



COLLEGEWEALTH® PROGRAM DESCRIPTION & ACCOUNT AGREEMENT

This Program Description contains important information you should review before opening a CollegeWealth Account with the Virginia College Savings Plan (VCSP) through the participating bank. Please read it carefully and keep it for future reference. No one is authorized to provide information that is different from the information contained in this Program Description. If you speak with a participating bank employee, please be advised that VCSP is not responsible for any miscommunication of facts concerning the CollegeWealth program during such conversations. The information in this Program Description is believed to be accurate as of the date of issuance and is subject to change without notice.

CollegeWealth Accounts offer FDIC insurance to the maximum amount allowed by law and the same tax advantages as other VCSP options. CollegeWealth Accounts are not deposits or obligations of, or insured or guaranteed by, the VCSP, the Commonwealth of Virginia or any agency or instrumentality thereof. Neither the Board of the VCSP nor the Commonwealth of Virginia has a legal or moral obligation to insure the payout of any or all of the amount of any CollegeWealth Account balance. In the event the CollegeWealth program terminates so that VCSP no longer offers it, VCSP and the participating bank have the option of moving all CollegeWealth assets to a substitute investment. If the CollegeWealth program terminates, you may have the option to maintain your funds at the participating bank, but the Account may no longer qualify as a Section 529 account. If this occurs, you may be required to pay a federal penalty tax of 10% of the earnings in the Account as this would be considered a non-qualified distribution. You may also have the option of transferring your funds to another Section 529 investment option that may not provide FDIC insurance. Such a transfer may require the Account Owner to use his or her once-per-calendar-year investment direction change (twice-per-calendar-year in 2009). You may also withdraw your funds. If the withdrawal is non-qualified (used for something other than qualified higher education expenses), you will incur the 10% federal penalty tax. There is no guarantee that 529 bank products such as CollegeWealth Accounts will continue to be available through the VCSP.

CollegeWealth Accounts have been designed and are administered to comply with all requirements for treatment as a qualified tuition program under Section 529 of the Internal Revenue Code of 1986, as amended. As of the date of this printing, the Internal Revenue Service has not issued final regulations concerning the application of Section 529 to qualified tuition programs. Final regulations, changes to the Internal Revenue Code or changes to the Code of Virginia could affect the tax consequences of participation in a qualified tuition program like CollegeWealth. The Board may modify CollegeWealth as necessary in the future to comply with any such changes in order to preserve, if possible, favorable tax treatment.

In addition to CollegeWealth, VCSP administers the Virginia Prepaid Education Program (VPEP), a prepaid tuition plan, the Virginia Education Savings Trust (VEST), and CollegeAmerica®. VPEP, VEST and CollegeAmerica are not described in this Program Description. For more information about VPEP or VEST, please call toll free at 1-888-567-0540, or log on to the VCSP website at Virginia529.com. For information on CollegeAmerica, please contact the American Funds at 1-800-421-0180, ext. 529, or log onto www.americanfunds.com.

For residents of states other than Virginia: If your state or the Beneficiary's state of residence (if different) sponsors a 529 plan, that plan may offer state income tax and other benefits not available to you through CollegeWealth. The Virginia income tax deduction for CollegeWealth Accounts is available only to Virginia taxpayers who are Account Owners. Please consult your financial or tax adviser for further information.

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COLLEGEWEALTH SUMMARY OF KEY FEATURES

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

Account Details: The CollegeWealth Plan offered jointly by the participating bank and VCSP is in the form of an FDIC-insured money market deposit account. This account platform earns competitive interest rates and avoids investment market risk because it is a deposit account. Money market deposit accounts are subject to federal regulations that limit the total number of withdrawals (called “distributions” with CollegeWealth accounts) by certain means including pre-authorized transfers to six per monthly statement cycle. Distributions may only be requested through VCSP (see the “Distributions” section hereof).

Federal Tax Treatment: Earnings on withdrawals used to pay a Beneficiary’s qualified higher education expenses will be excluded from income for federal tax purposes. Earnings grow tax-deferred while invested in a CollegeWealth Account.

State Tax Treatment: Virginia taxpayers who are CollegeWealth Account Owners may take a state income tax deduction for CollegeWealth deposits. Earnings also grow state tax-deferred while invested in a CollegeWealth Account and are exempt from state income tax when used for qualified higher education expenses. Other states may offer residents and taxpayers additional tax or other benefits if they invest in their own state’s qualified tuition plan. Consult your tax adviser for more information.

Limitations on Participation or Benefits: You do not need to be a Virginia resident to participate in CollegeWealth either as an Account Owner or a Beneficiary. You must, however, be a U.S. citizen or legal resident. There also are no age or income restrictions on participation in CollegeWealth, although the participating bank may set a minimum age for opening a money market deposit account in connection with CollegeWealth, and the designated beneficiary must

have been born at the time the account is opened. There can be only one Account Owner per account, but more than one person may contribute to an account. Contributions from non-account owners will be deemed to have been made by the Account Owner for CollegeWealth record-keeping purposes

Limitations on Account Length: CollegeWealth accounts must be used or closed within 10 years after the Beneficiary's projected high school completion date or, for Beneficiaries who have already completed high school at the time the account is opened, within 10 years from the date the account is opened. If the Beneficiary is changed, the time limit will change to reflect the new Beneficiary's termination date. Account Owners may request an extension of the termination date on a case-by-case basis

Limitations on Contributions, Distributions and Transfers: A \$350,000 contribution limit applies to each Beneficiary across all Section 529 plans administered by the VCSP, including CollegeWealth, VEST, VPEP and CollegeAmerica. Multiple accounts for the same Beneficiary will be combined to determine if the maximum contribution amount has been reached. Once the aggregate balance on all accounts for the same Beneficiary reaches \$350,000 (including any earnings), VCSP will not accept additional contributions or rollovers. Earnings on distributions not used for qualified higher education expenses will be subject to federal and state income tax and, in most instances, a federal penalty tax of 10% on the earnings. Transfers to other qualified tuition programs may be made once every 12 months for the same Beneficiary and at any time if the Beneficiary is changed.

