fund is subject to the following risks, which could affect the fund's performance: *Stock market risk; Investment style risk; Country/regional risk; Currency risk; Emerging markets risk.* To see a full description of these risks, please refer to the fund's prospectus and the "Vanguard Summary Risk Table" at the end of Exhibit C (page 64).

Fees & Expenses

(Based on the prospectus dated February 22, 2018)

Total Annual Fund Operating Expenses.....	0.09%
Expenses deducted from Fund's assets	

DODGE & COX INTERNATIONAL STOCK FUND

Investment Objective

The fund seeks long-term growth of principal and income.

Principal Investment Strategies

The fund invests primarily in a diversified portfolio of equity securities issued by non-U.S. companies from at least three different countries, which may include emerging market countries. The fund is not required to allocate its investments in set percentages in particular countries and may invest in emerging markets without limit. Under normal circumstances, the fund will invest at least 80% of its total assets in equity securities of non-U.S. companies, including common stocks, depositary receipts evidencing ownership

of common stocks, preferred stocks, securities convertible into common stocks, and securities that carry the right to buy common stocks (e.g. rights and warrants). The fund may enter into currency forward contracts, currency swaps or currency futures contracts to hedge direct and/or indirect foreign currency exposure.

The fund typically invests in medium-to-large well established companies based on standards of the applicable market. In selecting investments, the fund typically invests in companies that, in Dodge & Cox's opinion, appear to be temporarily undervalued by the stock market but have a favorable outlook for long-term growth. The fund also focuses on the underlying financial condition and prospects of individual companies, including future earnings, cash flow, and dividends. Various other factors, including financial strength, economic condition, competitive advantage, quality of the business franchise, and the reputation, experience, and competence of a company's management are weighed against valuation in selecting individual securities. The fund also considers the economic and political stability of the country where the issuer is located and the protections provided to shareholders.

Principal Risks

You could lose money by investing in the fund, and the fund could underperform other investments. You should expect the fund's share price and total return to fluctuate within a wide range. The fund's performance could be hurt by:

- **Manager risk.** Dodge & Cox's opinion about the intrinsic worth or creditworthiness of a company or security may be incorrect or the market may continue to undervalue the company or security. Dodge & Cox may not make timely purchases or sales of securities for the fund.
- **Equity risk.** Equity securities can be volatile and may decline in value because of changes in the actual or perceived financial condition of their issuers or other events affecting their issuers.
- **Market risk.** Investment prices may increase or decrease, sometimes suddenly and unpredictably, due to general market conditions.
- **Liquidity risk.** The fund may not be able to purchase or sell a security in a timely manner or at desired prices or achieve its desired weighting in a security.
- **Non-U.S. currency risk.** Non-U.S. currencies may decline relative to the U.S. dollar, which reduces the unhedged value of securities denominated in or otherwise exposed to those currencies. Dodge & Cox may not hedge or may not be successful in hedging the fund's currency exposure. Dodge & Cox may not be able to determine accurately the extent to which a security or its issuer is exposed to currency risk.
- **Non-U.S. investment risk.** Securities of non-U.S. issuers (including ADRs and other securities that represent interests in a non-U.S. issuer's securities) may be less liquid, more volatile, and harder to value than U.S. securities. Non-U.S.

issuers may be subject to political, economic, or market instability, or unfavorable government action in their local jurisdictions or economic sanctions or other restrictions imposed by U.S. or foreign regulators. There may be less information publicly available about non-U.S. issuers and their securities, and those issuers may be subject to lower levels of government regulation and oversight. Non-U.S. stock markets may decline due to conditions specific to an individual country, including unfavorable economic conditions relative to the United States. There may be increased risk of delayed transaction settlement. These risks may be higher when investing in emerging market issuers. Certain of these elevated risks may also apply to securities of U.S. issuers with significant non-U.S. operations.

- **Emerging market risk.** Emerging market securities may present issuer, market, currency, liquidity, volatility, valuation, legal, political, and other risks different from, and potentially greater than, the risks of investing in securities of issuers in more developed markets.
- **Derivatives risk.** Investing with derivatives, such as currency forward contracts, currency swaps, and equity index futures, involves risks additional to, and possibly greater than, those associated with investing directly in securities. The value of a derivative may not correlate to the value of the underlying instrument to the extent expected. Derivative transactions may be volatile, and can create leverage, which could cause the fund to lose more than the amount of assets initially contributed to the transaction, if any. The fund may not be able to close a derivatives position at an advantageous time or price. For over-the-counter derivatives transactions, the counterparty may be unable or unwilling to make required payments and deliveries, especially during times of financial market distress. Changes in regulation relating to a mutual fund's use of derivatives and related instruments may make derivatives more costly, limit the availability of derivatives, or otherwise adversely affect the value or performance of derivatives and the fund.