Risk Factors: The IRS published proposed income tax regulations under Section 529 in 1998 but it has not yet issued final regulations or published rulings relating to qualified tuition programs. In January 2008, the IRS released an advance notice of proposed rulemaking in connection with Section 529. The advance notice indicated that once proposed, some of the regulations may be applied prospectively and others retroactively. There can be no assurance regarding actions that the IRS might take ultimately or that a change in regulations will not adversely affect CollegeWealth. In addition, it is possible that Congress, the Treasury Department, the IRS, the Commonwealth of Virginia and other taxing authorities or the courts may take actions that will adversely affect CollegeWealth and that such adverse effects may be retroactive.

A CollegeWealth Account is treated like any other non-retirement investment or savings account the Account Owner may have and thus it may affect a Beneficiary's ability to qualify for federal need-based financial aid. CollegeWealth Accounts should not affect a Beneficiary's eligibility for either a merit-based scholarship or for a Virginia Tuition Assistance Grant for Virginia Beneficiaries who attend eligible private, nonprofit institutions of higher education in Virginia.

ADMINISTRATION AND MANAGEMENT

The Virginia General Assembly created the Virginia College Savings Plan (VCSP), an independent state agency, during its 1994 session. The VCSP's enabling legislation is codified at Sections 23-38.75 through 23-38.87:1 of the Code of Virginia (1950), as amended. In its 1999 session, the General Assembly unanimously passed legislation authorizing the VCSP's Board to create one or more savings trust investment options in conformance with the provisions of Section 529. The General Assembly may amend the VCSP's legislation during any regular or special session of the legislature, subject to the Governor's approval.

The VCSP is governed by an 11-member Board, consisting of four members who sit on the Board by virtue of the state offices they hold, four citizen members appointed by the Governor, two citizen members appointed by the Virginia House of Delegates, and one citizen member appointed by the Senate of Virginia. The ex-officio members are the Executive Director of the State Council of Higher Education for Virginia; the Chancellor of the Virginia Community College System; the State Treasurer; and the State Comptroller. State law mandates that the seven citizen members have significant experience in finance, accounting, and investment

management. Members of the Board receive no compensation, but are reimbursed for actual expenses incurred in the performance of their duties. The Chief Executive Officer is Mary G. Morris. Ms. Morris is a tax, securities and bond attorney, as well as a former Treasurer of Virginia and Senior Assistant Attorney General. As Chief Executive Officer, she oversees the daily administration and operations of the VCSP, which, in addition to CollegeWealth, includes the Virginia Prepaid Education Program, the Virginia Education Savings Trust and CollegeAmerica.

Contributions to CollegeWealth Accounts are deposited in an account with the participating bank. Separate records are maintained for each CollegeWealth Account.

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

OPENING AND CONTRIBUTING TO AN ACCOUNT

Opening an Account. An Account Owner opening a CollegeWealth Account does so with VCSP through the participating bank. Any individual who is a U.S. citizen or legal U.S. resident and meets the participating bank's requirements may open a CollegeWealth Account. There are no state residency, age or income restrictions, and the Account Owner does not have to be related to the Beneficiary. However, the participating bank may set a minimum age for opening a money market deposit account in connection with CollegeWealth.

Designating a Beneficiary. When you open an Account, you must designate a Beneficiary, who may be a relative, friend or yourself. A Beneficiary must be either a U.S. citizen or legal U.S. resident. The Beneficiary must have been born at the time the Account is established.

Right of Survivorship Designation. The Account Owner must designate an individual or entity to which ownership of a CollegeWealth Account would transfer in the event of the Account Owner's death. Individuals designated must be at least 18 years old at the time of designation. Account owners may change this designation at any time by submitting a written request to VCSP. If an account does not have a valid survivorship designation at the time of the account owner's death, VCSP reserves the right to determine a successor owner (either the Account Owner's estate or by establishing a custodial account for the designated Beneficiary, depending on the circumstances).

Contributing to an Account. There can be only one Account Owner (joint ownership is not permitted), and only the Account Owner may request transfers, investment changes, rollovers, distributions, or cancellations. Other individuals or entities may contribute funds to the Account at any time, but will have no subsequent control over such Contributions. All Contributions to an Account are deemed to come from the Account Owner. Non-Account Owners do not have a customer relationship with the VCSP and the VCSP has no obligation to provide non-Account Owners with any continuing disclosure or required notices. The Account Owner may designate on the Application (or at any time in the future by written authorization) other individuals who may have access to Account information, and may revoke such authorization at any time by contacting VCSP.

Form of Contributions. All Contributions must be in cash or cash equivalents. CollegeWealth deposits may not be in the form of securities or other property. CollegeWealth Accounts may not be used as security for a loan. Contribution requirements are set by the participating bank. Contributions may be made through the participating bank's branches, online banking or call center.

Maximum Account Balances. The maximum account balance per Beneficiary is \$350,000, and no additional Contributions will be allowed once the market value of all of the VCSP accounts (CollegeWealth, VPEP, VEST, and CollegeAmerica) for the same Beneficiary have reached \$350,000. Multiple Accounts for the same Beneficiary will be combined for purposes of determining whether the maximum contribution amount has been reached. This maximum amount may be recalculated each year based on the estimated cost of seven years of Qualified Higher Education Expenses at the most expensive Eligible Educational Institution in the United States. Contribution of the maximum amount does not guarantee that the CollegeWealth Account balance will be adequate to cover the Qualified Higher Education Expenses of a particular Beneficiary.

Pending Settlement Period. All CollegeWealth Accounts will be subject to a Pending Settlement Period. This is the period of time between when a request for distribution is received and the amount to be distributed is actually withdrawn from the CollegeWealth Account. Distribution requests in good standing received and processed by the VCSP will be withdrawn from the CollegeWealth Account by the fifth business day (or the next business day after the fifth business day in the event of a holiday or if the VCSP is closed). **The VCSP, at its sole discretion, may modify this settlement schedule without prior notice.**

CHANGES TO AN ACCOUNT

Changing the Beneficiary. An Account Owner may change the Beneficiary of a CollegeWealth Account at any time. A change of Beneficiary is a non-taxable event for federal income tax purposes if the new Beneficiary is a "Member of the Family," as defined in the "Glossary of Terms", herein, of the Beneficiary. If the new Beneficiary is a "Member of the Family" of the prior Beneficiary and is in the same generation as the former Beneficiary, the change is not subject to federal gift tax or generation-skipping transfer tax. If the new Beneficiary is in a lower generation than the previous Beneficiary, the transfer will be subject to federal gift tax and may be subject to generation-skipping transfer taxation even if the new Beneficiary is a "Member of the Family" of the previous Beneficiary. The Account Owner must complete a Beneficiary Change Form (available from VCSP) indicating the relationship of the new Beneficiary to the previous Beneficiary. A Beneficiary change may be denied or limited if it causes one or more accounts administered by VCSP (including CollegeWealth, VEST, VPEP and CollegeAmerica accounts) for the same Beneficiary to exceed the \$350,000 maximum account balance limit.

Changing the Account Owner. The Account Owner may transfer the ownership of a CollegeWealth Account to another individual or entity, provided that no consideration is given or accepted for the transfer. To transfer an Account to another individual or entity, the Account Owner must submit an Account Owner Transfer Form to VCSP. The transfer of a CollegeWealth Account to another individual may have federal gift tax consequences. Please contact a tax professional to determine the effect of any such transfer on your individual situation.

All transfers shall be construed and administered to comply in all respects with any applicable state or federal statutes or regulations, including, but not limited to, Section 529 and any regulations promulgated thereunder.

Changing Investment Options. The Account Owner may change the investment options in which the Account is invested only twice per calendar year in 2009 for the same Beneficiary or whenever the Beneficiary of the Account is changed. After 2009, only one investment change will be allowed each calendar year unless the IRS issues further guidance. For purposes of the investment change rule, all accounts maintained by the Account Owner for the same Beneficiary in CollegeWealth, VEST and CollegeAmerica will be aggregated. Once an investment change is made in one account, a subsequent investment change in that account or in another account maintained for the same Beneficiary in CollegeWealth, VEST or CollegeAmerica within the same calendar year will be treated as a Distribution for tax purposes. The Account Owner may, however, change the investments in more than one Account for the same Beneficiary twice per

calendar year (for 2009) without tax consequences if the change to all Accounts is made at the same time. Requests to change the investment option for an Account must be in writing and may only be made by the Account Owner. Transfers among CollegeWealth, VEST and CollegeAmerica are considered investment option changes. Transfers of CollegeWealth Accounts among participating banks are also investment option changes, as are customer-initiated transfers between deposit accounts and certificates of deposit. Investment direction requests in good standing received and processed by the VCSP will be withdrawn from the CollegeWealth Account by the fifth business day (or the next business day after the fifth business day in the event of a holiday or if the VCSP is closed).

Address Changes. Account owners can change their address by contacting the participating bank. Account Owners will be required to verify their identity, normally with proof of identity with a driver's license, state-issued identification card, passport, or other official document or, in the case of address requests over the phone, with other identity verification procedures.

Name Changes. Account Owners can initiate name changes and or social security number changes in the event of marriage, divorce, or other legitimate legal reasons by contacting the participating bank. Account Owners will be required to verify their identity, normally with proof of identity with a driver's license, state issued identification card, passport, or other official document or, in the case of address requests over the phone, with other identity verification procedures. Proof of marriage, divorce, or other documentation will be required.

TRANSFERRING FUNDS

Rollovers. You may roll over accounts from other qualified tuition programs into a CollegeWealth Account. You will need to provide appropriate documentation from the transferring trustee or program manager that shows the earnings portion of the rollover. If such documentation is not provided, the entire rollover will be treated as earnings. Please note that if you withdraw funds from a qualified tuition program with the intention of contributing these funds to a CollegeWealth Account, you must do so within 60 days of the initial withdrawal in order to retain the tax-free treatment of the rollover.

An Account Owner may roll over a CollegeWealth Account to another qualified tuition program provided that the Account has not been rolled over in the previous twelve months for the same Beneficiary. VCSP, in conjunction with the participating bank, will provide to the new program manager or administrator a statement providing the earnings portion of the rollover. Rollovers of Accounts to another qualified tuition program may be made at any time for a substitute Beneficiary who is a "Member of the Family" of the Beneficiary. If you wish to roll over from CollegeWealth to VPEP, VPEP's eligibility requirements and enrollment period limits still apply. Transfers from CollegeWealth to VEST or CollegeAmerica are investment direction changes. Rollovers that meet IRS requirements are not subject to the 10% of earnings federal penalty tax mentioned herein and any earnings are not includible in federal adjusted gross income. Rollover distribution information will be reported on IRS Form 1099-Q.

To roll over an Account, the Account Owner must complete a Rollover Request Form specifying the qualified tuition program to which the rollover is being made, and, if applicable, indicating the relationship of the new Beneficiary to the current Beneficiary. Please allow up to sixty (60) days for a rollover request to be processed.

All rollover payments shall be issued in a lump sum directly to the designated qualified tuition program within sixty (60) days from the date of the rollover request. A rollover to a non-Virginia qualified tuition program will require the Account Owner to add back to his or her Virginia taxable income any amounts previously deducted from the Account Owner's Virginia taxable income as a result of CollegeWealth Contributions. All rollovers shall be construed and administered to comply in all respects with any applicable state or federal statutes or regulations, including, but not limited to, Section 529 and any regulations promulgated pursuant thereto.