To see a full description of these risks, please refer to the prospectus for the fund.

An investment in the fund is not a deposit of a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.

Fees & Expenses	
(Based on the prospectus dated May 1, 2018)	
Total Annual Fund Operating Expenses	0.63%
Expenses deducted from Fund's assets	

VANGUARD SUMMARY RISK TABLE – explanation of the Risk Factors of the Portfolios and underlying funds.

Asset Concentration Risk - which is the chance that, because the fund's target index (and therefore the fund) tends to be heavily weighted in its ten largest holdings, the fund's performance may be hurt disproportionately by the poor performance of relatively few stocks.

Call Risk- which is the chance 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. The fund would then lose any price appreciation above the bond's call price and would be forced to reinvest the unanticipated proceeds at lower interest rates, resulting in a decline in the fund's income. Such redemptions and subsequent reinvestments would also increase the fund's portfolio turnover rate.

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. Because the fund may invest a large portion of its assets in securities of companies located in any one country or region, the fund's performance may be hurt disproportionately by the poor performance of its investments in that area. Country/regional risk is especially high in emerging markets.

Credit Risk- which is the chance that the issuer of a security will fail to pay interest or principal in a timely manner or that negative perceptions of the issuer's ability to make such payments will cause the price of that security to decline.

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. Currency risk is especially high in emerging markets.

Derivatives risk- a fund may invest in derivatives, which may involve risks different from, and possibly greater than, those of investments directly in the underlying securities or assets.

Emerging Markets Risk- which is the chance 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 because, among other factors, emerging markets can have greater custodial and operational risks; less developed legal, regulatory, and accounting systems; and greater political, social, and economic instability than developed markets.

Extension risk- which is the chance that during periods of rising interest rates, certain debt securities will be paid off substantially more slowly than originally anticipated, and the value of those securities may fall. This will lengthen the duration or average life of those securities and delay a fund's ability to reinvest proceeds at higher interest rates, making a fund more sensitive to changes in interest rates. For funds that invest in mortgage-backed securities, extension risk is the chance that during periods of rising interest rates, homeowners will prepay their mortgages at slower rates.

Income Fluctuation Risk- This is the chance that the fund's quarterly income distributions are likely to fluctuate considerably more than the income distributions of a typical bond fund. In fact, under certain conditions, the fund may not have any income to distribute. 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.

Income Risk- which is the chance that the fund's income will decline because of falling interest rates.

Index Sampling Risk- which is the chance that the securities selected for the fund, in the aggregate, will not provide investment performance matching that of the fund's target index.

Industry Concentration Risk- which is the chance that there will be overall problems affecting a particular industry. Because the Prime Money Market Fund invests more than 25% of its assets in securities issued by companies in the financial services industry and the Real Estate Index Fund concentrates its assets in REIT stocks, the funds' performances depends to a greater extent on the overall condition of those industries and are more susceptible to events affecting those industries.

Interest Rate Risk- which is the chance that bond prices will decline because of rising interest rates.

Investment Style Risk- which is the chance that returns from the type of stocks in which a fund invests will trail returns from the overall stock market. Certain types of stocks tend to go through periods of doing better--or worse--than other segments of the stock market or the stock market in general. These periods have, in the past, lasted for as long as several years.

Liquidity risk- which is the chance that the fund may not be able to sell a security in a timely manner at a desired price.

Manager Risk- which is the chance that poor security selection will cause the fund to underperform relevant benchmarks or other funds with a similar investment objective.

Nondiversification risk- which is the chance that the fund may invest a greater percentage of its assets in a particular issuer or group of issuers or may own larger positions of an issuer's voting stock than a diversified fund.

Prepayment Risk- which is the chance that during periods of falling interest rates, homeowners will refinance their mortgages before their maturity dates, resulting in prepayment of mortgage-backed securities held by the fund. The fund would then lose any price appreciation above the mortgage's principal and would be forced to reinvest the unanticipated proceeds at lower interest rates, resulting in a decline in the fund's income. Such prepayments and subsequent reinvestments would also increase the fund's portfolio turnover rate.

Stock Market Risk- which is the chance that stock prices overall will decline. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices. With the exception of Vanguard Total Stock Market Index, the underlying investment funds' target indexes track a subset of the U.S. stock market, which could cause the fund to perform differently from the overall stock market. In addition, the fund's target index may, at times, become focused in stocks of a limited number of companies, which would cause the fund to underperform the overall stock market.

An investment in the fund is not a deposit of a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.

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