Coverdell Education Savings Accounts and U.S. Savings Bonds. VCSP will accept transfers from a Coverdell Education Savings Account in order to fund a CollegeWealth Account. The transfer is considered a nontaxable withdrawal from the Coverdell Education Savings Account. You will need to complete a Rollover Request Form and open a CollegeWealth Account, and provide appropriate documentation from the trustee or custodian of the Coverdell Education Savings Account that shows the earnings portion of the transfer. If such documentation is not provided, the entire transfer will be treated as earnings. CollegeWealth will also accept funds from the redemption of Qualified U.S. Savings Bonds. You will need to open a CollegeWealth Account and provide appropriate documentation, such as a 1099-INT or a written statement from the financial institution that redeemed the Qualified U.S. Savings Bonds, that shows the earnings portion of the transfer. If such documentation is not provided, the entire transfer will be treated as earnings. Please consult your tax adviser regarding the tax consequences of such a transfer. Please also ensure that you redeem the bonds in the same calendar year that you fund the CollegeWealth Account. If you have additional questions, please contact the Bureau of Public Debt at (202) 874-4000 or at www.treasurydirect.gov, or the Internal Revenue Service at (800) 829-1040. IRS Publication 970, which provides information on Education Savings Bonds, is available at www.irs.gov.

Transfers. Account Owners can transfer money to their CollegeWealth Account from another institution's deposit account, or from another account at the participating bank, through several convenient channels. Transfers can be made by contacting the participating bank's branch, call center or online banking. Account Owners can also use online banking to set up a monthly automatic recurring transfer.

DISTRIBUTIONS

Qualified Distributions. The Account Owner may authorize distributions from the Account for the Qualified Higher Education Expenses of the designated Beneficiary at any time. Distributions may be used at any Eligible Educational Institution, as defined in the "Glossary of Terms". Generally, this includes any accredited two- or four-year college or university in the United States that is eligible to participate in federal student financial aid programs, as well as certain accredited private career or technical schools that are eligible to participate in federal student financial aid programs. Distributions may also be applied toward graduate or professional school Qualified Higher Education Expenses at an Eligible Educational Institution. CollegeWealth distributions may be applied at certain foreign institutions of higher education on a case-by-case basis. Please contact us toll free at 1-888-567-0540 for specific information on using CollegeWealth Distributions at foreign schools.

The VCSP will make requested distributions upon receipt of a signed Distribution Request Form. Neither VCSP nor the participating bank is responsible for any late fees imposed by eligible educational institutions. All CollegeWealth withdrawals will be processed according to the VCSP's normal processing timeframes.

Account Owners are not required to provide any documentation to support a distribution request. Appropriate documentation of expenses (copies of invoices, meal plan contracts or textbook receipts, for example) must be maintained for at least three years for tax purposes.

Neither VCSP nor the participating bank will make any determination regarding the qualification of a distribution. That determination is to be made by the Account Owner or the Beneficiary. For additional information, please see IRS Publication 970, or consult a tax or financial adviser.

In an Advance Notice of Rulemaking issued on January 17, 2008, the Department of Treasury indicated that they were considering proposing a rule that would require distributions and expenses to be matched up in the same tax year, or by March 31st of the following tax year. While

there is no final rule on this issue, you should consider this guidance when making decisions concerning your Account(s).

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

ACCOUNT TERMINATION

Cancellations. Only the Account Owner may cancel a CollegeWealth Account and receive a refund of the Account balance. In order to cancel all or part of a CollegeWealth Account and receive a refund, the Account Owner must provide a written request specifying the Account Owner's name, the Beneficiary's name, the CollegeWealth Account number, and any additional supporting documentation as may be required.

The amount of a refund in the event of a cancellation is the Account balance on the day the funds are withdrawn, subject to any penalties which may be imposed by the participating bank, if applicable. Non-qualified Distributions (except for distributions due to the Beneficiary's death, disability or receipt of a scholarship) will be subject to an additional 10% federal penalty tax on earnings, reported on the taxpayer's federal tax return, in addition to federal and Virginia income tax (for Virginia taxpayers) on the earnings. All cancellations and refunds shall be construed and administered to comply in all respects with any applicable state or federal statutes or regulations, including, but not limited to, Section 529 of the Internal Revenue Code of 1986, as amended, and any regulations promulgated pursuant thereto.

Limits on Account Length. Beneficiaries who have not graduated from high school at the time their CollegeWealth Account is opened have 10 years after the projected date of their high school graduation to use all assets in their CollegeWealth Account. Beneficiaries who have graduated from high school at the time the Account is opened have 10 years after the date the Account was opened to use all assets in the Account. Any time spent by a Beneficiary as an active-duty member of any branch of the U.S. Armed Services will be added to the 10-year period. If the Beneficiary of an Account is changed, the applicable 10-year time limit will begin again, based on the new Beneficiary's age and the date of the Beneficiary change. Account Owners may request an extension of this Account duration limit. If the CollegeWealth Account is not depleted within the 10-year limit, VCSP will contact the Account Owner regarding the status of the Account. If VCSP, after diligent efforts, is unable to locate the Account Owner, the Beneficiary or any designee of survivorship rights, the Board shall report the unclaimed amounts to the Virginia State Treasurer as unclaimed property pursuant to Section 55-210.12 of the Code of Virginia (1950), as amended. The value of any such Account reported as unclaimed property and remaining unclaimed for an additional five years shall be the then-current Account balance less any applicable administrative fees.

RISK CONSIDERATIONS

CollegeWealth is designed to facilitate tax-advantaged savings for the Qualified Higher Education Expenses of a Beneficiary. However, there are various risks associated with CollegeWealth. This section describes some of the principal risks associated with CollegeWealth, but it does not constitute an exhaustive list of the factors you should consider before opening an account and making contributions to it. An Account Owner may wish to consult a financial or tax adviser before opening a CollegeWealth Account. VCSP or the participating bank may change the terms and conditions of CollegeWealth or the CollegeWealth Account at any time or from time to time and there is no assurance that the current state and/or federal law will remain the same.

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

No Commonwealth Guarantees. CollegeWealth Accounts offered in conjunction with a participating bank offer FDIC insurance to the maximum amount allowed by law. CollegeWealth Accounts are not deposits or obligations of, or insured or guaranteed by, the VCSP, the Commonwealth of Virginia or any agency or instrumentality thereof. Neither the Board of the VCSP nor the Commonwealth of Virginia has a legal or moral obligation to insure the payout of any CollegeWealth Account balance.

Termination of CollegeWealth Program. In the event the CollegeWealth program terminates so that VCSP no longer offers it, VCSP and the participating bank have the option of moving all CollegeWealth assets to a substitute investment. If the CollegeWealth program terminates, you may have the option to maintain your funds at the participating bank, but the Account may no longer qualify as a Section 529 account. If this occurs, you may be required to pay a federal penalty tax of 10% of the earnings in the Account, as this would be considered a non-qualified distribution. You may also have the option of transferring your funds to another Section 529 investment option that may not provide FDIC insurance. Such a transfer may require the Account Owner to use his or her twice-per-calendar-year (for 2009) investment direction change. Investment direction changes will be allowed only once per year beginning in 2010 unless the IRS issues further guidance. You may also withdraw your funds. If the withdrawal is non-qualified (used for something other than qualified higher education expenses), you will incur the 10% federal penalty tax. There is no guarantee that 529 bank products such as CollegeWealth Accounts will continue to be available through the VCSP.

Limits on Account Length. Beneficiaries who have not graduated from high school at the time the Account is opened have at least ten years after the projected date of their high school graduation to use all funds from their CollegeWealth Account. This time period may be extended by the VCSP upon request. Beneficiaries who have graduated from high school at the time the Account is opened have at least ten years after the date the CollegeWealth Account was opened to use Account balances. VCSP will use information provided in the Application, or any Rollover or Change of Beneficiary Request Form with regard to a substitute Beneficiary, to determine the projected date of high school graduation. Any time spent by a Beneficiary as an active-duty member of any branch of the United States Armed Services will be added to the ten-year period. If an Account is rolled over to a qualified substitute Beneficiary, the applicable ten-year time limit will be based on the new Beneficiary's age. If, after the ten-year period specified above, an Account has a remaining balance, no extension has been requested and neither the participating bank nor the VCSP can locate the Account Owner, the Beneficiary, or any designee of survivorship rights, VCSP shall report the unclaimed amounts to the State Treasurer as unclaimed property pursuant to Section 55-210.12 of the Code of Virginia (1950), as amended. The value of any such Account reported as unclaimed property and remaining unclaimed for an

additional five years shall be the then-current Account balance less any applicable administrative fees.

Admission to, Continuation at, Graduation from or In-State Qualification for College and In-State Residency Status. Having a CollegeWealth Account does not guarantee that: (1) a Beneficiary will be admitted to any institution of higher education; (2) a Beneficiary will be allowed to continue enrollment at any institution of higher education after admission; (3) a Beneficiary will graduate from any institution of higher education; or (4) a Beneficiary will qualify for in-state tuition rates at any Virginia state-supported public college or university.

Meeting College Expenses. Even if an Account balance for a Beneficiary reaches the maximum limit allowed in CollegeWealth, there is no assurance that the value of the Account will be sufficient to cover all the Qualified Higher Education Expenses a Beneficiary may incur or that the rate of return on an Account will equal or exceed the rate at which Qualified Higher Education Expenses may rise each year. The rate of inflation for Qualified Higher Education Expenses is uncertain and is likely to exceed the rate of return on a CollegeWealth Account. VCSP is not responsible for paying any Qualified Higher Education Expenses that exceed the balance of a CollegeWealth Account when a distribution is requested.

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

Eligibility for Medicaid or other Benefits. A CollegeWealth Account may adversely affect an Account Owner's eligibility for federal and state assistance programs, particularly Medicaid. Please consult the agency or entity that administers the specific benefit program for additional information.

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

Changing Legal Regulations. It is possible that the U.S. Congress, the Treasury Department, the IRS, the Commonwealth of Virginia and other taxing authorities or the courts may take actions that will adversely affect CollegeWealth and that such adverse effects may be retroactive. Legislative action could diminish or even terminate the tax advantages associated with CollegeWealth. VCSP is not obligated to continue to offer CollegeWealth in the event that a change in the tax or other federal or state law makes continued operation not in the best interests

of Account Owners or Beneficiaries. There can be no assurance that a change will not adversely affect CollegeWealth and/or the value of your investment in an Account.

The IRS issued proposed income tax regulations under Section 529 in 1998, but as of the date of this Program Description, it has not issued final regulations concerning qualified tuition programs. In January 2008, the Department of Treasury and the IRS released an advance notice of proposed rulemaking for qualified tuition programs. The advance notice indicates that proposed rulemaking in the future may include rules relating to the tax treatment of contributions to and participants in qualified tuition programs, as well a general anti-abuse rule that will apply when accounts are established or used for purposes of avoiding transfer tax or for other purposes inconsistent with Section 529. When proposed or final rules are issued, such regulations or any published ruling may alter the tax consequences summarized in this Program Description, may require that changes be made to CollegeWealth to achieve the tax benefits described or may have a significant effect on CollegeWealth and your Account.

Claims Against Accounts. Virginia law provides Account Owners and Beneficiaries protection from creditors. When Virginia law is applied, a CollegeWealth Account may not be attached, garnished, seized or appropriated by any creditor to pay any debt or liability of the Account Owner or Beneficiary. This protection generally may be preserved by a debtor in a bankruptcy case. Federal bankruptcy law, as amended by the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005 (BAPCPA), protects all contributions made at least two years before a bankruptcy filing to a CollegeWealth Account for the children or grandchildren of the Account Owner or other individual contributing to a CollegeWealth Account. Federal bankruptcy law also protects contributions up to \$5,000 made at least one year before a bankruptcy filing to a CollegeWealth Account for the children or grandchildren of the Account Owner or other individual contributing to a CollegeWealth Account. Contributions made less than one year before filing a bankruptcy petition are not protected. In addition, federal law provides that an Account cannot be assigned, used as security or collateral on any loan, or otherwise alienated, sold, transferred, pledged or otherwise encumbered. VCSP cannot represent or warrant protection from creditors. You should consult a legal adviser about the application of these laws to your particular situation.

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

FEDERAL AND VIRGINIA TAX CONSIDERATIONS

Federal Tax Treatment in General. Section 529 of the Internal Revenue Code (26 U.S.C. Section 529) governs the federal tax treatment of qualified tuition programs such as the Virginia College Savings Plan and the tax consequences for Account Owners and Beneficiaries of such plans. As of the date of this Program Description, the Internal Revenue Service had not issued final regulations governing the application of Section 529 to college savings plans. CollegeWealth has been structured to meet all current federal requirements, and, therefore, the VCSP itself does not pay federal income tax. **Final regulations or changes to the Internal Revenue Code or the Code of Virginia, or federal or state court decisions could affect the tax consequences of participation in a qualified tuition program, including, but not limited to, loss of tax advantages. The Board may modify CollegeWealth as necessary in the future without prior notice to comply with any such changes.**

The increase in the value of a CollegeWealth Account (the earnings) is tax deferred, and is not taxable at the federal level if the distribution is used for Qualified Higher Education Expenses. Non-qualified Distributions will be subject to federal income tax on the earnings and Virginia state income tax for Virginia taxpayers, as well as a federal penalty tax of 10% of CollegeWealth earnings, reported on the taxpayer's federal tax return. Non-qualified Distributions may also require the recapture in Virginia taxable income of some or all amounts, if any, that the Account Owner deducted from his or her Virginia taxable income due to Contributions to a CollegeWealth

Account. There is no Virginia state income tax liability for the federally taxable portion of a refund made in the event of the Beneficiary's death, Disability, or receipt of a scholarship, nor are such distributions subject to the 10% of earnings federal penalty tax.

The VCSP will apply a formula to determine the taxable (earnings) and non-taxable (Contributions) portions of each distribution made from an Account. The taxable portion is ordinary income, not capital gains. The taxable portion of a Non-qualified Distribution will be taxed as ordinary income in the year of the distribution. The taxable (earnings) portion of Non-qualified Distributions also is subject to a 10% federal penalty tax. CollegeWealth Contributions are NOT deductible from federal taxable income at the time of contribution. Please see the discussion below of the limited ability for some participants to deduct a portion of their tuition payments from their federal taxable income at the time those payments are made as provided in the 2001 Tax Act. The increase in the Account's value is tax deferred at the federal level, and if the distributions are used for Qualified Higher Education Expenses, no federal tax is due for distributions. See IRS Publication 970, "Tax Benefits for Education" at www.irs.gov.

Federal Gift Tax. Section 529 provides that CollegeWealth Contributions are a completed gift of a present interest for federal gift tax purposes. Contributions to qualified tuition programs like CollegeWealth are not currently excluded from taxable gifts as tuition payments under IRC Section 2503(e). Section 529 provides a five-year averaging provision for any Contributions in one taxable year that are greater than the current \$13,000 (\$26,000 for married couples) annual exclusion from federal gift tax. This means that if a Contribution by any Account Owner or other individual to a single Beneficiary in any one tax year is greater than \$13,000 (\$26,000 for married couples), the Account Owner or individual contributing the funds may elect to average the amount of the gift over a five-year period. This would allow a contribution of up to \$65,000 (\$130,000 for married couples) in one tax year without federal gift tax consequences. An Account Owner or other individual who makes a Contribution of up to \$65,000 (\$130,000 for married couples) may not make any additional gifts to the same individual until the end of the five-year averaging period without incurring federal gift tax consequences.

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

These federal tax provisions are complex and each taxpayer's situation is unique. Please contact a tax professional or the Internal Revenue Service for specific information on these provisions and how they may affect you.

Federal Estate Tax. Generally, no amount is includible in the Account Owner's gross estate as a result of Contributions to a qualified tuition program. If, however, the Account Owner dies before the end of the five-year averaging period discussed above, if it has been elected, the Account Owner's gross estate will include the portion of the Contributions allocable to the years following the Account Owner's death. Section 529 also provides that the gross estate of a designated Beneficiary of a qualified tuition program such as CollegeWealth includes the value of any interest in an Account maintained with a qualified tuition program on behalf of that Beneficiary in the event of the Beneficiary's death. **Please contact a tax professional or the Internal Revenue Service to determine the effect of federal gift and estate tax provisions on your individual situation.**

Federal Generation-Skipping Transfer Tax. In addition to possible federal gift and estate tax consequences, federal generation-skipping transfer tax may apply to contributions made to an Account if the Beneficiary is deemed to be a member of a generation that is more than one generation younger than the generation of the Account Owner or other individual contributing to the Account or if the new Beneficiary is more than one generation younger than the previous Beneficiary. Contributions that qualify for the annual gift tax exclusion are not subject to generation-skipping transfer tax. Generation-skipping transfer tax will be payable only on the amount by which contributions in excess of the annual exclusion amount exceed the Account Owner or other individual's lifetime generation-skipping transfer tax exemption (\$3.5 million for 2009). This tax is unlikely to apply to many Account Owners or other individuals contributing to Accounts. Where it applies, however, the generation-skipping transfer tax is imposed at the maximum federal estate tax rate. Consult your tax adviser or the Internal Revenue Service regarding the specific application of these rules to your particular circumstances.

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

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

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

ACCOUNT REPORTING

Statements. The participating bank will issue online statements to CollegeWealth Account Owners according to its normal schedule. These statements are accessible through online banking, and can be printed and/or saved. Account owners can also use free mobile banking and alerts to receive notifications when the statement is available for viewing.

Tax Reporting. If an Account Owner has more than one Virginia savings trust account (VEST, CollegeAmerica and/or CollegeWealth) for the same Beneficiary, the Internal Revenue Service requires that we aggregate the earnings on all such accounts for reporting purposes. Each year there is a distribution from one of your VEST, CollegeAmerica or CollegeWealth Accounts, you will receive an IRS Form 1099-Q that reflects the aggregated earnings. All Forms 1099-Q are sent to the Account Owner unless the distribution is made to the Beneficiary or an institution of higher education. If the distribution is made to the Beneficiary or to an institution of higher education, we are required to send the Form 1099-Q to the Beneficiary. If the distribution was for a Qualified Higher Education Expense, no federal or Virginia income tax related to that distribution will be due. If you live in a state other than Virginia, please check to determine your state's treatment of income from another state's qualified tuition program that is tax exempt at the federal level. The Virginia College Savings Plan will not determine whether an expense is qualified or non-qualified. Account Owners will be required to maintain records adequate to prove qualified expenses, such as invoices and textbook receipts. The 10% of earnings federal penalty tax and federal income tax on the earnings for Non-qualified Distributions are reported on the taxpayer's income tax returns, and will not be withheld by the Virginia College Savings Plan.

COORDINATION WITH OTHER EDUCATION TAX INCENTIVES

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

Coverdell Education Savings Accounts. Depending on your income level, Coverdell Education Savings Accounts may permit tax-free growth and exclusion from gross income for earnings withdrawn to pay qualified education expenses. Through 2010, the annual limit on contributions to a Coverdell Education Savings Account is \$2,000 per Account Owner per Beneficiary. Congress must act to extend this limit. If it does not, the annual contribution limit per Account per Beneficiary will be \$500. Contributions may be made to both a CollegeWealth Account and a Coverdell Education Savings Account in the same calendar year through 2010. If total distributions from a Coverdell Education Savings Account and a CollegeWealth Account exceed the Beneficiary's Qualified Higher Education Expenses for any calendar year, the expenses must be allocated between the two distributions.

Hope Scholarship and Lifetime Learning Credits. Hope and Lifetime Learning federal tax credits are available for families who pay qualified higher education expenses, which include the cost of tuition and certain fees. In order to take advantage of the Hope and Lifetime Learning federal tax credits, you must allocate your higher education expenses among the various federal higher education tax incentives. For example, if you qualify for a Hope federal tax credit for tuition paid in a specific year, you cannot also use a tax-free distribution from your CollegeWealth Account for that same expense. The coordination of the various federal higher education tax incentives can be quite complex. Please contact a tax professional for assistance in determining your eligibility for the various tax incentives and in allocating your higher education expenses.

Limited Tax Deduction for Education Expenses. The 2001 Tax Act also provides for a limited federal deduction for tuition and required fees at the time these expenses are paid. This deduction has a number of qualifications and restrictions, including income phase-outs and varying amounts that can be deducted based on income. This deduction is not available for taxpayers in the same year they elect to take the Hope or Lifetime Learning federal tax credits. For Section 529 participants, there is a special coordination provision that allows the contribution portion of a distribution (the basis) from a Section 529 account to be used for this deduction if the

distribution was used to pay for tuition and required fees. This means that you are not allowed a “double” tax benefit by being allowed to deduct the earnings portion of your distribution, which has already received the benefit of being tax-free, but the contribution portion, on which you have already paid tax, may be used to qualify for this limited deduction. This deduction has been extended by Congress, and now expires after December 31, 2009.

Exclusion of Interest on Qualified U.S. Savings Bonds. Depending on your income level, redemption proceeds from Qualified U.S. Savings Bonds that are either used for qualified tuition and related expenses or contributed to a CollegeWealth Account may be excluded from income.

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

Individual tax situations vary greatly. Please consult a tax adviser concerning any legal or tax implications arising from opening a CollegeWealth Account. Neither the VCSP nor the participating bank can provide legal, financial or tax advice, and the foregoing summary should not be construed as legal, financial or tax advice with respect to the consequences for any particular individual as a result of Contributions to, investment of, or distributions from a CollegeWealth Account.

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

Section 529 Qualified Tuition Programs are intended to be used only to save for qualified higher education expenses. These programs are not intended to be used, nor should they ever be used, by any taxpayer for the purpose of evading federal or state taxes or tax penalties. Taxpayers may wish to seek tax advice from an independent tax adviser based on their own particular circumstances.

GLOSSARY OF TERMS

“Account” means the separate CollegeWealth Account set up by each Account Owner for a separate Beneficiary.

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

“Agreement” means this Program Description, including the CollegeWealth Account Agreement set forth below, the Virginia College Savings Plan Privacy Policy (available online at the participating bank’s CollegeWealth website) and the Virginia College Savings Plan Privacy Statement and Disclaimer (also available online at the participating bank’s CollegeWealth website) as amended from time to time, and the completed Account Application. “Agreement” also refers to a signed Account Owner Change Form, which incorporates the Program Description.

“Application” means the form (whether hard copy or online) completed and signed or electronically accepted by the Account Owner and submitted to open a CollegeWealth Account for a designated Beneficiary. A separate Application is required for each Account, even if it is for the same Beneficiary.

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

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

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

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

“Eligible Educational Institution” means the definition of that term in Section 529 of the Internal Revenue Code of 1986, as amended. Generally, the term includes accredited post-secondary educational institutions offering credit toward a bachelor’s degree, an associate’s degree, a graduate level or professional degree, or another recognized post-secondary credential. Certain proprietary institutions and post-secondary vocational institutions are also Eligible Educational Institutions. The institution must be eligible to participate in a student financial aid program under Title IV of the Higher Education Act of 1965 (20 U.S.C. Section 1088).

“Member of the Family” means the definition of that term in Section 529 of the Internal Revenue Code of 1986, as amended. “Member of the Family” means an individual who is related to the designated Beneficiary as follows: a son or daughter, or a descendent 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 individual described above; or a first cousin of the Beneficiary. For purposes of determining who is a “Member of the Family,” a legally adopted child of an individual shall be treated as the child of such individual by blood. The terms “brother” and “sister” include half-brothers and half-sisters.

“Non-qualified Distribution” means a distribution from a CollegeWealth Account made for any reason other than for: (1) the properly documented Qualified Higher Education Expenses of the designated Beneficiary or (2) a qualified rollover to another qualified tuition program, including the Virginia Prepaid Education Program. Non-qualified Distributions will be subject to federal income tax on the earnings and Virginia state income tax on the earnings for Virginia taxpayers, as well

as the 10% federal penalty tax on earnings, reported on the taxpayer's federal tax return. Non-qualified Distributions may require the recapture of some or all amounts, if any, that the Account Owner deducted from his or her Virginia taxable income due to Contributions to a CollegeWealth Account. Non-qualified Distributions due to a Beneficiary's death, disability or receipt of a scholarship (including attendance at a U.S. military academy) will not be subject to the 10% federal penalty tax on earnings. Scholarship distributions are limited to the amount of the scholarship.

"Pending Settlement Period" for Qualified or Non-qualified Distributions means the period of time between when a request for distribution is received and the amount to be distributed is actually withdrawn from the CollegeWealth Account. Distribution requests in good standing received and processed by the VCSP will be withdrawn from the CollegeWealth Account by the fifth business day (or the next business day after the fifth business day in the event of a holiday or if the VCSP is closed). **The VCSP, at its sole discretion, may modify this settlement schedule without prior notice.**

"Qualified Distribution" means a distribution made for the properly documented Qualified Higher Education Expenses of the designated Beneficiary or a qualified rollover to another qualified tuition program.

"Qualified Higher Education Expenses" means the expenses allowed under Section 529 of the Internal Revenue Code of 1986, as amended. Generally, these include the following: (1) tuition, all mandatory fees, and the costs of textbooks, supplies, and equipment required for the enrollment or attendance of a designated Beneficiary at an Eligible Educational Institution; (2) for 2009 and 2010 only, costs paid or incurred for the purchase of any computer, technology, equipment, Internet access and related services to be used by the designated Beneficiary and his or her family during the year the designated Beneficiary is enrolled at an Eligible Educational Institution. Computer software designed for sports, games or hobbies is not an eligible expense unless the software is predominantly educational in nature; (3) expenses for special needs services in the case of a special needs beneficiary which are incurred in connection with such enrollment or attendance; and (4) the costs of room and board of a designated Beneficiary during any academic period during which the designated Beneficiary is enrolled at least half-time in a degree, certificate, or other program that leads to a recognized educational credential awarded by an Eligible Educational Institution. The allowable amount of room and board expenses for students living on campus is the actual amount invoiced by the Eligible Educational Institution. For students who live off campus or at home, the allowable amount for room and board expenses is the applicable room and board amount for that period used by the Eligible Educational Institution in determining its cost-of-attendance for federal financial aid purposes. A student will be considered to be enrolled at least half-time if the student is enrolled for at least half the full-time academic workload for the course of study the student is pursuing as determined under the standards of the institution where the student is enrolled. The institution's standard for a full-time workload must equal or exceed the standard established by the Department of Education under the Higher Education Act and set forth in 34 Code of Federal Regulations Section 674.2(b). Cost-of-attendance figures are available from individual institutions.

CollegeWealth Account Agreement

1. Any factual determinations regarding CollegeWealth Accounts will be made by the Board based on the facts and circumstances of each case.
2. CollegeWealth Accounts shall be construed in accordance with the laws of the Commonwealth of Virginia and applicable federal law, including 26 U.S.C. § 529, as amended. Venue for any action arising from or relating to CollegeWealth Accounts opened hereunder shall be in a state or federal court located in Richmond, Virginia.
3. In the event any clause or portion of the Agreement is found to be invalid or unenforceable by a court of competent jurisdiction, that clause or portion shall be severed from the Agreement and

the remainder of the Agreement shall continue in full force and effect as if such clause or portion had never been included.

4. This Agreement, which consists of the completed and signed hard copy or online Application, this CollegeWealth Account Agreement, the Program Description, the Virginia College Savings Plan Privacy Policy (available online at the participating bank's CollegeWealth website) and the Virginia College Savings Plan Privacy Statement and Disclaimer (also available online at the participating bank's CollegeWealth website) as amended from time to time by the Board, is the complete and exclusive statement of the agreement between the Account Owner and the VCSP related to the subject matter hereof, which supersedes any prior agreement, oral or written, and any other communications between the parties hereto relating to the subject matter of the Agreement. The Account Owner agrees to be bound by any amendments that the Board may make to the CollegeWealth Account Agreement, the Program Description, the Virginia College Savings Plan Privacy Policy and the Virginia College Savings Plan Privacy Statement and Disclaimer.

5. The Account Owner may, in compliance with the procedures in the Program Description, transfer ownership of a CollegeWealth Account to another individual or entity provided no consideration is given for the transfer. Neither a CollegeWealth Account, nor any interest, rights or benefits in it, may be sold, nor may any interest in a CollegeWealth Account be used as security for any loan.

6. The Board may require that any written documentation, request or any other actions the Board may designate from time to time, be verified under oath.

7. This Agreement is not intended to, nor does it, confer any benefit or legal rights upon any third-party beneficiary. The individual designated as the Beneficiary of a CollegeWealth Account has no independent claim, right or access to any funds in a CollegeWealth Account solely related to such designation. Payments directly to a Beneficiary will only be made with the Account Owner's specific written authorization for such payments.

8. Account Owners may only change investment options twice per calendar year during 2009 and once per calendar year thereafter, or when the Beneficiary is changed. A separate accounting shall be provided for each Account.

9. The Account Owner assumes all liability for any financial losses related to a CollegeWealth Account. The Account Owner understands and acknowledges that there is no recourse against the Board's members or its employees individually, or against the Commonwealth of Virginia or the Virginia College Savings Plan or the participating bank in connection with a CollegeWealth Account. Nothing in this Agreement shall be deemed or construed as an express or implied waiver of the sovereign immunity of the Commonwealth of Virginia or a pledge of the full faith and credit of the Commonwealth of Virginia.

10. The Board or the participating bank shall not be liable for any losses or failure to perform its obligations under this Agreement caused, directly or indirectly, by government restrictions, exchange or market rulings, suspension of trading, acts of war, terrorism, strikes, power outages or any other conditions or occurrences beyond its control.

11. If the Board determines that there has been any material misrepresentation related to the Agreement or the CollegeWealth Account, the Account may be cancelled. The Account Owner will receive a refund of the current Account balance, subject to any applicable penalties and fees, including any early withdrawal penalties (if applicable) that may be applied by the participating bank.

12. The Account Owner understands and acknowledges that CollegeWealth Accounts are not deposits or obligations of, or insured or guaranteed by, the Commonwealth of Virginia or any agency or instrumentality thereof. The Account Owner further understands and acknowledges that CollegeWealth Accounts only provide Federal Deposit Insurance Corporation insurance, in conjunction with the participating bank, to the extent provided by federal law.